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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

Applicants

INDEX

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

Applicants

NOTICE OF MOTION

THE TORONTO-DOMINION BANK (the "First Lien Lenders' Agent") will make a motion which will be heard by a judge presiding over the Commercial List on February 1, 2010 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

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

THE MOTION IS FOR AN ORDER:

1. abridging the time for service of this Notice of Motion and the Motion Record herein, and dispensing with any further service thereof;

2. approving the participation of the Agent in the transactions contemplated under the purchase agreement among the Applicants, GP International Acquisition III, Ltd., Georgia-Pacific LLC, and GP Palmetto Holding LLC (collectively, "Georgia Pacific" or the

"Purchasers"), dated January 8, 2010 (the "Sale Agreement") (capitalized terms used in this Notice of Motion shall have the meaning set out in Sale Agreement unless otherwise defined or the context otherwise requires);

3. adding Southeast Properties LLC, Grant Clarendon LP, Grant Allendale LP, Grant US Sales Inc., Grant Newco LLC, Grant Excluded GP (the "Added Parties") as additional Applicants in these proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") in accordance with a Supplemental Initial Order in a form substantially in the form of the draft order attached hereto as Schedule "A";

4. adding the First Lien Lenders' Agent, in its capacity as agent for the First Lien Lenders (defined below) under a credit agreement dated as of October 26, 2005, as amended by an agreement dated as of March 21, 2007 (the "First Lien Credit Agreement") and The Bank of New York Mellon (the "Second Lien Lenders' Agent") in its capacity as the agent for the Second Lien Lenders (defined below) under a credit agreement dated as of March 21, 2007, as amended by an agreement dated as of April 30, 2009 (the "Second Lien Credit Agreement") as a respondents to these proceedings and amending the title of proceedings accordingly;

5. if necessary or appropriate, appointing the Monitor as a receiver empowered specifically to execute and deliver the Sale Agreement and the Release Agreement, the Release and Discharge Agreement, the Ancillary Documents and any other agreements, documents and writings required or desired to give effect to any of same and to any of the transactions contemplated therein or by any Order made in these proceedings, and (ii) to take such other steps and actions as are required to cause the Applicants, as applicable, to do all things authorized, directed or permitted under any Order made in these proceedings including, without limitation,

to convey and vest title in and to the Acquired Interests in the Purchasers, to surrender the Vendors' Partnership Interests, and to issue the Purchasers' Partnership Interests to the U.S. Purchasers, and the Receiver shall have no personal liability with respect to any of the foregoing;

6. authorizing the First Lien Lenders' Agent, as agent for the lenders under the First Lien Credit Agreement (the "First Lien Lenders") to exercise certain rights under the Intercreditor Agreement (as defined below) and to enter into and perform the release, discharge and termination agreement (the "Release and Discharge Agreement") on its behalf and on behalf of the First Lien Lenders, the Second Lien Lenders' Agent and the lenders under the Second Lien Credit Agreement (the "Second Lien Lenders");

7. declaring that neither the First Lien Lenders' Agent nor any of the First Lien Lenders will incur any liability or obligations arising from the First Lien Lenders' Agent taking any step or action to complete the transactions contemplated by the Sale Agreement; and

8. such further and other relief as this Honourable Court considers just.

THE GROUNDS FOR THE MOTION ARE:

The Sale Agreement

1. The Initial Order of the court commencing the CCAA proceedings of Grant Forest Products Inc. ("GFPI") and certain affiliates (collectively the "Grant Companies" or the "Applicants") directed the Grant Companies to commence a marketing process in accordance with the protocol attached thereto as Appendix "A" (the "Marketing Protocol").

2. The First Lien Lenders' Agent has been consulted in the marketing process as required by the Investment Offering Protocol and has given its approval for the sale of the business of Grant Companies to Georgia Pacific pursuant to a Purchase Agreement dated January 8, 2010, a copy of which is attached to the Monitor's 6th Report.

3. The Sale Agreement represents a commercially reasonable transaction which is the result of a fair process that complied with the Marketing Protocol and will generate a better recovery for the creditors of the Applicants than any other proposal made in the marketing process and represents a better recovery for the creditors of the Applicants than would be available through a sale of the assets of the Applicants.

The Added Parties

4. Each of the Added Parties, other than Grant Excluded GP, is a guarantor of the First Lien Credit Agreement and the Second Lien Credit Agreement and Grant Excluded GP is a general partnership of guarantors under such credit agreements. All of the Added Parties are insolvent.

5. Each of the Added Parties has assets in Ontario and is controlled by GFPI whose head office is in Ontario.

Intercreditor Agreement

6. The relationships between GFPI, the First Lien Lenders' Agent, the First Lien Lenders, the Second Lien Lenders' Agent and the Second Lien Lenders are governed by the Intercreditor Agreement dated March 21, 2007 (the "Intercreditor Agreement").

7. The Intercreditor Agreement provides, among other things, that:

(a) the First Lien Lenders' Agent has sole discretion to enforce its rights and the rights of the First Lien Lenders with respect to the secured collateral without having to seek the consent of either the Second Lien Lenders' Agent or the Second Lien Lenders;

(b) should the First Lien Lenders' Agent elect to release its security over the assets of GFPI or the other Grantors under the Intercreditor Agreement, then any and all charges of the Second Lien Lenders' Agent and Second Lien Lenders on such assets are automatically and unconditionally released; and

(c) the First Lien Agent is appointed as attorney-in-fact of the Second Lien Lenders' Agent and the Second Lien Lenders with authority to take actions and execute documents on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders in connection with the release of their security interests.

8. A discharge of the security is contemplated by the Sale Agreement and is necessary to facilitate the proposed transaction.

9. The First Lien Lenders' Agent also relies upon:

(a) the provisions of the CCAA and the equitable jurisdiction of this court; and

(b) such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED at the hearing of the motion:

1. the Affidavit of William O'Connor, sworn January 15, 2010;

2. the Affidavit of Hap Stephen, sworn January 15, 2010;

3. the 6th Report of the Monitor; and

4. such further and other materials as counsel may advise and this Honourable Court may permit.

January 15, 2010

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TO: THE ATTACHED SERVICE LIST

SCHEDULE "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	**MONDAY, THE 1ST**
	)	
JUSTICE CAMPBELL	)	**DAY OF FEBRUARY, 2010**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC., GRANT FOREST PRODUCTS SALES INC., GRANT U.S. HOLDINGS GP, SOUTHEAST PROPERTIES LLC, GRANT CLARENDON LP, GRANT ALLENDALE LP, GRANT US SALES INC., GRANT NEWCO LLC, and GRANT EXCLUDED GP

APPLICANTS

and

THE TORONTO-DOMINION BANK, in its capacity as agent for secured lenders holding first lien security and THE BANK OF NEW YORK MELLON, in its capacity as agent for secured lenders holding second lien security

RESPONDENTS

SUPPLEMENTAL INITIAL ORDER

THE MOTION by The Toronto-Dominion Bank (the "**Agent**"), as agent for the first lien lenders (the "**First Lien Lenders**") under a credit agreement made as of October 26, 2005 between Grant Forest Products Inc. ("**GFPI**") and Grant U.S. Holdings GP ("**Grant Partnership**"), as borrowers, Southeast Properties LLC, Grant Clarendon LP, Grant Allendale LP, Grant US Sales Inc. and Grant Newco LLC, as guarantors, and the Agent (the "**First Lien Credit Agreement**") for an Order, among other things, to supplement the Order of this Court made on June 25, 2009, as it may be amended and extended (the "**Initial Order**") in relation to GFPI, Grant Alberta Inc., Grant Forest Products Sales Inc. and Grant Partnership (collectively, the "**Applicants**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") by adding as applicants to the within CCAA proceeding (the "**CCAA Proceeding**") Southeast Properties LLC, Grant Clarendon LP, Grant Allendale LP, Grant US Sales Inc., Grant Newco LLC and Grant Excluded GP (the "**Added Applicants**"), by adding the Agent and The Bank of New York Mellon (the "**Second Lien Agent**"), in its capacity as the agent for the second lien lenders (the "**Second Lien Lenders**") under a credit agreement made as of March 21, 2007 between Grant Partnership, as borrower, the Applicants and the Added Applicants other than Grant Excluded GP, as guarantors, and the Second Lien Agent (the "**Second Lien Credit Agreement**"), as respondents (collectively, the "**Respondents**") to the CCAA Proceeding and for other relief, was heard the 1st day of February, 2010 at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion (the "**Notice of Motion**") served and filed by the Agent, as a respondent to the CCAA Proceeding, the affidavit of Hap Stephen sworn on January 15, 2010 (the "**Stephen Affidavit**"), the affidavit of William O'Connor sworn on January 15, 2010, the affidavit of Peter Lynch sworn June 22, 2009 and the exhibits thereto, the Initial Order and the Sixth Report of Ernst & Young Inc. ("**E&Y**"), the Monitor appointed in the CCAA Proceeding (the "**Monitor**") in respect of the Applicants dated January 15, 2010 (the "**Sixth Report**") and on hearing the submissions of counsel for the Applicants, the Agent, the independent directors of GFPI, E&Y, Peter Grant Sr., Peter Grant Jr., the Second Lien Agent and no one else appearing although duly served as appears from the affidavit of service of • sworn January •, 2010.

AND ON READING the Notice of Motion of the Applicants of even date for an Order (the "**Approval and Vesting Order**"), among other things, approving a transaction (the "**Transaction**") between the Applicants and the Added Applicants, on the one hand, and GP International Acquisition III, Ltd. (the "**Canadian Purchaser**"), Georgia-Pacific LLC (the "**U.S. Purchaser**") and GP Palmetto Holding LLC (the "**Additional U.S. Purchaser**" and together with the Canadian Purchaser and the U.S. Purchaser the "**Purchasers**"), on the other hand, substantially in the form of the agreement attached as a confidential Appendix to the Sixth

Report (the "**Agreement**"), and authorizing and directing certain actions contemplated by the Agreement and for other relief related thereto, and on the understanding that the Approval and Vesting Order is to be made by this Court immediately following the making of this Order.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Added Applicants are companies to which the CCAA applies, and that the center of main interest of each Added Applicant is in Canada.

3. **THIS COURT ORDERS** that, effective as of this date, the Added Applicants are hereby added as applicants to the CCAA Proceeding, the Respondents are hereby added as respondents to the CCAA Proceeding and that the title of proceeding in the CCAA Proceeding be and the same is hereby amended to include the Added Applicants and the Respondents in the CCAA Proceeding.

4. **THIS COURT ORDERS** that this Order shall supplement and, effective as of this date, form part of and be read together with the Initial Order. In the case of any inconsistency between the Initial Order and this Order in relation to the Added Applicants and the relief granted in this Order, the provisions of this Order shall govern.

PLAN OF ARRANGEMENT

5. **THIS COURT ORDERS** that the Added Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan or plans of compromise or arrangement (collectively, the "**Plan**") between, *inter alia*, the Applicants and the Added Applicants, or any of the Applicants or Added Applicants, and one or more classes of its or their secured and/or unsecured creditors as it deems or they deem appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

6. **THIS COURT ORDERS** that the Added Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Added Applicants' Property**"). Subject to further Order of this Court, the Added Applicants shall continue to carry on business in a manner consistent with the preservation of their businesses (the "**Business**") and the Added Applicants' Property. The Added Applicants shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, the "**Assistants**") currently retained or employed by them, with liberty, subject to obtaining the prior consent of the Monitor or further order of the Court, to amend in any material manner the mandate of any Assistants or to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order (except that such consent or further order shall not be required for the Added Applicants to hire new employees in the ordinary course of business).

7. **THIS COURT ORDERS** that the Applicants, or any of them, may, with the prior written consent of the Monitor, lend funds to the Added Applicants (or any of them), to enable them to continue to carry on their respective businesses in the ordinary course and the Applicants, or any of them, may receive and retain any repayments made by the Added Applicants (or any of them).

8. **THIS COURT ORDERS** that, except as specifically permitted herein or included in the cash flow statements (as attached to the Stephen Affidavit) as amended or prepared for later periods from time to time with the Agent's approval (the "**Cash Flow Projections**"), the Added Applicants are hereby prohibited, without the prior written approval of the Agent and the Monitor, from:

(a) granting, or permitting to be outstanding, any lien, charge, security interest or any other encumbrance of any kind whatsoever (each an "**Encumbrance**") other than valid and enforceable Encumbrances existing on the date of this Order, charges created by this Order and liens arising solely by operation of law in the ordinary course of business of the Added Applicants;

(b) creating, incurring, assuming or suffering to exist, directly, contingently or otherwise, any debt or obligations other than:

A. debt or obligations existing on the date hereof; or

B. unsecured current liabilities (which are not the result of borrowing) incurred and payable in the ordinary course of business of the Added Applicants as permitted herein or in the Agreement;

(c) entering into any transactions outside the ordinary course of its business, other than the transactions contemplated under the Agreement (provided the Agreement is approved by this Court);

(d) making expenditures or commitments or incurring any obligations or entering into any agreements that are prohibited by or are not in conformity with the Agreement;

(e) declaring any dividends or distributions to any shareholder or any person affiliated or associated with any shareholder whether by way of dividend or otherwise;

(f) guaranteeing, endorsing or otherwise becoming surety for or upon any obligations of any person;

(g) paying any amount to its employees and officers as such by way of salary, bonus, commission, directors' fees or otherwise in excess of the amounts currently being paid or at a rate in excess of the current rate thereof, provided that nothing in this Order shall prohibit the Added Applicants from reimbursing their employees and officers for reasonable expenses incurred by them in the ordinary course of business;

(h) increasing the coverage or benefits available under any U.S. Employee Benefit Plans (as defined in the Agreement) or otherwise modify, terminate or amend such plans (except to the extent necessary to comply with applicable regulations), enter into any deferred compensation, special pay, or non-competition agreement or arrangement with any employees or former employees (or amend any such agreements), or enter into any employment or consulting agreement or arrangement with any person that involves payment to such person of more than $75,000 per annum;

(i) paying any amount to any shareholder of GFPI, any person who owns shares of any shareholder of GFPI or any person related by blood or marriage to any such person, except for payments permitted by the immediately preceding subparagraph;

(j) making expenditures or commitments in respect of any or all assets of an Applicant or Added Applicant not required in connection with the Business;

(k) opening or maintaining deposit accounts other than any deposit accounts maintained with The Toronto-Dominion Bank, Wachovia Bank, National Association, Harris N.A. and Bank of Montreal as of the date hereof or such other account approved by the Agent (the "**Accounts**");

(l) making any changes to the officers or senior management, or to any of the signing authorities specified on the Accounts;

(m) entering into any interest or currency exchange agreement or any other swap agreement;

(n) selling, leasing, transferring, disposing of, or removing any asset of the Added Applicants, or any interest therein, other than the sale of oriented strand board, wood pellets and other related products or other inventories, made in the ordinary course of business;

(o) amending any organizational documents of any of the Added Applicants or, with respect to the Added Applicants, modifying the organizational structure, changing or altering any Tax (as defined in the Agreement) election, repaying any intercompany indebtedness among the U.S. Applicants (as defined below), liquidating any Added Applicants, or redeeming any Equity Interests (as defined in the Agreement), except as provided for in the Agreement; and

(p) obtaining any debtor-in-possession financing from any lender other than one or more of the First Lien Lenders and in accordance with the further order of the Court.

9. **THIS COURT ORDERS** that the Added Applicants shall be entitled but not required to pay all obligations, excepting only those amounts described in paragraph [10] below, incurred in the ordinary course of business, whether incurred prior to, on or after the date of this Order, including, but not limited to, the following expenses:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses and expenses, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

(b) all expenses and capital expenditures reasonably necessary for the preservation of the Added Applicants' Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;

(c) payment for goods or services actually supplied to the Added Applicants whether before, on or after the date of this Order;

(d) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Added Applicants in connection with the sale of goods and services by the Added Applicants; and

(e) any amount payable to any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid and which are attributable to or in respect of the carrying on of the Business by the Added Applicants.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Added Applicants are hereby directed, until further Order of this Court to make no payments of

principal, interest thereon or otherwise on account of amounts owing by the Added Applicants to the Agent, the Second Lien Agent, the First Lien Lenders or the Second Lien Lenders.

11. **THIS COURT ORDERS** that, notwithstanding anything contained in this Order, the Added Applicants shall in all respects comply with their obligations under the First Lien Credit Agreement in respect of reporting and the provision of information. The Added Applicants shall cooperate fully with PricewaterhouseCoopers Inc. ("**PWC**"), the financial advisor to the First Lien Lenders, in providing such information.

EFFECTIVE AS OF THIS DATE, NO PROCEEDINGS AGAINST THE ADDED APPLICANTS OR THE ADDED APPLICANTS' PROPERTY

12. **THIS COURT ORDERS** that until and including February 26, 2010, or such later date as this Court may order (the "**Added Applicants' Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Added Applicants or the Monitor, or affecting any of the Added Applicants' Property, except with the written consent of the Added Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Added Applicants or affecting the Added Applicants' Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

13. **THIS COURT ORDERS** that during the Added Applicants' Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Added Applicants or the Monitor, or affecting the Added Applicants' Property, are hereby stayed and suspended except with the written consent of the Added Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Added Applicants to carry on any business which the Added Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

14. **THIS COURT ORDERS** that during the Added Applicants' Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Added Applicants, except with the written consent of the Added Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

15. **THIS COURT ORDERS** that during the Added Applicants' Stay Period, all Persons having oral or written agreements with the Added Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Added Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Added Applicants, and that the Added Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Added Applicants in accordance with normal payment practices of the Added Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Added Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

16. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Added Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

17. **THIS COURT ORDERS** that, during the Applicants' Stay Period and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of any of the Added Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of any of the Added Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Added Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Added Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

18. **THIS COURT ORDERS** that the Applicants shall indemnify the directors and officers of the Added Applicants from all claims, costs, charges and expenses relating to the failure of any of the Added Applicants, after the date hereof, to make payments due and payable after the date of this Order of the nature referred to in subparagraphs [9](a), (d) and (e) of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of any of the Added Applicants, except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

19. **THIS COURT ORDERS** that the directors and officers of the Added Applicants shall be entitled to the benefit of the Directors' Charge granted in paragraph 28 of the Initial Order as security for the indemnity provided in paragraph [18] of this Order.

20. **THIS COURT ORDERS** that, notwithstanding any provision of any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Added Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph [18] of this Order.

APPOINTMENT OF MONITOR

21. **THIS COURT ORDERS** that E&Y is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Added Applicants' Property and the Added Applicants' conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that the Added Applicants and their shareholders, partners, officers, directors and Assistants shall advise the Monitor of all material steps taken by any of the Added Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

22. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Added Applicants' receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Added Applicants' Property, the Business and such other matters as may be relevant to the proceedings herein;

(c) assist the Added Applicants, to the extent required by the Applicants and the Added Applicants, in the dissemination to the Agent and Second Lien Agent and their respective counsel on a bi-weekly basis or otherwise as required herein of financial and other information as agreed to between the Added Applicants and the Agent or Second Lien Agent;

(d) advise the Added Applicants in relation to the Cash Flow Projections, including the reconciliation of actual results to Cash Flow Projections and the formulation of Cash Flow Projections as may be required herein, which information shall be reviewed with the Monitor and delivered to the Agent and its counsel on a periodic basis, but not less than bi-weekly, or as otherwise agreed to by the Agent;

(e) advise the Added Applicants in their development of the Plan and any amendments to the Plan;

(f) report and advise the Court and the Agent in relation to the Agreement and the status of the transactions contemplated thereunder;

(g) assist the Added Applicants, to the extent required by the Applicants and the Added Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(h) have full and complete access to the books, records, management, employees and advisors of the Added Applicants, the Business and the Added Applicants' Property to the extent required to perform its duties arising under this Order;

(i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(j) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and

(k) perform such other duties as are required by this Order or by this Court from time to time.

23. **THIS COURT ORDERS** that the Monitor shall not take possession of the Added Applicants' Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business, the Added Applicants' Property or any part thereof.

24. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Added Applicants' Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law, including any law of the United States of America or any State, respecting the protection, conservation, enhancement, remediation or rehabilitation of the

environment or relating to the disposal of waste or other contamination including, without limitation, any law of the United States of America or any State (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Added Applicants' Property within the meaning of any Environmental Legislation, unless it is actually in possession.

25. **THIS COURT ORDERS** that the Monitor shall provide any creditor of any of the Added Applicants with information provided by the Added Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Added Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Added Applicants, as appropriate, may agree.

PROVISIONS RELATED TO THE MONITOR AND OTHERS

26. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall not incur any liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

27. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Added Applicants and counsel to the Agent shall be paid by the Applicants their reasonable fees and disbursements, in each case at their standard rates and charges and whether incurred before, on or after the date of this Order. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor, counsel to the Added Applicants and counsel to the Agent on a weekly basis.

28. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time and, for this purpose, the accounts of the Monitor and counsel to the Monitor are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Added Applicants and counsel to the Agent each shall be entitled to the benefit of the Administration Charge granted in paragraph 41 of the Initial Order, as security for all amounts owing to the Monitor, counsel to the Monitor, counsel to the Added Applicants and counsel to the Agent as set out in paragraph [27] hereof, both before and after the making of this Order in respect of the CCAA Proceedings.

SERVICE AND NOTICE

30. **THIS COURT ORDERS AND DIRECTS** that the Monitor shall (i) without delay, publish in each of The Temiskaming Speaker, The State and The Wall Street Journal, a single notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against any Added Applicant of more than $1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

31. **THIS COURT ORDERS** that the Added Applicants and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Added Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Added Applicants, as appropriate, and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

32. **THIS COURT ORDERS** that the Added Applicants, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on the Monitor's website.

TERMINATION OF THIS ORDER

33. **THIS COURT ORDERS AND DECLARES** that effective immediately upon delivery by the Monitor to the Purchasers of the Monitor's Certificate (i) the CCAA Proceeding shall be and is hereby terminated in relation to the Added Applicants and Grant Partnership (collectively, the "**U.S. Applicants**"); (ii) the Monitor shall be and is hereby automatically and without further Order of this Court discharged as Monitor of the U.S. Applicants; and (iii) E&Y shall be and is hereby released and discharged from any and all liability that E&Y now has or may hereafter have by reason of, or in any way arising out of, the acts or omissions of E&Y while acting in its capacity as Monitor of the U.S. Applicants, other than gross negligence or wilful misconduct; providing that notwithstanding the discharge of the Monitor as provided for herein (a) the Monitor shall continue to have the benefit of the provisions of all Orders made in the CCAA Proceeding, including all approvals, protections and stays of proceedings in favour of E&Y in its capacity as Monitor of the U.S. Applicants; and (b) the Monitor shall be required to perform its obligations under the Approval and Vesting Order, the Agreement, and the Escrow Agreements (as defined in the Approval and Vesting Order); provided further that nothing herein shall affect, discharge or terminate the appointment of E&Y as Partnership Proceeds Trustee (as defined in the Approval and Vesting Order) or as the escrow agent under the Escrow Agreements (as defined in the Approval and Vesting Order) or E&Y's duties and obligations with respect to the Net Partnership Interests Acquisition Proceeds (as defined in the Approval and Vesting Order) and the distribution thereof to the creditors of the Grant Partnership in accordance with the Approval and Vesting Order.

34. **THIS COURT ORDERS** those persons entitled to the benefit of the Directors' Charge and the Administration Charge continue to have the benefit of such charges, provided, however,

that upon the filing of the Monitor's Certificate, any and all such charges shall attach to the Net Purchased Assets Sale Proceeds (as defined in the Approval and Vesting Order) and the Net Partnership Interests Acquisition Proceeds, and shall be the sole responsibility of the Applicants other than the Grant Partnership, and, for clarity, shall not be obligations of any of the U.S. Applicants or encumber any of their property or assets.

GENERAL

35. **THIS COURT ORDERS** that any of the Applicants, the Added Applicants or the Monitor may from time to time apply to this Court for advice and directions including, in relation to the Monitor, in the discharge of its powers and duties hereunder.

36. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of any of the Added Applicants, the Business or the Added Applicants' Property.

37. **THIS COURT ORDERS** that the Monitor is hereby authorized to apply, after consultation with the Applicants, the Added Applicants and the Agent or in accordance with the Approval and Vesting Order, for recognition of these proceedings as foreign proceedings in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code.*

38. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Added Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants, the Added Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants, the Added Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

39. **THIS COURT ORDERS** that each of the Applicants, the Added Applicants and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal,

regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

40. **THIS COURT ORDERS** that any interested party (including the Applicants, the Added Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than four (4) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

41. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Daylight Time on the date of this Order.

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC., GRANT FOREST PRODUCTS SALES INC. GRANT U.S. HOLDINGS GP, SOUTHEAST PROPERTIES LLC, GRANT CLARENDON LP, GRANT ALLENDALE LP, GRANT US SALES INC., GRANT NEWCO LLC, and GRANT EXCLUDED GP (Applicants) and Toronto-Dominion Bank and Bank of New York (Respondents)

ONTARIO

SUPERIOR COURT OF JUSTICE
PROCEEDING COMMENCED AT TORONTO

SUPPLEMENTAL INITIAL ORDER

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

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

NOTICE OF MOTION

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

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

AFFIDAVIT OF WILLIAM O'CONNOR

(Sworn January 15, 2010)

I, William O'Connor, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

Introduction

1. I am a Vice-President and Director of TD Securities, a division of The Toronto-Dominion Bank ("TD" or the "First Lien Lenders' Agent"). As such, I have personal knowledge of the matters to which I depose in this affidavit. I have read the affidavit of Peter Lynch sworn on June 22, 2009 in these proceedings (the "Lynch 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. TD is the agent for certain lenders defined in the Lynch Affidavit as the First Lien Lenders and who hold first ranking security on the assets of the Applicants (defined in Paragraph

3 below) and the Added Parties (defined in Paragraph 7 below), including the power to appoint a receiver over such assets, under the First Lien Credit Agreement (as defined in the Lynch Affidavit). I make this affidavit in support of a motion by the First Lien Lenders' Agent, as Agent for the First Lien Lenders, for a declaration by the court that the First Lien Lenders' Agent is entitled to exercise certain contractual rights under the Intercreditor Agreement (defined below), including the right to discharge security held by the agent (the "Second Lien Lenders' Agent") for the lenders (the "Second Lien Lenders") under the Second Lien Credit Agreement for the benefit of the Second Lien Lenders and to release the debt owing by the Applicants and the Added Parties and to make the Added Parties as additional Applicants in these proceedings under the *Companies' Creditors Arrangement Act* ("CCAA").

Sale Transaction and Discharge of Security

3. The Initial Order of the court commencing the CCAA proceedings of Grant Forest Products Inc. ("GFPI") and certain affiliates (collectively the "Grant Companies" or the "Applicants") directed the Grant Companies to commence a marketing process in accordance with the protocol attached thereto as Appendix "A" (the "Investment Offering Protocol"). The business of the Grant Companies includes operations in the United States.

4. The Investment Offering Protocol authorizes the Grant Companies, in consultation with the Monitor and the First Lien Lenders' Agent to negotiate an agreement to sponsor a plan of arrangement or to sell their business with the prior approval of the First Lien Lenders' Agent on behalf of the First Lien Lenders.

5. The First Lien Lenders' Agent has been consulted in the marketing process as required by the Investment Offering Protocol and has given its approval for the sale of certain of the assets and operations of the Grant Companies and the Added Parties under a Purchase Agreement between Grant Forest Products Inc., Grant Forest Products Sales Inc., Grant Alberta Inc., Grant U.S. Holdings GP, Southeast Properties LLC, Grant Clarendon LP, Grant Allendale LP, Grant US Sales Inc., Grant Newco LLC, and Grant Excluded GP and Georgia-Pacific LLC, GP International Acquisition III, Ltd. and GP Palmetto Holding LLC ("Georgia Pacific" or the "Purchasers") dated January 8, 2010, a copy of which I am advised by counsel will be attached to the Monitor's 6th Report and with respect to which application for a sealing order has been made.

6. Briefly, the proposed transaction contemplates a sale and transfer of certain of the assets of GFPI, Grant Alberta Inc. and Grant Forest Products Sales Inc. (the "Canadian Grant Entities"), as well as the acquisition of the Applicants' US business operations through the Purchasers' subscription of new partnership interests in Grant U.S. Holdings GP. In order to effect the transactions contemplated by the Purchase Agreement, it is contemplated that (i) the Canadian purchaser will purchase certain of the property and assets of the Canadian Grant Entities, and (ii) the U.S. purchasers will subscribe for new partnership units in Grant U.S. Holdings GP in return for (a) the cancellation of the existing partnership units held by GFPI and Grant Alberta Inc., (b) the release of the debts owing to the First Lien Lenders, including the First Lien Lenders' Agent (the "First Lien Obligations") and the Second Lien Lenders, including any amounts owing to the Second Lien Lenders' Agent (the "Second Lien Obligations") and (c) the release of the security held by the First Lien Lenders' Agent and the Second Lien Lenders' Agent against Grant U.S. Holdings GP, the Added Parties, the equity interests of each of Grant

U.S. Holdings GP and the Added Parties and the respective assets of each of the foregoing. The proceeds of these sale transactions are to be applied on account of the First Lien Obligations and the Second Lien Obligations in accordance with their respective legal entitlements.

The Added Parties

7. Each of Southeast Properties LLC, Grant Clarendon LP, Grant Allendale LP, Grant US Sales Inc. and Grant Newco LLC are guarantors under the First and Second Lien Credit Agreements and Grant Excluded GP is a partnership of Grant Allendale LP and Grant Clarendon LP (Southeast Properties LLC, Grant Clarendon LP, Grant Allendale LP, Grant US Sales Inc., Grant Newco LLC and Grant Excluded GP are, collectively, the "Added Parties")

8. As a consequence of the defaults under the First Lien and Second Lien Credit Agreements and the acceleration of the First Lien obligations, among other things, the Added Parties are each insolvent.

9. I am advised by Hap Stephen, the Chief Restructuring Advisor of the Applicants, that each of the Added Parties has assets in Ontario and is directed and controlled by GFPI whose head office is in Ontario.

Intercreditor Agreement

10. The relationships between the Applicants, the Added Applicants, the First Lien Lenders' Agent, the First Lien Lenders, the Second Lien Lenders' Agent and the Second Lien Lenders are

governed by the Intercreditor Agreement dated March 21, 2007 (as amended, the "Intercreditor Agreement"). The Intercreditor Agreement is attached hereto as Exhibit "A".

11. The Intercreditor Agreement gives the First Lien Lenders' Agent wide discretion to enforce or release their security over the assets of the Grant Companies and the Added Parties. Significantly, the agreement provides that:

(a) until the obligations under the First Lien Credit Agreement are satisfied, the First Lien Lenders' Agent and First Lien Lenders have sole discretion to enforce their rights with respect to the secured collateral without having to seek the consent of the Second Lien Lenders' Agent or the Second Lien Lenders. The First Lien Lenders' Agent is to endeavor to provide the Second Lien Agent with at least five days' notice of any enforcement;

(b) should the First Lien Lenders' Agent elect to release its security over the assets of GFPI or the other Grantors (as defined in the Intercreditor Agreement) under the Intercreditor Agreement, then any charges of the Second Lien Lenders' Agent and Second Lien Lenders on such assets are automatically and unconditionally released; and

(c) the First Lien Lenders' Agent is appointed as attorney-in-fact of the Second Lien Lenders' Agent and the Second Lien Lenders with authority to take actions and execute documents on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders in connection with the release of their security interests.

12. To facilitate the proposed transaction and if authorized by the court, the First Lien Lenders' Agent intends to release the security interests of the First Lien Lenders over or against

the collateral transferred in the proposed transaction including, without limitation, against Grant U.S. Holdings GP, the Added Parties and their respective assets, which will have the effect of releasing the interests of the Second Lien Lenders' Agent and the Second Lien Lenders as described above.

13. This affidavit is sworn in support of the motion of the First Lien Lenders' Agent to enforce rights held on behalf of the First Lien Lenders under the First Lien Credit Agreement and the Intercreditor Agreement and for no improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, this 15th day of January, 2010.	))))	
Commissioner for Taking Affidavits		**William O'Connor**

This is Exhibit "A" referred to in the affidavit of William O'Connor sworn before me, this 15th day of January 2010

A COMMISSIONER FOR TAKING AFFIDAVITS

EXECUTION COPY

INTERCREDITOR AGREEMENT

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

RECITALS

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

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

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

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

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

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

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

AGREEMENT

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

SECTION 1. Definitions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Insolvency or Liquidation Proceeding" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 2. Lien Priorities.

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

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

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

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

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

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

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

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

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

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

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

SECTION 3. Enforcement.

3.1 Exercise of Remedies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) In addition to the foregoing:

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

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

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

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

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

SECTION 4. Payments.

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

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

SECTION 5. Other Agreements.

5.1 Releases.

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

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

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

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

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

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

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

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

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

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

(4) contravene the provisions of this Agreement.

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

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

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

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

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

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

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

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

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

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

(9) contravene the provisions of this Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 6. Insolvency or Liquidation Proceedings.

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

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

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

6.3 Adequate Protection.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 7. Application of Proceeds of Collateral.

7.1 Application of Proceeds.

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

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

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

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

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

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

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

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

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

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

SECTION 8. Reliance; Waivers; Etc.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 9. Miscellaneous.

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

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

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

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

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

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

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

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

(c) to undertake any investigation; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

First Lien Collateral Agent

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

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

Second Lien Collateral Agent

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

By: ____________________
Name:
Title:

IAN MURRAY
AUTHORIZED SIGNATORY

Acknowledged and Agreed to by:

The Company

GRANT FOREST PRODUCTS INC.

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

GRANT U.S. HOLDINGS LLP, by its partners

GRANT FOREST PRODUCTS INC., as partner

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

GRANT ALBERTA INC., as partner

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

OTHER GRANTORS:

GRANT ALBERTA INC.

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

SOUTHEAST PROPERTIES INC.

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

GRANT ALLENDALE INC.

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

GRANT CLARENDON INC.

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

GRANT US SALES INC.

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

GRANT FOREST PRODUCTS SALES INC.

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

Annex I

Notices

First Lien Collateral Agent

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

Second Lien Collateral Agent

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

The Company and the other Grantors

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

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

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 WILLIAM O'CONNOR (SWORN JANUARY 15, 2010)

McCarthy Tétrault LLP
Suite 5300, P.O. Box 48
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Toronto ON M5K 1E6

Kevin P. McElcheran
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Solicitors for the Toronto-Dominion Bank

#916265