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

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

RESPONDING MOTION RECORD
(Motion of Peter J. Grant Sr.)

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AFFIDAVIT OF BENJAMIN MONTGOMERY

(Sworn September 14, 2009)

I, Benjamin Montgomery, of the City of Vancouver, in the Province of British Columbia, business executive, MAKE OATH AND SAY:

1. I am a Vice President & Director of TD Securities, the wholesale banking division of The Toronto-Dominion Bank ("TD Bank"), working in our corporate credit group. Our group has been actively involved in the administration of the secured loans of TD Bank to Grant Forest Products Inc. ("GFPI") and in respect of the involvement of TD Bank as the Agent under the First Lien Credit Agreement (the "First Lien Agent") and later, as Agent under the Second Lien Credit Agreement (the "Second Lien Agent" or together, the "Agents"), including structuring, negotiating terms and documentation, through syndication and administration of the secured loans of the First Lien Lenders and the Second Lien Lenders and, as such, have personal knowledge of the matters to which I depose in this affidavit. Where facts stated in this affidavit are not based on my personal knowledge, I have stated the source of my information and in all such cases, I verily believe such facts to be true.

2. I have read the affidavit of Peter J. Grant Sr. sworn on September 8, 2009 (the "Grant Affidavit") and this affidavit is sworn in response to the Grant Affidavit.

Introduction

3. The relationships between GFPI and each of the First Lien Agent and the Second Lien Agent (as well as with the first and second lien lenders), are governed by the First and Second Lien Credit Agreements. The provisions of the First Lien Credit Agreement that are relevant to this motion are excerpted and attached hereto as Exhibit "A". The provisions of the Second Lien Credit Agreement that are relevant to this motion are excerpted and attached hereto as Exhibit "B". In this affidavit, I will refer to the First Lien Credit Agreement (as amended by the First Amendment to the Credit Agreement made as of March 21, 2007) and the Second Lien Credit Agreement together as the "Credit Agreements".

4. Until May, 2009, TD Bank was both the First Lien Agent and the Second Lien Agent. When TD Bank resigned as the Second Lien Agent, it was replaced by Bank of New York. TD Bank continues as the First Lien Agent.

5. GFPI and its affiliates used, among other sources of funding, the proceeds of the loans made under the Credit Agreements to fund the construction of the two operating facilities owned by Grant Claredon LP and Grant Allendale LP, both indirect subsidiaries of GFPI (the "Carolina Mills").

6. The development and construction costs of the Carolina Mills substantially exceeded the budgets provided to the Agents pursuant to the Credit Agreements. Additionally, substantial capital spending on non core assets, including a private golf course, a 65ft yacht and an elaborate renovation of the head office in Haileyberry, Ontario, also absorbed significant cash resources. These cost overruns and non-core capital asset expenditures contributed to GFPI'S liquidity issues that ultimately resulted in these proceedings.

7. In the Grant Affidavit, Mr. Grant states that the Tax Refund Purchase and Sale Agreement (the "Agreement") was "devised and structured" by Mr. Lynch and Ross Walker of Fraser Milner. As I understand its import, this description is a reference to the fact that the Agreement was intended to assist GFPI by providing it with additional cash in a way that was "devised and structured" to comply with the Credit Agreements.

8. Accordingly, the Agreement was drafted so as to comply with, among others, the provisions of the Credit Agreements which are excerpted and attached to this affidavit as Exhibits A and B which include the following substantive elements:

(a) The Credit Agreements prohibit financing by way of issuance of securities by GFPI without consent of the lenders (see section 9.04(4) of each of the Credit Agreements);

(b) The Credit Agreements permit sales of assets up to the aggregate annual amount of $10 million (see section 9.04(1)(c) of each of the Credit Agreements);

(c) The Credit Agreements did not require the proceeds of any such permitted sales to be paid on account of the loans because only proceeds of assets sales exceeding $25 million were required to be repaid on the loans (see section 6.03(1)(a) of each of the Credit Agreements); and

(d) The Credit Agreements prohibited GFPI from granting security except Permitted Encumbrances (see section 9.04(9) of each of the Credit Agreements).

9. Because of these provisions and the business purpose of the Agreement, as it was "devised and structured", the Agreement contains the following express provisions:

(a) The transactions contemplated by the Agreement are not an injection of equity but, instead are structured as sales of assets belonging to GFPI, namely portions of 2008 and 2009 tax refunds (the "2008 Refund" and the "2009 Refund" respectively) so that the proceeds paid could be retained and used by GFPI in its business;

(b) The value of interests sold in the 2008 Refund and the 2009 Refund is each limited to $10 million;

(c) The sale of the 2008 Refund was completed immediately on closing in 2008 but the sale of the 2009 Refund was expressly deferred until the 2009 Closing scheduled to occur on January 2, 2009;

(d) The sale of the 2009 Refund would be triggered only by the delivery of a transfer of the 2009 Refund and was not effective until then;

(e) The payment of $10 million on account of the 2008 Refund was a payment of purchase price paid on the 2008 Closing;

(f) The payment of $10 million on account of the 2009 Refund was expressly a deposit to be applied on the purchase price only on the 2009 Closing;

(g) In order to assist GFPI's liquidity position while remaining in compliance with the Credit Agreements, the deposit paid by Mr. Grant was expressly made available under the Agreement for immediate use by GFPI in its business;

(h) The obligation of GFPI under the Agreement, including the obligation to deliver a transfer of the 2009 Refund at the 2009 Closing was not secured such that any loss suffered by Mr. Grant resulting from GFPI'S obligation to complete the 2009 Closing was an unsecured claim against GFPI; and

(i) The 2009 Refund, if received by GFPI prior to the 2009 Closing and/or the transfer of the 2009 Refund, was expressly stated not to be held in trust for Mr. Grant.

10. Contrary to the statement in the Grant Affidavit at paragraph 18, neither the lenders nor the Agents were requested to approve the Agreement and they did not approve the Agreement or the proposed transactions.

11. Rather, the First Lien Agent was advised by GFPI that it intended to enter into the Agreement which GFPI and its counsel advised the First Lien Agent could be performed by GFPI in compliance with the Credit Agreements. I attach hereto as Exhibit "C" is a copy of an e-mail sent by Ross Walker, as counsel for GFPI to the First Lien Agent's counsel confirming that, at the time the Agreement was executed, the Agreement did not breach the Credit Agreements.

12. Neither the Agents nor the lenders agreed to give a partial discharge of the First or Second Lien security in respect of the 2009 Refund and neither Agent was ever requested to give such a partial discharge.

The Transfer was never delivered

13. I understand from the Grant Affidavit that the 2009 Closing did not occur and GFPI never delivered the transfer of the 2009 Refund. Therefore, by the express terms of the Agreement, Mr. Grant has no rights, beneficial or legal in the 2009 Refund.

14. Additionally, as expressly stated in the Agreement, Mr. Grant has no security for any breach by GFPI of its obligation to complete the transactions contemplated by the Agreement. Therefore, if there was such a breach, Mr. Grant must simply be an unsecured creditor for any damages he may suffer as a consequence of any such breach.

Subsequent events and restructuring efforts

15. For the reasons stated by Mr. Lynch in his affidavit supporting the Applicants' application for an Initial Order in these proceedings and, in my view, because of the cost overruns and non-capital expenses described above, the Applicants and their subsidiaries came under severe financial strain in late 2007 that continued through 2008 and 2009.

16. The strains on the Applicants' business were reflected in their reported financial results that were delivered to the Agents pursuant to the Credit Agreements through 2008 and 2009. Through the reporting that I reviewed on behalf of TD Bank, it became apparent that GFPI would be unable to meet the interest coverage financial covenant that, under the First Lien Credit Agreement, would be reinstated when cash payments of interest became due under the Second Lien Credit Agreement in the first quarter of 2009. It was obvious that the weakness in the business operations of GFPI and its subsidiaries would ultimately lead to defaults under the First Lien Credit Agreement as of March 31, 2009 (subject to applicable reporting and cure periods). Further, I was also concerned about GFPI's ability to maintain compliance with the

minimum liquidity covenant in 2009, particularly given that the shareholders injected new capital to maintain compliance with the minimum liquidity covenant twice in 2008.

17. In anticipation of these pending defaults and the financial difficulties facing the Applicants and their subsidiaries, GFPI began to plan its restructuring in late 2008 by taking three important steps. First, GFPI hired Stonecrest Capital Inc. as a restructuring advisor on December 12, 2008. Second, GFPI hired Goldman Sachs as a financial advisor to run a process to attract new investment in its business. Third, and as part of the Goldman Sachs process, GFPI approached TD Bank in January, 2009 seeking terms under which the First Lien Credit Agreement could be modified to encourage new investment.

18. At the time that the Applicants approached the First Lien Agent seeking modifications of the First Lien Credit Agreement to accommodate new investment, the 2009 Closing had not taken place. Further, as noted above, GFPI did not, at any time, request that the Agents deliver partial discharges as required by the Agreement to be delivered on the 2009 Closing.

19. In response to GFPI'S request, TD Bank considered modifications to the Credit Agreement that it would be prepared to present to the First Lien Lenders for consideration. A first draft of a term sheet was sent to GFPI on or about February 20, 2009. Among the express terms of the term sheet was a requirement that the 2009 Refund would not be transferred to Mr. Grant but would be retained by GFPI.

20. TD Bank and GFPI conducted negotiations in respect of the term sheet for a number of weeks. At no time did GFPI object to the requirement proposed by TD Bank that GFPI retain the 2009 Refund. The discussion of the 2009 Refund between GFPI and TD Bank only occurred in the context of the "straw man" restructuring term sheet and not otherwise.

21. In March, GFPI settled a "straw man" term sheet with TD Bank. TD Bank was advised that the "straw man" term sheet would be provided by Goldman Sachs to prospective investors with the authority of GFPI. The "straw man" term sheet expressly required that the 2009 Refund would be retained by GFPI. That "straw man" term sheet was also provided to the

First Lien Lenders on March 16, 2009 as a discussion paper setting out the basis on which the First Lien Lenders would consider restructuring of the First Lien Facility.

22. As a further demonstration that GFPI did not intend to complete the 2009 Closing, the cash flow information that it provided to the Agents expressly contemplated the receipt by GFPI of the entire 2009 Refund by GFPI in the fourth quarter of 2009 and the use of such funds in its business.

Concluding Statements

23. The Agreement was executed in March 2008 contemplating a transfer of the 2009 Refund to Mr. Grant only on the delivery of transfer to him in 2009. Mr. Grant expressly obtained no legal or beneficial interest in the 2009 Refund until the transfer was delivered.

24. No transfer of the 2009 Refund has been delivered to date and consequently Mr. Grant has no interest in the 2009 Refund.

25. The fact that no transfer had been delivered was not inadvertent or accidental. It was deliberate and, from our observation, a necessary step to preserve cash as the business of GFPI struggled with tight liquidity. Further, as Mr. Grant was the CEO and a member of the board of directors of GFPI, he must have participated in the decision not to complete the transfer of the 2009 Refund.

26. This affidavit is sworn in response to the Grant Affidavit and for no improper purpose.

SWORN before me at the City of Vancouver, in the Province of British Columbia this 14th day of September, 2009.

Notary Public by and for the Province of British Columbia

CONRAD REGO
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
DIRECT 604-643-5682

BENJAMIN MONTGOMERY

This is Exhibit "A" referred to in the
Affidavit of **BENJAMIN MONTGOMERY**
sworn before me, this 14th day of **September, 2009**

A COMMISSIONER FOR TAKING AFFIDAVITS

CONRAD REGO
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(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 U.S. Non-Revolving Term Facility 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" has the meaning set forth in Schedule A.

"Deposit Amount" has the meaning set forth in Section 5.02(12).

"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 US $25,000,000 for each financial year of the Canadian Borrower 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 any Borrower or any other Restricted Party, (ii) any repurchase, redemption, retraction or other retirement or purchase for cancellation of shares of any 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 any 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

"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.

"Final Maturity Date" means (i) with respect to the Revolving Facility, the Revolving Facility Maturity Date, and (ii) with respect to the U.S. Non-Revolving Term Facility, the U.S. Non-Revolving Term Facility Maturity Date.

"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 U.S. $150,000 per loan and up to an aggregate principal amount of U.S. $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.

"Footner Buyout" means the acquisition by the Canadian Borrower (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.

"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 the Canadian Borrower 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 the Canadian

6.02 **Mandatory Repayment - U.S. Non-Revolving Term Facility**

The U.S. Borrower will repay in full the outstanding principal amount of all Loans and other Obligations under the U.S. Non-Revolving Term Facility on or before the U.S. Non-Revolving Term Facility Maturity Date.

6.03 **Additional Repayment and Commitment Reduction on Dispositions and Financings – Revolving Facilities and U.S. Non-Revolving Term Facility**

(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 a Disposition that gives rise to a Disposition Trigger Event, or from insurance proceeds pursuant to Section 9.01(8) hereof, which, in accordance with this Agreement, are payable to the Lenders to repay the Credit Facilities, the applicable Borrower will have an obligation under this Section 6.03 to make a repayment under the Revolving Facilities and the U.S. Non-Revolving Term Facility, on a *pro rata* basis, in an amount equal to such Net Proceeds in the form of Cash or Cash Equivalent. The applicable 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 U.S. Borrower will not be required to make any prepayment of the U.S. Non-Revolving Term Facility pursuant to this Section 6.03 on or prior to the fifth anniversary of the date of the last Drawdown of the U.S. Non-Revolving Term Facility (the "**Fifth Anniversary**") to the extent that the amount thereof, when aggregated with all prior mandatory prepayments of the U.S. Non-Revolving Term Facility, would exceed 25% of the total principal amount of the U.S. Non-Revolving Term Facility advanced; provided that such 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 U.S. Non-Revolving Term Facility but for this sentence of Section 6.03(1) will be deposited by the applicable Borrower into a designated cash collateral account maintained with the Administrative Agent (or maintained with such other Person as otherwise directed by the Administrative Agent) until so applied on the Business Day immediately following the Fifth Anniversary.

(b) A Disposition Trigger Event will constitute an event requiring the U.S. Borrower to, within five Business Days following any Disposition Trigger Event, make an offer to the Lenders, by notice to the Administrative Agent, to prepay an aggregate principal amount of the U.S. Non-Revolving Term Facility equal to the applicable *pro rata* amount of Net Proceeds resulting from such Disposition Trigger Event, and such amount will be applied in the manner specified in Section 6.03(2). Any failure of the U.S. 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 U.S. Borrower shall be entitled to retain the applicable amount.

(2) Subject to Section 6.03(1), each repayment under this Section 6.03 will be applied against the repayments of principal required under Section 6.03(1) without regard to the respective maturity dates of any Credit Facility, and each such repayment will be applied to, and will permanently reduce the Commitment of each Lender in respect of the Revolving Term Facilities and the U.S. Non-Revolving Term Facility, on a *pro rata* basis, by the amount of the Lender's Applicable Percentage of such repayment. If the applicable Borrower by reason of any such repayment, reduction or cancellation (a) pays any LIBO Rate Loans prior to the end of the applicable Interest Period, the Borrower will compensate the Lenders for any loss or expense that the Lenders incur as a result thereof, including any breakage costs, or (b) pays any Bankers' Acceptances or BA Equivalent Notes prior to their respective maturity dates or discharges its obligation to the Issuing Bank in respect of outstanding Letters of Credit, such amount will be paid as collateral to the Administrative

(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 the Canadian Borrower 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 Facilities, 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 Borrowers 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 any Borrower or any Guarantor.

(8) Other Information. Promptly such other information as it may reasonably request respecting any Borrower or any Guarantor, or, to the extent that the Borrowers 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 any Borrower or any 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 any Borrower or any Guarantor, and (ii) notice of any change (financial or otherwise) in the business, operations or condition (financial or otherwise) of any Borrower or any Guarantor that has caused or may cause a Material Adverse Change.

(10) Hedge Reporting. The Borrowers on their own behalf and on behalf of other Restricted Parties shall deliver to the Administrative Agent (or such other person designated by the Administrative Agent) a certificate setting out the details of each Hedge Arrangement forthwith upon entering into a Hedge Arrangement, with each such certificate also setting out the details of all then outstanding Hedge Arrangements and also certifying in relation to all Hedge Arrangements that they comply with the limitations set forth in Section 9.04(13).

9.04 Negative Covenants

So long as this Agreement is in force and except as otherwise permitted by the prior written consent of the Required Lenders, each Borrower will not, and will ensure that each Restricted Party will not:

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

(a) the Bush Lots;

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

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

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

(2) No Consolidation, Amalgamation, etc. Except with a Borrower or Borrowers 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 a Borrower or Borrowers 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, (v) the Person resulting therefrom is not bound by the Obligations of the Borrowers or Guarantors, and (vi) the Borrowers are unable to deliver to the Administrative Agent an opinion of Borrowers' counsel, acceptable to the Administrative Agent, acting reasonably, that such transaction complies with applicable Requirements of Law.

(3) No Change of Name. Change its name without providing the Administrative Agent with 30 days' prior written notice thereof.

(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 Canadian Borrower in which such Investment is made and is made using cash resulting from the operations of the Borrowers or a Guarantor;

provided that if the Investment is in a Person that is not a wholly-owned Subsidiary of any Borrower or a Guarantor, the aggregate of all such Investments will not exceed Cdn. $10,000,000;

(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 if (i) the Total Debt to Capitalization Ratio, based on the most recently completed fiscal quarter is, or would be after giving effect to the proposed Distribution, equal to or greater than 50%, or (ii) the Borrowers would not be entitled to make a Drawdown of U.S. $1.00 under Credit Facilities after giving effect to the proposed Distribution, or (iii) if an 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; provided, however, that where the requirements of subparagraph (i), (ii) or (iii) do not prevent a Distribution from being made, the amount of the proposed Distribution will not exceed an amount determined in accordance with the following:

Free Cash Flow	Debt: Capitalization 40 to 50%	Debt: Capitalization <40%
<Cdn. $30 million	nil	nil
Cdn. $30 to Cdn. $75 million	50% of Free Cash Flow	60% of Free Cash Flow
>Cdn. $75 million	60% of Free Cash Flow	75% of Free Cash Flow

The foregoing restrictions on Distributions will not apply to any payments by the Canadian Borrower by way of dividends on its existing outstanding Preferred Shares in an aggregate dividend amount not exceeding Cdn. $6,000,000 for each fiscal year so long as no Event of Default or Default has occurred and is continuing at the time any such Preferred Shares dividend Distribution is made or would result from the making of such Preferred Shares dividend Distribution.

(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. In any fiscal year of the Canadian Borrower beginning on or after January 1, 2006 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. Continue into any other jurisdiction.

(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 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

This is Exhibit **"B"** referred to in the
Affidavit of **BENJAMIN MONTGOMERY**
sworn before me, this **14th** day of **September, 2009**

A COMMISSIONER FOR TAKING AFFIDAVITS

CONRAD REGO
Barrister & Solicitor
McCarthy Tétrault LLP
1300 - 777 DUNSMUIR STREET
VANCOUVER, B C. V7Y 1K2
DIRECT 604-643-5682

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;

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.

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).

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

9.04 Negative Covenants

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

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

(a) the Bush Lots;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) No Continuance. File articles of continuance in any Canadian juridiction 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.

This is Exhibit "C" referred to in the
Affidavit of **BENJAMIN MONTGOMERY**
sworn before me, this 14th day of **September, 2009**

A COMMISSIONER FOR TAKING AFFIDAVITS

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DIRECT 604-643-5882

McElcheran, Kevin

Subject: FW: 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

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From: MacLaren, Sandi [mailto:Sandi.MacLaren@FMC-Law.com] **On Behalf Of** Walker, Ross
Sent: Monday, March 31, 2008 4:21 PM
To: Pieterson, Linda; O'Meara, Matthew
Subject: Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 between Grant Forest Products Inc. as vendor and Peter Grant Sr. as purchaser
Importance: High

Linda and Matt:

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

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

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

Please confirm that the foregoing also reflects your views.
Thank you.
Ross Walker
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Fax: 416-863-4592
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

IN THE MATTER OF THE A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST PRODUCTS INC. et al.

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

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

AFFIDAVIT OF BENJAMIN MONTGOMERY (SWORN SEPTEMBER 14, 2009)

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Solicitors for the Toronto-Dominion Bank

#654851

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

IN THE MATTER OF THE A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST PRODUCTS INC. et al.

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

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

RESPONDING MOTION RECORD

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