Court File No. 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 (the "Applicants")

AFFIDAVIT OF PETER J. GRANT SR.
(Sworn September 8, 2009)

I, **Peter J. Grant Sr.**, of the City of Temiskaming Shores, in the Province of Ontario, businessman, **MAKE OATH AND SAY:**

1. I am the Chairman and Chief Executive Officer of the applicant Grant Forest Products Inc. ("GFPI"). As such, I have personal knowledge of the matters to which I hereinafter depose. Where matters are not based on my personal knowledge, I have stated the source of my information and in all such cases verily believe it to be true.

BACKGROUND

2. My family has been in the lumber business in Ontario for several generations, going back to the 1880s. I founded the predecessor to GFPI in 1980, and took the company into the oriented strand board ("OSB") market with the opening of the company's first OSB mill in Englehart, Ontario in 1981. OSB is an alternative to plywood and is commonly used in residential

construction. The company grew to become one of the three largest OSB producers in North America.

3. I (and a Grant family trust known as Twin Lakes Trust) are the ultimate shareholders of GFPI.

4. Background information in respect of GFPI and affiliated companies is set out in the affidavit of Peter Lynch, the Executive Vice-President and Secretary of GFPI, sworn June 22, 2009 and filed on the application for an initial order in this proceeding. I have reviewed that affidavit in respect of this motion. For the sake of efficiency, I do not propose to repeat what is stated in that affidavit concerning the corporate background and structure, although I should not necessarily be taken to adopt everything stated in that affidavit.

MY RECENT EFFORTS TO ASSIST GFPI FINANCIALLY

5. As GFPI's financial performance began to come down from 2004 historic highs in the OSB market (and particularly after GFPI and affiliates incurred significant bank debt to construct the two new South Carolina OSB mills), I became directly involved in steps to assist GFPI's cash-flow.

6. In July 2004, I caused 1308406 Ontario Inc. ("1308406"), which is controlled by me, to loan $40 million on an unsecured basis to GFPI, and in October 2004 I caused 1308406 to loan GFPI a further $10 million, again on an unsecured basis. These amounts have not been repaid. On behalf of 1308406, I have signed postponement and subordination agreements (subordinating these loans to the First Lien Credit Agreement and Second Lien Credit Agreement referenced in Mr. Lynch's initial affidavit).

7. In 2006 GFPI declared preferred dividends in the amount of $6 million in favour of Grant Forest Products Corp., which I control. These dividends have not been paid by GFPI.

8. In order to provide further financial assistance to GFPI, in June 2008 I caused additional funds in the amount of $25 million to be advanced to GFPI. This amount is recorded in GFPI's accounts as a capital contribution.

9. Although I serve as Chairman and CEO of GFPI, I have not received a salary from GFPI for many months.

10. I am informed by GFPI's pension consultant, Roy Craik, and believe that an Executive Retirement Plan established for my benefit by GFPI is underfunded to the extent that it would require a contribution of approximately $18 million for the Plan to provide me with the retirement income I was to receive under that Plan at age 70. No contributions have been made to the funding of that Plan for many months.

TAX REFUND PURCHASE AND SALE AGREEMENT

11. As GFPI's financial performance declined in 2008, it was proposed that I might assist the company's cash-flow by purchasing a portion of certain Canadian and Ontario tax refunds which GFPI expected to receive in 2008 and 2009.

12. The concept was that I would pay US$20 million to GFPI in March 2008 to acquire a portion of GFPI's 2008 and 2009 tax refunds, with the purchased portions of the tax refunds amounting to approximately US$10 million in each of 2008 and 2009. This would assist the company with immediate cash-flow but ensure that I would ultimately receive the purchased portions when the 2008 and 2009 tax refunds were paid by the government.

13. The arrangement was such that once GFPI received the 2008 and 2009 tax refunds from the government, it would be obliged to hold the portions of the refunds which I had purchased (approximately US $10 million each year) in trust for me and then pay them out to me or as I directed.

14. The arrangement was principally devised and structured by Mr. Lynch and Ross Walker, a solicitor and partner of Fraser Milner Casgrain, which firm prepared the Agreement referred to below in paragraph 16.

15. The Board of Directors of GFPI approved the tax refund purchase arrangement at a directors meeting held on March 27, 2008. Attached as **Exhibit "A"** is a copy of the minutes of the directors meeting of March 27, 2008, together with the Schedule "A" thereto which outlines the transaction approved by the Board.

16. The Tax Refund Purchase and Sale Agreement (the "Agreement") was signed by me and GFPI effective March 31, 2008. A copy of the Agreement is attached as **Exhibit "B"**.

17. The "2008 Closing" as defined in the Agreement took place on March 31, 2008. At that time I personally paid to GFPI US$10 million to purchase the "Sold 2008 Refund" and paid a further US$10 million to purchase the "Sold 2009 Refund", as defined under the Agreement. The latter amount is described as the "2009 Purchase Price Deposit" under the Agreement. In exchange, I received a transfer acknowledgment and partial discharges from the First and Second Lien Lenders in respect of the Sold 2008 Refund, copies of which are attached hereto as **Exhibits "C"** and **"D"**.

18. The Lien Lending Agents in respect of the First and Second Lien Credit Agreements knew of and approved of the Agreement, and provided the partial discharges in respect of the Sold 2008 Refund thereunder.

19. Later in 2008, after GFPI received its 2008 tax refund from the Canada Revenue Agency, I received from GFPI approximately US$10 million in respect of my purchase of the Sold 2008 Refund.

20. The "2009 Closing" was to occur on January 2, 2009, as specified in the Agreement. I was not obliged to provide anything at the 2009 Closing as I had already paid the US$10 million purchase price in March 2008, and exchange rate adjustments meant that a small additional amount was to be paid to me by way of an adjustment under the Agreement. GFPI was to deliver a transfer acknowledgment and partial discharges of security from the First and Second Lien Lenders in relation to the 2009 Closing.

21. GFPI delivered neither of these documents on January 2, 2009, nor at any time thereafter. I understand from Mr. Lynch that the Lien Lenders indicated informally that they would not approve providing the partial discharges, and GFPI thereafter took the position that it would not provide the transfer acknowledgment (although the consent of the Lien Lenders is in no way a necessary condition under the Agreement). According to a recent email received by my counsel from Mr. Lynch on June 19, 2009 (a copy of which is attached as **Exhibit "E"**), GFPI made no written demand of the Lien Lenders to provide the partial discharges in respect of the Sold 2009 Refund. I did not agree with or consent to this.

22. Mr. Lynch sent a letter to me on January 15, 2009 in respect of the Sold 2009 Refund. A copy is attached as **Exhibit "F"**.

23. GFPI now takes the position that it will not deliver the transfer acknowledgment, and (subject only to this motion) intends not to hold in trust or pay to me or as I may direct the Sold 2009 Refund when it receives its tax refunds in 2009, or thereafter.

24. Mr. Lynch acknowledged in his June 22, 2009 affidavit, referenced above, that the company is in default to me under the Agreement.

25. Through my counsel, I have written to GFPI demanding the delivery of the transfer acknowledgement and completion of the transaction in respect of the Sold 2009 Refund. A copy of my counsel's letter to Mr. Lynch, dated June 19, 2009, is attached and marked as **Exhibit "G"**.

26. The approach that GFPI has taken is at odds with the purchase and sale transaction as approved by the directors in 2008, and is in breach of the Agreement. I purchased an asset from GFPI. This was not a loan or capital injection. The Sold 2009 Refund, once received, should be held in trust for me and thereafter paid to me or as I may direct, by GFPI.

25. I swear this affidavit in good faith in respect of certain issues arising in connection with this proceeding, and for no improper purpose.

SWORN BEFORE ME at the City of Temiskaming Shores, in the Province of Ontario, this 8th day of September, 2009.	
A COMMISSIONER FOR OATHS in and for the Province of Ontario	PETER J. GRANT SR.

Monique Marie Plante, a Commissioner, etc.,
District of Timiskaming
for Grant Forest Products Inc. and its associated companies.
Expires May 7, 2011.

This is Exhibit "A" referred to in the
Affidavit of Peter J. Grant Sr.
Sworn before me this 8th
day of September, 2009

A Commissioner for Taking Affidavits

Monique Marie Plante, a Commissioner, etc.,
District of Timiskaming
for Grant Forest Products Inc. and its associated companies.
Expires May 7, 2011.

BOARD OF DIRECTORS
GRANT FOREST PRODUCTS INC.

MEETING – Fairmont Royal York Hotel – Salon 3 – 19th Floor
March 27, 2008

PRESENT:

Peter Grant Sr.	-	Director
Peter M. Lynch	-	Director
Per Brunes	-	Director
Mike Harris	-	Director
Peter Grant Jr.	-	Director
Bill Stinson	-	Director
Jamie Wallace	-	Director
Eric Davis	-	by invitation of the Board
Monique Plante	-	by invitation of the Board
Sarah Grant	-	by invitation of the Board
Andrew Grant	-	by invitation of the Board

ABSENT:
Bridget Grant

FORMALITIES

Peter Grant Sr. as Chairman and C.E.O. of the Corporation called the meeting to order at 12:50 pm and acted as Chairman of the meeting and Monique Plante acted as Secretary of the meeting.

The minutes of the last meeting were distributed to all Directors. Per Brunes moved that the minutes of the last meeting dated December 7, 2007 be approved as submitted, seconded by Jamie Wallace and unanimously carried.

GFP INC. FINANCIAL REPORT

Eric Davis presented a financial report covering the following topics:

- 2007 Financial Results
- Approval of 2007 Audited Statements
- Project Gator Update
- YTD February Financial Results
- Projected 2008 Results
- Debt and Liquidity
- Projected Cash Flow
- Covenants
- Sensitivities & Risk

2007 Full Year Financial Results

Excluding Allendale, YTD December sales volume came in at 1,199.1 million sqft 3/8 just slightly off budget but well off from prior year by 363.5 million sqft 3/8 due to the continued shutdown of the Timmins operation and a two week December closure in Footner. YTD operating income came in at a loss of $4.6 million or $3.4 million less than the November forecast. This difference was caused by the lower volume and a lower selling price than originally forecasted plus some higher maintenance at Englehart and shutdown costs at Footner. SG&A was higher than the forecast by $3.3 million mainly due to year end and tax related adjustments. This resulted in a negative EBITDA of $53.3 million. Interest expense for the full year came in at $45.4 million or $0.9 million higher than forecasted due to lower cash balances and the lower interest rate on the cash. Due to the strength in the Canadian dollar we have a favorable foreign exchange gain on our net US$ debt YTD of Cdn$63.4 million. (This is a non cash item and will change both positive and negatively with the movement in the Canadian dollar to the US dollar. For example our YTD October gain was $85.4 million.) This resulted in net income coming in at a loss YTD of $35.5 million as compared to the forecasted loss of $46.2 million.

Eric also stated that as of December 31/07 the company had debt of US$562 million and cash of US$75 million for a net debt position of US$487 million. Eric also stated that as of December 31, 2007 GFPI was well within their covenant requirements, with senior debt to cap at 32% (requirement at or below 55%), total debt to cap at 47% (requirement at 60% or less), interest coverage is waived until March 2009 due to the PIK on the second loan, equity came in at Cdn$522 million (requirement at or higher than Cdn$375) and liquidity at Cdn$74 million (requirement at or above Cdn$70 million). Eric also stated that the cash was all invested in short term deposits averaging a return of approximately 3.5%.

The company had increased its cash position from US$24.8 million as of December 31, 2006 to US$75 million as of December 31, 2007 for a net increase of US$50.2 million. During the 2007 year the company had increased its loans by US$272.9 million for a net usage of US$222.7 million ($272.9 minus $50.2). The areas of usage are as follows:

- 06 tax payment of $2 million
- Operation losses $39.9 million
- SG&A $43.7
- Capital expenditures $150.4 (US operations $145 and Canada of $5)
- Interest payments $25.8
- Financing fee $6.7
- Swing line payment $1.3

The company had further inflows of $16.6 million from tax refunds and $30.5 million from working capital.

An update on the South Carolina expansion was provided. Eric stated that for the period from November 1, 2007 to December 31, 2007, Allendale had spent US$5 million with US$6.5 million remaining and in Clarendon we had spent US$5 million with US$20.8

million remaining. Both projects were on target to hit their revised budgets of US$280 million each. Allendale had accumulated startup losses of $38.3 million and starting in January 2008 would be amortized over a 3 year period. Clarendon had startup losses of $9.0 million and had yet to begin amortization. Due to changes in accounting standards all startup losses that remained as of January 2009 would have to be expensed and any future startup losses would have to be expensed in the period incurred.

On motion duly made by Bill Stinson, and seconded by Peter Lynch and unanimously carried, it was resolved that the annual report of the Corporation including the financial statements for the period ending December 31, 2007 and the report of the auditors thereon and related reports submitted to the meeting by Eric Davis, CFO be and the same are hereby approved and that any director be and he is hereby authorized to evidence the approval of the Board by signing the said report at the foot of the balance sheet and the annual report be submitted to the shareholder of the Corporation for approval.

YTD 2008 Financial Results

Including Allendale, YTD February sales volume came in at 273 million sqft 3/8 or 14.9 M3/8 better than budget and higher than prior year by 38 million sqft 3/8 due to the higher volume from the Allendale operation. YTD operating income came in at a loss of $4.3 million or $2.7 million less than budget. This difference was caused by a much lower selling price than budget ($113.55 vs. $126.30), offset by the higher volume. SG&A was slightly lower than budget ($4.6 vs. $4.7). Interest expense came in right on budget at $$8.8 million. Due to the strength in the Canadian dollar we have a favorable foreign exchange gain on our net US$ debt YTD of Cdn$3.6 million. This is a non cash item and will change both positive and negatively with the movement in the Canadian dollar to the US dollar. This resulted in net income coming in at a loss YTD of $17.5 million as compared to the budgeted loss of $17.9 million.

For the full year forecast as compared to the December 2008 budget volume will remain the same at 1,672 M3/8. However revenue has been lowered due to the lower selling price. Our revised FY mill nets have been lowered by $14 M3/8 to $128 or $10 lower than prior year. The drop in revenue of $23 million was offset by favorable variable costs due to better wood utilization and lower resin costs and usage. Fixed costs are expected to be in line with the previous budget at $77.1 million. The lower revenue slightly offset by the expected lower variable cost has caused us to lower the operating profit from $16.7 million to $9.9 million for a reduction of $6.8 million, however this is $44.1 million better than prior year.

SG&A has been further reduced by $1.3 million to $27.1 million due to further staff reductions. EBITDA is forecasted to come in at a loss of $24 million for an increase loss of $12.4 million due to the above items.

Interest expense has been revised to reflect the current borrowing rates and is now forecasted to be $59.8 million or $4.8 million higher than the previous budget due to a lower expected cash position. We are forecasting the Canadian dollar to average par with the US$ resulting in an unfavorable exchange loss on our net debt position. This is a non cash item and will change both positive and negatively with the movement in the Canadian dollar to the US dollar.

An update on the South Carolina expansion was provided. Eric Davis stated that for the period from January 1, 2008 to February 29, 2008, Allendale had spent US$1 million with US$5.2 million remaining and in Clarendon we had spent US$6 million with US$15.2 million remaining. Both projects were on target to hit their revised budgets of US$280 million each.

Eric Davis stated that as of February 29/08 the company had Debt of US$567 million and cash of US$33 million for a net Debt position of US$534 million. Eric also stated that as of February 29th, 2008 with the exception of Liquidity we were well within our covenant requirements, with senior debt to cap at 34% (requirement at or below 55%), Total debt to cap at 49% (requirement at 60% or less), interest coverage is waived until March 09, equity came in at Cdn$490 million (requirement at or higher than Cdn$375) and Liquidity at Cdn$33 million (requirement at or above Cdn$60 million). Eric also showed that the cash was all invested in short term deposits averaging a return of 3.5%.

YTD February the company had decreased its cash position by $41.8 million. Cash was used as follows:

- Operating losses of $5.4 million
- SG&A of $4.6
- Capital of $7.4
- Interest payments $5.3
- Corp. $3.2
- Working Capital build (F.G.mainly) of $15.9 million

As of the end of Q1 the company expects to have an increase of cash by $7 million growing from $33 million to $40 million. This is mainly due to receiving a tax refund in March of $8.6 million. However we would still be short of the liquidity covenant by $20 million, ($40 vs. $60).

Eric Davis showed that based on the assumptions that were presented to the board the liquidity covenant would be missed in Q1 and Q2 and would be within $5.5 million in Q3 and on side in Q4 as the expected tax refunds are received. It was proposed that the company sell $20 million of its expected tax refund ($10 million for 08 and $10 million for 09). The $20 million would be received in Q1 which would put the cash position at the end of Q1 at $60 million right at the liquidity requirements.

It was further shown that based on the 2008 and 2009 assumptions and the sensitivity impact on EBITDA that the company would require at least another $50 million to ensure covenant compliance through to the end of 2009. It was agreed that the company would as a first step, sell the $20 million of expected tax refund in Q1 with management continuing to source alternative financing and sources of funds and report back to the board with an update in 45 days.

SALE 2008 AND 2009 TAX REFUNDS

On motion duly made by Peter Lynch, seconded by Bill Stinson and unanimously carried it was resolved as follows:

"WHEREAS the Corporation wishes to increase its liquidity on March 31, 2008;

AND WHEREAS Peter Grant Sr., a person related to the Corporation, has agreed to assist the Corporation by purchasing from the Corporation certain of the Corporation's income tax refunds which the Corporation expects to receive in 2008, 2009 and 2010 and the Corporation wishes to sell such tax refunds to Mr. Grant;

NOW THEREFORE BE IT RESOLVED THAT:

The Corporation is hereby authorized to sell to Mr. Grant, or to such other purchaser as he may direct, the Sold 2008 Refund and the Sold 2009 Refund (both as defined by the transaction summary dated March 27, 2008 (the "Summary") reviewed by the directors, a copy of which is hereby directed to be attached as Schedule "A" to a copy of this resolution in the Corporation's minute book);

The Corporation is hereby authorized to complete the transactions referred to in the Summary substantially in accordance with the provisions of the Summary, subject to any changes thereto to which any officer of the Corporation may agree;

The Corporation is hereby authorized to execute and deliver an agreement of purchase and sale between the Corporation and Mr. Grant with respect to such transactions, such agreement of purchase and sale to be in a form satisfactory to an officer of the Corporation;

The Corporation is hereby authorized to execute and deliver to the purchaser the following documents with respect to the transaction:

- *A transfer by the Corporation to the purchaser of the Sold 2008 Refund on March 31, 2008 at the closing of such sale; and*
- *A transfer by the Corporation to the purchaser of the Sold 2009 Refund in 2009 at the closing of the sale;*

Each of the agreements or other documents referred to in this resolution shall be in a form approved by any officer of the Corporation and the execution by an officer of the Corporation of such agreement or other document shall be conclusive evidence of such officer's approval of the form of such agreement or other document;

Each of the officers of the Corporation is hereby authorized for and on behalf of the Corporation to execute alone and to deliver to the purchaser each of the documents referred to in this resolution and all such other agreements, instruments and documents as may be necessary or desirable to give effect to this resolution or to complete the transactions referred to in the Summary; and

Each of the officers of the Corporation is hereby authorized to do all such other acts and things as may be necessary or desirable to give effect to this resolution or in connection with the performance by the Corporation of its obligations pursuant to any of the documents referred to in this resolution."

PEER GROUP CASH FLOW

A peer group summary (Ainsworth, Norbord, LP) was presented by Eric Davis

OSB GROUP – presented by Peter Grant Jr.

- Strategic Focus for 2008 (recap from December meeting)
  - Continued cost reduction and cash conservation efforts to reflect ongoing downmarket and production downsizing
  - Continued focus on Allendale productivity and cost
  - Clarendon mill construction and start-up (timing under review)
  - Take advantage of specialty and value-added product opportunities to enhance margin
  - Continue operational initiatives to support above
- Performance Review
- Market Overview
- 2008 Actions to Date & Game-Plan
- Strategy Review
- Major Cost & Margin Improvement Activities

COMPLIANCE COMMITTEE REPORT

The results of the meeting of the Compliance Committee held earlier that day were reported to the directors. That included a report on the MOE charges relating to the Timmins facility emissions from September 2005 to September 2006. It was confirmed that there were no other compliance issues since the last meeting of the Board of directors.

AINSWORTH – Peter Lynch

A general discussion was held regarding the Ainsworth situation and in particular the potential position of Ainsworth with respect to the working capital requirements for the Footner Mill.

OSB CLASS ACTION

Peter Lynch gave an update on the OSB Class Action.

NEW BUSINESS

There was no new business

NEXT MEETINGS:

June 12 & 13, 2008 – Toronto – Royal York Hotel with Senior Managers
October 9, 2008 – Toronto – Royal York Hotel
December 4 & 5, 2008 – Royal York Hotel with Senior Managers

CONCLUSION:

It was moved by Per Brunes, seconded by Jamie Wallace that the meeting be concluded. Carried.

The meeting adjourned at 4:30 pm.

Peter J. Grant
Chairman

SCHEDULE "A"

SUMMARY OF THE SALE BY GRANT FOREST PRODUCTS INC. TO PETER GRANT SR. OF INCOME TAX REFUNDS EXPECTED TO BE RECEIVED BY GRANT FOREST PRODUCTS INC. IN 2008, 2009 AND 2010 FOR A TOTAL SALE PRICE OF THE CANADIAN DOLLAR EQUIVALENT OF US $20 MILLION

March 27, 2008
SUMMARY OF PROPOSED SALE

<u>Objective</u>:	To improve GFPI's liquidity and to continue to comply with its liquidity covenants under the first lien credit agreement (Section 9.02(5)) and the second lien credit agreement (Section 9.02(4)).
<u>Tax Refunds</u>:	Refunds under the *Income Tax Act* or the *Corporations Tax Act* in an estimated amount: In excess of Cdn $45 million, expected to be received by GFPI from September 1, 2008 to March 31, 2009 due to the overpayment of 2005-2006 tax (the "2008 Tax Refund"); and In excess of Cdn $15 million, expected to be received by GFPI from September 1, 2009 to March 31, 2010 due to overpayment of 2006 tax (the "2009 Tax Refund").
<u>Method</u>:	Convert GFPI's tax refund claims to cash of GFPI before the tax refunds are received by GFPI by the following steps: GFPI sells to a purchaser (the "Purchaser") related to GFPI, GFPI's interests in that amount of the 2008 Tax Refund and that amount of the 2009 Tax Refund which together have, when sold, a fair market value equivalent to the Canadian dollar equivalent of US $20 million for a total sale price of the Canadian dollar equivalent of US $20 million as follows: On March 31, 2008, sale of that portion of the 2008 Tax Refund (the "Sold 2008 Refund"), the present value of which on March 31, 2008 is the Canadian dollar equivalent of US $10 million (based on a discount rate equivalent to 90-day LIBOR on March 31, 2008) for the sale price of the Canadian dollar equivalent of US $10 million paid in cash to GFPI on March 31, 2008; and On January 2, 2009, sale of that portion of the 2009 Tax Refund (the "Sold 2009 Refund"), the present value of which on January 2, 2009 is the Canadian dollar equivalent on January 2, 2009 of US $10 million (based on a discount rate equivalent to 90-day LIBOR on

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

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

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

If any of the Sold 2008 Refund is not received by the Purchaser by March 31, 2009, to the extent not prohibited by the provisions of the first lien credit agreement or the second lien credit agreement, the purchase price thereof or the Sold 2008 Refund would be adjusted, GFPI would, at its option, either refund a pro rata amount of the purchase price to Purchaser without interest or deduction at a date after March 31, 2009 specified by the Purchaser or include in the Sold 2008 Refund an applicable amount of GFPI's tax refunds to be received after March 31, 2010 and the Purchaser would remit to GFPI any of such unreceived refund if it is received by the Purchaser after such adjustment.

If any of the Sold 2009 Refund is not received by the Purchaser by March 31, 2010, to the extent not prohibited by the provisions of the first lien credit agreement or the second lien credit agreement, the purchase price thereof or the Sold 2009 Refund would be adjusted, GFPI would, at its option, either refund a pro rata amount of the purchase price to Purchaser without interest or deduction at a date after March 31, 2010 specified by the Purchaser or include in the Sold 2009 Refund an applicable amount of GFPI's unsold tax refunds to be received after March 31, 2010 and the Purchaser would remit to GFPI any of such unreceived refund if it is received by the Purchaser after such adjustment.

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

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

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

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

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

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

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

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

<u>Documents Required:</u>

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

Agreement between GFPI and Purchaser re sales of Sold Refunds.

Transfer by GFPI to Purchaser of Sold 2008 Refund.

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

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

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

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

B. January 2, 2009:

Transfer by GFPI to Purchaser of the Sold 2009 Refund.

Partial discharge by First Lien Agent of Sold 2009 Refund.

Partial discharge by Second Lien Agent of Sold 2009 Refund.

This is Exhibit "B" referred to in the
Affidavit of Peter J. Grant Sr.
Sworn before me this 8th
day of September, 2009

A Commissioner for Taking Affidavits

Monique Marie Plante, a Commissioner, etc.,
District of Timiskaming
for Grant Forest Products Inc. and its associated companies.
Expires May 7, 2011.

TAX REFUND PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is dated as of the 31st day of March, 2008,

BETWEEN:

PETER GRANT SR.

(hereinafter referred to as the "Purchaser")

- and -

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

(hereinafter referred to as the "Vendor")

WHEREAS the Vendor expects to receive refunds under the *Income Tax Act* and under the *Corporations Tax Act* and wishes to sell parts of such refunds to the Purchaser (in the case of the *Income Tax Act*, as permitted by section 220(6) of the *Income Tax Act*) in order to improve the Vendor's liquidity;

AND WHEREAS the Purchaser is related to the Vendor and wishes to assist it to improve its liquidity;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each party to the other, the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

Section 1.01 Definitions

In this Agreement:

"**Agreement**" means this tax refund purchase and sale agreement;

"**Books and Records**" means all the Vendor's books, records, data and information relating to any or all of the Purchased Assets;

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

"*Corporations Tax Act*" means the *Corporations Tax Act* (Ontario), R.S.O. 1990, c-40, as amended;

"**CRA**" means Canada Revenue Agency;

"**Discount Rate**" on any day means the rate which is equivalent to the 90-Day LIBO Rate on such day;

"**Finance Minister**" means the Ontario Minister of Finance or his or her successor;

"**First Lien Agents**" means The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC, as agents pursuant to the First Lien Credit Agreement;

"**First Lien Credit Agreement**" means the credit agreement dated as of October 26, 2005 among the Vendor, Grant U.S. Holdings GP (formerly Grant U.S. Holdings LLP), Grant Forest Products Sales Inc., Grant Alberta Inc., Southeast Properties LLC (formerly Southeast Properties Inc.), Grant Allendale LP (formerly Grant Allendale Inc.), Grant Clarendon LP (formerly Grant Clarendon Inc.), The Toronto-Dominion Bank as Canadian Administrative Agent, Toronto Dominion (Texas) LLC, as U.S. Administrative Agent, and the lenders referred to therein (as amended, *inter alia*, to include Grant US Sales Inc. as a guarantor) (as the same may be further amended, restated, supplemented or replaced from time to time);

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

"**90-Day LIBO Rate**" on any day means the interest rate expressed as a percentage rate per year calculated on the basis of a 360-day year equivalent to the rate for deposits in U.S. dollars in the London, England interbank market for a period of 90 days which appears on the "LIBOR01 Page" of the Reuters Money Rate Service (or any successor source from time to time for such rate) as of 11:00 a.m. (London, England time) on the second Euro business day preceding such day;

"**Post-2009 Income Tax Refunds**" means the Vendor's income tax refunds to be received by the Vendor after March 31, 2010;

"**Purchased Assets**" means the Sold 2008 Refund and the Sold 2009 Refund;

"**Second Lien Agents**" means The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC, as agents pursuant to the Second Lien Credit Agreement.

"**Second Lien Credit Agreement**" means the credit agreement dated as of March 21, 2007 among Grant U.S. Holdings GP (formerly Grant U.S. Holdings LLP), as borrower, the Vendor, Grant Forest Products Sales Inc., Grant Alberta Inc., Southeast Properties LLC (formerly Southeast Properties Inc.), Grant Allendale LP (formerly Grant Allendale Inc.), Grant Clarendon LP (formerly Grant Clarendon Inc.) and Grant US Sales Inc., as guarantors, The Toronto-Dominion Bank, as Canadian Collateral Agent, Toronto Dominion (Texas) LLC, as

Administrative Agent and U.S. Collateral Agent, and the lenders referred to therein (as the same may be amended, restated, supplemented or replaced from time to time);

"Sold 2008 Refund" means that part of the 2008 Tax Refund, the present value of which, based on the Discount Rate in effect on March 31, 2008, is the Canadian dollar equivalent on March 31, 2008 of US $10 million;

"Sold 2009 Refund" means that part of the 2009 Tax Refund, the present value of which, based on the Discount Rate in effect on January 2, 2009, is the Canadian dollar equivalent on January 2, 2009 of US $10 million;

"2008 Closing" means the closing of the purchase and sale of the Sold 2008 Refund on March 31, 2008;

"2009 Closing" means the closing of the purchase and sale of the Sold 2009 Refund on January 2, 2009;

"2008 Purchase Price" means the Canadian dollar equivalent on March 31, 2008 of US $10 million payable by the Purchaser to the Vendor on March 31, 2009 for the Sold 2008 Refund;

"2009 Purchase Price" means the Canadian dollar equivalent on January 2, 2009 of US $10 million payable by the Purchaser to the Vendor for the Sold 2009 Refund; /.Z W. M

"2009 Purchase Price Deposit" means the Canadian dollar equivalent on March 31, 2008 of US $10 million;

"2008 Tax Refund" means the Vendor's income tax refund in excess of $45 million which the Vendor expects to receive during the period from September 1, 2008 to March 31, 2009 with respect to its income taxes paid for 2005 and 2006; and

"2009 Tax Refund" means the Vendor's income tax refund in excess of $15 million which the Vendor expects to receive during the period from September 1, 2009 to March 31, 2010 with respect to its income taxes paid for 2006.

Section 1.02 Currency

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

Section 1.03 Entire Agreement; Amendment; Waiver

This Agreement constitutes the entire agreement between the parties with respect to its subject matter, and supersedes any and all prior summaries, negotiations, understandings and agreements between the parties. This Agreement may not be amended or modified in any respect except by written agreement signed by the parties. No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar); nor shall such waiver constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the party to be bound thereby.

Section 1.04 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, and the federal laws of Canada applicable therein (excluding any conflict of law rule or principle of such laws that might refer such interpretation or enforcement to the laws of another jurisdiction). Each party hereto irrevocably submits to the non-exclusive jurisdiction of the courts of Ontario with respect to any matter arising hereunder or relating hereto.

Section 1.05 Singular, Plural and Gender

Words importing the singular include the plural and vice versa, and words importing gender include the masculine, feminine and neuter genders.

Section 1.06 Certain Words

In this Agreement, the words "including" and "includes" means "including (or includes) without limitation".

Section 1.07 Headings

The headings contained in this Agreement are for convenience of reference only, and shall not affect the meaning or interpretation hereof.

ARTICLE 2
PURCHASE AND SALE OF PURCHASED ASSETS

Section 2.01 Agreement of Purchase and Sale

Subject to the provisions of this Agreement, the Vendor hereby agrees to sell, assign and transfer to the Purchaser, and the Purchaser hereby agrees to purchase from the Vendor:

(a) the Sold 2008 Refund on March 31, 2008; and

(b) the Sold 2009 Refund on January 2, 2009.

Section 2.02 Without Recourse and As Is, Where Is

The Purchaser acknowledges that the Vendor is selling the Purchased Assets to the Purchaser on a non-recourse, "as is, where is" basis. No representation, warranty or condition is expressed or can be implied pursuant to this Agreement or otherwise as to title, encumbrances, description, fitness for purpose, merchantability, condition, assignability, collectability, quantity, outstanding amount, value or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell same.

ARTICLE 3

PURCHASE PRICE

Section 3.01 Purchase Price

The purchase price for the Sold 2008 Refund shall be the 2008 Purchase Price. The purchase price for the Sold 2009 Refund shall be the 2009 Purchase Price. The amount of these purchase prices shall be adjusted in accordance with the provisions of this Agreement.

Section 3.02 Payment of Purchase Price

The Purchaser shall pay the purchase prices to the Vendor by certified cheque, bank draft or wire transfer of immediately available funds to an account specified by the Vendor as follows:

(a) the Purchaser shall pay the 2008 Purchase Price to the Vendor on March 31, 2008 at the 2008 Closing; and

(b) the Purchaser shall pay the 2009 Purchase Price Deposit to the Vendor on March 31, 2008 at the 2008 Closing.

Section 3.03 Transfer Taxes

The Purchaser shall pay directly to the appropriate taxing authority when due, any applicable federal and provincial sales and transfer taxes exigible in connection with the transactions contemplated by the Agreement.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

Section 4.01 Vendor's Representations

The Vendor hereby represents and warrants to the Purchaser that:

(a) the Vendor is a corporation duly incorporated and validly subsisting under the laws of the jurisdiction of its incorporation or amalgamation, as the case may be; and

(b) the Vendor is not a non-resident of Canada within the meaning of Section 116 of the *Income Tax Act*.

ARTICLE 5

COVENANTS

Section 5.01 Purchaser's Access to Books and Records

The Vendor shall during normal business hours allow the Purchaser reasonable access to all Books and Records and allow the Purchaser to make copies of all Books and Records.

Section 5.02 No Interest of Purchaser in Sold 2009 Refund Until 2009 Closing

The parties agree, notwithstanding any other provision of this Agreement or any other right or purported right of the Purchaser, that the Purchaser does not acquire any right, title or interest in the Sold 2009 Refund, and the Vendor does not sell, assign or transfer any right, title or interest in the Sold 2009 Refund until the Vendor delivers to the Purchaser at the 2009 Closing, the transfer referred to in Section 7.04(a).

Section 5.03 No Transfer of Interest

Neither the Sold 2008 Refund nor the Sold 2009 Refund shall include any interest payable by CRA with respect to such refund and the Vendor shall be entitled to receive and retain any and all such interest.

Section 5.04 Directions to CRA and Finance Minister

Either party may, after delivery to the Purchaser of the transfer of the Sold 2008 Refund referred to in Section 7.02(a), direct CRA, the Finance Minister and any other appropriate person to pay the Sold 2008 Refund to the Purchaser. Either party may, after the delivery to the Purchaser of the transfer of the Sold 2009 Refund referred to in Section 7.04(a), direct CRA, the Finance Minister and any other appropriate person to pay the Sold 2009 Refund to the Purchaser.

Section 5.05 Sold 2008 Refund Held in Trust by Vendor

The Vendor shall hold in trust for the Purchaser, keep segregated from any other funds, accounts or assets of the Vendor and pay to the Purchaser any amount of the Sold 2008 Refund received by the Vendor after the completion of the 2008 Closing.

Section 5.06 Sold 2009 Refund Held in Trust by Vendor

The Vendor shall hold in trust for Purchaser, keep segregated from any other funds, accounts or assets of the Vendor and pay to Purchaser any amount of the Sold 2009 Refund received by the Vendor after the completion of the 2009 Closing.

Section 5.07 No Security, Interest or Fee

The Vendor shall not grant to the Purchaser any security for the Vendor's obligations to Purchaser with respect to the Sold 2008 Refund or the Sold 2009 Refund and shall not pay to the Purchaser any interest on the 2009 Purchase Price Deposit paid to the Vendor on March 31, 2008 with respect to the Sold 2009 Refund or any fee related to the refund sales.

Section 5.08 No Security Interest

The Purchaser agrees that it does not acquire and shall not acquire any security interest in any of the Purchased Assets and, for greater certainty, hereby discharges any present or future security interest it now or hereafter acquires in any of the Purchased Assets; provided that the foregoing shall not affect the Purchaser's ownership of any Purchased Assets acquired by the Purchaser by the transfers referred to in sections 7.02(a) and 7.04(a) hereof.

Section 5.09 Purchased Assets may be the First Part or Parts of Refunds Received

The Sold 2008 Refund shall, unless otherwise specified by the Purchaser to the Vendor in writing, be the first part or parts of the 2008 Tax Refund received by the Vendor or the Purchaser, up to the amount of the Sold 2008 Refund. The Sold 2009 Refund shall, unless otherwise specified by the Purchaser to the Vendor in writing, be the first part or parts of the 2009 Tax Refund received by the Vendor or the Purchaser, up to the amount of the 2009 Tax Refund.

Section 5.10 Direction by Purchaser

The Purchaser may, before the delivery of the applicable transfer referred to in sections 7.02(a) or 7.04(a) hereof, direct the Vendor in writing to transfer the Sold 2008 Refund or the Sold 2009 Refund, as applicable, to any other person or persons specified by Purchaser and the Vendor shall do so.

Section 5.11 2009 Purchase Price Deposit not held in Trust by Vendor

The 2009 Purchase Price Deposit paid by the Purchaser to the Vendor at the 2008 Closing shall not be held by the Vendor in trust and may be used by the Vendor.

Section 5.12 No Default under Credit Agreements

Notwithstanding any provision of this Agreement, the Vendor shall not be required to make any adjustment referred to in this Agreement if such adjustment would constitute or result in a default by the Vendor under any provision of the First Lien Credit Agreement or the Second Lien Credit Agreement. Without limitation to the foregoing, in no circumstance shall the proceeds received by the Vendor with respect to the sale of the 2008 Sold Refund exceed the Canadian dollar equivalent of US $10 million and in no circumstance shall the proceeds received by the Vendor with respect to the sale of the Sold 2009 Refund exceed the Canadian dollar equivalent of US $10 million. In the event the Vendor does not, as a result of the foregoing, make any adjustment otherwise required by this Agreement, the Vendor and the Purchaser shall make such adjustment promptly after the making of such adjustment no longer constitutes or results in a default by the Vendor under either the First Lien Credit Agreement or the Second Lien Credit Agreement.

ARTICLE 6

CONDITIONS

Section 6.01 Conditions for benefit of the Purchaser

The obligation of the Purchaser to complete the transactions contemplated hereunder is subject to the following conditions being fulfilled or performed at or prior to the 2008 Closing or the 2009 Closing, as applicable:

(a) all representations and warranties of the Vendor contained in this Agreement shall be true and correct in all material respects as at the time of such closing with the same force and effect as if made at and as of such time;

(b) the Vendor shall have complied with and performed all of its covenants and obligations contained in this Agreement;

(c) the Vendor shall have delivered to the Purchaser the documents, or made any payments referred to:

(i) in the case of the 2008 Closing, in Section 7.02; and

(ii) in the case of the 2009 Closing, in Section 7.04; and

(d) no injunction or other court order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement.

The foregoing conditions are for the exclusive benefit of the Purchaser and any such conditions may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if it is in writing.

Section 6.02 Conditions for benefit of the Vendor

The obligation of the Vendor to complete the transactions contemplated hereunder is subject to the following conditions being fulfilled or performed at or prior to the 2008 Closing or the 2009 Closing, as applicable:

(a) the Purchaser shall have complied with and performed all of its covenants and obligations contained in this Agreement;

(b) the Purchaser shall have delivered to the Vendor the documents, or made any payments referred to:

(i) in the case of the 2008 Closing, in Section 7.03; and

(ii) in the case of the 2009 Closing, in Section 7.05; and

(o) no injunction or other court order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement.

The foregoing conditions are for the exclusive benefit of the Vendor and any such conditions may be waived by the Vendor in whole or in part. Any such waiver shall be binding on the Vendor only if it is made in writing.

Section 6.03 Non-Satisfaction of Conditions

If any condition set out in Section 6.01 or Section 6.02 is not satisfied or performed prior to the time specified therefor, the party for whose benefit the condition is inserted may:

(a) in writing, waive compliance with the condition in whole or in part in its or his sole discretion by notice to the other party and without prejudice to any of its or his rights of termination in the event of non-fulfilment of any other condition in whole or in part; or

(b) elect to terminate this Agreement, in which case no party shall be under any further obligation to the others to complete the transactions contemplated by this Agreement.

ARTICLE 7
CLOSING

Section 7.01 Closing Dates and Place of Closing

The transactions contemplated by this Agreement shall close and be completed at the 2008 Closing and the 2009 Closing, as applicable. The completion of the transactions contemplated hereunder shall take place at the office of the Vendor's solicitors, located at 100 King Street West, Suite 4200, Toronto, Ontario M5X 1B2 or such other location as the parties may agree in writing.

Section 7.02 Deliveries on 2008 Closing by the Vendor

The Vendor shall deliver to the Purchaser at the 2008 Closing, in form and substance satisfactory to the Purchaser, acting reasonably:

(a) a transfer by the Vendor to the Purchaser of the Sold 2008 Refund;

(b) a partial discharge by the First Lien Agents of security held by them to discharge the Sold 2008 Refund therefrom and to release any interest they have in the Sold 2008 Refund;

(c) a partial discharge by the Second Lien Agents of security held by them to discharge the Sold 2008 Refund therefrom and to release any interest they have in the Sold 2008 Refund;

(d) a certified copy of a resolution of the directors of the Vendor authorizing the transactions referred to in this Agreement;

(e) an approval by the ad hoc independent committee of the Vendor's board of directors of the transactions contemplated by this Agreement; and

(f) such other documents as are required by this Agreement.

Section 7.03 Deliveries or Payments on 2008 Closing by the Purchaser

The Purchaser shall deliver or pay to the Vendor at the 2008 Closing:

(a) the 2008 Purchase Price in accordance with Section 3.02(a);

(b) the 2009 Purchase Price Deposit in accordance with Section 3.02(b); and

(c) such other documents as are required by this Agreement.

Section 7.04 Deliveries or Payments on 2009 Closing by the Vendor

The Vendor shall deliver or pay to the Purchaser at the 2009 Closing, in form and substance satisfactory to the Purchaser, acting reasonably:

(a) a transfer by the Vendor to the Purchaser of the Sold 2009 Refund;

(b) a partial discharge by the First Lien Agents or their respective successors of security held by them to discharge the Sold 2009 Refund therefrom and to release any interest they have in the Sold 2009 Refund;

(c) a partial discharge by the Second Lien Agents or their respective successors of security held by them to discharge the Sold 2009 Refund therefrom and to release any interest they have in the Sold 2009 Refund;

(d) the adjustment amount referred to in section 8.03(b) if such amount is then payable by the Vendor; and

(e) such other documents as are required by this Agreement.

Section 7.05 Deliveries or Payments on 2009 Closing by the Purchaser

The Purchaser shall deliver or pay to the Vendor at the 2009 Closing:

(a) the adjustment amount referred to in Section 8.03(a) if such amount is then payable by the Purchaser; and

(b) such other documents as are required by this Agreement.

ARTICLE 8

ADJUSTMENTS

Section 8.01 Sold 2008 Refund Adjustments if any Sold 2008 Refund not received by March 31, 2009

If any amount of the Sold 2008 Refund is not received by the Purchaser by March 31, 2009, the Vendor shall either:

(a) refund to the Purchaser on a date after March 31, 2009 specified by the Purchaser in writing a pro rata amount of the 2008 Purchase Price with respect to such amount of the Sold 2008 Refund not received by the Purchaser by March 31, 2009; or

(b) adjust the Sold 2008 Refund so that it includes that amount of Post-2009 Income Tax Refunds which results in the Vendor's selling and the Purchaser's buying the Sold 2008 Refund (including Post-2009 Income Tax Refunds), the aggregate fair market value of which as at March 31, 2008 (using the Discount Rate in effect on March 31, 2008) is equivalent to the 2008 Purchase Price,

as determined by the Vendor. The Vendor shall give the Purchaser, on or before April 30, 2009, written notice of which of the foregoing alternatives the Vendor selects. The Purchaser shall promptly remit to the Vendor any of such unreceived Sold 2008 Refund (excluding such Post-2009 Income Tax Refunds) if it is received by the Purchaser after such adjustment.

Section 8.02 Sold 2008 Refund Adjustments if 2008 Purchase Price is determined by CRA not to be fair market value

If CRA determines that the 2008 Purchase Price was not equivalent to the fair market value on March 31, 2008 of the Sold 2008 Refund purchased by the Purchaser for such price, the Vendor and the Purchaser shall either:

(a) adjust the 2008 Purchase Price; or

(b) adjust the Sold 2008 Refund so that:

(i) it is reduced to the amount, the fair market value of which; or

(ii) it is increased to include that amount of Post-2009 Income Tax Refunds which results in the Vendor's selling and the Purchaser's buying the Sold 2008 Refund (including such Post-2009 Income Tax Refunds), the aggregate fair market value of which,

as at March 31, 2008 (using the Discount Rate in effect on March 31, 2008) is equivalent to the 2008 Purchase Price,

as determined by the Vendor. The Vendor shall give the Purchaser written notice of which of the foregoing alternatives the Vendor selects.

Section 8.03 Adjustments at 2009 Closing with respect to Sold 2009 Refund due to Exchange Rate Fluctuations

If the exchange rate between Canadian dollars and US dollars on January 2, 2009 is different from such exchange rate on March 31, 2008, the Purchaser and the Vendor shall adjust the amount received by the Vendor for its sale of the Sold 2009 Refund on January 2, 2009 as follows so that the actual sale proceeds received by the Vendor from its sale of the Sold 2009 Refund on January 2, 2009 shall be the Canadian dollar equivalent on January 2, 2009 of US $10 million in order *inter alia* to comply with section 9.04 (1)(c) of the First Lien Credit Agreement and section 9.04(1)(c) of the Second Lien Credit Agreement:

(a) if the 2009 Purchase Price exceeds the 2009 Purchase Price Deposit, the Purchaser shall pay the difference to the Vendor on January 2, 2009; or

(b) if the 2009 Purchase Price Deposit exceeds the 2009 Purchase Price, the Vendor shall refund the difference to the Purchaser on January 2, 2009,

as calculated by the Vendor. The Vendor shall give the Purchaser, on or before January 2, 2009, written notice of which of the foregoing alternatives applies. Despite the foregoing, if the 2009 Purchase Price Deposit exceeds the 2009 Purchase Price, the Vendor may, at its option on written notice to the Purchaser, instead of refunding such difference to the Purchaser as provided by the foregoing subsection (b), increase on January 2, 2010 the amount of the Sold 2009 Refund to include in the Sold 2009 Refund an amount of the then unsold Post-2009 Income Tax Refunds, the fair market value of which, as at January 2, 2009 (using the Discount Rate in effect on January 2, 2009) is equivalent to such excess so that the purchase price received by the Vendor for the Sold 2009 Refund (excluding such Post-2009 Income Tax Refunds) is the Canadian dollar equivalent on January 2, 2009 of US $10 million.

Section 8.04 Sold 2009 Refund Adjustments if any Sold 2009 Refund not received by March 31, 2010

If any amount of the Sold 2009 Refund is not received by the Purchaser by March 31, 2010, the Vendor shall either:

(a) refund to the Purchaser on a date after March 31, 2010 specified by the Purchaser in writing a pro rata amount of the 2009 Purchase Price with respect to such amount of the Sold 2009 Refund not received by the Purchaser by March 31, 2010; or

(b) adjust the Sold 2009 Refund so that it includes that amount of then unsold Post-2009 Income Tax Refunds which results in the Vendor's selling and the Purchaser's buying the Sold 2009 Refund (including such Post-2009 Income Tax Refunds), the aggregate fair market value of which as at January 2, 2009 (using the Discount Rate in effect on January 2, 2009) is equivalent to the 2009 Purchase Price,

as determined by the Vendor. The Vendor shall give the Purchaser, on or before April 30, 2010, written notice of which of the foregoing alternatives the Vendor selects. The Purchaser shall promptly remit to the Vendor any of such unreceived Sold 2009 Refund (excluding such Post-2009 Income Tax Refunds) if it is received by the Purchaser after such adjustment.

Section 8.05 Sold 2009 Refund Adjustments if 2009 Purchase Price is determined by CRA not to be fair market value

If CRA determines that the 2009 Purchase Price was not equivalent to the fair market value on January 2, 2009 of the Sold 2009 Refund purchased by the Purchaser for such price, the Vendor and the Purchaser shall either:

(a) adjust the 2009 Purchase Price; or

(b) adjust the Sold 2009 Refund so that:

(i) it is reduced to the amount, the fair market value of which; or

(ii) it is increased to include that amount of then unsold Post-2009 Income Tax Refunds which results in the Vendor's selling and the Purchaser's buying the Sold 2009 Refund (including any such Post-2009 Income Tax Refunds), the aggregate fair market value of which,

as at January 2, 2009 (using the Discount Rate in effect on January 2, 2009) is equivalent to the 2009 Purchase Price,

as determined by the Vendor. The Vendor shall give the Purchaser written notice of which of the foregoing alternatives the Vendor selects.

ARTICLE 9

Section 9.01 Obligations to Survive

Notwithstanding the completion of the transactions contemplated hereunder or the delivery of documents pursuant to this Agreement, the obligations, covenants, representations and warranties of the parties hereto shall survive such completion and shall remain in full force and effect and shall not merge as a result thereof.

Section 9.02 Further Assurances

Each of the parties hereto from and after each applicable closing shall, from time to time, and at the request and expense of the party requesting the same, do all such further acts and things and execute and deliver such further transfers (including any additional transfers by the Vendor to the Purchaser of Post-2009 Income Tax Refunds required to be included in Purchased Assets pursuant to any provision of this Agreement), instruments, documents, matters, papers and assurances as may be reasonably requested for more effectually carrying out the true intent and meaning of this Agreement.

Section 9.03 No Assignment

Neither party hereto shall be entitled to assign any of its rights or interests hereunder without the prior written consent of the other party hereto and any such purported assignment, without such consent, shall not be valid.

Section 9.04 Time of the Essence

Time shall be of the essence of this Agreement.

Section 9.05 Costs and Expenses

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

Section 9.06 Notices

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

(a) if to the Vendor:

181 Bay Street
Suite 1520
Toronto, Ontario
M5H 2T3

Attention: Vice-President
Facsimile No.: 416-214-1360

(b) if to the Purchaser:

181 Bay Street
Suite 1520
Toronto, Ontario
M5H 2T3

Facsimile No.: 416-214-1360

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

Section 9.07 Successors and Assigns

This Agreement shall be binding on, and enure to the benefit of, the parties hereto, the Purchaser's heir, executors and administrators, and the parties' respective successors and permitted assigns.

Section 9.08 Counterparts

This Agreement may be executed in two counterparts with the same effect as if both parties had signed the same document and all counterparts shall be construed together and will constitute one and the same agreement.

Section 9.09 Third Party Beneficiaries

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

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto on the date first written above.

PETER GRANT SR.

GRANT FOREST PRODUCTS INC.

Per: ____________________
Name: Peter Lynch
Title: Executive Vice President

Per: ____________________
Name:
Title:

Section 9.07 Successors and Assigns

This Agreement shall be binding on, and enure to the benefit of, the parties hereto, the Purchaser's heir, executors and administrators, and the parties' respective successors and permitted assigns.

Section 9.08 Counterparts

This Agreement may be executed in two counterparts with the same effect as if both parties had signed the same document and all counterparts shall be construed together and will constitute one and the same agreement.

Section 9.09 Third Party Beneficiaries

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

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto on the date first written above.

PETER GRANT SR.

GRANT FOREST PRODUCTS INC.

Per: ______________________
Name: Peter Lynch
Title: Executive Vice President

Per: ______________________
Name:
Title:

This is Exhibit "C" referred to in the
Affidavit of Peter J. Grant Sr.
Sworn before me this 8th
day of September, 2009

A Commissioner for Taking Affidavits

Monique Marie Plante, a Commissioner, etc.,
District of Timiskaming
for Grant Forest Products Inc. and its associated companies.
Expires May 7, 2011.

7

TO: PETER GRANT SR.

RE: Sale by Grant Forest Products Inc. (the "**Vendor**") to Peter Grant Sr. (the "**Purchaser**") of certain tax refunds of the Vendor expected to be received by March 31, 2009 as provided by the Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 (the "**Agreement**") between the Vendor and the Purchaser

TRANSFER OF SOLD 2008 REFUND

IN CONSIDERATION of the purchase price of Cdn. $10,270,947.38 (which, on the date hereof, is equivalent to US $10 million) paid by the Purchaser to the Vendor, the receipt of which is hereby acknowledged by the Vendor, the Vendor hereby sells, transfers and assigns to the Purchaser, his heirs, executors, administrators and assigns, the Sold 2008 Refund (as defined by the Agreement) in the amount of Cdn. $10,478,857.

This transfer is the transfer referred to in section 7.02(a) of the Agreement with respect to *inter alia* the purchase and sale of such refund, and the provisions of the Agreement shall, despite the delivery of this transfer, continue in full force and effect.

DATED as of the 31st day of March, 2008.

GRANT FOREST PRODUCTS INC.

By: ____________________
Title: Executive Vice President

By: ____________________
Title:

This is Exhibit "D" referred to in the
Affidavit of Peter J. Grant Sr.
Sworn before me this 8th
day of September, 2009

A Commissioner for Taking Affidavits

Monique Marie Plante, a Commissioner, etc.,
District of Timiskaming
for Grant Forest Products Inc. and its associated companies.
Expires May 7, 2011.

First Lien Agents

TO: **GRANT FOREST PRODUCTS INC.**

AND TO: **PETER GRANT SR.**

RE: Sale by Grant Forest Products Inc. to Peter Grant Sr. of the Sold 2008 Refund (as defined by the Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 (the "**Agreement**") between Peter Grant Sr., as purchaser, and Grant Forest Products Inc., as vendor, as such Sold 2008 Refund may be adjusted pursuant to the Agreement

AND RE: Credit agreement dated as of October 26, 2005 among Grant Forest Products Inc., Grant U.S. Holdings GP (formerly Grant U.S. Holdings LLP), Grant Forest Products Sales Inc., Grant Alberta Inc., Southeast Properties LLC (formerly Southeast Properties Inc.), Grant Allendale LP (formerly Grant Allendale Inc.), Grant Clarendon LP (formerly Grant Clarendon Inc.), The Toronto-Dominion Bank as Canadian Administrative Agent, Toronto Dominion (Texas) LLC, as U.S. Administrative Agent, and the lenders referred to therein (as amended on March 21, 2007, *inter alia*, to include Grant US Sales Inc. as a guarantor) (as the same may be further supplemented, amended or otherwise modified or restated from time to time, the "**Credit Agreement**")

PARTIAL DISCHARGE AND RELEASE OF INTEREST

WHEREAS Grant Forest Products Inc. is selling the Sold 2008 Refund (as defined by the Agreement) to Peter Grant Sr. and has requested from the undersigned as agents (collectively, the "**Agents**") pursuant to the Credit Agreement, this agreement pursuant to Section 10.04 of the Credit Agreement;

NOW THEREFORE the undersigned Agents hereby discharge from any and all present and future security now or hereafter held by them the Sold 2008 Refund (as defined by the Agreement) (as adjusted from time to time in accordance with the Agreement) and all proceeds thereof and hereby release any and all their respective present and future interests therein and in all proceeds thereof.

DATED as of the 31st day of March, 2008.

THE TORONTO-DOMINION BANK as Agent

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

TORONTO DOMINION (TEXAS) LLC

By: ____________________
Title: IAN MURRAY
AUTHORIZED SIGNATORY
By: ____________________
Title:

TorDocs_5413401_7.DOC

TO: GRANT FOREST PRODUCTS INC.

AND TO: PETER GRANT SR.

RE: Sale by Grant Forest Products Inc. to Peter Grant Sr. of the Sold 2008 Refund (as defined by the Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 (the "Agreement") between Peter Grant Sr., as purchaser, and Grant Forest Products Inc., as vendor, as such Sold 2008 Refund may be adjusted pursuant to the Agreement

AND RE: Second Lien Credit Agreement dated as of March 21, 2007 among Grant U.S. Holdings GP (formerly Grant U.S. Holdings LLP), as borrower, Grant Forest Products Inc., Grant Forest Products Sales Inc., Grant Alberta Inc., Southeast Properties LLC (formerly Southeast Properties Inc.), Grant Allendale LP (formerly Grant Allendale Inc.), Grant Clarendon LP (formerly Grant Clarendon Inc.) and Grant US Sales Inc., as guarantors, The Toronto-Dominion Bank, as Canadian Collateral Agent, Toronto Dominion (Texas) LLC, as Administrative Agent and U.S. Collateral Agent, and the lenders referred to therein (as the same may be amended, restated, supplemented or replaced from time to time, the "Credit Agreement")

PARTIAL DISCHARGE AND RELEASE OF INTEREST

WHEREAS Grant Forest Products Inc. is selling the Sold 2008 Refund (as defined by the Agreement) to Peter Grant Sr. and has requested from the undersigned as agents (collectively, the "Agents") pursuant to the Credit Agreement, this agreement pursuant to Section 10.04 of the Credit Agreement;

NOW THEREFORE the undersigned Agents hereby discharge from any and all present and future security now or hereafter held by them the Sold 2008 Refund (as defined by the Agreement) (as adjusted from time to time in accordance with the Agreement) and all proceeds thereof and hereby release any and all their respective present and future interests therein and in all proceeds thereof.

DATED as of the 31st day of March, 2008.

THE TORONTO-DOMINION BANK as Agent

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

By: ________________
Title:

TORONTO DOMINION (TEXAS) LLC

By: ________________
Title: IAN MURRAY
AUTHORIZED SIGNATORY

By: ________________
Title:

TorDocs_5417657_6.DOC

This is Exhibit "E" referred to in the
Affidavit of Peter J. Grant Sr.
Sworn before me this 8th
day of September, 2009

A Commissioner for Taking Affidavits

Monique Marie Plante, a Commissioner, etc.,
District of Timiskaming
for Grant Forest Products Inc. and its associated companies.
Expires May 7, 2011.

From: Jane Howe [mailto:jhowe@GFP-inc.com] **On Behalf Of** Peter Lynch
Sent: 19 June 2009 11:29 AM
To: Richard Swan
Cc: Peter GrantJr; Peter GrantSr; Peter Lynch
Subject: Tax Refund and Sales Agreement, March 31, 2008

Richard, attached is a copy of the transfer document as well as partial discharges relating to the purchase of the 2008 Tax Rebate.

Following the end of the financial quarter in which the 2008 tax rebate transaction was closed the Company and the Agent received strong objections to the transaction from two of our Lenders who felt that it should not have been proceeded with nor the releases given by the Agent without the express consent of the Lenders themselves. After a number of discussions no further formal action was or has since been taken by those Lenders.

The issue of executing the transfer of a portion of the 2009 tax rebate to Peter Grant Sr., and the discharge of security was discussed in Q1, 2009, by both myself and our CFO at the time (Eric Davis) with the First and Second Lien Agent. We were advised that the Agent would not provide discharges without the direct authority of the requisite number of First and Second Lien Lenders. TD Bank also indicated that in it's position as one of the First Lien Lenders it would not be supportive of the request. The Company was headed for a default of the financial covenants under it's Credit Agreements at the end of Q1, 2009 at the latest and the Company did not provide a written request to the First and Second Lien Agents (which at that time were one and the same - TD Bank) for discharges of security with respect to the portion of the 2009 tax rebate to be purchased by Peter Grant Sr.

This was discussed at various times directly with Peter Grant Sr., and our Board of Directors, by both myself and our CFO, Eric Davis.

Regards
Peter

This is Exhibit "F" referred to in the
Affidavit of Peter J. Grant Sr.
Sworn before me this 8th
day of September, 2009

A Commissioner for Taking Affidavits

Monique Marie Plante, a Commissioner, etc.,
District of Timiskaming
for Grant Forest Products Inc. and its associated companies.
Expires May 7, 2011.

January 15, 2009

Mr. Peter Grant Sr.
181 Bay Street
Suite 1520
Toronto, ON M5J 2T3

Dear Mr. Grant:

Tax Refund Purchase and Sale Agreement dated as of March 31, 2008 between Peter Grant Sr. and Grant Forest Products Inc. (the "Agreement")

Grant Forest Products Inc. (the "Vendor") refers to the Agreement. All words capitalized in this letter have the meanings specified by the Agreement.

The Vendor confirms our agreement that the parties shall not make the adjustment referred to in section 8.03 of the Agreement with respect to exchange rate fluctuations and therefore the amount of the Sold 2009 Refund shall be reduced so that the fair market value of the Sold 2009 Refund is equivalent to the 2009 Purchase Price Deposit previously paid by the Purchaser, based on the Discount Rate in effect on January 2, 2009 and without increasing the amount of the Sold 2009 Refund due to the payment of the 2009 Purchase Price Deposit prior to the transfer of the Sold 2009 Refund. Accordingly, the 2009 Purchase Price shall be Cdn. $10,270,947 (which, based on the January 2, 2009 exchange rate, was equivalent to US $8,843,802) and the amount of the Sold 2009 Refund shall be the amount in Cdn. dollars , the present value of which, based on such Discount Rate, is Cdn. $10,270,947.

Please sign and return the enclosed copy of this agreement to reflect your agreement to the foregoing.

Yours very truly,

GRANT FOREST PRODUCTS INC.

By:

Title: Peter M. Lynch
Executive Vice President

Peter Grant Sr. hereby agrees to the foregoing.

DATED the day of January, 2009.

Peter Grant Sr.

This is Exhibit "G" referred to in the
Affidavit of Peter J. Grant Sr.
Sworn before me this 8th
day of September, 2009

A Commissioner for Taking Affidavits

Monique Marie Plante, a Commissioner, etc.,
District of Timiskaming
for Grant Forest Products Inc. and its associated companies.
Expires May 7, 2011.

Bennett Jones LLP

3400 One First Canadian Place, PO Box 130
Toronto, Ontario, Canada M5X 1A4
Tel: 416.863.1200 Fax: 416.863.1716
www.bennettjones.ca

Richard B. Swan
Direct Line: 416.777.7479
e-mail: swanr@bennettjones.com

June 19, 2009

Mr. Peter Lynch
Executive Vice President
Grant Forest Products Inc.
Suite 1520
181 Bay Street
Toronto, ON M5H 2T3

Dear Sir:

We act for Mr. Peter Grant Sr., as you know.

We write to ensure that all necessary steps have been or immediately will be taken by Grant Forest Products Inc. ("GFPI") to make certain that our client receives what he bargained and paid for pursuant to the Tax Refund Purchase and Sale Agreement dated March 31, 2008 ("the Agreement") between himself and GFPI. All words capitalized in this letter have the meanings specified by the Agreement.

The agreement of the parties was that upon receipt of any part of the 2009 Tax Refund GFPI would hold such funds (in an amount equal to the Sold 2009 Refund) in trust for Mr. Grant, keep them segregated from GFPI's funds, accounts or assets, and pay such trust funds to Mr. Grant. This structure was to ensure that the Sold 2009 Refund, when received by GFPI, would belong to Mr. Grant and that neither GFPI nor any of its creditors could assert any claim to it.

As part of the process for the 2009 Closing it was necessary to determine whether any adjustments to the Sold 2009 Refund were required due to exchange rate fluctuations as provided in section 8.03 of the Agreement. You addressed this issue in your letter to Mr. Grant dated January 15, 2009 in respect of the 2009 Sold Refund.

GFPI has not provided partial discharges and releases from the First and Second Lien Agents under section 7.04 of the Agreement, and we understand that GFPI failed to make formal demand for these from the Lien Agents. Mr. Grant demands that these be sought and provided to him by no later than 5:00 p.m. EDT on June 22, 2009. In the event that these are not provided, Mr. Grant may waive these conditions that were inserted in the Agreement for his benefit, without waiving any of his substantive rights under the Agreement, at law or in equity.

June 19, 2009
Page Two

Further, the Agreement obliged GFPI to deliver a transfer on January 2, 2009 in respect of the 2009 Sold Refund, in a form and substance satisfactory to the Purchaser. Mr. Grant is prepared to treat the January 15, 2009 letter as a satisfactory transfer; if GFPI disagrees, Mr. Grant demands that GFPI deliver a transfer immediately, and in any event by 5 p.m. EDT on June 22, 2009.

Please be advised that Mr. Grant does not waive any substantive rights under the Agreement, at law or in equity. Mr. Grant expects GFPI to fully comply with its obligations, including those arising under the Agreement and as trustee for Mr. Grant.

Yours truly,

BENNETT JONES LLP

Richard B. Swan

WSLegal\064489\00001\5372066v1

IN THE MATTER OF THE *COMPANIES CREDITORS ARRANGEMENT ACT*, R.S.C. 1986, c. C-36, as amended;
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC. GRANT FOREST PRODUCTS SALES INC. and GRANT U.S. HOLDINGS GP (the "Applicants")

Court File No. 09-8247-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIA LIST

Proceeding commenced at Toronto

AFFIDAVIT OF PETER J. GRANT SR.
(Sworn September 8, 2009)

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, ON M5X 1A4

Richard B. Swan (LSUC No. 32076A)
Telephone: (416) 777-7479
Facsimile: (416) 863-1716

Lawyers for Peter J. Grant Sr.