(24) No Material Adverse Change. Since the date of each of GFP's and the Borrower's most recent annual audited financial statements provided to the Administrative Agent, there has been no Material Adverse Change except for cost overruns with respect to the Mills Budget and the need to obtain the financing under this Agreement to address *inter alia* such overruns and except for the strike/lockout in existence on the Closing Date at GFP's Timmins plant which commenced on September 9, 2006.

(25) Environmental Matters.

(a) The Property and assets (including those to be acquired for construction and operation of the Mills) of each Restricted Party and its operations are in full compliance in all respects with and no liability as arisen under all Environmental Laws, except to the extent that the non-compliance would not or could not reasonably be expected to cause or result in a Material Adverse Change. Neither the Borrower nor GFP is aware of, nor has it received notice of, any past, present or future condition, event, activity, practice or incident that may interfere with or prevent the compliance or continued compliance of it or any other Restricted Party in all respects with all Environmental Laws except to the extent that the non-compliance would not or could not reasonably be expected to cause or result in a Material Adverse Change. Each Restricted Party has obtained all licences, permits and approvals that are currently required under all Environmental Laws and is in full compliance with the provisions of such licences, permits and approvals, in each case except to the extent that the non-compliance would not or could not reasonably be expected to cause or result in, a Material Adverse Change.

(b) Neither the Borrower nor GFP is aware that any Hazardous Substances exist on, about or within or have been used, generated, stored, transported, disposed of on, or released from any of its Property or the Property of any other Restricted Party or the Property to be acquired for constructing and operating the Mills, other than in material accordance and compliance with all Environmental Laws, except to the extent that the non-compliance would not or could not reasonably be expected to cause or result in, a Material Adverse Change.

(c) The use which each Restricted Party has made and intends to make of its Property (including the Property to be acquired for constructing and operating the Mills) will not result in the use, generation, storage, transportation, accumulation, disposal, or release of any Hazardous Substances on, in or from any such Property except in accordance and compliance with all Environmental Laws, except to the extent that the non-compliance would not or could not reasonably be expected to cause or result in, a Material Adverse Change.

(d) There is no action, suit or proceeding, or, to the knowledge of each Restricted Party, any investigation or inquiry, before any Governmental Authority pending or, to its knowledge, threatened against any Restricted Party relating in any way to any Environmental Law that would or could reasonably be expected to cause or result in, a Material Adverse Change.

(e) No Restricted Party has (i) incurred any current and outstanding liability for any clean-up or remedial action under any Environmental Law with respect to current or past operations, events, activities, practices, incidents or the condition or use of any Property owned currently or in the past, (ii) received any outstanding written request for information (other than information to be provided in the normal course in connection with applications for licences, permits or approvals) by any Person under any Environmental Law with respect to the condition, use or operation of its Property, or (iii) received any Environmental Claim that in any of subsections (i), (ii) or (iii) would or could reasonably be expected to cause or result in a Material Adverse Change.

(26) CERCLA. No portion of any Property of any Restricted Party has been listed, designated or identified or proposed for such listing, designation or identification in the National Priorities List or the CERCLA Information System both as published by the United States Environmental Protection Agency, or any similar list of sites published by any federal, state or local authority proposed for clean up or remedial or corrective action under any requirements of Environmental Laws.

(27) Pension Plans. With respect to Pension Plans, except as disclosed on Schedule 8.01(27), (a) no steps have been taken to terminate any Pension Plan (wholly or in part) that could result in any of the Restricted Parties being required to make an additional contribution to the Pension Plan in excess of $500,000 (or the equivalent amount in Canadian Dollars), (b) no contribution failure has occurred with respect to any Pension Plan of a Restricted Party (for this purpose as provided in clause (ii) of the definition of "Pension Plan") sufficient to give rise to a lien or charge under Section 302(f) of ERISA or any applicable pension benefits laws of any other jurisdiction, (c) no condition exists and no event or transaction has occurred with respect to any Pension Plan that is reasonably likely to result in any Restricted Party incurring any material liability, fine or penalty, and (d) no Restricted Party has any contingent liability with respect to any post-retirement benefit under a Welfare Plan that is material to the Borrower or GFP on a consolidated basis. Except as disclosed on Schedule 8.01(27), (i) each Pension Plan of each Restricted Party is in compliance in all material respects with all Applicable Laws, (ii) all contributions (including employee contributions made by authorized payroll deductions or other withholdings) required to be made to the appropriate funding agency in accordance with all Applicable Laws and the terms of each such Pension Plan have been made in accordance with all Applicable Laws and the terms of each such Pension Plan, (iii) all liabilities under each such Pension Plan are funded, on a going concern and solvency basis, in accordance with the terms of the respective Pension Plans, the requirements of applicable pension benefits laws and of applicable regulatory authorities and the most recent actuarial report filed with respect to the Pension Plan, and (iv) no event has occurred and no conditions exist with respect to any Pension Plan that have resulted or could reasonably be expected to result in any Pension Plan having its registration revoked or refused for the purposes of any administration of any relevant pension benefits regulatory authority or being required to pay any Taxes under any Applicable Laws, except for any exceptions to clauses (ii) through (iv) above that, individually or in the aggregate, could not reasonably be expected to cause or result in, a Material Adverse Change. Without limiting any of the foregoing in this paragraph, no ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Change.

(28) Compliance with Regulations T, U and X. Neither the Borrower, GFP nor any of their respective Subsidiaries is engaged principally in or has as one of its important activities the business of extending credit for the purpose of purchasing or carrying any "margin security" or "margin stock" as defined in Regulations T, U, and X (12 C.F.R. Parts 221 and 224) of the Board of Governors of the Federal Reserve System (herein called "Margin Stock"). Neither the making of the Loans nor the use of proceeds thereof will violate the provisions of Regulation T, U, or X of said Board of Governors.

(29) Representations and Warranties in Loan Documents. All representations and warranties set forth in the other then existing Loan Documents were (with respect to the representations and warranties of Restricted Parties other than the Borrower and GFP, to the knowledge of the Borrower and GFP) true and correct in all material respects as of the time such representations and warranties were made and are true and correct in all material respects as of the Closing Date as if such representations and warranties were made on and as of such date.

(30) Broker's Fees. No broker's or finder's fees or commission will be payable with respect to this Agreement or any of the transactions contemplated hereby, and the Borrower and GFP will indemnify the Administrative Agent and the Lenders against, and will hold the Administrative Agent and the Lenders harmless from, any claim, demand or liability for any such broker's or finder's fees alleged to have been incurred in connection herewith or therewith and any expenses (including fees, expense and disbursements or counsel) arising in connection with any such claim, demand or liability.

(31) Full Disclosure. All information provided or to be provided to the Administrative Agent and the Lenders in connection with the Credit Facility is, to the Borrower's and GFP's knowledge, true and correct in all material respects and none of the documentation furnished to the Administrative Agent and the Lenders by or on behalf of it, to its knowledge, omits or will omit as of such time, a material fact necessary to make the statements contained therein not misleading in any material way, and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due and careful inquiry by it (and any other Person who furnished such material on behalf of it).

(32) Mills. Attached as Schedules 1.01(k), 1.01(l) and 1.01(m) are the Mills Budget, the Mills Operating Projections and the Mills Construction Schedule, all of which are to the best of the knowledge of the Borrower and GFP complete in all material respects and are reasonable budgets, projections and schedules that are based on reasonable assumptions.

(33) Investment Company Status. None of the Restricted Parties is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

8.02 Survival of Representations and Warranties

The representations and warranties set forth in Section 8.01 survive the execution and delivery of this Agreement and all other Loan Documents.

ARTICLE 9 - COVENANTS

9.01 Positive Covenants

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Required Lenders, each of the Borrower and GFP will, and will cause each of the other Restricted Parties to:

(1) Timely payment. Make due and timely payment of the Obligations required to be paid by it hereunder or under the Loan Documents.

(2) Conduct of Business and Maintenance of Existence. Engage in business of the same general type as now conducted by it; carry on and conduct its business and operations in a proper, efficient and businesslike manner, in accordance with good business practice; preserve, renew and keep in full force and effect its existence; and, except to the extent that the failure to comply therewith would not individually or in the aggregate have, or be reasonably likely to cause or result in, a Material Adverse Change, take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business and comply with all Material Licences and Requirements of Law.

(3) Further Assurances. Use reasonable efforts to provide the Administrative Agent and the Lenders with such other documents, opinions, consents, acknowledgments and agreements as are reasonably necessary to implement this Agreement and the other Loan Documents from time to time.

(4) Access to Information. Promptly provide the Administrative Agent with all information reasonably requested by the Administrative Agent from time to time concerning its financial condition and Property, and during normal business hours and from time to time upon reasonable notice, permit representatives of the Administrative Agent and the Lenders to inspect any of its Property and to examine and take extracts from its financial records, including records stored in computer data banks and computer software systems, and to discuss its financial condition with its senior officers and (in the presence of such of its representatives as it may designate) its auditors, the reasonable expense of all of which will be paid by the Borrower and GFP.

(5) Obligations and Taxes. Pay or discharge, or cause to be paid or discharged, before the same will become delinquent (i) all Taxes imposed upon it or upon its income or profits or in respect of its business or Property and file all tax returns in respect thereof, (ii) all lawful claims for labour, materials and supplies, (iii) all required payments under any of its Debt, and (iv) all other obligations; provided, however that it will not be required to pay or discharge or to cause to be paid or discharged any such amount so long as the validity or amount thereof is being contested in good faith by appropriate proceedings and an appropriate financial reserve in accordance with GAAP and satisfactory to the Administrative Agent has been established.

(6) Use of Credit Facility. Use the proceeds of the Credit Facility only for the purposes specified in Section 2.05.

(7) Insurance. Maintain insurance on all its Property (showing the Administrative Agent as the loss payee as its interests may appear) with financially sound and reputable insurance companies or associations including all-risk property insurance, comprehensive general liability insurance and business interruption insurance, including course of construction and liability insurance in respect of the Mills, in amounts and against risks that are determined by the Borrower and GFP to be appropriate and that are prudent in the circumstances and that are customary in its industry; furnish to the Administrative Agent, on written request, but in any event annually, satisfactory evidence of the insurance carried and notify the Administrative Agent of any claim it makes under the foregoing insurance policies that is in excess of $1,000,000.

(8) Application of Insurance Proceeds. With respect to all proceeds of insurance where the amount of such proceeds is greater than or equal to $25,000,000, the Restricted Party will consult with the Lenders about the use of all such proceeds and provide information to the Lenders about the proposed application of all such proceeds and, if the Specified Criteria are met, the Restricted Party will reinvest all such proceeds in the business to repair or restore the damaged assets commencing within 180 days after the proceeds are received; provided, however, if the Specified Criteria are not met, then all such proceeds will be repaid to the Lenders pursuant to Section 6.03(1); and provided further that with respect to all proceeds of insurance of less than $25,000,000, the Restricted Party will reinvest such proceeds in the business to repair or restore the damaged assets from which such proceeds are derived commencing within 180 days after the proceeds are received. For the purposes hereof, **"Specified Criteria"** means the following conditions which must be satisfied for the applicable Restricted Party, without the consent of the Lenders or Administrative Agent, to use the proceeds from insurance to repair or restore damaged assets or rebuild a facility in respect of which such proceeds have been derived:

(i) the Restricted Party and the Independent Engineer certify, and the Administrative Agent (on instructions of the Required Lenders, in their reasonable judgment) determines that repair or restoration of the Property is technically feasible within an 18 month period (or such shorter period during which insurance proceeds are available under the business interruption insurance maintained by or on behalf of the Restricted Party), and that a sufficient amount of funds is or will be available to the Restricted Party to make such repairs and restorations;

(ii) the Required Lenders, acting reasonably, determine that after repair and restoration the Property, the Borrower will be able to repay the Loans and PIK Interest Amounts and other amounts due to the Lenders as and when due;

(iii) no material federal, state, local or other governmental licence, registration, recording, filing, consent, permit, order, authorization, certificate, approval, exemption or declaration is necessary to proceed with the repair and restoration and no material amendment to this Agreement and no other instrument, is necessary for the purpose of effecting the repairs or restorations or, if any such governmental licence, registration, recording, filing, consent, permit, order, authorization, certificate, approval, exemption or declaration or amendment or instrument is necessary, the Restricted Party will be reasonably likely to be able to obtain such as and when required;

(iv) Administrative Agent shall receive an opinion of counsel acceptable to Administrative Agent opining that property subject to such repairs or restoration will be subject to the Security at the same ranking as provided by the applicable legal opinion delivered with respect to the existing Security; and

(v) Administrative Agent shall receive such additional title insurance, title insurance endorsements, mechanics' lien waivers, certificates, opinions or other matters as Administrative Agent may reasonably request as necessary or appropriate in connection with such repairs or restoration to preserve or protect the Administrative Agents' and the Lenders' interests hereunder and in the assets of the Restricted Party.

(9) Notice of Default. Promptly notify the Administrative Agent of any Event of Default or Default of which it becomes aware.

(10) Notice of Material Adverse Change. Promptly notify the Administrative Agent of any Material Adverse Change of which it becomes aware.

(11) Notice of Litigation. Promptly notify the Administrative Agent on becoming aware of the occurrence of any litigation, dispute, arbitration or other proceeding the result of which if determined adversely would be a judgement or award against it (a) in excess of $5,000,000, or (b) would cause or result in a Material Adverse Change to it, and from time to time provide the Administrative Agent with all reasonable information requested by the Administrative Agent concerning the status of any such proceeding.

(12) Environmental Compliance. Operate all Property owned, leased or otherwise used by it in a manner such that no obligation, including a clean-up or remedial obligation, will arise under any Environmental Law, which obligations individually or in the aggregate would have, or would be reasonably likely to cause or result in, a Material Adverse Change; provided, however, that if any such claim is made or any such obligation arises, will or will cause the applicable Restricted Party to immediately satisfy or contest such claim or obligation at its own cost and expense, and promptly notify the Administrative Agent upon learning of (a) the existence of Hazardous Substances located on, above or below the surface of any land that it occupies or controls (except those being stored, used or otherwise handled in compliance with Environmental Law), or contained in the soil or water constituting such land, or (b) the occurrence of any reportable release of Hazardous Substances into the air, land surface water or ground water that has occurred on or from such land that, as to either (a) or (b), would be reasonably likely to cause or result in a Material Adverse Change.

(13) Security. Provide the Administrative Agent with the Security required from time to time pursuant to Article 10 in accordance with the provisions of Article 10, accompanied by supporting resolutions, certificates and opinions in form and substance satisfactory to the Administrative Agent, acting reasonably, and do all such further acts and execute and deliver all such documents and instruments as may from time to time be requested by the Administrative Agent, acting reasonably, to ensure that the Security constitutes at all times valid, enforceable, and perfected (to the extent provided for in the Security) Encumbrances that are prior to all other Encumbrances, other than those Permitted Encumbrance that are *pari passu* or prior thereto.

(14) Maintenance of Property. Keep all Property useful and necessary for its business in good working order and condition, normal wear and tear excepted, except to the extent that the failure to do so would not individually or in the aggregate be reasonably likely to cause or result in a Material Adverse Change.

(15) Hedge Arrangements. At the request of the Administrative Agent and at least on an annual basis, review its hedging program with the Lenders and provide satisfactory evidence that it has entered into and is maintaining a sound and fiscally responsible hedging program for interest risk management, commodity price risk management and foreign exchange fluctuations, and in each case not for speculative purposes.

(16) Pension and ERISA Matters. Promptly notify the Administrative Agent on becoming aware of (a) the institution of any steps by any Person to terminate or effect a partial wind-up of any Pension Plan, (b) the failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to an Encumbrance under Section 302(f) of ERISA or under any other Applicable Law, (c) the taking of any action with respect to a Pension Plan that is reasonably likely to result in the requirement that any Restricted Party furnish a bond or other security to such Pension Plan or the Pension Benefit Guaranty Corporation under ERISA or any other applicable Governmental Authority, or (d) the occurrence of any event with respect to any Pension Plan that has not been disclosed on Schedule 8.01(27) and that is reasonably likely to result in the incurrence by any Restricted Party of any material liability, fine or penalty, and in the notice to the Administrative Agent thereof, provide copies of all documentation relating thereto, or (e) the occurrence of any ERISA Event.

(17) Builders Lien Legislation. Comply in all respects with all relevant builders lien and construction lien legislation in the State of South Carolina, so as to ensure the full effectiveness and priority of the Security.

9.02 Financial Covenants

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Required Lenders, the Borrower and GFP will, at all times but tested as at the end of each fiscal quarter (including at the end of the fourth quarter) of GFP, comply with the following financial covenants:

(1) Total Debt to Capitalization Ratio. The Total Debt to Capitalization Ratio is not greater than 0.65:1.00.

(2) EBITDA to Total Interest Expense Ratio. For so long as any amount is outstanding under this Agreement, EBITDA is to be greater than or equal to zero for the period April 1, 2008 to and including December 31, 2008 calculated on a building quarterly basis, beginning with the fiscal quarter commencing April 1, 2008 and the EBITDA to Total Interest Expense Ratio is to be greater than or equal to (i) 1.5:1.0 for the period from January 1, 2009 to and including December 31, 2009, calculated on a building quarterly basis, beginning with the fiscal quarter commencing January 1, 2009, and (ii) 2.0:1.0 thereafter, on a trailing four

quarter basis. Notwithstanding the foregoing sentence, there shall be no requirement to maintain a minimum EBITDA or EBITDA to Total Interest Expense Ratio at any time during the PIK Interest Period.

(3) Shareholders Equity. The Shareholders' Equity of GFP calculated on a consolidated basis is not less than Cdn. $350,000,000.

(4) Liquidity. Liquidity is greater than or equal to the following amounts as of the time periods set forth below:

Fiscal Quarter Ending	Minimum Liquidity
June 30, 2007 and September 30, 2007	Cdn. $65,000,000
December 31, 2007	Cdn. $50,000,000
March 31, 2008, June 30, 2008, September 30, 2008, December 31, 2008 and March 31, 2009	Cdn. $40,000,000
June 30, 2009 and thereafter	Cdn. $55,000,000

The financial covenants of the Borrower and GFP under this Section 9.02 will be calculated as of the last day of each fiscal quarter (including at the end of the fourth quarter) of GFP on the basis of the consolidated financial statements of GFP as reported to the Lenders under Sections 9.03(1) and 9.03(2).

9.03 Reporting Requirements

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Required Lenders, the Borrower and GFP will deliver to the Administrative Agent (with one copy in electronic format and one copy in printed form), with all such material to be distributed to each of the Lenders by the secure website referred to in Section 12.07 hereof or such other means as the Administrative Agent may from time to time choose:

(1) Quarterly Reports. As soon as available and in any event within 45 days of the end of each of its fiscal quarters (excluding the fourth quarter), the interim unaudited consolidated financial statements of GFP, including, in each case, balance sheet, statement of income and retained earnings and statement of cash flow, which will be prepared in accordance with GAAP. Despite any other provision hereof, for the purpose of preparing quarterly statements, deferred taxes shall not be adjusted quarterly but shall only be adjusted annually based on annual tax returns filed.

(2) Annual Reports. As soon as available and in any event within 90 days after the end of each of its fiscal years, the annual consolidated audited financial statements of GFP, including balance sheet, statement of income and retained earnings, and statement of cash flow for such fiscal year, which will be reviewed by an internationally recognized accounting firm, and will be prepared in accordance with GAAP and certified by an officer of GFP (and to the extent requested by the Administrative Agent, the unaudited non-consolidated financial statements of any Restricted Party), with the audit opinion thereon to be unqualified except for such qualifications as would not constitute a Material Adverse Change.

(3) Construction Reports. As soon as available but in any event within 45 days of the end of each of its fiscal quarters (including the fourth quarter) until the Mills Completion Date, a progress report

with respect to the construction of the Mills, including the cost-in-place and Costs to Complete with reference to the Mills Budget and Construction Schedule. Except as otherwise instructed by the Administrative Agent at the direction of the Required Lenders, the Independent Engineer will semi-annually until the Mills Completion Date review the most recent construction reports and prepare a report (with a certificate included therewith) to the Administrative Agent, setting forth therein its views, comments and recommendations concerning the matters covered in such construction reports including certifying the Costs to Complete and costs incurred to date with respect to the construction of each of the Mills and such certifications and reports of the Independent Engineer shall be consistent with those of the Borrower or GFP (within a margin of 1% of the applicable amount or such greater amount as may be acceptable to the Administrative Agent on the instruction of the Required Lenders), and shall be acceptable to the Administrative Agent, acting reasonably, or, if not, the Borrower and GFP shall take remedial action in relation thereto that is acceptable to the Administrative Agent within 10 days of the Borrower or GFP first becoming aware either that there is a discrepancy or that the results are unacceptable to the Administrative Agent.

(4) Compliance Certificate. A Compliance Certificate in the form of Schedule 1.01(a) concurrently with the delivery of the financial statements referred to in Sections 9.03(1) and (2), commencing with the first fiscal quarter end after the date hereof.

(5) Business Plan. As soon as available and in any event within 60 days after the end of its fiscal year, provide the Administrative Agent with a consolidated detailed business plan for GFP and its Subsidiaries for the following five years (the "**Business Plan**"), detailed financial projections and capital budgets from the date of delivery of such financial projections and capital budgets to the Credit Facility, with a description of all assumptions used in respect of the preparation of the Business Plan, including the financial projections, capital budgets and all other future oriented financial information; provided, however, at no time will such financial projections and capital budgets be less than five years, in each case consisting of a balance sheet, statement of income and retained earnings and statement of changes of cash flow for such year.

(6) Notification Respecting Debt. Promptly notice of any amendment to, or waiver of, any material provisions of any agreement respecting Debt of the Borrower or GFP or of any of their Subsidiaries, including any provision relating to the rate of interest payable on such Debt, the amount of Debt that may be incurred under such agreement, the term of such Debt, the security therefor or events of default or the maintenance of financial ratios thereunder.

(7) Notification of Actions. Promptly notice of any legal action taken by any creditor (other than the Lenders) to recover amounts outstanding respecting Debt of the Borrower, GFP or any other Guarantor.

(8) Other Information. Promptly such other information as it may reasonably request respecting the Borrower, GFP or any other Guarantor, or, to the extent that the Borrower and GFP are not prevented from providing such information by contract or undertaking entered into with or provided to any other Person, respectively, any other corporation, partnership, limited partnership or other entity in which the Borrower, GFP or any other Guarantor has any financial interest provided that the Administrative Agent will maintain the confidentiality of all information it receives in accordance with usual requirements of banker/customer confidentiality and does not disclose or use it except for the purposes of this Agreement.

(9) Notice of Change. Without limiting the generality of Section 9.03(8), promptly (i) notice of any additional Relevant Jurisdiction in respect of the Borrower, GFP or any other Guarantor, and (ii) notice of any change (financial or otherwise) in the business, operations or condition (financial or otherwise) of the Borrower, GFP or any other Guarantor that has caused or may cause a Material Adverse Change.

(10) Hedge Reporting. The Borrower on its own behalf and on behalf of other Restricted Parties shall deliver to the Administrative Agent (or such other person designated by the Administrative Agent) a

certificate setting out the details of each Hedge Arrangement forthwith upon entering into a Hedge Arrangement, with each such certificate also setting out the details of all then outstanding Hedge Arrangements and also certifying in relation to all Hedge Arrangements that they comply with the limitations set forth in Section 9.04(13).

9.04 Negative Covenants

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Required Lenders, neither GFP nor the Borrower will, and will ensure that each Restricted Party will not:

(1) Disposition of Property. Dispose of, in one transaction or in a series of transactions, all or any part of its Property, whether now or hereinafter acquired, except for:

(a) the Bush Lots;

(b) Property sold by one Restricted Party to another Restricted Party;

(c) Property sold for fair market value, provided that the total amount of the gross proceeds derived from all such Dispositions made in any single fiscal year of GFP does not in the aggregate exceed $10,000,000; and

(d) Dispositions made in accordance with customary trade terms of tangible personal property that would reasonably be considered to be the subject matter of Dispositions by it in the normal course of its business for the purposes of carrying on the same or Dispositions of tangible personal property that is worn out, obsolete or no longer useful for the purpose of carrying on its business.

(2) No Consolidation, Amalgamation, etc. Except with the Borrower or with or as between Guarantors, consolidate, amalgamate or merge with any other Person, enter into any corporate reorganization or other transaction or series of transactions intended to effect or otherwise permit a change in its existing corporate or capital structure, in each case whereby all or substantially all of its undertaking or assets would become the property of another Person, liquidate, wind-up or dissolve itself, or permit any liquidation, winding-up or dissolution of any other Guarantor; provided that with respect to any such transaction with the Borrower or with or as between Guarantors no such transaction is permitted if (i) such event may result in the assets of the Borrower or a Guarantor becoming subject to an Encumbrance (other than a Permitted Encumbrance), (ii) such event may result in the occurrence of a Default or Event of Default, (iii) a Default or an Event of Default has or will have occurred and be continuing, (iv) the Person resulting from such transaction is not incorporated or organized under the laws of Canada or a province or territory thereof or the laws of any State of the United States; provided, in the case of the Borrower, that the Borrower must at all times continue to be organized under the laws of the United States, (v) the Person resulting therefrom is not bound by the Obligations of the Borrower or Guarantors, as applicable, (vi) the Borrower is unable to deliver to the Administrative Agent an opinion of Borrower's counsel, acceptable to the Administrative Agent, acting reasonably, that such transaction complies with applicable Requirements of Law or (vii) in the case of the Borrower, to the extent applicable, the Borrower is not the surviving entity. Notwithstanding the foregoing, GFP and its Subsidiaries may effect the Permitted Restructuring.

(3) No Change of Name. Change its name without providing the Administrative Agent with 30 days' prior written notice thereof (except that such notice shall be not fewer than five (5) Business Days if the change of name occurs as part of the Permitted Restructuring).

(4) No Financings. Create, incur, assume or permit any Debt (including Debt of the Footner Joint Venture) to remain outstanding, other than Permitted Debt, or complete any Financings (other than the Footner Buyout Financing).

(5) No Investments. Other than a Permitted Investment, make, directly or indirectly, any Investment except the Borrower or any Guarantor may make an Investment if:

(a) no Event of Default or Default has occurred and is continuing at the time such Investment is made or would result from the making of such Investment; and

(b) such Investment is consistent in all material respects with the Business Plan for the fiscal year of the Borrower in which such Investment is made and is made using cash resulting from the operations of the Borrower or a Guarantor;

provided that if the Investment is in a Person that is not a wholly-owned Subsidiary (other than the Excluded Subsidiary) of the Borrower or a Guarantor, the aggregate of all such Investments will not exceed Cdn. $10,000,000; provided further that the Restricted Parties may make nominal Investments in the Excluded Subsidiary in amounts satisfactory to the Administrative Agent.

(6) No Change in Business. Other than the construction and operation of the Mills, engage, directly or indirectly, in a line of business that would be material and substantially different from those lines of business carried on by it as of the Closing Date, except that it may engage in any reasonable extension, development or expansion thereof or in any business ancillary thereto.

(7) No Financial Assistance. Give any Financial Assistance (other than to other Restricted Parties).

(8) No Distributions. Make any Distribution; provided that if no Event of Default or Default has occurred and is continuing at the time such proposed Distribution is to be made or would result from the making of such Distribution, then Distributions may be made provided the aggregate Distributions in any fiscal year of GFP may not exceed an amount determined in accordance with the following:

Ratio of Total Debt as at the last day of the then most recently ended fiscal quarter to EBITDA for the most recently ended four fiscal quarters	Maximum Distribution
Greater than or equal to 4.00:1.00	Nil
Greater than or equal to 3.00:1.00 but less than 4.00:1.00	Cdn. $6,000,000
Greater than or equal to 2.00:1.00 but less than 3.00:1.00	25% of Excess Cash Flow for the most recently completed annual fiscal period of GFP
Less than 2.00:1.00	50% of Excess Cash Flow for the most recently completed annual fiscal period of GFP

(9) No Encumbrances. Create, incur, assume or permit to exist or permit any Restricted Party to create, incur, assume or permit to exist any Encumbrance upon any of its Property (including upon any of the Property of the Footner Joint Venture) except Permitted Encumbrances.

(10) Capital Expenditures. Make, or enter into any agreement which would require it to make, any Capital Expenditures in excess of the Permitted Capital Expenditures.

(11) No Change to Year End. Make any change to its fiscal year end from December 31 in each year.

(12) No Continuance. File articles of continuance in any Canadian jurisdiction after the date hereof.

(13) Hedge Arrangements. Enter into or permit to be outstanding at any time any Hedge Arrangement unless it meets the requirements of paragraphs (a) and (b) below:

(a) such Hedge Arrangement is either (i) a rate swap, interest rate option, forward rate transaction, forward foreign exchange transaction or cross currency rate swap transaction entered into with a lender which is party to the First Lien Credit Agreement or (ii) a Commodity Hedge Arrangement; and

(b) such Hedge Arrangement is designed to protect the Restricted Party against fluctuations in currency exchange rates, interest rates or commodity prices and such Hedge Arrangement has been entered into by the Restricted Party *bona fide* and in good faith in the ordinary course of its business for the purpose of carrying on the same and not for speculative purposes.

(14) Location of Assets in Other Jurisdictions. Except for any Property being delivered to a customer in the ordinary course of business of such Restricted Party as part of the performance of its obligations or the provision of its services to such customer under a contract entered into with such customer in the ordinary course of business of such Restricted Party, and except for Property delivered to or stored in locations for reloading or storing to facilitate the sale and delivery thereof to a customer in the ordinary course of business, move any Property from a jurisdiction in which the Encumbrance of the Security over such Property is perfected to a jurisdiction where such Encumbrance is not perfected or where, after a temporary period allowing for registration in such other jurisdiction, such Encumbrance could become unperfected, or suffer or permit in any other manner any of its Property to not be subject to the Encumbrance of the Security or to be or become located in a jurisdiction in which the Encumbrance of the Security over such Property is not perfected, unless the applicable Restricted Party has first (a) given prior written notice thereof to the Administrative Agent, and (b) executed and delivered to the Administrative Agent all Security and all financing or registration statements in form and substance satisfactory to the Administrative Agent that the Administrative Agent or its counsel, acting reasonably, from time to time deem necessary or advisable to ensure that the Security at all times constitutes a perfected Encumbrance (subject only to Permitted Encumbrances), prior to all other Encumbrances of such Property other than Permitted Encumbrances that are *pari passu* or prior thereto, in such jurisdiction together with such supporting certificates, resolutions, opinions and other documents as the Administrative Agent, acting reasonably, may deem necessary or desirable in connection with such security and registrations.

(15) Non-Arm's Length Transactions. Except with a Restricted Party, enter into any Material Contract or material transaction between non-arm's length parties which is not entered into for fair market value and has not been approved by an independent committee of the board of directors of the Borrower or the Guarantor, as the case may be.

(16) Amendments to Organizational Documents. Amend any of its Organizational Documents in a manner that would be prejudicial to the interests of any of the Lenders under the Loan Documents.

(17) Amendments to Material Contracts. Amend, vary or alter in any way, consent to any assignment or transfer of, or waive or surrender any of its rights or entitlements under, any Material Contracts provided that solely for purposes of this Section 9.04(17), the First Lien Loan Documents shall not be considered Material Contracts.

(18) No New Subsidiaries. Create any Subsidiary after the date of this Agreement unless the Administrative Agent is provided with the acknowledgement of such Subsidiary that it has become a party to this Agreement as a Guarantor as if it had executed this Agreement on the Closing Date and such new Subsidiary provides security on the same basis as if it were providing Security on the date of this Agreement; provided however, that the Excluded Subsidiary will not be required to become a party to this Agreement as a Guarantor unless the Excluded Subsidiary becomes party to the First Lien Credit Agreement as a "Guarantor" as defined thereunder.

(19) No Disposition of Subsidiaries. Dispose of, in one transaction or a series of transactions, all or any part of its Subsidiaries.

(20) Payments to Management. Make any payment or any series of payments to any member of management of the Borrower or any other Restricted Party that is in excess of $1,000,000 per fiscal year of GFP unless such payments are in respect of transactions made as if on an arm's length basis, provided that the foregoing shall not prohibit or restrict payments made by one Restricted Party to another Restricted Party.

ARTICLE 10 - SECURITY

10.01 Security

As general and continuing security for the payment and performance of the Obligations, including indemnification for Environmental Claims, the security described below will be granted to the Canadian Collateral Agent as a security agent on behalf of the Lenders, with respect to Property (as collateral for the Obligations) situated in Canada, and to the U.S. Collateral Agent as a security agent on behalf of the Lenders, with respect to Property (as collateral for the Obligations) not situated in Canada, as follows:

(a) a general security agreement and charge from each Restricted Party creating a second priority ranking security interest (subject only to Permitted Encumbrances) over all of the present and future Property of such Restricted Party;

(b) a demand debenture of GFP in the principal amount of $250,000,000 secured by a fixed and specific mortgage and charge of all present and after acquired real and immoveable property described in the schedule thereto and the equipment and a floating charge over all Property not subject to such fixed and specific mortgages and charges;

(c) a pledge by the shareholder of all shares of each Restricted Party other than GFP;

(d) an assignment by each Restricted Party of all policies of insurance and all proceeds thereunder with respect to all Property that is subject to the security under this Section 10.01 and all other security hereafter granted by a Restricted Party pursuant to this Agreement, including any policies providing business interruption insurance, with the Administrative

Agent named as loss payee, with a standard mortgage clause endorsement relative to realty, and certificates evidencing all such insurance;

(e) an assignment by the applicable Restricted Party of all Material Contracts that are listed on Part II of Schedule 1.01(d) and that relate to the Mills, with consents and acknowledgments from all parties to such Material Contracts, together with assignments to the extent assignable (with, to the extent available, consents and acknowledgements) with respect to any Material Contracts listed on Part I of Schedule 1.01(d) or added to Schedule 1.01(d) after the date hereof;

(f) a postponement of any and all Shareholder Loans; and

(g) if GFP consents to the granting by Ainsworth Lumber Co. Ltd. or any of its Subsidiaries or Affiliates of security on its interests in the Footner Joint Venture as security for any financing, GFP will obtain, in consideration for its consent, the consent of Ainsworth Lumber Co. Ltd. or its applicable Subsidiary or Affiliate to the granting by GFP of an Encumbrance of its interest in the Footner Joint Venture to the Administrative Agent and, upon receipt of such consent, GFP will concurrently with such secured financing of Ainsworth Lumber Co. Ltd. or any of its Subsidiaries or Affiliates, pledge GFP's interests in, or otherwise grant a security on, the Footner Joint Venture on an equal basis with such secured financing of Ainsworth Lumber Co. Ltd. or any of its Subsidiaries or Affiliates.

Notwithstanding anything else herein to the contrary, all Security is subject to the terms of the Intercreditor Agreement.

10.02 After Acquired Property and Further Assurances

Each Restricted Party will from time to time execute and deliver all such further deeds or other instruments of conveyance, assignment, transfer, mortgage, pledge or charge in connection with all Property acquired by any Restricted Party after the Closing Date.

10.03 Form of Security

The Security will be in form satisfactory to the Lenders, acting reasonably.

10.04 Discharge of Certain Security

The Lenders authorize the Administrative Agent to discharge the Encumbrances created by the Security in respect of any Property sold in compliance with Section 9.04(1) and the Administrative Agent shall, from time to time at the request of the Borrower, deliver such discharges to the Borrower in relation thereto.

10.05 Property Easements

The Lenders acknowledge that GFP is in the process of arranging with the Ontario Heritage Trust and Hydro One Networks, Inc., respectively:

(a) the Heritage Trust Easement, and

(b) the grant by GFP of an easement for public utility purposes over Part 5, Plan 54R-5168 Temiskaming Shores.

The Administrative Agent shall, from time to time, at the request of GFP, without the further consent of any Lenders or Lender, deliver to GFP or as it may direct, at the time of such grant of the easement referred to in subsection (a) or (b), a postponement of the Security to postpone the Security in favour of such easement, in each case without payment by GFP of any amount other than reasonable legal fees and expenses with respect to such postponement.

10.06 Non-Assignable Collateral

Despite any other provision of any Loan Document, the Security shall not include an assignment or Encumbrance of any agreement or other collateral which, by its terms or by operation of law, is not assignable or may not be Encumbered. The Restricted Parties shall use their commercially reasonable efforts to exclude from Material Contracts entered into after the date hereof any restriction against the assignability or Encumbering thereof to the Administrative Agent pursuant to Security. In the event any existing or future Material Contract (including the Material Contract listed in Part I of Schedule 1.01(d)) contains a restriction on such assignment or Encumbering, GFP shall, promptly at the request of the Administrative Agent, use commercially reasonable efforts, to obtain the consent of the other parties thereto required to permit the assignment or Encumbering of such Material Contract to the Administrative Agent pursuant to Security. Nothing in this Section 10.06 shall derogate from the obligations of the Borrower to obtain assignments, together with consents and acknowledgement, in form and substance acceptable to the Administrative Agent, in relation to the two Material Contracts listed at the date hereof on Part II of Schedule 1.01(d).

ARTICLE 11 - DEFAULT

11.01 Events of Default

The occurrence of any one or more of the following events (each such event being referred to as an "**Event of Default**") will constitute a default under this Agreement:

(a) if the Borrower fails to pay any amount of principal of any Loan or any PIK Interest Amount when due;

(b) if the Borrower fails to pay any interest, fees or other Obligations (other than any principal amount or PIK Interest Amount) when due and such default continues for five Business Days;

(c) if the Borrower or GFP breaches any of the covenants in Section 9.02 as at the end of any fiscal quarter of the Borrower and such breach is either not capable of being remedied or, if it is capable of being remedied, has not been cured within 30 days after the end of such fiscal quarter of GFP;

(d) if any Restricted Party neglects to observe or perform any covenant or obligation herein contained or in any Loan Document on its part to be observed or performed including without limitation any covenant the Borrower or GFP has undertaken to cause the Restricted Party to perform (other than a covenant or condition whose breach or default in performance is specifically dealt with elsewhere in this Section 11.01) and such Restricted Party fails to remedy such default within 15 Business Days from the earlier of (i) the date such Restricted Party becomes aware of such default, and (ii) the date the Administrative Agent delivers written notice of the default to such Restricted Party, unless the Required Lenders (having regard to the subject matter of the default) have agreed to a longer period, and in such event, within the period agreed to by the Required Lenders;

(e) if any representation or warranty made by any Restricted Party in this Agreement, any Loan Document or in any certificate or other document at any time delivered hereunder to the Administrative Agent or the Lenders proves to have been incorrect or misleading in any material respect on and as of the date that it was made or was deemed to have been made and such Restricted Party fails to remedy such default within 30 days after the earlier of (i) the date such Restricted Party becomes aware of such default; and (ii) the date on which such Restricted Party received written notice of such default;

(f) if any Restricted Party or the Excluded Subsidiary ceases or threatens to cease to carry on business generally or admits its inability to pay, or fails to pay, its Debts generally;

(g) if any Restricted Party or the Excluded Subsidiary:

(i) fails to make any payment when such payment is due and payable to any Person in relation to any Debt (other than Obligations) that in the aggregate principal amount then outstanding is in excess of $10,000,000 and any applicable grace period in relation thereto has expired, or

(ii) defaults in the observance or performance of any other agreement or condition in relation to any Debt (other than Obligations) to any Person that in the aggregate principal amount then outstanding is in excess of $10,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs or condition exists, the effect of which default or other condition, if not remedied within any applicable grace period, would be to cause, or to permit the holder of such Debt then to declare such Debt to become due prior to its stated maturity date and such declaration is made or deemed to have been made;

provided, that in the case of Debt owing under the First Lien Credit Agreement, such failure to pay or default has not been cured or waived within 45 days after the occurrence of such failure to pay or default provided that upon any acceleration of the Debt owing under the First Lien Credit Agreement an immediate Event of Default shall occur hereunder;

(h) if any Restricted Party denies, to any material extent, its obligations under any Loan Document or claims any of the Loan Documents to be invalid or withdrawn in whole or in part;

(i) any of the Loan Documents or any material provision of any of them becomes unlawful or is changed by virtue of legislation or by a Governmental Authority, if any Restricted Party does not, within 15 Business Days of receipt of notice of such Loan Document or material provision becoming unlawful or being changed, replace such Loan Document with a new agreement that is in form and substance satisfactory to the Required Lenders acting reasonably, or amend such Loan Document to the satisfaction of the Required Lenders acting reasonably;

(j) if a decree or order of a court of competent jurisdiction is entered adjudging a Restricted Party or the Excluded Subsidiary a bankrupt or insolvent or approving as properly filed a petition seeking the winding up of a Restricted Party under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the *United States*

Bankruptcy Code or the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against any substantial part of the assets of a Restricted Party or the Excluded Subsidiary or ordering the winding up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 10 Business Days;

(k) if any Restricted Party or the Excluded Subsidiary becomes insolvent, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, seeks relief under the *Companies' Creditors Arrangement Act* (Canada), the *United States Bankruptcy Code*, the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous law, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors' rights or consents to, or acquiesces in, the filing of such a petition;

(l) if an Encumbrancer takes possession, by appointment of a receiver, receiver and manager or otherwise, of all or a substantial portion of the Property of any Restricted Party or the Excluded Subsidiary;

(m) if proceedings are commenced for the dissolution, liquidation or voluntary winding up of any Restricted Party or the Excluded Subsidiary, or for the suspension of the operations of any Restricted Party or the Excluded Subsidiary unless such proceedings are being actively and diligently contested in good faith;

(n) if a final judgment or decree for the payment of money due has been obtained or entered against the Borrower or GFP in an amount in excess of $10,000,000, or against any other Restricted Party or the Excluded Subsidiary in an amount that, in the reasonable opinion of the Required Lenders, would effect a Material Adverse Change and such judgment or decree has not been and remained vacated, discharged or stayed pending appeal within the applicable appeal period;

(o) if any Security ceases in any material manner to constitute a valid security interest (perfected to the extent required by the Security and prior to all other Encumbrances except for Permitted Encumbrances that are *pari passu* or prior thereto) and the applicable Restricted Party has failed to remedy such default within 10 Business Days of becoming aware of such fact;

(p) if a Change of Control occurs;

(q) if an event of default occurs under any Material Contract of any Restricted Party (other than an event of default specifically dealt with in this Section 11.01) resulting in, or which is likely to cause or result in, a Material Adverse Change and such event of default is not remedied within 15 Business Days after such Restricted Party becomes aware of such event of default;

(r) if any of the Borrower's or GFP's progress reports or certificates or any of the Independent Engineer's reports or certificates show that the Costs to Complete exceeds by $100,000 the amount of Cash and Cash Equivalents of the Restricted Parties plus the total undrawn amounts of the credit facilities under the First Lien Credit Agreement, and such default is not cured within 15 Business Days after the Borrower or GFP gives or receives such report or certificate;

(s) if the Borrower or GFP abandons the construction of the Mills or takes any action to effect or authorize the abandonment of the construction of the Mills or if the Mills or the Property on which the Mills are to be located is seized or expropriated by or pursuant to Governmental Authority; or

(t) if there is a failure on the part of the Borrower to make an offer to prepay required to be made under Section 6.03(1)(b) hereof.

11.02 **Acceleration and Enforcement**

(1) If any Event of Default occurs, all Obligations will, at the option of the Administrative Agent or upon the request of the Required Lenders, become immediately due and payable in cash with interest thereon in cash, at the rate or rates determined as herein provided, to the date of actual payment thereof, all without notice, presentment, protest, demand, notice of dishonour or any other demand or notice whatsoever, all of which are hereby expressly waived by each Restricted Party. In such event either the Lenders or the Administrative Agent on their behalf may, in their discretion, exercise any right or recourse and proceed by any action, suit, remedy or proceeding against any Restricted Party authorized or permitted by law for the recovery of all the Obligations of the Restricted Parties to the Lenders and proceed to exercise any and all rights hereunder and, subject to Section 11.02(3), under the Security.

(2) The Administrative Agent and Lenders are not under any obligation to the Restricted Parties or any other Person to realize upon any collateral or enforce the Security or any part thereof or to allow any of the collateral to be sold, dealt with or otherwise disposed of. Neither the Administrative Agent nor the Lenders are responsible or liable to the Restricted Parties or any other Person for any loss or damage arising from such realization or enforcement or the failure to do so or for any act or omission on their respective parts or on the part of any director, officer, employee, agent or adviser of any of them in connection with any of the foregoing.

(3) Each of the Lenders acknowledges that the Administrative Agent holds the Security to secure all of the Obligations and, upon the occurrence of an Event of Default, the Administrative Agent will act on the written instructions of the Required Lenders as provided in this Agreement and will distribute the net sale proceeds of realization of the Security to the Lenders in accordance with their Applicable Percentage of the Obligations and in accordance with Section 11.07.

(4) Upon the occurrence of an Event of Default, and for so long as it may continue, in addition to any other rights the Administrative Agent and the Lenders may have under the Loan Documents or at law, GFP agrees that the Administrative Agent at the direction from time to time of the Required Lenders, shall have the right to direct GFP in relation to all material dealings under the Footner Joint Venture Agreement, and, without derogating from the foregoing, in particular:

(a) GFP shall report no less frequently than monthly to the Administrative Agent as to the affairs of the Footner Joint Venture, and otherwise from time to time as material matters arise;

(b) GFP will provide a copy forthwith following receipt to the Administrative Agent of all notices received from Ainsworth Lumber Co. Ltd. in relation to the Footner Joint Venture;

(c) GFP will first have all notices or communications to be sent by it in relation to the Footner Joint Venture or the Footner Joint Venture Agreement approved by the Administrative Agent;

(d) all material dealings in the affairs of the Footner Joint Venture (including without limitation any material dealings with respect to the ownership thereof, or the selling of GFP's interest therein, or exercise of rights of first refusal or other rights or obligations under the Footner Joint Venture Agreement) will be at the direction of the Administrative Agent; and

(e) if at any time following the occurrence of an Event of Default and for so long as it may continue the Administrative Agent wishes to act directly on behalf of GFP (as opposed to through GFP as set forth above) in relation to the material affairs of the Footner Joint Venture or the provisions of the Footner Joint Venture Agreement as set forth above in this section 11.02(4), the Administrative Agent may give written notice of same to GFP, and forthwith upon delivery of such notice, the Administrative Agent shall have the good and sufficient irrevocable power of attorney to so act in the stead of GFP in relation thereto, with full power and authority to act in respect thereof and GFP hereby grants such irrevocable power of attorney to the Administrative Agent to be available to the Administrative Agent in such circumstances.

11.03 [Reserved]

11.04 [Reserved]

11.05 Perform Obligations

If an Event of Default has occurred and is continuing and if any Restricted Party has failed to perform any of its covenants or agreements in the Loan Documents, the Required Lenders, may, but will be under no obligation to, instruct the Administrative Agent on behalf of the Lenders to perform any such covenants or agreements in any manner deemed fit by the Required Lenders without thereby waiving any rights to enforce the Loan Documents. The reasonable expenses (including any legal costs) paid by the Administrative Agent and the Lenders in respect of the foregoing will be an Obligation and will be secured by the Security.

11.06 Third Parties

It is not necessary for any Person dealing with the Lenders, the Administrative Agent or any other agent of the Lenders to inquire whether the Security has become enforceable, or whether the powers that the Lenders or the Administrative Agent are purporting to exercise may be exercised, or whether any Obligations remain outstanding upon the security thereof, or as to the necessity or expediency of the stipulations and conditions subject to which any sale is to be made, or otherwise as to the propriety or regularity of any sale or other disposition or any other dealing with the collateral charged by such Security or any part thereof.

11.07 Application of Payments

All payments made by the Borrower or any Guarantor hereunder or received from proceeds of realization of any Security will be applied to amounts due under the Obligations, all as determined by the Administrative Agent in the following order:

(a) first, to pay Obligations in respect of any expense reimbursements or indemnities then due to the Administrative Agent, the U.S. Collateral Agent and the Canadian Collateral Agent under the Loan Documents;

(b) second, to pay Obligations in respect of any expense reimbursements or indemnities then due to the Lenders;

(c) third, to pay Obligations in respect of any fees then due to the Administrative Agent and the Lenders;

(d) fourth, to pay Obligations in respect of interest then due and payable on the Loans and interest then due and payable on the PIK Interest Amounts; and

(e) fifth, to rateable payment of all other Obligations (including, without limitation, all unpaid Loans and PIK Interest Amounts);

provided, however, that if sufficient funds are not available to fund all payments to be made in respect of any Obligation described in any of clauses (a) to (e) above, the available funds being applied with respect to any such Obligation will be allocated to the payment of such Obligations rateably, based on the proportion of the Administrative Agent's and each Lender's interest in the aggregate outstanding Obligations described in such clause.

11.08 Saving

The Lenders will not be under any obligation to the Borrower or any other Person to realize any collateral or enforce the Security or any part thereof or to allow any of the collateral to be sold, dealt with or otherwise disposed of. The Lenders will not be responsible or liable to the Borrower or any other person for any loss or damage upon the realization or enforcement of, the failure to realize or enforce the collateral or any part thereof or the failure to allow any of the collateral to be sold, dealt with or otherwise disposed of or for any act or omission on their respective parts or on the part of any director, officer, agent or adviser in connection with any of the foregoing, except that a Lender may be responsible or liable for any loss or damage arising from the wilful misconduct or negligence of that Lender or any of its directors, officers, agents or advisors.

ARTICLE 12- THE ADMINISTRATIVE AGENT AND THE LENDERS

12.01 Payments by the Borrower

(1) Prior to an Event of Default that is continuing, all payments made by or on behalf of the Borrower pursuant to this Agreement will be made to and received by the Administrative Agent on behalf of the Lenders and will be distributed by the Administrative Agent to the Lenders as soon as possible upon receipt by the Administrative Agent. Subject to Sections 7.02 and 12.02, the Administrative Agent will distribute to the Lenders in accordance with each Lender's Applicable Percentage:

(a) payments of interest;

(b) costs and expenses;

(c) repayments of principal;

(d) prepayments of principal;

(e) amounts received by the exercise of any right of set-off, compensation, consolidation of accounts, or by counterclaim or cross-action; and

(f) all other payments received by the Administrative Agent.

(2) [Reserved].

(3) Subject to Section 12.02, if the Administrative Agent does not distribute a Lender's Applicable Percentage of a payment made by the Borrower to or for the benefit of a Lender for value on the day that payment is made to the Administrative Agent, provided that such payment is received by the Administrative Agent no later than 1:00 p.m. (New York time) on such day, the Administrative Agent will pay to such Lender on demand an amount equal to the product of (x) the Federal Funds Effective Rate *per annum* and (y) the amount received by the Administrative Agent from the Borrower and not so distributed to such Lender, with the result thereof multiplied by (z) a fraction, the numerator of which is the number of days that have elapsed from and including the date of receipt of the payment by the Administrative Agent to but excluding the date on which the payment is made by the Administrative Agent to such Lender, and the denominator of which is 365 or 366, as the case may be. The Borrower will not be required to reimburse the Administrative Agent for any such amount.

(4) Right of Setoff. If an Event of Default has occurred and is continuing and the Administrative Agent has demanded payment of the Obligations, each of the Lenders and each of their respective Affiliates is hereby authorized at any time and from time to time to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of any Restricted Party against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such Lender has made any demand under this Agreement or any other Loan Document and although such obligations of the Restricted Party may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each the Lenders and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff, consolidation of accounts and bankers' lien) that the Lenders or their respective Affiliates may have. Each Lender agrees to promptly notify the Borrower and the Administrative Agent after any such setoff and application, but the failure to give such notice shall not affect the validity of such setoff and application. If any Affiliate of a Lender exercises any rights under this Section 12.01(4), it shall share the benefit received in accordance with Section 12.01(5) as if the benefit had been received by the Lender of which it is an Affiliate.

(5) Sharing of Payments by Lenders. If any Lender, by exercising any right of setoff or counterclaim or otherwise, obtains any payment or other reduction that might result in such Lender receiving payment or other reduction of a proportion of the aggregate amount of its Loans and PIK Interest Amounts and accrued interest thereon or other obligations hereunder greater than its pro rata share thereof as provided herein, then the Lender receiving such payment or other reduction shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and PIK Interest Amounts and

such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders rateably in accordance with the aggregate amount of PIK Interest Amounts and principal of and accrued interest on their respective Loans and other amounts owing them, provided that

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest,

(b) the provisions of this Section 12.01(5) shall not be construed to apply to (x) any payment made by any Restricted Party pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or PIK Interest Amount to any assignee or participant, other than to any Restricted Party or any Affiliate of a Restricted Party (as to which the provisions of this Section 12.01(5) shall apply); and

(c) the provisions of this Section 12.01(5) shall not be construed to apply to (x) any payment made while no Event of Default has occurred and is continuing in respect of obligations of the Borrower to such Lender that do not arise under or in connection with the Loan Documents, (y) any payment made in respect of an obligation that is secured by a Permitted Encumbrance or that is otherwise entitled to priority over the Borrower's obligations under or in connection with the Loan Documents, or (z) any payment to which such Lender is entitled as a result of any form of credit protection obtained by such Lender.

The Restricted Parties consent to the foregoing and agree, to the extent they may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Restricted Party rights of setoff and counterclaim and similar rights of Lenders with respect to such participation as fully as if such Lender were a direct creditor of each Restricted Party in the amount of such participation.

12.02 Payments by Administrative Agent

(1) For greater certainty, the following provisions will apply to all payments made by the Administrative Agent to the Lenders hereunder:

(a) the Administrative Agent will be under no obligation to make any payment (whether in respect of principal, interest, fees or otherwise) to any Lender until an amount in respect of such payment has been received by the Administrative Agent from the Borrower;

(b) if the Administrative Agent receives less than the full amount of any payment of principal, interest, fees or other amount owing by the Borrower under this Agreement, then, subject to Section 7.02, the Administrative Agent will have no obligation to remit to each Lender any amount other than such Lender's Applicable Percentage of the amount actually received by the Administrative Agent and all applications by the Administrative Agent will be subject to Section 11.07;

(c) if any Lender advances more or less than its Applicable Percentage of the Credit Facility, such Lender's entitlement to such payment will be increased or reduced, as the case may be, in proportion to the amount actually advanced by such Lender;

(d) the Administrative Agent acting reasonably and in good faith will, after consultation with the Lenders in the case of any dispute, determine in all cases the amount of all payments to which each Lender is entitled and such determination will, in the absence of manifest error, be binding and conclusive;

(e) upon request, the Administrative Agent will deliver a statement detailing any of the payments to the Lenders referred to herein; and

(f) all payments by the Administrative Agent to a Lender hereunder will be made to such Lender at its address set forth on the signature pages on this Agreement or on the applicable Assignment and Assumption unless notice to the contrary is received by the Administrative Agent from such Lender.

(2) Unless the Administrative Agent will have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of any Lender hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute the amount due to the Lenders. If the payment by the Borrower is in fact not received by the Administrative Agent on the required date and the Administrative Agent has made available corresponding amounts to the Lenders, the Borrower will, without limiting its other obligations under this Agreement, indemnify the Administrative Agent against any and all liabilities, obligations, losses (other than loss of profit), damages, penalties, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on or incurred by the Administrative Agent as a result. A certificate of the Administrative Agent with respect to any amount owing by the Borrower under this Section 12.02(2) will be *prima facie* evidence of the amount owing in the absence of manifest error.

(3) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any advance of funds that such Lender will not make available to the Administrative Agent such Lender's share of such advance, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with the provisions of this Agreement concerning funding by Lenders and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable advance available to the Administrative Agent, then the applicable Lender shall pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with prevailing banking industry practice on interbank compensation. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such advance. If the Lender does not do so forthwith, the Borrower shall pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon at the interest rate applicable to the advance in question. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that has failed to make such payment to the Administrative Agent.

(4) Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of any Lender hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute the amount due to the Lenders. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for

each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with prevailing banking industry practice on interbank compensation.

12.03 Administration of the Credits

(1) Except as otherwise provided for herein, the Administrative Agent will perform the following duties under this Agreement:

(a) prior to an advance to the Borrower hereunder, ensure that all conditions precedent have been fulfilled in accordance with the terms of this Agreement;

(b) take delivery of each Lender's Applicable Percentage of a Loan and make all Loans hereunder in accordance with the provisions set forth herein;

(c) use reasonable efforts to collect promptly all sums due and payable by the Borrower pursuant to this Agreement;

(d) make all payments to the Lenders in accordance with the provisions hereof;

(e) hold all legal documents relating to the Credit Facility, maintain complete and accurate records showing all Loans made by the Lenders, all remittances and payments made by the Borrower to the Administrative Agent, all remittances and payments made by the Administrative Agent to the Lenders and all fees or any other sums received by the Administrative Agent and allow each Lender and their respective advisors to examine such accounts, records and documents at their own expense, and provide any Lender, upon reasonable notice, with such copies thereof as such Lender may reasonably require from time to time at its expense;

(f) except as otherwise provided for in this Agreement, promptly advise each Lender upon receipt of each notice and deliver to each Lender, promptly upon receipt, all other written communications furnished by the Borrower to the Administrative Agent pursuant to this Agreement, including copies of financial reports and certificates which are to be furnished to the Administrative Agent;

(g) forward to each of the Lenders, one copy each of this Agreement and other Loan Documents;

(h) promptly forward to each Lender, upon request, an up-to-date loan status report and any other information respecting the Restricted Parties reasonably requested by such Lender; and

(i) upon learning of same, promptly advise each Lender in writing of the occurrence of a Default or the occurrence of any event, condition or circumstance which would cause or result in a Material Adverse Change to a Restricted Party or of any material adverse information relative to a Restricted Party or of the occurrence of any change which would cause or result in a Material Adverse Change.

(2) [Reserved]

(3) [Reserved]

(4) As between the Restricted Parties, on the one hand, and the Administrative Agent and the Lenders, on the other hand:

(a) all statements, certificates, consents and other documents which the Administrative Agent purports to deliver on behalf of the Lenders or the Required Lenders will be binding on each of the Lenders, and the Restricted Parties will not be required to ascertain or confirm the authority of the Administrative Agent in delivering such documents;

(b) all certificates, statements, notices and other documents which are delivered by the Restricted Parties to the Administrative Agent in accordance with this Agreement will be deemed to have been delivered to each of the Lenders; and

(c) all payments which are made by the Restricted Parties to the Administrative Agent in accordance with this Agreement will be deemed to have been duly made to each of the Lenders.

12.04 Rights of Administrative Agent

(1) In administering the Credit Facility, the Administrative Agent may retain, at the expense of the Lenders if such expenses are not recoverable from the Borrower, such counsel, auditors and other experts as the Administrative Agent may select, in its sole discretion, acting reasonably, and is entitled to rely upon the advice of such counsel, auditors and other experts in the performance of its duties hereunder.

(2) Except in its own right as a Lender, the Administrative Agent will not be required to advance its own funds for any purpose hereunder.

(3) The Administrative Agent may round the amount of a Loan that a Lender is obliged to advance hereunder to the nearest $1,000 in Canadian Dollars or United States Dollars, as the case may be.

12.05 Representations, Acknowledgements and Covenants of Lenders

(1) Each Lender represents and warrants to the Borrower and the Administrative Agent that it has the legal capacity, power and authority to enter into this Agreement and has not contravened its organizational documents or any Applicable Law by so doing.

(2) Each of the Lenders acknowledges that in the event that the Administrative Agent does not receive payment in accordance with this Agreement, it will not be the obligation of the Administrative Agent to maintain the Credit Facility in good standing nor will any Lender have recourse to the Administrative Agent in respect of any obligations or amounts owing to such Lender under this Agreement.

(3) Each Lender acknowledges that its obligation to advance its Applicable Percentage of Loans in accordance with the terms of this Agreement is independent and in no way related to the obligation of any other Lender hereunder.

(4) Each Lender agrees that it will notify the Administrative Agent of any Default of which it becomes aware.

(5) Each Lender hereby acknowledges receipt of a copy of this Agreement and the Loan Documents and acknowledges that it is satisfied with the form and content of such documents.

(6) Each Lender will respond promptly to each request by the Administrative Agent for the consent of such Lender required hereunder.

(7) Subject to Section 5.03(2), each Lender that assigns all or a portion of its rights and obligations under this Agreement will pay to the Administrative Agent a processing and recordation fee of $3,500 with respect to each such assignment in accordance with Section 14.12(2)(f); provided, however, that where one Lender is assigning at the same time to more than one assignee there will only be one fee of $3,500. The Restricted Parties shall have no obligation to reimburse any Lender for such fees.

12.06 Provisions Operative Between Lenders and Administrative Agent Only

Except for the provisions of Section 12.03(4), Sections 12.05(1), (3) and (6), the first sentence of Section 12.01(1) and the last sentence of Section 12.01(3), the provisions of this Article 12 relating to the rights and obligations of the Lenders and the Administrative Agent between themselves will be operative and have effect as between the Lenders and the Administrative Agent only, and the Borrower will not have any rights or obligations under or be entitled to rely for any purpose upon such provisions.

12.07 Distributions By Secure Website

Subject to Section 14.01(2), the Administrative Agent may satisfy its obligations under this Agreement to deliver to the Lenders copies of the information, notices and reports received by it from the Borrower for distribution to the Lenders pursuant to this Agreement, by posting this information onto an electronic website designated by the Administrative Agent to which the Lenders have access. The Administrative Agent will supply the Lenders with the address of and any relevant password specifications for that designated website.

12.08 Appointment and Authority

Each of the Lenders hereby irrevocably appoints the Administrative Agent to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of Sections 12.08 through 12.17 are solely for the benefit of the Administrative Agent and the Lenders, and no Restricted Party shall have rights as a third party beneficiary of any of such provisions.

12.09 Rights as a Lender

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Restricted Party or any Affiliate thereof as if such Person were not the Administrative Agent and without any duty to account to the Lenders.

12.10 Exculpatory Provisions

(1) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents), but the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or Applicable Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the person serving as the Administrative Agent or any of its Affiliates in any capacity.

(2) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as is necessary, or as the Administrative Agent believes in good faith is necessary, under the provisions of the Loan Documents) or (ii) in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing the Default is given to the Administrative Agent by the Borrower or a Lender.

(3) Except as otherwise expressly specified in this Agreement, the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition specified in this Agreement, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

12.11 Reliance by Administrative Agent

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such

Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

12.12 Indemnification of Administrative Agent

Each Lender agrees to indemnify the Administrative Agent and hold it harmless (to the extent not reimbursed by the Borrower), rateably according to its Applicable Percentage (and not jointly or jointly and severally) from and against any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel, which may be incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or the transactions therein contemplated. However, no Lender shall be liable for any portion of such losses, claims, damages, liabilities and related expenses resulting from the Administrative Agent's gross negligence or wilful misconduct. The Administrative Agent will in no event be required to exercise any right or power, if in its judgement, doing so would violate any Loan Document or Applicable Law, or if the Administrative Agent determines that the indemnification provided in this Section 12.12 is not adequate.

12.13 Delegation of Duties

The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent from among the Lenders (including the Person serving as Administrative Agent) and their respective Affiliates. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The provisions of this Article and other provisions of this Agreement for the benefit of the Administrative Agent shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

12.14 Replacement of Administrative Agent.

(1) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be an institution with an office in New York, New York, or any Affiliate of any such institution. The Administrative Agent may also be removed at any time by the Required Lenders upon 30 days' notice to the Administrative Agent and the Borrower as long as the Required Lenders, in consultation with the Borrower, appoint and obtain the acceptance of a successor within such 30 days, which shall be an institution with an office in New York, New York, or any Affiliate of any such institution.

(2) If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent which shall be an institution with an office in New York, New York, or any Affiliate of any such institution, provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be

made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in the preceding paragraph.

(3) Upon a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the former Administrative Agent, and the former Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided in the preceding paragraph). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the termination of the service of the former Administrative Agent, the provisions of Sections 12.08 through 12.17 and of Section 14.11 shall continue in effect for the benefit of such former Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the former Administrative Agent was acting as Administrative Agent.

12.15 <u>Non-Reliance on Administrative Agent and Other Lenders</u>

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

12.16 <u>Collective Action of the Lenders</u>

Each of the Lenders hereby acknowledges that to the extent permitted by Applicable Law, any collateral security and the remedies provided under the Loan Documents to the Lenders are for the benefit of the Lenders collectively and acting together and not severally and further acknowledges that its rights hereunder and under any collateral security are to be exercised not severally, but by the Administrative Agent upon the decision of the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents). Accordingly, notwithstanding any of the provisions contained herein or in any collateral security, each of the Lenders hereby covenants and agrees that it shall not be entitled to take any action hereunder or thereunder including, without limitation, any declaration of default hereunder or thereunder but that any such action shall be taken only by the Administrative Agent with the prior written agreement of the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents) to the extent such prior written agreement is required under this Agreement. Each of the Lenders hereby further covenants and agrees that upon any such written agreement being given, it shall co-operate fully with the Administrative Agent to the extent requested by the Administrative Agent. Notwithstanding the foregoing, in the absence of instructions from the Lenders and where in the sole opinion of the Administrative Agent, acting reasonably and in good faith, the exigencies of the situation warrant such action, the Administrative Agent may without notice to or consent of the Lenders take such action on behalf of the Lenders as it deems appropriate or desirable in the interest of the Lenders.

Without limiting the foregoing, if any collateral subject to the Security is sold in a transaction permitted hereunder (excluding sales to a Restricted Party), such collateral shall be sold free and clear of the liens created by the Security and each of the Administrative Agent, the U.S. Collateral Agent and the Canadian Collateral Agent shall be authorized to take any actions deemed appropriate in order to effect the foregoing. The Canadian Collateral Agent hereby appoints the U.S. Collateral Agent as collateral agent with respect to collateral situated in Canada for purposes of entering into the Intercreditor Agreement and hereby authorizes the U.S. Collateral Agent to enter into the Intercreditor Agreement in such capacity. Each of the Administrative Agent and the U.S. Collateral Agent is hereby also authorized by the Lenders to enter into the Intercreditor Agreement, and each Lender hereby agrees to be bound by the Intercreditor Agreement as it may from time to time be so amended or modified and in effect in accordance with its terms.

12.17 <u>No Other Duties, etc.</u>

Anything herein to the contrary notwithstanding, none of the Bookrunners, Arrangers or holders of similar titles, if any, specified in this Agreement shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

12.18 <u>U.S. Collateral Agent</u>

Each of the Lenders hereby irrevocably appoints the U.S. Collateral Agent as its agent and authorizes the U.S. Collateral Agent to take such actions on its behalf and to exercise such powers as are delegated to the U.S. Collateral Agent by the terms hereof or of the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. All provisions of this Article 12 relating to the Administrative Agent shall be equally applicable to the U.S. Collateral Agent mutatis mutandis.

12.19 <u>Canadian Collateral Agent</u>

Each of the Lenders hereby irrevocably appoints the Canadian Collateral Agent as its agent and authorizes the Canadian Collateral Agent to take such actions on its behalf and to exercise such powers as are delegated to the Canadian Collateral Agent by the terms hereof or of the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. All provisions of this Article 12 relating to the Administrative Agent shall be equally applicable to the Canadian Collateral Agent mutatis mutandis.

<u>ARTICLE 13 - GUARANTEE</u>

13.01 <u>Guarantees and Indemnity</u>

(1) Each of the Guarantors hereby jointly and severally, unconditionally and irrevocably, guarantees payment of the Guaranteed Obligations.

(2) If any or all of the Guaranteed Obligations are not duly paid and are not recoverable under Section 13.01(1) for any reason whatsoever, each of the Guarantors hereby jointly and severally, unconditionally and irrevocably, will, as a separate and distinct obligation, indemnify and save harmless the Administrative Agent and the Lenders and each of them from and against any losses resulting from the failure of the Borrower to pay its Obligations.

(3) If any or all of the Guaranteed Obligations are not duly paid and are not recoverable under Section 13.01(1) or the Administrative Agent and the Lenders and each of them is not indemnified under Section 13.01(2), in each case, for any reason whatsoever, to the full extent permitted by law, the Guaranteed Obligations will be recoverable jointly and severally from each of the Guarantors as primary obligor.

13.02 Obligations Absolute

The liability of each Guarantor under this Agreement is absolute and unconditional and is not affected by:

(a) any lack of validity or enforceability of this Agreement or any other Loan Document;

(b) any impossibility, impracticability, frustration of purpose, illegality, *force majeure* or act of Governmental Authority;

(c) the bankruptcy, winding up, liquidation, dissolution, arrangement, insolvency or other similar proceeding affecting any Restricted Party or any other Person, the amalgamation of or any change in the status, function, control or ownership of any Restricted Party, any Guarantor or any other Person;

(d) any lack or limitation of power, incapacity or disability on the part of any Restricted Party or of the directors, officers, partners, agents or other representatives thereof or any other irregularity, defect or informality on the part of any Restricted Party in its Guaranteed Obligations; or

(e) any other law, regulation or other circumstance that might otherwise constitute a defence available to, or a discharge of, any Restricted Party in respect of any or all of the Guarantee Obligations.

13.03 No Release

To the extent permitted by law, the liability of each Guarantor under this Agreement is not released, discharged, limited or in any way affected by anything done, suffered or permitted by the Administrative Agent, Lenders, or any of them or any other Person in connection with any duties or liabilities of any Restricted Party to the Administrative Agent, Lenders, or any of them or any Security, including any loss of or in respect of any Security. Without limiting the generality of the foregoing and without releasing, discharging, limiting or otherwise affecting in whole or in part the liability of any Guarantor under this Agreement, without obtaining the consent of or giving notice to any Guarantor, the Administrative Agent, the Lenders and each of them may, subject to the terms of this Agreement and specifically the relationship between the Lenders and the Administrative Agent but subject to the obligations of the Lenders and the Administrative Agents to the Borrower under this Agreement or any of the other Loan Documents:

(a) discontinue, reduce, increase or otherwise vary the credit of each Restricted Party in any manner whatsoever;

(b) make any change in the time, manner or place of payment under, or in any other term of, any Loan Document or the failure on the part of any Restricted Party to perform or otherwise carry out any of its obligations under any Loan Document;

(c) grant time, renewals, extensions, indulgences, releases and discharges to any Restricted Party;

(d) take or abstain from taking or enforcing the Security or from perfecting Security;

(e) accept compromises from any Restricted Party;

(f) apply all money at any time received from any Restricted Party or from the Security upon such part of the Obligations as the Administrative Agent, Lenders or each of them may see fit or change any such application in whole or in part from time to time as each of them may see fit; and

(g) otherwise deal with each Restricted Party and all other Persons and the Security as the Administrative Agent, Lenders and each of them may see fit.

13.04 No Exhaustion of Remedies

None of the Administrative Agent or the Lenders is bound or obligated to exhaust its or their recourse against any Restricted Party or other Person or any Security it or they may hold, or take any other action before being entitled to demand payment from any Guarantor hereunder.

13.05 Evidence of Balance or Amount

Any account settled or stated in writing by or between the Administrative Agent or any Lender and each Restricted Party will be *prima facie* evidence that the balance or amount thereof appearing due to the Administrative Agent and each Lender is so due.

13.06 No Set-Off

In any claim by the Administrative Agent, the Lenders or any of them against any Guarantor, such Guarantor may not assert any set-off, compensation or counterclaim that either such Guarantor or any Restricted Party may have against the Administrative Agent, the Lenders or any of them.

13.07 Continuing Guarantee

The Obligations of each Guarantor under this Agreement will constitute and be continuing obligations and will apply to and secure any ultimate balance due or remaining due to the Lenders, and each of them and will not be considered as wholly or partially satisfied by the payment or liquidation at any time of any sum of money for the time being due or remaining unpaid to any such Person. The Obligations of each Guarantor hereunder will continue to be effective even if at any time any payment of any of the Guaranteed Obligations is rendered unenforceable or is rescinded or must otherwise be returned by the recipient of such payment upon the occurrence of any action or event including the insolvency, bankruptcy or reorganization of any Restricted Party or otherwise, all as though such payment had not been made.

13.08 Waivers by Guarantors

Each Guarantor hereby irrevocably waives acceptance hereof, presentation, demand, protest and any notice, as well as any requirement that at any time any action be taken by any Person against such Guarantor, any other Restricted Party or any other Person.

13.09 Demand

Each Guarantor will make payment to the Administrative Agent for the rateable benefit of the Lenders of the full amount of the Guaranteed Obligations and all other amounts payable by it under this Agreement forthwith after demand therefor is made to it. Each Guarantor will also make payment to the Administrative Agent of all reasonable costs and expenses incurred by the Administrative Agent, the Lenders or any of them in enforcing the provisions of this Article 13.

13.10 Interest

Each Guarantor will pay, without duplication, interest to the Administrative Agent for the rateable benefit of the Lenders and each of them at the Alternate Base Rate plus 2% *per annum* on the unpaid portion of all amounts payable by such Guarantor hereunder, such interest to accrue from and including the date of demand on the Guarantor, and will be compounded monthly, not in advance.

13.11 Subrogation; Contribution

No Guarantor will be entitled to subrogation or to contribution from the Borrower or other Guarantor by reason of any payment hereunder until indefeasible payment in full of all Guaranteed Obligations, and the termination of the Commitments. Thereafter, the Administrative Agent, on its own behalf and on behalf of the Lenders will, at a Guarantor's request and expense, execute and deliver to such Guarantor appropriate documents, without recourse and without representation and warranty, except as to the amount owing, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Guaranteed Obligations, any Security held therefor and the other Loan Documents resulting from such payment by such Guarantors.

13.12 Stay of Acceleration

If acceleration of the payment of any Guaranteed Obligations payable by any Guarantor is stayed upon the insolvency, bankruptcy or reorganization of such Guarantor or otherwise, all such Guaranteed Obligations otherwise subject to acceleration under the laws of any Loan Document will nonetheless be payable by each other Guarantor herewith in accordance with the terms hereof.

13.13 Limitation on Obligations of Subsidiary Guarantors

The Obligation of each Guarantor that is a Subsidiary of the Borrower and that is subject to the provisions of the *United States Bankruptcy Code* will be limited to an aggregate amount that is equal to the largest amount that would not render the obligations of such Guarantor subject to avoidance under Section 548 of the *United States Bankruptcy Code* or any comparable provisions of Applicable Law.

ARTICLE 14 - GENERAL

14.01 Addresses, Etc. for Notices

(1) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (2) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to, if to the Borrower or the Administrative Agent, the addresses or telecopier numbers set forth on the signature pages of this Agreement or, if to a Lender, to it at its address or telecopier number specified in the Register or, if to a Restricted Party other than the Borrower, in care of the Borrower.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given on a business day between 9:00 a.m. and 5:00 p.m. local time where the recipient is located, shall be deemed to have been given at 9:00 a.m. on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (2) below, shall be effective as provided in said paragraph (2).

(2) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices to any Lender of Loans to be made if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(3) Change of Address. Etc. Any party hereto may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

14.02 Governing Law and Submission to Jurisdiction; Waiver of Jury Trial

(1) This Agreement shall be construed in accordance with and governed by the law of the State of New York, without regard to conflict of law provisions.

(2) Each Restricted Party irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Restricted Party or its properties in the courts of any jurisdiction.

(3) Each Restricted Party irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(4) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS

CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

14.03 Judgment Currency

(1) If for the purpose of obtaining or enforcing judgement against the Borrower in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 14.03 referred to as the "**Judgment Currency**") an amount due in Canadian Dollars or United States Dollars under this Agreement, the conversion will be made at the rate of exchange prevailing on the Business Day immediately preceding:

(a) the date of actual payment of the amount due, in the case of any proceeding in the courts of the Province of Ontario or in the courts of any other jurisdiction that will give effect to such conversion being made on such date; or

(b) the date on which the judgement is given, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such conversion is made pursuant to this Section 14.03(1)(b) being hereinafter in this Section 14.03 referred to as the "**Judgment Conversion Date**").

(2) If, in the case of any proceeding in the court of any jurisdiction referred to in Section 14.03(1)(b), there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual payment of the amount due, the Borrower will pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of Canadian Dollars or United States Dollars, as the case may be, which could have been purchased with the amount of Judgment Currency stipulated in the judgement or judicial order at the rate of exchange prevailing on the Judgment Conversion Date.

(3) Any amount due from the Borrower under the provisions of Section 14.03(2) will be due as a separate debt and will not be affected by judgement being obtained for any other amounts due under or in respect of this Agreement.

(4) The term "rate of exchange" in this Section 14.03 means:

(a) for a conversion of Canadian Dollars to the Judgment Currency, the reciprocal of the official noon rate of exchange published by the Bank of Canada for the date in question for the conversion of the Judgment Currency to Canadian Dollars;

(b) for a conversion of United States Dollars to the Judgment Currency when the Judgment Currency is Canadian Dollars, the official noon rate of exchange published by the Bank of Canada for the date in question for the conversion of United States Dollars to Canadian Dollars;

(c) for a conversion of United States Dollars to the Judgment Currency when the Judgment Currency is not Canadian Dollars, the effective rate obtained when a given amount of United States Dollars is converted to Canadian Dollars at the rate determined pursuant to Section 14.03(4)(b) and the result thereof is then converted to the Judgment Currency pursuant to Section 14.03(4)(a); or

(d) if a required rate is not so published by the Bank of Canada for any such date, the spot rate quoted by The Toronto-Dominion Bank at its principal office in Toronto at approximately noon (Toronto time) on that date in accordance with its normal practice for the applicable currency conversion in the wholesale market.

14.04 Survival

All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement and the other Loan Documents shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid. The provisions of Section 14.11 and Sections 5.01, 5.02 and 6.04 will survive the repayment of all Loans and all other Obligations, whether on account of principal, interest or fees, and the termination of this Agreement, unless a specific release of such provisions executed by the Administrative Agent, on behalf of the Lenders, is delivered to the Borrower.

14.05 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction.

14.06 Further Assurances

Each Restricted Party, each Lender and the Administrative Agent will promptly cure any default by it in the execution and delivery of this Agreement, the Loan Documents or of any the agreements provided for hereunder to which it is a party. Each Restricted Party, at its expense, will promptly execute and deliver to the Administrative Agent, upon request by the Administrative Agent, all such other and further documents, agreements, opinions, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of such Restricted Party hereunder or more fully to state or otherwise evidence the obligations of such Restricted Party as set forth herein or to make any recording, file any notice or obtain any consent, all as may be reasonably necessary or appropriate in connection therewith.

14.07 Amendments and Waivers

(1) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any

departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (2) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(2) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, and in the case of Article 13, also by the Guarantors, and the Required Lenders (or the Administrative Agent with the consent of the Required Lenders); provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or PIK Interest Amount or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or PIK Interest Amount, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 11.07 or Section 12.01(5) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release any Guarantor from its obligations under Article 13, or release all or substantially all of the collateral securing the Obligations without the written consent of each Lender or (vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the U.S. Collateral Agent or the Canadian Collateral Agent hereunder without the prior written consent of the Administrative Agent, the U.S. Collateral Agent or the Canadian Collateral Agent, as the case may be.

14.08 Grant of Security in Quebec

It is acknowledged and agreed by the parties to this Agreement that in the event any Restricted Party acquires material Property in Québec and is required by this Agreement to grant security charging such Property, it will, at the request of the Canadian Collateral Agent, for the purposes of the grant of security by a Restricted Party in the Province of Québec, designate a trust company (**"Attorney"**) to act as the holder of a power of attorney (*fondé de pouvoir*) of the Lenders for all purposes of Article 2692 of the *Civil Code of Québec*. Any Person who becomes a Lender under this Agreement will be deemed to have consented to and affirmed the Attorney as *fondé de pouvoir* and to have ratified as of the date it becomes a Lender all such actions taken by the *fondé de pouvoir*.

14.09 Time of the Essence

Time is of the essence of this Agreement.

14.10 USA Patriot Act

Each Lender that is subject to the requirements of the *USA Patriot Act* (Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the **"Act"**) hereby notifies the Restricted Parties that, pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Restricted Parties, which information includes the name and address of the Restricted Parties and other information that will allow such Lender to identify the Restricted Parties in accordance with the Act.

14.11 Expenses; Indemnity; Damage Waiver

(1) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the U.S. Collateral Agent, the Canadian Collateral Agent and their respective Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the U.S. Collateral Agent, the Canadian Collateral Agent or any Lender, including the reasonable fees, charges and disbursements of counsel, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans; provided that no expense incurred by any Lender shall be payable by the Borrower unless such expense was incurred by such Lender after the occurrence of an Event of Default and while such Event of Default continues; and provided further that this Section shall not apply to any matters specifically addressed in Sections 5.01 and 5.02 or in respect of any Excluded Taxes provided further that, for purposes of clarification, this Section shall apply to expenses incurred in collecting any payments due under Sections 5.01 and 5.02.

(2) Indemnification by the Restricted Parties. Each of the Restricted Parties shall indemnify the Administrative Agent, the U.S. Collateral Agent, the Canadian Collateral Agent (and any sub-agent of any of the foregoing), each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Restricted Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance or non-performance by the Restricted Parties of their respective obligations hereunder or thereunder or the consummation or non-consummation of the transactions contemplated hereby or thereby, (ii) any Loan or PIK Interest Amount or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of a Hazardous Substance on or from any property owned or operated by any Restricted Party, or any Environmental Claim related in any way to any Restricted Party, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by a Restricted Party and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Restricted Party against an Indemnitee for breach of such Indemnitee's obligations hereunder or under any other Loan Document, if the Restricted Party has obtained a final and nonappealable judgment in its favour on such claim as determined by a court of competent jurisdiction, nor shall it be available in respect of matters specifically addressed in Sections 5.01, 5.02 and 14.11(1) or in respect of any Excluded Taxes.

(3) Reimbursement by Lenders. To the extent that any Restricted Party for any reason fails to indefeasibly pay any amount required under paragraph (1) or (2) of this Section to be paid by it to the Administrative Agent, the U.S. Collateral Agent, the Canadian Collateral Agent (or any sub-agent of any of the foregoing) or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent, the U.S. Collateral Agent, the Canadian Collateral Agent (or any sub-agent of any of the foregoing) or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount,

provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the U.S. Collateral Agent, the Canadian Collateral Agent (or any sub-agent of any of the foregoing) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent, the U.S. Collateral Agent, the Canadian Collateral Agent (or any sub-agent of any of the foregoing) in connection with such capacity. The obligations of the Lenders under this paragraph (3) are subject to the other provisions of this Agreement concerning several liability of the Lenders.

(4) Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, the Restricted Parties shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for indirect, consequential, punitive, aggravated or exemplary damages (as opposed to direct damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby (or any breach thereof), the transactions contemplated hereby or thereby, any Loan or PIK Interest Amount or the use of the proceeds thereof unless arising from a breach by it of its obligations under this Agreement or its negligence or wilful misconduct. No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby unless arising from a breach by it of its obligations under this Agreement or its negligence or wilful misconduct.

(5) Payments. All amounts due under this Section shall be payable promptly after demand therefor. A certificate of the Administrative Agent or a Lender setting forth the amount or amounts owing to the Administrative Agent, Lender or a sub-agent or Related Party, as the case may be, as specified in this Section, including reasonable detail of the basis of calculation of the amount or amounts, and delivered to the Borrower shall be *prima facie* evidence thereof absent manifest error.

14.12 Successors and Assigns

(1) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Restricted Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (2) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (4) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (5) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (4) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(2) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans and PIK Interest Amount at the time owing to it); provided that:

(a) except if an Event of Default has occurred and is continuing or in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans and PIK Interest Amount at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment being assigned (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loan of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $1,000,000, unless each of the Administrative Agent and, so long as no Default has occurred and is continuing, the Borrower otherwise consent to a lower amount (each such consent not to be unreasonably withheld or delayed);

(b) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the PIK Interest Amount or the Commitment assigned, except that this clause (ii) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate credits on a non-*pro rata* basis;

(c) [Reserved];

(d) any assignment must be approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) unless the proposed assignee is itself already a Lender or the assignment is to an Affiliate or Approved Fund of a Lender;

(e) any assignment must be approved by the Borrower (such approval not to be unreasonably withheld or delayed) unless (i) the proposed assignee is itself already a Lender, the assignment is to an Affiliate or Approved Fund of a Lender and such assignment will not increase the obligations of the Borrower or any other Restricted Party under Section 5.01 or 5.02 hereof, or (ii) an Event of Default has occurred and is continuing; and

(f) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount specified in Section 12.05(7) and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (3) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement and the other Loan Documents, including any collateral security, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Article V and Section 14.11, and shall continue to be liable for any breach of this Agreement by such Lender, with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (4) of this Section. Any payment by an assignee to an assigning Lender in connection with an assignment or transfer shall not be or be deemed to be a repayment by the Borrower or a new Loan to the Borrower.

(3) Register. The Administrative Agent shall, as agent of the Borrower, maintain at one of its offices in the United States a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the

Loans and the amounts of the PIK Interest Amounts owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(4) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person, a Restricted Party or any Affiliate of a Restricted Party) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans and PIK Interest Amount owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any payment by a Participant to a Lender in connection with a sale of a participation shall not be or be deemed to be a repayment by the Borrower or a new Loan to the Borrower and (iv) such sale of a participation will not result in Increased Costs (as contemplated in Section 5.01) or Taxes (as contemplated in Section 5.02) that would not be incurred but for the sale of the participation.

Subject to paragraph (5) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Article V to the same extent as if it were a Lender of the relevant Loan and with respect to the relevant PIK Interest Amount and had acquired its interest by assignment pursuant to paragraph (2) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.01(4) as though it were a Lender of the relevant Loan and with respect to the relevant PIK Interest Amount, provided such Participant agrees to be subject to Section 12.01(5) as though it were a Lender.

(5) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 5.01 and 5.02 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent.

(6) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest, but no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

14.13 Counterparts: Integration: Effectiveness: Electronic Execution

Counterparts: Integration: Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in the conditions precedent Section(s) of this Agreement, this Agreement shall become effective when it has been executed by the Administrative Agent and when the Administrative Agent has received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.

14.14 Treatment of Certain Information: Confidentiality

(1) Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to it, its Affiliates and its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority), (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement in favour of the Restricted Parties containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any Hedge Arrangement, credit-linked note or similar transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender on a non-confidential basis from a source other than a Restricted Party.

(2) For purposes of this Section, "Information" means all information received in connection with this Agreement from any Restricted Party relating to any Restricted Party or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a non-confidential basis prior to such receipt. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. In addition, the Administrative Agent may disclose to any agency or organization that assigns standard identification numbers to loan facilities such basic information describing the facilities provided hereunder as is necessary to assign unique identifiers (and, if requested, supply a copy of this Agreement), it being understood that the Person to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to make available to the public only such Information as such person normally makes available in the course of its business of assigning identification numbers.

(3) In addition, and notwithstanding anything herein to the contrary, the Administrative Agent may provide the information described on Schedule 14.14(3) concerning the Borrower and the Credit Facility established herein to Loan Pricing Corporation and/or other recognized trade publishers of information for general circulation in the loan market.

[Signature pages follow]

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

BORROWER:

GRANT U.S. HOLDINGS LLP, by its partners

Address:	9918 Buford's Bridge Road P.O. Box 1000 Fairfax, SC 29827
Attention:	Scott Pearson, Vice President
Telephone:	(803) 632-5900 ext: 4804
Facsimile No.:	(803) 632-2475
Email:	spearson@gfp-inc.com

GRANT FOREST PRODUCTS INC., as partner

By:

Name: PETER M. LYNCH
Title: EXECUTIVE VICE PRESIDENT

GRANT ALBERTA INC., as partner

By:

Name: PETER LYNCH
Title: VICE-PRESIDENT

GUARANTORS:

GRANT FOREST PRODUCTS INC.

Address:	181 Bay St., Suite 1520 Toronto, Ontario M5J 2T3
Attention:	Peter Grant, Jr. President
Facsimile No.:	(416) 214-1360

By:

Name: Peter Grant, Jr.
Title: President

Name:
Title: PETER M. LYNCH
EXECUTIVE VICE PRESIDENT

GRANT FOREST PRODUCTS SALES INC.

Address:	181 Bay Street, Suite 1520 Toronto, Ontario M5J 2T3
Attention:	Peter Grant, Jr.
Facsimile No.:	(416) 214-1360

By:

Name: Peter Grant, Jr.
Title: Vice President

Name: PETER LYNCH
Title: PRESIDENT

This is Exhibit "D" referred to in the affidavit of Ben Montgomery sworn before me, this 11th day of May 20 11

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5875

EXECUTION COPY

INTERCREDITOR AGREEMENT

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

RECITALS

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

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

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

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

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

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

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

AGREEMENT

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

SECTION 1. Definitions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Insolvency or Liquidation Proceeding" means:

(a) any voluntary or involuntary case or proceeding under the Bankruptcy Code with respect to any Grantor;

(b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to a material portion of their respective assets;

(c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy; or

(d) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of any Grantor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 2. Lien Priorities.

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

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

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

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

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

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

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

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

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

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

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

SECTION 3. Enforcement.

3.1 Exercise of Remedies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) In addition to the foregoing:

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

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

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

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

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

SECTION 4. Payments.

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

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

SECTION 5. Other Agreements.

5.1 Releases.

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

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

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

(d) Until the Discharge of First Lien Obligations occurs, to the extent that the First Lien Collateral Agent or the other First Lien Claimholders (1) have released any Lien on Collateral or any Grantor from its obligation under its guaranty and any such Liens or guaranty are later reinstated or (2) obtain any new Liens or additional guarantees from any Grantor, then the Second Lien Collateral Agent, for itself and for the other Second Lien Claimholders, shall be granted a Lien on any such Collateral, subject to the lien subordination provisions of this Agreement, and an additional guaranty, as the case may be.

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

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

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

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

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

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

(4) contravene the provisions of this Agreement.

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

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

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

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

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

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

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

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

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

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

(9) contravene the provisions of this Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 6. <u>Insolvency or Liquidation Proceedings.</u>

6.1 <u>Finance and Sale Issues</u>. (a) Until the Discharge of First Lien Obligations has occurred, if the Company or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and the First Lien Collateral Agent shall desire to permit the use of "Cash Collateral" (as such term is defined in Section 363(a) of the US Bankruptcy Code) on which the First Lien Collateral Agent or any other creditor has a Lien or to permit the Company or any other Grantor to obtain financing, whether from the First Lien Claimholders or any other Person under Section 364 of the US Bankruptcy Code or any similar Bankruptcy Law (**"DIP Financing"**), then, so long as the maximum principal amount of Indebtedness that may be outstanding from time to time in connection with such DIP Financing, together with the principal amount of First Lien Obligations and the aggregate face amount of any First Lien L/C and BA Obligations issued but not reimbursed outstanding at such time (after giving effect to the application of proceeds of any DIP Financing to refinance all or any portion of the First Lien Obligations) shall not exceed the Cap Amount, the Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, agrees that it will raise no objection to such Cash Collateral use or DIP Financing so long as such Cash Collateral use or DIP Financing is (1) on commercially reasonable terms and (2) the DIP Financing (A) does not compel the Company to seek confirmation of a specific plan of reorganization for which all or substantially all of the material terms of such plan are set forth in the DIP Financing documentation or a related document or (B) the DIP Financing documentation or Cash Collateral order does not expressly require the liquidation of the Collateral prior to a default under the DIP Financing documentation or Cash Collateral order. To the extent the Liens securing the First Lien Obligations are subordinated to or pari passu with such DIP Financing which meets the requirements of clauses (1) and (2) above, the Second Lien Collateral Agent will, in addition to the subordination contained herein to the Liens securing the First Lien Obligations, subordinate its Liens in the Collateral to the Liens securing such DIP Financing (and all Obligations relating thereto) and will not request adequate protection or any other relief in connection therewith (except, as expressly agreed by the First Lien Collateral Agent or to the extent permitted by Section 6.3).

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

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

6.3 Adequate Protection.

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

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

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

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

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

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

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

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

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

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

6.7 Post-Petition InterestNeither the Second Lien Collateral Agent nor any other Second Lien Claimholder shall oppose or seek to challenge any claim by the First Lien Collateral Agent or any other First Lien Claimholder for allowance in any Insolvency or Liquidation Proceeding of First Lien Obligations consisting of post-petition interest, fees or expenses to the extent of the value of any First Lien Claimholder's Lien, without regard to the existence of the Lien of the Second Lien Collateral Agent on behalf of the Second Lien Claimholders on the Collateral.

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

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

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

To further effectuate the intent of the parties as provided in the immediately preceding sentence, if it is held that the claims of the First Lien Claimholders and the Second Lien Claimholders in respect of the Collateral constitute only one secured claim (rather than separate classes of senior and junior secured claims), then each of the parties hereto hereby acknowledges and agrees that, subject to Sections 2.1 and 4.1, all distributions shall be made as if there were separate classes of senior and junior secured claims against the Grantors in respect of the Collateral (with the effect being that, to the extent that the aggregate value of the Collateral is sufficient (for this purpose ignoring all claims held by the Second Lien Claimholders), the First Lien Claimholders shall be entitled to receive, in addition to amounts otherwise distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing in respect of post-petition interest, including any additional interest payable pursuant to the First Lien Credit Agreement, arising from or related to a default, which is disallowed as a claim in any Insolvency or Liquidation Proceeding) before any distribution is made in respect of the claims held by the Second Lien Claimholders with respect to the Collateral, with the Second Lien Collateral Agent, for itself and on behalf of the other Second Lien Claimholders, hereby acknowledging and agreeing to turn over to the First Lien Collateral Agent, for itself and on behalf of the other First Lien Claimholders, amounts otherwise received or receivable by them to the extent necessary to effectuate the intent of this sentence (with respect to the payment of post-petition interest), even if such turnover has the effect of reducing the claim or recovery of the Second Lien Claimholders).

SECTION 7. Application of Proceeds of Collateral.

7.1 Application of Proceeds.

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

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

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

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

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

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

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

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

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

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

SECTION 8. Reliance; Waivers; Etc.

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

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

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

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

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

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

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

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

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

(1) the First Lien Loan Documents (other than this Agreement);

(2) the collection of the First Lien Obligations; or

(3) the foreclosure upon, or sale, liquidation or other disposition of, any First Lien Collateral. The Second Lien Collateral Agent, on behalf of itself and the other Second Lien Claimholders, agrees that the First Lien Claimholders and the First Lien Collateral Agent have no duty to them in respect of the maintenance or preservation of the First Lien Collateral, the First Lien Obligations or otherwise.

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

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

(a) any lack of validity or enforceability of any First Lien Loan Documents or any Second Lien Loan Documents;

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

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

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

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

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

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

(c) to undertake any investigation; or

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

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

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

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

SECTION 9. Miscellaneous.

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

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

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

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

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

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

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

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

(2) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

First Lien Collateral Agent

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

By: ______________________
Name: Ronald J. Kowpak
Title: Vice President, Loan Syndications - Agency

Second Lien Collateral Agent

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

By:____________________________
Name:
Title:
IAN MURRAY
AUTHORIZED SIGNATORY

Acknowledged and Agreed to by:

The Company

GRANT FOREST PRODUCTS INC.

By:____________________________
Name: Peter M. Lynch
Title: Executive Vice-President

GRANT U.S. HOLDINGS LLP, by its partners

GRANT FOREST PRODUCTS INC., as partner

By:____________________________
Name: Peter M. Lynch
Title: Executive Vice-President

GRANT ALBERTA INC., as partner

By:____________________________
Name: Peter M. Lynch
Title: Vice-President

OTHER GRANTORS:

GRANT ALBERTA INC.

By:____________________________
Name: Peter M. Lynch
Title: Vice-President

SOUTHEAST PROPERTIES INC.

By:____________________________
Name: Peter M. Lynch
Title: Vice-President

GRANT ALLENDALE INC.

By:______________________________
Name: Peter M. Lynch
Title: Vice President

GRANT CLARENDON INC.

By:______________________________
Name: Peter M. Lynch
Title: Vice President

GRANT US SALES INC.

By:______________________________
Name: Peter M. Lynch
Title: President

GRANT FOREST PRODUCTS SALES INC.

By:______________________________
Name: Peter M. Lynch
Title: President

Annex I

Notices

First Lien Collateral Agent

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

Second Lien Collateral Agent

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

The Company and the other Grantors

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

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

This Is Exhibit "E" referred to in the affidavit of Ben Montgomery sworn before me, this 11th day of May 20 11

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5875

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

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

FOURTEENTH REPORT OF THE MONITOR DATED JUNE 1, 2010

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Sean Dunphy LSUC#: 24941J
Tel: (416) 869-5662
Daniel S. Murdoch LSUC#: 53123L
Tel: (416) 869-5529
Fax: (416) 947-0866

Lawyers for the Monitor,
Ernst & Young Inc.

TO: THE SERVICE LIST

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

FOURTEENTH REPORT OF THE MONITOR
DATED JUNE 1, 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 June 30, 2010 (the "**Original

Applicants' Stay Period") pursuant to an Order of this Honourable Court dated February 26, 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.

PURPOSE

3. The purpose of this Fourteenth Report of the Monitor (the "**Fourteenth Report**") is to report to this Honourable Court with respect to:

    a. the status of the marketing process as described in the Initial Order (the "**Marketing Process**") and the closing of the purchase agreement with Georgia Pacific (defined below) to sell certain of the Applicants' mills and related assets located in Canada and the U.S. as described in detail in the Monitor's Sixth Report dated January 15, 2010 (the "**Sixth Report**");

    b. the status of the CCAA proceedings of the Additional Applicants and the Grant Partnership;

    c. the review of the security of the first lien lenders who were owed approximately $399 million plus accrued interest as of May 31, 2009 (the "**First Lien Lenders**");

    d. the Applicants' motion for an interim distribution of funds in the possession of GFPI and in escrow with the Monitor to The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC as agents (collectively, the "**First Lien Lenders' Agent**"), the agent of the First Lien Lenders;

e. the Applicants' motion to authorize GFPI to pay to Hugh Saint, Inc. (the "**Boat Builder**"), with respect to the construction of the Boat (as defined below), an amount that is agreed between GFPI and the Boat Builder; and

f. the Applicants' motion for approval of an amendment to the Employee Retention Plan, as approved by the Order of this Honourable Court dated March 30, 2010; and

g. the Applicants' motion to approve this Fourteenth Report and the conduct and activities of the Monitor as set forth herein.

TERMS OF REFERENCE

4. In preparing this Fourteenth Report, the Monitor has been provided with and in making the comments herein relied upon unaudited financial information, the Applicants' books and records, financial information prepared by the Applicants and discussions with management of the 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 Fourteenth Report. Some of the information referred to in this Fourteenth 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.

5. Unless otherwise stated all monetary amounts contained herein are expressed in U.S. Dollars.

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

BACKGROUND

7. 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.

8. The Applicants and Footner Forest Products Ltd. (**"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.

9. The Applicants and Footner 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.

10. 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.

11. As set out further herein, the Applicants completed the sale of the Englehart Mill to Georgia Pacific on May 26, 2010. The Applicants still own the Timmins Mill;

12. 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 bare trustee and GFPI owns 50% of the shares of Footner. Footner is not a CCAA applicant.

13. 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. Each of these entities were Additional Applicants and were subject to these CCAA proceedings.

14. The Grant Partnership, which is one of the Original Applicants, owns 100% of Southeast.

15. GFPI, also one of the Original Applicants, owned 99.99% of the Grant Partnership (and GAI, another Original Applicant, owned the remaining 0.01%); thereby, GFPI and GAI collectively owned indirectly the Allendale Mill and the Clarendon Mill.

16. As described further herein, the Applicants completed a sale of the Grant Partnership to Georgia Pacific on May 26, 2010, as such, the Allendale Mill and Clarendon Mill are no longer owned by the Applicants.

17. As a result of the present market conditions and the reduced demand for OSB and other wood products, only the Englehart Mill and the Allendale Mill were operating prior to the completion of the sale to Georgia Pacific. Both the Timmins Mill and the Footner Mill are idle.

18. 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 Original Applicants with services to be provided by Hap Stephen and Sandra Rosch.

STATUS OF THE MARKETING PROCESS

19. The Initial Order provided for the immediate commencement of the Marketing Process in accordance with the protocol attached as Appendix "A" to the Initial Order (the "**Investment Offering Protocol**") to provide interested parties with the opportunity to offer to purchase the business and operations of the Original Applicants and their subsidiaries as a going concern or offer to sponsor a plan of arrangement of the Original Applicants. The Initial Order also authorized the Original Applicants to engage an investment offering advisor (the "**Investment Offering Advisor**") to assist in connection with the Marketing Process. The

Original Applicants requested that EYI undertake the role of the Investment Offering Advisor.

20. The Sixth Report describes in detail the Marketing Process that was conducted by the Investment Offering Advisor with the assistance of the CRA. The Marketing Process resulted in Georgia Pacific as the selected party to proceed to *Phase III* to negotiate a purchase and sale agreement with the Applicants.

21. On March 30, 2010 this Honourable Court granted an order (the "**Canadian Sale Approval Order**") approving the transaction (the "**Transaction**") as contemplated by a purchase agreement (the "**PSA**") between the Applicants and 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**") to sell a substantial portion of the Applicants' assets and operations (including the Englehart Mill, the Allendale Mill and the Clarendon Mill, as set out in further detail in the Sixth Report). Grant's interest in the Footner Mill was an excluded asset from the PSA, as was the Timmins Mill and certain other assets described in further detail in the Sixth Report.

22. On March 31, 2010, pursuant to the terms of the Canadian Sale Approval Order, the Monitor, as the foreign representative of the Applicants, filed petitions in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**") for relief under Chapter 15 of Title 11 of the U.S. Bankruptcy Code ("**Chapter 15**"), including recognition of these CCAA proceedings as a foreign main proceeding in respect of the Applicants and an order recognizing and approving the Canadian Sale Approval Order specifically. An Order granting emergency relief under Chapter 15 to the Applicants was granted by the U.S. Bankruptcy Court on April 6, 2010, and an Order granting provisional relief under Chapter 15 to the Applicants was granted by the U.S. Bankruptcy Court on April 19, 2010.

23. Further, pursuant to the terms of the Canadian Sale Approval Order, on April 1, 2010 the Monitor also filed a motion on behalf of the Applicants (the "**U.S. Sales

Motion") requesting the U.S. Bankruptcy Court grant an order (the "**U.S. Sale Approval Order**"), among other things, affirming and enforcing the Canadian Sale Approval Order, and approving the Transaction as contemplated by the PSA between the Applicants and Georgia Pacific to sell a substantial portion of the Applicants' assets and operations, as set out in further detail in the Sixth Report. An Order granting recognition and approval of the Canadian Sale Approval Order was granted by the U.S. Bankruptcy Court on April 26, 2010.

24. On May 15, 2010, Georgia Pacific and the Applicants agreed to certain amendments and clarifications of the PSA, with respect to closing matters and escrow accounts, none of which negatively impact the PSA overview provided in the Sixth Report.

25. On May 26, 2010 the Transaction closed and Georgia Pacific paid to the Monitor the purchase price of US$403 million and a further amount of US$22.6 million with respect to a working capital adjustment that was contemplated in the PSA. The funds received from Georgia Pacific included US$15 million with respect to the Timber Escrow as described in the Sixth Report (the "**Timber Escrow**"), US$5 million with respect to the Working Capital Escrow as described in the Sixth Report (the "**Working Capital Escrow**"), and approximately US$1.4 million with respect to the Other Payables Escrow as described in the Sixth Report (the "**Other Payables Escrow**"). In addition, Georgia Pacific funded an amount of US$0.8 million with respect to an employee retention plan (the "**ERP**") for certain employees of GFPI and GFPSI. The ERP is further described in the Seventh Report of the Monitor dated January 27, 2010 (the "**Seventh Report**"). A table summarizing the closing proceeds received by the Monitor on behalf of the Applicants or to be held in escrow are summarized in the table below:

Proceeds from sale	Amount (US$000's)	
Purchase Price	403,000	
Working Capital Adjustment	22,657	
Employee Retention	866	
Total	426,523	

Item	Amount (US$000's)	
Timber Escrow	15,000	Held by the Monitor in escrow
Working Capital Escrow	5,000	Held by the Monitor in escrow
Other Payables Escrow	1,469	Held by the Monitor in escrow
Employee Retention	866	Held by the Monitor in trust
Remaining proceeds	404,188	Held by the Monitor in trust
Total	426,523	

Note: The Employee Retention amount held in trust by the Monitor was subsequently converted to Canadian Currency.

26. Subsequent to the receipt of the amounts described above, the Monitor delivered to Georgia Pacific a certificate (the "**Monitor's Certificate**") primarily certifying that the above funds were received by the Monitor and that the Monitor consented to the registration against title to the purchased real property of the Approval and Vesting Order issued by this Honourable Court on March 30, 2010. As contemplated by the Approval and Vesting Order, upon delivery of the Monitor's Certificate, the Transaction closed.

STATUS OF THE CCAA PROCEEDINGS OF THE ADDITIONAL APPLICANTS AND THE GRANT PARTNERSHIP

27. As set out in paragraph 33 of the Supplemental Initial Order, upon the delivery of the Monitor's Certificate to Georgia Pacific, the CCAA proceedings with respect to the Additional Applicants and the Grant Partnership were terminated and the Monitor was discharged as Monitor of the Additional Applicants and the Grant Partnership.

28. As a result of the 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.

REVIEW OF FIRST LIEN LENDERS' SECURITY

29. As discussed in the affidavit of Mr. Peter Lynch dated June 22, 2009 in support of the motion for the issuance of the Initial Order (the "**Lynch Affidavit**"), as at May 31, 2009, the First Lien Lenders were owed the principal amount of approximately $399 million plus accrued interest of approximately $5.3 million pursuant to a credit agreement dated as of October 26, 2005, as amended by an agreement dated as of March 21, 2007 (the "**First Lien Credit Agreement**"). In addition, as discussed in the Lynch Affidavit, approximately $8.7 million was owed to one or more of the First Lien Lenders pursuant to interest rate swap agreements and such liability is also secured by the security held by the First Lien Lenders' Agent.

30. The Bank of New York Mellon ("**BNY**") (as successor agent to The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC) is the agent (the "**Second Lien Lenders' Agent**") for the second lien lenders (the "**Second Lien Lenders**") which, as discussed in the Lynch Affidavit, as at May 31, 2009, were owed the principal amount of approximately $150 million plus accrued interest of approximately $42 million.

31. Grant has estimated that as at April 30, 2010, the First Lien Lenders are owed approximately US$ 441 million including accrued interest at default rates of interest, although Grant still needs to reconcile the precise figure with the First Lien Lenders' Agent.

32. The Monitor's counsel has conducted a security review of various security held by the First Lien Lenders in Canada granted in their favour by each of GFPI, GAI and GFPSI over each of their respective property and assets for the benefit of the First Lien Lenders and rendered an opinion with respect to the validity and perfection thereof under the provincial laws of Ontario and Alberta and the federal laws of Canada (the "**Canadian First Lien Security Opinion**").

33. The Canadian First Lien Security Opinion states that, subject to the assumptions and qualifications contained therein, including those relating to statutory and possessory

liens and claims that have priority by operation of law, the First Lien Lenders' security is valid and enforceable and ranks in first priority to the other claims with respect to the personal property secured, subject to certain registrations of secured parties made under the *Personal Property Security Act* of each of Ontario and Alberta prior to the registration by the First Lien Lenders' Agent.

34. In preparing the Canadian First Lien Security Opinion, Monitor's counsel reviewed the security interests in the personal property of each Canadian Applicant registered under the *Personal Property Security Act* of each of Ontario and Alberta and notices of intention of each Canadian Applicant to give security under Section 427 of the *Bank Act* (Canada) registered with the Bank of Canada in Ontario and Alberta.

35. The Canadian First Lien Security Opinion identifies a series of registrations under the *Personal Property Security Act* of each of Ontario and Alberta that precede the registration of the First Lien Lenders' security. Attached as Appendix "A" is a chart identifying all of the prior registrations. GFPI has advised the Monitor that all such prior registrations referred to in the Canadian First Lien Security Opinion are with respect to equipment leases.

36. In preparing the Canadian First Lien Security Opinion, Monitor's counsel also conducted or caused to be conducted subsearches in respect of the lands described in the First Lien Lenders' security documents (the "**Charged Lands**"). The Canadian First Lien Security Opinion states that, at the time of each subsearch, the relevant security document remained registered against the Charged Lands. GFPI has advised that Ontario and Alberta are the only Canadian jurisdictions in which GFPI, GAI and GFPSI own material assets. In respect of real property, the Canadian First Lien Security Opinion covers only the Charged Lands although the Canadian Applicants may own and lease additional parcels of land in Ontario and Alberta.

37. Legal counsel retained by the Monitor in the United States has also completed its review of the various security held by the First Lien Lenders in the U.S. and rendered its opinion with respect to such security documents (the "**U.S. First Lien**

Opinion").

38. The U.S. First Lien Opinion states that, subject to the assumptions and qualifications set out therein, under the relevant provisions of the Uniform Commercial Code (the "**UCC**"), the law governing the perfection of a security interest in the general partnership of Grant Partnership is the law of the jurisdiction where GAI and GFPI have their place of business. The U.S. First Lien Opinion further states that there are no financing statements disclosed in the UCC lien searches with respect to GFPI, GFPSI, GAI, the Grant Partnership, Allendale, Clarendon and Southeast that were filed prior to the First Lien Lenders' financing statement. In addition, the U.S. First Lien Opinion states that there are no outstanding mortgages or other instruments or agreements securing the repayment of money reflected in title commitments dated January 8, 2010 and January 14, 2010 from the Chicago Title Insurance Company with respect to real property owned by Allendale and Clarendon respectively that were filed prior to the First Lien Lenders' mortgage.

39. Accordingly, based on the Monitor's counsels' reviews of the First Lien Lenders' security, the proceeds from the Transaction and the Applicants' remaining assets, subject to the qualifications noted above and the need to maintain reserves to fund post filing obligations of the Applicants and the remaining costs of the Applicants to complete the CCAA proceedings, may appropriately be paid to the First Lien Lenders' Agent to apply to the fees, costs, interest and principal owed to the First Lien Lenders by the Applicants.

FIRST INTERIM DISTRIBUTION

40. As of May 26, 2010, the Monitor holds approximately US$404.2 million from the Transaction proceeds which were received from Georgia Pacific, as summarized in the table in paragraph 25 in this Fourteenth Report, which are not subject to escrow or being held in trust with respect to ERP payments. In addition, as at May 25, 2010, GFPI holds the equivalent of approximately US$31 million cash on hand in its bank account. GFPI and the Monitor have prepared an analysis, which has been

reviewed by the CRA, to estimate the amount of surplus cash that would be available for distribution to the First Lien Lenders subject to maintaining certain reserves that are required to pay the ERP and to satisfy any accrued but unpaid post CCAA filing obligations of the Applicants, including final payroll to the date of the closing of the Transaction and trade vendor obligations, as well as establishing a reserve to fund the Applicants' remaining operations for the duration of the CCAA proceedings.

41. Based on the analysis, the Remaining Applicants are requesting this Honourable Court's approval to distribute the equivalent of US$370 million to the First Lien Lenders. The full proceeds of the proposed distribution will be from the funds held in trust by the Monitor. After the distribution of such amount, the Monitor will continue to hold approximately $55.6 million in U.S. currency, including the required funds in escrow pursuant to the PSA, and approximately $0.9 million in Canadian currency as set out in the table below. In addition, as discussed earlier in this Fourteenth Report, as at May 25, 2010, GFPI held the equivalent of approximately $31 million in U.S. currency cash on hand.

Item	Amount (US$000's)	
Timber Escrow	15,000	Held by the Monitor in escrow
Working Capital Escrow	5,000	Held by the Monitor in escrow
Other Payables Escrow	1,469	Held by the Monitor in escrow
Remaining proceeds (net of distribution of US$ 370 million)	34,188	Held by the Monitor in trust
Total	55,657	

Item	Amount (CDN$000's)	
Employee Retention	906	Held by the Monitor in trust

42. The benefit of making this distribution is that it will significantly reduce the ongoing interest being accrued on the First Lien Lenders' debt, which will benefit future recoveries of creditors from these proceedings. The Monitor understands that the US$ 370 million distribution will reduce ongoing interest costs of GFPI of approximately $ 2.3 million per month.

POTENTIAL PAYMENTS RELATED TO THE BOAT

43. As described in the Second Report of the Monitor dated July 21, 2009 (the "**Second Report**"), GFPI owns a 65 foot custom built motor boat which is currently located in a storage facility in Florida (the "**Boat**"). The Boat is one of GFPI's non-core assets which GFPI intends to sell.

44. The Monitor understands that certain documentation, including a Manufacturers Certificate of Origin (the "**MSO**"), is required for the sale of the Boat. Accordingly, GFPI, with the assistance of the Monitor, has been working to obtain the MSO and other documentation required for the sale of the Boat, which requires the assistance of the Boat Builder. The Boat Builder is owed certain amounts by the Applicants from prior to the commencement of these proceedings with respect to the construction of the boat. Pursuant to ongoing discussions with the Boat Builder, GFPI is requesting this Honourable Court's approval to authorize GFPI to pay the Boat Builder, with respect to the construction of the Boat, an amount that is agreed to between GFPI and the Boat Builder.

45. GFPI with the assistance of the Monitor has contacted several boat brokers and has selected a boat broker who will be retained to market the Boat for sale after GFPI obtains the MSO and other relevant documentation from the Boat Builder.

AMENDMENTS TO THE EMPLOYEE RETENTION PLAN

46. The ERP is attached as Exhibit "A" to the Affidavit of Peter Lynch sworn January 22, 2010 and, as set out above, is described in greater detail in the Seventh Report. The ERP provides that eligibility for Part 3 payments is limited to the referenced non-union employees who, among other things, enter into employment agreements with GFPI "for a term of from two to six months ending not later than the date which is six months after the Closing Date (and extendable by agreement of Grant Forest Products Inc. and the applicable employee)." In order to address its needs post-closing, GFPI has advised that it entered into employment agreements with certain applicable employees for terms of one month and nine months.

Accordingly, the excerpt from the ERP referenced above should be amended to state "on terms to be agreed by GFPI and the applicable employee with the approval of the Monitor."

47. Paragraph 12 of the Additional Provisions of the ERP states that the maximum amount payable to each eligible employee is set out on Schedules 1, 2, 3 and 6 of the ERP. These schedules were filed with the Court under seal because they contain confidential information about the employees. The maximum amount payable to one employee for Part 1 and Part 2 payments was underreported in the schedules filed under seal. The maximum amount payable to this employee is to be increased by an amount not exceeding $27,000. This amendment will not affect the maximum amount payable under the ERP to all eligible employees.

RECOMMENDATIONS

48. The Applicants are seeking this Honourable Court's authorization for an Order:

a. Approving an interim distribution of funds in the possession of the Monitor, as described in paragraph 25 in this Fourteenth Report, in the amount of $370 million to the First Lien Lenders' Agent;

b. authorizing GFPI to pay to the Boat Builder, with respect to the construction of the Boat, an amount that is agreed to between GFPI the Boat Builder;

c. approving the amendments to the ERP set out in this Fourteenth Report; and

d. approving this Fourteenth Report of the Monitor and the conduct and activities of the Monitor as reported on herein.

49. The Monitor recommends that this Honourable Court grant the relief sought by the Applicants.

All of which is respectfully submitted this 1st day of June, 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

APPENDIX A

DEFINED TERMS

A	Accounts	AS	Amount Secured	BD	Book Debts
CG	Consumer Goods	DM	Date of Maturity	E	Equipment
I	Inventory	MVI	Motor Vehicle Included	N/A	Information Not Available
NFMD	No Fixed Maturity Date	O	Other	*	Registration that Applies to a Similar Name

SEARCH CONDUCTED AGAINST
Grant Forest Products Inc.

CURRENCY: January 3, 2010

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
1.	631873107	20070104 1450 1530 6780 Reg. 4 years	Grant Forest Products	GMAC Leaseco Corporation	CG, E, O, MVI, NFMD AS $57,020 2007 GMC Yukon, VIN
	"	20070105 1456 1530 9772 (Amendment)	Grant Forest Products Inc.		To amend name entered for debtor
	"	20070502 1457 1530 1330 (Transfer)	Robert McLeod (dob 08Oct1945)		Transfer by debtor

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
2.	627726591	20060804 1440 1902 0338 Reg. 6 years	Grant Forest Products	Irwin Commercial Finance Canada Corporation	E, O Copier (s) together with all attachments accessories accessions replacements substitutions additions and improvements thereto and all proceeds in any form derived directly or indirectly from any sale and or dealing with the collateral and a right to an insurance payment or other payment that indemnifies or compensates for loss or damage to the collateral or proceeds of the collateral
	"	20060921 1210 1902 3036 (Amendment)	Grant Equipment Corp.		Change debtor
3.	627592473	20060801 1453 1530 8811 Reg. 4 years	Grant Forest Products	GMAC Leaseco Corporation	CG, E, O, MVI, NFMD AS $67,267 2007 GMC Yukon, VIN
	"	20060802 1456 1530 1275 (Amendment)	Grant Forest Products Inc		To amend name entered for debtor
4.	627378732	20060725 1704 1462 0877 Reg. 5 years	Grant Forest Products Inc.	Xerox Canada Ltd	E, O, NFMD Unspecified
5.	626900445	20060710 1456 1530 7055 Reg. 5 years	Grant Forest Product In	GMAC Leaseco Corporation	CG, E, O, MVI, NMFD AS $114,137 2007 Cadillac Escalade, VIN

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
	"	20061120 1941 1531 8550 (Amendment)	Grant Forest Products Inc		To amend name entered for debtor
6.	626708178	20060704 1419 1462 5464 Reg. 5 years	Grant Forest Products Inc.	Xerox Canada Ltd	E, O, NFMD Unspecified
7.	624196368	20060411 1457 1530 3155 Reg. 4 years	Grant Forest Products	GMAC Leaseco Corporation	CG, E, O, MVI, NFMD AS $49,817 2006 Subaru Legacy, VIN
8.	622812222	20060217 1703 1462 2512 Reg. 5 years	Grant Forest Products Inc	Xerox Canada Ltd	E, O, NFMD Unspecified
9.	622601064	20060208 1452 1530 5031 Reg. 4 years	Grant Forest Products	GMAC Leaseco Corporation	CG, E, O, MVI, NFMD AS $42,911 2006 Pontiac Montana, VIN
10.	621867078	20060109 1442 1530 3445 Reg. 4 years	Grant Forest Products	General Motors Acceptance Corporation of Canada, Limited	CG, E, O, MVI, NFMD AS $37,419 2006 GMC Canyon, VIN
11.	620404254	20051110 1451 1530 0627 Reg. 5 years	Grant Forest Products Corp.	The Toronto-Dominion Bank	A, O Postponement & assignment of creditor's claim
	"	20090708 1118 1793 5763 (Amendment)	Grant Forest Products Limited		Amend to change the debtor's name
	"	20090731 1414 1793 6441 (Amendment)	Grant Forest Products Corp.		Amend to change the debtor's name
12.	619883595	20051021 1523 1590 6013 Reg. 10 years	Grant Forest Products Inc.	The Toronto-Dominion Bank, as agent	I, E, A, O, MVI Unspecified

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
	"	20080411 1352 1590 9795 (Partial Discharge)			Discharge from the security granted by Grant Forest Products Inc. of the sold 2008 refund (as defined by the 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) as such sold 2008 refund may be adjusted in accordance with such agreement.
13.	880460847	20020208 1441 1862 2513 Reg. 13 years	Grant Forest Products Inc.	GE Capital Canada Leasing Services Inc.	E, O Without limitation, one (1) 1994 Dassault Falcon 900B aircraft bearing Canadian registration mark C-FGFI and airframe manufacturer's serial number 138, together with three (3) Garrett (Allied Signal) model TFE731-5BR-1C engines bearing manufacturer's serial numbers P-101217, P-101214 and P-101231 and any airframe replacing the foregoing airframe, and any other engine from time to time attached to such airframe (including any engine replacing the foregoing engines), and all

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
					parts, accessories, appliances, appurtenances, components, furnishings, instruments, modules, navigational and communications equipment and all other goods, tangible personal property and other equipment of whatever nature (the "parts") that may from time to time be incorporated or installed in or attached to the foregoing airframe or engines (collectively, the "aircraft"), and all records, logs, maintenance records, manuals, technical data, training aids, computer software and other materials relating to the aircraft and any property substituted for any of the foregoing.
	"	20030328 1110 1862 0554 (Amendment)	Grant Forest Products Inc.	GE Capital Canada Leasing Services Inc.	E, O Without limitation, one (1) 1992 Dassault Falcon 50 Aircraft, bearing Canadian registration mark C GGFP and airframe manufacturer's serial number 227, together with three (3) Garret (Allied Signal) model TFE731-3-1C engines bearing

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
					manufacturer's serial numbers 76821, 76824 and 76825 and any airframe replacing the foregoing airframe, and any other engine from time to time attached to such airframe (including any engine replacing the foregoing engines) and all parts, accessories, appliances, appurtenances, components, furnishings, instruments, modules, navigational and communications equipment and all other goods, tangible personal property and other equipment of whatever nature that may from time to time be incorporated or installed in or attached to the foregoing airframe or engines (the "aircraft"), and all records, logs, maintenance records, manuals, technical data, training aids, computer software and other materials relating to the aircraft and any property substituted for any of the foregoing.
	"	20031127 1137 1862 7517 (Amendment)	Grant Forest Products Inc.	GE Capital Canada Leasing Services Company	E, A, O

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
14.	857729169	19991217 1439 9065 4458 Reg. 11 years	Grant Forest Products Inc.	GE Capital Canada Leasing Services Inc.	E, A, O Without limitation, one (1) 1992 Falcon 50 bearing Canadian registration mark C-GGFP and airframe manufacturer's serial number 227, together with three (3) Garrett TFE731-3-1C engines bearing manufacturer's serial number 76821, 76824 and 76825 and any engine replacing any of the foregoing engines, together with all parts, accessories, appliances, appurtenances, components, furnishings, instruments, modules, navigational and communications equipment and other equipment incorporated or installed in or attached to the foregoing airframe or engines, and all records, logs, manuals, technical data, computer software and other materials relating to the aircraft, airframe or any engine and any property substituted for any of the foregoing.
	"	19991222 1012 1081 3250 (Amendment)			To amend line 13 on registration no. 19991217

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
					1439 9065 4458 Without limitation, one (1) 1992 Dassault Falcon 50 bearing Canadian
	"	19991222 1013 1081 3251 (Renewal – 2 year)			Renewal
	"	20030328 1110 1862 0552 (Renewal – 2 years)			Renewal
	"	20030328 1110 1862 0553 (Amendment)			To add to the collateral description Without limitation, one (1) 1994 Dassault Falcon 900B aircraft bearing Canadian registration mark C-FGFI and airframe manufacturer's serial number 138, together with three (3) Garrett (Allied Signal) model TFE731-5BR-1C engines bearing manufacturer's serial numbers P-101217, P-101214 and P-101231 and any airframe replacing the foregoing airframe, and any other engine from time to time attached to such airframe (including any engine replacing the foregoing engines), and all parts, accessories, appliances, appurtenances, components, furnishings,

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
					instruments, modules, navigational and communications equipment and all other goods, tangible personal property and other equipment of whatever nature (the "parts") that may from time to time be incorporated or installed in or attached to the foregoing airframe or engines (the "aircraft"), and all records, logs, maintenance records, manuals, technical data, training aids, computer software and other materials relating to the aircraft and any property substituted for any of the foregoing.
	"	20031127 1137 1862 7516 (Amendment)		GE Canada Leasing Services Company	To reflect the new name of the secured party
15.	844695423	19980924 1819 1531 3351 Reg. 5 years	Grant Forest Products	IBM Canada Ltd – PPSA administrator	E, A, O Unspecified
	"	20030904 1203 1529 7257 (Renewal – 2 years)			Renewal
	"	20050829 1949 1531 6181 (Renewal – 3 years)			Renewal
	"	20071030 1946 1531 5030 (Amendment)	Grant Forest Products Inc.		Amend debtor name to include "Inc."

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
	"	20071120 1450 1530 5048 (Amendment)	"		Amend debtor location
	"	20080826 1947 1531 1256 (Renewal – 4 years)			Renewal

Court File No: CV-09-824700CL

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 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")

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

FOURTEENTH REPORT OF THE MONITOR, ERNST & YOUNG INC.
(Dated JUNE 1, 2010)

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

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Tel: (416) 869-5529
Fax: (416) 947-0866

Lawyers for the Monitor, Ernst & Young Inc.

This is Exhibit "F" referred to in the affidavit of Ben Montgomery sworn before me, this 11th day of May 20 11

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5875

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	**~~WEDNESDAY~~ Tuesday, THE ~~31st~~ 30th DAY**
	)	
JUSTICE CAMPBELL	)	**OF MARCH, 2010**

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 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

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 the applicants, Grant Forest Products Inc. (**"GFPI"**), Grant Forest Products Sales Inc. (**"Grant Canada Sales"**), Grant Alberta Inc. (**"Grant Alberta"**), Grant U.S. Holdings GP (the **"Grant Partnership"**), Southeast Properties LLC (**"Grant Southeast"**), Grant Clarendon LP (**"Grant Clarendon"**), Grant Allendale LP (**"Grant Allendale"**), Grant US Sales Inc. (**"Grant US Sales"**), Grant Newco LLC (**"Grant Newco"**) and

Grant Excluded GP ("**Grant Excluded**") (collectively, the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order approving of a purchase agreement between the Applicants, GP International Acquisition III, Ltd. (and its permitted assigns, the "**Canadian Purchaser**"), Georgia-Pacific LLC (and its permitted assigns, the "**U.S. Purchaser**") and GP Palmetto Holding LLC (and its permitted assigns, the "**Additional U.S. Purchaser**" and, together with the Canadian Purchaser and the U.S. Purchaser, the "**Purchasers**") substantially in the form of the agreement attached as Appendix "L" to the Sixth Report of Ernst & Young Inc., the Monitor (the "**Monitor**") of the Applicants (the "**Agreement**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Initial Order of this Court dated June 25, 2009, as extended and amended from time to time (the "**Initial Order**"), the affidavit of Hap Stephen sworn January 15, 2010, the Sixth Report of the Monitor to this Honourable Court (the "**Sixth Report**"), the Confidential Supplement to the Sixth Report of the Monitor, the Seventh Report of the Monitor to this Honourable Court, the Eighth Report of the Monitor to this Honourable Court, the Ninth Report of the Monitor to this Honourable Court, as well as the Report of the Proposed Monitor dated June 24, 2009, the Second Report of the Monitor dated July 21, 2009, the Fourth Report of the Monitor dated October 8, 2009, the Notice of Motion of even date of the First Lien Lenders' Agent (as defined below) and the affidavit of William O'Connor sworn January 15, 2010, and on hearing submissions from counsel for the Applicants, counsel for the Monitor, counsel for the agents under that certain credit agreement made as of October 26, 2005, as amended from time to time (the "**First Lien Credit Agreement**"), among GFPI and the Grant Partnership as borrowers, Grant Canada Sales, Grant Alberta, Grant Southeast, Grant Newco, Grant Allendale, Grant Clarendon and Grant US Sales, as guarantors, The Toronto-Dominion Bank ("**TD**") and

Toronto Dominion (Texas) LLC, and their respective successors and assigns, as agents (together, the "**First Lien Lenders' Agent**"), and the Lenders as defined in the First Lien Credit Agreement (the "**First Lien Lenders**"), counsel for the agent under that certain credit agreement made as of March 21, 2007, as amended from time to time (the "**Second Lien Credit Agreement**" and, together with the First Lien Credit Agreement, the "**Credit Agreements**"), among the Grant Partnership, as borrower, GFPI, Grant Canada Sales, Grant Alberta, Grant Southeast, Grant Newco, Grant Allendale, Grant Clarendon and Grant US Sales, as guarantors, The Bank of New York Mellon ("**BNY**"), and its successors and assigns, as agent (the "**Second Lien Lenders' Agent**", which reference shall include TD, as the predecessor agent to BNY, and, together with the First Lien Lenders' Agent, the "**Lien Agents**") and the Lenders as defined in the Second Lien Credit Agreement (the "**Second Lien Lenders**"), and counsel for Peter Grant Sr., Peter Grant Jr., and the Purchasers,

1. **THIS COURT ORDERS** that this motion is properly returnable today, that all parties requiring service of the materials relating to this motion have been duly served and that further service of this motion be and is hereby dispensed with.

2. **THIS COURT ORDERS** that capitalized terms used but not defined herein shall have the meanings ascribed to them in the Agreement.

APPROVAL OF ACQUISITION TRANSACTIONS

3. **THIS COURT ORDERS AND DECLARES** that the Marketing Process (as defined in the Initial Order) conducted by the Applicants was fair and reasonable and that the Agreement is commercially reasonable and in the best interests of the Applicants and their stakeholders.

4. **THIS COURT ORDERS** that the Agreement and all transactions, steps or actions contemplated under the Agreement be and are hereby approved in accordance with the terms of the Agreement, including, without limitation:

(i) the purchase by the Canadian Purchaser of the Purchased Assets from and the transfer of the Purchased Assets by GFPI, Grant Canada Sales and Grant Alberta (the "**Vendors**") to the Canadian Purchaser as provided for in the Agreement and this Order;

(ii) the admission of the U.S. Purchaser and the Additional U.S. Purchaser (together, the "**U.S. Purchasers**") as partners of the Grant Partnership, the surrender by GFPI and Grant Alberta of their respective partnership interests in the Grant Partnership (the "**Vendors' Partnership Interests**") and the issuance by the Grant Partnership of the partnership interests in the Grant Partnership to the U.S. Purchaser and the Additional U.S. Purchaser (the "**Purchasers' Partnership Interests**") as provided for in the Agreement and this Order;

(iii) the entry into of the release agreement by the Applicants, substantially in the form of the agreement attached as Exhibit D to the Agreement (the "**Release Agreement**"); and

(iv) the entry into of the release, discharge and termination agreement by (i) the Applicants, (ii) the First Lien Lenders' Agent (acting on its behalf and on behalf of the First Lien Lenders), (iii) the First Lien Lenders' Agent (on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders pursuant to and in accordance with the terms of a certain Intercreditor Agreement among GFPI, the Grant Partnership and the First Lien Lenders' Agent and the Second Lien Lenders' Agent and the other Grantors referenced therein dated as of March 21, 2007 (the **"Intercreditor Agreement"**)), and (iv) the Second Lien Lenders' Agent (acting on its behalf and on behalf of the Second Lien Lenders) substantially in the form of the agreement attached as Exhibit E to the Agreement (the **"Release and Discharge Agreement"**).

5. **THIS COURT ORDERS** that the Applicants are hereby authorized, empowered and directed, with effect as and from the date of their execution of the Agreement, to enter into the Agreement for (a) the purchase by the Canadian Purchaser of the Purchased Assets, including, without limitation, the property and assets described in Schedule "A" to this Order, and (b) the acquisition by the U.S. Purchasers of the Purchasers' Partnership Interests, as provided for in the Agreement (the Purchasers' Partnership Interests, together with the Purchased Assets, being hereafter collectively referred to as the **"Acquired Interests"**), and that the execution and delivery by the Applicants of the Agreement on January 8, 2010 be and the same is hereby ratified and approved.

6. **THIS COURT ORDERS** that the Applicants are hereby authorized, empowered and directed to complete the transactions contemplated by the Agreement and the Release Agreement, to make all payments to be made by any of the Applicants pursuant to, or as a condition to the closing of, the Agreement, and to take such steps and actions and execute and deliver such bills of sale, assignments, ancillary agreements, directions, consents, certificates, licenses, acknowledgements and other documents and assurances as are necessary or desirable to

complete the transactions and satisfy the Applicants' obligations contemplated thereby (the "**Ancillary Documents**").

7. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to enter into amendments to and modifications of the Agreement, to the extent permitted and provided for in the Agreement, and any reference in this Order to the Agreement shall be deemed to be a reference to the Agreement, as so amended.

8. **THIS COURT ORDERS** that the Release and Discharge Agreement and all transactions, steps or actions contemplated under the Release and Discharge Agreement be and are hereby approved.

9. **THIS COURT ORDERS** that the Applicants are hereby authorized, empowered and directed to enter into the Release and Discharge Agreement.

10. **THIS COURT ORDERS** that Mr. Peter Lynch be and he is hereby authorized, empowered and directed, on behalf of the Applicants, or any one or more of them (i) to execute and deliver the Agreement, the Release Agreement, the Release and Discharge Agreement, the Ancillary Documents and any other agreements, documents and writings required or desired to give effect to any of same and to any of the transactions contemplated therein or by this Order, and (ii) to take such other steps and actions as are required to cause the Applicants, as applicable, to do all things authorized, directed or permitted under this Order including, without limitation, to convey and vest title in and to the Acquired Interests in the Purchasers, to surrender the Vendors' Partnership Interests, and to issue the Purchasers' Partnership Interests to the U.S. Purchasers, and Peter Lynch shall have no personal liability with respect to any of the foregoing.

11. **THIS COURT ORDERS AND DECLARES** that the Applicants are in default under the Credit Agreements and that the First Lien Lenders' Agent is entitled to exercise all of the rights and remedies provided for under the First Lien Credit Agreement, the Intercreditor Agreement and applicable law.

12. **THIS COURT ORDERS AND DECLARES** that the First Lien Lenders' Agent (acting on behalf of itself and on behalf of the First Lien Lenders), is hereby authorized, empowered and directed to enter into the Release and Discharge Agreement and is further authorized, empowered and directed to complete the transactions contemplated by the Release and Discharge Agreement, with such amendments to and modifications of the Release and Discharge Agreement as the Purchasers may agree, and to take such steps and actions and execute and deliver such releases, discharges, ancillary agreements, directions, consents, certificates, acknowledgements and other documents and assurances as are necessary or desirable to effect and facilitate the release and discharge of (a) all indebtedness, liabilities, obligations and guaranties of every nature and kind whatsoever and howsoever arising (collectively the "**Obligations**") of the Grant Partnership, Grant Southeast, Grant Clarendon, Grant Allendale, Grant US Sales, Grant Newco and Grant Excluded (collectively, the "**U.S. Applicants**") to the First Lien Lenders' Agents or the First Lien Lenders (and to any one or more of them), and (b) all Liens (as defined in the Intercreditor Agreement) of the First Lien Lenders' Agent or the First Lien Lenders (or any one or more of them) (i) against the Acquired Interests, and (ii) any assets, interests, rights or property of every nature and kind, whether real, personal or mixed (the "**Collateral**") of any of the U.S. Applicants, but for greater certainty, Collateral shall not include the Net Partnership Interests Acquisition Proceeds.

13. **THIS COURT ORDERS** that (i) the Second Lien Lenders' Agent (on its own behalf and on behalf the Second Lien Lenders) and (ii) the First Lien Lenders' Agent (on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders pursuant to and in accordance with the terms of the Intercreditor Agreement) are each hereby authorized, empowered and directed to enter into the Release and Discharge Agreement and are further authorized, empowered and directed to complete the transactions contemplated by the Release and Discharge Agreement, with such amendments to and modifications of the Release and Discharge Agreement as the Purchasers may agree, and to take such steps and actions and execute and deliver such releases, discharges, ancillary agreements, directions, consents, certificates, acknowledgements and other documents contemplated by the Release and Discharge Agreement or incidental thereto to effect and facilitate the release and discharge of (a) all Obligations of the U.S. Applicants to the Second Lien Lenders' Agent or the Second Lien Lenders (and to any one or more of them), and (b) all Liens (as defined in the Intercreditor Agreement) of the Second Lien Lenders' Agent or the Second Lien Lenders (or any one or more of them) (i) against the Acquired Interests, and (ii) any Collateral of any of the U.S. Applicants; provided that the Second Lien Lenders' Agent shall be relieved of its obligations to act if the First lien Lenders' Agent takes the steps necessary to complete the transactions contemplated by the Release and Discharge Agreement on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders pursuant to section 5.1(c) of the Intercreditor Agreement and this Order.

14. **THIS COURT ORDERS** that neither the First Lien Lenders' Agent nor any of the First Lien Lenders shall incur any liability or obligation of whatsoever nature or kind arising from taking any step or acting in any way on the authority and/or direction provided for in this Order.

15. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Vendors are hereby authorized and permitted to disclose and transfer to the Canadian Purchaser all human resources and payroll information in the Vendors' records pertaining to the Vendors' past and current employees. The Canadian Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the applicable Vendors.

16. **THIS COURT ORDERS AND DECLARES** that, effective immediately upon the delivery to the Purchasers by the Monitor of a certificate, substantially in the form of the certificate attached as Schedule "B" to this Order (the "**Monitor's Certificate**"), all right, title and interest in and to the Acquired Interests shall vest absolutely in the applicable Purchasers free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, pledges, mortgages, charges, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, financial, monetary or other claims, guaranties, liabilities or encumbrances, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured, quantified or unquantified, contingent or otherwise, including, without limitation, all options to purchase, restrictions or rights of first refusal affecting all or any of the Acquired Interests pursuant to any agreement to which any of the Applicants is a party, whensoever and howsoever arising, and whether such claims arose or came into existence prior to the date of this Order or arise or come into existence following the date of this Order based in whole or in part on facts existing up to and including the Closing (as defined in the Agreement) (all of the foregoing, including, without limitation and for clarity, in relation to the Collateral of the Grant Partnership, collectively, the "**Claims**"), including, without

limiting the generality of the foregoing, the Claims held by or in favour of the persons and entities, or their solicitors, served with the Notice of Motion relating to the Order, and including, without limiting the generality of the foregoing: (i) all encumbrances and charges created by the Initial Order, the Supplemental Initial Order and any other Orders made in the within CCAA proceeding (the "**CCAA Proceeding**"); (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) and the *Personal Property Security Act* (Alberta) including, without limitation, those registrations described in Schedule "C" to this Order, the *Repair and Storage Liens Act* (Ontario), and any other personal or movable property registry system, (iii) all liens, charges, claims of lien and other Claims under the *Forestry Workers Lien for Wages Act* (Ontario) and the *Crown Forest Sustainability Act* (Ontario), whether registered or not and whether any notice of claim, statement of claim or other document has been filed with or proceeding has been commenced in any court; and (iv) all Claims, debts, liabilities, obligations, guaranties, security interests, options, rights and interests of or held by any of the Lien Agents, the First Lien Lenders or the Second Lien Lenders (or any one or more of them), but excluding the permitted encumbrances, easements and restrictive covenants relating to the Real Properties (defined below) being acquired by the Canadian Purchaser, which permitted encumbrances are described in Schedule "D" to this Order (the "**Permitted Encumbrances**"), (all of the security interests, charges, liens and any other encumbrances included in Claims and all of (i), (ii) and (iii) collectively referred to herein as the "**Encumbrances**") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Acquired Interests (or any one of them), other than the Permitted Encumbrances, are hereby released, discharged, extinguished and expunged from and against each of the Acquired Interests.

17. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of any Claims and Encumbrances, the proceeds of sale of the Purchased Assets, net of applicable sales taxes and any purchase price adjustments pursuant to the Agreement (the "**Net Purchased Assets Sale Proceeds**") and the amounts paid by the U.S. Purchasers to acquire the Purchasers' Partnership Interests, net of applicable taxes and adjustments pursuant to the Agreement (the "**Net Partnership Interests Acquisition Proceeds**", and, together with the Net Purchased Assets Sales Proceeds, the "**Net Acquisition Proceeds**"), shall stand in the place and stead of the applicable Acquired Interests or Collateral of the Grant Partnership, as applicable, and that effective from and after the date of delivery of the Monitor's Certificate to the Purchasers:

(i) all Claims and Encumbrances against the Purchased Assets shall attach in place and stead to the Net Purchased Assets Sale Proceeds, with the same priority as they had with respect to the Purchased Assets immediately prior to the completion of their sale to the Canadian Purchaser, as if the Purchased Assets had not been sold or delivered to or acquired by the Canadian Purchaser and remained in the possession or control of the Vendor having that possession or control immediately prior to the transaction;

(ii) all Claims and Encumbrances against the Vendors' Partnership Interests and Purchasers' Partnership Interests are hereby released, discharged, extinguished and expunged as against the Vendors' Partnership Interests and the Purchasers' Partnership Interests and the Purchasers' Partnership Interests shall be issued to the U.S. Purchasers free and clear of all such Claims and Encumbrances;

(iii) on assumption by the Partnership Proceeds Trustee of the Assumed Partnership Indebtedness as provided for in paragraph 21 hereof, all Claims and Encumbrances against the Grant Partnership and its Collateral shall be released, discharged, extinguished and expunged as against the Grant Partnership and its Collateral and shall attach in place and stead to the Net Partnership Interests Acquisition Proceeds (which proceeds shall be distributed by the Partnership Proceeds Trustee in accordance with paragraph 21 of this Order), with the same priority as such Claims and Encumbrances had with respect to the Grant Partnership and its Collateral immediately prior to the Closing, and as if such Claims and Encumbrances had not been released, discharged, extinguished and expunged from the Grant Partnership and its Collateral and, for greater certainty, there shall be no recourse whatsoever against the Grant Partnership or its Collateral in respect of any such Claims and Encumbrances, all of which are hereby fully released, discharged, extinguished and expunged as against the Grant Partnership and its Collateral; and

(iv) all Claims and Encumbrances of or held by the Lien Agents, the First Lien Lenders, the Second Lien Lenders and the Applicants (or any one or more of them) against any of the U.S. Applicants and any of their respective Collateral are hereby released, discharged, extinguished and expunged.

18. **THIS COURT ORDERS** that upon the registration:

(i) in the Land Registry Office for the Land Title Division of Timiskaming (No. 54) of one or more applications for vesting order and/or one or more transfers or deeds in the form prescribed by the *Land Registration Reform Act* (Ontario) (the "**LRRA**") duly executed by GFPI, the Land Registrar is hereby directed to enter the "**Real Property Purchaser**", as such term is defined in the Monitor's Certificate, as the owner of the subject real properties identified in Schedule "E" hereto (collectively, the "**Timiskaming Real Properties**") in fee simple, and is hereby directed to delete and expunge from title to the Timiskaming Real Properties all of the Encumbrances listed in Schedule "E" hereto;

(ii) in the Land Registry Office for the Land Title Division of Nipissing (No. 36) of one or more applications for vesting order and/or one or more transfers or deeds in the form prescribed by the LRRA duly executed by GFPI, the Land Registrar is hereby directed to enter the Real Property Purchaser as the owner of the subject real properties identified in Schedule "E" hereto (collectively, the "**Nipissing Real Properties**") in fee simple, and is hereby directed to delete and expunge from title to the Nipissing Real Properties all of the Encumbrances listed in Schedule "E" hereto; and

(b) in the Land Registry Office for the Land Title Division of Cochrane (No. 6) of one or more applications for vesting order and/or one or more transfers or deeds in the form prescribed by the LRRA duly executed by GFPI, the Land Registrar is hereby directed to enter the Real Property Purchaser as the owner of the subject real properties identified in Schedule "E" hereto (collectively, the **"Cochrane Real Properties"** and, together with the Timiskaming Real Properties and the Nipissing Real Properties, the **"Real Properties"**) in fee simple, and is hereby directed to delete and expunge from title to the Cochrane Real Properties all of the Encumbrances listed in Schedule "E" hereto.

19. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with this Court a copy of the Monitor's Certificate no later than the next Business following Closing (as defined in the Agreement).

BULK SALES ACT EXEMPTION

20. **THIS COURT ORDERS AND DECLARES** that the sale of the Purchased Assets to the Canadian Purchaser and the acquisition of the Purchasers' Partnership Interests by the U.S. Purchasers, pursuant to the Agreement, shall be exempt from the application of the *Bulk Sales Act* (Ontario).

DISPOSITION OF THE NET PARTNERSHIP INTERESTS ACQUISITION PROCEEDS

21. **THIS COURT ORDERS** that effective from and after the time of delivery of the Monitor's Certificate to the Purchasers, the Monitor shall be constituted the trustee of the Net Partnership Interests Acquisition Proceeds (the **"Partnership Proceeds Trustee"**) and the Monitor shall hold the Net Partnership Interests Acquisition Proceeds as the Partnership Proceeds Trustee in trust for the sole and exclusive benefit of the creditors of the Grant Partnership. This Court further orders that in consideration for, and conditional upon its receipt of, the Net Partnership Interests Acquisition Proceeds, the Partnership Proceeds Trustee shall

assume all indebtedness and obligations of the Grant Partnership (the **"Assumed Partnership Indebtedness"**) and, notwithstanding any other provision of this Order, the Net Partnership Interests Acquisition Proceeds shall be subject to all Encumbrances against the Grant Partnership existing as at the time of Closing (the **"Partnership Encumbrances"**), in each case, only to the extent necessary to enable the holders of the Assumed Partnership Indebtedness to receive the Net Partnership Interests Acquisition Proceeds according to the priorities of the Partnership Encumbrances and, if applicable, the priorities set forth in the Intercreditor Agreement. The Net Partnership Interests Acquisition Proceeds will be distributed, upon further Order of the Court, to the creditors entitled thereto with the same priority that the holders of the Partnership Encumbrances would have had against the Collateral of the Grant Partnership as if the Partnership Encumbrances had not been released, discharged, extinguished and expunged as against the Grant Partnership and its Collateral and, if applicable, pursuant to the priorities set forth in the Intercreditor Agreement. For greater certainty, neither the Partnership Proceeds Trustee, nor Ernst & Young Inc. in any capacity, shall have or be under any personal or corporate liability to any person in relation to the Partnership Encumbrances or for acting in its capacity as the Partnership Proceeds Trustee (except for wilful misconduct or gross negligence), and the sole recourse any holders of the Partnership Encumbrances shall have in relation to the Assumed Partnership Indebtedness and the Partnership Encumbrances is to the Net Partnership Interests Acquisition Proceeds. Immediately following the distribution of all of the Net Partnership Interests Acquisition Proceeds in accordance with such further Order of this Court, the Monitor shall be released and discharged from its role as Partnership Proceeds Trustee and shall have no further duties or obligations, the Assumed Partnership Indebtedness shall be deemed to have been satisfied in full and all Partnership Encumbrances shall be released and discharged. The Partnership Proceeds Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties under this paragraph.

OTHER

22. **THIS COURT ORDERS AND DECLARES** that property and assets constituting Purchased Assets and any property and assets of any of the U.S. Applicants (other than proceeds of sale of the Purchased Assets and the amounts paid by the U.S. Purchasers to acquire the Purchasers' Partnership Interests; provided that such proceeds of sale and amounts paid shall not include any amounts that the Purchasers are entitled to receive pursuant to the Escrow Agreements (as defined below)) that are paid to, received by or come into the possession or under the control of any of the Vendors following Closing shall be held in trust by the applicable Vendor for the applicable Purchaser or U.S. Applicant, as the case may be, and shall: (i) not form part of the estates of any of the Vendors, (ii) immediately be segregated and held separate and apart from the property and assets of the Vendors, and (iii) be paid or delivered over to the applicable Purchaser or U.S. Applicant.

23. **THIS COURT ORDERS AND DECLARES** 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 any of the Applicants and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of any of the Applicants:

1) the Agreement, the Release Agreement, the Release and Discharge Agreement, the Ancillary Documents and the transactions, trusts, steps and actions contemplated therein;

2) the sale of any of the Purchased Assets to the Canadian Purchaser and the transactions pursuant to which the U.S. Purchasers are admitted as partners of the Grant Partnership, GFPI and Grant Alberta surrender their respective partnership interests in the Grant Partnership and the Purchasers' Partnership Interests are issued to the U.S. Purchasers;

3) the entering into of the Agreement, the Release Agreement, the Release and Discharge Agreement and the Ancillary Documents by any of the Applicants;

4) the vesting of title in and to any of the Acquired Interests in the Purchasers (or any of them); and

5) the provisions of this Order;

shall be binding on any trustee in bankruptcy that may be appointed in respect of any of the Applicants and shall not be void or voidable by creditors of any of the Applicants, nor shall they, or any of them, constitute or 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 any of the foregoing constitute oppressive or unfairly prejudicial conduct or conduct that disregards the interests of an affected person pursuant to any applicable federal or provincial legislation.

24. **THIS COURT ORDERS** that the Monitor is hereby authorized, empowered and directed to carry out and satisfy the activities, functions and responsibilities of the Monitor set

out in the Agreement and as the Partnership Proceeds Trustee as set out paragraph 21 of this Order.

25. **THIS COURT ORDERS** that Ernst & Young Inc. is hereby authorized, empowered and directed to enter into the escrow agreements attached as Exhibits F, H and I to the Agreement (collectively, the "**Escrow Agreements**") as Escrow Agent, and to carry out and satisfy the activities, functions and responsibilities set out in the Escrow Agreements and in addition to the rights and protections afforded Ernst & Young Inc. as the Monitor under the CCAA or as an officer of this Court, the Escrow Agent shall incur no liability as a result of its acting as Escrow Agent under the Escrow Agreements or the carrying out of the provisions of this Order, except for any gross negligence of wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

26. **THIS COURT ORDERS** that the Net Purchased Asset Sales Proceeds shall be held by the Monitor for distribution to the persons entitled thereto in accordance with their respective existing priorities pursuant to further order of this Court.

27. **THIS COURT ORDERS AND DECLARES** the Monitor to be the foreign representative of the Applicants and further orders that, in such capacity, the Monitor is hereby authorized, empowered and directed, in accordance with this Order and the Agreement, to commence proceedings under chapter 15 of title 11 of the United States Code and to seek and obtain from the court in the district in which such proceedings are commenced (the "**U.S. Bankruptcy Court**") such orders as may be required to recognize this CCAA Proceeding as a foreign proceeding in relation to each of the Applicants (the "**Chapter 15 Proceedings**") and to

seek and obtain the entry of such orders as may be required to recognize and give effect to this Order.

28. **THIS COURT ORDERS** that the Monitor is hereby authorized, empowered and directed, in its capacity as foreign representative of the Applicants, to file petitions in the U.S. Bankruptcy Court and to request the U.S. Bankruptcy Court to provide such assistance to the Applicants, the Monitor and their respective agents as they may request for the purposes of (a) having this CCAA Proceeding recognized as a foreign proceeding, and (b) carrying out the terms of this Order and the Agreement.

29. **THIS COURT HEREBY** respectfully requests the U.S. Bankruptcy Court to grant foreign representative status to the Monitor in relation to any such Chapter 15 Proceedings and to make such orders and to provide such assistance to the Monitor, the Applicants, the First Lien Lenders' Agent and the Purchasers, as is necessary or desirable to recognize and give effect to (i) this Order, (ii) the Agreement, (iii) the Release Agreement, (iv) the Release and Discharge Agreement, (v) the Ancillary documents, and (vi) the transactions, steps and actions contemplated by the Agreement, the Release Agreement, the Release and Discharge Agreement and the Ancillary Documents and to otherwise assist the Monitor and the Applicants and their respective agents in carrying out the terms of this Order and in completing and giving effect to the transactions contemplated by the Agreement, the Release Agreement and the Release and Discharge Agreement.

30. **THIS COURT ORDERS** that the Agreement, Appendices G, K, L and M (as unredacted) annexed to the Sixth Report, the Confidential Supplement to the Sixth Report of the Monitor and Appendix "A" to the Ninth Report of the Monitor, shall each be treated as

confidential and sealed from the public record, provided that if, with the prior written agreement of the Purchasers, all or any part of the Agreement is filed with the U.S. Bankruptcy Court on a public and unsealed basis in connection with any proceedings commenced by the Monitor or the Applicants to recognize and give effect to this CCAA Proceeding, this Order and/or to facilitate the completion of the transactions contemplated by the Agreement, the Release Agreement and the Release and Discharge Agreement, such portions of the Agreement that are so filed with the U.S. Bankruptcy Court need no longer be treated as confidential.

31. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or the United States to give effect to this Order and to assist the Applicants and the Monitor 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, and to the Applicants, and to their respective agents, as may be necessary or desirable to give effect to this Order or to assist the Monitor or the Applicants, or their respective agents, in carrying out the terms of this Order.

32. **THIS COURT ORDERS** that the Sixth Report, and the actions and activities of the Monitor as reported therein, be and are hereby approved.

33. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:02 a.m. Eastern Daylight Time on the date of this Order.

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

MAR 3 1 2010

PER / PAR: TV

This is Exhibit "G" referred to in the affidavit of Ben Montgomery sworn before me, this 11th day of May 2011

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
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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

TWENTIETH REPORT OF THE MONITOR
DATED APRIL 15, 2011

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 most recently extended to April 29, 2011 (the "**Stay Period**")

pursuant to an Order of this Honourable Court dated February 2, 2011.

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.

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 Twentieth Report of the Monitor (the "**Twentieth Report**") is to report to this Honourable Court with respect to:

   i. An overview of the remaining assets of the Remaining Applicants;

   ii. The Remaining Applicants' motion before this Honourable Court to commence a process for the sale of certain assets including the Haileybury Lakeside Complex, the Golf Course, the Hangar Lease, the Timmins Land and the Timmins Ogden Landfill (each of these assets are defined below);

   iii. The Remaining Applicants' motion for an order approving the settlement agreement (the "**Settlement Agreement**") between GFPI, the Corporation of the City of Timmins (the "**City of Timmins**") and Municipal Property Assessment Corporation ("**MPAC**");

   iv. The Monitor's motion for an order declaring that:

      a. any claims of the Pre Filing Suppliers (as defined below), are unsecured claims that rank behind the Applicants' secured creditors;

      b. none of the claims of the Non GFPI Suppliers (as defined below), are claims against GFPI or any of the Applicants;

      c. any claims of the Contract Termination Suppliers (as defined below), are unsecured claims that rank behind the Applicants' secured creditors; and

      d. any claims from certain customers related to the Grant Incentive Program (as defined below), are unsecured claims that rank behind the Applicants' secured creditors;

   v. Actual receipts and disbursements of the Remaining Applicants from January 17, 2011 to April 10, 2011 and an updated cash flow projection from April 11, 2011 to September 4, 2011;

   vi. The Remaining Applicants' motion to extend the Remaining Applicants' Stay Period to August 31, 2011; and

   vii. The Monitors' motion to approve this Twentieth Report and the conduct and activities of the Monitor as set forth herein.

TERMS OF REFERENCE

8. In preparing this Twentieth 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 Twentieth Report. Some of the information referred to in this Twentieth 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. Unless otherwise stated all monetary amounts contained herein are expressed in U.S. Dollars.

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

BACKGROUND

11. 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.

12. The Applicants and Footner Forest Products Ltd. ("**Footner**") (in which GFPI had 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.

13. 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.

14. 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.

15. The OSB mills located in Allendale (the "**Allendale Mill**") and Clarendon (the "**Clarendon Mill**") in South Carolina were owned by Allendale and Clarendon respectively, each of which was 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.

16. 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.

17. As described above, GFPI also had a 50% interest in an OSB mill located at High Level in Alberta (the "**Footner Mill**"), which was described in detail in the Sixteenth Report of the Monitor dated December 20, 2010 (the "**Sixteenth Report**"). GFPI's sale of its interests in the Footner Mill was approved by this Honourable Court on January 5, 2011 and the sale closed on February 17, 2011.

18. As described above, GFPI had owned the Timmins Mill located in Timmins, Ontario, which was described in detail in the Nineteenth Report of the Monitor dated March 22, 2011 (the "**Nineteenth Report**"). GFPI's sale of the building and equipment comprising the Timmins Mill was approved by this Honourable Court on

March 9, 2011 and the sale closed on March 21, 2011. GFPI's sale of the building and equipment related to the Timmins Mill to EDS Decommissioning Canada Inc. ("**EDS**") did not include the land on which the Timmins Mill is located and this land (defined below as the Timmins Land) is still owned by GFPI.

19. With the completion of the Georgia Pacific sale and the sale of GFPI's interests in Footner, the remaining assets (collectively, the "**Remaining Assets**") of the Remaining Applicants include the following:

    i. Office premises and boathouse in Haileybury, Ontario (the "**Haileybury Lakeside Complex**");

    ii. a parcel of land in Earlton, Ontario that was formerly a golf course (the "**Golf Course**");

    iii. GFPI's interest in the prepaid lease of an airplane hangar in Earlton, Ontario (the "**Hangar Lease**");

    iv. a custom built 65 foot yacht located in Placida, Florida (the "**Boat**");

    v. a parcel of land near Timmins, Ontario which contains the Timmins Mill (the "**Timmins Land**"). The Timmins Mill is in the process of being dismantled and demolished; and

    vi. a landfill site near Timmins, Ontario (the "**Timmins Ogden Landfill**").

20. The Haileybury Lakeside Complex, the Golf Course, the Hangar Lease, the Timmins Land and the Timmins Ogden Landfill are collectively referred to as the "**Remaining Ontario Assets**". The Boat is physically located in the state of Florida.

21. The Haileybury Lakeside Complex, the Golf Course and the Hangar Lease have previously been marketed for sale to potential purchasers. In each case, the sales process did not identify bidders whose bids were acceptable to the Remaining Applicants.

OVERVIEW OF THE REMAINING ASSETS

22. The Remaining Assets are described below:

The Haileybury Lakeside Complex

The Haileybury Lakeside Compelex is located on approximately 43 acres on the shores of Lake Temiskaming in Haileybury, Ontario. The Haileybury Lakeside Complex is a building including a boathouse, an art gallery and offices. Construction of the Haileybury Lakeside Complex commenced in approximately 2005 and continued until approximately the fall of 2008 at which time construction stopped as the Applicants were facing financial difficulties. In order to become fully usable, further construction is required as a number of rooms are not fully completed;

The Golf Course

The Golf Course was formerly six holes of a golf course located in Earlton, Ontario. The Golf Course, which was built in 2007, is part of a larger facility and the remaining three holes of the golf course are owned by a party related to the Remaining Applicants. The Golf Course has not been maintained since approximately the winter of 2010;

The Hangar Lease

The Hangar Lease is GFPI's interest in the prepaid lease of an airplane hangar in Earlton, Ontario. GFPI signed and prepaid the full amount of the lease agreement in December 2002 for the property on which the hangar is built for a period of 25 years from the completion of the hangar. The lease is with the Corporation of the Township of Armstrong, (o/a Earlton – Timiskaming Regional Airport);

The Boat

The Boat is an express cruiser weighing approximately 70,000 pounds. The hull is an OSB composite, the upper deck is constructed with Honduran mahogany and the decks are completed in teak wood;

The Timmins Land

The Timmins Land is the property on which the Timmins Mill is situated. As discussed above, the Timmins Mill is in the process of being dismantled and demolished further to the sale of the building and equipment comprising the Timmins Mill to EDS; and

The Timmins Ogden Landfill

The Timmins Ogden Landfill is a landfill site located in Timmins, Ontario.

23. Each of these assets were included in the sales process conducted to market the Applicants' OSB Mills, as more fully described in the Sixth Report of the Monitor dated January 15, 2010 (the "**Sixth Report**"). These efforts did not result in acceptable offers for the Remaining Assets at the time.

24. The Boat is currently listed for sale with a Florida based boat broker.

25. The previous efforts to sell certain of the Remaining Ontario Assets consisted of the following:

    i. The Haileybury Lakeside Complex was listed on the Multiple Listing Service ("**MLS**") at a price of CDN$25 million. The listing commenced in April, 2010 and was extended until December, 2010;

    ii. The Golf Course was listed on MLS at a price of approximately CDN$1 million. The listing commenced in June, 2010 and was extended until December, 2010; and

    iii. The Hangar Lease is also listed on MLS beginning November 11, 2010 and the listing expires on May 4, 2011.

26. No acceptable bids have been received through the MLS listings on either the Haileybury Lakeside Complex, the Golf Course or the Hangar Lease.

THE MARKETING PROCESS

27. Given the unique and specialized nature of each of the Remaining Ontario Assets, the Remaining Applicants have determined that continuing to list the Haileybury Lakeside Complex, the Golf Course and the Hangar Lease on MLS is not the most efficient manner to generate offers in a timely manner and the Remaining Applicants will continue to incur further holding costs.

28. The motion materials submitted by the Remaining Applicants contemplate that a modified tender process will be run to identify purchasers of the right, title and interest of the Remaining Applicants, if any, in the Remaining Ontario Assets (the "**Marketing Process**") by June 24, 2011. The Monitor, along with the CRO, will oversee the Marketing Process and determine the Successful Bidder(s) (as defined herein).

29. A summary of the significant aspects of the Marketing Process is as follows:

- The Monitor has prepared a tender package (the "**Tender Package**") and will distribute the Tender Package to potential purchasers identified by the Remaining Applicants with the assistance of the CRO and the Monitor. A copy of the Tender Package is attached as Appendix "A" to this Twentieth Report. Additional information and materials on each of the Remaining Ontario Assets will be made available to interested purchasers who receive the Tender Package on the Applicants' electronic dataroom site;

- The Monitor will advertise the Marketing Process related the Remaining Ontaio Assets in the national edition of the Globe and Mail newspaper and two newspapers in Northern Ontario;

- There will be five parcels included in the Tender Package. Each of the Haileybury Lakeside Complex, the Golf Course, the Hangar Lease, the

Timmins Land and the Timmins Ogden Landfill Site will comprise a separate parcel;

- Bidders may submit tender offers for each of the parcels and each offer will be considered separately, unless any bidder specifies that their offer for one parcel is conditional on obtaining another parcel;

- The Monitor and the CRO are not bound to accept the highest offer for any one parcel if, in their opinion, it is beneficial to the estate of the Remaining Applicants to not accept the highest offer;

- Bidders who are interested in any of the five parcels will be instructed to send their binding offer to the Monitor by 5:00 p.m. (Toronto time) on June 24, 2011. Included with the offer must be a non-refundable deposit for 15% of the gross purchase price;

- Once the bids have been evaluated by the Monitor and the CRO, the successful bidder(s) (the "**Successful Bidder(s)**") will be notified by the Monitor;

- Each of the Successful Bidder(s) and the Remaining Applicants will finalize a purchase and sale agreement which will contain a condition that the purchase and sale agreement will be subject to the approval of this Honourable Court;

- The full amount of the cash purchase price, net of the deposit paid, will be due from each of the Successful Bidder(s) at the closing of the sale;

- Once the Monitor, in its sole discretion, has determined that the likelihood of closing the relevant sale with the Successful Bidder(s) is advanced enough, deposit cheques will be returned to the bidders whose bids were not selected, as described in the Tender Package. No interest will be paid on such deposits;

- If a closing arrangement cannot be negotiated with the Successful Bidder, the Remaining Applicants, the CRO and the Monitor have the option to open discussions with other bidders who were not the Successful Bidder;

- Bidders will have the opportunity to tour the facilities; and
- The parcels are being sold on an "as is, where is" basis.

30. Further details with respect to the terms and conditions included in the Marketing Process are set out in the Tender Package attached as Appendix "A" to this Twentieth Report.

31. The Remaining Applicants are of the view that the Marketing Process is the most effective method to identify if an appropriate offer can be obtained for each of the Remaining Ontario Assets in a timely manner. The Monitor concurs with this view. Accordingly, the Remaining Applicants are seeking the approval of the Marketing Process from this Honourable Court.

SETTLEMENT AGREEMENT WITH THE CITY OF TIMMINS

32. As mentioned previously, GFPI owned the Timmins Mill, which was located in the city of Timmins, Ontario. As described in the Nineteenth Report, the Timmins Mill was shut down in September, 2006. The sale transaction between GFPI and EDS is described in detail in the Nineteenth Report and was approved by this Honourable Court on March 9, 2011. The sale of the building and equipment that comprise the Timmins Mill to EDS did not include the Timmins Land, and GFPI continues to own the underlying real estate, which is one of the Remaining Ontario Assets that are proposed to be marketed through the Marketing Process described in this Twentieth Report.

33. Through the 2008 tax year, GFPI was paying the property taxes on the Timmins Mill as assessed by the City of Timmins. GFPI filed a notice with the Assessment Review Board (the "**ARB**") and made applications under Section 364 of the *Municipal Act 2001* and under Section 40 of the *Assessment Act* with respect to the property tax assessments for the Timmins Mill to reflect the non-operating status of

the Timmins Mill. As a result, GFPI ceased paying property tax payments in 2009, as it believed it had overpaid property taxes in 2007 and 2008 since the Timmins Mill was closed during these years. This matter was not resolved between GFPI and the City of Timmins prior to the commencement of these CCAA proceedings, and property taxes related to the Timmins Mill have not been paid by GFPI during these CCAA proceedings. In June 2010, the City of Timmins filed a claim for the outstanding property tax amounts as of August 2010, purportedly owed by GFPI totalling approximately CDN$ 1.5 million.

34. In order to resolve this outstanding issue between GFPI and the City of Timmins, GFPI engaged a third party property tax consultant and legal counsel to advise on its options and to assist in preparation of a proposal to the City of Timmins. Based on this review, the CRO, on behalf of GFPI, in consultation with the Monitor, entered into discussions with the City of Timmins to settle the property tax dispute. Further to a number of discussions between GFPI and the City of Timmins (collectively, the "**Parties**"), on March 22, 2011, the Parties reached an agreement that requires the City of Timmins to pay a net property tax refund for the taxation years 2007 through 2011, inclusive, in the amount of CDN$700,000 to GFPI (the "**Settlement Amount**"). A copy of the Settlement Agreement is attached as Appendix "B" to this Twentieth Report.

35. GFPI is of the view that Settlement Agreement avoids a time consuming and costly ARB hearing relating to among other things, historical property value assessments and it generates CDN$700,000 in cash for the Remaining Applicants. Further, GFPI believes that the negotiated settlement is reasonable in the circumstances and provides a positive outcome to the Remaining Applicants' secured creditors. The Monitor concurs with this view. Accordingly, GFPI is seeking an order from this Honourable Court approving the Settlement Agreement.

ANALYSIS OF THE REMAINING APPLICANTS' POST FILING PAYABLES

36. Subsequent to the issuance of the Initial Order, the Applicants, under the oversight of the Monitor, have made payments to suppliers who provided goods and services

to the Applicants from and after the date of the Initial Order. These include supplier payments to maintain the functionality of the Applicants' operations prior to the sale of the main operating mills to Georgia Pacific. With the closing of the sale of the building and equipment of the Timmins Mill, the Applicants have now completed the sale of their OSB mill assets.

37. The Remaining Applicants have reviewed all invoices received from suppliers after the issuance of the Initial Order to assess if any final remaining amounts are owed to vendors with respect to post filing goods and services, and paying any vendor amounts, if appropriate, under the supervision of the Monitor.

38. Based on their review, the Remaining Applicants have identified 151 supplier invoices totalling approximately CDN$2.2 million which were received by the Remaining Applicants after the date of the Initial Order that will not be paid by the Remaining Applicants for the following reasons:

i. 128 invoices (or statements of account) received from vendors totalling approximately CDN$1.7 million dated after the granting of the Initial Order, but include goods and services delivered or provided prior to the date of the Initial Order. As such, these invoices are for goods and services provided prior to the CCAA filing (the "**Pre Filing Invoices**");

ii. 16 invoices (or statements of account) from vendors totalling approximately CDN$382,000 for the period after the date of the issuance of the Initial Order that do not properly relate to GFPI and should not be obligations of GFPI (the "**Non GFPI Invoices**"); and

iii. 7 invoices (or statements of account) totalling approximately CDN$166,000 related to penalties and/or claims by vendors or lessors that relate to contracts repudiated or equipment returned by GFPI or GFPSI subsequent to the date of the issuance of the Initial Order (the "**Contract Termination Invoices**").

39. The Monitor has written to these suppliers to advise them as to why GFPI and

GFPSI will not make such payments related to such invoices. Each of the above invoice categories and the communication with relevant suppliers is further described below.

CLAIMS OF SUPPLIERS RELATING TO PRE FILING INVOICES

40. As described above, the Remaining Applicants, during their review of invoices and statements of account received from suppliers subsequent to the date of the Initial Order, identified certain invoices that are dated after the granting of the Initial Order, but which relate to goods and services provided to GFPI and GFPSI prior to the granting of the Initial Order.

41. The Monitor has written to each of the suppliers of the Pre-Filing Invoices (the "**Pre Filing Suppliers**") identified by GFPI and GFPSI to advise them that the Remaining Applicants will not be making payment on their invoices and that a motion would be brought seeking directions from this Honourable Court to treat such invoices as unsecured pre filing claims (the "**Pre Filing Letter**"). The Pre Filing Letter, along with relevant supporting documentation, was sent to each of the Pre Filing Suppliers by either registered mail or courier to ensure a timely delivery of these documents to each Pre Filing Supplier. In the event the Pre Filing Supplier disagreed with the determination of GFPI and/or GFPSI, the Pre Filing Letter advised the Pre Filing Supplier to call a representative of the Monitor by the particular date set out in the Pre Filing Letter. A copy of the form of Pre Filing Letter sent by the Monitor to the Pre Filing Suppliers identified by GFPI and GFPSI is attached as Appendix "C" to this Twentieth Report.

42. The Monitor received responses from seven Pre Filing Suppliers who had clarification questions about the Pre Filing Letters and, as a result of the conversation with the Monitor, understood the contents of the Pre Filing Letter. Three responses were received from Pre Filing Suppliers (specifically Bell Canada, Industrial Mechanical Integration and Fraser Milner Casgrain LLP) which indicated that their records did not match GFPI's records with respect to the pre filing amounts owed by GFPI. The Monitor is working with GFPI and these suppliers to

reconcile their records. In addition, two Pre Filing Suppliers responded that their records matched GFPI's assessment. As of April 14, 2011, the Monitor has not received responses from the remaining 116 Pre Filing Suppliers.

43. The Monitor is seeking an order from this Honourable Court declaring that with the exception of Bell Canada, Industrial Mechanical Integration and Fraser Milner Casgrain LLP, that the claims of the remaining 125 Pre Filing Suppliers totalling approximately CDN$1.5 million are pre-filing unsecured claims. A listing of the Pre Filing Suppliers is attached is Appendix "D" to this Twentieth Report.

44. As GFPI and GFPSI with the assistance of the Monitor, continue to review outstanding post filing invoices, additional Pre Filing Suppliers may be identified (the "**Additional Pre Filing Suppliers**"). Such Additional Pre Filing Suppliers, if any, will be discussed in a future report of the Monitor.

CLAIMS OF SUPPLIERS RELATING TO NON GFPI INVOICES

45. As described above, the Remaining Applicants, during their review of invoices and statements of account received by the Applicants after the CCAA filing, identified certain invoices that did not relate to GFPI.

46. The Monitor has written to the suppliers of the Non GFPI Invoices (the "**Non GFPI Suppliers**") identified by GFPI and GFPSI to advise them that the Remaining Applicants will not be making payment on their invoices as they are not obligations of GFPI and GFPSI and that a motion would be brought seeking directions from this Honourable Court to treat such invoices as claims that do not relate to GFPI or GFPSI (the "**Non GFPI Letter**"). The Non GFPI Letter, along with relevant supporting documentation, was sent to each of the Non GFPI Suppliers by either registered mail or courier to ensure a timely delivery of these documents to each Non GFPI Supplier. In the event the Non GFPI Supplier disagreed with the determination of GFPI and/or GFPSI, the Non GFPI Letter advised the Non GFPI Supplier to call a representative of the Monitor by the particular date set out in the Non GFPI Letter. A copy of the form of Non GFPI Letter sent by the Monitor to

the Non GFPI Suppliers identified by the Remaining Applicants is attached as Appendix "E" to this Twentieth Report.

47. Among the claims related to Non GFPI Suppliers is a claim from Tembec Chemical Products Group (**"Tembec"**). Tembec took the position that GFPI is obligated to pay an amount of approximately $218,000 in satisfaction of a pricing rebate that is described in a sales agreement between GFPI and Tembec dated April 24, 2008 (the **"Tembec Agreement"**). The Monitor wrote to Tembec on September 10, 2010 (the **"Tembec Letter"**) indicating, among other things that since Tembec consented to the assignment of the Tembec Agreement to GP North Woods LP, an affiliate of Georgia Pacific, Tembec has no recourse for recovering its pricing rebate from GFPI. The Monitor did not receive a response from Tembec to the Tembec Letter. A copy of the Tembec Letter is attached as Appendix "F" to this Twentieth Report.

48. The Monitor received a response from one Non GFPI Supplier who had questions about the Non GFPI Letter and, as a result of the conversation with the Monitor, understood the contents of the Non GFPI Letter. Further, one response was received from a Non GFPI Supplier, Wishart Law Firm LLC (**"Wishart"**), which disagreed with GFPI's assessment. The Monitor is working with GFPI and Wishart to reconcile their records. As of April 14, 2011, the Monitor has not received responses from the remaining 14 Non GFPI Suppliers.

49. The Monitor is seeking an order from this Honourable Court declaring that with the exception of Wishart, the claims of the remaining 15 Non GFPI Suppliers totalling approximately CDN$381,000 are claims that do not relate to GFPI or the Remaining Applicants. A listing of these Non GFPI Suppliers is attached as Appendix "G" to this Twentieth Report.

50. As the Remaining Applicants, with the assistance of the Monitor, continue to review outstanding post filing invoices, additional Non GFPI Suppliers may be identified (the **"Additional Non GFPI Suppliers"**). Such Additional Non GFPI Suppliers, if any, will be discussed in a future report of the Monitor.

CLAIMS OF SUPPLIERS RELATED TO CONTRACT TERMINATION INVOICES

51. As described above, the Remaining Applicants, during their review of invoices and statements of account received from suppliers after the CCAA filing, identified certain invoices or statements of account that relate to penalties and/or claims that relate to contracts repudiated or equipment returned by GFPI or GFPSI pursuant to the Initial Order.

52. The Monitor has written to the suppliers of Contract Termination Invoices (the "**Contract Termination Suppliers**") identified by GFPI and GFPSI to advise them that the Remaining Applicants will not be making payment on their invoices and that a motion would be brought seeking directions from this Honourable Court to treat such invoices as unsecured claims (the "**Contract Termination Supplier Letter**"). The Contract Termination Supplier Letter along with relevant supporting documentation was sent to each of the Contract Termination Suppliers by either registered mail or courier to ensure a timely delivery of these documents to each Contract Termination Supplier. In the event the Contract Termination Supplier disagreed with the determination of GFPI and/or GFPSI, the Contract Termination Letter advised the Contract Termination Supplier to call a representative of the Monitor by the particular date set out in the Contract Termination Supplier Letter. A copy of the form of Contract Termination Supplier Letter sent by the Monitor to each of the Contract Termination Suppliers identified by GFPI and GFPSI is attached as Appendix "H" to this Twentieth Report.

53. The Monitor received a response from one Contract Termination Supplier who had questions about the Contract Termination Letter and as a result of the conversation with the Monitor, understood the contents of the Contract Termination Letter. As of April 14, 2011, the Monitor has not received responses from the remaining 6 Contract Termination Suppliers. A listing of these Contract Termination Suppliers is attached as Appendix I to this Twentieth Report.

54. The Monitor is seeking an order from this Honourable Court declaring that the

Contract Termination Supplier claims are unsecured claims.

GRANT INCENTIVE PROGRAM

55. Prior to the sale of its business and operations to Georgia Pacific, the Applicants had established a marketing program as an incentive to certain customers to purchase higher volumes of product from the Applicants (the "**Grant Incentive Program**"). The Grant Incentive Program focussed on groups of customers who bought OSB from the Applicants through a common buying group led by a dealer. In order to qualify for the Grant Incentive Program, the customer had to commit to purchasing certain volumes from the Applicants. These volumes were based on a formula determined by the Applicants and set out in a contract between the Applicants and the customer and such contracts were renewed annually. The purpose of the Grant Incentive Program was to build customer relationships and enable the sales staff of the Applicants to interact with customers.

56. When a customer made purchases, the customer received miles (the "**Grant Miles**") based on the volume purchased. These Grant Miles were credited to the respective customers on a quarterly basis. Grant Miles earned by customers could be used by customers at the discretion of the Applicants. The Monitor understands that the Grant Incentive Program did not have a set expiry date for Grant Miles earned, however, customers were advised that they had a period of one year to use such Grant Miles after which the Grant Miles would be forfeited.

57. Grant Miles earned could be used to by customers to attend events organised by the Applicants which included cruises, golf events, skiing trips and fishing trips. The Monitor understands that during the past couple years prior to the sale to Georgia Pacific, due to economic conditions, the Applicants did not organise events and neither did the customers request the Applicants to host events in which Grant Miles could be used.

58. The financial records of the Remaining Applicants include a liability accrual of approximately CDN$400,000 related to the Grant Incentive Program, including

Grant Miles accrued after the CCAA filing. As a result of the sale of its major operations to Georgia Pacific, the Remaining Applicants do not have any OSB operations and will not be making further sales to customers nor holding any sales events related to the Grant Incentive Program. Subsequent to the sale of its operations to Georgia Pacific, no customers have approached the Remaining Applicants to use their Grant Miles. Further, it has been a year since the majority of the Grant Miles were earned and not used and such Grant Miles would likely have been forfeited based on the Grant Incentive Program. Accordingly, the Monitor is seeking an order from this Honourable Court declaring that any claims related to the Grant Incentive Program are unsecured claims that rank behind the Remaining Applicants' secured creditors.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS OF THE REMAINING APPLICANTS

59. A summary of the actual receipts and disbursements of the Remaining Applicants as compared to the projection set out in the Eighteenth Report of the Monitor dated January 28, 2010 (the "**Eighteenth Report**") for the period from January 17, 2011 to April 10, 2011 is attached as Appendix J to this Twentieth Report. As set out in the Eighteenth Report, the projection excluded any net proceeds from the sale of the Remaining Assets due to the uncertainty in quantum and timing of receipts from the sale of such remaining assets. Further, the projection also excluded the release of funds held in escrow or in trust with the Monitor to the lenders, given the uncertainty in timing of when the relevant conditions related to the escrows would be met and the timing of their release.

60. The Remaining Applicants' actual consolidated net cash outflow for the period from January 17, 2011 to April 10, 2011, is set out in Appendix J to this Twentieth Report. In addition, Appendix J includes further details with respect to the variance in the individual receipt and disbursement line items.

61. Attached as Appendix K is a summary of the cash balances held by the Monitor in its trust and escrow accounts. As at April 10, 2011, the Monitor's trust and escrow

accounts held $320,489 in U.S. currency and $14,201,432 in Canadian currency primarily from the proceeds of previous asset sales.

UPDATED CASH FLOW PROJECTION OF THE REMAINING APPLICANTS

62. An updated cash flow forecast of the Remaining Applicants for the period from April 11, 2011 to September 4, 2011 is attached as Appendix L to this Twentieth Report (the "**Remaining Applicants' Forecast**").

63. The Remaining Applicants' Forecast has been prepared by management of the Remaining Applicants with the assistance of the Monitor, using probable and hypothetical assumptions set out in the notes attached to the Remaining Applicants' Forecast.

64. The Remaining Applicants' Forecast attached to this Twentieth Report reflects receipts and disbursements to be paid over the projection period in U.S. currency. No net proceeds from the sale of the remaining assets are projected in this projection period due to the uncertainty in quantum and timing of receipts from the sale of such remaining assets. Further, the Remaining Applicants' Forecast also excludes the release of funds held in escrow or in trust with the Monitor to the lenders, given the uncertainty in timing of when the relevant conditions related to certain escrows and reserves are met and the timing of their release.

65. The Remaining Applicants' Forecast projects that the Remaining Applicants will have sufficient liquidity to operate during the CCAA proceedings.

STAY EXTENSION OF THE REMAINING APPLICANTS

66. The current Stay Period of the Remaining Applicants expires on April 29, 2011. The Remaining Applicants are seeking an extension of the Stay Period to August 31, 2011 to permit them time to complete the sales process for the Remaining Assets and continue to work towards certain remaining post closing matters related to the transaction with Georgia Pacific including the release of certain funds held in escrow with the Monitor related to payables, as described in detail in the Fourteenth

Report. Further, certain U.S. tax returns of GFPI and GAI are not expected to be filed by expiry of the current Stay Period.

67. Based on its observation of the Remaining Applicants' wind down process, the Monitor considers the Remaining Applicants to be acting in good faith and with due diligence. In the Monitor's view, the extension of the Stay Period to August 31, 2011 is appropriate. Accordingly, the Monitor recommends to this Honourable Court that the Stay Period be extended to such date.

RECOMMENDATIONS

68. The Remaining Applicants are is seeking this Honourable Court's authorization for an Order:

   i. to commence a process for the sale of the Remaining Ontario Assets through the Marketing Process;

   ii. approving the Settlement Agreement with respect to property taxes related to the Timmins Land; and

   iii. approving the extension of the Stay Period to August 31, 2011.

69. The Monitor is seeking this Honourable Court's declaration for an Order that:

   i. any claims of the Pre-Filing Suppliers are unsecured claims that rank behind the Remaining Applicants' secured creditors;

   ii. none of the claims of the Non GFPI Suppliers are claims against GFPI or any of the Remaining Applicants;

   iii. any claims of the Contract Termination Suppliers are unsecured claims that rank behind the Remaining Applicants' secured creditors; and

   iv. any claims from certain customers related to the Grant Incentive Program are unsecured claims that rank behind the Remaining Applicants' secured creditors; and

   v. approving the Twentieth 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 and the Monitor.

All of which is respectfully submitted this 15th day of April, 2011.

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

This is Exhibit "H" referred to in the affidavit of Ben Montgomery sworn before me, this 11th day of May 20 11

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5875

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	FRIDAY, THE 4th DAY OF
	)	
JUSTICE CAMPBELL	)	JUNE, 2010

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT FOREST PRODUCTS SALES INC., GRANT ALBERTA INC., GRANT U.S. HOLDINGS GP, SOUTHEAST PROPERTIES LLC, GRANT CLARENDON LP, GRANT ALLENDALE LP, GRANT US SALES INC., GRANT NEWCO LLC AND GRANT EXCLUDED GP

Applicants

-and-

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

Respondents

ORDER

THIS MOTION, made by Grant Forest Products Inc. ("**GFPI**"), Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "**Remaining Applicants**"), for an order in the form attached as schedule "A" to the notice of motion of the Applicants dated May 31, 2010 (the "**Notice of Motion**") *inter alia*: (i) abridging and validating the timing and method of service of this Motion Record so that the Motion is properly returnable; (ii) approving the fourteenth report (the "**Fourteenth Report**") of Ernst & Young Inc. dated June 1, 2010 in its capacity as court appointed monitor of the Remaining Applicants (the "**Monitor**") and the activities of the Monitor as set out therein; (iii) authorizing and directing the Monitor to make a distribution of Property (as defined in the Order of the Honourable Justice Newbould made in these proceedings on June 25, 2009 (the "**Initial Order**"), from the proceeds of the disposition of Property ("**Proceeds**") to The Toronto-Dominion Bank (the "**Canadian First Lien Lenders' Agent**") and Toronto Dominion (Texas) LLC as agents (the "**US First Lien Lenders' Agent**" and, together with the Canadian First Lien Lenders' Agent, the "**First Lien Lenders' Agents**") as agents on behalf of the Lenders (the "**First Lien Lenders**") as defined in the credit agreement made as of October 26, 2005, as amended from time to time (the "**First Lien Credit Agreement**") among GFPI and Grant U.S. Holdings GP as borrowers, Grant Alberta Inc., Grant Forest Products Sales Inc., Southeast Properties LLC, Grant Clarendon LP, Grant Allendale LP, Grant US Sales Inc., as guarantors and the First Lien Lenders' Agent; (iv) authorizing GFPI to pay to Hugh Saint, Inc., with respect to the construction of the Boat (as defined in the Fourteenth Report) an amount that is agreed between GFPI and Hugh Saint, Inc. and approved by the Monitor; and (iv) approving the amendments to the Employee Retention Plan (as defined by the Order of Justice Campbell made on March 30, 2010) as described in the Fourteenth Report was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Fourteenth Report and the appendices thereto and on hearing the submissions of counsel for the Remaining Applicants, the Monitor, First Lien Lenders' Agents, ~~The Bank of New York Mellon as agent for the second lien lenders~~, the independent directors of Grant Forest Products Inc., ~~Peter Grant Sr.~~, and no one else appearing although duly served as appears from the affidavit of service of Stephanie Waugh sworn May 31, 2010;

Cyrus Capital Partners, L.P. et al.

Service

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged so that this motion is properly returnable today.

Approval of Monitor's Activities

2. **THIS COURT ORDERS** that the Fourteenth Report and the activities of the Monitor as set out therein, be and are hereby approved.

<u>**Distribution to First Lien Lenders' Agents**</u>

3. **THIS COURT ORDERS** that:

(a) the Monitor be and is hereby authorized and directed to distribute from Proceeds to the First Lien Lenders' Agents or as they may in writing direct the sums of US$340,291,419.61 and CAD$30,943,214.65; and

(b) the Monitor and the Remaining Applicants are hereby authorized to pay and/or distribute Proceeds and/or cash or cash equivalents in (U.S. dollars or Canadian dollars) held by the Remaining Applicants to the First Lien Lenders' Agents from time to time at such times as the Monitor may determine in its discretion or at such times as the court may direct by subsequent order until all amounts owing to the First Lien Lenders under and pursuant to the First Lien Credit Agreement have been irrevocably paid in full,

all of which to be applied on account of the indebtedness owing to the Lenders under the First Lien Credit Agreement in accordance with its terms and such Property, upon the distribution or payment in accordance with this Order, is hereby released from the Charges (as defined by the Initial Order).

4. THIS COURT ORDERS AND DECLARES that, of the Proceeds distributed by the Monitor pursuant to paragraph 3(a) of this Order:

(a) US$78,555,110.64 of such sum is a distribution of Net Purchased Assets Sale Proceeds (as defined by the Approval and Vesting Order dated March 30, 2010 (the "**Approval and Vesting Order**"); and

(b) US$291,540,985.00 of such sum is a distribution of Net Partnership Interests Acquisition Proceedings (as defined by the Approval and Vesting Order) and shall reduce the Assumed Partnership Indebtedness (as defined by the Approval and Vesting Order) by such amount.

5. **THIS COURT ORDERS AND DECLARES** 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 the Remaining Applicants and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of the Remaining Applicants,

the distributions and payments made pursuant to paragraph 3 of this Order are made on account of the security interests, charges and mortgages in favour of the First Lien Lenders' Agents for the benefit of the First Lien Lenders on the Property. Such distributions and payments are final and irreversible and shall be binding on any trustee in bankruptcy that may be appointed in respect of the Remaining Applicants and shall not be void, voidable or reversible by any person including creditors of the Remaining Applicants for any reason whatsoever, shall not constitute or be deemed to be a preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or void, voidable or reversible for any reason including by reason of any other applicable federal or provincial legislation, and shall not constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

Payment in respect of the Boat

6. THIS COURT ORDERS that GFPI is hereby authorized to pay to Hugh Saint, Inc., with respect to the construction of the Boat an amount that is agreed between GFPI and Hugh Saint, Inc. and approved by the Monitor.

Employee Retention Plan

7. THIS COURT ORDERS that amendments to the Employee Retention Plan as described in the Fourteenth Report be and is hereby approved and the Remaining Applicants and the Monitor are hereby authorized to take such steps and do such acts as are contemplated thereby.

Miscellaneous

8. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Monitor and its 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 the Monitor and its agents in carrying out the terms of this Order.

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

JUN 0 4 2010

PER / PAR: JSN

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

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 (the "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 (the "Respondents")

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT TORONTO

ORDER
(June 4, 2010)

FRASER MILNER CASGRAIN LLP
1 First Canadian Place
100 King Street West,
Toronto, Ontario M5X 1B2

Lawyer: Daniel R. Dowdall / Jane O. Dietrich
LSUC: 16737D / 49302U
Email: daniel.dowdall@fmc-law.com / jane.dietrich@fmcolaw.com /

Telephone: 416 863-4700 / 416 863-4467

Facsimile: 416-863-4592

Lawyers for Grant Forest Products Inc., Grant Forest Products Sales Inc., and Grant Alberta Inc.

This is Exhibit "I" *referred to in the affidavit of* Ben Montgomery *sworn before me, this* 11th *day of* May 20 11

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5875

Execution Copy

GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made as of October 26, 2005

BETWEEN:

GRANT FOREST PRODUCTS INC., a corporation incorporated under the laws of Ontario (hereinafter referred to as the "Debtor")

- and -

THE TORONTO-DOMINION BANK, a Canadian chartered bank, in its capacity as Canadian Administrative Agent for and on behalf of the Lenders (hereinafter referred to as the "Secured Party").

WHEREAS the Debtor has entered into the Credit Agreement with the Secured Party and other parties pursuant to which the Lenders have agreed to provide the Credit Facilities to the Borrowers, including the Debtor, upon and subject to the terms and conditions of the Credit Agreement;

AND WHEREAS the Debtor has agreed to grant a security interest and assignment, mortgage and charge in the Collateral to the Secured Party in order to secure the performance of its Obligations (including indemnification by the Debtor for Environmental Claims, the obligations of the Debtor under Hedge Arrangements with Lenders and the obligations of the Debtor under Section 13.14 of the Credit Agreement) under the Credit Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the parties hereto agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Interpretation

Any terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement (as defined below). In this Agreement, unless something in the subject matter or context is inconsistent therewith,

"**Agreement**" means this agreement and all amendments, restatements, supplements and modifications made hereto by written agreement between the Secured Party and the Debtor.

"**Collateral**" has the meaning set out in Section 2.01.

"Credit Agreement" means the credit agreement dated as of October 26, 2005 among the Borrowers, the Guarantors, the Lenders, the Secured Party and other parties thereto, as it may be amended or restated from time to time in accordance with its terms.

The terms "accessions", "accounts", "chattel paper", "documents of title", "goods", "instruments", "intangibles", "inventory", "money", "proceeds" and "securities" whenever used herein have the meanings given to those terms in the *Personal Property Security Act* (Ontario), as now enacted or as the same may from time to time be amended, re-enacted or replaced.

1.02 **Sections and Headings**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, reference herein to Articles and Sections are to Articles and Sections of this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

ARTICLE 2 - GRANT OF SECURITY INTEREST

2.01 **Security Interest**

As general and continuing security for the payment and performance of all Obligations (including indemnification by the Debtor for Environmental Claims, the obligations of the Debtor under Hedge Arrangements with Lenders and the obligations of the Debtor under Section 13.14 of the Credit Agreement) of the Debtor to the Secured Party and the Lenders (and any one or more of them), the Debtor hereby grants to the Secured Party a security interest in the present and future Property of the Debtor (collectively, the "Collateral"), and as further general and continuing security for the payment and performance of such Obligations, the Debtor hereby assigns the Collateral to the Secured Party and mortgages and charges the Collateral as and by way of a fixed and specific mortgage and charge to the Secured Party. Without limiting the generality of the foregoing, the Collateral will include all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to, or acquire, by way of amalgamation or otherwise, now or hereafter or may hereafter have in all property of the following kinds:

(a) Receivables: all debts, accounts, claims and choses in action for monetary amounts which are now or which may hereafter become due, owing or accruing due to the Debtor (collectively, the "Receivables");

(b) Inventory: all inventory of whatever kind and wherever situated including, without limiting the generality of the foregoing, all goods held for sale or lease or furnished or to be furnished under contracts for service or used or consumed in the business of the Debtor (collectively, the "Inventory");

(c) Equipment: all machinery, equipment, fixtures, furniture, plant, vehicles and other tangible personal property which are not Inventory (collectively, the "Equipment");

(d) Chattel Paper: all chattel paper;

(e) Documents of Title: all warehouse receipts, bills of lading and other documents of title, whether negotiable or not;

(f) Securities and Instruments: all shares, stock, warrants, bonds, debentures, debenture stock and other securities and all instruments (collectively, the "Securities");

(g) Intangibles: all intangibles not otherwise described in this Section 2.01 including, without limiting the generality of the foregoing, all goodwill, patents, trademarks, copyrights and other industrial property;

(h) Money: all coins or bills or other medium of exchange adopted for use as part of the currency of Canada or of any foreign government;

(i) Books, Records, Etc.: all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the property described in this Section 2.01 and all contracts, securities, instruments and other rights and benefits in respect thereof;

(j) Substitutions, Etc.: all replacements of, substitutions for and increases, additions and accessions to any of the property described in this Section 2.01; and

(k) Proceeds: all proceeds of any Collateral in any form derived directly or indirectly from any dealing with the Collateral or that indemnifies or compensates for the loss of or damage to the Collateral;

provided that the said assignment and mortgage and charge will not (i) extend or apply to the last day of the term of any lease or any agreement therefor now held or hereafter acquired by the Debtor, but should the Secured Party enforce the said assignment or mortgage and charge, the Debtor will thereafter stand possessed of such last day and must hold it in trust to assign the same to any person acquiring such term in the course of the enforcement of the said assignment and mortgage and charge, or (ii) render the Secured Party liable to observe or perform any term, covenant or condition of any agreement, document or instrument to which the Debtor is a party or by which it is bound.

2.02 **Attachment of Security Interest**

The Debtor acknowledges that value has been given and agrees that the security interest granted hereby will attach when the Debtor signs this Agreement and the Debtor has any rights in the Collateral.

2.03 **Exception for Contractual Rights**

The security interest granted hereby does not and will not extend to, and Collateral will not include any agreement, right, franchise, licence or permit (the "contractual rights") to which the Debtor is a party or of which the Debtor has the benefit, to the extent that the assignment thereof or the creation of the security interest herein would constitute a breach of the terms of or permit any person to terminate the contractual rights, but the Debtor must hold its interest therein in trust for the Secured Party and will assign such contractual rights to the Secured Party forthwith upon obtaining the consent of the other party thereto. The Debtor agrees that it will, upon the request of the Secured Party, use all commercially reasonable efforts to obtain any consent required to permit any contractual rights to be subjected to the security interest.

ARTICLE 3 - COVENANTS OF THE DEBTOR

3.01 **Covenants**

The Debtor covenants with the Secured Party that the Debtor will:

(a) ensure that the representations and warranties set forth in the Credit Agreement will be true and correct as provided in the Credit Agreement;

(b) maintain, use and operate the Collateral and carry on and conduct its business in a lawful and business-like manner;

(c) not permit the Collateral (other than Equipment that is affixed to real or personal property in which the Secured Party has a security interest ranking prior to all other Encumbrances except for Permitted Encumbrances that are *pari passu* or prior thereto) to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of the Secured Party;

(d) defend the Collateral against all claims and demands respecting the Collateral made by all persons at any time and will keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests other than Permitted Encumbrances;

(e) not move its chief executive office or the locations of the offices where it keeps its records respecting the Receivables from Ontario, without the prior written consent of the Secured Party;

(f) pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same become due and payable, and will exhibit to the Secured Party, when required, the receipts and vouchers establishing such payment;

(g) keep proper books of account in accordance with sound accounting practice, will furnish to the Secured Party such financial information and statements and such information and statements relating to the Collateral as the Secured Party may from time to time require, and the Debtor will permit the Secured Party or its authorized agents at any time at the expense of the Debtor to examine the books of account and other financial records and reports relating to the Collateral and to make copies thereof and take extracts therefrom;

(h) from time to time forthwith at the request of the Secured Party furnish to the Secured Party in writing all information requested relating to the Collateral, and the Secured Party will be entitled from time to time at any reasonable time to inspect the Collateral and make copies of all information relating to the Collateral and for such purposes the Secured Party will have access to all premises occupied by the Debtor or where the Collateral may be found;

(i) from time to time forthwith at the request of the Secured Party execute and deliver all such financing statements, schedules, assignments and documents, and do all such further acts and things as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement or to better evidence and perfect the security interest, assignment and mortgage and charge granted hereby, and the Debtor hereby irrevocably constitutes and appoints the Secured Party, or any Receiver appointed by the court or the Secured Party, the true and lawful attorney of the Debtor, with full power of substitution, after the occurrence of an Event of Default which then continues, to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

(j) not change its name or, if the Debtor is a corporation, will not amalgamate with any other corporation without first giving notice to the Secured Party of its new name and the names of all amalgamating corporations and the date when such new name or amalgamation is to become effective; and

(k) pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limiting the generality of the foregoing, all reasonable legal and Receiver's fees and expenses) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limiting the generality of the foregoing, protecting and preserving the security interest, assignment and mortgage and charge granted hereby and enforcing by legal process or otherwise the remedies provided herein; and all such costs and expenses will be added to and form part of the Obligations secured hereunder.

ARTICLE 4 - DEALING WITH COLLATERAL

4.01 **Dealing with Collateral by the Debtor**

The Debtor shall not sell, lease, transfer or otherwise dispose of, or create, incur, assume or suffer to exist any lien on, all or any of the Collateral, except as otherwise permitted by the Credit Agreement.

4.02 **Rights and Duties of the Secured Party**

(1) The Secured Party may perform any of its rights and duties hereunder by or through agents and is entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its rights and duties hereunder.

(2) In the holding of the Collateral, the Secured Party and any nominee on its behalf is only bound to exercise the same degree of care as it would exercise with respect to similar property of its own of similar value held in the same place. The Secured Party and any nominee on its behalf will be deemed to have exercised reasonable care with respect to the custody and preservation of the Collateral if it takes such action for that purpose as the Debtor reasonably requests in writing, but failure of the Secured Party or its nominee to comply with any such request will not of itself be deemed a failure to exercise reasonable care.

4.03 **Registration of Securities**

The Secured Party may, after the occurrence of an Event of Default which then continues, have any Securities registered in its name or in the name of its nominee and will be entitled but not bound or required to exercise any of the rights that any holder of such Securities may at any time have, provided that until an Event of Default has occurred and is continuing, the Debtor will be entitled to exercise, in a manner not prejudicial to the interests of the Secured Party or which would violate or be inconsistent with this Agreement, all voting power from time to time exercisable in respect of the Securities. The Secured Party will not be responsible for any loss occasioned by its exercise of any of such rights or by failure to exercise the same within the time limited for the exercise thereof. The Debtor must from time to time forthwith upon the request of the Secured Party deliver to the Secured Party those Securities requested by the Secured Party duly endorsed for transfer to the Secured Party or its nominee to be held by the Secured Party subject to the terms of this Agreement.

4.04 **Notification of Account Debtors**

After the occurrence of an Event of Default which then continues, the Secured Party may give notice of this Agreement and the security interest and assignment granted hereby to any account debtors of the Debtor or to any other person liable to the Debtor and, after the occurrence of an Event of Default which then continues, may also give notice to any such account debtors or other person to make all further payments to the Secured Party, and any payment or other proceeds of Collateral thereafter received by the Debtor from account debtors or from any other person liable to the Debtor must be held by the Debtor in trust for the Secured Party and paid over to the Secured Party on request.

ARTICLE 5 -REMEDIES

5.01 **Remedies**

(1) On or after the occurrence of any Event of Default, (i) in addition to the rights and remedies of the Debtor under the Credit Agreement; and (ii) in addition to any right or remedy provided by law, the Secured Party will have the rights and remedies set out below, all of which rights and remedies are cumulative and may be exercised or enforced successively, concurrently or both by the Secured Party:

(a) the Secured Party may by appointment in writing appoint a receiver or receiver and manager (each herein referred to as the "Receiver") of the Collateral (which term when used in this Section 5.01 will include the whole or any part of the Collateral) and may remove or replace such Receiver from time to time or may institute proceedings in any court of competent jurisdiction for the appointment of a Receiver of the Collateral; and the term "Secured Party" when used in this Section 5.01 will include any Receiver so appointed and the agents, officers and employees of such Receiver; and the Secured Party will not, to the extent permitted by law, be in any way responsible for any misconduct or negligence of any such Receiver;

(b) the Secured Party may take possession of the Collateral and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;

(c) the Secured Party may take such steps as it considers desirable to maintain, preserve or protect the Collateral;

(d) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor;

(e) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;

(f) the Secured Party may sell, lease or otherwise dispose of the Collateral at public auction, by private tender, by private sale or otherwise either for cash or upon credit upon such terms and conditions as the Secured Party may determine and without notice to the Debtor unless required by law;

(g) the Secured Party may accept the Collateral in satisfaction of the Obligations upon notice to the Debtor of its intention to do so in the manner required by law;

(h) the Secured Party may, for any purpose specified herein, borrow money on the security of the Collateral in priority to the security interest, assignment and mortgage and charge granted by this Agreement;

(i) the Secured Party may enter upon, occupy and use all or any of the premises, buildings and plant occupied by the Debtor and use all or any of the Equipment and other personal property of the Debtor for such time as the Secured Party requires to facilitate the realization of the Collateral, free of charge, and the Secured Party will not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;

(j) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the exercise of the rights and remedies of the Secured Party hereunder, including, without limiting the generality of the foregoing, reasonable legal, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith, including interest thereon at such rate applicable thereto pursuant to the Credit Agreement, will be added to and form part of the Obligations hereby secured; and

(k) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith will be added to the Obligations hereby secured.

(2) The Secured Party may (i) grant extensions of time, (ii) take and perfect or abstain from taking and perfecting security, (iii) give up securities, (iv) accept compositions or compromises, (v) grant releases and discharges, and (vi) release any part of the Collateral or otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Secured Party sees fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights under this Agreement or under the Credit Agreement.

(3) The Secured Party will not be liable or responsible for any failure to seize, collect, realize, or obtain payment with respect to the Collateral and is not bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment with respect to the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, in respect of the Collateral.

(4) The Secured Party may apply any proceeds of realization of the Collateral to payment of expenses in connection with the preservation and realization of the Collateral as above described and the Secured Party may apply any balance of such proceeds to payment of the Obligations in such order as the Secured Party sees fit. If there is any surplus remaining, the Secured Party may pay it to any person having a claim thereto in priority to the Debtor of whom the Secured Party has knowledge and any balance remaining must be paid to the Debtor. If the disposition of the Collateral fails to satisfy the Obligations secured by this Agreement and the aforesaid expenses, the Debtor will be liable to pay any deficiency to the Secured Party forthwith on demand.

ARTICLE 6 - GENERAL

6.01 **Benefit of the Agreement**

This Agreement will enure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

6.02 **Entire Agreement**

This Agreement has been entered into pursuant to the Credit Agreement and is subject to all the terms and conditions thereof and, in the event of any inconsistency between the provisions of this Agreement and the provisions of the Credit Agreement, the provisions of the Credit Agreement will prevail to the extent of the inconsistency.

6.03 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Debtor and the Secured Party. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

6.04 **Assignment**

After the occurrence of an Event of Default which then continues, the rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of the Debtor. The Debtor may not assign its obligations under this Agreement.

6.05 **Severability**

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

6.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and may be given by personal delivery, by registered mail or by electronic means of communication, addressed to the recipient as follows:

To the Debtor:

Grant Forest Products Inc.
181 Bay Street
Suite 1520
Toronto, Ontario

M5J 2T3

Telecopier No.: (416) 214-1360

Attention: Mr. Peter Grant Jr.
President

To the Secured Party:

The Toronto-Dominion Bank
77 King Street West
18th Floor, Royal Trust Tower
TD Centre
Toronto, Ontario
M5K 1A2

Telecopier No.: (416) 982-5535

Attention: Mr. Wayne Shiplo
Vice-President

or to such other address, or individual or electronic communication number as may be designated by notice given by any party to the other. Any demand, notice or other communication given by personal delivery on a Business Day will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the third Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the next Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication must not be mailed but must be given by personal delivery or by electronic communication.

6.07 **Additional Continuing Security**

This Agreement and the security interest, assignment and mortgage and charge granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party and this Agreement is a continuing agreement and security that will remain in full force and effect until discharged by the Secured Party.

6.08 **Further Assurances**

The Debtor must at its expense from time to time do, execute and deliver, or cause to be done, executed and delivered, all such financing statements, further assignments, documents, acts, matters and things as may be reasonably requested by the Secured Party for the purpose of giving effect to this Agreement or for the purpose of establishing compliance with the representations, warranties and covenants herein contained.

6.09 **Power of Attorney**

Upon the occurrence of an Event of Default that is continuing, the Debtor hereby irrevocably constitutes and appoints any officer for the time being of the Secured Party the true and lawful attorney of the Debtor, with full power of substitution, to do, make and execute all such statements, assignments, documents, acts, matters or things with the right to use the name of the Debtor whenever and wherever the officer may deem necessary or expedient and from time to time to exercise all rights and powers and to perform all acts of ownership in respect to the Collateral in accordance with this Agreement.

6.10 **Discharge**

The Debtor will not be discharged from any of the Obligations or from this Agreement except by a release or discharge signed in writing by the Secured Party.

6.11 **Governing Law**

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

6.12 **Executed Copy**

The Debtor acknowledges receipt of a fully executed copy of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above specified.

DEBTOR:

GRANT FOREST PRODUCTS INC.

Per: ____________________________

Name: Peter Grant Jr.

Title: President

SECURED PARTY:

THE TORONTO-DOMINION BANK

Per: ____________________________

Name: Wayne Shiplo

Title: Vice-President

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above specified.

DEBTOR: **GRANT FOREST PRODUCTS INC.**

Per: ____________________

Name: Peter Grant Jr.

Title: President

SECURED PARTY: **THE TORONTO-DOMINION BANK**, as Agent

Per: ____________________

Name: Wayne Shiplo

Title: Vice-President

This Is Exhibit "J" *referred to in the affidavit of* Ben Montgomery *sworn before me, this* 11th *day of* May 20 11

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5875

Execution Copy

GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made as of October 26, 2005

BETWEEN:

GRANT FOREST PRODUCT SALES INC., a corporation incorporated under the laws of Ontario (hereinafter referred to as the "Debtor")

\- and -

THE TORONTO-DOMINION BANK, a Canadian chartered bank, in its capacity as Canadian Administrative Agent for and on behalf of the Lenders (hereinafter referred to as the "Secured Party").

WHEREAS the Debtor has entered into the Credit Agreement with the Secured Party and other parties pursuant to which the Lenders have agreed to provide the Credit Facilities to the Borrowers and the Debtor has agreed to guarantee the Guaranteed Obligations, upon and subject to the terms and conditions of the Credit Agreement;

AND WHEREAS the Debtor has agreed to grant a security interest and assignment, mortgage and charge in the Collateral to the Secured Party in order to secure the performance of its Guaranteed Obligations under the Credit Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the parties hereto agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Interpretation

Any terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement (as defined below). In this Agreement, unless something in the subject matter or context is inconsistent therewith,

"Agreement" means this agreement and all amendments, restatements, supplements and modifications made hereto by written agreement between the Secured Party and the Debtor.

"Collateral" has the meaning set out in Section 2.01.

"Credit Agreement" means the credit agreement dated as of October 26, 2005 among the Borrowers, the Guarantors, the Lenders, the Secured Party and other parties thereto, as it may be amended or restated from time to time in accordance with its terms.

The terms "accessions", "accounts", "chattel paper", "documents of title", "goods", "instruments", "intangibles", "inventory", "money", "proceeds" and "securities" whenever used herein have the meanings given to those terms in the *Personal Property Security Act* (Ontario), as now enacted or as the same may from time to time be amended, re-enacted or replaced.

1.02 **Sections and Headings**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, reference herein to Articles and Sections are to Articles and Sections of this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

ARTICLE 2 - GRANT OF SECURITY INTEREST

2.01 **Security Interest**

As general and continuing security for the payment and performance of all Guaranteed Obligations of the Debtor to the Secured Party and the Lenders (and any one or more of them), the Debtor hereby grants to the Secured Party a security interest in the present and future Property of the Debtor (collectively, the "Collateral"), and as further general and continuing security for the payment and performance of such Guaranteed Obligations, the Debtor hereby assigns the Collateral to the Secured Party and mortgages and charges the Collateral as and by way of a fixed and specific mortgage and charge to the Secured Party. Without limiting the generality of the foregoing, the Collateral will include all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to, or acquire, by way of amalgamation or otherwise, now or hereafter or may hereafter have in all property of the following kinds:

(a) Receivables: all debts, accounts, claims and choses in action for monetary amounts which are now or which may hereafter become due, owing or accruing due to the Debtor (collectively, the "Receivables");

(b) Inventory: all inventory of whatever kind and wherever situated including, without limiting the generality of the foregoing, all goods held for sale or lease or furnished or to be furnished under contracts for service or used or consumed in the business of the Debtor (collectively, the "Inventory");

(c) Equipment: all machinery, equipment, fixtures, furniture, plant, vehicles and other tangible personal property which are not Inventory (collectively, the "Equipment");

(d) Chattel Paper: all chattel paper;

(e) Documents of Title: all warehouse receipts, bills of lading and other documents of title, whether negotiable or not;

(f) Securities and Instruments: all shares, stock, warrants, bonds, debentures, debenture stock and other securities and all instruments (collectively, the "Securities");

(g) Intangibles: all intangibles not otherwise described in this Section 2.01 including, without limiting the generality of the foregoing, all goodwill, patents, trademarks, copyrights and other industrial property;

(h) Money: all coins or bills or other medium of exchange adopted for use as part of the currency of Canada or of any foreign government;

(i) Books, Records, Etc.: all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the property described in this Section 2.01 and all contracts, securities, instruments and other rights and benefits in respect thereof;

(j) Substitutions, Etc.: all replacements of, substitutions for and increases, additions and accessions to any of the property described in this Section 2.01; and

(k) Proceeds: all proceeds of any Collateral in any form derived directly or indirectly from any dealing with the Collateral or that indemnifies or compensates for the loss of or damage to the Collateral;

provided that the said assignment and mortgage and charge will not (i) extend or apply to the last day of the term of any lease or any agreement therefor now held or hereafter acquired by the Debtor, but should the Secured Party enforce the said assignment or mortgage and charge, the Debtor will thereafter stand possessed of such last day and must hold it in trust to assign the same to any person acquiring such term in the course of the enforcement of the said assignment and mortgage and charge, or (ii) render the Secured Party liable to observe or perform any term, covenant or condition of any agreement, document or instrument to which the Debtor is a party or by which it is bound.

2.02 **Attachment of Security Interest**

The Debtor acknowledges that value has been given and agrees that the security interest granted hereby will attach when the Debtor signs this Agreement and the Debtor has any rights in the Collateral.

2.03 **Exception for Contractual Rights**

The security interest granted hereby does not and will not extend to, and Collateral will not include any agreement, right, franchise, licence or permit (the "contractual rights") to which the Debtor is a party or of which the Debtor has the benefit, to the extent that the assignment thereof or the creation of the security interest herein would constitute a breach of the terms of or permit any person to terminate the contractual rights, but the Debtor must hold its interest therein in trust for the Secured Party and will assign such contractual rights to the Secured Party forthwith upon obtaining the consent of the other party thereto. The Debtor agrees that it will, upon the request of the Secured Party, use all commercially reasonable efforts to obtain any consent required to permit any contractual rights to be subjected to the security interest.

ARTICLE 3 - COVENANTS OF THE DEBTOR

3.01 **Covenants**

The Debtor covenants with the Secured Party that the Debtor will:

(a) ensure that the representations and warranties set forth in the Credit Agreement will be true and correct as provided in the Credit Agreement;

(b) maintain, use and operate the Collateral and carry on and conduct its business in a lawful and business-like manner;

(c) not permit the Collateral (other than Equipment that is affixed to real or personal property in which the Secured Party has a security interest ranking prior to all other Encumbrances except for Permitted Encumbrances that are *pari passu* or prior thereto) to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of the Secured Party;

(d) defend the Collateral against all claims and demands respecting the Collateral made by all persons at any time and will keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests other than Permitted Encumbrances;

(e) not move its chief executive office or the locations of the offices where it keeps its records respecting the Receivables from Ontario, without the prior written consent of the Secured Party;

(f) pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same become due and payable, and will exhibit to the Secured Party, when required, the receipts and vouchers establishing such payment;

(g) keep proper books of account in accordance with sound accounting practice, will furnish to the Secured Party such financial information and statements and such information and statements relating to the Collateral as the Secured Party may from time to time require, and the Debtor will permit the Secured Party or its authorized agents at any time at the expense of the Debtor to examine the books of account and other financial records and reports relating to the Collateral and to make copies thereof and take extracts therefrom;

(h) from time to time forthwith at the request of the Secured Party furnish to the Secured Party in writing all information requested relating to the Collateral, and the Secured Party will be entitled from time to time at any reasonable time to inspect the Collateral and make copies of all information relating to the Collateral and for such purposes the Secured Party will have access to all premises occupied by the Debtor or where the Collateral may be found;

(i) from time to time forthwith at the request of the Secured Party execute and deliver all such financing statements, schedules, assignments and documents, and do all such further acts and things as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement or to better evidence and perfect the security interest, assignment and mortgage and charge granted hereby, and the Debtor hereby irrevocably constitutes and appoints the Secured Party, or any Receiver appointed by the court or the Secured Party, the true and lawful attorney of the Debtor, with full power of substitution, after the occurrence of an Event of Default which then continues to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

(j) not change its name or, if the Debtor is a corporation, will not amalgamate with any other corporation without first giving notice to the Secured Party of its new name and the names of all amalgamating corporations and the date when such new name or amalgamation is to become effective; and

(k) pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limiting the generality of the foregoing, all reasonable legal and Receiver's and accounting fees and expenses) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limiting the generality of the foregoing, protecting and preserving the security interest, assignment and mortgage and charge granted hereby and enforcing by legal process or otherwise the remedies provided herein; and all such costs and expenses will be added to and form part of the Guaranteed Obligations secured hereunder.

ARTICLE 4 - DEALING WITH COLLATERAL

4.01 Dealing with Collateral by the Debtor

The Debtor shall not sell, lease, transfer or otherwise dispose of, or create, incur, assume or suffer to exist any lien on, all or any of the Collateral, except as otherwise permitted by the Credit Agreement.

4.02 **Rights and Duties of the Secured Party**

(1) The Secured Party may perform any of its rights and duties hereunder by or through agents and is entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its rights and duties hereunder.

(2) In the holding of the Collateral, the Secured Party and any nominee on its behalf is only bound to exercise the same degree of care as it would exercise with respect to similar property of its own of similar value held in the same place. The Secured Party and any nominee on its behalf will be deemed to have exercised reasonable care with respect to the custody and preservation of the Collateral if it takes such action for that purpose as the Debtor reasonably requests in writing, but failure of the Secured Party or its nominee to comply with any such request will not of itself be deemed a failure to exercise reasonable care.

4.03 **Registration of Securities**

The Secured Party may, after the occurrence of an Event of Default which then continues, have any Securities registered in its name or in the name of its nominee and will be entitled but not bound or required to exercise any of the rights that any holder of such Securities may at any time have, provided that until an Event of Default has occurred and is continuing, the Debtor will be entitled to exercise, in a manner not prejudicial to the interests of the Secured Party or which would violate or be inconsistent with this Agreement, all voting power from time to time exercisable in respect of the Securities. The Secured Party will not be responsible for any loss occasioned by its exercise of any of such rights or by failure to exercise the same within the time limited for the exercise thereof. The Debtor must from time to time forthwith upon the request of the Secured Party deliver to the Secured Party those Securities requested by the Secured Party duly endorsed for transfer to the Secured Party or its nominee to be held by the Secured Party subject to the terms of this Agreement.

4.04 **Notification of Account Debtors**

After an Event of Default which then continues, the Secured Party may give notice of this Agreement and the security interest and assignment granted hereby to any account debtors of the Debtor or to any other person liable to the Debtor and, after the occurrence of an Event of Default which then continues, may also give notice to any such account debtors or other person to make all further payments to the Secured Party, and any payment or other proceeds of Collateral thereafter received by the Debtor from account debtors or from any other person liable to the Debtor whether before or after any notice is given by the Secured Party must be held by the Debtor in trust for the Secured Party and paid over to the Secured Party on request.

ARTICLE 5 -REMEDIES

5.01 **Remedies**

(1) On or after the occurrence of any Event of Default, (i) in addition to the rights and remedies of the Debtor under the Credit Agreement; and (ii) in addition to any right or remedy provided by law, the Secured Party will have the rights and remedies set out below, all of which

rights and remedies are cumulative and may be exercised or enforced successively, concurrently or both by the Secured Party:

(a) the Secured Party may by appointment in writing appoint a receiver or receiver and manager (each herein referred to as the "Receiver") of the Collateral (which term when used in this Section 5.01 will include the whole or any part of the Collateral) and may remove or replace such Receiver from time to time or may institute proceedings in any court of competent jurisdiction for the appointment of a Receiver of the Collateral; and the term "Secured Party" when used in this Section 5.01 will include any Receiver so appointed and the agents, officers and employees of such Receiver; and the Secured Party will not, to the extent permitted by law, be in any way responsible for any misconduct or negligence of any such Receiver;

(b) the Secured Party may take possession of the Collateral and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;

(c) the Secured Party may take such steps as it considers desirable to maintain, preserve or protect the Collateral;

(d) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor;

(e) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;

(f) the Secured Party may sell, lease or otherwise dispose of the Collateral at public auction, by private tender, by private sale or otherwise either for cash or upon credit upon such terms and conditions as the Secured Party may determine and without notice to the Debtor unless required by law;

(g) the Secured Party may accept the Collateral in satisfaction of the Guaranteed Obligations upon notice to the Debtor of its intention to do so in the manner required by law;

(h) the Secured Party may, for any purpose specified herein, borrow money on the security of the Collateral in priority to the security interest, assignment and mortgage and charge granted by this Agreement;

(i) the Secured Party may enter upon, occupy and use all or any of the premises, buildings and plant occupied by the Debtor and use all or any of the Equipment and other personal property of the Debtor for such time as the Secured Party requires to facilitate the realization of the Collateral, free of charge, and the Secured Party will not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;

(j) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the exercise of the rights and remedies of the Secured Party hereunder, including, without limiting the generality of the foregoing, reasonable legal, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith, including interest thereon at such rate applicable thereto pursuant to the Credit Agreement, will be added to and form part of the Guaranteed Obligations hereby secured; and

(k) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith will be added to the Guaranteed Obligations hereby secured.

(2) The Secured Party may (i) grant extensions of time, (ii) take and perfect or abstain from taking and perfecting security, (iii) give up securities, (iv) accept compositions or compromises, (v) grant releases and discharges, and (vi) release any part of the Collateral or otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Secured Party sees fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights under this Agreement or under the Credit Agreement.

(3) The Secured Party will not be liable or responsible for any failure to seize, collect, realize, or obtain payment with respect to the Collateral and is not bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment with respect to the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, in respect of the Collateral.

(4) The Secured Party may apply any proceeds of realization of the Collateral to payment of expenses in connection with the preservation and realization of the Collateral as above described and the Secured Party may apply any balance of such proceeds to payment of the Guaranteed Obligations in such order as the Secured Party sees fit. If there is any surplus remaining, the Secured Party may pay it to any person having a claim thereto in priority to the Debtor of whom the Secured Party has knowledge and any balance remaining must be paid to the Debtor. If the disposition of the Collateral fails to satisfy the Guaranteed Obligations secured by this Agreement and the aforesaid expenses, the Debtor will be liable to pay any deficiency to the Secured Party forthwith on demand.

ARTICLE 6 - GENERAL

6.01 Benefit of the Agreement

This Agreement will enure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

6.02 **Entire Agreement**

This Agreement has been entered into pursuant to the Credit Agreement and is subject to all the terms and conditions thereof and, in the event of any inconsistency between the provisions of this Agreement and the provisions of the Credit Agreement, the provisions of the Credit Agreement will prevail to the extent of the inconsistency.

6.03 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Debtor and the Secured Party. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

6.04 **Assignment**

After the occurrence of an Event of Default which then continues, the rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of the Debtor. The Debtor may not assign its obligations under this Agreement.

6.05 **Severability**

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

6.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and may be given by personal delivery, by registered mail or by electronic means of communication, addressed to the recipient as follows:

To the Debtor:

Grant Forest Product Sales Inc.
181 Bay St., Suite 1520
Toronto, Ontario M5J 2T3

Telecopier No.: (416) 214-1360

Attention: Peter Grant, Jr.

To the Secured Party:

The Toronto-Dominion Bank
77 King Street West
18th Floor, Royal Trust Tower
TD Centre
Toronto, Ontario
M5K 1A2

Telecopier No.:	(416) 982-5535
Attention:	Mr. Wayne Shiplo Vice-President

or to such other address, or individual or electronic communication number as may be designated by notice given by any party to the other. Any demand, notice or other communication given by personal delivery on a Business Day will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the third Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the next Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication must not be mailed but must be given by personal delivery or by electronic communication.

6.07 **Additional Continuing Security**

This Agreement and the security interest, assignment and mortgage and charge granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party and this Agreement is a continuing agreement and security that will remain in full force and effect until discharged by the Secured Party.

6.08 **Further Assurances**

The Debtor must at its expense from time to time do, execute and deliver, or cause to be done, executed and delivered, all such financing statements, further assignments, documents, acts, matters and things as may be reasonably requested by the Secured Party for the purpose of giving effect to this Agreement or for the purpose of establishing compliance with the representations, warranties and covenants herein contained.

6.09 **Power of Attorney**

Upon the occurrence of an Event of Default that is continuing, the Debtor hereby irrevocably constitutes and appoints any officer for the time being of the Secured Party the true and lawful attorney of the Debtor, with full power of substitution, to do, make and execute all such statements, assignments, documents, acts, matters or things with the right to use the name of the Debtor whenever and wherever the officer may deem necessary or expedient and from time to time to exercise all rights and powers and to perform all acts of ownership in respect to the Collateral in accordance with this Agreement.

6.10 **Discharge**

The Debtor will not be discharged from any of the Guaranteed Obligations or from this Agreement except by a release or discharge signed in writing by the Secured Party.

6.11 **Governing Law**

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

6.12 **Executed Copy**

The Debtor acknowledges receipt of a fully executed copy of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above specified.

DEBTOR:

GRANT FOREST PRODUCT SALES INC.

Per: ______________________

Name: Peter grant Jr.

Title: Vice-President

SECURED PARTY:

THE TORONTO-DOMINION BANK

Per: ______________________

Name: Wayne Shiplo

Title: Vice-President

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above specified.

DEBTOR: **GRANT FOREST PRODUCT SALES INC.**

Per: ______________________________

Name:

Title:

SECURED PARTY: **THE TORONTO-DOMINION BANK**, as Agent

Per: ______________________________

Name: Wayne Shiplo

Title: Vice-President

This is Exhibit "K" referred to in the
affidavit of Ben Montgomery
sworn before me, this 11th
day of May 20 11

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5875

Execution Copy

GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made as of October 26, 2005

BETWEEN:

GRANT ALBERTA INC., a corporation incorporated under the laws of Alberta (hereinafter referred to as the "Debtor")

- and -

THE TORONTO-DOMINION BANK, a Canadian chartered bank, in its capacity as Canadian Administrative Agent for and on behalf of the Lenders (hereinafter referred to as the "Secured Party").

WHEREAS the Debtor has entered into the Credit Agreement with the Secured Party and other parties pursuant to which the Lenders have agreed to provide the Credit Facilities to the Borrowers and the Debtor has agreed to guarantee the Guaranteed Obligations, upon and subject to the terms and conditions of the Credit Agreement;

AND WHEREAS the Debtor has agreed to grant a security interest and assignment, mortgage and charge in the Collateral to the Secured Party in order to secure the performance of its Guaranteed Obligations under the Credit Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the parties hereto agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Interpretation

Any terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement (as defined below). In this Agreement, unless something in the subject matter or context is inconsistent therewith,

"Agreement" means this agreement and all amendments, restatements, supplements and modifications made hereto by written agreement between the Secured Party and the Debtor.

"Collateral" has the meaning set out in Section 2.01.

"Credit Agreement" means the credit agreement dated as of October 26, 2005 among the Borrowers, the Guarantors, the Lenders, the Secured Party and other parties thereto, as it may be amended or restated from time to time in accordance with its terms.

The terms "accessions", "accounts", "chattel paper", "documents of title", "goods", "instruments", "intangibles", "inventory", "money", "proceeds" and "securities" whenever used herein have the meanings given to those terms in the *Personal Property Security Act* (Ontario), as now enacted or as the same may from time to time be amended, re-enacted or replaced.

1.02 **Sections and Headings**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, reference herein to Articles and Sections are to Articles and Sections of this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

ARTICLE 2 - GRANT OF SECURITY INTEREST

2.01 **Security Interest**

As general and continuing security for the payment and performance of all Guaranteed Obligations of the Debtor to the Secured Party and the Lenders (and any one or more of them), the Debtor hereby grants to the Secured Party a security interest in the present and future Property of the Debtor (collectively, the "Collateral"), and as further general and continuing security for the payment and performance of such Guaranteed Obligations, the Debtor hereby assigns the Collateral to the Secured Party and mortgages and charges the Collateral as and by way of a fixed and specific mortgage and charge to the Secured Party. Without limiting the generality of the foregoing, the Collateral will include all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to, or acquire, by way of amalgamation or otherwise, now or hereafter or may hereafter have in all property of the following kinds:

(a) Receivables: all debts, accounts, claims and choses in action for monetary amounts which are now or which may hereafter become due, owing or accruing due to the Debtor (collectively, the "Receivables");

(b) Inventory: all inventory of whatever kind and wherever situated including, without limiting the generality of the foregoing, all goods held for sale or lease or furnished or to be furnished under contracts for service or used or consumed in the business of the Debtor (collectively, the "Inventory");

(c) Equipment: all machinery, equipment, fixtures, furniture, plant, vehicles and other tangible personal property which are not Inventory (collectively, the "Equipment");

(d) Chattel Paper: all chattel paper;

(e) Documents of Title: all warehouse receipts, bills of lading and other documents of title, whether negotiable or not;

(f) Securities and Instruments: all shares, stock, warrants, bonds, debentures, debenture stock and other securities and all instruments (collectively, the "Securities");

(g) Intangibles: all intangibles not otherwise described in this Section 2.01 including, without limiting the generality of the foregoing, all goodwill, patents, trademarks, copyrights and other industrial property;

(h) Money: all coins or bills or other medium of exchange adopted for use as part of the currency of Canada or of any foreign government;

(i) Books, Records, Etc.: all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the property described in this Section 2.01 and all contracts, securities, instruments and other rights and benefits in respect thereof;

(j) Substitutions, Etc.: all replacements of, substitutions for and increases, additions and accessions to any of the property described in this Section 2.01; and

(k) Proceeds: all proceeds of any Collateral in any form derived directly or indirectly from any dealing with the Collateral or that indemnifies or compensates for the loss of or damage to the Collateral;

provided that the said assignment and mortgage and charge will not (i) extend or apply to the last day of the term of any lease or any agreement therefor now held or hereafter acquired by the Debtor, but should the Secured Party enforce the said assignment or mortgage and charge, the Debtor will thereafter stand possessed of such last day and must hold it in trust to assign the same to any person acquiring such term in the course of the enforcement of the said assignment and mortgage and charge, or (ii) render the Secured Party liable to observe or perform any term, covenant or condition of any agreement, document or instrument to which the Debtor is a party or by which it is bound.

2.02 **Attachment of Security Interest**

The Debtor acknowledges that value has been given and agrees that the security interest granted hereby will attach when the Debtor signs this Agreement and the Debtor has any rights in the Collateral.

2.03 **Exception for Contractual Rights**

The security interest granted hereby does not and will not extend to, and Collateral will not include any agreement, right, franchise, licence or permit (the "contractual rights") to which the Debtor is a party or of which the Debtor has the benefit, to the extent that the assignment thereof or the creation of the security interest herein would constitute a breach of the terms of or permit any person to terminate the contractual rights, but the Debtor must hold its interest therein in trust for the Secured Party and will assign such contractual rights to the Secured Party forthwith upon obtaining the consent of the other party thereto. The Debtor agrees that it will, upon the request of the Secured Party, use all commercially reasonable efforts to obtain any consent required to permit any contractual rights to be subjected to the security interest.

ARTICLE 3 - COVENANTS OF THE DEBTOR

3.01 **Covenants**

The Debtor covenants with the Secured Party that the Debtor will:

(a) ensure that the representations and warranties set forth in the Credit Agreement will be true and correct as provided in the Credit Agreement;

(b) maintain, use and operate the Collateral and carry on and conduct its business in a lawful and business-like manner;

(c) not permit the Collateral (other than Equipment that is affixed to real or personal property in which the Secured Party has a security interest ranking prior to all other Encumbrances except for Permitted Encumbrances that are *pari passu* or prior thereto) to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of the Secured Party;

(d) defend the Collateral against all claims and demands respecting the Collateral made by all persons at any time and will keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests other than Permitted Encumbrances;

(e) not move its chief executive office or the locations of the offices where it keeps its records respecting the Receivables from Ontario, without the prior written consent of the Secured Party;

(f) pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same become due and payable, and will exhibit to the Secured Party, when required, the receipts and vouchers establishing such payment;

(g) keep proper books of account in accordance with sound accounting practice, will furnish to the Secured Party such financial information and statements and such information and statements relating to the Collateral as the Secured Party may from time to time require, and the Debtor will permit the Secured Party or its authorized agents at any time at the expense of the Debtor to examine the books of account and other financial records and reports relating to the Collateral and to make copies thereof and take extracts therefrom;

(h) from time to time forthwith at the request of the Secured Party furnish to the Secured Party in writing all information requested relating to the Collateral, and the Secured Party will be entitled from time to time at any reasonable time to inspect the Collateral and make copies of all information relating to the Collateral and for such purposes the Secured Party will have access to all premises occupied by the Debtor or where the Collateral may be found;

(i) from time to time forthwith at the request of the Secured Party execute and deliver all such financing statements, schedules, assignments and documents, and do all such further acts and things as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement or to better evidence and perfect the security interest, assignment and mortgage and charge granted hereby, and the Debtor hereby irrevocably constitutes and appoints the Secured Party, or any Receiver appointed by the court or the Secured Party, the true and lawful attorney of the Debtor, with full power of substitution, after the occurrence of an Event of Default which then continues to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

(j) not change its name or, if the Debtor is a corporation, will not amalgamate with any other corporation without first giving notice to the Secured Party of its new name and the names of all amalgamating corporations and the date when such new name or amalgamation is to become effective; and

(k) pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limiting the generality of the foregoing, all reasonable legal and Receiver's and accounting fees and expenses) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limiting the generality of the foregoing, protecting and preserving the security interest, assignment and mortgage and charge granted hereby and enforcing by legal process or otherwise the remedies provided herein; and all such costs and expenses will be added to and form part of the Guaranteed Obligations secured hereunder..

ARTICLE 4 - DEALING WITH COLLATERAL

4.01 Dealing with Collateral by the Debtor

The Debtor shall not sell, lease, transfer or otherwise dispose of, or create, incur, assume or suffer to exist any lien on, all or any of the Collateral, except as otherwise permitted by the Credit Agreement.

4.02 **Rights and Duties of the Secured Party**

(1) The Secured Party may perform any of its rights and duties hereunder by or through agents and is entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its rights and duties hereunder.

(2) In the holding of the Collateral, the Secured Party and any nominee on its behalf is only bound to exercise the same degree of care as it would exercise with respect to similar property of its own of similar value held in the same place. The Secured Party and any nominee on its behalf will be deemed to have exercised reasonable care with respect to the custody and preservation of the Collateral if it takes such action for that purpose as the Debtor reasonably requests in writing, but failure of the Secured Party or its nominee to comply with any such request will not of itself be deemed a failure to exercise reasonable care.

4.03 **Registration of Securities**

The Secured Party may, after the occurrence of an Event of Default which then continues, have any Securities registered in its name or in the name of its nominee and will be entitled but not bound or required to exercise any of the rights that any holder of such Securities may at any time have, provided that until an Event of Default has occurred and is continuing, the Debtor will be entitled to exercise, in a manner not prejudicial to the interests of the Secured Party or which would violate or be inconsistent with this Agreement, all voting power from time to time exercisable in respect of the Securities. The Secured Party will not be responsible for any loss occasioned by its exercise of any of such rights or by failure to exercise the same within the time limited for the exercise thereof. The Debtor must from time to time forthwith upon the request of the Secured Party deliver to the Secured Party those Securities requested by the Secured Party duly endorsed for transfer to the Secured Party or its nominee to be held by the Secured Party subject to the terms of this Agreement.

4.04 **Notification of Account Debtors**

After an Event of Default which then continues, the Secured Party may give notice of this Agreement and the security interest and assignment granted hereby to any account debtors of the Debtor or to any other person liable to the Debtor and, after the occurrence of an Event of Default which then continues, may also give notice to any such account debtors or other person to make all further payments to the Secured Party, and any payment or other proceeds of Collateral thereafter received by the Debtor from account debtors or from any other person liable to the Debtor whether before or after any notice is given by the Secured Party must be held by the Debtor in trust for the Secured Party and paid over to the Secured Party on request.

ARTICLE 5 -REMEDIES

5.01 **Remedies**

(1) On or after the occurrence of any Event of Default, (i) in addition to the rights and remedies of the Debtor under the Credit Agreement; and (ii) in addition to any right or remedy provided by law, the Secured Party will have the rights and remedies set out below, all of which

rights and remedies are cumulative and may be exercised or enforced successively, concurrently or both by the Secured Party:

(a) the Secured Party may by appointment in writing appoint a receiver or receiver and manager (each herein referred to as the "Receiver") of the Collateral (which term when used in this Section 5.01 will include the whole or any part of the Collateral) and may remove or replace such Receiver from time to time or may institute proceedings in any court of competent jurisdiction for the appointment of a Receiver of the Collateral; and the term "Secured Party" when used in this Section 5.01 will include any Receiver so appointed and the agents, officers and employees of such Receiver; and the Secured Party will not, to the extent permitted by law, be in any way responsible for any misconduct or negligence of any such Receiver;

(b) the Secured Party may take possession of the Collateral and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;

(c) the Secured Party may take such steps as it considers desirable to maintain, preserve or protect the Collateral;

(d) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor;

(e) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;

(f) the Secured Party may sell, lease or otherwise dispose of the Collateral at public auction, by private tender, by private sale or otherwise either for cash or upon credit upon such terms and conditions as the Secured Party may determine and without notice to the Debtor unless required by law;

(g) the Secured Party may accept the Collateral in satisfaction of the Guaranteed Obligations upon notice to the Debtor of its intention to do so in the manner required by law;

(h) the Secured Party may, for any purpose specified herein, borrow money on the security of the Collateral in priority to the security interest, assignment and mortgage and charge granted by this Agreement;

(i) the Secured Party may enter upon, occupy and use all or any of the premises, buildings and plant occupied by the Debtor and use all or any of the Equipment and other personal property of the Debtor for such time as the Secured Party requires to facilitate the realization of the Collateral, free of charge, and the Secured Party will not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;

(j) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the exercise of the rights and remedies of the Secured Party hereunder, including, without limiting the generality of the foregoing, reasonable legal, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith, including interest thereon at such rate applicable thereto pursuant to the Credit Agreement, will be added to and form part of the Guaranteed Obligations hereby secured; and

(k) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith will be added to the Guaranteed Obligations hereby secured.

(2) The Secured Party may (i) grant extensions of time, (ii) take and perfect or abstain from taking and perfecting security, (iii) give up securities, (iv) accept compositions or compromises, (v) grant releases and discharges, and (vi) release any part of the Collateral or otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Secured Party sees fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights under this Agreement or under the Credit Agreement.

(3) The Secured Party will not be liable or responsible for any failure to seize, collect, realize, or obtain payment with respect to the Collateral and is not bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment with respect to the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, in respect of the Collateral.

(4) The Secured Party may apply any proceeds of realization of the Collateral to payment of expenses in connection with the preservation and realization of the Collateral as above described and the Secured Party may apply any balance of such proceeds to payment of the Guaranteed Obligations in such order as the Secured Party sees fit. If there is any surplus remaining, the Secured Party may pay it to any person having a claim thereto in priority to the Debtor of whom the Secured Party has knowledge and any balance remaining must be paid to the Debtor. If the disposition of the Collateral fails to satisfy the Guaranteed Obligations secured by this Agreement and the aforesaid expenses, the Debtor will be liable to pay any deficiency to the Secured Party forthwith on demand.

ARTICLE 6 - GENERAL

6.01 Benefit of the Agreement

This Agreement will enure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

6.02 **Entire Agreement**

This Agreement has been entered into pursuant to the Credit Agreement and is subject to all the terms and conditions thereof and, in the event of any inconsistency between the provisions of this Agreement and the provisions of the Credit Agreement, the provisions of the Credit Agreement will prevail to the extent of the inconsistency.

6.03 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Debtor and the Secured Party. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

6.04 **Assignment**

After the occurrence of an Event of Default which then continues, the rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of the Debtor. The Debtor may not assign its obligations under this Agreement.

6.05 **Severability**

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

6.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and may be given by personal delivery, by registered mail or by electronic means of communication, addressed to the recipient as follows:

To the Debtor:

Grant Alberta Inc.
181 Bay St., Suite 1520
Toronto, Ontario M5J 2T3

Telecopier No.: (416) 214-1360

Attention: Peter Grant, Jr.

To the Secured Party:

The Toronto-Dominion Bank
77 King Street West
18th Floor, Royal Trust Tower
TD Centre
Toronto, Ontario
M5K 1A2

Telecopier No.:	(416) 982-5535
Attention:	Mr. Wayne Shiplo Vice-President

or to such other address, or individual or electronic communication number as may be designated by notice given by any party to the other. Any demand, notice or other communication given by personal delivery on a Business Day will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the third Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the next Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication must not be mailed but must be given by personal delivery or by electronic communication.

6.07 **Additional Continuing Security**

This Agreement and the security interest, assignment and mortgage and charge granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party and this Agreement is a continuing agreement and security that will remain in full force and effect until discharged by the Secured Party.

6.08 **Further Assurances**

The Debtor must at its expense from time to time do, execute and deliver, or cause to be done, executed and delivered, all such financing statements, further assignments, documents, acts, matters and things as may be reasonably requested by the Secured Party for the purpose of giving effect to this Agreement or for the purpose of establishing compliance with the representations, warranties and covenants herein contained.

6.09 **Power of Attorney**

Upon the occurrence of an Event of Default that is continuing, the Debtor hereby irrevocably constitutes and appoints any officer for the time being of the Secured Party the true and lawful attorney of the Debtor, with full power of substitution, to do, make and execute all such statements, assignments, documents, acts, matters or things with the right to use the name of the Debtor whenever and wherever the officer may deem necessary or expedient and from time to time to exercise all rights and powers and to perform all acts of ownership in respect to the Collateral in accordance with this Agreement.

6.10 **Discharge**

The Debtor will not be discharged from any of the Guaranteed Obligations or from this Agreement except by a release or discharge signed in writing by the Secured Party.

6.11 **Governing Law**

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

6.12 **Executed Copy**

The Debtor acknowledges receipt of a fully executed copy of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above specified.

DEBTOR:

GRANT ALBERTA INC.

Per: ______________________

Name: Peter Grant Jr.

Title: President

SECURED PARTY:

THE TORONTO-DOMINION BANK

Per: ______________________

D

Name: Wayne Shiplo

Title: Vice-President

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above specified.

DEBTOR: **GRANT ALBERTA INC.**

Per: ______________________

Name:

Title:

SECURED PARTY: **THE TORONTO-DOMINION BANK**, as Agent

Per: ______________________

D

Name: Wayne Shiplo

Title: Vice-President

This is Exhibit "L" referred to in the affidavit of Ben Montgomery sworn before me, this 11th day of May 2011

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5875

DEMAND DEBENTURE

Issued to: THE TORONTO-DOMINION BANK

Issued by: GRANT FOREST PRODUCTS INC.

U.S. $600,000,000 Dated as of October 26, 2005

ARTICLE 1
PROMISE TO PAY

1.1 Promise to pay

Grant Forest Products Inc. (the "Corporation"), a corporation incorporated under the laws of the Province of Ontario and having its principal office at 181 Bay St., Suite 1520, Toronto, Ontario, M5J 2T3, for value received, hereby acknowledges itself indebted to and promises to pay to or to the order of The Toronto-Dominion Bank, in its capacity as holder of this Debenture for and on behalf of the Persons from time to time to whom the Obligations (including indemnification by the Corporation for Environmental Claims, the obligations of the Corporation under Hedge Arrangements with Lenders and the obligations of the Corporation under Section 13.14 of the Credit Agreement) are owed, its successors and assigns, (the "Debentureholder"), at 77 King Street West, 18th Floor, Royal Trust Tower, TD Centre, Toronto, Ontario, M5K 1A2, or at such other place as the Debentureholder may direct at any time and from time to time, ON DEMAND, the principal amount of U.S. $600,000,000 and all other amounts now or hereafter payable hereunder, together with interest on the principal amount and on all other amounts now or hereafter payable hereunder, in the case of principal, from the date hereof, and in the case of costs, charges and expenses from the date on which they were incurred and in the case of all other amounts, from the date on which such other amounts are payable, in each case calculated and payable monthly on the last day of each and every month at the rate of 25% per annum, not in advance as well after as before demand, default and judgment, together with interest on overdue interest at the same rate (the principal amount, such interest and all other amounts now or hereafter payable hereunder being referred to herein as the "Obligations Secured").

ARTICLE 2
INTERPRETATION

2.1 Definitions

In this Debenture, including section 1.1, the following words have the meanings set out below:

"**Accessions**" means Goods that are installed in or affixed to other Goods;

"**Account**" means any monetary obligation not evidenced by Chattel Paper, an Instrument or a Security, whether or not it has been earned by performance;

"**Business Day**" means any day, other than Saturday, Sunday or any statutory holiday in the Province of Ontario;

"**Chattel Paper**' means one or more than one writing that evidences both a monetary obligation and a security interest in or a lease of specific Goods;

"**Corporation**" means Grant Forest Products Inc., its successors and permitted assigns;

"**Credit Agreement**" means the Credit Agreement dated as of October 26, 2005 among the Borrowers, the Guarantors, the Lenders, the Debentureholder and other parties thereto, as it may be amended or restated from time to time in accordance with its terms.

"**Debenture**", "**these presents**", "**hereto**", "**herein**", "**hereof**", "**hereby**", "**hereunder**", and any similar expressions refer to this debenture and the schedules attached hereto and not to any particular Article, section or other portion hereof, and include any and every instrument supplemental hereto or amending any part hereof;

"**Debentureholder**" means The Toronto-Dominion Bank, and its successors and assigns;

"**Document of Title**" means any writing that purports to be issued by or addressed to a bailee and purports to cover such Goods in the bailee's possession as are identified or fungible portions of an identified mass, and that in the ordinary course of business is treated as establishing that the Person in possession of it is entitled to receive, hold and dispose of the document and the Goods it covers;

"**Goods**" means tangible personal property other than Chattel Paper, Documents of Title, Instruments, Money and Securities, and includes fixtures and timber to be cut;

"**Instrument**" means:

(a) a bill, note or cheque within the meaning of the *Bills of Exchange Act* (Canada) or any other writing that evidences a right to the payment of Money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, or

(b) a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder,

but does not include a writing that constitutes part of Chattel Paper, a Document of Title or a Security;

"**Intangible**" means all personal property, including choses in action, that is not Goods, Chattel Paper, Documents of Title, Instruments, Money or Securities;

"**Inventory**" means Goods that are held by a Person for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process or materials used or consumed in a business or profession;

"**Leases**" means all present and future leases and sub-leases of, and agreements to lease or sub-lease, the whole or any part of the Real Properties and all licences whereby the Corporation gives any other Person the right to use or occupy the whole or any part of the Real Properties, in each case whether oral or written and for the time being in effect, and all supplements, amendments, renewals or replacements thereof or therefor which may now or hereafter be effected or entered into, but does not include registered easements or rights in the nature of an easement;

"**LRRA**" means the *Land Registration Reform Act* (Ontario), as amended from time to time and any Act substituted therefor and any amendments thereto;

"**Money**" means a medium of exchange authorized or adopted by the Parliament of Canada as part of the currency of Canada or by a foreign government as part of its currency;

"**Mortgaged Property**" means all of the undertaking, property and assets of the Corporation subject to, or intended to be subject to, the mortgages, pledges, charges, assignments, security interests and hypothecs created by this Debenture;

"**Obligations**" has the meaning ascribed thereto in the Credit Agreement, including indemnification by the Corporation for Environmental Claims, the obligations of the Corporation under all Hedge Arrangements with Lenders and the obligations of the Corporation under Section 13.14 of the Credit Agreement;

"**Obligations Secured**" has the meaning ascribed thereto in Section 1.1;

"**Owned Real Property**" means lands and premises described in Schedule A to this Debenture;

"**PPSA**" means the *Personal Property Security Act* (Ontario) or the *Personal Property Security Act* (Alberta), as applicable, in each case as amended from time to time and any Act substituted therefor and any amendments thereto;

"**Proceeds**" means identifiable or traceable personal or real property in any form derived directly or indirectly from any dealing with property or the proceeds therefrom, and includes any payment representing indemnity or compensation for loss of or damage to property or proceeds therefrom;

"**Real Properties**" means all of the property and assets of the Corporation subject to, or intended to be subject to, the mortgages, pledges, charges, assignments security interests and hypothecs created by subsections 3.1(a), (b) and (c), including the Owned Real Property,

"**Receiver**" means any of a receiver, manager, receiver-manager and receiver and manager;

"**Security**" means a document that is,

(a) issued in bearer, order or registered form,

(b) of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in a as medium for investment,

(c) one of a class or series or by its terms is divisible into a class or series of documents; and

(d) evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer;

and includes an uncertificated security within the meaning of Part VI (Investment Securities) of the *Business Corporations Act* (Ontario).

2.2 Headings

The inclusion of headings in this Debenture is for convenience of reference only and will not affect the construction or interpretation hereof.

2.3 References to Sections

Whenever in this Debenture a particular Article, section or other portion thereof is referred to, such reference pertains to the particular Article, section or portion thereof contained herein, unless otherwise indicated.

2.4 Currency

Except where otherwise expressly provided, all amounts in this Debenture are stated and will be paid in currency of the United States of America.

2.5 Gender and Number

In this Debenture, unless the context otherwise requires, words importing the singular include the plural and *vice versa* and words importing gender include all genders.

2.6 Day not a Business Day

In the event that any day, on or before which any action is required to be taken hereunder is not a Business Day, then such action will be required to be taken on or before the requisite time on the first Business Day thereafter.

2.7 Invalidity of Provisions

Each of the provisions contained in this Debenture is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction will not affect the validity or enforceability of any other provision hereof.

2.8 Amendment; Waiver

No amendment or waiver of this Debenture will be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Debenture will constitute a waiver of any other provision nor will any waiver of any provision of this Debenture constitute a continuing waiver unless otherwise expressly provided.

2.9 Governing Law; Attornment

This Debenture will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Corporation hereby irrevocably attorns to the jurisdiction of the courts of Ontario.

ARTICLE 3
SECURITY

3.1 Creation of Security

As continuing security for the payment of the Obligations Secured and the performance by the Corporation of all its covenants and obligations hereunder, but subject to sections 3.2 and 3.3, the Corporation hereby grants, assigns, transfers, mortgages, pledges, charges and hypothecates, as and by way of a fixed and specific mortgage, pledge, charge, assignment, security interest and hypothec to and in favour of the Debentureholder:

(a) all freehold real and immovable property now owned or hereafter acquired by the Corporation, together with all buildings, erections, improvements and fixtures now or hereafter constructed or placed thereon or used in connection therewith, including the Owned Real Property;

(b) all leasehold property now or hereafter leased by the Corporation as lessee, including the Corporation's leasehold interests in all buildings, erections, improvements and fixtures now or hereafter constructed or placed thereon or used in connection therewith;

(c) (A) all income, revenues and profits derived from any tenancy, use or occupation of the Real Properties and all rents and other sums payable to the Corporation pursuant to the terms of any Leases;

(B) all benefits, advantages and powers of the Corporation to be derived under the Leases, with full power and authority to demand, sue for, recover, receive and give receipts for all rents and all other moneys payable to the Corporation thereunder and otherwise to enforce the rights of the Corporation thereunder on behalf of and in the name of the Corporation; and

(C) the benefit of all guarantees and indemnities in favour of the Corporation with respect to any Leases and the performance of any obligations of any tenant or sublandlord thereunder;

(d) all Goods (including all parts, accessories, attachments, additions and Accessions thereto) whether or not such Goods are now or hereafter become fixtures, all Accounts, all Chattel Paper, all Documents of Title (whether negotiable or not), all Instruments, all Intangibles, all Money and all Securities, and all of the undertaking, property and assets of the Corporation both real and personal, immovable and moveable, tangible and intangible, legal and equitable, of whatsoever nature kind and wheresoever situate, now owned or hereafter acquired by the Corporation, if any, or in respect of which the Corporation now or hereafter has any right, title or interest (including such as may be returned to or repossessed by the Corporation) (other than the property and assets which are validly subject to the fixed and specific mortgages, pledges, charges, assignments, security interests and hypothecs created hereby, but including the property and assets which may hereafter be released from such fixed and specific mortgages, pledges, charges, assignments, security interests and hypothecs), including the goodwill of the Corporation and including all contracts, licenses, computer software, warranties, ownership certificates, manuals, publications, books, statements of account, bills, invoices, letters and other documents or records in any form evidencing or relating to any of the foregoing property;

(e) all renewals of, accretions to and substitutions for any of the property described in subsection 3.1(d); and

(f) all Proceeds in any form now or hereafter derived from the sale, lease or other disposition of any of the property and assets of the Corporation subject to, or intended to be subject to, the mortgages, pledges, charges, assignments, security interests and hypothecs created by subsections 3.1(a) to 3.1(e) both inclusive.

3.2 Exception for Last Day of Leases

The last day of the term of any lease or sub-lease, oral or written, or any agreement therefor now held or hereafter acquired by the Corporation is hereby excepted out of the mortgages, pledges, charges, assignments, security interests and hypothecs hereby created and does not and will not form part of the Mortgaged Property, but upon the sale of the leasehold interest or any part thereof, the Corporation will stand possessed of such last day in trust to assign the same as the Debentureholder will direct.

3.3 Exception for Contractual Rights

The security created hereby does not and will not extend to, and Mortgaged Property will nor include, any agreement, right, franchise, license or permit (the "contractual rights") to which the Corporation is a party or of which the Corporation has the benefit, to the extent that the assignment thereof or the creation of the security therein would constitute a breach of the terms of or permit any Person to terminate the contractual rights, but the Corporation will hold its interest therein in trust for the Debentureholder and will assign such contractual rights to the Debentureholder forthwith upon obtaining the consent of the other party thereto. The Corporation agrees that it will, upon the request of the Debentureholder, but only as may be required pursuant to the Credit Agreement use all commercially reasonable efforts to obtain any consent required to permit any contractual rights to be subjected to the security created hereby.

3.4 Attachment

The attachment of the security interest created hereby has not been postponed and such security interest will attach to any particular property intended to be subject to the security interest created hereby as soon as the Corporation has rights in such property.

3.5 Effective Until Discharge

The mortgages, charges, hypothecs, assignments and security interests hereby created will be effective whether or not any monies or liabilities secured hereunder will be advanced or incurred before or after or at the same time as this Debenture is issued and will remain effective until such time as this Debenture is discharged as provided in paragraph 8.4 hereof irrespective of whether at any time prior thereto there may have been no indebtedness, liabilities or obligations (direct, indirect, absolute, contingent or otherwise) of the Corporation to the Debentureholder secured hereby outstanding and irrespective of whether the transactions contemplated by the Credit Agreement have been completed.

ARTICLE 4
DEALINGS WITH MORTGAGED PROPERTY

4.1 Further Encumbering and Sales

The Corporation will not sell, lease, transfer or otherwise dispose of, or create, incur, assume or suffer to exist any lien on, all or any of the Mortgaged Property except as permitted by the Credit Agreement.

4.2 Securities

If, at any time after the occurrence of an Event of Default which continues, the Mortgaged Property at any time include Securities, the Corporation hereby authorizes the Debentureholder to transfer such Securities or any part thereof into its own name or that of its nominee so that the Debentureholder or its nominee may appear as the sole owner of record thereof.

4.3 Collection of Debts

After the occurrence of an Event of Default and so long as such Event of Default has not been cured or waived, the Debentureholder may give notice of the security interest created hereby to any Person obligated to pay any debt or liability constituting Mortgaged Property and may also direct such Person to make all payments on account of any such debt or liability to the Debentureholder. The Corporation acknowledges that any payments received by the Corporation from such Persons, after notification of the security interest to such Person and after the occurrence of an Event of Default and so long as such Event of Default has not been cured or waived, will be received and held by the Corporation in trust for the Debentureholder and will be turned over to the Debentureholder upon request.

ARTICLE 5
COVENANTS OF THE CORPORATION

5.1 General Covenants

The Corporation declares, covenants and agrees that it will maintain its corporate existence and will maintain the security hereby created as a valid and effective security at all times so long as any Obligations Secured are outstanding hereunder and will advise the Debentureholder promptly in writing of any change in its name or address.

5.2 Further Assurances

The Corporation will at its own expense do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, pledges, charges, assignments, security agreements, hypothecs, and assurances (including instruments supplemental or ancillary hereto) and such financing statements as the Debentureholder may from time to time request, acting reasonably, to better assure and perfect its security on the Mortgaged Property or any part thereof, including specifically mortgaging, pledging, charging, assigning and hypothecating in favour of the Debentureholder the right, title and interest of the Corporation in all property and assets subject to, or intended to be subject to, the mortgages, pledges, charges, assignments, security interests and hypothecs created by subsection 3.1(a) which the Corporation will hereafter acquire.

ARTICLE 6
REMEDIES

6.1 Automatic Consequences of an Event of Default

Upon the occurrence of an Event of Default, the Obligations Secured will, on demand by the Debentureholder, immediately be due and payable by the Corporation to the Debentureholder without the necessity of any further act or formality and the security hereby created will thereupon become enforceable.

6.2 Remedies

If the security created hereby becomes enforceable, the Debentureholder may in its discretion:

(a) take possession of all or any part of the Mortgage Property with power to exclude the Corporation and its officers, employees and agents therefrom;

(b) take all such steps as the Debentureholder may consider necessary or desirable for the purposes of preserving, maintaining and completing all or any part of the Mortgaged Property and making such replacements thereof and improvements and additions thereto as the Debentureholder will consider expedient;

(c) carry on all or any part of the business of the Corporation relating to the Mortgaged Property and use all or any part of the Mortgaged Property directly in carrying on the Corporation's business or as security for loans or advances to enable it to carry on the Corporation's business or otherwise;

(d) receive the rents, incomes and profits of any kind whatsoever from all or any part of the Mortgaged Property and pay therefrom (i) any expenses of preserving, maintaining and completing the Mortgaged Property, of making such replacements thereof and improvements and additions thereto as the Debentureholder may consider expedient and of carrying on all or any part of the business of the Corporation relating to the Mortgaged Property, and (ii) any charges against the Mortgaged Property ranking in priority to or *pari passu* with the security created by this Debenture or the payment of which may be necessary or desirable to preserve or protect all or any part of the Mortgaged Property or the interest of the Debentureholder therein;

(e) lease all or any part of the Mortgaged Property and renew from time to time all or any of the Leases on such terms and conditions as the Debentureholder may determine;

(f) with or without taking possession, take any action or proceedings to enforce the performance of any covenant contained in any of the Leases;

(g) enjoy and exercise all the powers of the Corporation as the Debentureholder considers necessary or desirable for the exercise of any and all of the remedies of the Debentureholder provided for herein, including the powers to make any arrangement or compromise on behalf and in the name of the Corporation which the Debentureholder considers expedient, to purchase on credit and borrow money on behalf and in the name of the Corporation and to advance its own moneys to the Corporation, at the applicable rate of interest pursuant to the Credit Agreement, and to enter into contracts and undertake obligations on behalf of and in the name of the Corporation for any and all of the foregoing purposes or which the Debentureholder considers necessary or desirable for the exercise of any of the rights, powers and remedies of the Debentureholder provided for herein, all of which borrowings, advances and obligations together with interest thereon will, at the discretion of the Debentureholder be entitled to the security hereof in priority to the payment of the Obligations Secured;

(h) with or without taking possession, sell or otherwise dispose of all or any part of the Mortgaged Property either as a whole or in separate parcels, whether by public auction, by public tender or by private sale, at such time and places, and on such terms and conditions as to reserve bid or otherwise as the Debentureholder will determine, with or without notice (except as otherwise required by law), advertising or any other formality, all of which are hereby waived by the Corporation to the extent permitted by law; any such sale or other disposition may, in the discretion of the Debentureholder, be for cash or on credit or partly for cash and partly on credit and will be on such terms and conditions as the Debentureholder may determine; provided that, in the case of any sale on credit or partly on credit, the Debentureholder will not be accountable for any proceeds thereof unless and until actually received by the Debentureholder in cash; the Debentureholder may rescind or vary any contract of sale or other disposition that may have been entered into and resell or otherwise dispose of all or any part of the Mortgaged Property without being answerable for any loss;

(i) apply to a court for the appointment of a Receiver to take possession of all or such part of the Mortgaged Property as the Debentureholder will designate, with such duties, powers and obligations as the court making the appointment will confer;

(j) with or without taking possession, by instrument executed by the Debentureholder, appoint a Receiver of all or any part of the Mortgaged Property and of the rents, income and profits therefrom and may from time to time by similar instrument remove any Receiver and appoint another in its place and upon the appointment of any such Receiver or Receivers from time to time the following provisions will apply:

(i) every such Receiver will be vested with all of the rights, powers, remedies and discretions of the Debentureholder set forth in subsections 6.2(a) to 6.2(h) both inclusive, and subsection 6.2(k), including the power to do all acts, exercise all discretions and make all determinations of the Debentureholder described therein;

(ii) every such Receiver will have the power to borrow money on the security of the Mortgaged Property in priority to the security created by this Debenture for the purpose of the preservation, maintenance, completion or protection of the Mortgaged Property or any part thereof or for making any replacements thereof or improvements and additions thereto or for carrying on all or any part of the business of the Corporation relaxing to the Mortgaged Property, and in so doing the

Receiver may issue certificates designated as "Receiver's Certificates" which may be payable either to order or to bearer and may be payable at such time or times as the Receiver may think expedient and will bear interest at such rates of interest as the Receiver may consider reasonable, and the amounts front time to time payable pursuant to such "Receiver's Certificates" will form a charge upon the Mortgaged Property in priority to the security created by this Debenture;

(iii) the Debentureholder may from time to time fix the remuneration of every such Receiver who will be entitled to deduct the same out of the receipts derived from or comprising part of the Mortgaged Property or the proceeds thereof;

(iv) every such Receiver will be deemed to be an agent of the Corporation and not of the Debentureholder for the purposes of:

A) carrying on and managing the business and affairs of the Corporation, and

B) establishing liability for all of the acts or omissions of the Receiver while acting as such and the Debentureholder will not be in any way responsible for any acts or omissions on the part of any such Receiver, its officers, employees and agents;

provided that, without restricting the generality of the foregoing, the Corporation irrevocably authorizes the Debentureholder to give instructions to the Receiver relating to the performance of its powers and discretions as set our herein;

(v) the appointment of every such Receiver by the Debentureholder or anything which may be done by any such Receiver or the removal of any such Receiver or the termination of any such receivership will not have the effect of constituting the Debentureholder a mortgagee in possession in respect of the Mortgaged Property or any part thereof;

(vi) no such Receiver will be liable to the Corporation to account for moneys other than moneys actually received by such Receiver in respect of the Mortgaged Property and every such Receiver will apply such moneys so received in the manner provided in section 7.1; and

(vii) the Debentureholder may at any time and from time to time terminate any such receivership by notice in writing executed by the Debentureholder to any such Receiver; and

(k) take any steps or proceedings of any kind permitted by law or in equity or otherwise to enforce payment of the Obligations Secured or performance of any other covenant or obligation of the Corporation contained herein and exercise all rights and remedies of a secured party under applicable law, including the PPSA, to realize all or any parts of the security created hereby.

6.3 Remedies Not Exclusive

All rights, powers and remedies of the Debentureholder under this Debenture may be exercised separately or in combination and will be in addition to, and not in substitution for, any other security now or hereafter held by the Debentureholder and any other rights, powers and remedies of the Debentureholder however created or arising. No single or partial exercise by the Debentureholder of any of the rights, powers and remedies under this Debenture or under any other security now or hereafter held by the Debentureholder will preclude any other and further exercise of any other right, power or remedy pursuant to this Debenture or any other security or at law, in equity or otherwise. The Debentureholder will at all times have the right to proceed against all or any portion of the Mortgaged Property or any other security in such order and in such manner as it will determine without waiving any rights, powers or remedies which the Debentureholder may have with respect to this Debenture or any other security or at law, in equity or otherwise. No delay or omission by the Debentureholder in exercising any right, power or remedy hereunder or otherwise will operate as a waiver thereof or of any other right, power or remedy.

6.4 Deficiency

In the case of any judicial or other steps or proceedings to enforce the security hereby created, and without limiting any right of the Debentureholder to obtain judgment for any greater amount, the Corporation will remain liable to the Debentureholder for any amount which may remain due in respect of the Obligations Secured after application to the payment thereof of the proceeds of any sale, lease or other disposition of the Mortgaged Property or any part thereof.

6.5 Exclusion of Liability of Debentureholder and Receiver

The Debentureholder will not, nor will any Receiver appointed by it, be liable for any failure to exercise its rights, powers or remedies arising hereunder or otherwise, including any failure to take possession of, collect, enforce, sell, lease or otherwise dispose of, preserve, maintain, complete, protect, replace or improve all or any part of the Mortgaged Property, to carry on all or any part of the business of the Corporation relating to the Mortgaged Property or to take any steps or proceedings for any such purposes. Neither the Debentureholder nor any Receiver appointed by it will have any obligation to take any steps or proceedings to preserve rights against prior parties to or in respect of all or any part of the Mortgaged Property, including "instruments", "chattel paper" and "securities", all as defined in the PPSA, whether or not in the Debentureholder's or the Receiver's possession and neither the Debentureholder nor any Receiver appointed by it will be liable for failure to do so. Subject to the foregoing, the Debentureholder will use reasonable care in the custody and preservation of the Mortgaged Property in its possession.

6.6 Notice of Sale

Unless required by law, neither the Debentureholder or any Receiver appointed by it will be required to give the Corporation any notice of any sale, lease or other disposition of the Mortgaged Property or any part thereof or the date after which any private disposition of the Mortgaged Property or any part thereof is to be made.

6.7 Payment of Prior Claims

If the Debentureholder is at any time or from time to time required to make a payment to defeat or honour the priority or possible priority of a mortgage, pledge, charge, assignment, security interest, hypothec, lien or other encumbrance on or in respect of all or any part of the Mortgaged Property, any such payment or payments, and the costs, charges and expenses of the Debentureholder in connection therewith (including legal fees on a solicitor and his own client basis) will be payable by the Corporation on demand, will be added to and form part of the Obligations Secured and will bear interest at the applicable rate of interest pursuant to the Credit Agreement.

ARTICLE 7
APPLICATION OF MONEYS

7.1 Application of Moneys

The moneys arising from the enforcement of the security created hereby as a result of the possession by the Debentureholder (or a Receiver appointed under this Debenture) of the Mortgaged Property or any part thereof or from any sale, lease or other disposition of, or realization of security on, the Mortgaged Property or any part thereof will be applied by the Debentureholder or the Receiver in the following order, except to the extent otherwise required by law:

(a) first, in payment of the Debentureholder's reasonable costs, charges and expenses (including legal fees on a solicitor and his own client basis) incurred in the exercise of all or any of the rights, powers or remedies granted to it under this Debenture, and in payment of the reasonable remuneration of the Receiver, if any, and the reasonable costs, charges and expenses incurred by the Receiver, if any, in the exercise of all or any of the rights, powers or remedies available to the Receiver under this Debenture;

(b) second, in payment of amounts paid by the Debentureholder or the Receiver pursuant to subsection 6.2(d)(ii);

(c) third, in payment of all money borrowed or advanced by the Debentureholder or the Receiver, if any, whether evidenced by Receiver's Certificates or otherwise, pursuant to the exercise of the rights, powers or remedies set out in this Debenture and any interest thereon;

(d) fourth, in payment of the remainder of the Obligations Secured in such order of application as the Debentureholder may determine;

(e) fifth, subject to section 7.2, to any Person entitled by law thereto,

7.2 Payment Into Court

Where there is a question as to who is entitled to receive payment under subsection 7.1(e), the Debentureholder or the Receiver may pay the moneys referred to therein into court.

ARTICLE 8
GENERAL

8.1 Releases

The Debentureholder may in its discretion from time to time release any part of the Mortgaged Property or any other security either with or without any sufficient consideration therefor, without responsibility therefor and without thereby releasing any other part of the Mortgaged Property or any other security or any Person from the security created by this Debenture or from any of the covenants herein contained. Each and every portion into which the Mortgaged Property is or may hereafter be divided does and will stay charged with the Obligations Secured. No Person will have the right to require the Obligations Secured to be apportioned and the Debentureholder will not be accountable to the Corporation for any moneys except those actually received by the Debentureholder.

8.2 Power of Attorney

The Corporation hereby appoints the Debentureholder, with effect only upon the occurrence of an Event of Default which has not been cured or waived, as the Corporation's attorney, with full power of substitution, in the name and on behalf of the Corporation, after the occurrence of an Event of Default which continues, to execute, deliver and do all such acts, deeds, leases, documents, transfers, demands, conveyances, assignments, contracts, assurances, consents, financing statements and things as the Corporation has herein agreed to execute, deliver and do or as may be required by the Debentureholder, or any Receiver to give effect to this Debenture or in the exercise of any rights, powers or remedies hereby conferred on the Debentureholder or the Receiver, and generally to use the name of the Corporation in the exercise of all or any of the rights, powers or remedies hereby conferred on the Debentureholder or any Receiver and the Corporation hereby ratifies and confirms all acts of any such attorney taken or done in accordance with this paragraph 8.2. This appointment, coupled with an interest, will not be revoked by the insolvency, bankruptcy, dissolution, liquidation or other termination of the existence of the Corporation or for any other reason.

8.3 Expenses

The Corporation will pay to the Debentureholder on demand all of the Debentureholder's reasonable costs, charges and expenses (including legal fees on a solicitor and his own client basis and Receiver's fees) in connection with the preparation, registration or amendment of this Debenture, the perfection or preservation of any security created hereby, the enforcement by any means of any provisions hereof or the exercise of any rights, powers or remedies hereunder, including all such costs, charges and expenses in connection with taking possession, maintaining, completing, preserving, protecting, collecting or realizing upon all or any part of the Mortgaged Property or carrying on all or any part of the business of the Corporation relating to the Mortgaged Property and all such costs, charges and expenses will be added to and form part of the obligations secured and will bear interest at the rate of interest applicable pursuant to the Credit Agreement.

8.4 Discharge of Debenture

After all Obligations have been paid in full, the Debentureholder will, at the written request and expense of the Corporation, cancel and discharge this Debenture and execute and deliver to the Corporation such instruments as will be necessary to discharge this Debenture and to release or reconvey to the Corporation any property and assets subject to the security created hereby, provided, however, that the Debentureholder will not be obligated to cancel and discharge this Debenture so long as any Obligation is outstanding or any Lender has any remaining Commitment under the Credit Agreement.

8.5 No Merger of Estates

There will not be deemed to be any merger of this Debenture, nor of the rights and interests of the Debentureholder hereunder, with the estate in the Real Properties or with the reversion of rights and interests of the Corporation or the Debentureholder under any instrument affecting the Mortgaged Property by reason only of the fact that the same Person may own or acquire, directly or indirectly, two or more estates, rights or interests in the Mortgaged Property until all Persons having any interest under this Debenture, the estate in the Real Properties or with the reversion of rights and interests of the Corporation or the Debentureholder under any instrument affecting the Mortgaged Property, by an appropriate instruments, so declare and provide.

8.6 No Obligation to Advance

Neither the issue nor delivery of this Debenture will obligate the Debentureholder to advance any funds, or otherwise make or continue to make any credit available, to the Corporation.

8.7 Exclusion of implied Covenants

The implied covenants deemed to be included in a charge under subsection 7(1)1.v. of the LRRA will be and are hereby expressly excluded from the terms of this Debenture.

8.8 Definitions and Inconsistency

All capitalized words used in this Debenture but not defined herein will have the meanings given to them in the Credit Agreement. In the case of any inconsistency between the terms and conditions of the Credit Agreement and the terms and conditions contained in this Debenture, the terms and conditions of the Credit Agreement will prevail to the extent of the inconsistency.

8.9 Satisfaction

This Debenture is issued as continuing security for payment and performance of any and all present and future indebtedness, liabilities and obligations (direct or indirect, absolute or contingent, matured or otherwise), including revolving obligations, now or at any time and from time to time due or owing by the Corporation to the Debentureholder and the Lenders (and to any one or more of them) under the Credit Agreement, the Loan Documents and the documentation relating thereto and all fees and other sums payable by the Corporation under the Credit Agreement, the Loan Documents and the documentation relating thereto together with interest on such debts, liabilities, fees and other sums (including interest on overdue interest) at the applicable rate or rates of interest set out in the Credit Agreement and including all reasonable costs and disbursements incurred by the Debentureholder in order to recover such debts, liabilities, fees, other sums and interest. Accordingly, any payment from time to time of any of the Obligations will not reduce the maximum principal amount of this Debenture under section 1.1, and this Debenture will continue, after such payment, to secure payment of all Obligations at any time outstanding (including all Obligations relating to any future loan or other future extension of credit made by Lenders to the Corporation) up to a maximum total amount of this Debenture under section 1.1. The satisfaction by the Corporation of all indebtedness, liabilities, obligations, fees and other sums to the Debentureholder under the Credit Agreement will constitute satisfaction of all Obligations Secured. Without limiting the generality of the foregoing, any provision of this Debenture notwithstanding; (i) payment by the Corporation of interest on all indebtedness, liabilities and obligations of the Corporation pursuant to the Credit Agreement and the other Loan Documents at the then current rate of interest specified by the Credit Agreement at which such indebtedness, liabilities and obligations may bear interest for any period of time will constitute satisfaction of interest otherwise payable under this Debenture for the equivalent period of time, (ii) the Debentureholder will not, at any time, claim payment under this Debenture (whether for principal, interest or both) in an amount greater than the amount of the indebtedness, liabilities and obligations outstanding under the Credit Agreement and the other Loan Documents (excluding this Debenture) at such time, and (iii) notwithstanding that this Debenture is stated to be payable on demand, no demand for payment will be made under this Debenture unless demand is concurrently being made, or has been made, after the occurrence of an Event of Default which continues, for payment of the indebtedness, liabilities and obligations outstanding pursuant to the Credit Agreement and the other Loan Documents (excluding this Debenture) in accordance with the terms thereof in an amount not less than the amount demanded under this Debenture. This section 8.9 will apply notwithstanding any other provision of this Debenture.

8.10 <u>No Substitution</u>

The security created hereby is in addition to and not in substitution for any other security now or hereafter held by the Debentureholder.

8.11 <u>Dealings with Others</u>

The Debentureholder may grant extensions of time and other indulgences, take and give up security, accept compositions, make settlements, grant releases and discharges and otherwise deal with the Corporation, debtors of the Corporation, sureties and other Persons and with all or any part of the Mortgaged Property and other security as Debentureholder sees fit, without prejudice to any debts and liabilities of the Corporation to the Debentureholder or the rights, powers and remedies of the Debentureholder under this Debenture.

8.12 <u>Perfection of Security</u>

The Corporation authorizes the Debentureholder to file such financing statements and other documents and do such acts, matters and things (including completing and adding schedules identifying all or any part of the Mortgaged Property) as the Debentureholder may consider appropriate to perfect and continue the security created by this Debenture, to protect and preserve the interest of the Debentureholder in the Mortgaged Property and to realize upon this Debenture.

8.13 <u>Communication</u>

All notices and other communications provided for hereunder will be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telecopied, telexed or delivered, if to the Corporation, at its address at BCE Place, 181 Bay Street, Suite 1520, Toronto, Ontario, M5J 2T3, Attention Peter M. Lynch, Executive Vice President; to the Debentureholder at its address at 77 King Street West, 18th Floor, Royal Trust Tower, TD Centre, Toronto, Ontario, M5K 1A2, Attention: Joseph Cavanaugh, Vice President, Loan Syndications, with a copy to McCarthy Tétrault LLP, Suite 4700, Toronto Dominion Tower, Toronto, Ontario, M5K 1E6, Attention: Barry J. Ryan; or at such other address as will be designated by such party in a written notice to the other. All such notices and communications will, when mailed, telegraphed, telecopied or telexed, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier or confirmed by telex answerback, respectively.

8.14 Successors and Assigns

This Debenture will be binding on the Corporation and its successors and will enure to the benefit of the Debentureholder and its successors and assigns. The Obligations Secured will be paid, and this Debenture will be assignable by the Debentureholder, free of any set-off or counter-claim between the Corporation and the Debentureholder.

8.15 Copy Received

The Corporation acknowledges receipt of a copy of this Debenture and a copy of the financing statement registered under the PPSA in respect of the security created hereby.

IN WITNESS WHEREOF, the Corporation has executed this Debenture as of the date first above written.

GRANT FOREST PRODUCTS INC.

By: Name: Peter Grant, Jr.
Title: President

By: Name:
Title:

I/We have the authority to bind the Corporation.

SCHEDULE A

REAL PROPERTY LOCATED IN THE DISTRICT OF TEMISKAMING

Property Identifier(s)

61277-0392
61277-0383
61278-0051
61278-0069
61278-0148
61278-0120
61278-0139
61278-0140
61278-0019
61278-0029
61280-0102
61280-0105
61307-0004
61307-0074
61307-0076
61307-0075
61335-0349
61351-0210
61351-0206
61351-0120
61351-0121
61351-0122
61351-0123
61351-0124
61351-0126
61351-0202
61334-0018

ENGLEHART OSB PLANT PROPERTY

Pcl 24013 SEC SST; Pt S1/2 Lt 11 Con 5 Evanturel Pt 2, 3 & 4 54R2355 & Pt 3 & 4 54R3420; Evanturel

Pcl 23580 SEC SST; Pt S1/2 Lt 11 Con 5 Evanturel Pt 1 & 2 54R3292; Evanturel

Pcl 12122 SEC SST; Pt N1/2 Lt 12 Con 5 Evanturel as in LT109670 Except Pt 1 54R2411; Englehart

Pcl 17417 SEC SST; Pt N1/2 Lt 12 Con 5 Evanturel as in LT158350 Except Unit 1 Pl D84; Englehart

Pcl 24170 SEC SST; Pt N1/2 Lt 12 Con 5 Evanturel Pt 1 54R-3667; Englehart

Pcl 21309 SEC SST; Pt Wly Pt N1/2 Lt 12 Con 5 Evanturel Pt 1 54R2411; Englehart

Pcl 23398 SEC SST; Pt Sixth Av Pl M95NB Evanturel; Pt Seventh St Pl M95NB Evanturel Pt 2 54R3080; Englehart

Pcl 23458 SEC SST; Pt Lt 251 Pl M95NB Evanturel; Pt Lt 252 Pl M95NB Evanturel Pt 1 54R3080; Englehart

Pcl 1655 SEC NND; S1/2 Lt 12 Con 5 Evanturel Except LT99275, LT105947, LT127758, Pt 1 54R2759; Evanturel

Pcl 10462 SEC SST; Pt S ½ Lt 12 Con 5 Evanturel as in LT99275; Evanturel

Pcl 8925 SEC NND; N1/2 Lt1 Con 5 Dack Except Pt 3, 4, 5 TER940, LT169208; Charlton and Dack

Pcl 22633 SEC SST; W1/2 S1/2 Lt 1 Con 5 Dack; Charlton and Dack

EARLTON BUSINESS OFFICE

Pcl 19972 SEC SST; Pt N1/2 Lt 6 Con 6 Armstrong Pt 1 54R1796; Armstrong

Pcl 18640 SEC SST; Pt S1/2 Lt 6 Con 6 Armstrong Pt 1 54R1139; Armstrong

Pcl 23789 SEC SST; Pt S1/2 Lt 6 Con 6 Armstrong Pt 2 TER200; Armstrong

Pcl 25231 SEC SST; Pt S1/2 Lt 6 Con 6 Armstrong Pt 1 to 4 54R4670; Armstrong

MTO PROPERTY

Pcl 25520 SEC SST; Pt N ½ Lt 6 Con 1 Dymond Pt 1 to 20 54R4531; Temiskaming Shores

HAILEYBURY BOATHOUSE PROPERTY

Pcl 25544 SEC SST; Lt138-142 Blk J Pl M30NB Bucke; Temiskaming Shores

Pcl 25602 SEC SST; Firstly: Lt 1 Pl M58NB Bucke; Secondly: Lt 2 Pl M58NB Bucke; Lt 3 PL M58NB Bucke; Lt 4 Pl M58NB Bucke; Lt 5 PL M58NB Bucke; Lt 6 PL M58NB Bucke; Lt 30 PL M58NB Bucke; Thirdly: Lt 22 PL M58NB Bucke; Lt 25 PL M58NB Bucke; Lt 26 PL M58NB Bucke; Lt 29 PL M58NB Bucke; Fourthly: Lt 23 PL 58NB Bucke; Lt 24 PL M58NB Bucke; Lt 27 Pl M58NB Bucke; LT 28 Pl M58NB Bucke; Fifthly: Lt 31 Pl M58NB Bucke; Sixthly: Pt Lt 112 Pl M58NB Bucke Pt 12 54R4952; Seventhly: Pt Lt 113 Pl M58NB Bucke Pt 12 54R-4952; Eighthly: Pt Lake Shore Rd Pl M58NB Bucke now Farr Drive closed by LT326233 Pt 1, 2 & 3 54R-4952; Ninthly: Pt Lake Shore Rd Pl M30NB Bucke now Farr Drive closed by LT326233 Pt 4, 5 & 6 54R4952; Tenthly: Pt Lawlor St E Pl M30NB Bucke closed by LT326233 Pt 8 & 10 54R-4952; Eleventhly: Pt Lawlor St E Pl M30NB Bucke closed by LT326233 Pt 9 54R4952; Temiskaming Shores

Pcl 21278 SEC SST; Lt 9 Pl M58NB Bucke; Temiskaming Shores

Pcl 21277 SEC SST; Lt 8 Pl M58NB Bucke; Temiskaming Shores

Pcl 21276 SEC SST; Lt 7 Pl M58NB Bucke; Temiskaming Shores

Pcl 21276 SEC SST; Lt 10-11 Pl M58NB Bucke; Temiskaming Shores

Pcl 21278 SEC SST; Lt 12-18, 21 Pl M58NB Bucke; Temiskaming Shores

Pcl 21276 SEC SST; Lt 19-20 Pl M58NB Bucke; Temiskaming Shores

Pcl 21675 SEC SST; Pt Farr Dr Pl M-58NB Bucke the E, S & W boundaries as confirmed by PL D-47 Pt 1 54R2515; Temiskaming Shores

GOLF COURSE PROPERTY

Pcl 2856 SEC SST; Pt S Pt Br Lt 9, Con 3; Hudson; Hudson

REAL PROPERTY LOCATED IN THE DISTRICT OF COCHRANE

Property Identifier(s)

65441-0120
65441-0121
65441-0321
65441-0324
65441-0375

TIMMINS OSB PLANT PROPERTY

Pcl 24371 SEC SEC; Mining Claim P. 27383 Ogden being land and land covered with the waters of part of the Mattagami River within the boundaries of this mining claim excepting SRO Pt 1, 6R7154; except SRO as in C106392; City of Timmins

Pcl 23975 SEC SEC; Firstly: Pt Location A.L.937 Ogden Pt 1 & 2, 6R3171; Secondly: Location R.Y.310 Ogden Pt 1, 6R6276; City of Timmins

Pcl 24714 SEC SEC; Location C.L. 12151 Ogden being Pt 1, 6R7502; City of Timmins

Pcl 18740 SEC SEC SRO; Pt Mining Claim P. 35806 Ogden not covered by the waters of the Mattagami River excepting thereout and therefrom on and over a strip of land along the shores of the Mattagami River and which said strip of land is bounded by the high water mark of the Mattagami River and by a line, every point of which is distant 400 feet from the nearest point in the said high water mark; City of Timmins.

Consolidation of various properties Location AL 937, Pt of unsubdivided Township of Ogden, Pt 1, 6R1692; excepting location RY 310 Pt 1, 6R6276; Excepting Pt Location AL 937 Pts 1 & 2 6R3171; City of Timmins; reserving all ores mines or minerals which are or shall hereafter be found on or under said land.

This is Exhibit "M" *referred to in the affidavit of* Ben Montgomery *sworn before me, this* 11th *day of* May 20 11

A COMMISSIONER FOR TAKING AFFIDAVITS

ANDREW PILLIAR
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5875

Consolidated Financial Statements of

Grant Forest Products Inc.

December 31, 2008

(UNAUDITED)

Grant Forest Products Inc.
December 31, 2008

Table of contents

Grant Forest Products Inc.

Consolidated balance sheet
December 31, 2008

(in thousands of Canadian dollars)

	2008	2007
	$	$
Assets		
Current		
Cash and cash equivalents	**68,553**	54,388
Restricted cash (Note 12)	**101**	19,878
Accounts receivable (Note 5)	**5,171**	12,857
Other receivable (Note 24)	**592**	592
Income taxes receivable	**46,217**	41,969
Inventory (Note 6)	**30,686**	34,828
Prepaid expenses	**3,243**	3,618
Due from related corporations (Note 20)	**4,514**	1,579
	159,077	169,709
Capital assets (Note 7)	**982,503**	964,261
Other		
Deferred charges (Note 8)	**8,134**	10,319
Goodwill (Note 9)	**26,073**	26,073
Other intangible assets (Note 10)	**2,931**	2,931
Other deferred long-term assets (Note 22)	**53,987**	60,322
Pension asset (Note 15)	**754**	754
Other assets (Note 23)	**13,764**	12,914
Deferred asset (Note 17)	**-**	825
	105,643	114,138
	1,247,223	1,248,108
Liabilities		
Current		
Bank indebtedness	**16**	275
Accounts payable and accrued liabilities (Note 11)	**47,409**	72,912
Due to shareholder (Note 20)	**60,271**	50,000
	107,696	123,187
Deferred credit (Note 17)	**10,641**	-
Long-term debt (Note 12)	**707,347**	557,406
Future income taxes (Note 14)	**77,388**	95,198
	903,072	775,791
Contingencies and commitments (Note 18)		
Shareholders' equity		
Share capital		
Preferred shares, non-voting, retractable, cumulative and fully redeemable at $0.001 per share or $112,000 in aggregate - authorized shares: unlimited; Issued and outstanding shares: 112,000,000 for 2008 and 2007 (Note 13)	**112,000**	112,000
Class A common shares, without par value - authorized shares: unlimited; Issued and outstanding shares: 1,000 for 2008 and 2007	**1**	1
Retained earnings	**137,667**	360,316
Contributed surplus	**25,000**	-
Accumulated other comprehensive income	**69,483**	-
	344,151	472,317
	1,247,223	1,248,108

Approved by the Board

.... Director

.... Director

Grant Forest Products Inc.

Consolidated statements of shareholders' equity and comprehensive loss

December 31, 2008

(in thousands of Canadian dollars)

2008	Common shares	Amount	Preferred shares	Amount	Retained earnings (deficit)	Contributed Surplus	Accumulated other comprehensive income	Comprehensive loss	Total
		$		$	$		$	$	$
Balance, December 31, 2007	**1**	**1**	**112,000**	**112,000**	**360,316**	**-**	**-**	**-**	**472,317**
Share Issue	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	**(216,489)**	-	-	**(216,489)**	**(216,489)**
Shareholder contribution (Note 20)	-	-	-	-	-	**25,000**	-	-	**25,000**
Preferred share dividends (Note 13)	-	-	-	-	**(6,160)**	-	-	-	**(6,160)**
Other Comprehensive Income: Foreign exchange gain on self-sustaining subsidiaries	-		-	-	-	-	**69,483**	**69,483**	**69,483**
Balance, December 31, 2008	**1**	**1**	**112,000**	**112,000**	**137,667**	**25,000**	**69,483**	**(147,006)**	**344,151**

2007	Common shares	Amount	Preferred shares	Amount	Retained earnings (deficit)	Contributed Surplus	Accumulated other comprehensive income	Comprehensive loss	Total
		$		$	$		$	$	$
Balance, December 31, 2006	1	1	112,000	112,000	401,979	-	-	-	513,980
Share Issue	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	(35,503)	-	-	(35,503)	(35,503)
Shareholder contribution	-	-	-	-	-	-	-	-	-
Preferred share dividends	-	-	-	-	(6,160)	-	-	-	(6,160)
Balance, December 31, 2007	1	1	112,000	112,000	360,316	-	-	(35,503)	472,317

See notes to the consolidated financial statements.

Grant Forest Products Inc.

Consolidated statement of operations and comprehensive loss year ended December 31, 2008

(in thousands of Canadian dollars)

	2008	2007
	$	$
Sales	**237,141**	212,165
Cost of sales	**212,199**	177,111
Freight-out	**41,106**	40,254
Amortization	**53,288**	38,609
	306,593	255,974
Gross profit	**(69,452)**	(43,809)
Expenses		
Selling and administrative	**45,336**	48,093
Interest and financial		
Interest expense	**50,828**	47,665
Interest income	**(846)**	(2,233)
Amortization of deferred financing charges	**2,185**	2,040
Foreign exchange (gain) loss	**123,027**	(63,367)
Non-hedge derivative loss	**10,205**	1,943
Amortization of start up costs	**15,781**	-
	246,516	34,141
Loss before recovery of income taxes	**(315,968)**	(77,950)
(Recovery of) provision for income taxes (Note 14)		
Current	**(81,669)**	(58,098)
Future	**(17,810)**	15,651
	(99,479)	(42,447)
Net loss	**(216,489)**	(35,503)
Other comprehensive income		
Foreign exchange gain on self-sustaining operations	69,483	-
Comprehensive Loss	**(147,006)**	**(35,503)**

Grant Forest Products Inc.

Consolidated statement of cash flows
year ended December 31, 2008
(in thousands of Canadian dollars)

	2008	2007
	$	$
Operating activities		
Net loss	**(216,489)**	(35,503)
Items not affecting cash		
Amortization of capital assets	**53,288**	38,577
Amortization of intangible assets	**-**	32
Amortization of deferred charges	**2,185**	2,040
Amortization of start up costs	**15,781**	
Future income taxes	**(17,810)**	15,651
Loss on disposal of capital assets	**1,663**	-
Net change in non-cash working capital items (Note 19)	**(11,784)**	(8,125)
	(173,166)	12,672
Investing activities		
Change in restricted cash	**19,777**	(19,878)
Proceeds from disposal of capital assets	**1,673**	17
Additions to capital assets	**(26,334)**	(160,265)
Decrease in deferred asset	**-**	2,224
Decrease in deferred credit	**11,466**	(281)
(Increase) decrease in other receivable	**-**	1,276
Increase in other assets	**(850)**	(1,196)
Increase in other deferred long-term assets	**(4,153)**	(38,539)
	1,579	(216,642)
Financing activities		
Financing fees	**-**	(7,963)
Bank indebtedness	**(259)**	(1,679)
Increase in loans	**149,941**	240,409
Decrease in loans	**-**	(1,300)
Increase in loans from Shareholder	**10,271**	-
Equity injection from Shareholder	**25,000**	-
Dividends	**-**	-
	184,953	229,467
Effect of exchange rate changes on monetary items	**799**	-
Increase (decrease) in cash and cash equivalents	**14,165**	25,497
Cash and cash equivalents, beginning of year	**54,388**	28,891
Cash and cash equivalents, end of year (Note 19)	**68,553**	54,388
Supplemental cash flow information		
Interest received	**1,398**	2,233
Interest paid	**32,760**	31,483
Income taxes received, net	**78,233**	14,898

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Grant Forest Products Inc.

Notes to the consolidated financial statements

December 31, 2008

(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

1. Description of Company

Grant Forest Products Inc. ("Grant Forest" or the "Company") was incorporated on August 18, 1998. On August 31, 1998, the Company entered into an agreement with Grant Forest Products Corp., a corporation wholly owned by the President of the Company, to acquire the operating assets and assume the liabilities of Grant Forest Products Corp. at fair market value.

On September 30, 1998, the Company completed an agreement with Malette Inc. a wholly-owned subsidiary of Tembec Inc. to purchase assets located in Timmins, Ontario (the "Timmins Mill").

The acquired operation harvests timber, manages forest land, and produces, manufactures and markets Oriented Strand Board ("OSB") which is used in the construction of housing.

On December 9, 1999, the Company entered into a memorandum of agreement with a third party for the construction and operation of an OSB facility at High Level, Alberta (the "Footner Project"). The two parties acquired the Deciduous Timber Allocation, the lands and the plant and equipment to implement the Footner Project, jointly as co-owners.

On January 1, 2002, a wholly-owned subsidiary of the Company commenced operations to sell all the Company's products in the U.S. and Canada.

In 2005, the Company formed wholly-owned subsidiaries that commenced the construction of two OSB facilities in Allendale and Clarendon counties in South Carolina ("Allendale" and "Clarendon", respectively). In 2006, construction of the Allendale plant was completed with the plant producing its first OSB board on October 30, 2006. The Allendale plant reached commercial operational capacity on January 1, 2008. At this time the start up phase ceased and amortization of previously deferred costs commenced. The Clarendon plant has been fully constructed as at December 31, 2008, however, testing, commissioning and production has not yet begun.

2. Significant accounting policies

The Company, with the unanimous consent of its shareholders, has elected to prepare its consolidated financial statements in accordance with Canadian generally accepted accounting principles using the differential reporting option described below available to non-publicly accountable enterprises.

Share capital

The Company has elected to present its preferred shares issued in tax planning arrangements under the Income Tax Act as equity. The Company would have otherwise presented these shares as liabilities, and dividends would have been treated as interest expense.

The following are the other significant accounting policies used in the preparation of the financial statements:

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, Grant Forest Products Sales Inc. (100%), Grant Alberta Inc. (100%), Grant US Holdings GP (99.99%), Southeast Properties LLC (100%), Grant US Sales Inc. (100%), Grant Allendale LP (100%), Grant Clarendon LP (100%), Newco LLC (100%), Excluded GP (100%) and the investment in the Footner Project (50%) which is proportionately consolidated.

All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with an original maturity of three months or less.

Grant Forest Products Inc.

Notes to the consolidated financial statements

December 31, 2008

(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

2. Significant accounting policies (continued)

Inventory

Inventory is valued at the lower of cost and market value. Cost of raw materials is determined on a first-in, first-out basis. Market value is considered as replacement value or estimated realizable value, whichever is lower.

Goodwill

Goodwill is reviewed annually for impairment, unless events or changes in circumstances indicate that the carrying value may not be recoverable. In the absence of comparable market valuations, the Company compares expected future discounted cash flows to be generated by the asset or related business to its carrying value. If the carrying value exceeds the sum of the future discounted cash flows, goodwill would be adjusted to its fair value and an impairment loss would be charged to operations in the period identified.

Other intangible assets

The Company has other intangible assets that are identifiable and are recognized apart from goodwill. Other intangible assets include crown cutting rights and timber licenses that entitle the Company to harvest timber. With the exception of the forest management agreement which has a life of twenty years, these amounts are not amortized as they are perpetual rights.

Amortizable intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may be greater than fair value. An impairment loss is recognized when the estimate of undiscounted future cash flows generated by such assets is less than the carrying value. Measurement of the impairment loss is based on the fair value of the asset. Fair value is measured using discounted cash flows when quoted market prices are not available.

Other intangibles which have indefinite lives, are not subject to amortization and are tested for impairment annually, or more frequently if an event or circumstance occurs that more likely than not reduces the fair value of the other intangible asset below its carrying value, by comparing the carrying value to its fair value. When the carrying value of the asset exceeds the estimated fair value, an impairment loss is recognized in net earnings.

Capital assets

Capital assets are recorded at acquisition cost.

Amortization has been reflected in the accounts, at the following rates:

Buildings	-	straight-line over 15 years
Mobile equipment	-	30% declining-balance
Forest access roads	-	straight-line over 10 years
Mill process equipment	-	straight-line over 15 years
Other equipment	-	straight line over 10- 30 years

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying value may not be recoverable. A loss is recognized when the carrying value of an asset to be held and used exceeds the sum of the undiscounted cash flows expected from its use and disposal. Losses are measured as the excess of the carrying value of the asset over its fair value.

Investments

The Company records its investments using the cost method. Earnings are recognized only to the extent they are received or receivable. The investments are assessed periodically and to the extent that there has been a permanent decline in value, the carrying value is written down to the estimated net realizable value.

Grant Forest Products Inc.

Notes to the consolidated financial statements

December 31, 2008

(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

2. Significant accounting policies (continued)

Deferred charges

Deferred debt financing fees are amortized on a straight-line basis over the term of the debt.

Future income taxes

Future income taxes are recorded based on differences between the carrying value of balance sheet items and their tax values. Future income taxes are measured using the substantively enacted income tax rate in effect at the balance sheet date which is expected to apply to taxable income in the periods in which the future income tax liabilities or assets are expected to be settled or realized.

The difference between the carrying value and tax value of the goodwill, the amortization of which is not deductible for tax purposes, does not result in the recognition of a future income tax liability. For all other assets and liabilities acquired in the purchase of a business, future income taxes are recognized for the tax effect of differences between the fair values assigned and the tax basis of such assets and liabilities.

Research and development tax credits and government grants

The Company is entitled to scientific research experimental development ("SR&ED") tax credits granted by the Canadian federal government. SR&ED tax credits are earned on qualified Canadian SR&ED expenditures at a rate of 20% and can only be used to offset against Federal income taxes otherwise payable. The Company has also received capital grants from the government of South Carolina for the building of the mills.

SR&ED tax credits and government grants are accounted for using the cost reduction method. Accordingly, tax credits and grants are recorded as a reduction of the related expenses or capital expenditures in the period there is reasonable assurance of receipt of cash. The refundable portion of SR&ED tax credits is recorded in the year when collection is reasonably assured. These tax credits could be subjected to a review and a possible adjustment by the authorities concerned.

Revenue recognition

Revenue is recognized when collectability is reasonably assured and the Company has transferred to the customer the significant risks and benefits of ownership, which coincides with the delivery of product to the customer.

Pre-production costs

Pre-production costs are deferred until commercial production is achieved, at which time amortization commences. The period of amortization is three years.

Foreign Currency Translation

i) Self-sustaining foreign operations

The Allendale plant in South Carolina is considered to be self-sustaining and accordingly its financial statements are translated into Canadian dollars using the current rate method. Its assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rate of the month of the transaction. Exchange gains or losses arising from the translation of the financial statements of the foreign operation is included in Accumulated Other Comprehensive Income as a separate component of shareholders' equity.

Grant Forest Products Inc.

Notes to the consolidated financial statements
December 31, 2008
(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

2. Significant accounting policies (continued)

Foreign Currency Translation (continued)

ii) Integrated foreign operations and accounts denominated in foreign currency

The Clarendon plant in South Carolina is considered to be integrated and accordingly their accounts are translated into Canadian dollars using the temporal method. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average exchange rate of the month of the transaction except for amortization, which is translated at historical rates. Translation gains or losses are included in the determination of net income.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the net realizable value of inventory, the fair value of intangibles, the collectability of accounts receivable, the fair value of goodwill and useful lives of long-lived assets as well as the determination of impairment thereon and the determination of fair value of financial instruments. Actual results could differ from those estimates.

Forward sales contract for U.S. dollars

The Company uses forward sales contracts to economically hedge exposure to fluctuation in the U.S. dollar exchange rate. These instruments are not designated as hedges for accounting purposes and are carried on the balance sheet, under the captions deferred asset and deferred credit, at estimated fair market value. Realized gains or losses and unrealized gains or losses arising from changes in fair value related to the forward sales contracts are recognized in the Consolidated Statement of Operations in the period of the change as a non-hedge derivative loss/gain.

Employee future benefits

The Company has several defined benefit and contribution pension plans, covering substantially all employees of the Company (Note 15). The Company does not provide post-retirement or post-employment benefits, other than pensions for its employees.

Hedging relationships

Effective January 1, 2004, the Company prospectively adopted the recommendations of Accounting Guideline 13, Hedging Relationships ("AcG-13") and those of Emerging Committee Abstract 128, Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments ("EIC-128"). AcG-13 deals with the identification, designation, documentation and measurement of effectiveness of hedging relationships for the purpose of applying hedge accounting. AcG-13 was effective for fiscal years beginning on or after July 1, 2003 and upon implementation of AcG-13, accounting in accordance with EIC-128 is required. Under EIC-128, freestanding derivative instruments that give rise to a financial asset or financial liability and do not qualify for hedge accounting under AcG-13 or are entered into for trading or speculative purposes should be recognized in the balance sheet and measured at fair value, with changes in fair value recognized in earnings for the year.

Grant Forest Products Inc.

Notes to the consolidated financial statements

December 31, 2008

(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

3. Changes in accounting policy

Effective January 1, 2008, the Company prospectively adopted, without restatement the following Canadian Institute of Chartered Accountants (CICA) Handbook Sections. These new standards relate to disclosure and presentation only and did not have any effect on financial results.

Section 1535, Capital Disclosures

New section 1535 Capital Disclosures converges with amendments to International Financial Reporting Standard IAS 1 Presentation of Financial Statements. Section 1535 establishes standards for disclosing information regarding an entity's capital and how it is managed including its compliance with any externally imposed capital requirements.

Section 3862, Financial Instruments

CICA issued new Handbook Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation, which are not in scope for the Company. The Company has maintained disclosure under guidance of CICA Handbook Sections 3861 Financial Instruments – Disclosure and Presentation.

Section 3031, Inventories

This new standard replaced Section 3030, "Inventories" and prescribes the accounting treatment for inventories such as measurement of inventories at the lower of cost and net realizable value as well as requiring additional disclosures. It provides guidance on the determination of cost and its subsequent recognition of inventory as an expense, including any write-downs to net realizable value and the reversal of previous write-downs of inventories arising from an increase in net realizable value. It also provides guidance on the cost methodologies that are used to assign costs to inventories and it describes the required disclosures on the carrying value of inventories, the value of inventories recognized as an expense and write-downs or reversal of write-downs of inventories (See Note 6).

4. Future accounting changes

The Canadian Institute of Chartered Accountants has issued four accounting standards that the Company will adopt effective January 1, 2009 except for Section 1601, consolidated financial statements:

Financial Statement Concepts (Section 1000)

The CICA has issued amendments to Section 1000, "Financial Statement Concepts" to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company will adopt the amendments to Section 1000 at the beginning of its 2009 fiscal year. The Company does not anticipate the implementation of the amendments to Section 1000 will have an impact on the Company's results of operations, financial position and disclosures.

Goodwill and Intangible Assets (Section 3064)

The CICA has issued new accounting standard Section 3064, "Goodwill and Intangible assets. This new standard replaced the existing guidance on goodwill and other intangible assets and research and development costs. The new section provides additional guidance on measuring the cost of goodwill and intangible assets. The standard is effective for annual financial statements for fiscal years beginning on or after October 1, 2008. The Company has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

Grant Forest Products Inc.

Notes to the consolidated financial statements

December 31, 2008

(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

4. Future accounting changes

Consolidated Financial Statements (Section 1601)

The CICA issued Section 1601, "Consolidated Financial Statements". This new standard, together with new standard Section 1602 "Non-Controlling Interests", replaces the existing guidance in section 1600. This new section establishes standards for the preparation of consolidated financial statements. This new Section will be applicable to financial statements relating to the Company's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. The Company has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

5. Accounts receivable

	2008	2007
	$	$
Gross trade accounts receivable	**11,009**	11,734
Allowance for doubtful accounts	**(6,647)**	(144)
Trade accounts receivable	**4,362**	11,590
Sales taxes recoverable	**809**	1,267
	5,171	12,857

6. Inventory

	2008	2007
	$	$
Finished goods	**7,453**	13,682
Raw materials	**9,400**	8,013
Spare parts and maintenance supplies	**13,833**	13,133
	30,686	34,828

The cost of inventories recognized as an expense during the year was $212,199 (2007 - $177,111) which includes $10,028 (2007 - $78) in respect of write downs of inventory to net realizable value. No reversal of previously recorded write downs was made.

Grant Forest Products Inc.

Notes to the consolidated financial statements
December 31, 2008
(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

7. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
	$	$	$	$
Land, site and services	**5,646**	-	**5,646**	2,672
Buildings	**196,330**	**50,589**	**145,741**	41,533
Mobile equipment	**17,270**	**14,430**	**2,840**	3,427
Forest access roads	**4,541**	**4,077**	**464**	733
Mill process equipment	**683,130**	**264,745**	**418,385**	225,727
Other equipment	**63,182**	**28,127**	**35,055**	16,197
Construction in progress	**374,372**	-	**374,372**	673,972
	1,344,471	**361,968**	**982,503**	964,261

8. Deferred charges

The balance at December 31, 2008 represents the unamortized financing fees incurred on the October 26, 2005 syndicated bank loan, on the March 20, 2007 amendment to this loan and on the March 21, 2007 second lien facility (see Note 12). The amortization of this amount is over the term of the debt.

9. Goodwill

	2008	2007
	$	$
Goodwill	**36,665**	36,665
Accumulated amortization	**(10,592)**	(10,592)
	26,073	26,073

Goodwill is the excess of the fair value over the ascribed values of the assets acquired from Grant Forest Products Corp.

10. Other intangible assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
	$	$	$	$
Forest management agreement	**828**	**210**	**618**	618
Timber rights	**2,313**	-	**2,313**	2,313
	3,141	**210**	**2,931**	2,931

Grant Forest Products Inc.

Notes to the consolidated financial statements

December 31, 2008

(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

11. Accounts payable and accrued liabilities

	2008	2007
	$	$
Accounts payable	**4,916**	21,770
Accrued freight	**75**	616
Accrued liabilities	**41,347**	48,087
Salaries and vacation	**1,071**	2,439
	47,409	72,912

12. Long-term debt

	2008	2007
	$	$
Revolving facility (i)	**246,645**	200,739
Canadian revolving facility (i)	**26,000**	23,200
Non-revolving facility (ii)	**210,105**	170,998
Second Lien facility (iii)	**224,597**	162,469
	707,347	557,406

On October 26, 2005, the Company entered into a syndicated bank loan agreement (the "Credit Facility") which consists of the following:

i) U.S. $227,500,000 revolving facility (the "Revolving Facility") that matures on November 1, 2010 and includes a Canadian Revolving Facility (the "Canadian Revolving Facility") in the amount of up to U.S. $25,000,000 (or the equivalent amount in Canadian dollars) and a U.S. Revolving Facility in the amount of up to U.S. $202,500,000.

The amount of interest on the Revolving Facility is dependent on the Company's total Debt to Capitalization Ratio. The rate ranges from 0.625% to 1.125% above Base Rate, U.S. Prime Rate and Canadian Prime Rate and 1.625% to 2.125% above BA Stamping Fee Rate, Letter of Credit Fee Rate or LIBOR.

(ii) U.S. $172,500,000 non-revolving term facility (the "Non-Revolving Facility") that matures on November 1, 2012. The amount of interest on the Non-Revolving Facility is dependent on the Company's Debt to Capitalization Ratio. The rate ranges from 0.875% to 1.125% above U.S. Prime Rate and 1.875% to 2.125% above LIBOR.

The security held is a first priority lien and security interest on all the following:

a) All present and future property and assets, real and personal situated in the United States.

b) All shares of capital stock or partnership units in Grant U.S. Holdings GP, Southeast Properties LLC, Grant Allendale LP and Grant Clarendon LP.

Grant Forest Products Inc.

Notes to the consolidated financial statements
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12. Long-term debt (continued)

On March 20, 2007, the Company entered into an agreement with the syndicate banks to amend the terms of the Credit Facility. The primary amendment increases the top-tier of the interest rate range above Basic Rate, U.S. Prime Rate and Canadian Prime Rate from 1.125% to 2.0%, and above BA Stamping Fee Rate, Letter of Credit Fee Rate and LIBOR from 2.125% to 3.0%. Also pursuant to the amendment to the Credit Facility, the Company was required to establish a restricted cash account (interest reserve) of $50,000,000 to fulfill interest and fee obligations on this facility when due, however, the Company is not required to replenish amounts withdrawn.

(iii) On March 21, 2007, the Company entered into a Second Lien Secured Facility ("Second Facility") consisting of U.S. $150,000,000 non-revolving term loan. This facility matures on September 21, 2013 for which draws will be permitted at the Company's option by the way of LIBOR loans ("LIBOR Loans") or Alternative Base Rate Loan ("ABR Loans").

The amount of interest on the Second Facility loan in the case of ABR Loans is the greater of TD's NY Prime Rate or the U.S. Federal Funds rate plus 6.0%. In the case of LIBOR Loans, the rate ranges from 6.5% to 8.0% above LIBOR depending on the Company's total Debt to Capitalization Ratio.

In accordance with the above credit facilities, the Company must meet certain quarterly financial covenants which have been met at the balance sheet date. The Company recognizes the need to continue to meet these covenants in the future and intends to do so, however, due to market conditions uncertainty exists concerning its ability to meet these covenants.

13. Preferred shares

The preferred shares bear a cumulative dividend of 1.5% and a non-cumulative dividend of 4.0%. The aggregate preferred share dividend in 2008 was 5.5% (2007 – 5.5%). The preferred shares are retractable by the holders to the extent such redemptions would not result in a default under the existing Credit Facility. There are no scheduled redemptions in the next five years.

14. Income taxes

The provision for income taxes reflects an effective tax rate which differs from the statutory corporate tax rates as follows:

	2008	2007
	%	%
Combined basic statutory Canadian rate	TBD	35.40

	2008	2007
	$	$
Tax provision on combined basic statutory Canadian rate	TBD	(27,593)
Increase (decrease) in the tax provision (recovery) for the following:		
Permanent items	TBD	(10,538)
Tax credit for manufacturing and processing profits	TBD	1,278
Miscellaneous other items	TBD	3,535
Future tax rate reduction	TBD	(9,129)
	TBD	(42,447)

Grant Forest Products Inc.

Notes to the consolidated financial statements
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14. Income taxes (continued)

The components of the Company's net future income tax liability are as follows:

	2008	2007
	$	$
Carrying value of property, plant and equipment in excess of tax value	TBD	53,742
Impact of foreign exchange gains on long term debt	TBD	12,701
Other	TBD	28,755
	TBD	95,198

The components of the Company's net future income tax asset are as follows:

	2008	2007
	$	$
U.S. Net Operating Losses	TBD	41,698
Valuation Allowance - U.S. Net Operating Losses	TBD	(41,698)
	TBD	-

15. Company pension plans

Englehart Mill

The Company sponsors a defined contribution pension plan for hourly and salaried employees, and a defined benefit pension plan for senior employees with four active members.

For the hourly plan, the Company contributes $92 per month for each member of the plan. All liabilities are fully funded. The pension expense during the year is approximately $159,324 (2007 - $206,878).

For the salary plan, the Company contributes 4% of the employee's annual salary. The Company contributes another ~~2% provided~~ the employee makes a voluntary contribution of 4%. All liabilities are currently funded. The pension expense during the year is approximately $786,616 (2007 - $904,578).

For the senior executive plan, plan liabilities are actuarially estimated from a formula which ties benefits to average earnings and years of service. The actuarially determined present values of Fund liabilities exceed the Fund assets by $158,600 on a going concern basis and there is no solvency deficiency at January 1, 2006.

Footner Project

The Footner Project matches employee registered retirement savings plan contributions to a maximum of 5% of the employee's annual salary. All liabilities are currently funded. The pension expense during the year is approximately $80,528 (2007 - $519,000).

Grant Forest Products Inc.

Notes to the consolidated financial statements

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15. Company pension plans (continued)

Timmins Mill

The Company sponsors a defined contribution pension plan for hourly employees and a defined benefit plan for salaried employees.

For the hourly plan the Company contributes $65 per month for each member of the plan. If a member voluntarily contributes $65 per month, the Company will contribute another $65 per month to their plan. The pension expense during the year is approximately $nil (2007 - $nil).

For the salaried plan, plan liabilities are actuarially estimated from a formula which ties benefits to average earnings and years of service. The most recent actuarial valuation as at December 31, 2008 and indicated the projected benefit obligation was approximately $2,134,000 (2007 - $3,259,000). The market value of assets was approximately $2,458,000 at December 31, 2008 (2007 - $3,199,000).

Information about this pension benefit plan, in aggregate, is as follows:

The significant actuarial assumptions adopted in measuring the accrued benefit assets and obligations for this plan are as follows:

	2008	2007
Discount Rate	**5.50%**	5.25%
Expected long-term rate of return on plan assets	**6.75%**	6.75%
Rate of compensation increase	**4.00%**	4.00%

The Company's net benefit plan expense is as follows:

	2008	2007
	$	$
Current service cost	**60**	73
Interest cost on projected benefit obligation	**173**	172
Amortization of past service credits	**(4)**	(4)
Expected return on plan assets	**(206)**	(216)
Amortization of actuarial loss	**56**	42
Net benefit plan expense	**79**	67

The total cash paid to all the various plans in 2008 was $992,721 (2007 - $1,842,356).

16. Environmental legislation

The business conducted by the Company may be affected by environmental legislation and possible future changes thereto, the impact of which is not predictable. To date, no significant environmental obligations that would have a material effect on the operations of the Company have been identified and recorded.

Grant Forest Products Inc.

Notes to the consolidated financial statements

December 31, 2008

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17. Financial instruments

(a) Foreign currency rate risk

The Company realizes a significant portion of its sales and outstanding financing in U.S. dollars. The Company is thus exposed to currency fluctuations. These potential currency fluctuations could have a significant impact on the profitability of the Company.

(b) Credit risk

The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The Company may require payment guarantees, such as letters of credit, or obtain credit insurance coverage from Export Development Corporation. Credit risk also relates to derivative contracts arising from the possibility that a counterparty to an instrument in which the Company has an unrealized gain fails to perform. The Company only transacts with highly-rated counterparties.

(c) Interest rate risk

The Company has a credit facility which bears interest at floating rates. Resultantly, the Company is exposed to interest rate risk on the facility.

(d) Commodity price risk

The Company's cash flow is subject to changes in commodity prices. Resultantly, the Company is exposed to commodity price fluctuations.

(e) Fair value of financial instruments

Fair values of financial instruments, including forward exchange contracts are determined based on estimates using net present value, mathematical approximation of market values and other valuation techniques. The estimates are significantly affected by the assumptions used including current market and contractual prices of the underlying instruments, as well as time value, and by yield curve and volatility factors underlying the positions. The carrying amount of cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value because of the near-term maturity of those instruments. The estimated fair values attributed to the forward foreign exchange contracts at December 31, 2008 was nil as it matured by the end of the year. The interest rate swap is carried on the balance sheet under the caption deferred credit at a loss of approximately $10.6 million.

The reduction in the fair value of the derivative contracts between December 31, 2007 and December 31, 2008 amounts to $11.5 million (a $0.9 million decrease relating to the forward foreign exchange contracts, and a $10.6 million loss relating to the interest rate swap) (2007 – decrease in fair value of $2.2 million).

Grant Forest Products Inc.

Notes to the consolidated financial statements
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18. Contingencies and commitments

(a) Pursuant to an agreement between the Company and Malette Inc. and its affiliated company, Spruce Falls Inc., Grant Forest has agreed to buy a specific volume of fiber from these corporations. These agreements are for an initial period of 20 years, with a provision renewing them to 20 years every 5 years.

(b) The Company has operating lease commitments at December 31, 2008 as follows:

	$
2009	3,640,796
2010	2,943,517
2011	2,847,520
2012	2,821,747
2013	1,769,551
Thereafter	126,474
	14,149,605

(c) As at December 31, 2008, the Company has committed to letters of credit aggregating approximately $1,017,195 primarily relating to electrical power purchase contracts for the Footner joint venture and woodlands obligations.

(d) During the normal course of operations, the Company enters into various future timber purchase commitments to establish minimum quantities and/or prices.

(e) In the normal course of business, the Company is involved in various legal claims. Though the outcome of these various pending claims as at December 31, 2008 cannot be determined with certainty, the Company believes that their outcome will have no significant adverse impact on its financial position, operating results or cash flows.

(f) The Company has various commitments relating to the construction of the U.S. facilities approximating U.S. $3,707,712 at December 31, 2008 (2007 – U.S. $18,300,000).

(g) The Company and eight other North American OSB producers have been named as defendants in several lawsuits filed in the United States District Court for the Eastern District of Pennsylvania. The lawsuits allege that these nine North American OSB producers violated United States and various state antitrust and other laws by allegedly agreeing to fix prices and reduce the supply of OSB from June 2002 through to present. On August 22, 2008, the Court primarily approved a class action settlement between the Company and the plaintiffs and authorized notice of the settlement to be disseminated to the class. In sum, the settlement provided for a payment by the Company of (US)$725,000.00, among other consideration, in return for a release and covenant not to sue, among other consideration. Seven members of the class excluded themselves from the class and the settlement, and, to our knowledge, none have filed suit against the Company.

Grant Forest Products Inc.

Notes to the consolidated financial statements
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19. Additional information relating to the statement of cash flows

Net change in non-cash working capital items

	2008	2007
	$	$
Accounts receivable	**7,686**	5,554
Inventory	**4,142**	8,095
Prepaid expenses	**375**	(1,315)
Due from related corporations	**(2,935)**	7,360
Accounts payable and accrued liabilities	**(16,804)**	14,552
Income taxes	**(4,248)**	(42,371)
	(11,784)	(8,125)

Cash and cash equivalents

	2008	2007
	$	$
Cash	**68,553**	21,710
Term deposits	**-**	32,678
	68,553	54,388

20. Related party transactions and balances

All related party balances are shown in the consolidated financial statements.

The transactions with related party companies are recorded at the exchange amount.

The Company provides accounting and administrative services to Grant Forest Products Corp. No fees have been recorded in these financial statements in respect of these services.

Grant Forest Products Corp. has a 1.4% ownership interest in the common shares of the other co-owner in the Footner Project.

Amounts due to (from) related corporations represent amounts that are owed to (received from) corporations under the control of management or their immediate family members. These amounts are non-interest bearing and due on demand.

Amount ~~due to~~ shareholder represents loans made by the Company's common shareholder in the amount of $60.3 million for 2008 ($50 million for 2007), which are non-interest bearing and due on demand.

On June 30, 2008 there was a $25 million cash contribution made by the Company's common shareholder which was recorded as contributed surplus.

Grant Forest Products Inc.

Notes to the consolidated financial statements
December 31, 2008
(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

21. Economic dependence

During the year ended December 31, 2008, there were no customers with sales exceeding 10% of total sales.

During the year ended December 31, 2007, there were no customers with sales exceeding 10% of total sales.

At December 31, 2008, there were four customers with accounts receivable exceeding 10% of the total trade accounts receivable balance.

At December 31, 2007, there were no customers with accounts receivable exceeding 10% of the total trade accounts receivable balance.

In 2008, greater than 71% of the Company's sales are to customers in the United States (2007 – 85%).

22. Other deferred long-term assets

Other deferred long-term assets primarily relate to expenses incurred, that are not capital in nature, which are deferred until the commencement of commercial operations for the U.S. expansion (see Note 1). The Allendale plant had reached commercial operational capacity on January 1, 2008 and the related deferred costs included in this balance are being amortized over three years. The Clarendon plant is still in its start up phase and these associated costs will be amortized over three years when commercial production commences.

23. Other assets

Other assets represent certain related assets which are being constructed for future use, for business development purposes, as well as the Company's investment in Grant Equipment Corporation.

24. Other receivable

The other receivable relates to the Company's proportion of an amount owing to the Footner Project from the other co-owner.

25. Co-ownership

The following table summarizes information contained in the financial statements relative to the co-ownership interests in the Footner Project which is accounted for on a proportionate consolidation basis:

	2008	2007
	$	$
Current assets	**10,161**	11,704
Property, plant and equipment	**68,371**	76,917
Other long-term assets	**618**	618
	79,150	89,239
Liabilities	**1,648**	3,764
Net investment in co-ownership	**77,502**	85,475
	79,150	89,239
Cash used in investing activities, net	-	(728)

Grant Forest Products Inc.

Notes to the consolidated financial statements

December 31, 2008

(Tabular amounts in thousands of Canadian dollars unless otherwise specified)

26. Capital management

The Company's capital structure is comprised of shareholder's equity, a revolving line of credit, a credit arrangement and working capital. The Company's objectives when managing its capital are to maintain a capital structure which will allow the Company to both fund its growth and provide financial flexibility to execute on strategic opportunities. The line of credit and the credit arrangement have a debt to capitalization, earnings before interest, tax and amortization to interest expense, shareholders' equity and liquidity covenants.

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

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

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

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

Applicants

Response to Information Request

We write in response to the information request you have made of The Toronto-Dominion Bank ("TD" or the "First Lien Lenders' Agent"), agent for a syndicate of lenders including banks (together with TD, the "First Lien Lenders"). The First Lien Lenders are the senior secured lenders to Grant Forest Products Inc. ("GFPI" or the "Canadian Borrower") and the Grant U.S. Holdings GP (the "U.S. Borrower") pursuant to a syndicated loan agreement dated October 26, 2005 (as amended by an agreement dated as of March 21, 2007, the "First Lien Credit Agreement") between the First Lien Lenders, as lenders, and the Canadian Borrower and the U.S. Borrower (together, the "Borrowers"), as borrowers.

As you know, the First Lien Lenders have commenced a motion (the "Motion") for an order directing Ernst & Young Inc., the monitor appointed in these CCAA proceedings (the "Monitor"), to distribute to the First Lien Lenders' Agent funds sufficient to satisfy in full all obligations owing to the First Lien Lenders, including interest calculated at the rate prescribed in section 4.05(2) of the First Lien Credit Agreement (the "Default Interest").

In relation to the Motion, you have asked for the following:

1. Confirmation of the amounts that the First Lien Lenders say are owing as Default Interest and information as to the manner in which those amounts were calculated; and

2. A description of the additional costs incurred by the First Lien Lenders arising from the Borrowers' default.

Default Interest Calculation

Pursuant to our calculations, the following is the total Default Interest that was accrued and payable to the First Lien Lenders: C$1,236,740 and US$13,757,693. The difference between amounts owing as Default Interest and amounts owing as regular interest, and therefore the amount that remains outstanding to the First Lien Lenders on account of Default Interest, is as follows: C$715,005.17 and US$8,992,780.02.

These figures were calculated as follows:

1. Revolver – Swingline (CDN$):

    - The principal amount owing on this facility at May 1, 2009 was $26,000,000.
    - The following distributions were made by GFPI to the First Lien Lenders in relation to this facility:

        a. June 4, 2010 - $23,163,819.79

        b. July 14, 2010 - $935,980.75

        c. July 29, 2010 - $312,841.06

        d. August 31, 2010 - $125,283.77

        e. September 30, 2010 - $431,271.99

        f. October 1, 2010 - $112,503.98

        g. November 23, 2010 - $37,458.25

h. February 23, 2011 - $1,867,010.75

i. March 22, 2011 - $315,549.05

- We performed two calculations: one showing the Default Interest rate and one showing the regular interest rate had there been no default. Each calculation included accrued interest of $33,301 prior to the date of default, May 12, 2009 (calculated at the regular interest rate).

  a. In the Default Interest calculation, interest between May 1, 2009 and May 12, 2009 was calculated at the regular interest rate; Interest after May 12, 2009 was calculated at the default interest rate, which rate varied from 6.25% to 7.0% depending on the variable interest rate plus 2%. On the date of each distribution, the distribution amount was applied first to accrued interest and then to the principal amount. For example, prior to the first distribution, the outstanding principal amount was $26 million and interest accrued between May 1, 2009 and May 12, 2009 at 4.25% then between May 12, 2009 and June 1, 2010 at 6.25% and between June 1, 2010 and June 3, 2010 at 6.50% for a total of $1,761,055. The first distribution on June 4, 2011 was applied first to the accrued interest of $1,761,055 and the remainder, $21,402,765, was applied to principal. This left an outstanding principal amount of $4,597,235 after the first distribution on which interest accrued. The other distribution amounts were applied in the same way.

  b. In the regular interest calculation, interest after May 12, 2009 continued to be calculated at the daily interest rate (which rate varied between 4.25% and 5%). As in the Default Interest calculation, on the date of each distribution, the distribution amount was applied first to accrued interest and then to the principal amount. For example, prior to the first distribution, the outstanding principal amount was $26 million and interest accrued between May 1, 2009 and June 1, 2010 at 4.25% and between June 1, 2010 and June 3, 2010 at 4.50% for a total of $1,208,288. The first distribution on June 4, 2011 was applied first to the accrued interest of $1,208,288 and the remainder,

$21,955,532, was applied to principal. This left an outstanding principal amount of $4,044,468 after the first distribution on which interest accrued. The other distribution amounts were applied in the same way.

- We then deducted the total regular interest from the total Default Interest. Pursuant to these calculations, C$619,916.28 remains outstanding for Default Interest.

2. Revolver – 5 year (US$):

- The principal amount owing on this facility at May 1, 2009 was $202,500,000.

- The following distributions were made by GFPI to the First Lien Lenders in relation to this facility:

  a. June 4, 2010 - $183,627,275.28

  b. July 14, 2010 - $7,437,101.82

  c. July 29, 2010 - $2,480,652.82

  d. August 31, 2010 - $993,890.40

  e. September 30, 2010 - $3,422,238.24

  f. October 1, 2010 - $892,743.81

  g. November 23, 2010 - $297,348.32

  h. February 23, 2011 - $14,829,745.93

  i. March 22, 2011 - $2,577,393.03

- This facility was made up of five separate tranches. As of May 12, 2009, there was a contract for each tranche for a specified term with interest, calculated based on the London Interbank Offered Rate ("LIBOR"), payable at maturity. For example, the first tranche had a principal amount of $90,683,750 and the contract commenced

February 24, 2009 and matured May 25, 2009; the second tranche had a principal amount of $44,362,500 and commenced March 4, 2009 and matured June 3, 2009.

- We again performed two calculations: one showing the Default Interest rate and one showing the regular interest rate had there been no default.

  a. In the Default Interest calculation, we calculated interest for each tranche at the LIBO rate from the start of the contract for that tranche (for example February 24, 2009 in the case of the first tranche, and March 4, 2009 in the case of the second tranche) to the date of default, May 12, 2009, at the applicable rate. After May 12, 2009 to the date each tranche matured, interest was calculated at the applicable rate plus 2%. As each tranche matured, it was converted to one loan amount with interest applied at the U.S. base rate plus 2%. All of the tranches had matured and were combined by June 30, 2009 and the applicable interest rate thereafter was 7.25%. Interest calculated in this fashion prior to the first distribution on June 4, 2010 totaled $17,559,306. The first distribution of $183,627,275 was applied first to the accrued interest of $17,559,306 and then to the principal. This left an outstanding principal amount of $166,067,969 after the first distribution. The other distribution amounts were applied in the same way.

  b. In the regular interest calculation, interest for each tranche was calculated at the LIBO rate from the start of each contract to its maturity. As each contract matured, it was converted to one loan amount with interest applied at the U.S. base rate. Again, all of the tranches had matured and were combined by June 30, 2009 and the applicable interest rate thereafter was 5.25%. Interest calculated in this fashion prior to the first distribution on June 4, 2010 totaled $13,248,256. The first distribution of $183,627,275 was applied first to the accrued interest of $13,248,256 and then to the principal. This left an outstanding principal amount of $170,379,019 after the first distribution. The other distribution amounts were applied in the same way.

- We then deducted the total regular interest from the total Default Interest. Pursuant to these calculations, US$4,853,809.51 remains outstanding for Default Interest.

3. Term – 7 year (US$):

- The principal amount owing on this facility at May 1, 2009 was $172,500,000.

- The following distributions were made by GFPI to the First Lien Lenders in relation to this facility:

    a. June 4, 2010 - $156,661,259.56

    b. July 14, 2010 - $6,345,532.84

    c. July 29, 2010 - $2,116,776.03

    d. August 31, 2010 - $848,199.01

    e. September 30, 2010 - $2,920,880.95

    f. October 1, 2010 - $761,957.00

    g. November 23, 2010 - $253,833.31

    h. February 23, 2011 - $12,663,425.47

    i. March 22, 2011 - $2,206,920.49

- This facility was also made up of five separate tranches, which were subject to outstanding contracts as of May 12, 2009 for specified terms, with interest calculated based on LIBOR, payable at maturity.

- We again performed two calculations: one showing the Default Interest rate and one showing the regular interest rate had there been no default.

    a. In the Default Interest calculation, we calculated interest for each tranche at the LIBO rate from the start of the contract for that tranche to the date of default, May 12, 2009, at the applicable LIBOR. After May 12, 2009 to the date each tranche matured, interest was calculated at the applicable LIBOR rate plus 2%. As each tranche matured, it was converted to one loan amount with interest applied at the U.S. base rate plus 2%. All of the tranches had matured and were combined by June 30, 2009 and the applicable interest rate thereafter was 7.375%. Interest calculated in this fashion prior to the first distribution on June 4, 2010 totaled $15,243,178. The first distribution of $156,661,260 was applied first to the accrued interest of $15,243,178 and then to the principal (which was $172,500,000). This left an outstanding principal amount of $141,418,082 after the first distribution. The other distribution amounts were applied in the same way.

b. In the regular interest calculation, interest for each tranche was calculated at the LIBO rate from the start of each contract to its maturity. As each contract matured, it was converted to one loan amount with interest applied at the U.S. base rate. Again, all of the tranches had matured and were combined by June 30, 2009 and the applicable interest rate thereafter was 5.375%. Interest calculated in this fashion prior to the first distribution on June 4, 2010 totaled $11,570,700. The first distribution of $183,627,275 was applied first to the accrued interest of $11,570,700 and then to the principal (which was $172,500,000). This left an outstanding principal amount of $145,090,560 after the first distribution. The other distribution amounts were applied in the same way.

- We then deducted the total regular interest from the total Default Interest. Pursuant to these calculations, US$4,138,970.51 remains outstanding for Default Interest.

4. BMO Swap (CDN $)

- The principal amount owing on this facility at June 25, 2009 was $9,189,000.
- The calculations take into consideration the following distributions:

    a. June 4, 2010 - $7,771,913

b. July 14, 2010 - $313,488.00

c. July 29, 2010 - $104,102.00

d. August 31, 2010 - $41,501.00

e. September 30, 2010 - $142,315.00

f. October 1, 2010 - $37,125.00

g. November 23, 2010 - $12,273.00

h. February 23, 2011 - $604,472.00

i. March 22, 2011 - C$207,582.32

- We again performed two calculations: one showing the Default Interest rate and one showing the regular interest rate had there been no default.

- Pursuant to the regular interest calculation, interest rates varied from 0.446% to 1.187%. Pursuant to the Default Interest calculation, interest rates varied from 1.446% to 2.187%. Each distribution amount was applied first to accrued interest and then to outstanding principal. For example, the principal amount as at June 25, 2009 was $9,189,000. Interest accrued to June 3, 2010 was $124,877 at the Default Interest rate and $38,526 at the regular interest rate. After the first distribution, the principal amount remaining was $7,647,036 in the Default Interest calculation and $7,733,387 in the regular interest calculation. The other distribution amounts were applied in the same way.

- We then deducted the total regular interest from the total Default Interest. Pursuant to these calculations, C$95,088.89 remains outstanding for Default Interest.

Additional Costs

As set out in the affidavit of Ben Montgomery, sworn in support of the Motion (the "Montgomery Affidavit"):

> Section 4.05(2) exists as part of the First Lien Credit Agreement for a specific and legitimate business reason: namely, to partially compensate the First Lien Lenders for the significant additional costs associated with holding a loan or outstanding lending commitments to a borrower with a deteriorating risk profile.

As set out in the Montgomery Affidavit, the significiant additional costs associated with holding a loan or outstanding lending commitments to a borrower with a deteriorating risk profile relates to a) increased capital requirements imposed by regulatory bodies; and b) additional work required of lenders as part of the *CCAA* process.

You have asked for additional details in regard to these additional costs.

Increased Capital Requirements

As a borrower's financial situation deteriorates, regulated lenders, such as Canadian banks like TD, are required to reserve higher levels of capital against that loan, substantially increasing the capital costs associated with the loan. All of the banks included among the First Lien Lenders are affected by these regulations. In this case, using TD as an example, from closing the transaction in October 2005 to the First Quarter of 2009, the loan by the First Lien Lenders to the Borrowers (the "Loan") deteriorated from a relatively stable 'BB' equivalent risk rating to a much worse "non-accrual" risk rating associated with impaired loans with a provision for credit loss. In the First Quarter of 2009, based on marketing by Goldman Sachs under an engagement by GFPI, the indicated value of GFPI's business was $240 million compared to the exposure of the First Lien Lenders totalling $400 million. When the loan was downgraded to non-accrual in the First Quarter of 2009 TD established a Provision for Credit Loss of $25.875 million (against its $57.5 million commitment).

The result of the deteriorating risk profile was that TD had to reserve higher levels of capital against the Loan. In particular, when the transaction closed in October 2005, the capital reserved for the Loan was approximately $2,658,377 whereas by the First Quarter of 2009, the capital reserved was approximately $18,921,000. The implication is a significantly higher cost of capital to TD, rising from approximately $239,254 when the transaction closed in October 2005 to approximately $1,702,890 by the First Quarter of 2009, which is more than seven times greater.

While the other First Lien Lenders may have different costs of capital such that they do not have identical costs, similar escalation of capital costs and provisions for credit losses would have been experienced by the other First Lien Lenders due to the deterioration of the Borrowers' risk profile.

Additional Expenditures Required

In addition to increasing capital costs associated with the deteriorating loan, the First Lien Lenders were obligated to undertake additional steps in relation to the CCAA process. As set out in the Montgomery Affidavit, those steps include the following:

(a) Assigning additional personnel to address the significantly higher amount of work necessary to manage the file, particularly when the loan is syndicated among a large number of lenders;

(b) Negotiating pre-filing agreements, such as forbearance agreements;

(c) Forming and participating in a steering committees of lenders;

(d) Retaining counsel for participating in court hearings;

(e) Conducting additional agent work, such as facilitating calls for steering committees and providing information to lenders;

(f) Conducting more frequent and comprehensive risk management analyses;

(g) Responding to increased internal and regulatory reporting requirements; and

(h) Performing back office work, such as cash collateralizing letters of credit and taking and reversing provisions.

As an example of the magnitude of such requirements, Bill O'Connor of TD Securities, who assumed responsibility for this file in December, 2008, indicates that, based on a review of his calendar, he attended 4-5 meetings per week with internal and/or external parties, including credit executives, internal counsel, the First Lien Lenders, external counsel, financial consultants, company management, and others relating to the deteriorating Loan. The frequency and duration of those meetings increased even more as the company approached its filing in June 2009, and throughout the extensive sales process and negotiations with the purchaser. For several months beginning in December, 2008, approximately 40-50% of his time was spent managing and reporting on this file, including performing the types of functions enumerated above. The additional time and effort of Mr. O'Connor, other bank executives at TD Securities and the other syndicate members dealing with issues arising from the default, constituted a drastic increase from the amount of time and effort typically spent managing a loan that is not in default.

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