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 OF ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC., GRANT FOREST PRODUCTS SALES INC. and GRANT U.S. HOLDINGS GP

MOTION RECORD
(Returnable October 22, 2012)

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
40 King Street West
Toronto, Ontario
M5H 3Y4

Craig J. Hill
Tel: 416-367-6156
Fax: 416-361-7301
LSUC No. 31888K

Roger Jaipargas
Tel: (416) 367-6266
Fax: (416) 361-7067
LSUC No. 43275C

Lawyers for West Face Capital Inc.

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TAB 1

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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AND IN THE MATTER OF A PLAN OF COMPROMISE OF ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC., GRANT FOREST PRODUCTS SALES INC. and GRANT U.S. HOLDINGS GP

NOTICE OF MOTION
(Returnable October 22, 2012)

TAKE NOTICE THAT West Face Long Term Opportunities Limited Partnership, West Face Long Term Opportunities (USA) Limited Partnership, West Face Long Term Opportunities Master Fund L.P. and West Face Long Term Opportunities Global Master L.P. (together, the "**West Face Funds**"), by their advisor West Face Capital Inc. (**"WFCI"**) will make a motion to a Judge presiding over the Commercial List on Monday, October 22, 2012 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order:

   (a) if necessary, abridging and validating the timing and method of service of this Notice of Motion and the Motion Record herein;

   (b) substituting the West Face Funds in the place of G.E. Canada Leasing Services Company ("**GE Canada**") as the Applicant Creditor(s) in the Application for Bankruptcy Order issued against Grant Forest Products Inc. (**"GFPI"**) on March 19, 2009 (the "**First Bankruptcy Application**"), with such further amendments to the Application for Bankruptcy Order as are appropriate in the circumstances;

(c) in the alternative to paragraph (b), lifting the stay of proceedings set out in the Order of the Honourable Mr. Justice Newbould made in these proceedings on June 25, 2009 (the "**Initial Order**"), as extended from time to time (the "**Stay**") to permit one or more of the West Face Funds to issue an Application for Bankruptcy Order in respect of GFPI (the "**Alternative Bankruptcy Application**") substantially in the form attached hereto as Schedule "A";

(d) lifting the Stay for the purpose of issuing forthwith a Bankruptcy Order substantially in the form attached hereto as Schedule "B" (the "**Bankruptcy Order")** with respect to the First Bankruptcy Application or the Alternative Bankruptcy Application, as the case may be;

(e) that GE Canada and Grant Thornton Limited shall have no liability in respect of the issuance of the First Bankruptcy Application or the Bankruptcy Order;

(f) an Order for the payment of the costs of the WFCI in connection with this motion on a full indemnification basis by the Monitor and/or Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc. (collectively, the "**Remaining Applicants**") from funds in their possession; and

(g) such further and other relief as counsel may advise and this Honourable Court may seem just.

THE GROUNDS FOR THE MOTION ARE:

1. On June 25, 2009, the Honourable Mr. Justice Newbould made the Initial Order pursuant to the CCAA.

2. Grant Forest Products Inc., Grant Alberta Inc. and Grant Forest Products Sales Inc. (collectively, the "**Remaining Applicants**") remain subject to these CCAA Proceedings and, in particular, the Stay.

3. As set out in the Twenty-Fifth Report of the Monitor and the Affidavit of Hap Stephen sworn June 8, 2012 (the "**Stephen Affidavit**"), the primary issue remaining to be

addressed is the priority of amounts owing by the Remaining Applicants in respect of the wind-up deficits in the Pension Plans.

4. The West Face Funds are Second Lien Lenders pursuant to the Second Lien Credit Agreement. The West Face Funds are owed approximately $31,389,259 (the "**West Face Funds Debt**"). The West Face Funds Debt is part of the total amount owed to all Second Lien Lenders, which amount is in excess of $150 million in principal plus interest.

5. It is just and equitable that, at this time, a Bankruptcy Order be made in respect of GFPI in order to ensure that any further distribution of funds be made in the context of the scheme of distribution provided for under the *Bankruptcy and Insolvency Act* (the "**BIA**");

6. The facts and circumstances in the affidavit of Peter Fraser sworn October 19, 2012;

7. Section 43(13) of the BIA;

8. Rules 2.03, 3.02 and 16 of the Rules of Civil Procedure, R.R.O. 1990, Reg. 194; and

9. such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The affidavit of Peter Fraser sworn October 19, 2012;
2. the Stephen Affidavit;
3. the Twenty-Fourth Report of the Monitor dated February 17, 2012;
4. the Twenty-Fifth Report of the Monitor dated June 20, 2012;
5. the Twenty-Sixth Report of the Monitor dated August 22, 2012;
6. the Twenty-Seventh Report of the Monitor dated October 18, 2012;
7. the Orders made in these proceedings to date; and

8. such further and other material as counsel may advise and this Honourable Court may permit.

October 21, 2012

BORDEN LADNER GERVAIS LLP
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Lawyers for West Face Capital Inc.

A

Schedule "A"

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE BANKRUPTCY OF
GRANT FOREST PRODUCTS INC.
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

APPLICATION FOR BANKRUPTCY ORDER

WEST FACE LONG TERM OPPORTUNITIES GLOBAL MASTER L.P., of Grand Cayman, Cayman Islands, **WEST FACE LONG TERM OPPORTUNITIES LIMITED PARTNERSHIP**, of the City of Vancouver, Province of British Columbia, **WEST FACE LONG TERM OPPORTUNITIES MASTER FUND L.P.**, of Grand Cayman, Cayman Islands and **WEST FACE LONG TERM OPPORTUNITIES (USA) LIMITED PARTNERSHIP**, of the City of Wilmington, in the State of Delaware (collectively, the "Applicants"), hereby apply to the Court that **GRANT FOREST PRODUCTS INC.** (the "Debtor") be adjudged bankrupt and that a bankruptcy order be made in respect of the property of the Debtor, lately carrying on business at 181 Bay Street, Suite #1520, Toronto, Ontario, M5J 2T3, and say that:

1. The Debtor has at some time during the six months next preceding the filing of this application, carried on business within the jurisdiction of this Court.

2. The Debtor is justly and truly indebted to the Applicants in the sum of approximately $31,389,249.

3. The Applicants estimate the value of such security under the Second Lien Credit Agreement made as of March 21, 2007 and the related security thereunder at the sum of approximately $7,332,000.

4. The Debtor has, within the six months next preceding the date of the filing of this application, committed the following act of bankruptcy, namely:

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(a) the Debtor has ceased to meet its liabilities generally as they become due, including without limitation, payment to the Applicants of the indebtedness owing by the Debtor to the Applicants.

5. Ernst & Young Inc., of the City of Toronto, in the Province of Ontario, is qualified to act as trustee of the property of the Debtor, has agreed to act as such, and is acceptable to the undermentioned creditors:

CREDITORS	**ADDRESS**	**AMOUNT OF DEBT ($)**
West Face Long Term Opportunities Global Master L.P.	c/o Maples Corporate Services Limited PO Box 309 , Ugland House Grand Cayman, KY1-1104, Cayman Islands	$17,553,863
West Face Long Term Opportunities Limited Partnership	1200 Waterfront Centre 200 Burrard Street P.O. Box 48600 Vancouver, British Columbia V7X 1T2	$1,838,082
West Face Long Term Opportunities Master Fund L.P.	c/o Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands	$7,310,545
West Face Long Term Opportunities (USA) Limited Partnership	c/o The Corporation Trust Company Corporation Trust Center 1209 Orange Street Wilmington, New Castle County Delaware 19801 United States of America	$4,686,759

DATED at ____________________ this day of , 2012.

SIGNED BY THE APPLICANT
in the presence of:

WEST FACE LONG TERM OPPORTUNITIES GLOBAL MASTER L.P., by its adviser, West Face Capital Inc.

____
Witness Name:

By: ____________________________
Name:
Title:

SIGNED BY THE APPLICANT
in the presence of:

WEST FACE LONG TERM OPPORTUNITIES LIMITED PARTNERSHIP, by its adviser, West Face Capital Inc.

____
Witness Name:

By: ____________________________
Name:
Title:

SIGNED BY THE APPLICANT
in the presence of:

WEST FACE LONG TERM OPPORTUNITIES MASTER FUND L.P., by its adviser, West Face Capital Inc.

____
Witness Name:

By: ____________________________
Name:
Title:

SIGNED BY THE APPLICANT
in the presence of:

WEST FACE LONG TERM OPPORTUNITIES (USA) LIMITED PARTNERSHIP, by its adviser, West Face Capital Inc.

____
Witness Name:

By: ____________________________
Name:
Title:

ISSUED at the City of Toronto, in the Province of Ontario, this day of , 2012.

____
Registrar in Bankruptcy

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE BANKRUPTCY OF
GRANT FOREST PRODUCTS INC.
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

AFFIDAVIT OF TRUTH

I, Peter Fraser, of the City of Toronto, Province of Ontario, **MAKE OATH AND SAY THAT**:

1. I am the Co-Chief Investment Officer of West Face Capital Inc., in its capacity as advisor to West Face Long Term Opportunities Global Master L.P., West Face Long Term Opportunities Limited Partnership, West Face Long Term Opportunities Master Fund L.P. and West Face Long Term Opportunities (USA) Limited Partnership (collectively, the "Applicant Creditors") and as such have personal knowledge of the facts herein deposed to.

2. Grant Forest Products Inc. is justly and truly indebted to the Applicant Creditors in the sum of $31,389,249, as stated in the application for bankruptcy order.

3. The facts alleged in the application for bankruptcy order are within my knowledge, true.

SWORN BEFORE ME at the City of Toronto, Province of Ontario, this day of , 2012	)	
______________________________ **Commissioner for taking Affidavits**	)	______________________________

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Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

TO: GRANT FOREST PRODUCTS INC.

TAKE NOTICE THAT an application for a bankruptcy order be made in respect of your property will be heard before the presiding Judge in Chambers (or, if unopposed, before the Registrar in Chambers), at 330 University Avenue, in the City of Toronto, Province of Ontario, on the day of , 2012, at the hour of 10:00 o'clock in the forenoon, or so soon thereafter as the application can be heard.

AND FURTHER TAKE NOTICE THAT if notice of dispute against the application is not filed in Court and a copy thereof served on the solicitors for the Applicants creditors at least two days before the hearing, and if you do not appear at the hearing, the Court may make a bankruptcy order on such proof of the statements in the application as the Court shall think sufficient.

Dated at , Ontario, this day of , 2012.

BORDEN LADNER GERVAIS LLP
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

CRAIG J. HILL
Tel: 416-367-6156
Fax: 416-361-7301
LSUC No. 31888K

ROGER JAIPARGAS
Tel: 416-367-6266
Fax: 416-361-7067
LSUC No. 43275C

Lawyers for the Applicants

IN THE MATTER OF THE BANKRUPTCY OF GRANT FOREST PRODUCTS INC. OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

APPLICATION FOR BANKRUPTCY ORDER

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LSUC No. 43275C

Lawyers for the Applicants

B

Schedule "B"

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

THE HONOURABLE	)	**DAY, THE DAY**
	)	
JUSTICE	)	**OF , 2012**

IN THE MATTER OF THE BANKRUPTCY OF GRANT FOREST PRODUCTS INC. OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

BANKRUPTCY ORDER

UPON THE APPLICATION of West Face Long Term Opportunities Global Master L.P. of Grand Cayman, Cayman Islands, West Face Long Term Opportunities Limited Partnership, of the City of Vancouver, Province of British Columbia, West Face Long Term Opportunities Master Fund L.P., of Grand Cayman, Cayman Islands and West Face Long Term Opportunities (USA) Limited Partnership, of the City of Wilmington, in the State of Delaware (collectively, the "Applicants"), creditors, issued on the • day of •, 2012, and upon having read the Affidavit of Truth of Peter Fraser, filed, and upon hearing submissions from counsel for the Applicants, counsel for Grant Forest Products Inc. and having read the Affidavit of Service of •, filed, and it appearing to the Court that the following act of bankruptcy has been committed:

(a) the said Grant Forest Products Inc. has ceased to meet its liabilities generally as they become due.

1. **THIS COURT ORDERS** that Grant Forest Products Inc., of the City of Toronto, Province of Ontario, be and is hereby adjudged bankrupt and a bankruptcy order is hereby made against Grant Forest Products Inc.

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2. **THIS COURT ORDERS** that Ernst & Young Inc., of the City of Toronto, Province of Ontario, be and is hereby appointed Trustee of the estate of the said bankrupt.

3. **THIS COURT ORDERS** that the said Trustee give security in an amount to be fixed by the Official Receiver pursuant to Section 16(1) of the *Bankruptcy and Insolvency Act*.

4. **THIS COURT ORDERS** that the costs of and incidental to this application and order be paid to the Applicants out of the assets of the estate upon taxation thereof.

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE BANKRUPTCY OF GRANT FOREST PRODUCTS INC. OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

BANKRUPTCY ORDER

You, , being the within named bankrupt Ontario corporation, are required, pursuant to Section 158 of the *Bankruptcy and Insolvency Act* to attend at the office of the Official Receiver, 25 St. Clair Avenue East, 7th Floor, Toronto, Ontario M4T 1M2, on the day of 2012, at the hour of o'clock in the noon, there to answer such questions with respect to the conduct of the aforesaid bankrupt, the causes of its bankruptcy and the disposition of its property as may be put by the said Official Receiver and take notice that if you fail to present yourself for examination the Court may, by warrant, cause you to be apprehended and brought up for examination and may order you to be committed to the common goal for a term not exceeding three years.

____
Official Receiver

The lawyers for the Applicant creditors are:

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Scotia Plaza
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Toronto, Ontario
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Lawyers for the Applicants

TOR01: 5033301: v3

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Lawyers for the Applicants

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

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., et al

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

NOTICE OF MOTION
(Returnable October 22, 2012)

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LSUC No. 43275C

Lawyers for West Face Capital Inc

TOR01: 5033185: v1

TAB 2

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 OF ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC., GRANT FOREST PRODUCTS SALES INC. and GRANT U.S. HOLDINGS GP

AFFIDAVIT OF PETER FRASER
(sworn October 19, 2012)

I, PETER FRASER, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY as follows:**

1. I am a Partner and Co-Chief Investment Officer at West Face Capital Inc. ("**WFCI**"), the investment adviser to certain Lenders under the Second Lien Credit Agreement (as defined below) and as such have knowledge of the matters hereinafter deposed to or, where I do not possess such personal knowledge, I have stated the source of my information and, in all such cases, do verily believe it to be true.

2. Pursuant to a Second Lien Credit Agreement made as of March 21, 2007, among, *inter alia,* Grant U.S. Holdings LLP as borrower and Grant Forest Products Inc. ("**GFPI**"), Grant Forest Products Sales Inc. ("**GFPS**"), Grant Alberta Inc. ("**GAI**"), The Toronto-Dominion Bank as Canadian Collateral Agent (the "**Second Lien Collateral Agent**") and the Financial Institutions from time to time parties thereto as "Lenders" (the "**Second Lien Credit Agreement**"), GFPI, GFPS and GAI (collectively, the "**Remaining Applicants**") are indebted to the Lenders for all Obligations referred to therein. A copy of the Second Lien Credit Agreement is attached hereto and marked **Exhibit "A".**

3. GFPI, the Second Lien Collateral Agent and The Toronto-Dominion Bank, in its capacity as Collateral Agent for the First Lien Obligations (as defined therein) entered into an

Inter-Creditor Agreement dated as of March 20, 2007. A copy of the Inter-Creditor Agreement is attached hereto and marked **Exhibit "B".**

4. WFCI is the investment adviser to the following Lenders which are owed the following amounts by the Remaining Applicants pursuant to the Second Lien Credit Agreement:

Lender	**Amount Owing**
West Face Long Term Opportunities Global Master LP	$17,553,863.00
West Face Long Term Opportunities Limited Partnership	$1,838,082.00
West Face Long Term Opportunities Master Fund LP	$7,310,545.00
West Face Long Term Opportunities (USA) Limited Partnership	$4,686,759.00

5. The above-noted amounts have been confirmed as owing to the Lenders by the Administrative Agent pursuant to the Second Lien Credit Agreement.

6. The Remaining Applicants have granted certain security on all of their undertaking, property and assets pursuant to the terms of certain general security agreements, the particulars of which are as follows:

Debtor	**Security Agreement**
Grant Forest Products Inc.	Second Lien General Security Agreement made as of March 20, 2007
Grant Forest Products Sales Inc.	Second Lien General Security Agreement made as of March 20, 2007
Grant Alberta Inc.	Second Lien General Security Agreement made as of March 20, 2007

7. Attached hereto and marked **Exhibit "C"** is a copy of the Twenty-Fourth Report of the Monitor dated February 17, 2012 (the "**Twenty-Fourth Report**"). The Twenty-Fourth Report provides:

- that the Second Lien Lenders are owed the principal amount of approximately $150 million, plus interest pursuant to the Second Lien Credit Agreement (paragraph 29).

- The Monitor's counsel has conducted a security review of various security held by the Second Lien Lenders in Canada granted in their favour by each of the Remaining Applicants over each of their respective property and assets for the benefit of the Second

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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 Second Lien Security Opinion**") (paragraph 30).

- The Canadian Second 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, and subject to the priority of the First Lien Lenders, the Second Lien Lenders' security is valid and enforceable and ranks in priority to the other claims with respect to the personal properties 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 of the security of the Second Lien Lenders' Agent (paragraph 31).

- Accordingly, based on the Monitor's counsel's reviews of the Second Lien Lenders' security, the cash held by the Remaining Applicants and the Monitor, subject to the qualifications noted above and the need to maintain reserves to fund certain post-filing obligations of the Remaining Applicants and the costs of the Remaining Applicants to complete the wind—up of the CCAA proceedings, may appropriately be paid to the Second Lien Lenders' Agent.

- Based on the analysis, the Remaining Applicants requested the Court's approval to distribute $6 million to the Second Lien Lenders (the "**Distribution**").

8. The Distribution was paid to the Second Lien Lenders' Agent for distribution to the Lenders. The Distribution was approved by Order of the Court dated February 23, 2012. A copy of the Order is attached hereto and marked **Exhibit "D".**

9. Attached hereto and marked **Exhibit "E"** is a copy of an Application for Bankruptcy Order issued by G.E. Canada Leasing Services Company against Grant Forest Products Inc. on March 19, 2009. I am informed by Craig J. Hill, a partner with Borden Ladner Gervais LLP ("**BLG**"), that no proceedings have been taken pursuant to the Application for Bankruptcy Order.

10. On March 19, 2012, Goodmans LLP circulated an email to the Service List in these proceedings indicating that it no longer represented the Bank of New York Mellon as Second

Lien Lenders' Agent in these proceedings. A copy of the email is attached hereto and marked **Exhibit "F"**.

11. Subsequently, although WFCI has remained on the Service List, it had not retained counsel in connection with these proceedings. On August 31, 2012, the Monitor sent a letter to the Second Lien Lenders' Agent to seek the position of the Second Lien Lenders on the motion that is now returnable on October 22, 2012 (the "**Pension Motion**"). As described in the Twenty-Seventh Report, the Monitor hosted a telephone call open to all Second Lien Lenders. WFCI was not able to participate on that call. However, WFCI had discussions with the Monitor subsequent to the call. After discussions with counsel for the Second Lien Lenders' Agent, it became apparent that the Second Lien Lenders' Agent would not be able to obtain timely instructions. Therefore WFCI retained BLG on October 19, 2012 to respond to the Pension Motion.

12. On October 19, 2012, BLG served a Notice of Appearance in connection with the proceedings herein. A copy of the Notice of Appearance is attached hereto and marked **Exhibit "G"**.

13. I am advised by Mr. Hill that on October 19, 2012, he sent an email to the Service List indicating that it was BLG's current intention to seek an adjournment of the motion. Mr. Hill requested that any party opposing the request for an adjournment contact Mr. Hill. A copy of the email confirming same is attached hereto as **Exhibit "H".** I am advised by Mr. Hill that he has received an indication from the solicitors for the Pension Administrator that it will oppose the adjournment request. A copy of the email is attached hereto and marked **Exhibit "I"**.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, this 19th day of October, 2012.	Peter Fraser
W Bell A Commissioner for taking affidavits, etc.	**PETER FRASER**

Whitney Elizabeth Bell, a Commissioner etc., Province of Ontario, while a Student-at-Law. Expires May 24, 2014.

TAB A

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THIS IS EXHIBIT "A" TO THE AFFIDAVIT

OF PETER FRASER SWORN BEFORE ME

THIS 19TH DAY OF OCTOBER, 2012

W Bell

A Commissioner for taking affidavits, etc.

Whitney Elizabeth Bell, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires May 24, 2014.

EXECUTION COPY

U.S. $150,000,000

SECOND LIEN CREDIT AGREEMENT

AMONG

GRANT U.S. HOLDINGS LLP
as Borrower

AND

GRANT FOREST PRODUCTS INC.,
GRANT FOREST PRODUCTS SALES INC.,
GRANT ALBERTA INC.,
SOUTHEAST PROPERTIES INC.,
GRANT ALLENDALE INC.,
GRANT CLARENDON INC.
and
GRANT US SALES INC.
as Guarantors

AND

TD SECURITIES (USA) LLC
as Sole Lead Arranger and Sole Bookrunner

AND

TORONTO DOMINION (TEXAS) LLC
as Administrative Agent and U.S. Collateral Agent

AND

THE TORONTO-DOMINION BANK
as Canadian Collateral Agent

AND

THE FINANCIAL INSTITUTIONS
from time to time parties hereto
as Lenders

Made as of March 21, 2007

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Schedule 14.14(3)	-	Loan Pricing Corporation Information

SECOND LIEN CREDIT AGREEMENT

THIS AGREEMENT is made as of March 21, 2007, among **GRANT U.S. HOLDINGS LLP**, a limited liability partnership formed under the laws of Delaware (the "**Borrower**"), **GRANT FOREST PRODUCTS INC.**, a corporation incorporated under the laws of Ontario ("**GFP**"), **GRANT FOREST PRODUCTS SALES INC.**, a corporation incorporated under the laws of Ontario, **GRANT ALBERTA INC.**, a corporation incorporated under the laws of Alberta, **SOUTHEAST PROPERTIES INC.**, a corporation incorporated under the laws of Delaware, **GRANT ALLENDALE INC.**, a corporation incorporated under the laws of Delaware, **GRANT CLARENDON INC.**, a corporation incorporated under the laws of Delaware, **GRANT US SALES INC.**, a corporation incorporated under the laws of Delaware (each, a "**Guarantor**" and, collectively, the "**Guarantors**"), **THE TORONTO-DOMINION BANK**, in its capacity as collateral agent with respect to Property located in Canada (the "**Canadian Collateral Agent**"), **TORONTO DOMINION (TEXAS) LLC**, in its capacity as administrative agent for the Lenders (the "**Administrative Agent**") and in its capacity as collateral agent with respect to Property not located in Canada (the "**U.S. Collateral Agent**") and **THE FINANCIAL INSTITUTIONS** from time to time parties to this Agreement and designated as Lenders on the signatures pages of this Agreement (each, a "**Lender**" and, collectively, the "**Lenders**").

WHEREAS, the Borrower has requested the Credit Facility and the Lenders have agreed to provide the Credit Facility to the Borrower upon and subject to the terms and conditions set forth in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

ARTICLE 1 – INTERPRETATION

1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Adjusted LIBO Rate**" means, for each Interest Period for a LIBO Rate Obligation, a rate *per annum* (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Eurocurrency Reserve Rate.

"**Adjusted Working Capital**" means the remainder of (a) the consolidated current assets of GFP minus the amount of Cash and Cash Equivalents included in such consolidated current assets, minus (b) the consolidated current liabilities of GFP minus the amount of consolidated short-term Debt (including current maturities of long-term Debt) of any Restricted Party included in such consolidated current liabilities.

"**Administrative Agent**" means Toronto Dominion (Texas) LLC and its permitted successors and assigns.

"**Administrative Questionnaire**" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"**Affiliate**" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"**Aggregate Exposure**" means, at any time, the sum of all positive Exposures for each Hedging Party under all Hedging Arrangements as determined, where applicable, by the Group Valuation Agent under the

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Aggregate Repricing Agreement, or, otherwise (and prior to the first advance under this Agreement), as determined in accordance with the applicable Hedging Arrangement agreements.

"Aggregate Repricing Agreement" means the Aggregate Repricing Agreement dated as of October 26, 2005 among the Borrower, GFP, each relevant Hedging Party and The Toronto-Dominion Bank, as Group Valuation Agent.

"Agreement" means this Second Lien Credit Agreement, including its recitals and schedules.

"Alternate Base Rate" means for any day a fluctuating rate *per annum* equal to the greater of (i) the rate in effect for such day as announced by the New York office of The Toronto-Dominion Bank from time to time and used by it as a reference rate for commercial loans made by it in the United States and denominated in United States Dollars and (ii) the sum of the Federal Funds Effective Rate plus 0.50% *per annum*.

"Alternate Base Rate Obligation" means a Loan made by the Lenders or PIK Interest Amount with respect to which the Borrower has specified that interest is to be calculated by reference to the Alternate Base Rate.

"Applicable Law" means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law.

"Applicable Margin" means the percentage rate *per annum*, in the case of Alternate Base Rate Obligations bearing interest at the rate described in clause (i) of the definition of Alternate Base Rate, or a rate for a period of 360 days, in the case of all other Obligations, equal to 5.50% for Alternate Base Rate Obligations and 6.50% for LIBO Rate Obligations, as adjusted in accordance with Section 4.02 or 4.05.

"Applicable Percentage" means with respect to any Lender:

(a) when referring to the total Commitment, such Lender's applicable percentage of the total Commitment represented by such Lender's Commitment (or if the Commitments have terminated or expired, such Lender's applicable percentage of the total outstanding Loans and PIK Interest Amounts); and

(b) when referring to any other amount, such Lender's applicable percentage of the total of such other amount as provided by this Agreement.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee and accepted by the Administrative Agent, in substantially the form of Exhibit A or any other form approved by the Administrative Agent.

"Borrower" means Grant U.S. Holdings LLP.

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"Bush Lots" means vacant parcels of real property leased or owned by a Restricted Party which in the aggregate have a value of less than Cdn. $1,000,000 acquired or held by a Restricted Party solely for purposes of harvesting the trees located thereon.

"Business Day" means a day of the year, other than a Saturday, Sunday or statutory holiday, on which the Administrative Agent is open for business at its offices in New York, New York, and, in respect of LIBO Rate Obligations, at is principal office in London, England.

"Business Plan" has the meaning set forth in Section 9.03(5).

"Canadian Collateral Agent" means The Toronto-Dominion Bank and its successors and permitted assigns in such capacity.

"Canadian Dollars" and **"Cdn. $"** means the lawful money of Canada.

"Capital Expenditures" means any expenditure made by any Person for the purchase or acquisition, repair or replacement of capital assets, net of proceeds of disposition of capital assets (other than proceeds received on a sale-leaseback transaction), and any expenditure related to a Capital Lease, but excluding the amount expended on repair or replacement of Property to the extent of insurance proceeds or third party funding received by such Person on account of damage or destruction, all as determined in accordance with GAAP.

"Capital Lease" means a capital lease or a lease that is accounted for as a capital lease under GAAP.

"Capitalization" means, with respect to a Person, the sum of the Debt and Equity of such Person (including postponed Shareholder Loans) as shown on the balance sheet forming part of the most recent consolidated financial statements of such Person.

"Cash" means money, currency or credit balance in a deposit account.

"Cash Equivalents" means (i) securities issued or fully guaranteed by the government of Canada or the United States or any agency or instrumentality thereof, (ii) term deposits, certificates of deposit or bankers' acceptances of any Lender, or any bank that is not a Lender but is referred to in either Schedule I or II of the *Bank Act* (Canada) the short-term debt or deposits of which have been rated at least A-1 or the equivalent thereof by Standard & Poors Ratings Group or at least P-1 or the equivalent thereof by Moodys Investor Service, Inc. or which have been rated at least A-1 or the equivalent thereof by CBRS Inc. or at least R-1 or the equivalent thereof by Dominion Bond Rating Service Limited, and (iii) commercial paper rated at least A1 or the equivalent thereof by CBRS Inc. and R1 by Dominion Bond Rating Service Limited, in each case provided for in clauses (i), (ii) and (iii) above, maturing within 90 days after the date of acquisition.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any Applicable Law, (b) any change in any Applicable Law or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any Applicable Law by any Governmental Authority.

"Change of Control" means an event or series of events whereby Grant ceases to own beneficially, directly or indirectly, more than 75% of the outstanding Voting Shares of GFP, or GFP ceases to own beneficially 99.99% of the outstanding equity voting interest in the Borrower.

"Closing Date" means the date of the advance of the Loans hereunder, being March 21, 2007.

"**Code**" means the *Internal Revenue Code of 1986* of the United States, together with the regulations thereunder, as the same may be amended from time to time.

"**Commodity Hedge Arrangement**" means a swap or forward agreement between a Restricted Party and another Person relating to energy, fuel, raw material or oriented strand board contracts that is designed to protect the Restricted Party that is party thereto 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.

"**Commitment**" means, in respect of each Lender, the amount specified with respect to such Lender in Schedule B, as such amount may be reduced from time to time by such Lender's Applicable Percentage of the amount of any permanent repayments, reductions or prepayments required or made hereunder or increased or reduced from time to time by assignment.

"**Compliance Certificate**" means the certificate required pursuant to Section 9.03(4), substantially in the form attached as Schedule 1.01(a), signed by any one of the President, a Senior Vice-President or the Chief Financial Officer of GFP.

"**Computer Equipment**" means all computers, software or other equipment that includes computing technology or embedded logic such as microchips and sensors, whether owned or leased.

"**Contingent Obligation**" means, with respect to any Person, any obligation, whether secured or unsecured, of such Person guaranteeing or indemnifying, or in effect guaranteeing or indemnifying, any indebtedness, leases, dividends, letters of credit or other monetary obligations (the "primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person as an account party in respect of a letter of credit or letter of guarantee issued to assure payment by the primary obligor of any such primary obligation and any obligations of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds for the purchase or payment of any such primary obligation or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the obligee under any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the obligee under such primary obligation against loss in respect of such primary obligation; provided, however, that the term Contingent Obligation does not include endorsements of instruments for deposit or collection in the ordinary course of business.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "**Controlling**" and "**Controlled**" have corresponding meanings.

"**Conversion**" means a conversion of a Loan or PIK Interest Amount pursuant to Section 2.08.

"**Conversion Date**" means the Business Day specified by the Borrower in a Conversion Notice as being the date on which the Borrower has elected to convert one type of Loan or PIK Interest Amount into another type of Loan or PIK Interest Amount.

"**Conversion Notice**" means a notice, substantially in the form set forth in Schedule 1.01(b), to be given to the Administrative Agent by the Borrower pursuant to Section 2.08.

"**Costs to Complete**" means, at any given time, the costs to complete the construction of the Mills with reference to the Mills Budget and the Mills Construction Schedule, as confirmed twice each year to the

Administrative Agent by a certificate from the Independent Engineer, in form and substance satisfactory to the Administrative Agent.

"Credit Facility" means the Loans advanced and PIK Interest Amounts accrued under this Agreement.

"Debt" means, without duplication, with respect to any Person, all obligations that, in accordance with GAAP, would then be classified as a liability of such Person, and, without duplication, includes, with respect to such Person,

(i) an obligation in respect of borrowed money or for the deferred purchase price of Property or services or an obligation that is evidenced by a note, bond, debenture or any other similar instrument;

(ii) a transfer with recourse or with an obligation to repurchase, to the extent of the liability of such Person with respect thereto;

(iii) an obligation under a Capital Lease;

(iv) a reimbursement obligation or other obligation in connection with a bankers' acceptance or any similar instrument, or letter of credit or letter of guarantee issued by or for the account of such Person;

(v) a Contingent Obligation to the extent that the primary obligation so guaranteed would be classified as "Debt" (within the meaning of this definition) of such Person;

(vi) the aggregate amount at which any shares of such Person that are redeemable or retractable at the option of the holder of such shares (except where the holder is such Person) may be redeemed or retracted prior to the Maturity Date for cash or obligations constituting Debt or any combination thereof; and

(vii) the Aggregate Exposure of such Person;

provided, however, that there will not be included for the purpose of this definition any obligation that is on account of (A) reserves for deferred income taxes or general contingencies, (B) minority interests in Subsidiaries, or (C) trade accounts payable and accrued liabilities (including contract loans and income taxes payable) incurred in the ordinary course of business.

"Default" means any event or condition that constitutes an Event of Default or that would constitute an Event of Default except for satisfaction of any condition subsequent required to make the event or condition an Event of Default, including giving of any notice, passage of time, or both.

"Depreciation Expense" means, for any period with respect to any Person, depreciation, amortization, depletion and other like reductions to income of such Person for such period not involving any outlay of cash.

"Disposition" means, with respect to a Person, any sale, assignment, transfer, conveyance, lease, licence or other disposition of any nature or kind whatsoever of any Property or of any right, title or interest in or to any Property that is out of the ordinary course of business of such Person, and the verb "Dispose" has a corresponding meaning.

"Disposition Trigger Event" means any Disposition by a Restricted Party (other than a Disposition to another Restricted Party), provided, however, that (i) any such Disposition in respect of Net Proceeds up to an aggregate amount not to exceed $25,000,000 for each financial year of GFP will not constitute a Disposition

Trigger Event, and (ii) any such Disposition will not constitute a Disposition Trigger Event if the relevant Restricted Party notifies the Administrative Agent within 30 days after such Disposition that it plans to reinvest the Net Proceeds of such Disposition in Capital Expenditures as promptly as practicable, but in any event within 180 days after such Disposition; provided further that, if a Restricted Party delivers a notice with respect to a Disposition as contemplated by clause (ii) above, and if, on the expiration of the 180-day period less than all the Net Proceeds of such Disposition have been reinvested or applied as provided above, then a Disposition Trigger Event will be deemed to have occurred at the expiration of such 180-day period with Net Proceeds equal to the Net Proceeds of such Disposition that have not been reinvested or applied.

"Distribution" means (i) any payment, declaration of dividend or other distribution, whether in cash or Property, (but expressly excluding any distribution by way of the payment of dividends by the issuance of equity securities of an issuer) to any holder of shares of any class of the Borrower or any other Restricted Party, (ii) any repurchase, redemption, retraction or other retirement or purchase for cancellation of shares of the Borrower or any other Restricted Party, or of any options, warrants or other rights to acquire any of such shares, or (iii) any payment or repayment of any advance, loan, extension of credit, capital contribution to, or guarantee of any obligation of, any Person that holds Equity of the Borrower or any other Restricted Party; but, in each case, excludes any such payments made by a Restricted Party to any other Restricted Party and amounts prepaid to employees of a Restricted Party for ordinary course employee expenses.

"Documentation" means all systems, user, technical or other documentation or information (including any input or output formats, program listings, narrative descriptions, operating instructions or manuals, specifications, user guides and systems, user or technical manuals) that have been, are or may be provided in connection with Software and includes any corrections, replacements, modifications or releases thereof or thereto, whether distributed in print, magnetic, electronic, video or other format.

"EBITDA" means, with respect to any Person for any period, the Net Income of such Person for such period plus, without duplication and to the extent reflected as a charge in the statement of net income included in the financial statements of such Person:

(i) all amounts deducted in the calculation thereof in respect of Depreciation Expense, and current and deferred taxes, net losses of Subsidiaries and any other losses incurred in respect of investments that are accounted for on an equity basis;

(ii) Total Interest Expense;

(iii) any extraordinary, non-recurring or unusual expenses or losses (including, whether or not otherwise includable as a separate item in such statement of net income, losses on sales outside of the ordinary course of business or on sales of Property of a Restricted Party which is leased back to any Restricted Party); and

(iv) unrealized losses from Hedge Arrangements to the extent that they have been used in determining Net Income as a matter of GAAP;

less, without duplication and to the extent reflected as a credit in such statement of net income,

(v) any reduction of deferred taxes;

(vi) amounts included in the calculation thereof in respect of net profits of Subsidiaries and any other profits in respect of investments that are accounted for on an equity basis;

(vii) any extraordinary, non-recurring or unusual income or gains (including, whether or not otherwise includable as a separate item in such statement of net income, gains on sales outside of the ordinary course of business or on sales of Property by a Restricted Party that are leased back to any Restricted Party); and

(viii) unrealized gains from Hedge Arrangements to the extent that they have been used in determining Net Income as a matter of GAAP;

provided, that any and all foreign exchange adjustments related to the translation of foreign currency debt on the balance sheet shall be excluded from any of the above calculations.

"EBITDA to Total Interest Expense Ratio" means, at any time with respect to GFP on a consolidated basis, the ratio obtained by dividing (i) the EBITDA of GFP by (ii) the Total Interest Expense of GFP, in each case consolidated with respect to all Restricted Parties, whether or not such consolidation complies with GAAP.

"Election of PIK Interest Notice" means a written notice delivered by the Borrower to the Administrative Agent specifying the commencement date and termination date (which termination date shall be prior to the second anniversary of the Closing Date) for the PIK Interest Period in the form attached hereto as Schedule 4.02 (an "Election of PIK Interest Notice").

"Eligible Assignee" means any Person (other than a natural person, any Restricted Party or any Affiliate of a Restricted Party), in respect of which any consent that is required by Section 14.12 has been obtained.

"Encumbrance" 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, and "Encumbrances", "Encumbrancer", "Encumber" and "Encumbered" have corresponding meanings.

"Environmental Claim" means any and all obligations, liabilities, losses, administrative, regulatory or judicial action, suits, demands, decrees, claims, liens, judgments, warning notices, notices of non-compliance or violation, investigation, proceedings, removal or remedial actions or orders, or damages (foreseeable and unforeseeable, including consequential and punitive damages), penalties, fees, out-of-pocket costs, expenses, disbursements, attorneys' or consultants' fees, relating in any way to any Environmental Law or any permit or licence issued under any such violation or alleged violation of any Environmental Law (hereinafter "Claims"), including (a) any and all Claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions in damages pursuant to any applicable Environmental Law and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Substances or arising from alleged injury or threat or injury to health, safety or the environment.

"Environmental Law" means any Applicable Law and the common law relating to the environment or human health and safety including those pertaining to the following:

(i) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and

(ii) the manufacture, generation processing, distribution, use, treatment, storage, disposal, transport, handling and the like of Hazardous Substances, including those pertaining to occupational health and safety.

"Equity" means, with respect to any Person at any time, the aggregate of all common, preferred and other share capital interests, partnership contributions, participations or other equivalents (however designated, whether voting or non-voting or whether certificated or not certificated) (other than all shares of, or partnership interests or units in, the Person that are redeemable or retractable at the option of any Person (other than the Person in respect of whom a determination of the Equity of such Person is being made)) in, and all warrants of, that Person that would be reflected as equity on the balance sheet of that Person at that time, together with retained earnings and contributed surplus of that Person, that would be reflected on the balance sheet of that Person at that time.

"ERISA" means the *Employee Retirement Income Security Act of 1974* of the United States, together with the regulations thereunder, as the same may be amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower or GFP, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Pension Plan (other than an event for which the 30 day notice period is waived); (b) the existence with respect to any Pension Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Pension Plan; (d) the incurrence by the Borrower, GFP or any of their ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Pension Plan; (e) the receipt by the Borrower, GFP or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan; (f) the incurrence by the Borrower, GFP or any of their ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Pension Plan or Multiemployer Pension Plan; or (g) the receipt by the Borrower, GFP or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Pension Plan from the Borrower, GFP or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Pension Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurocurrency Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board of Governors of the Federal Reserve System of the United States (the "Board") to which the Administrative Agent is subject, with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D of the Board. LIBO Rate Obligations shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Eurocurrency Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Event of Default" has the meaning set forth in Section 11.01.

"**Excess Cash Flow**" means, with respect to GFP at any time on a consolidated basis, EBITDA for its then most recently completed annual fiscal period less (i) all taxes paid or payable in respect of such annual earnings (other than deferred taxes) and all taxes required to be paid in respect of earnings of any prior fiscal period, (ii) Total Interest Expense and (iii) Capital Expenditures, incurred or made during such most recently completed annual fiscal period, and plus any reduction in, and less any increase in, Adjusted Working Capital during such most recently completed annual fiscal period; provided, however, that before the Mills Completion Date, Capital Expenditures in respect of the Mills will not be included for purposes of calculating Excess Cash Flow.

"**Excess Cash Flow Prepayment**" means an amount equal to the percentage as determined in the table set forth below multiplied by the Excess Cash Flow for the fiscal year most recently completed:

Ratio of Total Debt as of the most recent fiscal year end to EBITDA for the fiscal year most recently completed	Percentage
Greater than or equal to 4.00:1.00	75%
Greater than or equal to 3.00:1.00 but less than 4.00:1.00	50%
Greater than or equal to 2.00:1.00 but less than 3.00:1.00	25%
Less than 2.00:1.00	0%

"**Excluded Subsidiary**" means the entity described on Schedule 9.04(2) as the "Excluded GP" and formed by the Restricted Parties in connection with the Permitted Restructuring provided that such entity shall (a) at no time incur Debt other than Debt owed to a Restricted Party in connection with the Permitted Restructuring, (b) conduct no operations other than operations directly related to the Permitted Restructuring and (c) hold no assets other than assets held by it in connection with the Permitted Restructuring and, in each case, as consented to in writing by the Administrative Agent and as permitted under the First Lien Credit Agreement; provided, for purposes of clarification, the "Excluded GP" shall be required to become a Restricted Subsidiary hereunder to the extent required by the terms of the First Lien Credit Agreement to be a "Restricted Subsidiary" or "Guarantor" as defined in the First Lien Credit Agreement and upon becoming a Restricted Subsidiary hereunder, the provisions of this Agreement and the other Loan Documents with respect to Restricted Subsidiaries shall govern and control.

"**Excluded Taxes**" means, with respect to the U.S. Collateral Agent, Canadian Collateral Agent, Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Restricted Party hereunder or under any other Loan Document, (a) Taxes imposed in or measured by overall net income, net profit or net worth (however denominated), franchise taxes (imposed in lieu of net income taxes) by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located or in which it is otherwise doing business; (b) any Taxes that would not have been imposed on a recipient but for a present or former connection of such recipient with the jurisdiction imposing such Tax (other than a connection arising from such recipient's having executed, delivered or performed the obligations or received payments under, or enforced by court appointed receiver, the Loan Documents); (c) any branch profits taxes imposed by the United States of America or any similar tax imposed by Canada; and (d) in the case of a Lender (other than an assignee pursuant to a request by the Borrower under Section 5.03(2)), (x) any United States withholding tax unless such withholding taxes would not have been imposed but for a change in law, rule, regulation or treaty or in the published and official administration, interpretation or application thereof by any Governmental Authority occurring after such Lender becomes a party hereto (or designates a new lending office) (such taxes, "Statutory Change Withholding Tax" and such changes, "Statutory Change in Law"), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such Statutory Change Withholding Tax pursuant to Section 5.02, and (y) any withholding tax that is attributable to such Lender's failure (other than as a result of a Statutory Change in Law) to comply with Section 5.02(6).

"**Exposure**" has the meaning set forth in the Aggregate Repricing Agreement and, where applicable, is calculated in the manner specified by the Aggregate Repricing Agreement.

"**Federal Funds Effective Rate**" means, for any day, a fluctuating rate of interest expressed as a percentage rate *per annum* equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York or, for any day on which that rate is not published for that day by the Federal Reserve Bank of New York, the simple average of the quotations for that day for such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"**Financial Assistance**" means, without duplication and with respect to any Person, all loans granted by that Person and guarantees or Contingent Obligations incurred by that Person for the purpose of or having the effect of providing financial assistance to another Person or Persons, including letters of guarantee, letters of credit, legally binding comfort letters or indemnities issued in connection therewith, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business), obligations to purchase assets regardless of the delivery or non-delivery thereof and obligations to make advances or otherwise provide financial assistance to any other Person; provided that "Financial Assistance" shall not include amounts prepaid to employees of a Person for ordinary course employee expenses, or amount loaned to employees to finance their purchases of houses up to the principal amount of $150,000 per loan and up to an aggregate principal amount of $500,000 for all such housing loans.

"**Financing**" means, with respect to any Person, the raising of funds by issuing debt obligations, including convertible or exchangeable debt obligations (but excluding Subordinated Debt) or by borrowing from a lender or other financial institution, or by issuing securities (however designated, whether voting or non-voting or whether certificated or non-certificated) of capital of such Person and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such Person.

"**First Lien Credit Agreement**" means the Credit Agreement (as amended as of the date hereof and as further amended, restated, refinanced, supplemented or otherwise modified from time to time in accordance with the Intercreditor Agreement) dated as of October 26, 2005 among GFP, the Borrower, the other Guarantors party thereto, Toronto-Dominion Bank, as administrative agent for certain lenders, Toronto Dominion (Texas) LLC, as administrative agent for certain lenders, and the other parties thereto.

"**Footner Buyout**" means the acquisition by GFP (or any of the other Restricted Parties) of all or any portion of the 50% equity interest in the Footner Joint Venture currently owned by Ainsworth Lumber Co. Ltd. or one or more of its Subsidiaries or Affiliates, and the shares, currently owned by Ainsworth Lumber Co. Ltd. or one or more of its Subsidiaries or Affiliates, of Footner Forest Products Ltd., the owner of the assets comprising the Footner Mills located in High Level, Alberta.

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"Footner Buyout Financing" has the meaning set forth in clause (xiii) of the definition of Permitted Encumbrances.

"Footner Joint Venture" means the unincorporated joint venture in the oriented strand board mill, in High Level, Alberta, also known as the "Footner Mill", owned equally by GFP and Ainsworth Lumber Co. Ltd. or one or more of its Subsidiaries established pursuant to the Footner Joint Venture Agreement.

"Footner Joint Venture Agreement" means the memorandum of agreement dated December 9, 1999 between Ainsworth Lumber Co. Ltd. and Grant Forest Products Corp. together with the assignment agreement relating thereto made as of December 9, 1999 between Grant Forest Products Corp. and GFP by which all rights and obligations of Grant Forest Products Corp. under such memorandum of agreement were assigned to, and assumed by, GFP.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles that are from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any supra-national bodies such as the European Union or the European Central Bank and including a Minister of the Crown, Superintendent of Financial Institutions or other comparable authority or agency.

"GFP" has the meaning set forth in the Preamble hereto.

"Grant" means, collectively, the Peter Grant Family and the Peter Grant Family Trust.

"Grant Equipment Transaction" means the sale by GFP to Grant Equipment Corp. of equipment pursuant to an agreement dated as of August 31, 2005 between them as described in Schedule 1.01(p) hereto.

"Group Valuation Agent" means The Toronto-Dominion Bank in its capacity as group valuation agent under the Aggregate Repricing Agreement, and its successors and permitted assigns in such capacity.

"Guaranteed Obligations" means, with respect to each Guarantor, without duplication, the Obligations of each Restricted Party (other than such Guarantor).

"Guarantors" means each Person identified on the signature pages hereto as a Guarantor (including GFP) and each other Subsidiary of the Borrower or GFP that may from time to time become a party hereto in accordance with Section 9.04(18) and their successors and assigns, and "Guarantor" means any one of them.

"Hazardous Substance" means any substance or material that is prohibited, controlled or regulated by any Governmental Authority pursuant to Environmental Laws, including pollutants, contaminants, dangerous goods or substances, toxic or hazardous substances or materials and wastes (including solid non-hazardous wastes and subject wastes), all as defined in or pursuant to any Environmental Law and further including petroleum and its derivatives and by-products and other hydrocarbons.

"**Investment**" in any Person means any direct or indirect (i) acquisition of any shares, partnership interests, participation interests in any arrangement, options or warrants, or any indebtedness, whether or not evidenced by any bond, debenture or other written evidence of such Person, or (ii) acquisition, by purchase or otherwise, of all or substantially all of the business, assets or stock or other evidence of beneficial ownership of such Person. The amount of any Investment will be the original cost of such Investment, plus the cost of all additions thereto and minus the amount of any portion of such Investment repaid to such Person in cash as a return of capital, but without any other adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment. In determining the amount of any Investment involving a transfer of any Property other than cash, such Property will be valued at its fair market value at the time of such transfer.

"**Judgment Conversion Date**" has the meaning set forth in Section 14.03(1)(b).

"**Judgment Currency**" has the meaning set forth in Section 14.03(1).

"**Lenders**" means, collectively the Persons from time to time party to this Agreement and identified as Lenders, and, as the context may require, "Lender" means any one of the Lenders.

"**LIBO Rate**" means, for each Interest Period for a LIBO Rate Obligation, the interest rate expressed as a percentage rate *per annum* calculated on the basis of a 360 day year, equal to:

(i) the rate for deposits in U.S. Dollars in the London, England inter-bank market, for a period comparable to such Interest Period, which appears on the "LIBOROI Page" of the Reuters Money Rates Service (or any successor source from time to time for such rate) as of 11:00 a.m. (London, England time) on the second Business Day preceding the first day of such Interest Period, or

(ii) if a rate is not determinable pursuant to clause (i) of this definition at the relevant time, the average (rounded upward, if necessary, to the nearest whole multiple of 625/10,000 of 1%) of the rates of interest, expressed as rates of interest *per annum* on the basis of a year of 360 days, at which deposits in U.S. Dollars are offered by the principal lending offices in London, England of the Administrative Agent and two other banks selected by it to prime banks in the London inter-bank market at approximately 11:00 a.m. (London, England time) on the second Business Day preceding the first day of such Interest Period for a period comparable to the Interest Period and in an amount comparable to the amount of the LIBO Rate Obligation to be outstanding during such Interest Period.

"**LIBO Rate Obligation**" means a Loan made by the Lenders or PIK Interest Amount with respect to which the Borrower has specified that interest is to be calculated by reference to the Adjusted LIBO Rate.

"**Liquidity**" means, at any time, the sum of (i) the balance in the Interest Reserve Account (as defined in the First Lien Credit Agreement), (ii) Cash and Cash Equivalents of GFP and its Subsidiaries, (iii) the amount undrawn under the U.S. Swingline Facility and undrawn under the Canadian Swingline Facility (each as defined in the First Lien Credit Agreement) and (iv) after the Mills Completion Date, the amount undrawn under the U.S. Revolving Facility and the Canadian Revolving Facility (each as defined in the First Lien Credit Agreement), in each case at such time.

"**Loan**" means any extension of credit by a Lender under this Agreement.

"**Loan Documents**" means (a) this Agreement, (b) the Security, (c) the Intercreditor Agreement and (d) all present and future agreements, documents, certificates and instruments delivered by any Restricted Party to the Administrative Agent or the Lenders pursuant to or in respect of this Agreement or the Security, in each

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"Hedge Arrangement" means, with respect to any Restricted Party, any arrangement or transaction between such Restricted Party and any other Person (other than another Restricted Party) that is a rate swap transaction, basis swap, forward rate transaction, equity or equity index swap or option, Commodity Hedge Arrangement, interest rate option, forward foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of such transactions or arrangements) designed to protect or mitigate against risks in interest, currency exchange or commodity price fluctuations.

"Hedging Party" has the meaning set forth in the Aggregate Repricing Agreement.

"Heritage Trust Easement" means an easement to be granted by GFP in favour of Ontario Heritage Trust for heritage conservation easement purposes over a Part of Lots 114, 115 and 116 and Part of Lawlor Street Plan M-30 (NB) being approximately 8,765 square feet in area and Part of Lots 34, 83 and 84 on Plan M-58 (NB) being approximately 3,890 square feet in area.

"Independent Engineer" means CPM Project Management Inc., or such other recognized independent engineering firm selected by the Administrative Agent.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Intellectual Property" means intellectual property of whatever nature and kind including all domestic and foreign trade-marks, business names, trade names, domain names, trading styles, patents, trade secrets, Software, industrial designs and copyrights, whether registered or unregistered, and all applications for registration thereof, and inventions, formulae, recipes, product formulations, processes and processing methods, technology and techniques, know-how and manuals.

"Intercreditor Agreement" means that certain Intercreditor Agreement dated as of the Closing Date among the Borrower, the Guarantors, the Administrative Agent and the administrative agent under the First Lien Credit Agreement.

"Interest Payment Date" means

(i) with respect to each Alternate Base Rate Obligation, the last day of each March, June, September and December, and

(ii) with respect to each LIBO Rate Obligation, the last Business Day of each applicable Interest Period, and, if any Interest Period is longer than three months, the last Business Day of each successive three month period during such Interest Period.

"Interest Period" means, with respect to each LIBO Rate Obligation, the period selected by the Borrower and being of one, two, three or six months (or, if available to all Lenders, nine or twelve months) duration commencing on the Closing Date or each Interest Payment Date during the PIK Interest Period or the applicable Rollover Date or Conversion Date, as the case may be; provided that in any case the last day of each Interest Period will be also the first day of the next Interest Period and further provided that the last day of each Interest Period will be a Business Day. If the last day of an Interest Period selected by the Borrower is not a Business Day the Borrower will be deemed to have selected an Interest Period the last day of which is the Business Day next following the last day of the Interest Period otherwise selected unless such next following Business Day falls in the next calendar month in which event the Borrower will be deemed to have selected an Interest Period the last day of which is the Business Day next preceding the last day of the Interest Period otherwise selected and further provided that the last Interest Period hereunder must expire on or prior to the Maturity Date.

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case as the same may from time to time be amended, and "Loan Document" means any one of the Loan Documents.

"**Material Adverse Change**" means any change after the date of this Agreement (unless otherwise specified) having a material adverse effect on the business, operations or condition (financial or otherwise) of the Borrower, GFP and the other Restricted Parties, taken as a whole, or on the ability of such parties taken as a whole to carry on their business or a significant part of their business, which would reasonably be expected to cause or result in, or has resulted in, an impairment of the ability of the Borrower or GFP to perform any of its Obligations, as determined by the Required Lenders, acting reasonably.

"**Material Contracts**" means, with respect to a particular Restricted Party, the contracts set forth under such Restricted Party's name in Schedule 1.01(d) and all other contracts to which such Person is a party or by which it is bound or may hereafter become a party or be bound, (i) the breach or default of which would cause or result in a Material Adverse Change, and (ii) which is designated by the Administrative Agent, acting reasonably, as a Material Contract provided that the Administrative Agent has notified the Borrower of such designation, and "**Material Contract**" means any one thereof.

"**Material Licences**" means all licences, permits or approvals issued by any Governmental Authority, or any applicable stock exchange or securities commission, to any Restricted Party, and which are at any time on or after the date of this Agreement:

(i) necessary or material to the business and operations of such Restricted Party, the breach or default of which would cause or result in a Material Adverse Change, and

(ii) designated by the Administrative Agent, acting reasonably, as a Material Licence, provided that the Administrative Agent has notified the Borrower of such designation;

which as at the date hereof are as set forth on Schedule 1.01(e) hereto.

"**Maturity Date**" means the earlier of (i) September 20, 2013 and (ii) the date that all Loans and PIK Interest Amounts shall become due and payable in full hereunder, whether by acceleration or otherwise.

"**Mills**" means the two oriented strand board manufacturing facilities situated in Allendale County and Clarendon County, South Carolina, each of which will have an expected capacity of at least 800 million square feet (on a 3/8 inch basis) per annum at full operating level, to be constructed for Grant Allendale Inc. or Grant Clarendon Inc. pursuant to the Mills Construction Contracts, together with all buildings, structures and improvements, all alterations thereto or replacement thereof, all fixtures, attachments, appliances, equipment, machinery and other articles attached thereto or used in connection therewith and all Parts which may from time to time be incorporated or installed in or attached thereto, all contracts and agreements for the purchase or sale of commodities or other property related thereto, all leases of real or personal property related thereto, and all other real and tangible and intangible personal property leased or owned by Grant Allendale Inc. or Grant Clarendon Inc. and placed upon or used in connection with the manufacturing of oriented strand board.

"**Mills Budget**" means a budget in the form set forth in Schedule 1.01(k) for all anticipated Mills Costs, together with a statement of sources and uses of proceeds (and any other funds necessary to complete the construction, including starting-up and testing, of the Mills), which describes construction phases, costs and components.

"**Mills Completion**" means, with respect to the Mills, that "Substantial Completion" as defined in the Mills Construction Contracts will have occurred, that the Mills are operating at 60% (or more) of their respective rated capacity for a period of 30 days (or more) and that the output of the Mills is APA certified, all as satisfactorily confirmed by the Independent Engineer in a certificate to the Administrative Agent.

"**Mills Completion Date**" means, with respect to the Mills, the date on which the Mills Completion is effective and specified as such in a certificate of the Independent Engineer to the Administrative Agent.

"**Mills Construction Contracts**" means, collectively, the Engineering Services Contract dated as of April 28, 2005 with UMA/AECOM and the Installation Services Contract dated as of July 1, 2005 with Wabi America, Inc., in each case, with a Restricted Party, and separately, each a "**Mills Construction Contract**".

"**Mills Construction Period**" means, with respect to the Mill at Allendale County, South Carolina, the period from February 1, 2005 to and including March 31, 2007, and, with respect to the Mill at Clarendon County, South Carolina, the period from February 1, 2005 to and including December 31, 2007.

"**Mills Construction Schedule**" means the schedule for the construction and completion of the Mills as set forth in Schedule 1.01(m).

"**Mills Costs**" means (a) the cost of designing, engineering, equipping, procuring, constructing, starting up and testing the Mills; (b) the cost of acquiring any lease and any other necessary interest in the Property with respect to the Mills; (c) real and personal property taxes, *ad valorem* taxes, sales, use and excise taxes and insurance (including title insurance) premiums payable with respect to the Mills during the Mills Construction Period; (d) the costs of acquiring Material Licences for the Mills during the Mills Construction Period; (e) the cost of establishing a spare parts inventory for the Mills; and (f) other fees, costs and expenses relating to the development, construction and closing of the financing for the Mills, including financial, legal and consulting fees, costs and expenses.

"**Mills Operating Projections**" means a projection of operating results, expenses and cash flows for the Mills in the form set forth in Schedule 1.01(l).

"**Multiemployer Plan**" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"**Net Income**" means, with respect to any Person for any period, the net revenue of such Person for such period on a consolidated basis, less all expenses and other charges not otherwise deducted in computing such net revenue for such period, determined in accordance with GAAP, but excluding extraordinary items as determined in accordance with GAAP, earnings resulting from any reappraisal, revaluation or other write-up of assets and gains arising from the repurchase of any equity security of such Person or any Subsidiary.

"**Net Proceeds**" means, (a) with respect to any Disposition, the aggregate fair market value of proceeds of such Disposition (whether such proceeds are in the form of cash or other Property or part cash and part other Property) net of reasonable, *bona fide* direct transaction costs and expenses incurred in connection with such Disposition, including (i) reasonable legal fees and disbursements, the customary fees of agents or brokers payable in connection with such Disposition within one year of such Disposition and title and recording expenses payable in connection with such Disposition, and (ii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Debt that is secured by a Permitted Encumbrance, if any, on any of the Property that is the subject matter of such Disposition ranking in priority to the Encumbrance of the Security and that is required to be repaid under the terms of such Debt as a result of such Disposition; or (b) with respect to insurance, the aggregate insurance proceeds in respect of Property, net of reasonable, *bona fide* direct recovery costs, provided that such amounts have not been or are not being applied to restore or rebuild the Property or acquire other Property as permitted or required by Section 9.01(8) of this Agreement; or (c) with respect to the issuance of Equity or Debt, the aggregate amount of cash received pursuant to such issuance, net of reasonable, *bona fide* direct transaction costs and expenses incurred in connection with such issuance.

"Obligations" means, without duplication, all obligations of each Restricted Party to the Administrative Agent, the Lenders, or any of them, under or in connection with this Agreement or the other Loan Documents, including all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the Administrative Agent or the Lenders, or any of them, in any currency or remaining unpaid by the Borrower to the Administrative Agent or the Lenders, or any of them, under or in connection with this Agreement or the other Loan Documents whether arising from dealings between the Administrative Agent or the Lenders, or any of them, and the Borrower or from any other dealings or proceedings by which the Administrative Agent or the Lenders, or any of them, may be or become in any manner whatever a creditor of the Borrower pursuant to this Agreement or the other Loan Documents, and wherever incurred, and whether incurred by the Borrower alone or with another or others and whether as principal or surety, and all interest (including without limitation all PIK Interest Amounts), fees, legal and other costs, charges and expenses relating thereto.

"Organizational Documents" means, with respect to any Person, such Person's articles, memorandum or other charter documents, partnership agreement, joint venture agreement, declaration of trust, trust agreement, by-laws, unanimous shareholder agreement, or any and all other similar agreements, documents and instruments pursuant to which such Person is constituted, organized or governed.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, similar charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant" has the meaning assigned to such term in Section 14.12(4).

"Parts" means any part, appliance, instrument, appurtenance, accessory or other personal property of any nature necessary or useful to the operation, maintenance, service or repair of the Mills.

"Pension Plan" means (i) a "pension plan" or "plan" which is a "registered pension plan" as defined in the *Income Tax Act* (Canada) or is subject to the funding requirements of applicable pension benefits legislation in any Canadian jurisdiction and is applicable to employees resident in Canada of a Restricted Party, (ii) a "pension plan", as such term is defined in Section 3(2) of ERISA, which is subject to Title IV of ERISA (other than a multiemployer plan as defined in Section 4001(a)(3) of ERISA), and to which a Restricted Party may reasonably be expected to have liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under Section 4069 of ERISA, or (iii) any other pension benefit plan or similar arrangement applicable to employees of a Restricted Party.

"Permitted Capital Expenditures" means Capital Expenditures made by Restricted Parties in any fiscal year of GFP not in excess of the aggregate of:

(i) $30,000,000;

(ii) if the total amount of Capital Expenditures made by Restricted Parties after the date of this Agreement but in the then next preceding fiscal year of GFP was less than $30,000,000, an amount equivalent to such difference; and

(iii) if the total amount of Distributions made after the date of this Agreement but in such fiscal year (and all preceding fiscal years) of GFP was less than the total amount of the Distributions permitted to be made during such period pursuant to this Agreement, an amount (without duplication) equivalent to such difference; and

(iv) in addition to the foregoing, all Mills Costs.

"Permitted Debt" means:

(i) Debt under this Agreement;

(ii) Debt owing by a Restricted Party to any other Restricted Party so long as any security for such Debt is subordinated to and in favour of the Security, in a manner that is acceptable to the Administrative Agent;

(iii) Debt in respect of Purchase Money Security Interests (including by way of Capital Leases) granted by a Restricted Party provided the total principal amount thereof does not exceed $10,000,000;

(iv) Debt in respect of the Footner Buyout Financing by a Restricted Party provided the total principal amount thereof does not exceed Cdn. $50,000,000 (and including Debt pursuant to guarantees by other Restricted Parties with respect thereto);

(v) Debt under Hedge Arrangements;

(vi) Debt of the Footner Joint Venture provided the total principal amount thereof does not exceed Cdn. $5,000,000 in respect of the acquisition or development of the Property of the Footner Joint Venture;

(vii) Subordinated Debt;

(viii) Shareholder Loans;

(ix) Debt under the First Lien Credit Agreement;

(x) other Debt in a total amount not exceeding $1,000,000; and

(xi) Debt owing by any Restricted Subsidiary to the Excluded Subsidiary or by the Excluded Subsidiary to a Restricted Subsidiary in connection with the Permitted Restructuring provided that such Debt is subordinated to the Obligations, is pledged to the U.S. Collateral Agent as Security for the Obligations and is in all cases in amounts and on terms satisfactory to the Administrative Agent.

"Permitted Encumbrances" means, with respect to any Person, the following:

(i) liens for Taxes, rates, assessments or other governmental charges or levies not yet due, or for which instalments have been paid based on reasonable estimates pending final assessments, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;

(ii) undetermined or inchoate liens, statutory liens, rights of distress and charges incidental to current operations that have not at such time been filed or exercised and of which none of the Lenders has been given notice, or that relate to obligations not due or payable, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;

(iii) reservations, limitations, provisos and conditions expressed in any original grant from a Governmental Authority or other grants of real or immovable property, or interests therein, that do not materially affect the use of the affected land for the purpose for which it is used by that Person;

(iv) licences, easements, rights-of-way and rights in the nature of easements (including licences, easements, rights-of-way and rights in the nature of easements for railways, sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraph conduits, poles, wires and cables) that do not materially impair the use of the affected land for the purpose for which it is used by that Person;

(v) title defects, irregularities or other matters relating to title that are of a minor nature and that in the aggregate do not materially impair the use of the affected property for the purpose for which it is used by that Person;

(vi) the right reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant or permit acquired by that Person or by any statutory provision to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

(vii) the Encumbrance resulting from the deposit of cash or securities in connection with contracts, tenders or expropriation proceedings, or to secure workmen's compensation, unemployment insurance, surety or appeal bonds, costs of litigation when required by law not to exceed $2,000,000 in aggregate outstanding at any time, liens and claims incidental to current construction, mechanics', warehousemen's, carriers' and other similar liens, and public, statutory and other like obligations incurred in the ordinary course of business;

(viii) security given to a public utility or any Governmental Authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of its business;

(ix) the Encumbrance created by a judgement of a court of competent jurisdiction, as long as the judgement is being contested diligently and in good faith by appropriate proceedings by that Person and does not result in an Event of Default;

(x) the Security;

(xi) any Encumbrance securing Permitted Debt (other than Subordinated Debt), provided that the Encumbrance (and all rights relating thereto) conforms to the requirements of this Agreement;

(xii) any Encumbrance described in Schedule 1.01(f);

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(xiii) security interests in all the undertakings and existing and after-acquired assets of all Restricted Parties securing Debts incurred by the Borrower or GFP (or any of their Subsidiaries) for the purpose of financing all or part of the cost of acquiring the remaining 50% interest in the Footner Joint Venture and the remaining 50% of the shares of Footner Forest Products Ltd. currently owned by Ainsworth Lumber Co. Ltd. or one or more of its Subsidiaries or Affiliates; provided, however, that (a) the principal amount of the Debt secured thereby does not exceed 100% of the fair market value of the 50% interest in the Footner Joint Venture and the remaining 50% of the shares of Footner Forest Products Ltd. at the time of the incurrence of such Debt, (b) the aggregate principal amount of all Debt secured thereby will not at any time exceed Cdn. $50,000,000 and will rank *pari passu* with the Obligations, (c) the Borrower will confirm full compliance on a *pro forma* basis of all covenants hereunder in form and substance satisfactory to the Required Lenders, (d) the documentation with respect to such acquisition will be subject to the prior written approval of the Required Lenders, and (e) if such financing is made, in whole or in part, by Subordinated Debt, or other form of debt financing (whether subordinated or not), provided by lenders, the lenders in respect of such debt financing will enter into an intercreditor agreement with the Lenders, on terms and conditions satisfactory to the Required Lenders (the "**Footner Buyout Financing**");

(xiv) an Encumbrance resulting from the deposit of cash or the issue of bonds in order to effect the discharge of construction liens, mechanics' liens or other similar liens from title to the real property on which either of the Mills is located;

(xv) security granted by Grant Allandale Inc. or Grant Clarendon Inc. to Southeast Properties Inc. as security for indebtedness owing by Grant Allandale Inc. or Grant Clarendon Inc., respectively, to Southeast Properties Inc. so long as it is subordinated to the applicable Security in a manner that is acceptable to the Administrative Agent;

(xvi) Encumbrances arising under the First Lien Loan Documents and securing the "Obligations" as defined under the First Lien Credit Agreement; and

(xvii) Encumbrances referred to in subsection (xvi) of the definition of Permitted Encumbrances under the First Lien Credit Agreement which are to be discharged.

"**Permitted Investments**" means: (i) the current 50% interest of GFP in the Footner Joint Venture and its shares of Footner Forest Products Ltd.; (ii) the investment contemplated by the Footner Buyout; (iii) the preferred shares of Grant Equipment Corp. acquired or to be acquired by GFP in respect of the Grant Equipment Transaction; (iv) capital contributions and loans by one Restricted Party to another Restricted Party; and (v) shares and partnership interests in a Restricted Party.

"**Permitted Restructuring**" means the restructuring substantially similar to the restructuring described on Schedule 9.04(2); provided that the Administrative Agent has received documents, including opinions of counsel, reasonably requested by it in connection with such restructuring, and such documents and the terms and conditions of such restructuring are reasonably satisfactory to the Administrative Agent, and such restructuring is permitted under the First Lien Credit Agreement or consented to by the lenders or their agent thereunder to the extent such consent is required by the First Lien Credit Agreement.

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

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"Peter Grant Family" means Peter Grant Sr. and his direct or indirect descendants.

"Peter Grant Family Trust" means Twin Lakes Trust created by a Declaration of Trust dated June 10, 1998.

"PIK Interest Amounts" has the meaning set forth in Section 4.02.

"PIK Interest Election" means the delivery by the Borrower to Administrative Agent of an Election of PIK Interest Notice.

"PIK Interest Period" means the period commencing on the commencement date specified in the Election of PIK Interest Notice and ending on the earlier of (i) the termination date specified in the Election of PIK Interest Notice (which date shall not be later than the second anniversary of the Closing Date) and (ii) the day immediately following the Interest Payment Date on which the Borrower again begins to pay interest in cash in full on the Loans and on the PIK Interest Amounts.

"Preferred Shares" means 112,000 preferred shares issued and outstanding in the capital of GFP and currently held by Grant Forest Products Corp.

"Property" means, with respect to any Person, all or any portion of that Person's undertaking and property, both real and personal, including immovable and movable property.

"Purchase Money Security Interest" means an Encumbrance created or incurred by a Restricted Party securing Debt incurred to finance the acquisition of Property (including the cost of installation thereof), provided that (i) such Encumbrance is created substantially simultaneously with the acquisition of such Property, (ii) such Encumbrance does not at any time encumber any Property other than the Property financed by such Debt, (iii) the amount of Debt secured thereby is not increased subsequent to such acquisition, (iv) the principal amount of Debt secured thereby at no time exceeds 100% of the original purchase price of such Property and the cost of installation thereof, and (v) the aggregate of all Debts secured thereby will not at any time exceed $10,000,000; and for the purposes of this definition the term "acquisition" includes a Capital Lease.

"Register" has the meaning set forth in Section 14.12(3).

"Related Parties" means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Release" means any release or discharge of any Hazardous Substance including any discharge, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leach, migration, dispersal, dispensing or disposal.

"Relevant Jurisdiction" means, from time to time, with respect to a Person that is granting Security hereunder, any province or territory of Canada, any state of the United States or any other country or political subdivision thereof in which such Person has its chief executive office or chief place of business or has Property and, for greater certainty, includes the provinces and states set forth in Schedule 1.01(g).

"Repayment Notice" means the notice substantially in the form set forth in Schedule 1.01(h).

"Required Lenders" means (i) prior to the making of the Loans, the Lenders holding at least 51% of the aggregate amount of Commitments, and (ii) after the making of the Loans, the Lenders holding at least 51% of the sum of the outstanding Loans and the outstanding PIK Interest Amounts.

"Requirements of Law" means, with respect to any Person, the Organizational Documents of such Person and any Applicable Law or any determination of a Governmental Authority, in each case applicable to or binding upon such Person or any of its business or Property or to which such Person or any of its business or Property is subject.

"Restricted Parties" means the Borrower, GFP and the other Guarantors and their respective successors and assigns permitted by this Agreement, and "Restricted Party" means any one of them.

"Rollover" means the extension of a LIBO Rate Obligation for an additional Interest Period.

"Rollover Date" means the date of commencement of a new Interest Period applicable to a LIBO Rate Obligation that is being rolled over.

"Rollover Notice" means the notice, substantially in the form set forth in Schedule 1.01(i), to be given to the Administrative Agent by the Borrower in connection with the Rollover of a LIBO Rate Obligation.

"Security" means the documents creating an Encumbrance of any collateral held from time to time by, the Lenders or on behalf of the Lenders by the U.S. Collateral Agent or Canadian Collateral Agent, in each case securing or intended to secure payment and performance of the Obligations, including without limitation all security described in Article 10.

"Shareholders' Equity" means from time to time the consolidated equity of GFP as determined in accordance with GAAP as shown on the most recent consolidated balance sheet of GFP plus an amount equal to any and all outstanding loans (including Shareholder Loans) made to GFP by its direct or indirect shareholders provided that, by agreement or by its or their terms, payment of interest thereon and principal thereof is postponed and subordinated in right of payment to the Obligations and the Security on terms satisfactory to the Required Lenders.

"Shareholder Loans" means amounts owing in respect of any loan made to GFP by 1308406 Ontario Inc. provided that, by agreement or by its terms, payment of interest thereon and principal thereof is postponed and subordinated in right of payment to the Obligations and the Security on terms satisfactory to the Administrative Agent.

"Software" means, with respect to any Restricted Party, all software of such Restricted Party including the computer programs known by the names as set forth in Schedule 1.01(j), including all versions thereof, and all related documentation, manuals, source code and object code, program files, data files, computer related data, field and data definitions and relationships, data definition specifications, data models, program and system logic, interfaces, program modules, routines, sub-routines, algorithms, program architecture, design concepts, system designs, program structure, sequence and organization, screen displays and report layouts, and all other material related to such software.

"Software Products" means, individually or collectively, as appropriate, all Software and Documentation that have been, are or may be provided to a Restricted Party.

"Subordinated Debt" means any unsecured Debt of any Person that has been subordinated in right to payment to the Obligations on terms satisfactory to the Required Lenders and includes the current Shareholder Loans.

"Subsidiary" means, at any time, with respect to any Person, any other Person, if at such time the first mentioned Person (i) 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

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functions for such other Person, and (ii) directly or indirectly, through the operation of any agreement or otherwise, 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 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.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Total Debt" means, without duplication, with respect to any Person on a consolidated basis, the total of all amounts of obligations in respect of borrowed money, plus, without duplication, the following: (i) the total of all amounts payable in respect of the Capital Leases, (ii) the Aggregate Exposure on all Hedge Arrangements, (iii) the total of all amounts under letters of credit issued under the First Lien Credit Agreement, (iv) all amounts payable pursuant to the First Lien Credit Agreement, and (v) the total of all amounts in respect of guarantees, less the following: (i) the minimum amount of Cash and Cash Equivalents balances and all amounts in the Interest Reserve Account (as defined in the First Lien Credit Agreement) during the most recent quarter not exceeding $50 million in the aggregate, and (ii) the total potential value of all Hedge Arrangements (excluding Commodity Hedge Arrangements) of the Restricted Parties that are in-the-money calculated on a mark-to-market basis up to a maximum value of $15,000,000; and (iii) the amount of any Shareholder Loans.

"Total Debt to Capitalization Ratio" means, with respect to GFP on a consolidated basis, the ratio calculated at the end of a fiscal quarter obtained by dividing (i) the Total Debt of GFP as at such time, by (ii) the Capitalization of GFP as at such time, in each case consolidated with respect to all Restricted Parties, whether or not such consolidation complies with GAAP.

"Total Interest Expense" means, with respect to any Person for any period, without duplication, the aggregate amount of interest (other than interest payable in kind pursuant to Section 4.02) and other financing charges (other than up-front commitment fees paid in respect of this Agreement or the commitments relating thereto) expensed by such Person on account of such period with respect to Debt, including distributions in respect of the Preferred Shares outstanding on the Closing Date, any distribution on other shares of GFP and any repayment of principal or payment of interest on any Shareholder Loans, existing now or hereafter created, interest, discount financing fees, commissions, discounts, the interest or time value of money component of costs related to factoring or securitizing receivables or monetizing inventory and other fees and charges payable with respect to letters of credit, letters of guarantee and bankers' acceptance financings, standby fees, the interest component of Capital Leases and net payments (if any) pursuant to Hedge Arrangements involving interest (but excluding any amount, such as amortization of debt discount and expenses, that would qualify as Depreciation Expense and the amount reflected in Net Income for such period in respect of gains (or losses) attributable to translation of Debt from one currency to another currency) and less all interest income earned during such period, all as determined on a consolidated basis in accordance with GAAP.

"United States Dollars", **"U.S. Dollars"** and **"U.S. $"** means the lawful money of the United States of America.

"U.S. Collateral Agent" means Toronto Dominion (Texas) LLC and its successors and permitted assigns in such capacity.

"Voting Shares" means shares of any class of a corporation or company carrying a voting right under all circumstances.

"Welfare Plan" means a "welfare plan" as such term is defined in Section 3(1) of ERISA.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

1.02 Accounting Principles

All accounting terms not defined herein will be construed, and all financial computations required under this Agreement, including calculations for the purpose of determining compliance with the financial ratios and financial covenants in this Agreement, will be made, in accordance with GAAP, consistently applied; provided, however, that if the Borrower notifies the Administrative Agent that the Borrower wishes to amend the financial ratios or financial covenants in this Agreement to eliminate the effects of any change in GAAP on the operation of such financial ratios or financial covenants (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend the financial ratios or financial covenants in this Agreement for such purpose), then the Borrower's compliance with such financial ratios or financial covenants in this Agreement will be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until other such notice is withdrawn or such financial ratios or financial covenants are amended in a manner reasonably satisfactory to the Borrower and the Required Lenders.

1.03 Interest Calculations and Payments

Unless otherwise stated, wherever in this Agreement reference is made to a rate of interest "*per annum*" or a similar expression is used, such interest will be calculated on the basis of a calendar year of 365 days or 366 days, as the case may be, and using the nominal rate method of calculation and not the effective rate method of calculation or on any other basis that gives effect to the principle of deemed reinvestment of interest. Interest will continue to accrue after maturity and default and/or judgment, if any, until payment in full thereof, and interest will accrue on overdue interest, if any.

1.04 Interest Act (Canada)

For the purposes of disclosure under the Interest Act (Canada) and for this Agreement, whenever interest to be paid hereunder is to be calculated on the basis of 360 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or such other number of days in such period, as the case may be.

1.05 Permitted Encumbrances

The inclusion of reference to Permitted Encumbrances in any Loan Document is not intended to subordinate and will not subordinate, any Encumbrance created by any of the Security to any Permitted Encumbrance.

1.06 Currency

Unless otherwise specified in this Agreement, all references to currency (without further description) are to lawful money of the United States of America.

1.07 Conflicts

In the event of a conflict between the provisions of this Agreement and the provisions of any other Loan Document, then, unless such Loan Document or an acknowledgement from the Restricted Party and the Administrative Agent relative to such Loan Document expressly states that this Section 1.07 is not applicable to such Loan Document, notwithstanding anything else contained in such other Loan Document, the provisions of this Agreement will prevail and the provisions of such other Loan Document will be deemed to be amended to the extent necessary to eliminate such conflict.

1.08 Terms Generally

The definitions of terms herein 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 (including this Agreement) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented, restated or otherwise modified (subject to any restrictions on such amendments, supplements, restatements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and permitted 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) unless otherwise expressly stated, all references in this Agreement to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time and (f) 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.

1.09 Schedules

The following are the Schedules attached hereto and incorporated by reference and deemed to be part hereof:

Schedule A	-	Assignment and Assumption
Schedule B	-	Lenders and Commitments
Schedule 1.01(a)	-	Compliance Certificate
Schedule 1.01(b)	-	Conversion Notice
Schedule 1.01(c)	-	[Reserved]
Schedule 1.01(d)	-	Material Contracts
Schedule 1.01(e)	-	Material Licences
Schedule 1.01(f)	-	Additional Permitted Encumbrances
Schedule 1.01(g)	-	Relevant Jurisdictions
Schedule 1.01(h)	-	Repayment Notice
Schedule 1.01(i)	-	Rollover Notice
Schedule 1.01(j)	-	Software
Schedule 1.01(k)	-	Mills Budget
Schedule 1.01(l)	-	Mills Projections of Operating Results, Expenses and Cash Flow
Schedule 1.01(m)	-	Mills Construction Schedule
Schedule 1.01(n)	-	[Reserved]

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Schedule 1.01(o)	-	[Reserved]
Schedule 1.01(p)	-	Grant Equipment Transaction
Schedule 4.02	-	Election of PIK Interest Notice
Schedule 8.01(17)	-	Ownership Structure
Schedule 8.01(19)	-	Real Property
Schedule 8.01(21)	-	Intellectual Property Rights
Schedule 8.01(27)	-	Pension Plan Disclosure
Schedule 9.04(2)	-	Description of Permitted Restructuring
Schedule 14.14.(3)	-	Loan Pricing Corporation Information

ARTICLE 2 - THE CREDIT FACILITY

2.01 Borrower Facility

Subject to the terms and conditions of this Agreement, each Lender agrees to make a term loan in U.S. Dollars to the Borrower on the Closing Date in the applicable principal amount set forth on Schedule B that will not result in such Lender's Loan exceeding such Lender's Commitment or the sum of the Loans exceeding the total Commitments. No amount of the Loans which are repaid or prepaid by the Borrower may be reborrowed hereunder. A Conversion or Rollover of a Loan shall be deemed for all purposes not to be a repayment or a reborrowing of a Loan. The Commitments shall expire upon the making of the Loans on the Closing Date. The Borrower shall have given the Administrative Agent written notice at least three Business Days (if any portion of the Loans are to be LIBO Rate Obligations) or two Business Days (for any portion of the Loans which are to be Alternate Base Rate Obligations) prior to the Closing Date, specifying the type and Interest Period, if applicable, with respect to the Loans.

2.02 [Reserved]

2.03 [Reserved]

2.04 [Reserved]

2.05 Purpose of Credit Facility

(1) Loans under the Credit Facility will only be used for working capital and general corporate requirements in the ordinary course of business of the Borrower, including to assist in financing the construction and operation of the Mills and to repay existing indebtedness under the swingline facilities of the First Lien Credit Agreement and to deposit funds to the Interest Reserve Account (as defined in the First Lien Credit Agreement).

(2) For greater certainty, the Borrower will not use the Loans under the Credit Facility, directly or indirectly, on whole or in part, to fund or otherwise finance the Footner Buyout.

2.06 [Reserved]

2.07 [Reserved]

2.08 Conversions and Rollovers under Credit Facility

(1) Subject to the provisions of this Agreement, the Borrower may convert the whole or any part of any type of Loan or PIK Interest Amount (whether an Alternate Base Rate Obligation or a LIBO Rate

Obligation) into the other type of Loan or PIK Interest Amount or rollover any LIBO Rate Obligation on the last day of the applicable Interest Period therefor, by giving the Administrative Agent a Conversion Notice or Rollover Notice, as the case may be. Such conversions and rollovers (including Conversions and Rollovers) are made by the Borrower to select from time to time its preferred pricing option and no such conversion or rollover (including any Conversion or Rollover) shall, despite any other provision hereof, constitute or be deemed to constitute an advance or a repayment of any Loan or PIK Interest Amount or the Credit Facility. If the Borrower fails to rollover a LIBO Rate Obligation at the end of its Interest Period, such Loan will be converted into an Alternate Base Rate Obligation.

(2) The Borrower must give the Administrative Agent a Conversion Notice or Rollover Notice, as the case may be, three Business Days (in the cases of LIBO Rate Obligations) and two Business Days (in the case of all other Loans and PIK Interest Amounts) prior to the proposed Conversion Date or Rollover Date, as the case may be. Any Conversion Date or Rollover Date must be a Business Day.

(3) Each Conversion Notice or Rollover Notice, as the case may be, must be delivered to the Administrative Agent by the Borrower on or prior to 1:00 p.m. (New York time) on a Business Day.

(4) Each Conversion or Rollover, except for Conversions and Rollovers of PIK Interest Amounts, must be in a minimum principal amount of $5,000,000 and increments of $500,000.

(5) Prior to each Interest Payment Date during the PIK Interest Period (with notice to the Administrative Agent in compliance with the provisions of Section 2.08(2) as if such event were a Conversion or a Rollover) the Borrower shall select whether the amount of interest then due (whether due with respect to the Loans or the PIK Interest Amount) shall bear interest with respect to the Alternate Base Rate or the Adjusted LIBO Rate, and, if the Adjusted LIBO Rate, the Interest Period with respect thereto.

2.09 Administrative Agent's Obligations with Respect to Loans

Upon receipt of a Conversion Notice or Rollover Notice, as the case may be, the Administrative Agent will forthwith notify the Lenders of the proposed Conversion Date or Rollover Date, as the case may be, and of each Lender's Applicable Percentage of such Loan or PIK Interest Amount, as the case may be.

2.10 [Reserved]

2.11 Irrevocability

Each Conversion Notice and Rollover Notice given by the Borrower is irrevocable and will oblige the Borrower to take the action contemplated on the date specified therein.

2.12 [Reserved]

2.13 Account of Record

The Administrative Agent will open and maintain books of account evidencing all Loans and all other amounts owing by the Borrower to the Lenders hereunder. The Administrative Agent will enter in the foregoing accounts details of all amounts from time to time owing, paid or repaid by the Borrower hereunder. The information entered in the foregoing accounts will constitute *prima facie* evidence of the obligations of the Borrower to the Lenders hereunder with respect to all Loans and all other amounts owing by the Borrower to the Lenders hereunder. After a request by the Borrower, the Administrative Agent will promptly advise the Borrower of such entries made in the Administrative Agent's books of account.

ARTICLE 3 - DISBURSEMENT CONDITIONS

3.01 Conditions Precedent to Advance

The obligation of each Lender to make its Loan on the Closing Date is subject to and conditional upon the restrictions in Section 2.01 and to the prior satisfaction of the following conditions precedent:

(a) there will not have occurred any material increase in the Mills Budget or any material change in the Mills Operating Projections or in the Mills Construction Schedule, or in the economics or feasibility of constructing and/or operating the Mills which, in the case of any of the foregoing, could reasonably be expected to cause or result in a Material Adverse Change;

(b) the Administrative Agent will have received satisfactory evidence of compliance with applicable builders and construction lien legislation in or applicable in South Carolina without any material adverse effect on the effectiveness and priority of the Security;

(c) a report from the Independent Engineer as to whether, in the professional opinion of the Independent Engineer, the Costs to Complete are not more than $570,000,000, which report is in a form and substance and reaches conclusions that are acceptable to the Administrative Agent, acting reasonably;

(d) the Administrative Agent will have received such documents and certificates as the Administrative Agent may reasonably request relating to the organization, existence and good standing of the Restricted Parties, the authorization of the transactions contemplated hereby and any other legal matters relating to the Restricted Parties, this Agreement or the transactions contemplated hereby, all in form and substance satisfactory to the Administrative Agent;

(e) releases, discharges and postponements that are required in the discretion of the Administrative Agent (in registerable form where necessary) with respect to all Encumbrances affecting the collateral Encumbered by the Security that are not Permitted Encumbrances, if any, (or deliver discharge undertakings satisfactory to the Administrative Agent with respect thereto) will have been delivered to the Administrative Agent;

(f) the Administrative Agent will have received an executed amendment in form and substance satisfactory to it of the First Lien Credit Agreement and any related documents, if applicable;

(g) the Administrative Agent will have received an intercreditor agreement in form and substance satisfactory to it, executed by the Borrower, GFP and the administrative agents under the First Lien Credit Agreement;

(h) the Administrative Agent will have received on its own behalf or on behalf of the Lenders payment of all fees payable to the Administrative Agent or the Lenders that are due and payable at such time under the Loan Documents;

(i) copies of all lien search reports requested by the Administrative Agent and duly executed copies of the Security will have been delivered to the Administrative Agent and all such

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Security will have been duly registered, filed and recorded in all Relevant Jurisdictions where required by Applicable Law or where the Administrative Agent considers it necessary, in its sole discretion, to do so;

(j) the Administrative Agent will have received evidence that as of the Closing Date the amount of (i) the Borrower's Cash, plus (ii) funds undrawn under the First Lien Credit Agreement, plus (iii) the Loans, less (iv) the Costs to Complete is at least $100,000,000;

(k) the Administrative Agent will have received evidence that EBITDA of GFP on a consolidated basis for the fiscal year ended December 31, 2006 is at least $50,000,000, based on financial statements prepared by the Borrower's management in accordance with GAAP or audited financial statements, if available;

(l) the Administrative Agent and each Lender will have received five-year financial projections, reasonably satisfactory to them, taking into account the Credit Facility and the amendment to the First Lien Credit Agreement;

(m) a currently dated letter of opinion of Borrower's counsel, as to such matters and in such form as the Administrative Agent's counsel may deem appropriate, addressed to the Lenders and the Administrative Agent will have been delivered to the Administrative Agent and appropriate corporate solvency certificates concerning the Restricted Parties;

(n) currently dated letters of opinion of local counsel to the Borrower, as to such matters and in such form as the Administrative Agent's counsel deems appropriate, addressed to the Lenders and to the Administrative Agent will have been delivered to the Administrative Agent;

(o) the Administrative Agent will have received from the Borrower a currently dated officer's certificate to the effect set forth in clauses (s) and (t) of this Section 3.01;

(p) the Restricted Parties will have delivered to the Administrative Agent certificates of insurance acceptable to the Administrative Agent that insure the assets to be secured by the Security, including course of construction and liability insurance in respect of the Mills;

(q) Administrative Agent will have received an ALTA Form 1992 Lender's Policy of Title Insurance for each Property located in the United States considered to be real estate (the "Real Property") encumbered by the Security issued by Fidelity National Title Insurance Company (the "Title Company") insuring Administrative Agent in the amount at least equal to the Loans, insuring each Security to be a valid lien, prior and paramount to all Encumbrances except for Permitted Encumbrances, upon the fee interest in each Real Property subject only to the Permitted Encumbrances and to customary exceptions for completion of improvements (the "Title Insurance Policies"). The Title Insurance Policies must specifically insure against claims and questions related to claims for mechanics' or materialmen's liens, provide extended coverage and contain the following endorsements: (i) ALTA Endorsement Form 3.0 endorsement which must specifically state that the intended use of the Real Property is a "permitted use" under the governing zoning ordinance; (ii) location endorsement; (iii) usury and violations of consumer credit laws endorsement; (iv) access endorsement; (v) tax parcel endorsement; (vi) if the Real Property consists of more than one subparcel, contiguity endorsement; (vii) environmental lien endorsement; (viii) creditor's rights endorsement; (ix) revolving credit endorsement; (x) variable rate endorsement; (xi) future advance endorsement; (xii) doing business endorsement; (xiii) same as survey endorsement; (xiv) first loss endorsement; (xv) lender's comprehensive endorsement; (xvi) deletion of arbitration clause endorsement; (xvii) subdivision endorsement; and (xviii) such other endorsements as Administrative Agent may require. Additionally, the Title Insurance Policies must insure that the Title Insurance Company is prepared to issue its ALTA Zoning Endorsement Form 3.1 (including compliance with parking requirements) and its unconditional Comprehensive Endorsement ALTA Form 9, or its customary form of like "conformity" endorsement upon completion of the construction of the Real Property;

(r) Title Company will have received all affidavits, indemnities, organizational documents and authority documents as it may reasonably request in order to issue the Title Insurance Policies;

(s) the representations and warranties of the Borrower set forth in this Agreement are true and correct as of the Closing Date;

(t) no Event of Default or Default will have occurred and be continuing on the Closing Date, or would result from making the Loans; and

(u) all other terms and conditions of this Agreement upon which the Borrower may obtain a Loan that have not been waived will have been fulfilled;

provided, however, that all documents delivered pursuant to this Section 3.01 must be in full force and effect, and in form and substance satisfactory to each of the Lenders, acting reasonably.

3.02 **Waiver**

The conditions set forth in Section 3.01 are for the sole benefit of the Lenders and may be waived by the Lenders, in whole or in part (with or without terms or conditions), subject to Section 14.07.

ARTICLE 4 - PAYMENTS OF INTEREST

4.01 **Interest**

(1) The Borrower will pay interest on each Alternate Base Rate Obligation at a rate *per annum* equal to the sum of (a) the Alternate Base Rate plus (b) the Applicable Margin with respect to Alternate Base Rate Obligations; plus (c) any additional amounts due pursuant to Section 4.02 hereof. Each determination by the Administrative Agent of the Alternate Base Rate applicable from time to time will, in the absence of manifest error, be binding upon the Borrower. Such interest will be calculated and payable in cash in arrears on each Interest Payment Date for such Loan and such PIK Interest Amounts bearing interest with respect to the Alternate Base Rate and will be calculated on the principal amount of such Loans and such amount of the PIK Interest Amounts outstanding during such period and on the basis of the actual number of days elapsed divided by 360, except that the rate described in clause (i) of the definition of Alternate Base Rate will be calculated on the basis of the actual number of days elapsed divided by 365 or 366, as applicable. Changes in the Alternate Base Rate will cause an immediate adjustment of the interest rate applicable to such Loan and PIK Interest Amounts bearing interest with respect to the Alternate Base Rate without the necessity of any notice to the Borrower.

(2) The Borrower will pay interest during each Interest Period applicable thereto on each LIBO Rate Obligation at a rate *per annum* equal to the sum of (a) the Adjusted LIBO Rate plus (b) the Applicable

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Margin with respect to LIBO Rate Obligations plus (c) any additional amounts due pursuant to Section 4.02 hereof. Each determination by the Administrative Agent of the Adjusted LIBO Rate with respect to an Interest Period will, in the absence of manifest error, be binding upon the Borrower. Such interest will be calculated and payable in cash in arrears on each Interest Payment Date for such Loan and for such PIK Interest Amounts bearing interest with respect to the Adjusted LIBO Rate for the period from and including the Closing Date, Conversion Date, Rollover Date or preceding Interest Payment Date, as the case may be, for such Loan or such PIK Interest Amounts bearing interest with respect to the Adjusted LIBO Rate to but excluding such Interest Payment Date and will be calculated on the principal amount of the Loan and such PIK Interest Amounts in each case bearing interest with respect to the Adjusted LIBO Rate outstanding during such period and on the basis of the actual number of days elapsed divided by 360. At no time will the number of Interest Periods with respect to outstanding LIBO Rate Obligations exceed 10.

4.02 <u>PIK Interest</u>

(1) Notwithstanding anything herein to the contrary, during the period from the Closing Date until the second anniversary of the Closing Date, the Borrower may make a PIK Interest Election thereby electing to have interest on Alternate Base Rate Obligations and Adjusted LIBO Rate Obligations due during the PIK Interest Period payable in kind. During the PIK Interest Period, on each Interest Payment Date the amount of interest otherwise due and payable with respect to Alternate Base Rate Obligations and Adjusted LIBO Rate Obligations on such Interest Payment Date to each Lender (such interest amount with respect to any Lender, the "PIK Interest Amount" and collectively with respect to all Lenders the "PIK Interest Amounts") will not then be paid in cash but will instead continue to accrue and itself bear interest (which interest during the PIK Interest Period will be added on the next succeeding Interest Payment Date to the then outstanding PIK Interest Amount) at the then applicable rate set out herein for Alternate Base Rate Obligations or LIBO Rate Obligations, as the Borrower shall select plus the increased interest rate amount set forth in the next sentence. If the Borrower makes a PIK Interest Election, the Applicable Margin otherwise applicable to each outstanding Loan and PIK Interest Amount will increase by 1.50% per annum until the day immediately following the Interest Payment Date on which the Borrower again begins to pay interest then due on the Loans and on the PIK Interest Amounts in full in cash whereupon the Applicable Margin will decrease by such increased rate of 1.50% per annum whether or not any PIK Interest Amounts then remain outstanding. All accrued and unpaid PIK Interest Amounts will be due and payable in cash on the Maturity Date. For purposes of clarification (a) following the PIK Interest Period, interest on all Loans and PIK Interest Amounts will be due in cash as otherwise set forth in this Agreement and (b) if the Borrower fails to pay in full the interest then due on the Loans and PIK Interest Amounts in cash on the first Interest Payment Date following the last day of the PIK Interest Period, such failure will constitute an Event of Default. Borrower may only deliver one Election of PIK Interest Notice hereunder.

(2) If the Loans would otherwise constitute "applicable high yield discount obligations" within the meaning of Section 163(i)(1) of the Code, prior to the end of the first Interest Period ending after the fifth anniversary of the date of the advance of the Loan, notwithstanding anything to the contrary in any Loan Document, the Borrower shall pay and shall be permitted to pay in cash all or a portion of the PIK Interest Amounts then outstanding and other accrued and unpaid interest in an amount sufficient to prevent such Loans from being treated as an "applicable high yield discount obligation" within the meaning of Section 163(i)(1) of the Code.

(3) The Loans were made with Original Issue Discount within the meaning of Section 1273(a)(1) of the Code. The information regarding the issue price of the Loans, the amount of the original issue discount, the issue date and the yield to maturity can be obtained from the Chief Financial Officer of GFP in accordance with Section 14.01.

4.03 **[Reserved]**

4.04 **[Reserved]**

4.05 **Default**

Upon the occurrence of, and during the continuance of, an Event of Default, to the full extent permitted by law, principal and overdue interest in respect of the Loans and PIK Interest Amounts shall, in each case, bear interest, payable on demand in cash, at a rate 2% per annum higher than the rate of interest otherwise applicable hereunder, compounded quarterly not in advance.

4.06 **[Reserved]**

4.07 **Agency Fees**

In consideration of the Administrative Agent acting as Administrative Agent under the Loan Documents, the Borrower will pay to the Administrative Agent an agency fee in an amount, and on the terms and conditions, agreed to in writing by the Administrative Agent and the Borrower. All such written arrangements, as well as the fee letter dated as of January 19, 2007 between GFP and Toronto Dominion (Texas) LLC, will constitute Loan Documents.

ARTICLE 5 – YIELD PROTECTION; TAXES

5.01 **Increased Costs**

(1) Increased Costs Generally. If any Change in Law shall:

(a) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement (except any such reserve requirement reflected in the Adjusted LIBO Rate) against assets of, deposits with or for the account of, or credit extended by, any Lender;

(b) subject any Lender to any Tax of any kind whatsoever with respect to this Agreement or any Loan made by it or any PIK Interest Amount of such Lender, or change the basis of taxation of payments to such Lender in respect thereof, except for Indemnified Taxes or Other Taxes covered by Section 5.02 and the imposition, or any change in the rate, of any Excluded Tax payable by such Lender; or

(c) impose on any Lender or any applicable interbank market any other condition, cost or expense affecting this Agreement or Loans made by such Lender or such Lender's PIK Interest Amount;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Loan or PIK Interest Amount (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount), then upon request of such Lender the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(2) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the

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capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender or the PIK Interest Amount of such Lender to a level below that which such Lender or its holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of its holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or its holding company for any such reduction suffered.

(3) Certificates for Reimbursement. A certificate of a Lender describing the Change in Law and setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (1) or (2) of 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. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(4) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation, except that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefore, unless the Change in Law giving rise to such increased costs or reductions is retroactive, in which case the nine-month period referred to above shall be extended to include the period of retroactive effect thereof.

5.02 Taxes.

(1) Payments Subject to Taxes. If any Restricted Party, the Administrative Agent, or any Lender is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of any payment by or on account of any obligation of a Restricted Party hereunder or under any other Loan Document, then (i) the sum payable shall be increased by that Restricted Party as necessary so that after making or allowing for all required deductions and payments of such Indemnified Taxes or Other Taxes (including deductions and payments applicable to additional sums payable under this Section) the Administrative Agent or Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions or payments been required, (ii) the Restricted Party shall make any such deductions required to be made by it under Applicable Law and (iii) the Restricted Party shall timely pay the full amount so required to be deducted to the relevant Governmental Authority in accordance with Applicable Law.

(2) Payment of Other Taxes by the Borrower. Without limiting the provisions of paragraph (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(3) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, the U.S. Collateral Agent, the Canadian Collateral Agent and each Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, the U.S. Collateral Agent, the Canadian Collateral Agent or such Lender in respect of any payment by or on account of any obligation of a Restricted Party hereunder or under any Loan Document, or as a result of its Commitment(s), any Loans made by it or otherwise in connection with its participation in any Loan Document, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority except to the extent such Indemnified Taxes or Other Taxes arise

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from any gross negligence or wilful misconduct on the part of such Administrative Agent or such Lender. A certificate as to the amount of such payment or liability together with a description (in reasonable detail) of the reasons for such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be *prima facie* evidence thereof absent manifest error.

(4) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Restricted Party to a Governmental Authority, such Restricted Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(5) Treatment of Certain Refunds and Tax Reductions. If the Administrative Agent or a Lender determines that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which a Restricted Party has paid additional amounts pursuant to this Section, it shall pay to the Borrower or Restricted Party, as applicable, an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or Restricted Party under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender, as the case may be, and without interest (other than any net after-Tax interest paid by the relevant Governmental Authority with respect to such refund). The Borrower or Restricted Party as applicable, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower or Restricted Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender if the Administrative Agent or such Lender is required to repay such refund or reduction to such Governmental Authority except to the extent such repayment arises as a result of any gross negligence or wilful misconduct on the part of the Administrative Agent or such Lender. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person, to arrange its affairs in any particular manner or to claim any available refund.

(6) Each Lender shall, to the extent such Lender is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be required by the recipient) on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Lender is legally entitled to do so), whichever of the following is applicable:

(a) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States of America is a party,

(b) duly completed copies of Internal Revenue Service Form W-8ECI,

(c) in the case of a Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN,

(d) duly completed copies of Internal Revenue Service Form W-9 orW-8IMY (together with other documentation prescribed by applicable law), or

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(e) any other form or statement requested by the Borrower in writing and prescribed by applicable law as a basis for claiming exemption from or reduction of any withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower, other Restricted Party or the Administrative Agent to determine the withholding or deduction required to be made provided that the Lender determines that providing such form, statement or documentation will not disadvantage or prejudice such Lender in any manner.

5.03 Mitigation Obligations: Replacement of Lenders.

(1) Designation of a Different Lending Office. If any Lender requests compensation under Section 5.01, or requires the Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.02 , then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 5.01 or 5.02 , as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(2) Replacement of Lenders. If any Lender requests compensation under Section 5.01, if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.02, if any Lender's obligations are suspended pursuant to Section 5.04 or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon 10 days' notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 14.12), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower pays the Administrative Agent the assignment fee specified in Section 12.05(7);

(b) the assigning Lender receives payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon (including without limitation such Lender's PIK Interest Amount), accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any breakage costs and amounts required to be paid under this Agreement as a result of prepayment to a Lender) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 5.01 or payments required to be made pursuant to Section 5.02, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with Applicable Law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

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5.04 Illegality.

If any Lender determines that any Applicable Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make or maintain any Loan or PIK Interest Amount (or to maintain its obligation to make any Loan), or to determine or charge interest rates based upon any particular rate, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender with respect to the activity that is unlawful shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if conversion would avoid the activity that is unlawful, convert any Loans and PIK Interest Amounts in order to avoid the activity that is unlawful. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest (provided that if such prepayment or conversion occurs during the PIK Interest Period, such accrued interest shall not be payable but shall be added to the PIK Interest Amounts) on the amount so prepaid or converted. Each Lender agrees to designate a different lending office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

5.05 Inability to Determine Rates Etc.

If the Required Lenders determine that for any reason adequate and reasonable means do not exist for determining the Adjusted LIBO Rate for any requested Interest Period with respect to a proposed LIBO Rate Obligation, or that the Adjusted LIBO Rate for any requested Interest Period with respect to a proposed LIBO Rate Obligation does not adequately and fairly reflect the cost to such Lenders of funding such Loan or PIK Interest Amount (if such PIK Interest Amount were a Loan), the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain LIBO Rate Obligations shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a borrowing, conversion or continuation of LIBO Rate Obligations or, failing that, will be deemed to have converted such request into a request for a borrowing of Alternate Base Rate Obligations in the amount specified therein.

ARTICLE 6 - REPAYMENT

6.01 Mandatory Repayment

The Borrower will repay in full the outstanding principal amount of all Loans and other Obligations under the Credit Facility on or before the Maturity Date.

6.02 Voluntary Prepayment

Subject to Section 6.04, the Borrower shall be entitled, from time to time, to prepay all or part of its Obligations hereunder. The Borrower will notify the Administrative Agent in writing of any such voluntary prepayment at least three Business Days prior to the date of such prepayment. Each such notice will specify the date of such prepayment and the amount of such prepayment. The Administrative Agent will promptly notify each Lender of the contents of the Borrower's prepayment notice and of such Lender's *pro rata* share of the prepayment. Each voluntary prepayment shall be in a minimum amount of $500,000 and shall be accompanied by a premium on the amount so prepaid of 2% if the prepayment is made before the first anniversary of the Closing Date and 1% if the prepayment is made after the first anniversary but before the second anniversary of the Closing Date. Notwithstanding the foregoing, no voluntary prepayment shall be permitted unless such prepayment is permitted by the terms of the First Lien Credit Agreement (or the applicable lenders thereunder consent to such prepayment) or all obligations under the First Lien Credit Agreement have been paid in full (excluding contingent indemnification obligations not yet due and payable).

6.03 Mandatory Prepayments

(1) (a) Except as otherwise provided in this Section 6.03, if a Restricted Party receives Net Proceeds in the form of Cash or Cash Equivalents from (i) a Disposition that gives rise to a Disposition Trigger Event, or from insurance proceeds pursuant to Section 9.01(8) hereof, or (ii) the issuance of Equity (other than Equity contributions to provide required liquidity or fund construction of the Mills and Equity issuances to a Restricted Party or as part of the Permitted Restructuring) or Debt (other than Subordinated Debt, Debt issued under the First Lien Credit Agreement and Debt issued to a Restricted Party or as part of the Permitted Restructuring), the Borrower will have an obligation under this Section 6.03 to make a prepayment of the Loans and PIK Interest Amounts in an amount equal to such Net Proceeds in the form of Cash or Cash Equivalent. In addition, except as provided in Section 6.03(6), within 145 days after each fiscal year end, the Borrower will prepay the Loans and PIK Interest Amounts in an amount equal to the Excess Cash Flow Prepayment for such fiscal year. All such prepayments will be applied *pro rata* to the outstanding Loans and PIK Interest Amounts. The Borrower will notify the Administrative Agent in writing of any such mandatory prepayment required to be made pursuant to this Section 6.03(1) at least five Business Days prior to the date of such prepayment. Each such notice will specify the date of such prepayment and the amount of such prepayment. The Administrative Agent will promptly notify each Lender of the contents of the Borrower's prepayment notice and of such Lender's *pro rata* share of the prepayment. Notwithstanding the foregoing and subject to paragraph (b), the Borrower will not be required to make any prepayment pursuant to this Section 6.03 on or prior to the fifth anniversary of the date of the advance of the Loans (the "**Fifth Anniversary**") to the extent that the amount thereof, when aggregated with all prior mandatory prepayments pursuant to this Section 6.03 and all other prior mandatory repayments and prepayments of PIK Interest Amounts and principal of the Loans, would exceed 25% of the principal amount of the Credit Facility advanced; provided that the excess amount which relates exclusively to the insurance proceeds referred to in paragraph (b) of the definition of Net Proceeds which would have been applied to prepayment of the Loans and PIK Interest Amounts but for this sentence of Section 6.03(1) will be deposited by the Borrower into a designated cash collateral account maintained with the U.S. Collateral Agent until so applied on the Business Day immediately following the Fifth Anniversary and all other amounts which would have been applied to prepayment of the Loans and PIK Interest Amounts but for this sentence of Section 6.03(1) will, subject to Section 6.03(1)(b), be paid on the Business Day immediately following the Fifth Anniversary without being required to be deposited in a cash collateral account.

(b) A Disposition Trigger Event will constitute an event requiring the Borrower to, within five Business Days following such event, make an offer to the Lenders, by notice to the Administrative Agent, to prepay the Loans and PIK Interest Amounts in the amount of such prepayment, and such amount will be applied in the manner specified in Section 6.03(2). Any failure of the Borrower to make such offer or to effect such prepayment following acceptance of such offer will constitute an Event of Default under this Agreement. If any Lender declines such offer, the Borrower shall be entitled to retain the applicable amount.

(2) The Borrower will pay to the Administrative Agent all accrued fees and other amounts, and accrued and unpaid interest in respect of the Loans (except for the PIK Interest Amounts other than as required by Section 6.03(1)(a)) to, but excluding, the effective date of any repayment or prepayment on the date of such repayment or prepayment.

(3) Section 6.03(1) will not apply upon the occurrence of and during the continuance of an Event of Default in which case all such Net Proceeds will forthwith be applied to pay down the Loans and PIK Interest Amounts, subject to Sections 6.03(5) and (6).

(4) The Lenders hereby consent to any payment that will be necessary for a Restricted Party to make to the Borrower in order for the repayments under this Section 6.03 to be made.

(5) Notwithstanding anything herein to the contrary except Section 6.03(6) and except with respect to Excess Cash Flow Prepayments, no prepayment or deposit pursuant to this Section 6.03 will be required or permitted unless the prepayment or deposit under the First Lien Credit Agreement has been waived by the lenders thereunder (or, in the case of prepayments pursuant to Section 6.03(1)(a)(ii), the lenders thereunder have not elected to require such a prepayment) in accordance with the terms thereof or all obligations under the First Lien Credit Agreement have been paid in full (excluding contingent indemnification obligations not yet due and payable).

(6) In the event that any Excess Cash Flow Prepayment is due hereunder, the Borrower shall make the "Excess Cash Flow Prepayment" (as defined in the First Lien Credit Agreement) due to the lenders under the First Lien Credit Agreement (unless such payment is waived by the lenders under the First Lien Credit Agreement) and the amount of Excess Cash Flow Prepayment then due hereunder shall be reduced by the amount of such "Excess Cash Flow Prepayment" actually paid to or deposited with the lenders under the First Lien Credit agreement at such time and by the amount, if any, of such "Excess Cash Flow Prepayment" required to be paid to the lenders under the First Lien Credit Agreement pursuant to the last sentence of Section 2.16 of the First Lien Credit Agreement on the business day following the "Fifth Anniversary" as defined in the First Lien Credit Agreement.

For purpose of this Section 6.03, any payment required to be made under Section 4.02(2) shall be governed by and made in accordance with Section 4.02(2) instead of this Section 6.03 and shall, to the extent paid in accordance with such Section, reduce (without duplication) any prepayment due under this Section 6.03.

6.04 Breakage Costs

If the Borrower prepays any LIBO Rate Obligation by reason of any voluntary or mandatory prepayment or an assignment pursuant to Section 5.03(2) or makes a Conversion or Rollover of any LIBO Rate Obligation, in each case prior to the end of the applicable Interest Period, or fails to Convert or Rollover any LIBO Rate Obligation the date specified in the related notice, the Borrower will compensate the Lenders for any loss or expense that the Lenders incur as a result thereof, including any breakage costs.

ARTICLE 7 - PLACE AND APPLICATION OF PAYMENTS

7.01 Place of Payment of Principal, Interest and Fees

All payments of principal, interest, fees and other amounts to be made by the Borrower to the Administrative Agent and the Lenders pursuant to this Agreement will be made in U.S. Dollars for value on the day such amount is due or, if such day is not a Business Day, on the Business Day next following with interest, by deposit or transfer thereof to the account of the Administrative Agent maintained at the Administrative Agent's office or at such other place as the Borrower and the Administrative Agent may from time to time agree.

7.02 Netting of Payments

If, on any date, amounts would be due and payable under this Agreement in the same currency by a Restricted Party to any Lender, and by such Lender to a Restricted Party, then, on such date, upon the agreement of the applicable Restricted Party and the applicable Administrative Agent or such Lender

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that netting is to apply to such payments, the obligations of each such party to make payment of any such amount will be automatically satisfied and discharged if the amounts payable are the same. If, in such circumstances, the aggregate amount that would otherwise have been payable by a Restricted Party to such Lender exceeds the aggregate amount that would otherwise have been payable by such Lender to a Restricted Party or *vice versa*, such obligations will be replaced by an obligation upon whichever of the Restricted Party or such Lender would have had to pay the larger aggregate amount, to pay to the other the excess of the larger aggregate amount over the smaller aggregate amount. For greater certainty, prior to acceleration of repayment pursuant to Section 11.02, this Section 7.02 will not permit any Lender to exercise a right of set-off, combination or similar right against any amount which a Restricted Party may have on deposit with such Lender in respect of any amount to which netting is to apply pursuant to this Section 7.02, but will apply only to determine the net amount to be payable by the Lenders to a Restricted Party, or by a Restricted Party to the Lenders.

ARTICLE 8- REPRESENTATIONS AND WARRANTIES

8.01 Representations and Warranties

Each of the Borrower and GFP represents and warrants to the Administrative Agent and to each of the Lenders as follows, and acknowledges and confirms that the Administrative Agent and each of the Lenders is relying upon such representations and warranties:

(1) Existence and Qualification. Each of the Restricted Parties (a) that is a corporation or company has been duly incorporated, amalgamated or continued, as the case may be, and is validly subsisting as a corporation or company under the laws of its jurisdiction of incorporation, amalgamation, or continuance, as the case may, (b) that is not a corporation or company has been duly created or established as a partnership or other entity and validly exists under the laws of the jurisdiction in which it has been created or established, and (c) is duly qualified, licensed and registered to carry on its business in all jurisdictions where it conducts business and has all Material Licences, all of which are in good standing.

(2) Power and Authority. Each of the Restricted Parties has the power, authority and right (a) to enter into and deliver, and to exercise its rights and perform its obligations under, the Loan Documents to which it is a party and all other instruments and agreements delivered by it pursuant to any of the Loan Documents, and the Material Contracts to which such Restricted Party is a party, and (b) to own its Property and carry on its business as currently conducted and as currently proposed to be conducted by it.

(3) Duly Licensed. Each of the Restricted Parties is duly licensed, registered or qualified in all jurisdictions where the character of its assets and Property owned or leased or the nature of the activities conducted by it make such licensing, registration or qualification necessary or desirable under Applicable Law, except where failure to do so would not, individually or in the aggregate, constitute, or be reasonably likely to cause or result in, a Material Adverse Change. Each of the Restricted Parties holds all licences, permits, orders, approvals, notices, registrations and all other prerequisites for conducting its business under Applicable Law, except where failure to do so would not, individually or in the aggregate, constitute, or be reasonably likely to cause or result in, a Material Adverse Change.

(4) Execution, Delivery, Performance and Enforceability of Documents. The execution, delivery and performance of each of the Loan Documents and the Material Contracts to which a Restricted Party is a party, and every other instrument or agreement delivered by it pursuant to any Loan Document or the Material Contracts, has been duly authorized by all actions, if any, required on its part and by its shareholders and directors (or where applicable partners, members or managers), and each of such documents has been duly executed and delivered.

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(5) Loan Documents and Material Contracts Comply with Applicable Laws, Organizational Documents and Contractual Obligations. Provided that the Restricted Parties obtain the necessary consents to the assignment of certain Material Contracts, by way of security to the Administrative Agent, neither the entering into nor the delivery of, and neither the consummation of the transactions contemplated in nor performance of nor compliance with the terms, conditions and provisions of, the Loan Documents and the Material Contracts by any Restricted Party conflicts with or will conflict with, or results or will result in any breach of, or constitutes a default under or contravention of, any Requirements of Law applicable to it or any of its Organizational Documents or any other agreement, guarantee, indenture or instrument to which it is a party or by which it is bound (except, in each case, where such conflict, breach, default, or contravention would not, individually or in the aggregate, constitute, or be reasonably likely to cause or result in, a Material Adverse Change), or results or will result in the creation or imposition of any Encumbrance upon any of its Property and no approval is required from any Governmental Authority in connection with the execution and performance by the Restricted Parties of any of the Loan Documents and each of the Loan Documents constitutes the legal, valid, binding and enforceable obligation of the Restricted Party to each such Loan Document subject to the customary legal qualifications to same.

(6) Taxes. Each of the Restricted Parties has filed or caused to be filed all federal, provincial, state and local returns, filings, elections and reports which to its knowledge are required to be filed by it in respect of all Taxes and has paid or caused to be paid all Taxes, including interest and penalties, as may be required by law and in accordance with any assessment or demand for payment received by it to the extent that Taxes have become due, except as may be diligently contested in good faith and by appropriate proceedings or as to which a *bona fide* dispute may exist and for which adequate reserves are being maintained. Each of the Restricted Parties has withheld and remitted all amounts required to be held by it, (including without limitation income tax, Canada Pension Plan and employment insurance) from all payments made to its officers and employees, to all non-residents and to all other Persons with respect to whom it is required to withhold any amounts and has paid these amounts, together with any interest and penalties due, to the appropriate authority on a timely basis and in the form required by the appropriate legislation, except as may be diligently contested in good faith and by appropriate proceedings or as to which a *bona fide* dispute may exist and for which adequate reserves are being maintained.

(7) Judgments, etc. None of the Restricted Parties is subject to any judgment, order, writ, injunction, decree or award (other than customary or ordinary course restrictions, rules and regulations consistent or similar with those imposed on other Persons engaged in similar businesses) that has not been stayed or of which enforcement has not been suspended and that, individually or in the aggregate, constitutes, or is reasonably likely to cause or result in, a Material Adverse Change.

(8) Absence of Litigation. There are no actions, suits or proceedings pending or, to the best of the Borrower's and GFP's knowledge and belief, after due inquiry and all reasonable investigation, threatened against or affecting any Restricted Party that are reasonably likely to cause or result in, either separately or in the aggregate, a Material Adverse Change. None of the Restricted Parties is in default with respect to any Applicable Law in any manner or to any extent that could reasonably be expected to cause or result in, a Material Adverse Change.

(9) No Event of Default or Pending Event of Default. No Event of Default or Default has occurred and is continuing.

(10) Title to Assets. Each of the Restricted Parties has good title to its Property, free and clear of all Encumbrances except Permitted Encumbrances and no Person has any agreement or right to acquire an interest in such Property other than in the ordinary course of the business of the applicable Restricted Party.

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(11) No Liabilities. Each of the Restricted Parties has as at December 31, 2005 no liabilities (contingent or other) or other obligations of the type required to be disclosed in accordance with GAAP which are not fully disclosed on its financial statements provided to the Lenders for its fiscal year ended December 31, 2005, other than Permitted Debt and liabilities and obligations incurred in the ordinary course of its business.

(12) Non-Default Under Permitted Encumbrances. Each of the Restricted Parties is not in default under any of the Permitted Encumbrances relating to it, except to the extent that such defaults would not, in the aggregate, effect a Material Adverse Change.

(13) Use of Real Property. All real property owned or leased by each of the Restricted Parties may be used in all material respects by it pursuant to Applicable Law for the present use and operation of the material elements of the business conducted, or intended to be conducted, including the Mills, on such real property by it except where non compliance with any such Applicable Law could not constitute, or be reasonably be expected, individually or in the aggregate, to constitute, to cause or result in, a Material Adverse Change.

(14) Labour Relations. None of the Restricted Parties is engaged in any unfair labour practice that could reasonably be expected to cause or result in a Material Adverse Change. There is no unfair labour practice complaint pending against any of the Restricted Parties, or threatened against any of them, before any Governmental Authority that if adversely determined could reasonably be expected to cause or result in a Material Adverse Change. No grievance or arbitration arising out of or under any collective bargaining agreement is pending against any of the Restricted Parties or threatened against any of them that, if adversely determined, could reasonably be expected to cause or result in a Material Adverse Change. Except for the strike/lockout in existence on the Closing Date at GFP's Timmins plant which commenced on September 9, 2006, no strike, labour dispute, slowdown or stoppage is pending against any of the Restricted Parties or threatened against any of them and no union representation proceeding is pending with respect to any employees of the Restricted Parties, except (with respect to any matter specified in this sentence, either individually or in the aggregate) such as could not reasonably be expected to cause or result in, a Material Adverse Change.

(15) Compliance with Laws. None of the Restricted Parties (i) is in default under any Applicable Law where such default could reasonably be expected to cause or result in a Material Adverse Change or affect its ability to perform any of its material obligations under any Material Contract to which it is a party or (ii) without limiting clause (i) above, is or shall be (x) listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, and/or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation or (y) a person designated under Section 1(b), (c) or (d) of Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar Executive Orders.

(16) No Default.

(a) No Event of Default has occurred and is continuing.

(b) None of the Restricted Parties is in default under any agreement, guarantee, indenture or instrument to which it is a party or by which it is bound, the breach of which could reasonably be expected to cause or result in a Material Adverse Change and no Default has occurred.

(17) Ownership Structure. The ownership structure of each Restricted Party and its Subsidiaries is as set forth in Schedule 8.01(17), which contains:

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(a) a list of the Borrower, GFP and all other Restricted Parties, including their Subsidiaries (except any additional entities of which the Administrative Agent has received written notice from the Borrower which shall be deemed to be included in Schedule 8.01(17) for purposes of Section 8.02 hereof);

(b) a complete and accurate list of the following:

(i) each such Person's full and correct name (including any French and English forms of name) and the jurisdiction in which each such Person was formed, and

(ii) the full address (including postal code or zip code) of each Restricted Party's chief executive office and chief place of business and, if the same is different, the address at which the books and records of such Restricted Party are located, the address at which senior management of such Restricted Party are located and conduct their deliberations and make their decisions with respect to the business of such Restricted Party and the address from which the invoices and accounts of such Restricted Party are issued.

(18) Relevant Jurisdictions. The Relevant Jurisdictions for each Restricted Party and its Subsidiaries are set forth on Schedule 1.01(g).

(19) Real Property. Attached hereto as Schedule 8.01(19) is a true and correct list of all material real Property owned or leased by the Borrower and GFP (excluding Bush Lots).

(20) Computer Software. Each of the Restricted Parties owns or has licensed for use all of the material Software necessary to conduct its businesses. All Computer Equipment owned or used by each of the Restricted Parties has been properly maintained and is in good working order for the purposes of on-going operation, subject to ordinary wear and tear for Computer Equipment of comparable age.

(21) Intellectual Property Rights. Each of the Restricted Parties has rights sufficient for it to use all the Intellectual Property reasonably necessary for the conduct of its businesses. To the Borrower's and GFP's knowledge, none of the Restricted Parties is infringing or is alleged to be infringing the Intellectual Property rights of any other Person in a manner that could reasonably be expected to cause, or if any allegation is determined adversely, that could reasonably be expected to cause or result in, a Material Adverse Change other than as disclosed in Schedule 8.01(21).

(22) Material Contracts and Material Licences. No event has occurred and is continuing that would constitute a breach of or a default under any Material Contract or Material Licence, the result of which would effect a Material Adverse Change, and each Material Contract to which a Restricted Party is a party is binding upon it and, to the Borrower's and GFP's knowledge, is a binding agreement of each other Person who is a party thereto.

(23) Financial Statements. All of the quarterly and annual financial statements that have been furnished to the Lenders in connection with this Agreement are complete in all material respects and such financial statements fairly present the financial position of the Borrower, GFP or other Restricted Parties, as the case maybe, as of the dates referred to therein and have been prepared in accordance with GAAP. None of the Restricted Parties has any liabilities (contingent or other) or other obligations of the type required to be disclosed in accordance with GAAP that are not fully disclosed on the consolidated financial statements of GFP provided to the Lenders for the fiscal period ended December 31, 2006, other than liabilities and obligations eliminated by such consolidation or incurred in the ordinary course of business, and the Obligations.

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(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

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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.

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(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.

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(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;

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(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.

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(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

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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 <u>Negative Covenants</u>

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) <u>Disposition of Property.</u> 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) <u>No Consolidation, Amalgamation, etc.</u> 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) <u>No Change of Name.</u> 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

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(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 <u>Non-Assignable Collateral</u>

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 <u>Events of Default</u>

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*

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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:

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(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

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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 <u>Rights of Administrative Agent</u>

(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 <u>Representations, Acknowledgements and Covenants of Lenders</u>

(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 <u>Provisions Operative Between Lenders and Administrative Agent Only</u>

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 <u>Distributions By Secure Website</u>

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 <u>Appointment and Authority</u>

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 <u>Rights as a Lender</u>

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 Non-Reliance on Administrative Agent and Other Lenders

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 Collective Action of the Lenders

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 No Other Duties, etc.

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.S. Collateral Agent

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 Canadian Collateral Agent

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.

ARTICLE 13 - GUARANTEE

13.01 Guarantees and Indemnity

(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;

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(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.

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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

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

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

GUARANTORS:

GRANT FOREST PRODUCTS INC.

By:

Name: Peter Grant, Jr.
Title: President

Name:
Title: PETER M. LYNCH
EXECUTIVE VICE PRESIDENT

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

GRANT FOREST PRODUCTS SALES INC.

By:

Name: Peter Grant, Jr.
Title: Vice President

Name: PETER LYNCH
Title: PRESIDENT

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

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Address:	2900 – 10180 101 Street Edmonton, Alberta T5J 2T3
Attention:	Peter Grant, Jr.
Facsimile No.:	(416) 214-1360

GRANT ALBERTA INC.

By: ______________________
Name: PETER LYNCH
Title: VICE PRESIDENT

____
Name:
Title:

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

SOUTHEAST PROPERTIES INC.

By: ______________________
Name: PETER LYNCH
Title: VICE PRESIDENT

____
Name:
Title:

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 ALLENDALE INC.

By: ______________________
Name: PETER LYNCH
Title: VICE-PRESIDENT

____
Name:
Title:

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:	(803) 632-2475
Email:	spearson@gfp-inc.com

GRANT CLARENDON INC.

By: ______________________
Name: PETER LYNCH
Title: VICE PRESIDENT

____

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Name:
Title:

GRANT US SALES INC.

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:	(803) 632-2475
Email:	spearson@gfp-inc.com

By:

Name: PETER LAVILA
Title: PRESIDENT.

ADMINISTRATIVE AGENT and U.S. COLLATERAL AGENT:

Address: 31 West 52nd Street
22nd Floor
New York, New York 10019

Attention: Deborah G. Gravinese

Facsimile No.: (212) 827-7820
(with a copy faxed to.
(416) 307-3826)

TORONTO DOMINION (TEXAS) LLC

By: ______________________
Name: IAN MURRAY
Title: AUTHORIZED SIGNATORY

____
Name:
Title:

With a copy to:

Address: 77 King Street West
Royal Trust Tower, 18th Floor
Toronto, Ontario M5K 1A2

Attention: Ian Murray

Facsimile No.: (416) 982-5535

CANADIAN COLLATERAL AGENT:

Address: 77 King Street West
Royal Trust Tower, 18th Floor
Toronto, Ontario M5K 1A2

Attention: Ronald J. Kowpak

Facsimile No.: (416) 982-5535
(with a copy faxed to (212) 827-7820)

THE TORONTO-DOMINION BANK

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

____
Name:
Title:

LENDERS:

Address:	31 West 52nd Street, 22nd Floor New York, New York 10019
Attention:	Deborah G. Gravinese
Facsimile No.:	(212) 827-7820

TORONTO DOMINION (TEXAS) LLC

By: ______________________________

Name: IAN MURRAY

Title: AUTHORIZED SIGNATORY

____

Name:

Title:

With a copy to:

Address:	77 King Street West Royal Trust Tower, 18th Floor Toronto, Ontario M5K 1A2
Attention:	Ian Murray
Facsimile No.:	(416) 982-5535

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SCHEDULE A

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below and (ii) to the extent permitted to be assigned under Applicable Law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1.	Assignor:	____________________
2.	Assignee:	____________________ [and is an Affiliate/Approved Fund of [*identify Lender*][1]]
3.	Borrower:	Grant U.S. Holdings LLP

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1 Select as applicable.

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4. Administrative Agent: Toronto Dominion (Texas) LLP, as the administrative agent under the Credit Agreement

5. Credit Agreement: The $150,000,000 Second Lien Credit Agreement dated as of March 21, 2007 among Grant U.S. Holdings LLP, the Lenders parties thereto, Toronto Dominion (Texas) LLC, as Administrative Agent, and the other parties thereto

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans and PIK Interest Amounts for all Lenders[2]	Amount of Commitment/Loans and PIK Interest Amount Assigned[2]	Percentage of Commitment/Loans and PIK Interest Amount Assigned[3]	CUSIP Number
	$	$	%	
	$	$	%	
	$	$	%	

[7. Trade Date: ______________][4]

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2 Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

3 Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

4 To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

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Effective Date: __________, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: ____________________________
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: ____________________________
Title:

[Consented to and][5] Accepted:

TORONTO DOMINION (TEXAS) LLC, as Administrative Agent

By ____________________________
Title:

[Consented to:][6]

GRANT U.S. HOLDINGS LLP

By ____________________________
Title:

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5 To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

6 To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

ANNEX 1 to Assignment and Assumption

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 9.03 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law governing the Credit Agreement.

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Schedule B

Lenders and Commitments

Lender	Commitments
Toronto Dominion (Texas) LLC	$150,000,000
Total	$150,000,000

Schedule 1.01(a)

Compliance Certificate

TO:	Administrative Agent
DATE:	•

This Compliance Certificate is delivered to you, as Administrative Agent, pursuant to Section 9.03(4) of the credit agreement made as of March 21, 2007 between the Borrower, the Guarantors, you, as Administrative Agent, the other agents party thereto and the financial institutions from time to time parties thereto as Lenders, as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Compliance Certificate that are defined in the Credit Agreement have the same meanings herein.

I, [name], the [title] of GFP, certify for and on behalf of the Borrower, and not in my personal capacity and without personal liability, that:

1. Representations and Warranties. All of the representations and warranties of the Borrower contained in Section 8.01 of the Credit Agreement are true and correct on and as of the date hereof, subject to changes thereto:

   (a) given to the Administrative Agent by the Borrower and accepted in writing by the Administrative Agent, and

   (b) expressly contemplated by the terms of the Credit Agreement and disclosed to the Administrative Agent in writing.

2. Terms, Covenants and Conditions. All of the terms, covenants and conditions of the Credit Agreement and each of the other Loan Documents to be performed or complied with by the Borrower at or prior to the date hereof have been performed or complied with.

3. Default. No Default has occurred and is continuing on the date hereof.

4. Financial Statements. Attached hereto are the financial statements of most recent date referred to in Sections 9.03(1) or (2), as applicable of the Credit Agreement.

5. Total Debt. Total Debt as at __________________ is $____________________.

6. EBITDA. EBITDA for the four fiscal quarters ended _______________ is $_______________.

7. Capitalization. Capitalization as at ___________________ is $____________________.

8. Total Interest Expense. Total Interest Expense as at __________________ is $_______________.

9. Shareholder's Equity. Shareholder's equity as at ________________ is Cdn. $_________________.

10. Excess Cash Flow. Excess Cash Flow at ___________________ is $___________________.

11. Costs to Complete at ______________________ is $ ______________________.

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12. Costs incurred to date on Construction of Mills at __________________ is $ _________.

13. Financial Covenant Compliance.

A. Total Debt to Capitalization Ratio

Quarter Ending	Maximum Permitted Ratio	Actual Ratio
•	•	•

B. EBITDA to Total Interest Expense Ratio

Quarter Ending	Minimum Required Ratio	Actual Ratio
•	•	•

C. Liquidity

Quarter Ending	Minimum Required	Actual
•	•	•

	Name:

Schedule 1.01(b)

Conversion Notice

TO:	Administrative Agent
FROM:	Grant U.S. Holdings LLP (the "**Borrower**")
DATE:	•

1. This Conversion Notice is delivered to you, as Administrative Agent, pursuant to the credit agreement made as of March 21, 2007, between the Borrower, the Guarantors, you, as Administrative Agent, the other agents party thereto and the financial institutions from time to time parties thereto as Lenders, as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Conversion Notice that are defined in the Credit Agreement have the same meanings herein.

2. The Borrower hereby requests a Conversion under the Credit Facility as follows:

(a) Type and amount of each Loan and PIK Interest Amount to be converted (check appropriate boxes):

			Amount	Term in Months
( )	Alternate Base Rate Obligation:	U.S. $		N/A
( )	LIBO Rate Obligation	U.S. $		

(b) Type and amount of each Loan and PIK Interest Amount resulting from Conversion (check appropriate boxes):

			Amount	Term in Months
( )	Alternate Base Rate Obligation:	U.S. $		N/A
( )	LIBO Rate Obligation	U.S. $		

3. No Default has occurred and is continuing or will have occurred and be continuing on the date of the above Conversion(s), or will result from the above Conversion(s).

	Grant U.S. Holdings LLP	
	By:	
		Name:
		Title:

Schedule 1.01(c)

[Reserved]

Schedule 1.01(d)

Material Contracts

Part I

Grant Forest Products Inc.

- Commitment Letters Regarding Wood Fibres for the Province of Ontario for the Ontario Mills dated September 25, 1998, January 22, 2002 and March 25, 2002.

Part II

Grant Allendale Inc. and Grant Clarendon Inc.

- Professional Services Agreement dated as of April 28, 2005 between GFP and UMA Engineering Ltd.

- Construction Management Agreement dated as of July 1, 2005 between GFP and WABI America Inc.

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Schedule 1.01(e)

Material Licences

Grant Forest Products Inc. – Ontario Mills

- Forest Resource Processing Facility Licence for the Timmins Mill
- Forest Resource Processing Facility Licence for the Englehart Mill

Grant Allendale Inc.

- Environmental Permit from the Department of Health and Environmental Compliance
- Building Permit
- Land Disturbance Permit

Grant Clarendon Inc.

- Environmental Permit from the Department of Health and Environmental Compliance
- Building Permit
- Land Disturbance Permit

SCHEDULE 1.01 (f)

Additional Permitted Encumbrances

ENGLEHART OSB PLANT PROPERTY

Pcl 24013 SST PIN - 61277-0392
Easement 121700 Northern Ontario Natural Gas Company Limited
Easement 121759 Northern Ontario Natural Gas Company Limited
Charge 334509 The Toronto-Dominion Bank for $600,000,000.00 U.S.
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 23580 SST - PIN 61277-0383
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 12122 SST – PIN 61278-0051
Easement 119808 Trans-Canada Pipe Lines Limited
Notice 139505 shows 119808 on TE.9
Easement 234981 Her Majesty The Queen in Right of Ontario as represented by The Minister of Government Services
Easement 253262 Bell Canada
Easement 267644 TransCanada Pipelines Limited
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 17417 SST – PIN 61278 - 0069
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 24170 SST – 61278 - 0148
Charge 334509 The Toronto-Dominion Bank

Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 21309 SST – 61278 - 0120
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 23398 SST – 61278 - 0139
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 23458 SST – PIN 61278 - 0140
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 1655 NND – PIN 61278 - 0019
Easement 119651 Trans-Canada Pipe Lines Limited
Notice 139324 shows 119651 on TE.9
Certificate of Approval 223569 reg'd January 26, 1983 Environmental Protection Act
Agreement 223997 reg'd March 9, 1983 The Corporation of the Township of Evanturel
Easement 234982 Her Majesty the Queen in right of Ontario, represented by The Minister of Government Services
Easement 253814 Bell Canada
Easement 267645 TransCanada Pipelines Limited
Postponement 269395 postponing 223997 to 267645
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 10462 SST – PIN 61278 – 0029
Easement 120878 Trans-Canada Pipe Lines Limited
Notice 139505 shown 120878 on TE.9

Easement 234961 Her Majesty the Queen in right of Ontario represented by The Minister of Government Services
Easement 253261 Bell Canada
Easement 267646 Transcanada Pipelines Limited
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 8925 NND – PIN 61280 - 0102
Easement 120542 Trans Canada Pipelines Limited
Notice 139324 shows 120542 on TE.9
Easement 253263 Bell Canada
Easement 268133 Transcanada Pipelines Limited
Notice 275870 reg'd October 1, 1992 Environmental Protection Act
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 22633 SST – PIN 61280 - 0105
Notice of Lease 315522 reg'd Sept. 18, 2001 Douglas F. Edwards & Norma Jean Edwards
Notice of Agreement 315523 reg'd September 18, 2001 (restricting use of property) Douglas F. Edwards & Norma Jean Edwards
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

EARLTON BUSINESS OFFICE

Pcl 19972 SST - PIN 61307 - 0004
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 18640 SST – PIN 61307 - 0074
Charge 334509 The Toronto-Dominion Bank

Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 23789 SST – PIN 61307 - 0076
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 25231 SST – PIN 61307 - 0075
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

<u>MTO PROPERTY</u>

Pcl 25520 SST – PIN 61335 - 0349
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

<u>HAILEYBURY BOATHOUSE PROPERTY</u>

PIN – 61351-0224
Boundaries D-47
Application General 211918 reg'd June 23, 1980 The Corporation of the Town of Haileybury applies to be entered as owner evidenced by a by-law assuming all streets and lanes
Notice of Lease 301049 reg'd March 23, 1998 Nortel Mobility Inc.
Notice Assignment Lessee Interest DT241 reg'd Dec. 1/05 Northern Telephone Limited
Notice Assignment Lessee Interest DT242 reg'd Dec. 1/05 Bell Nordiq Group Inc.
By-Law DT5229 reg'd Oct. 31/06 stop up & close
By-Law DT5444 reg'd Nov. 10/06 Plan of Subdivision or part deemed not registered Plan of Subdivision
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

PIN 61351-0226
Boundaries D-47
Notice of Lease LT301049 reg'd March 23, 1998, Nortel Mobility Inc.
Notice Assignment Lessee Interest DT241 reg'd December 1, 2005, Nortel Mobility Inc.
Notice Assignment Lessee Interest DT242 reg'd December 1, 2005, Nordiq Group Inc.
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

PIN 61351-0228
Boundaries D-47
By-Law DT5230 reg'd Oct. 31/06 stop up & close
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

PIN 61351-0102
Boundaries D-47
By-Law DT5444 reg'd Nov. 10/06 Plan of Subdivision or part deemed not registered Plan of Subdivision
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 25544 SST – PIN 61351 - 0210
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 25602 SST – PIN 61351 - 0206
By-Law 211919 reg'd June 23, 1980 changes street and road names
By-Law 326233 reg'd March 31, 2004 to assume, stop up and close parts of streets
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 21278 SST – PIN 61351 - 0120
Restriction 218834 reg'd October 15, 1981 - consent of Town necessary on subsequent Transfer or Charge if not all land in Transfer 218834 is included

Boundaries D-47
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 21277 SST – PIN 61351 - 0121
Restriction 218834
Boundaries D-47
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 21276 SST – PIN 61351 - 0122
Restriction 218834
Boundaries D-47
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 21276 SST - PIN 61351 - 0123
Restriction 218834
Boundaries D-47
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 21278 SST – PIN 61351 - 0124
Restriction 218834
Boundaries D-47
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 21276 SST – PIN 61351 - 0126
Restriction 218834
Boundaries D-47

Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 21675 SST – PIN 61351 - 0202
Restriction 225888 reg'd August 12, 1987- consent of Town necessary on subsequent Transfer or Charge if not all land in Transfer 225888 is included
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

GOLF COURSE PROPERTY

Pcl 2856 SST – PIN 61334 - 0018
Charge 334509 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

TIMMINS OSB PLANT PROPERTY

PIN 65441-0376
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

PIN 65441-0378
Notice C374779 reg'd Sept. 27/88 Certificate of Approval – Environmental Protection Act.
Charge CB12821 The Toronto-Dominion Bank reg'd Oct. 28/05 $600,000,000.00 U.S.
Easement CB13261 Hydro One Networks Inc. reg'd Nov. 10/05 over Pt. 1 on 6R-7487
Postponement CB15207 reg'd January 26/06 CB505851 postponed to CB13261-to be removed post closing
Postponement CB15208 reg'd January 26/06 CB12821 postponed to CB13261
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 24371 SEC – PIN 65441-0120

Notice C343162 reg'd May 26, 1986 Certificate of Approval - Ministry of the Environment
Charge CB12821 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 23975 SEC – PIN 65441-0121
Charge CB12821 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 24714 SEC – PIN 65441-0321
Certificate of Prohibition C524394 reg'd September 20, 2002 Environmental Protection Act
Charge CB12821 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Pcl 18740 SEC – PIN 65441-0324
Notice C343162
Charge CB12821 The Toronto-Dominion Bank
Debenture dated March 21, 2007, issued by Grant Forest Products Inc. in favour of The Toronto-Dominion Bank as Canadian Administrative Agent in the principal amount of $600,000,000.00 U.S.

Schedule 1.01(g)

Relevant Jurisdictions

Ontario
Alberta

Delaware
South Carolina

/31

Schedule 1.01(h)

Repayment Notice

TO:	[Name of Administrative Agent] [Address]
FROM:	[Name of Borrower] (the "**Borrower**")
DATE:	•

1. This Repayment Notice is delivered to you, as Administrative Agent, pursuant to **[Section 6.02 or Section 6.03]** of the credit agreement made as of March 21, 2007, between the Borrower, the Guarantors, you, as Administrative Agent, the other agents party thereto and the financial institutions from time to time parties thereto as Lenders, as amended to the date hereof (the "**Credit Agreement**"). All terms used in this Repayment Notice that are defined in the Credit Agreement have the same meanings herein.

2. The Borrower hereby gives you notice that it intends to [repay $_______ under the Credit Facility, such amount being the Net Proceeds from [describe Disposition or other mandatory prepayment event]] or [repay $__________ under the Credit Facility on [date which must be at least 5 Business Days after the delivery of this Notice]].

3. The amount of such repayment will, subject to the provisions of the Credit Agreement, be used to repay Loans and PIK Interest Amounts of the following type:

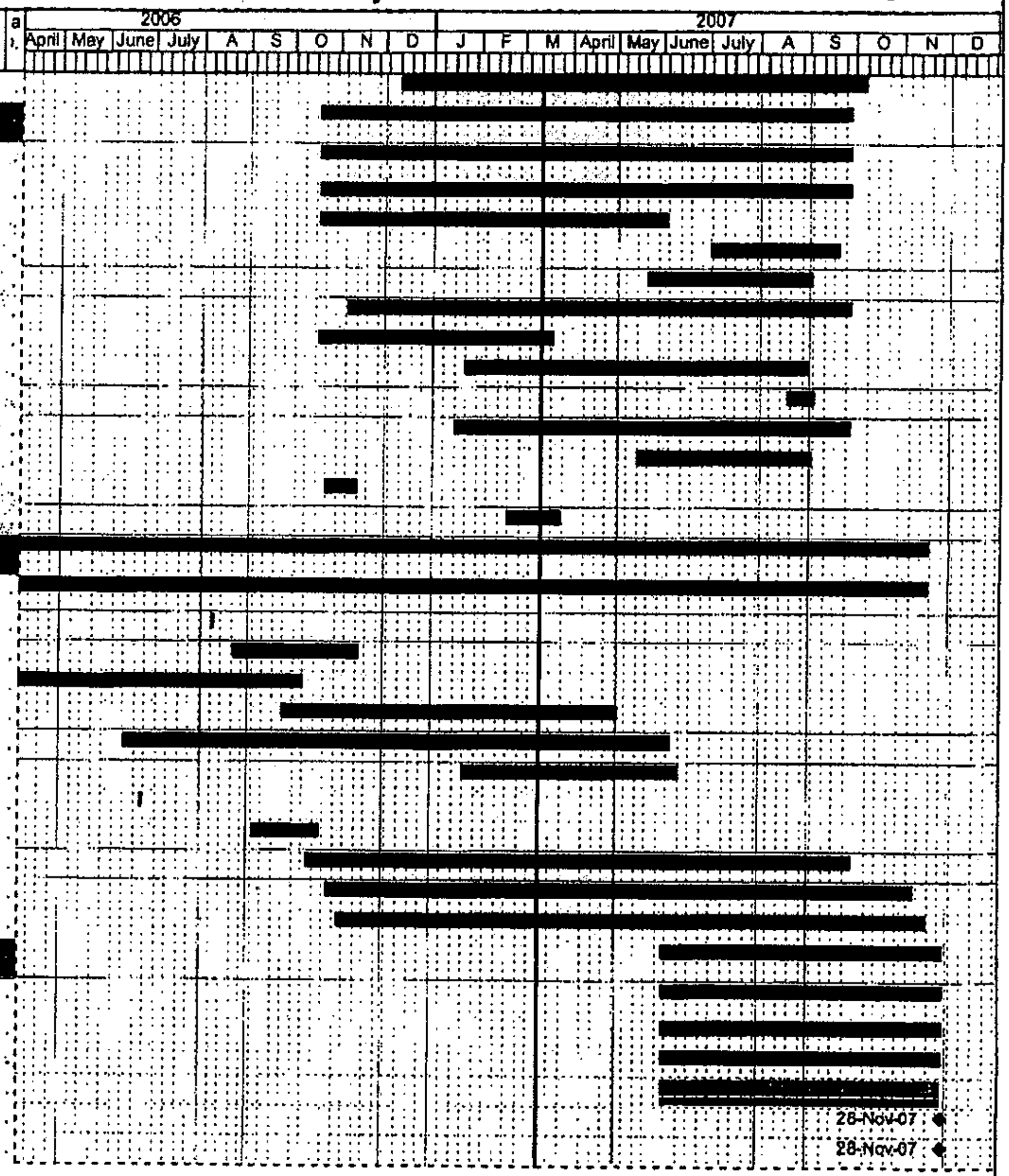
Loan Type	Principal Amount
•	•

PIK Interest Amount Type	PIK Interest Amount
•	•

	[Name of Borrower]	
	By:	
		Name:
		Title:

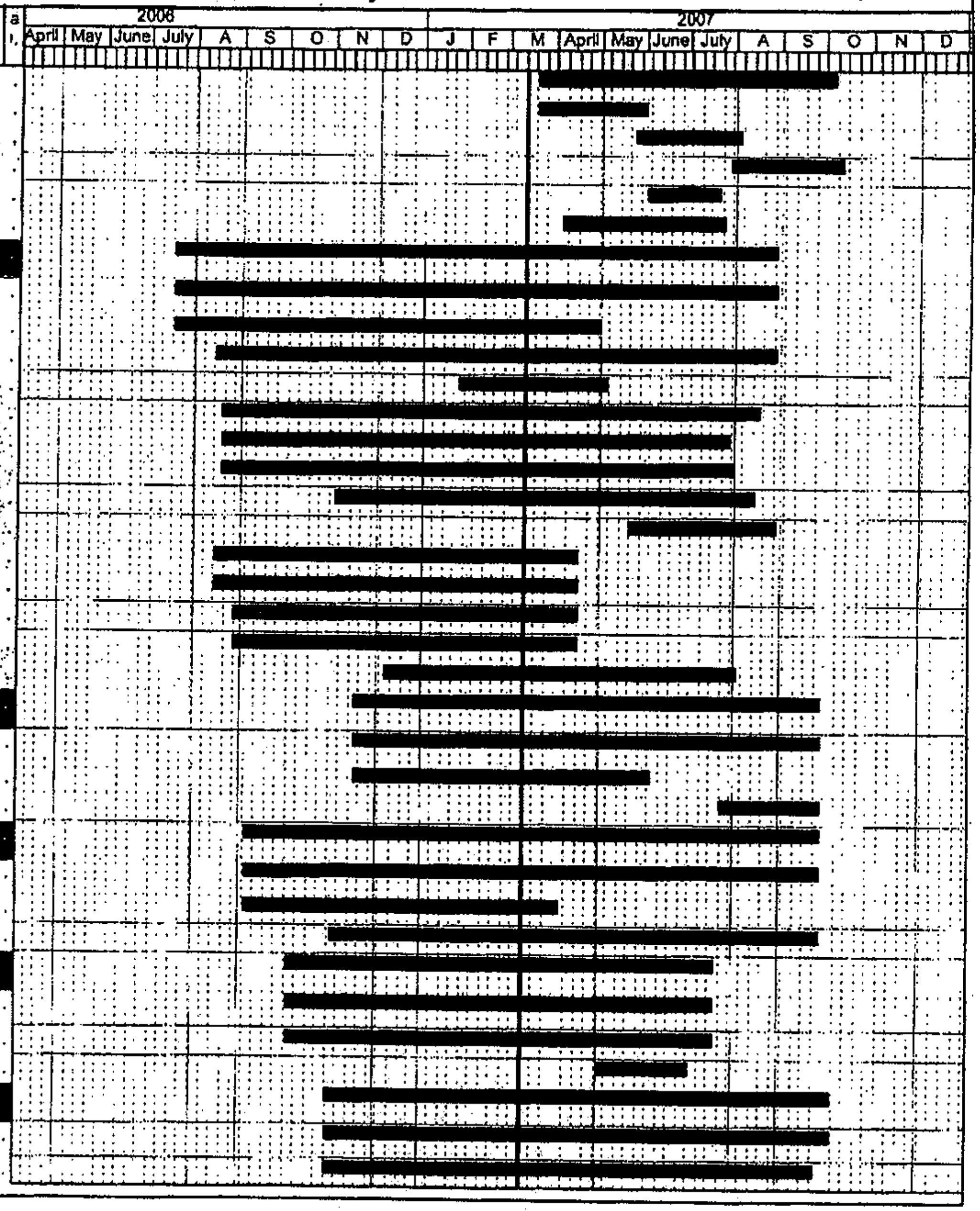
Clarendon OSB: Level 1 Summary

Activity ID	Activity Name
	E&I INSTALL - UTILITY ROOMS - SMOKE DETECTION
	17 PROCESS PIPING
	CONSTRUCTION
	PIPING
	WAREHOUSE
	STRANDERS
	DRY STRAND HANDLING/BLENDING BLDG
	PRESS BUILDING
	RTO
	FURNACES
	HOG
	FORMING LINE
	DRYERS
	WET [illegible]
	CONT[illegible]
	18 ELECTRICAL
	CONSTRUCTION
	BUILDING ERECTION - UTILITY, ER & OFFICES
	CIVIL/CONCRETE
	E&I INSTALL - SUBSTATION
	E&I INSTALL - LIGHTING
	E&I INSTALL - GROUNDING GRID
	E&I INSTALL - UTILITY ROOMS - LIGHTING
	E&I INSTALL - UTILITY ROOMS - GROUNDING
	13.8 Cable & Main Switch Gear
	CABLE TRAY & CONDUIT
	PULL CABLE
	TERMINATIONS & CHECKOUT
	20 GENERAL
	COMMISSIONING
	[illegible]
CLC60290	Commissioning & Startup
CLC60300	Plant Startup
CLC60310	First Board



Clarendon OSB: Level 1 Summary

Activity ID	Activity Name
	REFRACTORY
	REFRACTORY FURNACE 1
	REFRACTORY FURNACE 2
	REFRACTORY FURNACE 3
	FUEL BINS
	PIPING
12 EMISSIONS CONTROL	
CONSTRUCTION	
	CIVIL/CONCRETE
	STRUCTURAL AND MECHANICAL INSTALLATION
	RTO AREA MISC
	WESP 5
	WESP 1&2
	WESP 3 & 4
	WESP MISC
	WESP 6
	RTO 1
	RTO 2
	RTO 3
	RTO 4
	4160 MOTORS
13 RESIDUAL & HOG HANDLING	
CONSTRUCTION	
	CIVIL/CONCRETE
	STRUCTURAL AND MECHANICAL INSTALLATION
14 DUST COLLECTION	
CONSTRUCTION	
	CIVIL/CONCRETE
	STRUCTURAL AND MECHANICAL INSTALLATION
15 WAX & RESIN	
CONSTRUCTION	
	STRUCTURAL AND MECHANICAL INSTALLATION
	PIPING
16 FIRE PROTECTION/SPARK DETECTION	
CONSTRUCTION	
	PIPING



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Clarendon OSB: Level 1 Summary

Activity ID | Activity Name

CONSTRUCTION
CIVIL/CONCRETE
STRUCTURAL AND MECHANICAL INSTALLATION

06 DRYING

CONSTRUCTION
CIVIL/CONCRETE
STRUCTURAL AND MECHANICAL INSTALLATION

07 DRY STRAND HANDLING & STORAGE

CONSTRUCTION
STRUCTURAL AND MECHANICAL INSTALLATION

08 BLENDING

CONSTRUCTION
STRUCTURAL AND MECHANICAL INSTALLATION

09 FORMING & PRESSING

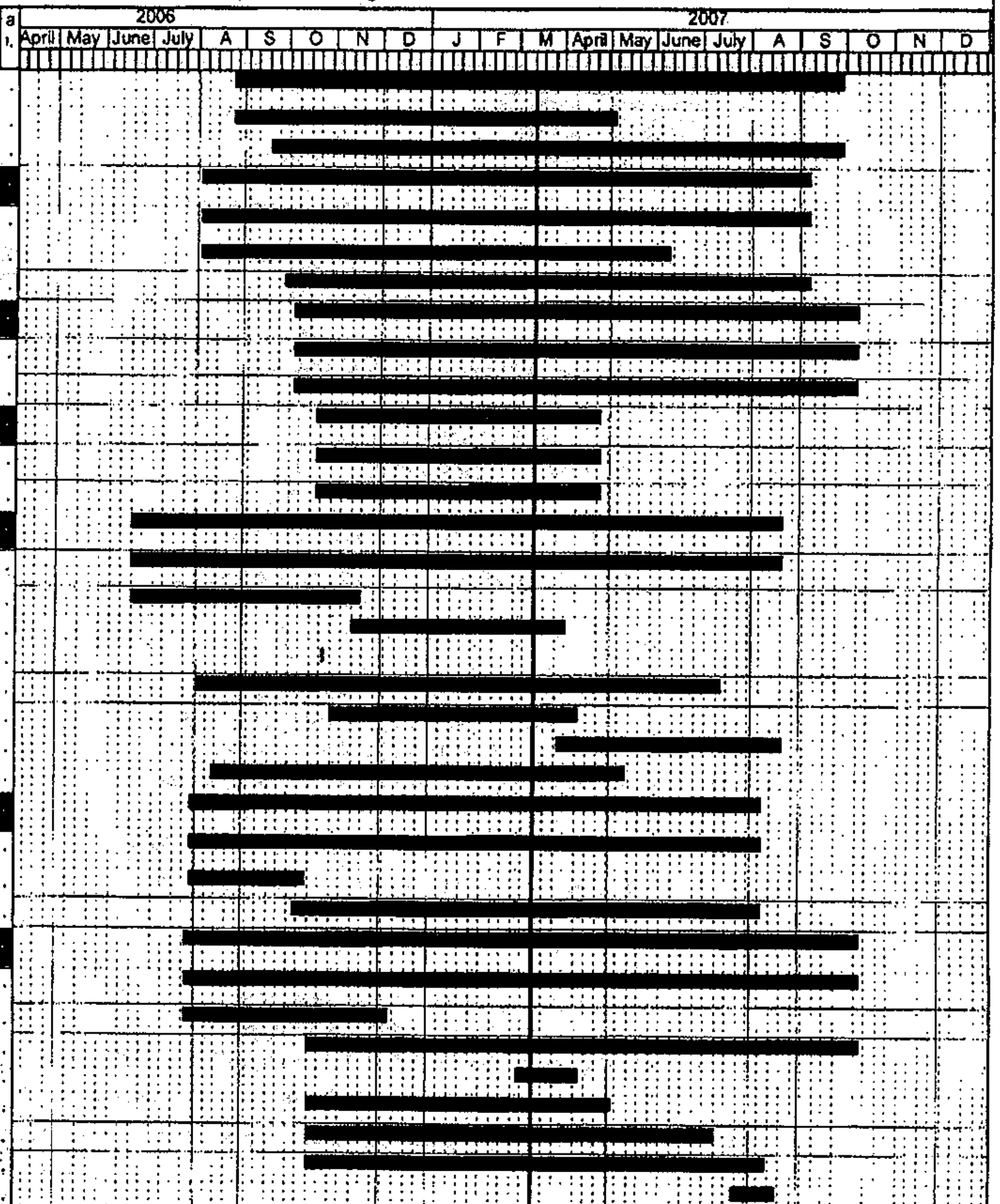
CONSTRUCTION
CIVIL/CONCRETE
COMPRESSORS
EMERGENCY GENERATOR
PRESS
HYDRAULIC ROOM & PIPING
PRESS HOT OIL PIPING
FORMING LINE INSTALLATION

10 FINISHING LINE

CONSTRUCTION
CIVIL/CONCRETE
STRUCTURAL AND MECHANICAL INSTALLATION

11 ENERGY SYSTEM

CONSTRUCTION
CIVIL/CONCRETE
STRUCTURAL AND MECHANICAL INSTALLATION
ENERGY SYSTEM
FURNACE 1
FURNACE 2
FURNACE 3
FUEL FEED CONVEYORS



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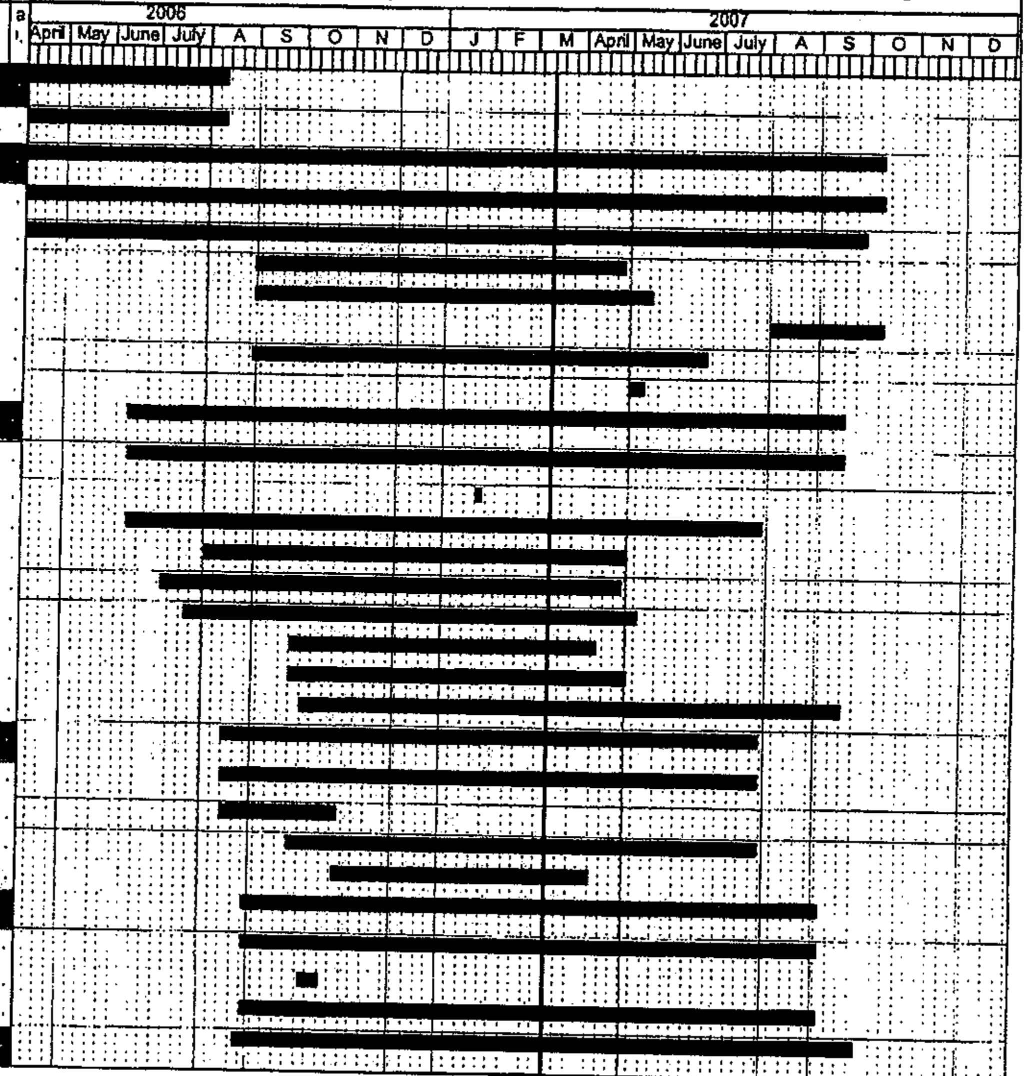
12-Mar-07

Clarendon OSB: Level 1 Summary

Activity ID	Activity Name
00 GENERAL	
	MOBILIZATION OF GENERAL CONTRACTOR
01 SITE & SERVICES	
	CONSTRUCTION
	EARTHWORKS
	UNDERGROUND SERVICES
	SCALES
	RAIL SPUR INSTALLATION
	PUMP HOUSE & PUMPS
	WATER TANK & PUMPS
02 BUILDINGS & STRUCTURES	
	CONSTRUCTION
	UNDERGROUND SERVICES
	FOUNDATION INSTALLATION - BUILDING & STRU...
	UTILITY ROOMS - SLABS
	BUILDING ERECTION - MAJOR BUILDINGS
	BUILDING ERECTION - UTILITY, ER & OFFICES
	ARCHITECTURAL FINISHES
	HVAC
	STRUCTURAL & MECH GROUTING
03 LOG HANDLING & DEBARKING	
	CONSTRUCTION
	CIVIL/CONCRETE
	STRUCTURAL AND MECHANICAL INSTALLATION
	PORTAL CRANE
04 STRANDERS	
	CONSTRUCTION
	CIVIL/CONCRETE
	STRUCTURAL AND MECHANICAL INSTALLATION
05 WET STRAND SCREENING & STORAGE	



Actual Work
Critical Remaining Work
Remaining Work
Primary Baseline

Wabi
Wabi America Incorporated

GRANT FOREST PRODUCTS

Run: 16-Mar-07 15:32 Data Date: 12-Mar-07

Date	Revision	Checked	Approved
12-Jan-07	For Manpower Review	RLM	
08-Feb-07	Month End Jan '07	RLM	
28-Feb-07	Month End Feb '07	RLM	
06-Mar-07	Acceleration Review	RLM	
15-Mar-07	New First Board Date	RLM	

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Schedule 1.01(m)

Mills Construction Schedule

Grant Forest Products Inc
Operating Statements - US Mills
US $ millions unless otherwise stated

Allendale OSB Operations	Q1-07	Q2-07	Q3-07	Q4-07	2007	Q1-08	Q2-08	Q3-08	Q4-08	2008	2009	2010	2011
Volume, million sqft 3/8"	105.102	120.507	133.378	141.014	500.0	200.0	200.0	200.0	200.0	800.0	815.0	830.0	850.0
Mill-net, US $ per M3/8	$ 137.81	$ 137.81	$ 137.81	$ 137.81	$ 137.81	$ 141.92	$ 141.92	$ 141.92	$ 141.92	$ 141.92	$ 162.50	$ 178.96	$ 195.43
Variable Costs, US $ per M3/8													
Wood	$ 37.57	$ 37.53	$ 37.50	$ 37.48	$ 37.51	$ 38.08	$ 38.08	$ 38.08	$ 38.08	$ 38.08	$ 36.98	$ 37.54	$ 38.10
Resin	31.30	31.40	31.40	31.40	31.38	31.84	31.84	31.84	31.84	31.84	32.32	32.81	33.30
Wax	6.95	6.96	6.96	6.96	6.96	7.06	7.06	7.06	7.06	7.06	7.17	7.28	7.39
Packaging	1.80	1.80	1.80	1.80	1.80	1.83	1.83	1.83	1.83	1.83	1.86	1.89	1.91
	$ 77.63	$ 77.69	$ 77.66	$ 77.65	$ 77.66	$ 78.82	$ 78.82	$ 78.82	$ 78.82	$ 78.82	$ 78.33	$ 79.51	$ 80.70
Fixed Costs:	6.265	6.390	6.551	6.709	25.914	6.479	6.479	6.479	6.479	25.914	26.303	26.698	27.098
Total Mfg Cost	$ 14.4	$ 15.8	$ 16.9	$ 17.7	$ 64.7	$ 22.2	$ 22.2	$ 22.2	$ 22.2	$ 89.0	$ 90.1	$ 92.7	$ 95.7
SG&A	$ 0.643	$ 0.643	$ 0.643	$ 0.643	2.573	0.650	0.650	0.650	0.650	2.600	2.639	2.679	2.719
Operating Income (Loss)	$ (0.583)	$ 0.211	$ 0.829	$ 1.132	$ 1.589	$ 5.492	$ 5.492	$ 5.492	$ 5.492	$ 21.969	$ 39.657	$ 53.174	$ 67.701

Clarendon OSB Operations	Q1-07	Q2-07	Q3-07	Q4-07	2007	Q1-08	Q2-08	Q3-08	Q4-08	2008	2009	2010	2011
Volume, million sqft 3/8"	-	-	-	39.8	39.8	105.1	120.5	133.4	141.0	500.0	800.0	815.0	830.0
Mill-net, US $ per M3/8				$ 137.81	$ 137.81	$ 141.92	$ 141.92	$ 141.92	$ 141.92	$ 141.92	$ 162.50	$ 178.96	$ 195.43
Variable Costs, US $ per M3/8													
Wood				$ 41.53	$ 41.53	$ 42.13	$ 42.13	$ 42.13	$ 42.13	$ 42.13	$ 40.86	$ 41.41	$ 41.98
Resin				31.40	31.40	31.84	31.84	31.84	31.84	31.84	32.32	32.81	33.30
Wax				6.96	6.96	7.06	7.06	7.06	7.06	7.06	7.17	7.28	7.39
Packaging				1.80	1.80	1.83	1.83	1.83	1.83	1.83	1.86	1.89	1.91
	$ -	$ -	$ -	$ 81.69	$ 81.69	$ 82.87	$ 82.87	$ 82.87	$ 82.87	$ 82.87	$ 82.21	$ 83.38	$ 84.57
Fixed Costs:	0.428	0.636	3.227	7.119	11.409	6.479	6.479	6.479	6.479	25.914	26.303	26.698	27.098
Total Mfg Cost	$ 0.4	$ 0.6	$ 3.2	$ 10.4	$ 14.7	$ 15.2	$ 16.5	$ 17.5	$ 18.2	$ 67.3	$ 92.1	$ 94.7	$ 97.3
SG&A	-	-	0.432	1.189	1.622	0.650	0.650	0.650	0.650	2.600	2.639	2.679	2.719
Operating Income (Loss)	$ (0.428)	$ (0.636)	$ (3.659)	$ (6.077)	$ (10.799)	$ (0.922)	$ (0.012)	$ 0.748	$ 1.199	$ 1.013	$ 35.294	$ 48.524	$ 62.191

Grant Forest Products Inc
Operating Statements - US Mills
Cdn $ millions unless otherwise stated

	Q1-07	Q2-07	Q3-07	Q4-07	2007	Q1-08	Q2-08	Q3-08	Q4-08	2008	2009	2010	2011
Fx Rate: US $ per Cdn $	1.130x	1.130x	1.130x	1.130x	1.130x	1.130x	1.130x	1.130x	1.130x	1.130x	1.130x	1.130x	1.130x
Volume, million sqft 3/8"	-	82.080	133.378	141.014	356.472	200.000	200.000	333.378	341.014	1,074.392	1,615.000	1,645.000	1,680.000
Mill-net, Cdn $ per M3/8		$ 155.72	$ 155.72	$ 155.72	$ 155.72	$ 160.37	$ 160.37	$ 160.37	$ 160.37	$ 160.37	$ 183.63	$ 202.23	$ 220.83
Variable Costs, Cdn $ per M3/8													
Wood	$ -	$ 42.40	$ 42.37	$ 42.35	$ 42.37	$ 43.03	$ 43.03	$ 44.86	$ 44.92	$ 44.20	$ 43.96	$ 44.59	$ 45.22
Resin	-	35.48	35.48	35.48	35.48	35.98	35.98	35.98	35.98	35.98	36.52	37.07	37.63
Wax	-	7.86	7.86	7.86	7.86	7.98	7.98	7.98	7.98	7.98	8.10	8.22	8.35
Packaging	-	2.04	2.04	2.04	2.04	2.07	2.07	2.07	2.07	2.07	2.10	2.13	2.16
	$ -	$ 87.78	$ 87.76	$ 87.74	$ 87.75	$ 89.07	$ 89.07	$ 90.90	$ 90.96	$ 90.23	$ 90.68	$ 92.01	$ 93.35
Fixed Costs:	-	4.836	7.402	7.581	19.819	7.321	7.321	14.642	14.642	43.925	59.445	60.337	61.242
Operating Income	$ -	$ 0.741	$ 1.663	$ 2.006	$ 4.410	$ 6.941	$ 6.941	$ 8.521	$ 9.030	$ 31.432	$ 90.659	$ 120.971	$ 152.922
SG&A	-	0.485	0.727	0.727	1.938	0.735	0.735	1.469	1.469	4.407	5.964	6.054	6.144
EBITDA[1]	$ -	$ 0.256	$ 0.936	$ 1.279	$ 2.471	$ 6.206	$ 6.206	$ 7.052	$ 7.561	$ 27.025	$ 84.695	$ 114.918	$ 146.778

[1]Negative EBITDA at the mills will be capitalized until profitable operating results are achieved. Changes in inflation, price, production levels, wood and other variable costs may change the periods capitalized

Schedule 1.01(l)

Mills Projections of Operating Expenses and Cash Flows

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Grant Forest Products Inc.
Construction Costs
as at February 28, 2007
US $ millions

	Allendale Inc.			Clarendon Inc.		
	Expenditures to Date	**Est. Costs to Complete**	**Forecast Total Cost**	**Expenditures to Date**	**Est. Costs to Complete**	**Forecast Total Cost**
Site Preparation & Services	$ 6.06	$ 2.12	$ 8.17	$ 12.53	$ 5.08	$ 17.61
Buildings & Structures	13.13	0.52	13.65	9.97	3.58	13.55
Log Handling	13.00	0.45	13.45	11.35	1.31	12.66
Strand Preparation	3.51	-	3.51	2.93	0.73	3.66
Wet Strand Screening & Storage	4.09	0.19	4.28	3.75	0.88	4.63
Drying	9.70	0.76	10.45	6.61	2.93	9.54
Dry Strand Handling & Storage	5.12	0.20	5.32	4.51	1.15	5.66
Blending Area	3.00	-	3.00	2.74	0.98	3.72
Forming & Pressing	30.21	3.43	33.64	27.27	6.19	33.46
Finishing Line	8.09	0.18	8.27	7.79	1.37	9.17
Energy System	15.81	3.16	18.97	5.13	10.66	15.79
Control Systems	16.02	3.94	19.95	13.26	6.00	19.26
Residual & Hog Handling	1.99	0.05	2.05	2.16	0.54	2.70
System	3.51	0.31	3.82	2.55	1.57	4.12
Wax & Resin	1.10	0.50	1.59	0.82	0.47	1.28
Fire Protection	4.03	0.11	4.14	1.91	2.12	4.03
Process / Utility Piping	4.37	0.18	4.55	1.83	3.18	5.01
Electrical Systems	28.03	2.55	30.58	18.02	12.90	30.92
Concrete	20.21	0.12	20.33	14.48	3.99	18.47
Structural Steel & Platforms	13.31	0.18	13.48	10.50	2.68	13.18
Miscellaneous Mill Components	1.30	0.42	1.72	0.71	0.49	1.19
Contingency	-	2.95	2.95	-	1.50	1.50
Indirect Costs	48.34	3.76	52.10	34.29	14.58	48.86
TOTAL	**253.91**	**26.09**	**280.00**	**195.12**	**84.88**	**280.00**

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Schedule 1.01(k)

Mills Budget

Schedule 1.01(j)

Software

Oracle JD Edwards
LIMS (Log Inventory Management System)
Daily Production Reporting (+Wonderware, inSQL, and FoxPro)
MicroSoft Desktop Productivity Software (MS/Office, Project, Visio, + AutoCad (supplier Autodesk), etc.)
Prophix
MicroSoft Windows Server Software
IBM iSeries Server Software + development tools
IBM Web Application Server
CITRIX
Optio > Forms Overlay
Oracle Database

Schedule 1.01(i)

Rollover Notice

TO:	[Name of Administrative Agent] [Address]
FROM:	[Name of Borrower]
	(the "**Borrower**")
DATE:	•

1. This Rollover Notice is delivered to you, as Administrative Agent, pursuant to the credit agreement made as of March 21, 2007, between the Borrower, the Guarantors, you, as Administrative Agent, the other agents party thereto and the financial institutions from time to time parties thereto as Lenders, as amended to the date hereof (the "**Credit Agreement**"). All capitalized terms used in this Rollover Notice that are defined in the Credit Agreement have the same meanings herein.

2. The Borrower hereby requests the Rollover of the following Loans and PIK Interest Amounts:

(a) Rollover Date: ______________________________

(b) Type and amount of each Loan and PIK Interest Amount to be rolled over (check appropriate boxes):

			Amount	Term in Months
( )	LIBO Rate Obligation	U.S. $		
( )	LIBO Rate Obligation	U.S. $		

3. No Default has occurred and is continuing or will have occurred and be continuing on the date of the above Rollover(s), or will result from the above Rollover(s).

	Grant U.S. Holdings LLP	
	By:	
		Name:
		Title:

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Schedule 1.01(n)

Reserved

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Schedule 1.01(o)

Reserved

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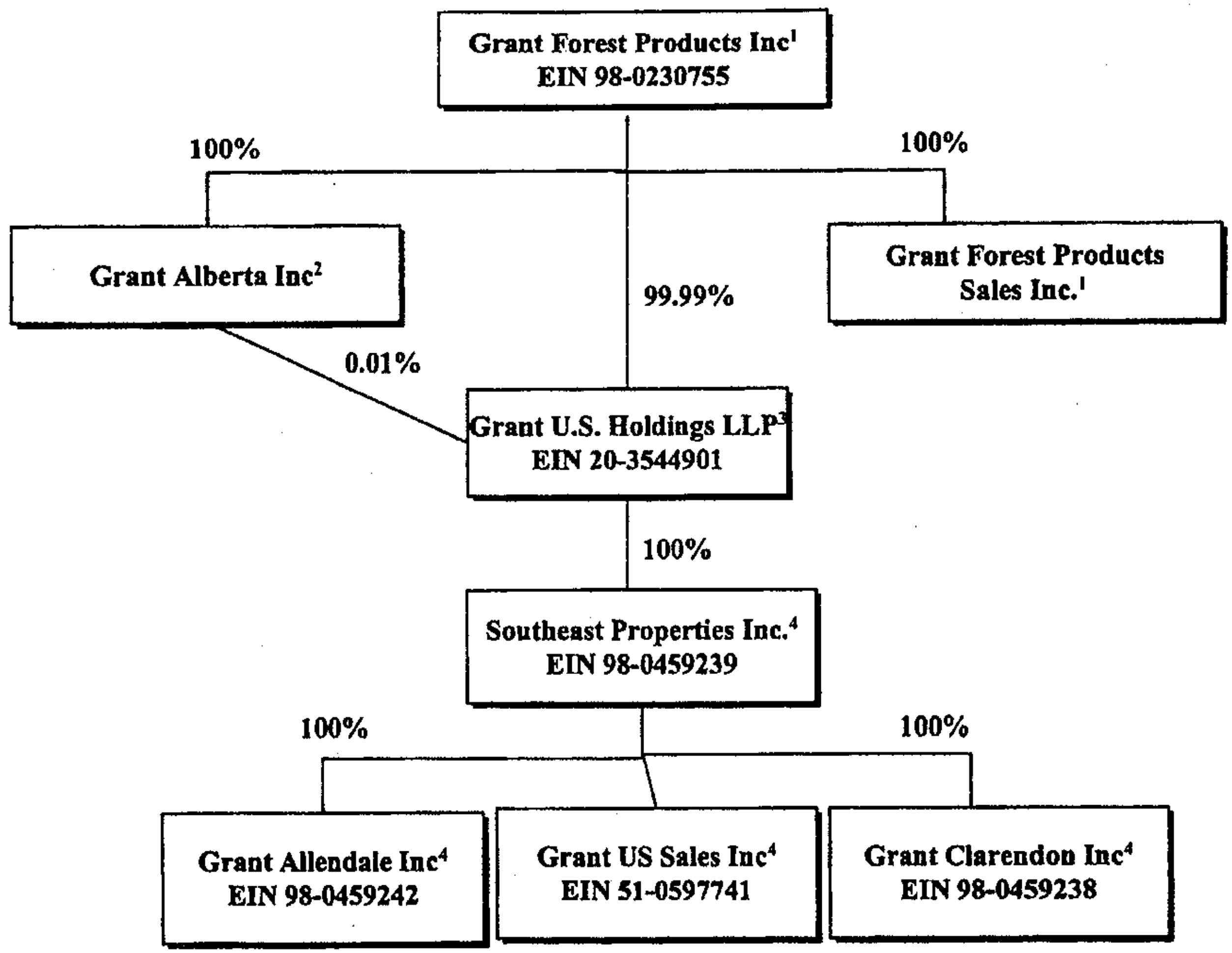
Schedule 1.01 (p)

Schedule 8.01(17)

Ownership Structure

See attached Diagram

Company	Type	CEO	Location of Books & Records
Grant Forest Products Inc	Ontario corporation	Peter Grant Sr.	181 Bay Street Suite 1520, Toronto Ontario
Grant Alberta Inc	Alberta corporation	Peter Grant Sr.	181 Bay Street Suite 1520, Toronto Ontario
Grant Forest Products Sales Inc	Ontario corporation	Peter M. Lynch	181 Bay Street Suite 1520, Toronto Ontario
Grant US Holdings LLP	Delaware Limited Liability Partnership		Registered Agent Solutions, Inc 15 E. North Street Dover, Kent County Delaware, 19901
Southeast Properties Inc	Delaware Corporation Qualified in South Carolina	Peter Grant Jr.	Corporation Service Company 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808
Grant US Sales Inc	Delaware Corporation Qualified in South Carolina	Peter M. Lynch	Corporation Service Company 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808
Grant Allendale Inc	Delaware Corporation Qualified in South Carolina	Peter Grant Jr.	Corporation Service Company 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808
Grant Clarendon Inc	Delaware Corporation Qualified in South Carolina	Peter Grant Jr.	Corporation Service Company 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808



[1]Incorporated in Ontario Canada, [2]Incorporated in Alberta Canada,

[3]Delaware LLP, [4]Incorporated in Delaware

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Schedule 8.01(19)

Properties

PIN	65441 - 0376 LT	*Interest/Estate*	Fee Simple
Description	PT LOCATION CL 12042 BEING PT UNSUBDIVIDED TOWNSHIP OF ODGEN BEING PT 3, PLAN 6R7487; RESERVING ALL ORES, MINES OR MINERALS WHICH ARE OR SHA LL HEREAFTER BE FOUND ON OR UNDER SAID LAND; T/W EASEMENT OVER PT 1 PLAN 6R7542 AS IN CB21031; CITY OF TIMMINS.		
Address	TIMMINS		
PIN	65441 - 0378 LT	*Interest/Estate*	Fee Simple
Description	LOCATION AL 937, PT OF UNSUBDIVIDED TOWNSHIP OF OGDEN PT 1 6R1692 EXCEPT LOCATION RY 310 PT 1 6R6276, PT LOCATION AL 937 PT 1 & 2 6R3171, PT 2 6R7487 RESERVING ALL ORES, MINES OR MINERALS WHICH ARE OR SHALL HEREAFTER BE FOUND ON OR UNDER SAID LAND; S/T EASEMENT OVER PT 1 6R7487 AS IN CB13261; CITY OF TIMMINS		
Address	TIMMINS		
PIN	65441 - 0120 LT	*Interest/Estate*	Fee Simple
Description	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; RESERVING THEREOUT AND THEREFROM THE SURFACE RIGHTS ON AND OVER A STRIP OF LAND ONE CHAIN IN PERPENDICULAR WIDTH ALONG THE SHORE OF THE MATTAGAMI RIVER; RESERVING THEREOUT AND THEREFROM THE SURFACE RIGHTS ON AND OVER THE TRAVELLED ROAD CROSSING THE SAID CLAIM; CITY OF TIMMINS		
Address	TIMMINS		
PIN	65441 - 0121 LT	*Interest/Estate*	Fee Simple
Description	PCL 23975 SEC SEC; FIRSTLY: PT LOCATION A.L.937 OGDEN PT 1 & 2, 6R3171; SECONDLY: LOCATION R.Y.310 OGDEN PT 1, 6R6276; RESERVING ALL O RES, MINES OR MINERALS WHICH ARE OR SHALL HEREAFTER BE FOUND ON OR UND ER THE LAND HEREBY GRANTED; CITY OF TIMMINS		
Address	TIMMINS		
PIN	65441 - 0321 LT	*Interest/Estate*	Fee Simple
Description	PCL 24714 SEC SEC; LOCATION C.L. 12151 OGDEN BEING PT 1, 6R7502; RESER VING ALL ORES, MINES OR MINERALS WHICH ARE OR SHALL HEREAFTER BE FOUND ON OR UNDER THE LAND HEREBY GRANTED; CITY OF TIMMINS		
Address	TIMMINS		
PIN	65441 - 0324 LT	*Interest/Estate*	Fee Simple
Description	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		
Address	TIMMINS		

PIN	61277 - 0392 LT	*Interest/Estate*	Fee Simple
Description	PCL 24013 SEC SST; PT S1/2 LT 11 CON 5 EVANTUREL PT 2, 3 & 4 54R2355 & PT 3 & 4 54R3420; S/T LT121700, LT121759; EVANTUREL ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61277 - 0383 LT	*Interest/Estate*	Fee Simple
Description	PCL 23580 SEC SST; PT S1/2 LT 11 CON 5 EVANTUREL PT 1 & 2 54R3292; EVANTUREL ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61278 - 0051 LT	*Interest/Estate*	Fee Simple
Description	PCL 12122 SEC SST; PT N1/2 LT 12 CON 5 EVANTUREL AS IN LT109670 EXCEPT PT 1 54R2411; S/T LT119808, LT234981, LT253262, LT267644; ENGLEHART ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61278 - 0069 LT	*Interest/Estate*	Fee Simple
Description	PCL 17417 SEC SST; PT N1/2 LT 12 CON 5 EVANTUREL AS IN LT158350 EXCEPT UNIT 1 PL D84; ENGLEHART ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61278 - 0148 LT	*Interest/Estate*	Fee Simple
Description	PCL 24170 SEC SST; PT N1/2 LT 12 CON 5 EVANTUREL PT 1 54R3667; ENGLEHART ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61278 - 0120 LT	*Interest/Estate*	Fee Simple
Description	PCL 21309 SEC SST; PT WLY PT N1/2 LT 12 CON 5 EVANTUREL PT 1 54R2411; ENGLEHART ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61278 - 0139 LT	*Interest/Estate*	Fee Simple
Description	PCL 23398 SEC SST; PT SIXTH AV PL M95NB EVANTUREL; PT SEVENTH ST PL M95NB EVANTUREL PT 2 54R3080; ENGLEHART ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61278 - 0140 LT	*Interest/Estate*	Fee Simple
Description	PCL 23458 SEC SST; PT LT 251 PL M95NB EVANTUREL; PT LT 252 PL M95NB EVANTUREL PT 1 54R3080; ENGLEHART ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61278 - 0019 LT	*Interest/Estate*	Fee Simple
Description	PCL 1655 SEC NND; S1/2 LT 12 CON 5 EVANTUREL EXCEPT LT99275, LT105947, LT 127758, PT 1 54R2759; S/T LT119651, LT234982, LT253814, LT267645; EVANTUREL ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61278 - 0029 LT	*Interest/Estate*	Fee Simple
Description	PCL 10462 SEC SST; PT S1/2 LT 12 CON 5 EVANTUREL AS IN LT99275; S/T LT120878, LT234961, LT253261, LT267646; EVANTUREL ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		

PIN	61280 - 0102 LT	*Interest/Estate*	Fee Simple
Description	PCL 8925 SEC NND; N1/2 LT 1 CON 5 DACK EXCEPT PT 3, 4, 5 TER940, LT169208; S/T LT120542, LT253263, LT268133; CHARLTON AND DACK ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61280 - 0105 LT	*Interest/Estate*	Fee Simple
Description	PCL 22633 SEC SST; W1/2 OF S1/2 LT 1 CON 5 DACK; CHARLTON AND DACK ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61307 - 0004 LT	*Interest/Estate*	Fee Simple
Description	PCL 19972 SEC SST; PT N1/2 LT 6 CON 6 ARMSTRONG PT 1 54R1796; ARMSTRONG ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61307 - 0074 LT	*Interest/Estate*	Fee Simple
Description	PCL 18640 SEC SST; PT S1/2 LT 6 CON 6 ARMSTRONG PT 1 54R1139 T/W PT 1 54R1282 AS IN LT172281; ARMSTRONG ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61307 - 0076 LT	*Interest/Estate*	Fee Simple
Description	PCL 23789 SEC SST; PT S1/2 LT 6 CON 6 ARMSTRONG PT 2 TER200; ARMSTRONG ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61307 - 0075 LT	*Interest/Estate*	Fee Simple
Description	PCL 25231 SEC SST; PT S1/2 LT 6 CON 6 ARMSTRONG PT 1 TO 4 54R4670 S/T PT 4 54R4670 AS IN LT59803, S/T PT 1 54R4670 AS IN LT172281; ARMSTRONG ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61334 - 0018 LT	*Interest/Estate*	Fee Simple
Description	PCL 2856 SEC SST; S PT BROKEN LT 9 CON 3 HUDSON AS IN TP8027 EXCEPT PL M197TIM AND EXCEPTING THEREFROM THE LAND COVERED BY THE WATER OF A BAY OF TWIN LAKE; HUDSON ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		
PIN	61335 - 0349 LT	*Interest/Estate*	Fee Simple
Description	PCL 25520 SEC SST; PT N 1/2 LT 6 CON 1 DYMOND PT 1 TO 20 54R4531; TEMISKAMING SHORES ; DISTRICT OF TIMISKAMING		
Address	DISTRICT OF TIMISKAMING		

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Schedule 8.01(21)

Intellectual Property Rights

NIL

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Schedule 8.01(27)

Pension Plan Disclosure

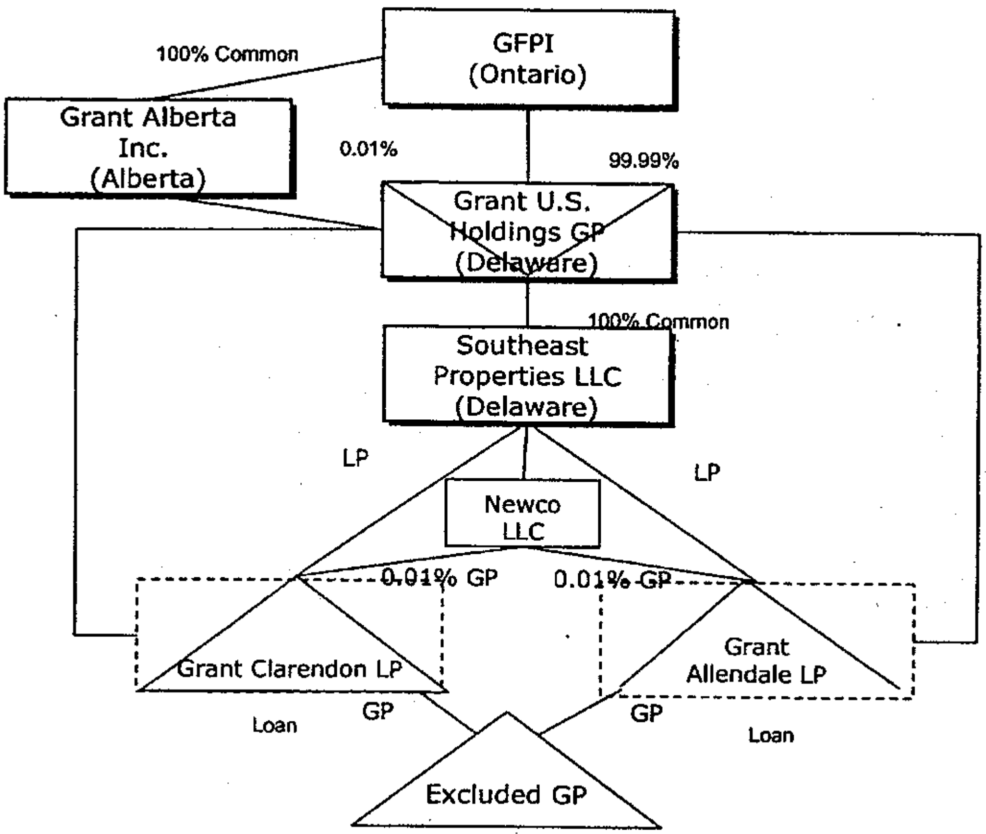
NIL

155

Schedule 9.04(2)

Description of Permitted Restructuring

Schedule 9.04 (2) Permitted Restructuring



Restructuring Steps:

•Creation of a new wholly owned subsidiary of Southeast Properties ("Newco LLC") and a new general partnership (Excluded GP) wholly owned by Grant Clarendon and Grant Allendale (which Excluded GP shall be the Excluded Subsidiary as defined in this Agreement)

•Conversion of Grant Allendale Inc. to Grant Allendale LP (limited partnership)

•Conversion of Grant Clarendon Inc. to Grant Clarendon LP (limited partnership)

•Conversion of Southeast Properties Inc. to Southeast Properties LLC

•Conversion of Grant U.S. Holdings LLP to Grant U.S. Holdings GP (general partnership)

SCHEDULE 14.14(3)

LOAN MARKET DATA TEMPLATE

Recommended Data Fields
The items highlighted in bold are those that Loan Pricing Corporation (LPC) deem essential. The remaining items are those that LPC has seen become more prominent over time as transparency has increased in the U.S. Loan Market.

Company Level
Issuer Name
Location
SIC (Cdn)
Identification Number(s)
Revenue

Measurement of Risk
- **S&P Sr. Debt**
- **S&P Issuer**
- **Moody's Sr. Debt**
- **Moody's Issuer**
- **Fitch Sr. Debt**
- **Fitch Issuer**
- **DBRS**

Other Ratings
Industry Classification
- Moody's Industry
- S&P Industry

Parent

Deal Specific
Currency/Amount
Date
Purpose
Sponsor
Financial Covenants

Target Company
Assignment Language
Law Firms

Springing lien
Cash Dominion

Facility Specific
Currency/Amount
Type
Purpose
Tenor
Term Out Option
Expiration Date
Facility Signing Date
Pricing
- **Base Rate(s)/Spread(s)/BA/LIBOR**
- **Initial Pricing Level**
- **Pricing Grid (tied to, levels)**
- **Grid Effective Date**

Fees
- **Participation Fee (tiered also)**
- **Commitment Fee**

Annual Fee
- **Utilization Fee**
- **LC Fee(s)**
- **BA Fee**

Other Fees to Market

- Security
- **Secured/Unsecured**

Guarantors
Lenders Names/Titles
Lender Commitment ($)
Commited/Uncommited
Distribution method
Amortization Schedule
Borrowing Base/Advance Rates
New Money Amount
Country of Syndication
Facility Rating (Loss given default)
- **S&P Bank Loan**
- **Moody's Bank Loan**
- **Fitch Bank Loan**
- **DBRS**
- **Other Ratings**

TAB B

THIS IS EXHIBIT "B" TO THE AFFIDAVIT

OF PETER FRASER SWORN BEFORE ME

THIS 19TH DAY OF OCTOBER, 2012

A Commissioner for taking affidavits, etc.

Whitney Elizabeth Bell, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires May 24, 2014.

EXECUTION COPY

INTERCREDITOR AGREEMENT

This **INTERCREDITOR AGREEMENT ("Agreement")**, is dated as of March 20, 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 20, 2007 (as amended, restated, supplemented or otherwise modified

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

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

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

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

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

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

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

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

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

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

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

SECTION 6. Insolvency or Liquidation Proceedings.

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

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

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

6.3 Adequate Protection.

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

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

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

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

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

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

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

6.4 <u>No Waiver</u>. 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 <u>Avoidance Issues</u>. 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

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

SECTION 7. Application of Proceeds of Collateral.

7.1 Application of Proceeds.

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

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

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

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

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

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

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

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

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

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

SECTION 8. Reliance; Waivers; Etc.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 9. Miscellaneous.

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

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

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

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

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

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

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

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

(c) to undertake any investigation; or

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

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

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

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

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

(2) **WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

First Lien Collateral Agent

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

By:____________________________
Name:
Title:

Second Lien Collateral Agent

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

By:______________________________
Name:
Title:

Acknowledged and Agreed to by:

The Company

GRANT FOREST PRODUCTS INC.

By:______________________________
Name:
Title:

GRANT U.S. HOLDINGS LLP, by its partners

GRANT FOREST PRODUCTS INC., as partner

By:______________________________
Name:
Title:

GRANT ALBERTA INC., as partner

By:______________________________
Name:
Title:

OTHER GRANTORS:

GRANT ALBERTA INC.

By:______________________________
Name:
Title:

SOUTHEAST PROPERTIES INC.

By:______________________________
Name:
Title:

GRANT ALLENDALE INC.

By:________________________________
Name:
Title:

GRANT CLARENDON INC.

By:________________________________
Name:
Title:

GRANT US SALES INC.

By:________________________________
Name:
Title:

GRANT FOREST PRODUCTS SALES INC.

By:________________________________
Name:
Title:

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

TAB C

THIS IS EXHIBIT "C" TO THE AFFIDAVIT

OF PETER FRASER SWORN BEFORE ME

THIS 19TH DAY OF OCTOBER, 2012

W Bell

A Commissioner for taking affidavits, etc.

Whitney Elizabeth Bell, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires May 24, 2014.

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

TWENTY FOURTH REPORT OF THE MONITOR DATED FEBRUARY 17, 2012

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 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 March 30, 2012 (the "**Stay Period**")

pursuant to an Order of this Court dated November 16, 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 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 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 resulting 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 Twenty Fourth Report of the Monitor (the "**Twenty Fourth Report**") is to report to this Court with respect to:

   a. the Remaining Applicants' motion for an Order declaring that the obligations owing (i) to The Toronto-Dominion Bank ("**TD**") and Toronto Dominion (Texas) LLC ("**TD Texas**") as agents (collectively, the "**First Lien Lenders' Agents**") for the first lien lenders (the "**First Lien Lenders**"); and (ii) to the First Lien Lenders by the Remaining Applicants, including 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**") are satisfied in full and that the First Lien Lenders' Agent and the First Lien Lenders have no further claims of any nature or kind against the Remaining Applicants, the CRO or the Monitor;

   b. the review of the security of the second lien lenders who are owed the principal amount of approximately $150 million plus interest pursuant to a credit agreement dated as of March 21, 2007, as amended (the "**Second Lien Credit Agreement**") (the "**Second Lien Lenders**");

   c. the Remaining Applicants' motion for an Order (the "**Distribution Order**"):

      i. authorizing the Remaining Applicants and the Monitor to distribute cash held by the Remaining Applicants and /or the Monitor in the amount of US$ 6 million to The Bank of New York Mellon ("**BNY**") as agent (the "**Second Lien Lenders' Agent**") for the Second Lien Lenders pursuant to the Second Lien Credit Agreement;

      ii. declaring that the distribution of US$ 6 million is to be applied on account of the indebtedness owing by the Remaining Applicants under the Second Lien Credit Agreement and upon the distribution of US$ 6 million, such amounts are released from the Charges (as defined in the Initial Order);

      iii. declaring that nothing in the requested Distribution Order affects paragraph 3 of the Order of the Honourable Mr. Justice Campbell made on August 26, 2011 in these proceedings or paragraph 3 of the Order of Honourable Mr. Justice Campbell made on September 21, 2011 in these proceedings (collectively the "**Pension Reserve Provisions**");

d. the actual receipts and disbursements of the Remaining Applicants from October 17, 2011 to February 5, 2012 and an updated cash flow projection from February 6, 2012 to July 1, 2012;

e. the Remaining Applicants' motion to extend the Stay Period to June 29, 2012; and

f. the Remaining Applicants' motion to approve this Twenty Fourth Report and the conduct and activities of the Monitor as set forth herein.

TERMS OF REFERENCE

8. In preparing this Twenty Fourth 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 Twenty Fourth Report. Some of the information referred to in this Twenty Fourth 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 Twenty Fourth 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 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 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) was sold separately by GFPI as further described in the following paragraph.

19. With the completion of the Georgia Pacific sale, the sale of GFPI's interests in Footner and the sale of the Timmins Mill, GFPI had the following remaining assets:

   a. Office premises and boathouse in Haileybury, Ontario (the "**Boat House**");

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

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

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

   e. the parcel of land near Timmins, Ontario (the "**Timmins Land**") which contained the Timmins Mill, which is in the process of being dismantled and demolished by EDS; and

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

20. On September 21, 2011, this Court granted Orders approving the sale of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land. The sales

of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land closed on October 13, 2011. Further details with respect to these sales transactions are described in the Twenty Second Report of the Monitor dated September 16, 2011 (the "**Twenty Second Report**").

21. On November 16, 2011, this Court granted Orders approving the sale of the Boat and the Ogden Landfill. Further details with respect to these sales transactions are described in the Twenty Third Report of the Monitor dated November 9, 2011 (the "**Twenty Third Report**").

22. GFPI continues to own the Ogden Landfill and is working with the purchaser to close the sale transaction.

PAYMENTS TO THE FIRST LIEN LENDERS

23. As stated in the Fourteenth Report and as initially set out in the affidavit of Peter Lynch sworn June 22, 2009 in support of the Initial Order, 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 the First Lien Credit Agreement. Additional amounts were owed to one First Lien Lender pursuant to an interest swap agreement.

24. The Honourable Mr. Justice Campbell granted an Order dated June 4, 2010 (the "**First Lien Distribution Order**"), *inter alia*, (1) authorizing and directing the Monitor to distribute the sums of US$340,291,419.61 and CAD$30,943,214.65 to the First Lien Lenders' Agent as well as (2) an Order authorizing the Monitor and the Remaining Applicants to distribute further sums to the First Lien Lenders' Agent "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."

25. As described in the Twenty Third Report, pursuant to the First Lien Distribution Order, the Monitor and the Remaining Applicants distributed US$401.3 million and CAD$36.5 million to the First Lien Lenders' Agent, which, as determined by the

First Lien Lenders' Agent and the Remaining Applicants, is an amount sufficient to pay all indebtedness owing to the First Lien Lenders except for any amounts payable as default interest under Section 4.05(2) of the First Lien Credit Agreement.

26. As further described in the Twenty Third Report, in or around March 2011, a question was raised with the Monitor as to whether the additional interest amounts provided for in Section 4.05(2) of the First Lien Credit Agreement were payable as a result of the *Interest Act*, R.S.C. 1985, c. I-15. The Monitor's counsel reviewed the issue in conjunction with counsel to the Remaining Applicants and determined that it would require the advice and direction of this Honourable Court prior to distributing any amounts pursuant to Section 4.05(2) of the First Lien Credit Agreement. Accordingly, and consistent with the terms of the First Lien Distribution Order, the Monitor advised the First Lien Lenders' Agent that the Monitor would require a further court order before it would distribute any amounts payable under s. 4.05(2) of the First Lien Credit Agreement. As a result, the First Lien Lenders' Agent served a motion record seeking the payment of default interest under Section 4.05(2) of the First Lien Credit Agreement. The background to this default interest motion is more fully described in the Twenty Third Report.

27. On December 29, 2011, this Court granted an Order (the "**Default Interest Order**") declaring that the First Lien Lenders are entitled to default interest as described in Section 4.05(2) of the First Lien Credit Agreement. In accordance with the Default Interest Order, on January 30, 2012, the Monitor distributed US$8,992,780.02 and CDN$716.356.82 to the First Lien Lenders' Agent; and on February 1, 2012, the Monitor distributed CDN$248,300.84 to McCarthy Tetrault LLP.

28. The Monitor and the Remaining Applicants are not aware of any further amounts owing by the Remaining Applicants to the First Lien Lenders. Accordingly, the Remaining Applicants are seeking an Order from this Court declaring that the obligations owing to the First Lien Lenders by the Remaining Applicants are satisfied in full and that the First Lien Lenders' Agent and the First Lien Lenders have no further claims of any nature or kind against the Remaining Applicants, the CRO or the Monitor.

REVIEW OF THE SECOND LIEN LENDERS' SECURITY

29. As set out in the affidavit of Hap Stephen sworn February 14, 2012, the Second Lien Lenders are owed the principal amount of approximately $150 million plus interest pursuant to the Second Lien Credit Agreement.

30. The Monitor's counsel has conducted a security review of various security held by the Second Lien Lenders in Canada granted in their favour by each of the Remaining Applicants over each of their respective property and assets for the benefit of the Second 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 Second Lien Security Opinion**").

31. The Canadian Second 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, and subject to the priority of the First Lien Lenders, the Second Lien Lenders' security is valid and enforceable and ranks in 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 of the security of the Second Lien Lenders' Agent.

32. In preparing the Canadian Second Lien Security Opinion, Monitor's counsel reviewed the security interests in the personal property of each of the Remaining Applicants 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.

33. The Canadian Second 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 Second 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 Second Lien

Security Opinion are with respect to equipment leases.

34. In preparing the Canadian Second Lien Security Opinion, Monitor's counsel also conducted or caused to be conducted subsearches in respect of the lands described in the Second Lien Lenders' security documents (the "**Charged Lands**"). The Canadian Second 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 each of the Remaining Applicants owned material assets. In respect of real property, the Canadian Second Lien Security Opinion covers only the Charged Lands although the Remaining Applicants may own and lease additional parcels of land in Ontario and Alberta.

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

36. The U.S. Second 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 the Remaining Applicants have their place of business. The U.S. Second Lien Opinion further states that there are no financing statements disclosed in the UCC lien searches with respect to the Remaining Applicants that were filed prior to the Second Lien Lenders' financing statement. In addition, the U.S. Second 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 Second Lien Lenders' mortgage.

37. Accordingly, based on the Monitor's counsel's reviews of the Second Lien Lenders'

security, the cash held by the Remaining Applicants and the Monitor, subject to the qualifications noted above and the need to maintain reserves to fund certain post filing obligations of the Remaining Applicants and the costs of the Remaining Applicants to complete the wind up of these CCAA proceedings, may appropriately be paid to the Second Lien Lenders' Agent.

DISTRIBUTION TO THE SECOND LIEN LENDERS

38. As of February 5, 2012, the Monitor holds cash of approximately US$284,000 and approximately CDN$3.2 million, which are not subject to escrow. In addition, as at February 5, 2012, GFPI holds the equivalent of approximately US$9.7 million cash on hand in its bank account. The Monitor also holds funds in escrow of approximately CDN$2.4 million. These escrow funds include the pension escrows described in paragraph 3 of the Order of the Honourable Mr. Justice Campbell made on August 26, 2011 in the amount of CDN$191,245 and paragraph 3 of the Order of Honourable Mr. Justice Campbell made on September 21, 2011 in the amount of CDN$2,185,000 and certain other escrows of approximately CDN$58,000 related to proceeds from the sale of certain aircraft parts and a deposit with respect to the sale of the Ogden Landfill. GFPI and the Monitor have prepared an analysis, which has been reviewed by the CRO, to estimate the amount of surplus cash that would be available for distribution to the Second Lien Lenders subject to maintaining certain reserves that are required to pay and to satisfy any accrued but unpaid post CCAA filing obligations of the Applicants and establishing a reserve to fund the wind up of these CCAA proceedings.

39. Based on the analysis, the Remaining Applicants are requesting this Court's approval to distribute US$6 million to the Second Lien Lenders (the "**Distribution**"). The Distribution will be made from the funds held by the Monitor and the Remaining Applicants. After the Distribution of such amount, GFPI and the Monitor will continue to hold approximately US$4.0 million and approximately CDN$3.2 million, which are not subject to escrow. In addition, as described above, the Monitor will continue to hold approximately CDN$2.4 million which is subject to escrow.

40. The Remaining Applicants are also seeking the approval of this Court declaring that the Distribution is to be applied on account of the indebtedness owing by the Remaining Applicants under the Second Lien Credit Agreement and upon the Distribution such amounts are released from the Charges (as defined in the Initial Order) and further declaring that nothing in the Distribution Order affects the Pension Reserve Provisions.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS OF THE REMAINING APPLICANTS

41. A summary of the actual receipts and disbursements of the Remaining Applicants as compared to the projection set out in the Twenty Third Report for the period from October 17, 2011 to February 5, 2012 is attached as Appendix 'B' to this Twenty Fourth Report. As set out in the Twenty Third Report, the projection excluded any net proceeds from the sale of any assets due to the uncertainty in quantum and timing of receipts from the sale of such 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 such distributions, due to the default interest motion of the First Lien Lenders' Agent described in the Twenty Third Report.

42. The Remaining Applicants' actual consolidated net cash outflow for the period from October 17, 2011 to February 5, 2012, is set out in Appendix 'B' to this Twenty Fourth Report. In addition, Appendix 'B' includes further details with respect to the variance in the individual receipt and disbursement line items.

43. Attached as Appendix 'C' is a summary of the cash balances held by the Monitor in its trust and escrow accounts. As at February 5, 2012 the Monitor's trust and escrow accounts held $284,000 in U.S. currency and $5.6 million in Canadian currency primarily from the proceeds of previous asset sales.

UPDATED CASH FLOW PROJECTION OF THE REMAINING APPLICANTS

44. An updated cash flow forecast of the Remaining Applicants for the period from February 6, 2012 to July 1, 2012 is attached as Appendix 'D' to this Twenty Fourth

Report (the "**Remaining Applicants' Forecast**").

45. 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.

46. The Remaining Applicants' Forecast 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 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.

47. 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

48. The current Stay Period of the Remaining Applicants expires on March 30, 2012. The Remaining Applicants are seeking an extension of the Stay Period to June 29, 2012 to permit them time to complete the sale of the Ogden Landfill and certain outstanding litigation and continue to work towards the wind-down of these CCAA proceedings.

49. 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 June 29, 2012 is appropriate. Accordingly, the Monitor recommends to this Honourable Court that the Stay Period be extended to such date.

RECOMMENDATIONS

50. The Remaining Applicants are seeking this Honourable Court's authorization for the following Orders:

    i. declaring that the obligations owing to the First Lien Lenders are satisfied in full and that the First Lien Lenders' Agent and the First Lien Lenders have no further claims of any nature or kind against the Remaining Applicants, the CRO or the Monitor;

    ii. authorizing the Remaining Applicants and the Monitor to distribute cash held by the Remaining Applicants and /or the Monitor in the amount of US$ 6 million to the Second Lien Lenders' Agent;

    iii. declaring that the Distribution is to be applied on account of the indebtedness owing by the Remaining Applicants under the Second Lien Credit Agreement;

    iv. declaring that nothing in the requested Distribution Order affects the Pension Reserve Provisions;

    v. approving the extension of the Stay Period to June 29, 2012; and

    vi. approving this Twenty Fourth Report and the conduct and activities of the Monitor as reported on herein.

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

All of which is respectfully submitted this 17th day of February, 2012.

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"

SCHEDULE "B-3"

RESULTS OF PERSONAL PROPERTY SEARCHES CONTAINING PRIOR REGISTRATIONS

(ONTARIO)

(See attached)

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

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	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

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	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

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 Sales Inc.

CURRENCY: January 3, 2010

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
1.	619883631	20051021 1525 1590 6014 Reg. 10 years	Grant Forest Products Sales Inc.	The Toronto-Dominion Bank, as agent	I, E, A, O, MVI Unspecified

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 Alberta Inc.

CURRENCY: January 3, 2010

PERSONAL PROPERTY SECURITY ACT (ONTARIO)

	File No.	Registration #	Debtor(s)	Secured Party	Collateral/Description
1.	619883649	20051021 1526 1590 6015 Reg. 10 years	Grant Alberta Inc.	The Toronto-Dominion Bank, as agent	I, E, A, O, MVI Unspecified

SCHEDULE "B-4"

RESULTS OF PERSONAL PROPERTY SEARCHES CONTAINING PRIOR REGISTRATIONS

(ALBERTA)

GRANT FOREST

1. As of 11:28 a.m. on January 4, 2010, the following registrations were registered against Grant Forest as debtor:

(a) **Security Agreement**: in favour of GE Canada Leasing Services Company, registered on December 22, 1999, as registration number 99122222344, expiring on December 22, 2012.

Collateral: Serial Number Goods:

Serial Number	Year	Make and Model	Category
CGGFP	1992	Dassault Falcon 50	Aircraft Canada

General Collateral: (a) One (1) 1992 Dassault Falcon 50 bearing Canadian registration mark CGGFP and airframe manufacturer's serial number 227, together with three (3) Garrett TFE731-3-1C engines bearing manufacturer's serial numbers 76821, 76824 and 76825 and any airframe replacing the foregoing aircraft or any other engine from time to time attached to such airframe (including any engine replacing any of 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 (the "Parts") that may from time to time be incorporated or installed in or attached to the foregoing airframe or engine, and any and all Parts removed from the foregoing airframe or engine (collectively the "Aircraft") and all records, logs, manuals, maintenance records, technical data, training aids, computer property and other materials relating to the Aircraft, airframe or any engine and any property substituted for any of the foregoing. (b) The goods described herein and all rights, receivables and chattel paper derived from or evidencing the lease or rental thereof by the Debtor to third parties and all attachments, accessories, accessions, spare parts and intangibles relating thereto. (c) Proceeds: all present and after acquired personal property. All of the right, title and interest of the Debtor in and to the Operations and Maintenance Agreement dated as of November 1, 2003 between the Debtor and Grant Executive Jets, Inc.

(b) **Security Agreement**: in favour of GE Canada Leasing Services Company, registered on February 7, 2002, as registration number 02020726390, expiring on February 7, 2015.

Collateral: Serial Number Goods:

Serial Number	Year	Make and Model	Category
CFGFI	1994	Dassault Falcon 900B	Aircraft Canada

General Collateral: (1) One (1) 1994 Dassault Falcon 900b aircraft bearing Canadian department of transport registration mark C-FGFI and airframe manufacturer's serial number 138 together with three (3) Garrett (Allied Signal) engines model TFE731-5BR-1C bearing manufacturer's serial numbers P-101217, P-101214 and P-101231 (the "Aircraft"); (2) any airframe replacing the Aircraft or any other engine from time to time attached to any such airframe (including any engine replacing 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;

Proceeds: all of the Debtor's present and after-acquired personal property derived from any disposition or dealing with the foregoing collateral. All of the right, title and interest of the debtor in and to the operations and maintenance agreement dated as of November 1, 2003 between the Debtor and Grant Executive Jets Inc.

(c) **Security Agreement**: in favour of The Toronto-Dominion Bank, as Agent, registered on October 21, 2005, as registration number 05102128385, expiring on October 21, 2015.

General Collateral: all present and after-acquired property of the Debtor except 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.

(d) **Land Charge**: in favour of The Toronto-Dominion Bank, as Agent, registered on October 21, 2005, as registration number 05102128435. This registration does not expire.

ALBERTA

2. Personal Property Security Act (Alberta) and Civil Enforcement Act (Alberta)As of 11:29 a.m., on January 4, 2010, the following registrations were registered against Alberta as debtor:

(a) **Security** Agreement: in favour of The Toronto-Dominion Bank, as Agent, registered on October 21, 2005, as registration number 05102128518, expiring on October 21, 2015.

General Collateral : All present and after-acquired property of the Debtor.

(b) **Land Charge**: in favour of The Toronto-Dominion Bank, as Agent, registered on October 21, 2005, as registration number 05102128559. This registration does not expire.

SALES

3. *Personal Property Security Act* (Alberta) and *Civil Enforcement Act* (Alberta)

As of 11:29 a.m. on January 4, 2010, the following registrations were registered against Sales as debtor:

(a) **Security Agreement**: in favour of The Toronto-Dominion Bank, as Agent, registered on October 21, 2005, as registration number 05102128278, expiring on October 21, 2015.

General Collateral: All present and after-acquired property of the Debtor.

(b) **Land Charge**: in favour of The Toronto-Dominion Bank, as Agent, registered on October 21, 2005, as registration number 05102128336. This registration does not expire.

APPENDIX "B"

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants")
Cumulative Combined Receipts and Disbursements
For the Period from October 17, 2011 to February 5, 2012
(In Thousands of US Dollars)

	Actual	Projection	Variance	Notes
Opening Bank Balance	10,952	10,952	-	
Receipts				
GST/HST Collected & Refunds	79	119	(40)	1
Other Receipts	9	-	9	
Sale of Assets	-	-	-	
Total Receipts	87	119	(31)	
Disbursements				
Payroll	(80)	(102)	21	
Other Payables	-	(270)	270	2
SG&A	(163)	(322)	160	3
Restructuring Costs	(936)	(799)	(137)	4
Bank Charges	(3)	(3)	-	
Foreign Exchange Impact	3	-	3	
Total Disbursements	(1,180)	(1,496)	316	
Net Cash Flows	(1,092)	(1,377)	285	
Ending Bank Balance	9,860	9,575	285	
Deduct: Restricted Cash	(125)	(122)	(2)	
Ending Cash excluding Restricted Cash	9,735	9,453	282	

Funds Held by the Monitor in Trust

	USD	CAD	Notes
Opening Bank Balance	$ 321	$ 15,177	
Receipts	9,067	504	5
Disbursements	(9,104)	(10,065)	
Net Cash Inflow/(Outflow)	(36)	(9,561)	
Ending Bank Balance	284	5,617	6

Grant Forest Products Inc., Grant Alberta Inc. and Grant Forest Products Sales Inc. (the "Remaining Applicants") Cumulative Combined Actual Receipts and Disbursements For the Period October 17, 2011 to February 5, 2012 Variance Analysis

The actual receipts and disbursements are denominated in U.S. dollars. Canadian dollars are converted to U.S. dollars every week at Thursday's closing exchange rate as published by the Bank of Canada. In the projection, Canadian dollars are converted to U.S. dollars at the exchange rate of CDN$1.02 =US$1.00.

1. **GST/HST Collected & Refunds** – The unfavourable variance is primarily due to lower than anticipated disbursements and timing differences as discussed below.

2. **Other Payables** – The favourable variance is primarily due to a timing difference, which will likely reverse in the future.

3. **SG&A** – The favourable variance is primarily due to lower than anticipated insurance premiums related to non-core assets.

4. **Restructuring** – The unfavourable variance is primarily due to the projection not reflecting certain professional fees for the Chief Restructuring Organization ("**CRO**"), partly offset by a favourable timing difference. Such CRO's fees are based on asset recoveries and become payable when distributions are made to the lenders. The portion related to timing is expected to reverse in the future.

5. **Receipts and disbursements of trust accounts** – Transactions in the escrow and trust accounts during this period are summarized as follows:

   Receipts:
   - U.S. dollar receipts represent a transfer of approximately CDN$ 9.1 million into U.S. currency for the purpose of distributions to the First Lien Lenders; and
   - Canadian dollar receipts include proceeds from the sale of non-core assets and interest income.

   Disbursements:
   - U.S. dollar disbursements total to approximately US$9.1 million, including:
     - A distribution of approximately US$9.0 million to First Lien Lenders with respect to default interest pursuant to the Court Order dated December 29, 2011, and
     - Payments with respect to the closing of the sales of certain non-core assets, including a settlement payment to the boat builder on the closing of the transaction related to the sale of the boat and commissions and other payments related to the sale of the boat.
   - CDN dollar disbursements totalled approximately CDN$10.1 million, including:
     - The transfer of CDN$9.1 million into U.S. currency as discussed above; and
     - CDN$965,000 paid to the First Lien Lenders for default interest and legal costs pursuant to the Court Order dated January 29, 2011.

6. **Closing balance of the escrow and trust accounts** – The escrow and trust accounts held funding as at February 5, 2012 as set out in the summary attached in Appendix "C" to the Twenty Fourth Report.

APPENDIX "C"

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants")
Summary of Funds in Trust Account
As at February 5, 2012

		Amount
USD Account		
Trust Account	$	284,249
Total USD Account		284,249

	Amount
CDN Account	
Trust Account	3,180,270
Pension Escrow	2,379,566
Tender Process Deposits	7,559
Aircraft Parts Escrow	50,000
Total CDN Account	5,617,396

Note
All account balances are net of bank charges.

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APPENDIX "D"

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants") Combined Cash Flow Projection
For The Period From February 6, 2012 to July 1 , 2012
(In Thousands of US Dollars)

		Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Month	Month	
Period Enging	**Notes**	12-Feb-12	19-Feb-12	26-Feb-12	4-Mar-12	11-Mar-12	18-Mar-12	25-Mar-12	1-Apr-12	8-Apr-12	15-Apr-12	22-Apr-12	29-Apr-12	May 2012	June 2012	**Total**
Opening Bank Balance	1	9,860	9,803	9,775	9,718	9,700	9,672	9,616	9,575	9,237	9,214	9,158	9,105	9,088	8,875	9,860
Receipts																
GST/HST Refunds	2	-	-	19	-	-	-	18	-	-	-	-	18	15	18	88
Sale of Assets	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		-	-	19	-	-	-	18	-	-	-	-	18	15	18	88
Disbursements																
Payroll	4	(5)	-	(16)	(0)	(5)	-	(5)	(11)	(5)	-	(5)	(11)	(28)	(21)	(115)
Other Payables	5	-	-	-	-	-	-	-	(300)	-	-	-	-	-	-	(300)
SG&A	6	(4)	(3)	(15)	(4)	(9)	(3)	(4)	(11)	(4)	(3)	(4)	(3)	(56)	(23)	(149)
Restructuring Costs	7	(47)	(23)	(45)	(14)	(14)	(51)	(48)	(16)	(14)	(51)	(43)	(21)	(143)	(129)	(660)
Bank Charges	8	-	(1)	-	-	-	(1)	-	-	-	(1)	-	-	(1)	(1)	(5)
Foreign Exchange Impact	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements		(57)	(28)	(76)	(18)	(28)	(56)	(58)	(338)	(23)	(56)	(52)	(36)	(227)	(174)	(1,228)
Net Cash Flows		(57)	(28)	(57)	(18)	(28)	(56)	(40)	(338)	(23)	(56)	(52)	(18)	(212)	(156)	(1,140)
Ending Bank Balance		9,803	9,775	9,718	9,700	9,672	9,616	9,575	9,237	9,214	9,158	9,105	9,088	8,875	8,720	8,720
Deduct: Restricted Cash	10	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Ending Cash excluding Restricted Cash		9,678	9,651	9,593	9,576	9,547	9,491	9,451	9,112	9,089	9,033	8,981	8,963	8,751	8,595	8,595

In the Matter of the CCAA of Grant Forest Products Inc. Grant Alberta Inc., and Grant Forest Products Sales Inc., ("Grant" or the "Remaining Applicants") Notes to the Unaudited Combined Cash Flow Projection

Disclaimer:

In preparing this cash flow projection (the "**Remaining Applicants' Forecast**"), the Remaining Applicants have relied upon unaudited financial information, and the Remaining Applicants have not attempted to further verify the accuracy or completeness of such information. Since the Remaining Applicants' Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the forecast period will vary from the Remaining Applicants' Forecast, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

Overview:

The Remaining Applicants' Forecast reflects projected cash flows in respect of the Remaining Applicants' operations. The Remaining Applicants with the assistance of the Monitor have prepared the Remaining Applicants' Forecast based primarily on their current cost base and historical results. Receipts and disbursements are denominated in both Canadian and US dollars; however, the consolidated cash flow is presented in U.S. dollars. Canadian dollars are converted to US dollars at par.

All of Grant's mills have been sold. Georgia-Pacific has acquired three of Grant's mills, specifically, the Englehart Mill, the Allendale Mill and the Clarendon Mill. Ainsworth Lumber Co. Ltd. acquired Grant's 50% interest in the Footner mill, the building and equipment related to the Timmins mill was to EDS Decommissioning Canada and the land to Canadian Land Corporation.

Assumptions:

1) **Opening Balance:**
This is the anticipated opening cash balance of the Remaining Applicants at the commencement of the stay extension period and includes funds held in Canadian dollars and U.S. dollars that were converted into U.S. dollars at the exchange rate noted above.

2) **GST/HST Refunds:**
Grant projects GST/HST refunds based on input tax credits during the forecast period. The Remaining Applicants' Forecast no longer reflects HST remittances on OSB and fibre sales pursuant to the closing of the transactions related to the mills.

3) **Sale of Assets:**
The Remaining Applicants' Forecast does not reflect any net proceeds from the sale of the Remaining Applicants' remaining assets in this forecast period due to the uncertainty in the quantum and timing of such receipts. In addition, this line item also excludes the release of funds held in escrow or in trust with the Monitor due to the uncertainty in timing of when the relevant conditions related to the escrows are met and the timing of their release.

4) **Payroll:**
Payroll represents salaries, and benefits, including deductions for one remaining employee and certain independent contractors, and is forecast based on current run rates. This employee is paid bi-weekly through direct deposits.

5) **Other Payables:**
Other payables include certain post-filing accounts payables.

6) **SG&A:**
SG&A represents costs for insurance, rent, property tax, repairs and maintenance related to the remaining non-core assets, office supplies and travel.

7) **Restructuring Costs:**
Restructuring costs include costs related to the Remaining Applicants' advisors and their counsel and the Monitor and its counsel.

8) **Bank Charges:**
Bank charges include monthly bank charges and fees.

9) **Foreign Exchange Impact:**
The Remaining Applicants' Forecast does not reflect any foreign exchange impact due to the uncertainty in its quantum and timing.

10) **Restricted Cash:**
At the beginning of the forecast period Restricted Cash represents approximately $125,000 of restricted cash held as a reserve for a letter of credit required by a municipal authority.

TAB D

THIS IS EXHIBIT "D" TO THE AFFIDAVIT

OF PETER FRASER SWORN BEFORE ME

THIS 19TH DAY OF OCTOBER, 2012

W Bell

A Commissioner for taking affidavits, etc.

Whitney Elizabeth Bell, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires May 24, 2014.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	WEDNESDAY, THE 23rd DAY OF
	)	
JUSTICE CAMPBELL	)	FEBRUARY, 2012

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT FOREST PRODUCTS SALES INC., GRANT ALBERTA INC., GRANT U.S. HOLDINGS GP, SOUTHEAST PROPERTIES LLC, GRANT CLARENDON LP, GRANT ALLENDALE LP, GRANT US SALES INC., GRANT NEWCO LLC AND GRANT EXCLUDED GP

Applicants

-and-

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

Respondents

ORDER

THIS MOTION, made by Grant Forest Products Inc. ("**GFPI**"), Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "**Remaining Applicants**"), for *inter alia* an order in the form attached as Schedule "**A**" to the notice of motion of the Remaining Applicants dated February 14, 2012 (the "**Notice of Motion**"): (i) abridging and validating the timing and method of service of this Motion Record so that the Motion is properly returnable; (ii) extending until June 29, 2012, the Stay Period in respect of the Remaining Applicants, as defined by the Order of the Honourable Mr. Justice Newbould made in these proceedings on June 25, 2009 (the "**Initial Order**") and as previously extended until March 30, 2012; (iii) approving the twenty-fourth report to Court (the "**Twenty-Fourth Report**") of Ernst & Young Inc. in its capacity as court-appointed monitor (the "**Monitor**") and the activities of the Monitor as set out therein; (iv) declaring that the obligations owing (a) to The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC as agents (collectively, the "**First Lien Lenders' Agents**") for the first lien lenders (the "**First Lien Lenders**"); and (b) to the First Lien Lenders by the Remaining Applicants, including 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**") are satisfied in full and that the First Lien Lenders' Agents and the First Lien Lenders have no further claims of any nature or kind against the Remaining Applicants, the CRO or the Monitor; (v) authorizing the Remaining Applicants and the Monitor to distribute cash and/or cash equivalents held by the Remaining Applicants and /or the Monitor in the amount of $6,000,000 USD (the "**Distribution**") to The Bank of New York Mellon as agent (the "**Second Lien Lenders' Agent**") for the second lien lenders (the "**Second Lien Lenders**") pursuant to a credit agreement dated as of March 21, 2007, as amended (the "**Second Lien Credit Agreement**"); (vi) declaring that the Distribution is to be applied on account of the indebtedness owing by the Remaining Applicants under the Second Lien Credit Agreement and upon the Distribution such amounts are released from the Charges (as defined by the Initial Order); and (vii) declaring that nothing in the requested Order affects paragraph 3 of the Order of the Honourable Mr. Justice Campbell made on August 26, 2011 in these proceedings or paragraph 3 of the Order of Honourable Mr. Justice Campbell made on September 21, 2011 in these proceedings (collectively the "**Pension Reserve Provisions**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Twenty-Fourth Report, the affidavit of Hap Stephen sworn February 14, 2012 and on hearing submissions of counsel for GFPI, the Monitor, Financial Services Commission of Ontario and PwC as Pension Plan Administrator, and no one appearing for any other person on the service list, although properly served as appears from the affidavit of Laura Bowles-Dove sworn February 14, 2012, filed:

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

2. **THIS COURT ORDERS** that with respect to the Remaining Applicants, the Stay Period as defined by the Initial Order, be and is hereby extended to June 29, 2012.

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

4. **THIS COURT ORDERS** and declares that the obligations owing to the First Lien Lenders' Agents and the First Lien Lenders pursuant to the First Lien Credit Agreement are satisfied in full and that the First Lien Lenders' Agents and the First Lien Lenders have no further claims of any nature or kind against the Remaining Applicants, the CRO or the Monitor and none of the CRO, the Monitor or the Remaining Applicants have any further claims against the First Lien Lenders' Agent or the First Lien Lenders.

5. **THIS COURT ORDERS** that the Remaining Applicants and the Monitor be and are hereby authorized to make the Distribution in cash and/or cash equivalents held by the Remaining Applicants and /or the Monitor in the amount of $6,000,000 USD to the Second Lien Lenders' Agent for the Second Lien Lenders pursuant to the Second Lien Credit Agreement.

6. **THIS COURT ORDERS** and declares that the Distribution is to be applied on account of the indebtedness owing by the Remaining Applicants under the Second Lien Credit Agreement and upon the Distribution such amounts are released from the Charges.

7. **THIS COURT ORDERS** and declares that nothing in the requested Order affects the Pension Reserve Provisions.

NBrown

Natasha Brown
Registrar

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
(Commercial List)

ORDER
(February 23, 2012)

FRASER MILNER CASGRAIN LLP
77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, Ontario M5K 0A1

Lawyer: Jane O. Dietrich
LSUC: 49302U
Email: jane.dietrich@fmcolaw.com /

Telephone: 416 863-4467

Facsimile: 416-863-4592

Lawyers for Grant Forest Products Inc., Grant Forest Products Sales Inc., and Grant Alberta Inc.

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TAB E

THIS IS EXHIBIT "E" TO THE AFFIDAVIT

OF PETER FRASER SWORN BEFORE ME

THIS 19TH DAY OF OCTOBER, 2012

W. Bell

A Commissioner for taking affidavits, etc.

Whitney Elizabeth Bell, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires May 24, 2014.

Court File No. 31-OR-2076

SUPERIOR COURT OF JUSTICE · COUR SUPÉRIEURE DE JUSTICE

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF
GRANT FOREST PRODUCTS INC.,
carrying on business from premises located
in the City of Mississauga, Regional Municipality of Peel, Province of Ontario

APPLICATION FOR BANKRUPTCY ORDER

GE CANADA LEASING SERVICES COMPANY of the City of Mississauga, in the Province of Ontario, the Applicant Creditor herein, hereby applies to the Court that Grant Forest Products Inc. be adjudged bankrupt and that a Bankruptcy Order be made in respect of the property of Grant Forest Products Inc. of the City of Mississauga, Regional Municipality of Peel, Province of Ontario, and says:

1. That the said Grant Forest Products Inc., has at some time during the six (6) months next preceding the filing of this Bankruptcy Application carried on business in the City of Mississauga, Regional Municipality of Peel, Province of Ontario within the jurisdiction of this Court.

2. That the said Grant Forest Products Inc. is justly and truly indebted to the Applicant Creditor in the approximate amount of $31,080,806.61 USD as at March 13, 2009 together with further interest thereon at the rate of 18% per annum.

3. That the Applicant Creditor holds security in respect of the assets of Grant Forest Products Inc. for payment of the said sum, the value of which is presently estimated at $24,088,000.00.

4. That the said Grant Forest Products Inc. has, within the six (6) months next preceding the date of the filing of this Bankruptcy Application, committed the following acts of bankruptcy, namely:

   (a) it has ceased to meet its liabilities generally as they become due in that it has failed to meet its obligations to the Applicant Creditor and other creditors;

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(b) it has given notice to the Applicant Creditor that it is about to suspend payment of its debts.

5. That Grant Thornton Limited of the City of Toronto, in the Regional Municipality of Metropolitan Toronto, Province of Ontario is qualified to act as Trustee of the property of the said debtor, has agreed to act as such and is acceptable to the Applicant Creditor.

CREDITOR	ADDRESS	AMOUNT OF DEBT
GE Canada Leasing Services Company	2300 Meadowvale Boulevard Mississauga, ON L5N 5P9	$31,080,806.61 USD, as at March 13, 2009 plus further interest and costs

DATED at Montreal, Quebec this 17th day of March, 2009.

SIGNED by the Applicant Creditor in my presence

Witness

Carlo Fargnoli
VP Credit

GE CANADA LEASING SERVICES COMPANY

Name: A. LEBLANC
Title: Sr. CREDIT MANAGER

Issued at the City of Toronto, in the Province of Ontario this 19th day of March, 2009.

S.W. NETTIE
REGISTRAR IN BANKRUPT

Deputy Registrar in Bankruptcy

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Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
(COMMERCIAL LIST)

IN THE MATTER OF THE BANKRUPTCY OF
GRANT FOREST PRODUCTS INC.,
carrying on business from premises located
in the City of Mississauga, Regional Municipality of Peel, Province of Ontario

AFFIDAVIT

I, **ALEXANDRE LEBLANC**, of the City of Montreal, in the Province of Quebec, **MAKE OATH AND SAY:**

1. That I am the Senior Credit Manager – Workout Group of GE Canada Leasing Services Company (the "Applicant Creditor") herein and as such have knowledge of the facts to which are hereinafter deposed.

2. That I have been authorized by the Applicant Creditor to make this Affidavit and to present the Bankruptcy Application on behalf of the Applicant Creditor.

3. Grant Forest Products Inc. is justly and truly indebted to the Applicant Creditor in the sum of $31,080,806.61 USD as at the 13th day of March, 2009 as stated in the said Bankruptcy Application.

4. That the facts alleged in the said Bankruptcy Application are within my own knowledge true.

SWORN before me at the City of Montreal, in the Province of Quebec this 17 day of March, 2009

Manon Dulude
A Commissioner for taking Affidavits,, Etc.

COMMISSAIRE À L'ASSERMENTATION
MANON DULUDE
#71347
DISTRICT JUDICIAIRE DE MONTRÉAL

Alexandre LeBlanc
Alexandre LeBlanc

31-OK-201650-1 252

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

TO: GRANT FOREST PRODUCTS INC.

TAKE NOTICE THAT an application for a bankruptcy order has been made in respect of your property will be heard before the presiding Judge in Chambers (or, if unopposed, before the Registrar in Chambers), at 330 University Avenue, in the City of Toronto, Province of Ontario, on Thursday, ~~___~~, the 16th day of April 2009, at the hour of 10:00 o'clock in the forenoon, or so soon thereafter as the application can be heard.

AND FURTHER TAKE NOTICE THAT if notice of cause against the application is not filed in Court and a copy thereof served on the solicitors for the applicant at least two days before the hearing, and if you do not appear at the hearing, the Court may make a bankruptcy order on such proof of the statements in the application as the Court shall think sufficient.

Dated at the City of London, Ontario, this 18th day of March, 2009.

MILLER THOMSON LLP
One London Place
255 Queens Avenue, Suite 2010
London, ON Canada N6A 5R8

Alissa K. Mitchell
Tel: 519.931.3510
Fax: 519.858.8511
LSUC#: 35104E

Solicitors for the Applicant

IN THE MATTER OF THE BANKRUPTCY OF GRANT FOREST PRODUCTS INC., carrying on business from premises located in the City of Mississauga, Regional Municipality of Peel, Province of Ontario

APPLICATION FOR BANKRUPTCY ORDER

MILLER THOMSON LLP
One London Place
255 Queens Avenue, Suite 2010
London, ON Canada N6A 5R8

Alissa K. Mitchell
Tel: 519.931.3510
Fax: 519.858.8511
LSUC#: 35104E

Solicitors for the Applicant

TAB F

THIS IS EXHIBIT "F" TO THE AFFIDAVIT

OF PETER FRASER SWORN BEFORE ME

THIS 19TH DAY OF OCTOBER, 2012

W Bell

A Commissioner for taking affidavits, etc.

Whitney Elizabeth Bell, a
Commissioner etc., **Province of Ontario,**
while a Student-at-Law.
Expires May 24, 2014.

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Hill, Craig J.

Subject: FW: Grant Forest Products Inc. Court File No.: CV-09-8247-00CL - Motion Returnable February 23, 2012

From: Pasquariello, Joe [mailto:jpasquariello@goodmans.ca]
Sent: March 19, 2012 10:27 AM
To: 'Bowles-Dove, Laura'; Dietrich, Jane; sal.bellicoso@rogers.com; peter.renmarker@akzonobel.com; david.wender@alston.com; janine.brown@alston.com; mdalleva@angelogordon.com; bas.infomanager@bankofamerica.com; bob.voreyer@baml.com; zoltan.szoldatits@bmo.com; melinda.valentine@bnymellon.com; ASIcompliance@bnymellon.com; swanr@bennettjones.com; zychk@bennettjones.com; sziemke@bdcm.com; jackie.moher@blakes.com; linc.rogers@blakes.com; pierre.pelletier@ccd.desjardins.com; peter.lattuca@ccd.desjardins.com; ppharand@lacaisse.com; wrayd@caleywray.com; kuglerj@caleywray.com; teri.salberg@carval.com; dana.zuraff@carval.com; bdsettlements@carval.com; joel.hawkins@carval.com; teck.wong@carval.com; joe.torlone@timmins.ca; teri.salberg@carval.com; dbuchanan@davis.ca; rdunseith@dcllp.com; customaugerhouse@yahoo.ca; eclark@emmetmarvin.com; alex.morrison@ca.ey.com; simone.carvalho@ca.ey.com; jlevin@tor.fasken.com; elamek@tor.fasken.com; SBrotman@fasken.com; akauffman@fasken.com; deborah.mcphail@fsco.gov.on.ca; mark.bailey@fsco.gov.on.ca; alena.thouin@fsco.gov.on.ca; bfraser@fortress.com; Walker, Ross; Dowdall, Dan; MacFarlane, Alex; Dietrich, Jane; burcustomerservice@ge.com; michael.coseglia@gecapital.com; bond.harberts@ge.com; Myers, Fred; Chadwick, Robert; stephen.pike@gowlings.com; frank.lamie@gowlings.com; dphan@gsc.com; Vicki.Schnurr@ontario.ca; lnovak@us.ibm.com; posborne@litigate.com; kmcelcheran@mccarthy.ca; bryan@mccarthy.ca; jgage@mccarthy.ca; hickeyr@mcdmgmt.com; kellym@mcdmgmt.com; zarnk@mcdmgmt.com; sheryl.seigel@mcmillan.ca; amitchell@millerthomson.com; kevin.ohara@ontario.ca; somwattee.ramkhelawan@ontario.ca; dan.demontigny@ontario.ca; stuart.davidson@ontario.ca; paul.mingay@ontario.ca; kristin.fremlin@ontario.ca; donald.bennett@ontario.ca; mario.faieta@ontario.ca; jean.gosselin@bnc.ca; williamd.kennedy@bnc.ca; nick.logan@nationalleasing.com; Operations@NorthlandPower.com; nancy.walters@ontario.ca; jborrelli@morguard.com; jack.pfeilsticker@prudential.com; paul.procyk@prudential.com; jack.pfeilsticker@prudential.com; ssauler@redwoodcap.com; gordon@rglaw.ca; Courtney.rogers@rbs.com; tinglesby@saratogapartners.com; ayu@silverpointcapital.com; sdunphy@stikeman.com; dmurdoch@stikeman.com; hstephen@stonecrestcapital.com; srosch@stonecrestcapital.com; edreyfuss@talonmanagement.com; mfineman@thirdave.com; finance@timmins.ca; Jason.algazi@tdsecurities.com; ben.montgomery@tdsecurities.com; bill.oconnor@tdsecurities.com; clarkt3@td.com; charles.elliott@td.com; jhaick@brookfield.com; Peter Fraser; jason.moyse@xerox.com; tim@eastcoastmotor.com; diane@eastcoastmotor.com; osmith@smithlawteam.com; troywilson@royallepage.ca; bpolisuk@garfinkle.com; reynaldrivard@nt.net; pgrantjr@rogers.blackberry.net; tsandler@osler.com; tdevir@osler.com
Subject: RE: Grant Forest Products Inc. Court File No.: CV-09-8247-00CL - Motion Returnable February 23, 2012

We no longer represent The Bank of New York Mellon in respect of these proceedings. Please remove us from the Service List.

Thank-you.

Joseph Pasquariello
Goodmans LLP

416.597.4216
jpasquariello@goodmans.ca

Bay Adelaide Centre
333 Bay Street, Suite 3400

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Toronto, ON M5H 2S7
goodmans.ca

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Cc: Dietrich, Jane
Subject: Grant Forest Products Inc. Court File No.: CV-09-8247-00CL - Motion Returnable February 23, 2012

Please find attached a copy of the motion record of the Applicants, Grant Forest Products Inc., Grant Alberta Inc. and Grant Forest Products Sales Inc., for a motion returnable Thursday, February 23, 2012, which is being served upon you in accordance with the *Rules*.

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***** Attention *****

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OF PETER FRASER SWORN BEFORE ME

THIS 19TH DAY OF OCTOBER, 2012

W Bell

A Commissioner for taking affidavits, etc.

Whitney Elizabeth Bell, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires May 24, 2014.

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 OF ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC., GRANT FOREST PRODUCTS SALES INC. and GRANT U.S. HOLDINGS GP

NOTICE OF APPEARANCE

West Face Capital Inc. intends to respond to this application.

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Lawyers for PricewaterhouseCoopers Inc. in its capacity as administrator of a pension plan for salaried employees of Grant Forest Products Inc., Timmins Plant and pension plan for executive employees of Grant Forest Products

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AND TO:	**RIOPELLE GRIENER PROFESSIONAL CORPORATION** 202-85 Pine Street SouthTimmins, Ontario P4N 2K1 **David Foster**Telephone: 705-264-9591 Facsimile: 866-624-1614 Email: david@rglaw.ca *Lawyers for Chartrand*
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AND TO:	**GMO** 40 Rowes Wharf Boston, MA 02110 **Ara Lovitt** **Chris Hudson** Telephone: 617 346-7550 E-mail: chris.hudson@gmo.com
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283

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AND TO: **PENSION FUND REALTY LIMITED**
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Attention: President
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Peter.Zevenhuizen@justice.gc.ca

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

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., et al

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

NOTICE OF APPEARANCE

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Barristers and Solicitors
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LSUC No. 31888K

Roger Jaipargas
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LSUC No. 43275C

Lawyers for West Face Capital Inc

TOR01: 5033006: v1

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TAB H

THIS IS EXHIBIT "H" TO THE AFFIDAVIT

OF PETER FRASER SWORN BEFORE ME

THIS 19TH DAY OF OCTOBER, 2012

W Bell

A Commissioner for taking affidavits, etc.

Whitney Elizabeth Bell, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires May 24, 2014.

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Hill, Craig J.

From: Hill, Craig J.

Sent: October 19, 2012 12:51 PM

To: sal.bellicoso@rogers.com; peter.renmarker@akzonobel.com; david.wender@alston.com; janine.brown@alston.com; mdalleva@angelogordon.com; bas.infomanager@bankofamerica.com; kunal.banerjee@baml.com; zoltan.szoldatits@bmo.com; melinda.valentine@bnymellon.com; ASIcompliance@bnymellon.com; swanr@bennettjones.com; zychk@bennettjones.com; sziemke@bdcm.com; linc.rogers@blakes.com; pierre.pelletier@ccd.desjardins.com; peter.lattuca@ccd.desjardins.com; ppharand@lacaisse.com; wrayd@caleywray.com; kuglerj@caleywray.com; teri.salberg@carval.com; bdsettlements@carval.com; joel.hawkins@carval.com; teck.wong@carval.com; joe.torlone@timmins.ca; teri.salberg@carval.com; dbuchanan@davis.ca; rdunseith@dcllp.com; customaugerhouse@yahoo.ca; eclark@emmetmarvin.com; alex.morrison@ca.ey.com; simone.carvalho@ca.ey.com; jlevin@tor.fasken.com; elamek@tor.fasken.com; SBrotman@fasken.com; akauffman@fasken.com; deborah.mcphail@fsco.gov.on.ca; mark.bailey@fsco.gov.on.ca; bfraser@fortress.com; dmcknight@fortress.com; ross.walker@fmc-law.com; dan.dowdall@fmc-law.com; jane.dietrich@fmc-law.com; burcustomerservice@ge.com; michael.coseglia@gecapital.com; bond.harberts@ge.com; rchadwick@goodmans.ca; stephen.pike@gowlings.com; frank.lamie@gowlings.com; jonathan.behar@gowlings.com; marielle.chabot@ontario.ca; lnovak@us.ibm.com; pgrantjr@rogers.blackberry.net; kmcelcheran@mccarthy.ca; bryan@mccarthy.ca; jgage@mccarthy.ca; hickeyr@mcdmgmt.com; kellym@mcdmgmt.com; zarnk@mcdmgmt.com; sheryl.seigel@mcmillan.ca; amitchell@millerthomson.com; kevin.ohara@ontario.ca; somwattee.ramkhelawan@ontario.ca; dan.demontigny@ontario.ca; stuart.davidson@ontario.ca; paul.mingay@ontario.ca; kristin.fremlin@ontario.ca; donald.bennett@ontario.ca; mario.faieta@ontario.ca; Craig.Simons@ontario.ca; doc4secportfolio@morganstanley.com; jean.gosselin@bnc.ca; williamd.kennedy@bnc.ca; Operations@NorthlandPower.com; lmiller@crp-cpmi.com; jack.pfeilsticker@prudential.com; paul.procyk@prudential.com; jack.pfeilsticker@prudential.com; ssauler@redwoodcap.com; thealey@redwoodcap.com; gordon@rglaw.ca; catherine@rglaw.ca; tinglesby@saratogapartners.com; cphillips@saratogapartners.com; creditadmin@silverpointcapital.com; dmurdoch@stikeman.com; hstephen@stonecrestcapital.com; srosch@stonecrestcapital.com; edreyfuss@rmbcap.com; mfineman@thirdave.com; finance@timmins.ca; elhamy.khalil@tdsecurities.com; ben.montgomery@tdsecurities.com; bill.oconnor@tdsecurities.com; clarkt3@td.com; charles.elliott@td.com; jhaick@brookfield.com; john@westfacecapital.com; bei@westfacecapital.com; osmith@smithlawteam.com; tsandler@osler.com; tdevir@osler.com; david@rglaw.ca; Tara.nicholson@gwl.ca; jrapaport@cyruscapital.com; chris.hudson@gmo.com; Daniel.caffarelli@guggenheimpartners.com; diane.winters@justice.gc.ca; Peter.Zevenhuizen@justice.gc.ca

Cc: Jaipargas, Roger

Subject: RE: Grant Forest Products Inc., et al - Court File No. CV-09-8247-00CL

Further to the Notice of Appearance delivered earlier today, Borden Ladner Gervais LLP has today been retained on behalf of certain Second Lien Lenders in connection with this matter. It is our current intention to appear on Monday before Justice Campbell and request that the pending motion be adjourned to permit our client to file material in connection therewith.

In the event that any party on the service list intends to appear in Court on Monday and oppose the request for adjournment, please confirm by reply email at your earliest convenience.

In the event that you have any questions, please do not hesitate to contact me.

Regards,

Craig Hill
Partner
T 416.367.6156 | F 416.361.7301 | M 416.859.4618 | chill@blg.com

Scotia Plaza, 40 King Street West, Toronto, ON, Canada M5H 3Y4

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From: Sinclair, Miriam
Sent: October 19, 2012 8:29 AM
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Cc: Jaipargas, Roger; Hill, Craig J.
Subject: Grant Forest Products Inc., et al - Court File No. CV-09-8247-00CL

TO: Service List

Please see the attached Notice of Appearance which is served upon you pursuant to the *Rules of Civil Procedure* in connection with the above-noted matter.

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Regards,

Miriam (for Craig Hill and Roger Jaipargas)

Borden Ladner Gervais

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Borden Ladner Gervais LLP | It begins with service
Calgary | Montréal | Ottawa | Toronto | Vancouver | Waterloo Region
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TAB I

THIS IS EXHIBIT "I" TO THE AFFIDAVIT

OF PETER FRASER SWORN BEFORE ME

THIS 19TH DAY OF OCTOBER, 2012

W Bell

A Commissioner for taking affidavits, etc.

Whitney Elizabeth Bell, a
Commissioner etc., Province of Ontario,
while a Student-at-Law.
Expires May 21, 2014.

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Hill, Craig J.

From: Cobb, Alexander [ACobb@osler.com]

Sent: October 19, 2012 2:36 PM

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Cc: Jaipargas, Roger; Hill, Craig J.

Subject: Re: Grant Forest Products Inc., et al - Court File No. CV-09-8247-00CL

Further to Mr. Hill's recent email, PwC will oppose the Secon Lien Lenders' request for an adjournment.

Regards,
Alex Cobb

From: Sandler, Tracy
Sent: Friday, October 19, 2012 02:33 PM
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Cc: Jaipargas, Roger <RJaipargas@blg.com>; Hill, Craig J. <CHILL@blg.com>; Cobb, Alexander
Subject: RE: Grant Forest Products Inc., et al - Court File No. CV-09-8247-00CL

Please add Alex Cobb of my office to the service list for this matter.

Thanks.

From: Sinclair, Miriam [mailto:MSINCLAIR@blg.com]
Sent: Friday, October 19, 2012 8:29 AM
To: sal.bellicoso@rogers.com; peter.renmarker@akzonobel.com; david.wender@alston.com; janine.brown@alston.com; mdalleva@angelogordon.com; bas.infomanager@bankofamerica.com; kunal.banerjee@baml.com; zoltan.szoldatits@bmo.com; melinda.valentine@bnymellon.com; ASIcompliance@bnymellon.com; swanr@bennettjones.com; zychk@bennettjones.com; sziemke@bdcm.com; linc.rogers@blakes.com; pierre.pelletier@ccd.desjardins.com; peter.lattuca@ccd.desjardins.com; ppharand@lacaisse.com; wrayd@caleywray.com; kuglerj@caleywray.com; teri.salberg@carval.com; bdsettlements@carval.com; joel.hawkins@carval.com; teck.wong@carval.com; joe.torlone@timmins.ca; teri.salberg@carval.com; dbuchanan@davis.ca; rdunseith@dcllp.com; customaugerhouse@yahoo.ca; eclark@emmetmarvin.com; alex.morrison@ca.ey.com; simone.carvalho@ca.ey.com; jlevin@tor.fasken.com; elamek@tor.fasken.com; SBrotman@fasken.com; akauffman@fasken.com; deborah.mcphail@fsco.gov.on.ca; mark.bailey@fsco.gov.on.ca; bfraser@fortress.com; dmcknight@fortress.com; ross.walker@fmc-law.com;

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Cc: Jaipargas, Roger; Hill, Craig J.
Subject: Grant Forest Products Inc., et al - Court File No. CV-09-8247-00CL

TO: Service List

Please see the attached Notice of Appearance which is served upon you pursuant to the *Rules of Civil Procedure* in connection with the above-noted matter.

Regards,

Miriam (for Craig Hill and Roger Jaipargas)

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Borden Ladner Gervais

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

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., et al

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

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TAB 3

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 OF ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC., GRANT FOREST PRODUCTS SALES INC. and GRANT U.S. HOLDINGS GP

THE HONOURABLE	)	**MONDAY, THE 22ND**
	)	
MR. JUSTICE CAMPBELL	)	**DAY OF OCTOBER, 2012**

ORDER

THIS MOTION, made by West Face Long Term Opportunities Limited Partnership, West Face Long Term Opportunities (USA) Limited Partnership, West Face Long Term Opportunities Master Fund L.P. and West Face Long Term Opportunities Global Master L.P. (together, the "**West Face Funds**"), by their adviser, West Face Capital Inc. (**"WFCI"**) for an Order for the following:

(a) if necessary, abridging and validating the timing and method of service of the Notice of Motion and the Motion Record;

(b) substituting the West Face Funds in the place of G.E. Canada Leasing Services Company ("**GE Canada**") as the Applicant Creditor(s) in the Application for Bankruptcy Order issued against Grant Forest Products Inc. ("**GFPI**") on March 19, 2009 (the "**First Bankruptcy Application**"), with such further amendments to the Application for Bankruptcy Order as are appropriate in the circumstances;

(c) in the alternative to paragraph (b), lifting the stay of proceedings set out in the Order of the Honourable Mr. Justice Newbould made in these proceedings on June 25, 2009 (the "**Initial Order**"), as extended from time to time (the "**Stay**") to permit one or more of the West Face Funds to issue an Application for Bankruptcy Order in respect of GFPI (the "**Alternative Bankruptcy Application**") substantially in the form attached as Schedule "A" to the Notice of Motion;

(d) lifting the Stay for the purpose of issuing forthwith a Bankruptcy Order substantially in the form attached as Schedule "B" to the Notice of Motion (the "**Bankruptcy Order")** with respect to the First Bankruptcy Application or the Alternative Bankruptcy Application, as the case may be;

(e) that GE Canada and Grant Thornton Limited shall have no liability in respect of the issuance of the First Bankruptcy Application or the Bankruptcy Order;

(f) for the payment of the costs of the WFCI in connection with this motion on a full indemnification basis by the Monitor and/or Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc. (collectively, the "**Remaining Applicants**") from funds in their possession

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Peter Fraser, sworn October 19, 2012, and upon hearing submissions from counsel for WFCI, the Remaining Applicants, Ernst & Young Inc., in its capacity as Court-appointed Monitor of the Remaining Applicants, Peter Grant Sr., 1308406 Ontario Inc. and Grant Forest Products Corp., PricewaterhouseCoopers Inc., in its capacity as administrator of a pension plan for salaried employees of Grant Forest Products Inc., Timmins Plant and a pension plan for executive employees of Grant Forest Products Inc. and such other counsel as may be in attendance, and upon reading the Affidavit of Service of • sworn October •, 2012, filed.

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. [**THIS COURT ORDERS** that the West Face Funds be and is hereby substituted in the place of GE Canada as the Applicant Creditor(s) in the Application for Bankruptcy Order issued against GFPI on March 19, 2009 in respect of the First Bankruptcy Application, with such further amendments to the Application for Bankruptcy Order as are appropriate in the circumstances.]

3. [**THIS COURT ORDERS** that, in the alternative to paragraph 2 of this Order, the stay of proceedings set out in the Initial Order, be and is hereby lifted to permit one or more of the West Face Funds to issue an Application for Bankruptcy Order in respect of GFPI with regard to the Alternative Bankruptcy Application substantially in the form attached as Schedule "A" to the Notice of Motion.]

4. **THIS COURT ORDERS** that the Stay be and is hereby lifted for the purpose of issuing forthwith a Bankruptcy Order substantially in the form attached as Schedule "B" to the Notice of Motion with respect to the First Bankruptcy Application [or the Alternative Bankruptcy Application].

5. **THIS COURT ORDERS** that GE Canada and Grant Thornton Limited shall have no liability in respect of the issuance of the First Bankruptcy Application or the Bankruptcy Order.

6. **THIS COURT ORDERS** that the costs of WFCI in connection with this motion on a full indemnity basis shall be paid by the Remaining Applicants and/or the Monitor from funds in their possession to WFCI, which costs shall be paid forthwith.

____

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

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., et al

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

ORDER

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

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., et al

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

MOTION RECORD
(Returnable October 22, 2012)

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