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Dear Sirs/Mesdames,

RE: GRANT FOREST PRODUCTS INC. - AINSWORTH LUMBER CO. LTD. and FOOTNER FOREST PRODUCTS LTD.

Please see attached for the purpose of service an Originating Application and Affidavit of Hap Stephen.

Yours truly,

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1103-00359

Form 7

[Rule 3.8]

Clerk's Stamp

JUDICIAL CENTRE EDMONTON FILED JAN 07 2011 Clerk of the Court

COURT FILE NUMBER	
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
APPLICANT(S)	GRANT FOREST PRODUCTS INC.
RESPONDENT(S)	AINSWORTH LUMBER CO. LTD. and FOOTNER FOREST PRODUCTS LTD.
DOCUMENT	**ORIGINATING APPLICATION**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Fraser Milner Casgrain LLP Barristers and Solicitors 2900, 10180 – 101 Street Edmonton, AB T5J 3V5 Attention: Ray Rutman Ph: (780) 423-7246 Fax: (780) 423-7276 File: 225850-149709/RCR

NOTICE TO THE RESPONDENT(S)

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Court.

To do so, you must be in Court when the application is heard as shown below:

Date:	January 20, 2011
Time:	10:00
Where:	Edmonton, Alberta, Law Courts Building
Before:	The Honourable Madam Justice J.E. Topolniski

Go to the end of this document to see what you can do and when you must do it.

Basis for this claim:

1. There is no substantial factual dispute.

2. Grant Forest Products Inc. ("Grant") and related parties commenced proceedings in the Ontario Superior Court of Justice (the "Ontario Court"), Court File No. CV-09-8247-00CL (the "*CCAA* Proceedings") under the *Companies' Creditors Arrangement Act* (Canada) R.S.C. 1985 c C-36 as amended (the "*CCAA*").

3. A portion of the assets under the administration of the Ontario Court in the context of the *CCAA* Proceedings includes real and personal property situate in the province of Alberta (the "Alberta Assets").

4. The Ontario Court, has by an Order dated January 5, 2011 in the *CCAA* Proceedings (the "*CCAA* Order") approved an agreement for the purchase and sale of the Alberta Assets to Footner Forest Products Ltd.

5. The Ontario Court, did in the *CCAA* Order, request the aid and assistance of the Court of Queen's Bench of Alberta for the purpose of assisting Grant, the Court appointed monitor of Grant and their respective agents in carrying out the terms of the *CCAA* Order.

Remedy sought:

6. The Applicant seeks an Order recognizing the *CCAA* Order in the form of the draft Order attached as Schedule "A" or on such further and other terms as this Honourable Court may permit.

Affidavit or other evidence to be used in support of this application:

7. Certified copy of the *CCAA* Order.

8. Affidavit of Hap Stephen sworn January 5, 2011.

9. Such further and other material as counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

10. *CCAA* and such further and other authority, Acts, regulations and rules as counsel may advise and this Honourable Court may permit.

WARNING

You are named as a respondent because you have made or are expected to make an adverse claim in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the applicant(s) is/are entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form. If you intend to rely on an affidavit or other evidence when the originating application is heard or considered, you must reply by giving reasonable notice of that material to the applicant(s).

2995200_2

SCHEDULE "A"

Clerk's Stamp

COURT FILE NUMBER	
COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	EDMONTON
APPLICANT(S)	GRANT FOREST PRODUCTS INC.
RESPONDENT(S)	AINSWORTH LUMBER CO. LTD. and FOOTNER FOREST PRODUCTS LTD.
DOCUMENT	**ORDER**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	RAY RUTMAN Fraser Milner Casgrain LLP 2900 Manulife Place 10180 – 101 Street Edmonton, Alberta T5J 3V5 Ph. (780) 423-7246. (780) 423-7276 File No.: 225850-149709/RCR

DATE ON WHICH ORDER WAS PRONOUNCED: ______________________

LOCATION WHERE ORDER WAS PRONOUNCED: Courthouse, Edmonton, Alberta

NAME OF JUDGE WHO MADE THIS ORDER: ______________

Upon the application of counsel on behalf of Grant Forest Products Inc. ("Grant"); and upon having read the Affidavit of Hap Stephen sworn January 5, 2011; and upon noting that the January 5, 2011 Affidavit of Hap Stephen does have attached to it as Exhibit "E" a copy of the Sixteenth Report of the Monitor of Grant (the "Monitor") appointed in Ontario Superior Court of Justice, Commercial List, Court File, CV-09-8247-00CL (the *"CCAA Proceedings"*); and upon having read a certified copy of an Order of the Ontario Superior Court Justice Campbell in the *CCAA* Proceedings (the "*CCAA* Order"); and upon noting that the *CCAA* Order seeks the aid and recognition of the Court of Queen's Bench of Alberta for the purpose, without limitation, of giving effect to the *CCAA* Order and to assist Grant, the Monitor, Ainsworth Lumber Co. Ltd., Footner Forest Produts Ltd. and their respective agents in carrying out the terms of the *CCAA* Order; and upon it appearing that Grant has entered into a purchase and sale agreement which contemplates the purchase and sale of interests in certain assets located in the Province of Alberta (the "Purchase and Sale Agreement"); and upon it appearing that the *CCAA* Order provides for the approval of the Purchase and Sale Agreement; and in accordance with the *Companies' Creditors Arrangement Act* (Canada);

IT IS HEREBY ORDERED THAT:

1. Service of notice of this application is deemed good and sufficient on all interested parties and the time for service is abridged to the time actually given.

2. This Court does recognize the *CCAA* Order has full force and effect throughout the Province of Alberta.

3. Service of this Order upon all interested parties shall be deemed good and sufficient if a copy of this Order is forwarded by facsimile or e-mail transmission to the service list in the *CCAA* Proceedings and to Ainsworth Lumber Co. Ltd. care of its solicitors Duncan & Craig LLP, 2800 Scotia Place, 10060 Jasper Avenue, Edmonton, Alberta, T5J 3V9 Attention: Robert Dunseith at e-mail address rdunseith@dcllp.com

____

J.C.Q.B.A.

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1103-00359

Clerk's Stamp:

FILED JAN 07 2011 JUDICIAL CENTRE OF EDMONTON Clerk of the Court

COURT FILE NUMBER	
COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	EDMONTON
APPLICANT(S)	GRANT FOREST PRODUCTS INC.
RESPONDENT(S)	AINSWORTH LUMBER CO. LTD. and FOOTNER FOREST PRODUCTS LTD.
DOCUMENT	**AFFIDAVIT**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	RAY RUTMAN Fraser Milner Casgrain LLP 2900 Manulife Place 10180 – 101 Street Edmonton, Alberta T5J 3V5 Ph. (780) 423-7246. (780) 423-7276 File No.: 225850-149709/RCR

AFFIDAVIT OF HAP STEPHEN

Sworn on January 5, 2011

I, Hap Stephen, of Mississauga, Ontario, MAKE OATH AND SAY THAT:

Overview

1. I am the Chairman and CEO of Stonecrest Capital Inc. ("**SCI**"), which has been appointed by the Ontario Superior Court of Justice (the "**Ontario Court**"), pursuant to the order of the Honourable Mr. Justice Campbell made on June 30, 2010 (the "**June 30 Order**"), as Chief Restructuring Organization ("**CRO**") of Grant Forest Products Inc. ("**GFPI**"), Grant Forest Products Sales Inc. and Grant Alberta Inc. (collectively, the "**Remaining Applicants**") in Court File No. CV-09-8247-00CL (the "**CCAA Proceedings**"). Attached as Exhibit "**A**" to my affidavit is a copy of the June 30 Order.

2. Prior to its appointment as CRO, SCI had been engaged as Chief Restructuring Advisor by GFPI and such appointment had been approved by the Order of the Honourable Mr. Justice Newbould made on June 25, 2009 (the "**Initial Order**"). Attached as Exhibit "**B**" to my affidavit is a copy of the Initial Order.

3. As such, I have personal knowledge of the matters to which I hereinafter depose.

4. I swear this Affidavit in support of an application by GFPI seeking a declaration that the Order of the Ontario Court made on January 5, 2011 in the CCAA Proceedings (the "**Footner Approval and Vesting Order**") has full force and effect throughout the Province of Alberta (the "**Recognition Application**"). Attached as Exhibit "**C**" to my affidavit is a copy of the Footner Approval and Vesting Order.

Background

5. On June 25, 2009, the Remaining Applicants and Grant U.S. Holdings GP (collectively, the "**Original Applicants**") obtained the Initial Order pursuant to the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended.

6. GFPI (with its subsidiaries) was a leading Canadian manufacturer of oriented strand board ("**OSB**"). The Original Applicants and their subsidiaries manufactured OSB in panels of varying lengths and thickness, as well as specialty products such as web stock, rim board and oversized panels. At the commencement of the CCAA Proceedings, GFPI and its subsidiaries had interests in three OSB mills in Canada and two OSB mills in the United States. Only one OSB mill in Canada and one OSB mill in the United States were operating at the commencement of the CCAA Proceedings.

7. The core operational assets of GFPI and related companies were the subject matter of a transaction, previously approved by the Ontario Court in May of 2010. That transaction, however, did not include the interests of GFPI in a non-operating OSB mill located outside High Level, Alberta (the "**Footner Mill**").

The Footner Approval and Vesting Order

8. The Footner Approval and Vesting Order, approved a transaction (the "**Transaction**") involving the sale of GFPI's interest in the shares (the "**Shares**") of Footner Forest Products Ltd. ("**Footner**") and the assets (the "**Purchased Assets**") comprising GFPI's 50% beneficial interest in the Footner Mill pursuant to an agreement of purchase and sale (the "**Footner Agreement of Purchase and Sale**") among GFPI, Footner and Ainsworth Lumber Co. Ltd. ("**Ainsworth**") dated December 20, 2010.

9. In support of the motion by GFPI requesting, among other things, the Footner Approval and Vesting Order, I swore an affidavit dated December 20, 2010 (the "**December Affidavit**"). A copy of the December Affidavit, without exhibits, is attached as Exhibit "**D**" to my affidavit.

10. As well, Ernst & Young Inc., in its capacity as court-appointed monitor of the Remaining Applicants, filed its Sixteenth Report dated December 21, 2010 (the "**Sixteenth Report**") with the Ontario Court in support of GFPI's motion requesting, among other things, the Footner Approval and Vesting Order. A copy of the Sixteenth Report, with appendices, is attached as Exhibit "**E**" to my affidavit.

11. Section 6.02 of the Footner Agreement of Purchase and Sale (a copy of which is attached as Appendix "A" to the Sixteenth Report) requires that GFPI, following the issuance by the Ontario Court of the Footner Approval and Vesting Order, apply to the Alberta Court of Queen's Bench for an order recognizing and giving full force and effect to the Footner Approval and Vesting Order on closing of the Transaction. It is in accordance with this obligation under the Footner

Agreement of Purchase and Sale that GFPI requests the relief set forth in the Recognition Application.

12. In accordance with paragraph 10 of the Footner Approval and Vesting Order, the Ontario Court also requested the aid and assistance of the Alberta Court of Queen's Bench.

13. I make this Affidavit in support of the Recognition Application and for no other or improper purpose.

SWORN BEFORE ME at Toronto, Ontario, this 5th day of January, 2011	))))	
Notary Public in and for the Province of Ontario		HAP STEPHEN
Jane Olive Dietrich NAME AND EXPIRY		Print Name

This is Exhibit "**A**" referred to in the Affidavit of HAP STEPHEN sworn before me on January 5, 2011.

Notary Public in and for the Province of Ontario

Jane Olive Dietrich

PRINT NAME AND EXPIRY/LAWYER /STUDENT-AT-LAW

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	WEDNESDAY, THE 30th DAY OF
	)	
JUSTICE CAMPBELL	)	JUNE, 2010

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

Applicants

-and-

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

Respondents

ORDER
(CRO Appointment)

THIS MOTION, made by Grant Forest Products Inc. ("**GFPI**"), Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "**Remaining Applicants**"), for *inter alia* an order in the form attached as schedule "A" to the notice of motion of the Remaining Applicants dated June 22, 2010 (the "**Notice of Motion**") *inter alia*: (i) abridging and validating the timing and method of service of this Motion Record so that the Motion is properly returnable; (ii) approving the fifteenth report (the "**Fifteenth Report**") of Ernst & Young Inc. in its capacity as court appointed monitor of the

Remaining Applicants (the "**Monitor**") and the activities of the Monitor as set out therein; (iii) extending, until February 28, 2011, the Stay Period, as defined by the Order of the Honourable Mr. Justice Newbould made in these proceedings on June 25, 2009 (the "**Initial Order**") and as previously extended until June 30, 2010; (iv) declaring, to the extent necessary, that all directors and officers of the Remaining Applicants cease to be directors and officers of the Remaining Applicants as of 11:59 pm on June 30, 2010; and (v) approving the engagement by the Remaining Applicants of Stonecrest Capital Inc. ("**SCI**") as Chief Restructuring Organization ("**CRO**") on the terms of the engagement letter as appended to the Fifteenth Report (the "**Engagement Letter**") and the draft CRO Order, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Hap Stephen sworn June 21, 2010, the Fifteenth Report and the appendices thereto, and on hearing the submissions of counsel for the Remaining Applicants, the Monitor, First Lien Lenders' Agents, the independent directors of Grant Forest Products Inc., Cyrus Capital Partners, L.P. et al., Georgia-Pacific LLC and no one else appearing although duly served as appears from the affidavit of service of Laura Bowles-Dove sworn June 22, 2010;

Service

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the Remaining Applicants' motion record is hereby abridged so that this motion is properly returnable today.

Approval of Monitor's Activities

2. **THIS COURT ORDERS** that the Fifteenth Report and the activities of the Monitor as set out therein, be and are hereby approved.

Extension of Stay of Proceedings

3. **THIS COURT ORDERS** that with respect to the Remaining Applicants, the Stay Period as defined by the Order of the Initial Order, be and is hereby extended to February 28, 2011.

Deemed Termination

4. **THIS COURT ORDERS** and declares, to the extent necessary, that all persons who are directors and officers of the Remaining Applicants shall and hereby do cease to be directors and officers of the Remaining Applicants and such persons' appointment or employment in such capacities be and is hereby terminated as of 11:59 pm on June 30, 2010.

5. **THIS COURT ORDERS** and declares that the employment of all employees of the Remaining Applicants, other than Peter Lynch, Andrew Mullins and those employees retained under Part 3 of the Employee Retention Plan (as defined by the Order of the Honourable Justice Campbell dated March 30, 2010) be and is hereby terminated.

Appointment of CRO

6. **THIS COURT ORDERS** that the Remaining Applicants be and hereby authorized and directed to enter into the Engagement Letter with SCI.

7. **THIS COURT ORDERS** that the Engagement Letter be and is hereby approved and given full force and effect, that the engagement of SCI as CRO, with services to be provided by Hap Stephen and Sandra Rosch, be and is hereby approved in accordance with the terms of the Engagement Letter, and that the Remaining Applicants are authorized and directed to take such steps as necessary to give effect to and to comply with the Engagement Letter.

8. **THIS COURT ORDERS** that the CRO shall have and may exercise and perform the powers, responsibilities and duties as described in the Engagement Letter, together with such other powers, responsibilities and duties as may be agreed upon by the CRO and approved by the Monitor or this Court (collectively the "**CRO Powers**"), including, without limitation, the power to:

(a) take such actions and steps, and execute such documents and writings as required to cause or permit the Remaining Applicants to do all things authorized, directed and permitted pursuant to the terms of the Initial Order and any subsequent Orders of this Court, subject to the terms of those Orders;

(b) realize and dispose of the Property of the Remaining Applicants (as Property is defined by the Initial Order) on behalf of the Remaining Applicants, including, without limitation, to negotiate and enter into agreements on behalf of the Remaining Applicants with respect to the sale or other disposition of all or any part of the Property;

(c) execute such documents as may be necessary, for and on behalf of the Remaining Applicants, to convey title to any of the Property;

(d) apply for and obtain any vesting or other orders which may be necessary or appropriate, in the opinion of the CRO, in order to convey any Property to a purchaser or purchasers thereof, or to comply with any agreement entered into by the Remaining Applicants in relation to the conveyance of any such Property;

(e) take such steps as in the opinion of the CRO are necessary or appropriate to maintain control over all receipts and disbursements of the Remaining Applicants including, without limiting the generality of the foregoing, take such steps as a necessary or desirable to control and use all bank accounts of the Remaining Applicants;

(f) Hap Stephen and/or Sandra Rosch or such other persons as they designate in writing (each, a CRO signing officer) shall become signing officers of all bank accounts of the Remaining Applicants and the Remaining Applicants' banks are hereby directed, when notified in writing by the CRO, to revoke any existing signing authorities and act on the instructions only of such CRO signing officers;

(g) retain and terminate the employment or services contracts of employees, agents or consultants including, without limitation Peter Lynch, and otherwise deal with human resources and other organization issues on behalf of the Remaining Applicants or any of them;

(h) represent the Remaining Applicants in any negotiations with any other party;

(i) communicate with and provide information to the Monitor, the First Lien Lenders' Agent and the Second Lien Lenders' Agent (and their advisors) regarding the business and affairs of the Remaining Applicants; and

(j) take all such steps and actions, enter into and execute all such agreements and documents and incur such expenses and obligations necessary or incidental to the exercise of the CRO Powers on behalf of any of the Remaining Applicants, as are reasonably required to carry out the provisions of this Order, including in the name of and on behalf of the Remaining Applicants, as applicable,

provided that in each case such actions, agreements, expenses and obligations, shall be construed to be those of the Remaining Applicants and not of the CRO, Hap Stephen or Sandra Rosch personally.

9. **THIS COURT ORDERS** that the CRO shall be entitled to all of the benefits and protections afforded to the CRA in the Initial Order including, without limitation, those provided in paragraphs 38, 39, 41 and 48 thereof.

10. **THIS COURT ORDERS** that none of the CRO, Hap Stephen, Sandra Rosch or any of the employees of or consultants to the Remaining Applicants shall be deemed to be a director of any of the Remaining Applicants pursuant to section 115(4) of the Business Corporations Act (Ontario) or otherwise.

11. **THIS COURT ORDERS** that the CRO may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

Miscellaneous

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

be necessary or desirable to give effect to this Order or to assist the Monitor and its agents in carrying out the terms of this Order.

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

JUN 3 0 2010

PER / PAR: JSN

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

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

-and-

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

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT TORONTO

ORDER
(June 30, 2010)

FRASER MILNER CASGRAIN LLP
1 First Canadian Place
100 King Street West,
Toronto, Ontario M5X 1B2

Lawyer: Daniel R. Dowdall / Jane O. Dietrich
LSUC: 16737D / 49302U
Email: daniel.dowdall@fmc-law.com / jane.dietrich@fmcolaw.com /

Telephone: 416 863-4700 / 416 863-4467

Facsimile: 416-863-4592

Lawyers for Grant Forest Products Inc., Grant Forest Products Sales Inc., and Grant Alberta Inc.

8474169_7.DOC

This is Exhibit "**B**" referred to in the Affidavit of HAP STEPHEN sworn before me on January 5, 2011.

Notary Public in and for the Province of Ontario

Jane Olive Dietrich

PRINT NAME AND EXPIRY/LAWYER /STUDENT-AT-LAW

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	**THURSDAY, THE 25TH**
	)	
JUSTICE NEWBOULD	)	**DAY OF JUNE, 2009**

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

INITIAL ORDER

THIS APPLICATION, made by Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc. and Grant U.S. Holdings GP (collectively, the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Peter Lynch sworn June 22, 2009 and the exhibits thereto (the "**Lynch Affidavit**"), the supplement affidavit of Peter Lynch sworn June 25, 2009 and the exhibits thereto (the "**Supplemental Lynch Affidavit**"), the report to Court of Ernst & Young Inc. ("**E&Y**") as proposed monitor and on hearing the submissions of counsel for the Applicants, The Toronto-Dominion Bank (the "**Agent**"), as agent for the first lien lenders (the "**First Lien Lenders**"), the independent directors of Grant Forest Products Inc.("**GFPI**"), E&Y, Peter Grant Sr., Peter Grant Jr., GE Canada Leasing Services Company, no one else appearing although duly served as appears from the affidavit of service of Jarvis Hetu sworn June 23, 2009,

SERVICE

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

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the 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, or any of the 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

4. **THIS COURT ORDERS** that the 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 "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their businesses (the "**Business**") and Property. The 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 Applicants to hire new employees in the ordinary course of business).

5. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee benefits and pension contributions, vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, which, for greater certainty, shall not include any payments in respect of employee termination or severance; and

(b) the fees and disbursements of any Assistants retained or employed by any of the Applicants as permitted herein in respect of these proceedings or the Applicants' proposed restructuring at their standard rates and charges.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein and provided that the Applicants provide the Monitor with a list of their intended disbursements before making such disbursements, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course on or after this Order (or, in the case of the following subparagraph (c), prior to the date of this Order), and in carrying out the provisions of this Order including:

(a) subject to paragraph 10 below, all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including payments on account of insurance (including directors' and officers' insurance), maintenance and security services;

(b) expenses for goods or services actually supplied to any of the Applicants on or following the date of this Order; and

(c) expenses for goods or services actually supplied to any of the Applicants prior to the date of this Order provided:

(i) such payments are critical to any Applicant's Business and are made with the prior written consent of the Monitor; or

(ii) such payments are owing to a person or persons for the supply of logs or timber to GFPI.

7. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by any of the Applicants in connection with the sale of goods and services by any of the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or 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 in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by any of the Applicants.

8. **THIS COURT ORDERS** that the Applicants, or any of them, may, with the prior written consent of the Monitor, lend funds to Grant Allendale LP, Grant Clarendon LP and Grant US Sales Inc. (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 Grant Allendale LP, Grant Clarendon LP and Grant US Sales Inc. (or any of them).

9. **THIS COURT ORDERS** that until such time as any of the Applicants repudiate a real property lease in accordance with paragraph 12(c) of this Order, the Applicants shall pay when

due all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under any lease) or as otherwise may be negotiated by the Applicants from time to time ("**Rent**"), for the period commencing from and including the date of this Order, monthly in advance (but not in arrears).

10. **THIS COURT ORDERS** that, except as specifically permitted herein or included in the Cash Flow Projection (as defined by the Lynch Affidavit) as amended or prepared for later periods from time to time with the Agent's approval (the "**Cash Flow Projections**"), the Applicants and their subsidiaries 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 Applicants and their subsidiaries;

(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 Applicants and their subsidiaries as permitted herein;

(c) entering into any transactions outside the ordinary course of its business;

(d) making expenditures or commitments of the Applicants on account of any capital or fixed asset account of the Applicants in the aggregate in excess of 110% of the capital expenditure amount indentified in the Cash Flow Projections, except that the Applicants may make capital expenditures or commitments for excess amounts with the Monitor's approval, to the extent required to carry on the existing oriented strand board Business;

(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 Applicants and their subsidiaries from reimbursing their employees and officers for reasonable expenses incurred by them in the ordinary course of business;

(h) 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;

(i) making any cash payment (interest or otherwise) to any creditor including: (i) under the existing aircraft leases with GE Capital Equipment Financing; or (ii) under the First Lien Credit Agreement or the Second Lien Credit Agreement (as defined by the Lynch Affidavit);

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

(k) opening or maintaining deposit accounts other than the 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) making any payment of any amount owing pursuant to the tax refund purchase and sale agreement dated as of March 31, 2008 with respect to the sale by GFPI of certain of its tax refunds;

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

(o) 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.

11. **THIS COURT ORDERS** that, notwithstanding anything contained in this Order, the Applicants shall in all respects comply with their obligations under the First Lien Credit Agreement made as of October 26, 2005 among the Agent, the First Lien Lenders, GFPI and others in respect of reporting and the provision of information. The Applicants shall cooperate fully with PricewaterhouseCoopers Inc. ("**PWC**"), the financial advisor to the First Lien Lenders, in providing such information.

RESTRUCTURING

12. **THIS COURT ORDERS** that each of the Applicants shall have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations and to dispose of redundant or non-material assets not exceeding $500,000 in any one transaction or $2 million in the aggregate, subject to the prior written consent of the Monitor and subject to subparagraph (c) of this section, if applicable;

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate on such terms as may be agreed upon between the Applicant and such employee or, failing such agreement, to deal with the consequences thereof in the Plan or otherwise;

(c) in accordance with paragraphs 13 and 14, vacate, abandon or quit any leased premises and/or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than seven (7) days' notice in writing to the relevant landlord on such terms as may be agreed upon between the Applicant and such landlord or, failing such agreement, to deal with the consequences thereof in the Plan or otherwise;

(d) repudiate such of its arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicant deems appropriate on such terms as may be agreed upon between the Applicant and such counter-parties or, failing such agreement, to deal with the consequences thereof in the Plan or otherwise; and

(e) in accordance with the Marketing Process (as hereinafter defined), pursue all avenues of refinancing and recapitalization and pursue all purchase offers for material parts of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or recapitalization or any sale (except as permitted by subparagraph (a) of this section),

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

13. **THIS COURT ORDERS** that an Applicant shall provide the relevant landlord with notice of the applicable Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the relevant landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the applicable Applicant, or by further Order of this Court upon application by an Applicant on at least two (2) days' notice to such landlord and any such secured creditors. If an Applicant repudiates the lease governing such leased premises in accordance with paragraph 12(c) of this Order, it shall not be required to

pay Rent under such lease pending resolution of any such dispute, and the repudiation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

14. **THIS COURT ORDERS** that if a lease is repudiated by an Applicant in accordance with paragraph 12(c) of this Order, then: (a) during the notice period prior to the effective time of the repudiation, the relevant landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice; and (b) at the effective time of the repudiation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the applicable Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicants of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

15. **THIS COURT ORDERS** that, subject to the other provisions of this Order (including the payment of Rent as herein provided) and any further Order of this Court, the Applicants shall be permitted to dispose of any or all of the Property located (or formerly located) at such leased premises without any interference of any kind from landlords (notwithstanding the terms of any leases) and, for greater certainty, the Applicants shall have the right to realize upon the Property and other assets in such manner and at such locations, including leased premises, as it deems suitable or desirable for the purpose of maximizing the proceeds and recovery therefrom.

MARKETING OF INVESTMENT OPPORTUNITY

16. **THIS COURT ORDERS AND DIRECTS** the Applicants to immediately commence a marketing process (the "**Marketing Process**") in accordance with the protocol attached hereto as Appendix "A" to this Order (the "**Investment Offering Protocol**") for the purpose of offering the opportunity for potential investors to purchase the business and operations of the Applicants and their subsidiaries as a going concern or to sponsor a plan of arrangement of the Applicants or any of them.

17. **THIS COURT ORDERS** that the Investment Offering Protocol is hereby approved and the Applicants and the Monitor are hereby authorized and directed to perform each of their obligations thereunder.

18. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to engage an investment offering advisor (the "**Investment Offering Advisor**") in accordance with an Investment Offering Advisor engagement letter (the "**Investment Offering Advisor Engagement Letter**"), after it is approved by the Monitor and the Agent, to act as Investment Offering Advisor in connection with the conduct of the Marketing Process. The Investment Offering Advisor Engagement Letter shall not be affected by the Plan.

19. **THIS COURT ORDERS** that the Investment Offering Advisor shall be entitled to the benefit of and is hereby granted a charge (the "**Investment Offering Advisor Charge**") in the maximum amount of $200,000 of all Property of the Applicants to secure its fees and recoverable disbursements incurred in performing its obligations under the Investment Offering Advisor Engagement Letter but not including any indemnity or any fees or expenses incurred by the Investment Offering Advisor in connection with any right of indemnity included in the Investment Offering Advisor Engagement Letter. The Investment Offering Advisor Charge shall rank *pari passu* with the Administration Charge (as hereinafter defined) and the Applicants are directed to pay to the Investment Offering Advisor the fees and expenses payable under the Investment Offering Advisor Engagement Letter promptly when due.

20. **THIS COURT ORDERS** that the Investment Offering Advisor, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by the Applicants as Investment Offering Advisor or any matter referred to in the Investment Offering Advisor Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Investment Offering Advisor in performing its obligations under the Investment Offering Advisor Engagement Letter.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

21. **THIS COURT ORDERS** that until and including July 24, 2009 or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") (including the application for a bankruptcy order brought by GE Canada Leasing Services Company) shall be commenced or continued against or in respect of any of the Applicants or the Monitor, or affecting any Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Applicants or affecting any Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

22. **THIS COURT ORDERS** that during the 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 any of the Applicants or the Monitor, or affecting the Business or the Property (including any right to submit a shotgun buy or sell offer with respect to GFPI's shares of Footner Forest Products Ltd. or GFPI's interest in the OSB facility at High Level, Alberta or related assets), are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall: (a) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on; (b) exempt the Applicants from compliance with statutory or regulatory provisions relating to health, safety or the environment; (c) prevent the filing of any registration to preserve or perfect a security interest; (d) prevent the registration of a claim for lien under the *Construction Lien Act* or the *Forestry Workers Lien for Wages Act* or any other applicable statute; or (e) prevent GE Canada Leasing Services Company from selling the 1992 Dassault Falcon 50 aircraft or the 1994 Dassault Falcon 900B aircraft and related engines and parts pursuant to its lease thereof to GFPI.

NO INTERFERENCE WITH RIGHTS

23. **THIS COURT ORDERS** that, during the 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 any of the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

24. **THIS COURT ORDERS** that, during the Stay Period, all Persons having oral or written agreements with any of the Applicants or statutory or regulatory mandates for the supply of goods and/or services including, without limitation, all resin supply, timber, log and wood supply, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility services or other services to the Business or any of the 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 any of the Applicants, and that each of the Applicants shall be entitled to the continued use of its 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 Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider, the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

25. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, no creditor of any of the Applicants shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to any of the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

26. **THIS COURT ORDERS** that, during the Stay Period and except as permitted by subsection 11.5(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 Applicants with respect to any claim against the directors or officers that arose before or arises after the date hereof and that relates to any obligations of any of the 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 Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

27. **THIS COURT ORDERS** that each of the Applicants shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of any of the Applicants, after the date hereof, to make payments due and payable after the date of this Order of the nature referred to in subparagraphs 5(a), 7(a), 7(b), and 7(c) 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 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.

28. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on all Property, which charge shall not exceed the aggregate amount of $3,000,000, as security for the indemnity provided in paragraph 27 of this Order. The Directors' Charge shall have the priority set out in paragraph 44 of this Order.

29. **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 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 27 of this Order or the insurer fails to fund defence costs on a timely basis (provided the insurance beneficiaries assign to the applicable Applicant the insurance beneficiaries' rights under the applicable insurance policy to receive such defence costs paid pursuant to the Directors' Charge).

APPOINTMENT OF MONITOR

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

31. **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 Applicants' receipts and disbursements;

(b) perform its obligations under the Investment Offering Protocol;

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

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

(e) advise the 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;

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

(g) report and advise the Applicants, the Court and the Agent in relation to any offers to purchase or refinance the Business received in accordance with the Marketing Process;

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

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

(j) 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;

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

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

32. **THIS COURT ORDERS** that the Monitor shall not take possession of the 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 or Property, or any part thereof.

33. **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 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 respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario*

Water Resources Act, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (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 Property within the meaning of any Environmental Legislation, unless it is actually in possession.

34. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of any of the Applicants with information provided by the 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 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 Applicants may agree.

APPOINTMENT OF CHIEF RESTRUCTURING ADVISOR

35. **THIS COURT ORDERS** that GFPI be and is hereby authorized and directed to continue the engagement of Stonecrest Capital Inc. ("**Stonecrest**") as Chief Restructuring Advisor (the "**CRA**") with services to be provided by Hap Stephen ("**Stephen**") and Sandra Rosch ("**Rosch**") on the terms and conditions set out in the amended engagement letter between GFPI and Stonecrest as referred to in the Supplemental Lynch Affidavit (the "**CRA Engagement Letter**").

36. **THIS COURT ORDERS** that the CRA Engagement Letter is hereby approved and given full force and effect in accordance with its provisions and that the claims, if any, of Stonecrest, Stephen or Rosch pursuant to the CRA Engagement Letter shall not be affected by the Plan.

37. **THIS COURT ORDERS** that the CRA shall have and may exercise and perform the powers, responsibilities and duties described in the CRA Engagement Letter, together with such other powers, responsibilities and duties as may be agreed upon by the CRA and GFPI and approved by the Monitor or this Honourable Court.

PROVISIONS RELATED TO THE MONITOR, THE CRA AND OTHERS

38. **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, the CRA, Stephen and Rosch shall incur no liability or obligation as a result of their appointments or the carrying out of the provisions of this Order (or, in the case of the CRA, Stephen and Rosch, the provisions of the CRA Engagement Letter), except for any gross negligence or wilful misconduct on their respective parts. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

39. **THIS COURT ORDERS** that the Monitor, PWC, counsel to the Monitor, counsel to GFPI's board of directors and counsel to the Applicants 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, and that the CRA shall be paid by the Applicants its fees and disbursements as set out in the CRA Engagement Letter, as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, PWC, counsel to GFPI's board of directors, counsel for the Monitor, the CRA and counsel for the Applicants on a weekly basis and to pay the CRA's monthly work fee monthly in advance in accordance with the CRA Engagement Letter. Additionally, the Applicants shall pay the fees and disbursements of the Canadian and U.S. counsel to the Agent (each, "**First Lien Lenders' Agent's Counsel**") promptly on receipt of copies of their invoices.

40. **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 its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

41. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to GFPI's board of directors, the CRA, the Applicants' counsel and the First Lien Lenders' Agent's Counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on all Property, which charge shall not exceed the aggregate amount of $2,000,000, as security for all amounts owing to the Monitor, counsel to the Monitor, counsel to GFPI's board of directors, the CRA, the Applicants' counsel and the First Lien Lenders' Agent's Counsel as

set out in paragraph 39 hereof, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 44 hereof.

KERP PAYMENT

42. **THIS COURT ORDERS** that the key employee retention plan agreement dated December 19, 2008 between Peter Lynch ("**Lynch**") and GFPI, as amended by an amendment agreement dated as of April 1, 2009, as described in the Lynch Affidavit (the "**KERP Agreement**") be and is hereby approved and given full force and effect in accordance with its terms and the Applicants are hereby directed to make when due the payments provided for thereunder.

43. **THIS COURT ORDERS** that Lynch shall be entitled to the benefit of and is hereby granted a charge (the "**KERP Charge**") on all Property, which charge shall not exceed the amount of $1,134,000, as security for all amounts now or hereafter owing to Lynch pursuant to the KERP Agreement, both before and after the making of this Order. The KERP Charge shall have the priority set out in paragraph 44 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

44. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Investment Offering Advisor Charge, the KERP Charge and the Directors' Charge, as among them, shall be as follows:

(a) Firstly – Administration Charge (to the maximum amount of $2,000,000) and the Investment Offering Advisor Charge (to the maximum amount of an additional $200,000) on a pari passu basis; and

(b) Secondly – KERP Charge (to the maximum amount of $1,134,000) and Directors' Charge (to the maximum amount of $3,000,000) on a pari passu basis.

45. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge, the Investment Offering Advisor Charge, the KERP Charge and the Directors' Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered,

recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

46. **THIS COURT ORDERS** that each of the Charges shall constitute charges of all Property and the Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

47. **THIS COURT ORDERS** that, except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with any of the Charges without the written consent of the Monitor, and the beneficiaries of the Administration Charge, the Investment Offering Advisor Charge, the KERP Charge and the Directors' Charge, or further Order of this Court.

48. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any applications for bankruptcy orders issued pursuant to BIA or any bankruptcy order made pursuant to such applications in respect of any of the Applicants; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA by any of the Applicants; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds any of the Applicants and, notwithstanding any provision to the contrary in any Agreement:

(i) the creation of the Charges shall not create or be deemed to constitute a breach by any of the Applicants of any Agreement to which it is a party;

(ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from, the creation of the Charges; and

(iii) the payments made by any of the Applicants pursuant to this Order and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

SERVICE AND NOTICE

49. **THIS COURT ORDERS** that the Applicants shall, within ten (10) business days of the date of entry of this Order, send a copy of this Order to their known creditors, other than employees and creditors to the Applicants owed less than $1,000.00, at their addresses as they appear on the Applicants' records, and shall promptly send a copy of this Order: (a) to all parties filing a Notice of Appearance in respect of this Application; and (b) to any other interested Person requesting a copy of this Order, and the Monitor is relieved of its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

50. **THIS COURT ORDERS** that the 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 Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants 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.

51. **THIS COURT ORDERS** that the 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.

GENERAL

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

53. **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 Applicants, the Business or the Property.

54. **THIS COURT ORDERS** that the Monitor is hereby authorized to apply, after consultation with the Applicants, the Agent and BNY, for recognition of these proceedings as "Foreign Main Proceedings" in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code*.

55. **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 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 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 and the Monitor and their respective agents in carrying out the terms of this Order.

56. **THIS COURT ORDERS** that each of the 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.

57. **THIS COURT ORDERS** that any interested party (including the 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.

58. **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.

59. **THIS COURT ORDERS** that the unredacted copy of the CRA Engagement Letter be and is hereby sealed and treated as confidential pending completion of the marketing process contemplated by the Investment Offering Protocol or further Order of this Court.

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

JUN 2 5 2009

PER / PAR: JSN

Joanne Nicoara
Registrar, Superior Court of Justice

APPENDIX "A"

GRANT FOREST PRODUCTS INC.

INVESTMENT OFFERING PROTOCOL

Recitals

1. Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc. and Grant U.S. Holdings GP (collectively, the "**Grant Companies**") filed for protection with the Ontario Superior Court of Justice (the "**Court**") pursuant to the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**").

2. Pursuant to the CCAA proceedings, Ernst & Young Inc. (the "**Monitor**") has been appointed as the monitor of the Grant Companies.

3. The Grant Companies carry on business in North America as manufacturers and distributors of oriented strand board and other similar and related products (the "**Business**").

4. The Grant Companies wish to engage **[<>]** as their investment offering advisor (the "**Investment Offering Advisor**") to assist them in identifying prospective parties and negotiating the terms of a refinancing or recapitalization of the Grant Companies and their subsidiaries or a sale of the Business, in whole or in part, in consultation with the Monitor, an agent (the "**First Lien Agent**") for the first lien secured lenders (the "**First Lien Lenders**") and the agent (the "**Second Lien Agent**") for the second lien secured lenders (the "**Second Lien Lenders**").

5. The marketing process set out herein (the "**Marketing Process**") is intended to focus the efforts of the Grant Companies and the Investment Offering Advisor (with the assistance of the Monitor and in consultation with the First Lien Agent and the Second Lien Agent) on the maximization of value for the First Lien Lenders , the Second Lien Lenders, the Grant Companies' other creditors and other stakeholders (collectively, the "**Stakeholders**") either through a refinancing or recapitalization or a sale of the Business.

Leading the Marketing Process

6. In order to ensure that the Marketing Process successfully identifies the best possible buyer or investor, among other things:

(a) the Grant Companies and the Investment Offering Advisor shall lead the marketing efforts in consultation with the Monitor, the First Lien Agent and the Second Lien Agent; and

(b) the Grant Companies shall devote all time and attention necessary to pursue the Marketing Process in a timely manner.

Objectives

7. The Marketing Process will be implemented to achieve the following objectives:

(a) value maximization for the Stakeholders of the Grant Companies;

(b) continuity of the Business; and

(c) timely implementation.

8. In order to achieve these objectives:

(a) interested parties shall be encouraged to consider:

(i) the opportunity of sponsoring a refinancing or a recapitalization of the Grant Companies and their subsidiaries through a plan of arrangement; or

(ii) the purchase of the Business in whole or in part; and

(b) interested parties shall be required to participate in the Marketing Process and to respect the timetable set out herein.

Supervision and Reporting

9. The Marketing Process shall be approved by the Court and subject to the Court's overriding supervision. The Monitor will facilitate and oversee the Marketing Process

undertaken by the Investment Offering Advisor, the Grant Companies and their other advisors, all in accordance with this Protocol. Any sale of the Business must be approved by the Court in accordance with the Initial Order.

10. Whether the transaction is to be implemented by a plan of arrangement or a sale of the Business, the Monitor will provide a report to the Court including a detailed summary as to how the Marketing Process was conducted, the key elements of the resulting transaction and the Monitor's recommendation with respect to such plan or sale, as the case may be.

Reporting to Stakeholders

11. The Grant Companies and the Monitor may provide periodic updates, as appropriate, to Stakeholders which have executed confidentiality agreements including the First Lien Lenders and the Second Lien Lenders.

Selection of Investment Offering Advisor

12. The Grant Companies confirm that they have selected the Investment Offering Advisor and the Investment Offering Advisor has agreed to accept its engagement in accordance with the Investment Offering Advisor Engagement Letter filed in the CCAA proceedings and approved in the Initial Order.

Identification of Potential Interested Parties

13. The Grant Companies and the Monitor will jointly agree on a preliminary potential interested party list with input from the Investment Offering Advisor with a view to ensuring that all parties that have expressed interest in the Business prior to the CCAA proceedings and any potential interested party whose interest may be known to the Grant Companies, the Monitor or the Investment Offering Advisor are included on the preliminary list. The Stakeholders may nominate interested parties for inclusion in the preliminary list.

Marketing Process

14. Phase I

(a) The Grant Companies will work with the Investment Offering Advisor to prepare a one page marketing overview (the "**Teaser**"), a draft non-disclosure agreement (an "**NDA**"), a communications package, a confidential information memorandum, the data room and other relevant marketing materials. The NDA shall not prohibit any person from buying or selling any debt owing by any of the Grant Companies. The Monitor and the advisors to the First Lien Lenders shall be entitled to review and provide input into these materials as they shall deem appropriate.

(b) The Investment Offering Advisor will contact all of the parties on the final potential interested party list and provide them with a copy of the teaser memorandum and form of NDA.

(c) Interested parties that execute the NDA (or have previously executed an NDA satisfactory to the Grant Companies) will receive information and will receive access to a limited electronic data room.

(d) Each potential interested buyer or investor will be asked to submit a non-binding preliminary proposal on or before July 31, 2009.

(e) The Grant Companies and the Monitor, in consultation with the Investment Offering Advisor, will evaluate the non-binding preliminary proposals based on the ability of the potential interested parties to complete due diligence on a timely basis as well as other buyer or investor selection criteria that may be developed by the Grant Companies in consultation with the Monitor and the Investment Offering Advisor.

(f) Given that all parties recognize the need to complete a transaction as quickly as possible, the number of parties invited to participate in Phase II of the Marketing Process will be limited in number and will be jointly selected by the Monitor and the Grant Companies in consultation with the First Lien Agent and the Second Lien Agent.

15. Phase II

(a) Interested parties invited to participate in Phase II will be provided with a management presentation and full electronic data room access.

(b) Interested parties must complete due diligence and submit to the Grant Companies, the Monitor and the Investment Offering Advisor a revised proposal on or before August 30, 2009.

(c) The Grant Companies and the Monitor, in consultation with the Investment Offering Advisor, will review the proposals and, in full consultation with the First Lien Agent and the Second Lien Agent, jointly select one or more parties which wish to proceed to Phase III.

16. Phase III

(a) The Grant Companies and the Monitor, in consultation with the Investment Offering Advisor, the First Lien Agent and the Second Lien Agent, will conduct final negotiations of an agreement to sponsor a plan of arrangement or to sell the Business with or to the interested parties selected to proceed to Phase III.

(b) The Grant Companies shall not, without the prior written approval of the First Lien Agent, at the direction of the First Lien Lenders then holding not less than 66 2/3% of the total amount of the then outstanding indebtedness owing by the Grant Companies to the First Lien Lenders:

(i) file any plan of arrangement with the Court; or

(ii) enter into an agreement to sell the Business or any material part of the Business.

(c) If the transaction is to be completed by a plan of arrangement, such plan will be filed with the Court and submitted to all required meetings of affected creditors for approval no later than September 30, 2009.

(d) If the transaction is to be completed by a sale, the asset purchase agreement will be completed and submitted by the Grant Companies to the Court for approval not later than September 30, 2009.

Adjustments to the Marketing Process

17. The Grant Companies, in consultation with the Investment Offering Advisor, may adjust the Market Process (and extend any time limits) as necessary to achieve the objectives set out in this protocol, provided the Monitor and the First Lien Agent consent to such adjustment.

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. and GRANT U.S. HOLDINGS GP (the "Applicants")

ONTARIO

SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT TORONTO

INITIAL ORDER

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Facsimile: 416 863-4592

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

This is Exhibit "**C**" referred to in the Affidavit of HAP STEPHEN sworn before me on January 5, 2011.

Notary Public in and for the Province of Ontario

Jane Olive Dietrich

PRINT NAME AND EXPIRY/LAWYER /STUDENT-AT-LAW

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

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

THE HONOURABLE MR.	)	WEDNESDAY, THE 5TH DAY
	)	
JUSTICE CAMPBELL	)	OF JANUARY, 2011

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

Applicants

-and-

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

Respondents

APPROVAL AND VESTING ORDER (FOOTNER)

THIS MOTION made by Grant Forest Products Inc. ("**GFPI**") for an order *inter alia* (i) approving the sale transactions (collectively the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") among GFPI, Footner Forest Products Ltd. ("**Footner**") and Ainsworth Lumber Co. Ltd. ("**Ainsworth**") dated December 20, 2010 and appended to the sixteenth report to Court (the "**Sixteenth Report**") of Ernst & Young Inc. in its capacity as court-appointed monitor (the

"**Monitor**") of GFPI; (ii) vesting in Footner, GFPI's right, title and interest in and to the Purchased Assets and Shares (as defined in the Sale Agreement and herein referred to as the "**Purchased Assets**" and "**Shares**" respectively) and; (iii) approving the Sixteenth Report and the activities of the Monitor as set out therein was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Sixteenth Report, the affidavit of Hap Stephen sworn December 20, 2010 and on hearing submissions of counsel for GFPI, the Monitor, First Lien Lenders' Agents, the former independent directors of GFPI and Ainsworth, no one appearing for any other person on the service list, although properly served as appears from the affidavit of Stephanie Waugh sworn December 20, 2010 filed:

1. THIS COURT ORDERS that the timing and method of service and filing of the notice of motion and GFPI's motion record are hereby abridged so that this motion is properly returnable today.

2. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and the execution of the Sale Agreement by GFPI is hereby authorized and approved, with such amendments as may be agreed to by GFPI, Footner and Ainsworth and consented to by the Monitor, and if such amendments are material, consented to by the First Lien Lenders' Agent. GFPI is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets and the Shares to Footner.

3. THIS COURT ORDERS AND DECLARES that upon the delivery free of escrow to Footner of a Monitor's certificate substantially in the form attached as Schedule "A" hereto (the "**Monitor's Certificate**"), all of GFPI's right, title and interest in and to the Purchased Assets and the Shares shall vest absolutely in Footner, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether

secured, unsecured or otherwise (collectively, the "**Claims**"), and without limiting the generality of the foregoing, the Claims include: (i) the Agents' Liens (as defined in the Sale Agreement); (ii) all encumbrances or charges created by the Order of the Honourable Justice Newbould dated June 25, 2009, and (iii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or the *Personal Property Security Act* (Alberta) or any other personal property registry system (the items in (i), (ii) and (iii) being collectively referred to as the "**Encumbrances**"). For greater certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the Purchased Assets or Shares are hereby expunged and discharged as against the Purchased Assets and Shares.

4. THIS COURT ORDERS that nothing in this Order affects any instruments registered on title to the Real Property (as defined in the Sale Agreement).

5. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets and Shares shall stand in the place and stead of the Purchased Assets and Shares, and that, from and after the delivery of the Monitor's Certificate, all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets and Shares with the same priority as they had with respect to the Purchased Assets and Shares respectively immediately prior to the sale, as if the Purchased Assets and Shares had not been sold and remained owned by GFPI and remained in the possession or control of the person having that possession or control immediately prior to the sale.

6. THIS COURT ORDERS AND DIRECTS the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof to Footner.

7. THIS COURT ORDERS that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of GFPI or its affiliates and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of GFPI or its affiliates;

the vesting of the Purchased Assets and Shares in Footner pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of GFPI or its affiliates and shall not be void or voidable by creditors of GFPI or its affiliates, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. THIS COURT ORDERS that the Sixteenth Report and the activities of the Monitor as described therein be and are hereby approved.

10. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, including, without limitation, the Court of Queens' Bench of Alberta, or in the United States to give effect to this Order and to assist GFPI, the Monitor, Ainsworth, Footner and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist GFPI, the Monitor, Ainsworth, Footner and their respective agents in carrying out the terms of this Order.

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

JAN 5 - 2011

PER / PAR:

9060985_10

Schedule A – Form of Monitor's Certificate

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

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

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

Applicants

-and-

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

Respondents

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Campbell of the Ontario Superior Court of Justice (the "**Court**") dated January 5, 2011, the Court approved the agreement of purchase and sale made as of December 20, 2010 (the "**Sale Agreement**") among Grant Forest Products Inc. ("**GFPI**"), Footner Forest Products Ltd. ("**Footner**") and Ainsworth Lumber Co. Ltd. ("**Ainsworth**") and provided for the vesting in Footner of GFPI's right, title and interest in and to the Purchased Assets and Shares (as defined in the Sale Agreement), which vesting is to be effective with respect to the Purchased Assets and Shares upon the delivery free of escrow by Ernst & Young Inc. in its capacity as court-appointed monitor (the "**Monitor**") of GFPI to Footner of a certificate confirming (i) the payment of the Asset Purchase Price for the Purchased Assets and the Share Purchase Price for the Shares; (ii) that the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by GFPI, Footner or Ainsworth, as applicable; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE MONITOR CERTIFIES the following:

1. GFPI or the Monitor has received funds in respect of the Asset Purchase Price for the Purchased Assets and funds in respect of the Share Purchase Price for the Shares payable or deliverable on the Closing Date pursuant to the Sale Agreement;

2. The conditions to Closing as set out in the Sale Agreement have been satisfied or waived by GFPI, Footner or Ainsworth, as applicable; and

3. The Transaction has been completed to the satisfaction of the Monitor.

4. This Certificate was delivered by the Monitor at ________ [TIME] on _______ [DATE].

Ernst & Young Inc., in its capacity as court-appointed monitor of Grant Forest Products Inc., and not in its personal capacity

Per: ______________________________

Name:

Title:

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

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

and

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

APPROVAL AND VESTING ORDER
(FOOTNER)

FRASER MILNER CASGRAIN LLP
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Toronto-Dominion Centre
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M5K 0A1

Lawyer:	Jane O. Dietrich
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Facsimile:	416-863-4592

Lawyers for the Applicants Grant Forest Products Inc., Grant Forest Products Sales Inc., and Grant Alberta Inc.

This is Exhibit "**D**" referred to in the Affidavit of HAP STEPHEN sworn before me on January 5, 2011.

Notary Public in and for the Province of Ontario

Jane Olive Dietrich

PRINT NAME AND EXPIRY/LAWYER /STUDENT-AT-LAW

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., 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

AFFIDAVIT OF HAP STEPHEN
(sworn December 20, 2010)

I, **Hap Stephen**, of the City of Mississauga, in the Province of Ontario, **MAKE OATH AND SAY**:

I am the chairman and CEO of Stonecrest Capital Inc. ("**SCI**"), which has been appointed by the Court, pursuant to the order of the Honourable Mr. Justice Campbell made on June 30, 2010, as Chief Restructuring Organization ("**CRO**") of Grant Forest Products Inc. ("**GFPI**"), Grant Forest Products Sales Inc. and Grant Alberta Inc. (collectively, the "**Remaining Applicants**"). Prior to its appointment as CRO, SCI had been engaged as Chief Restructuring Advisor by GFPI and such appointment had been approved by the Order of the Honourable Mr. Justice Newbould made on June 25, 2009 (the "**Initial Order**"). As such, I have personal knowledge of the matters to which I hereinafter depose. Where I do not possess such personal knowledge, I have stated the source of my information and, in all such cases, do verily believe it to be true.

Overview

1. On June 25, 2009, the Remaining Applicants and Grant U.S. Holdings GP obtained the Initial Order pursuant to the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the "**CCAA**"). All terms not otherwise defined in this affidavit have the meanings set out in the Initial Order. A copy of the Initial Order is attached hereto as Exhibit "**A**" to my affidavit.

2. The Initial Order granted a stay of proceedings in favour of the Remaining Applicants until July 24, 2009. Through a series of subsequent orders the Stay Period has been further extended, the most recent extension made by order of the Honourable Justice Campbell dated June 30, 2010, extending the Stay Period until February 28, 2011, a copy of which is attached hereto as Exhibit "**B**" to my affidavit.

3. I swear this affidavit in support of motion by the Remaining Applicants for the relief set out in the Notice of Motion dated December 20, 2010 which, among other things, requests:

   (a) an approval and vesting order in respect of the sale of GFPI's interest in the shares (the "**Shares**") of Footner Forest Products Ltd. ("**Footner**") and the assets (the "**Purchased Assets**") comprising GFPI's 50% beneficial interest in the Footner Mill (as defined below) pursuant to an agreement of purchase and sale (the "**Footner Agreement of Purchase and Sale**") among GFPI, Footner and Ainsworth Lumber Co. Ltd. ("**Ainsworth**") dated December 20, 2010; and

   (b) an approval and vesting order in respect of the sale of GFPI's interest in certain aircraft parts (the "**Aircraft Parts**") as contemplated by an agreement of purchase and sale (the "**Aircraft Parts Sale Agreement**") between GFPI and Waterloo Aviation Corp. ("**Waterloo**") dated November 12, 2010, as amended;

Footner Transaction

4. Footner holds legal title to an OSB mill outside of High Level, Alberta (the "**Footner Mill**") as trustee for Ainsworth and GFPI, who each have a 50% beneficial interest in the Footner Mill. Each of Ainsworth and GFPI also own 50% of the shares of Footner.

5. Prior to the construction of the Footner Mill, Grant Forest Products Corp. (who later assigned its interest in the agreement to GFPI) and Ainsworth had entered into a memorandum of agreement dated December 9, 1999 (the "**Footner Memorandum**") which outlined certain terms of understanding in relation to the Footner Mill. Although the Footner Memorandum contemplated the entering into of more detailed agreements between Ainsworth and GFPI relating to the Footner Mill, it is my understanding that no further agreements were ever finalized.

6. GFPI sent a notice of repudiation to Ainsworth in respect of the Footner Memorandum on August 6, 2010 (the "**Notice of Repudiation**"). As set out in more detail in the Monitor's Sixteenth Report to Court (the "**Sixteenth Report**"), Ainsworth has advised GFPI that it disputes the validity of the Notice of Repudiation. In particular, Ainsworth takes the position that GFPI does not have the ability to repudiate the Footner Memorandum and that the Footner Memorandum requires GFPI to comply with certain restrictions on its ability to sell or dispose of its interest in the Footner Mill, including a right of first refusal in favour of Ainsworth.

7. Although the Footner Mill is not currently operating, GFPI continues to pay its share of those costs and expenses of Footner which are necessary to preserve the value of the Footner Mill. GFPI's portion of the funding requirements for Footner has been averaging approximately $200,000 per month.

8. As discussed in more detail in the Sixteenth Report, GFPI, subject to court-approval, has entered into the Footner Agreement of Purchase and Sale whereby Footner will purchase from GFPI the Shares and the Purchased Assets. The obligations of Footner under the agreement are guaranteed by Ainsworth.

9. The sale of the Purchased Assets and Shares to Footner, has the benefit of avoiding potentially costly and time-consuming litigation with Ainsworth over the scope of GFPI's obligations under the Footner Memorandum and GFPI's ability to repudiate the Footner Memorandum. It also preserves value for GFPI's creditors by relieving GFPI of its share of the Footer Mill's costs.

10. It is my view that, based on all of the circumstances, the consideration received by GFPI for the Purchased Assets and Shares is fair and reasonable and that the transaction contemplated by the Footner Agreement of Purchase and Sale maximizes the net recovery to GFPI in respect of Footner. Accordingly, I support the approval of the Footner Agreement of Purchase and Sale.

11. I have reviewed a draft of the Monitor's Sixteenth Report to Court and I agree with the Monitor's description of the transaction contemplated by the Footner Agreement of Purchase and Sale and the sale process pursued to maximize value for GFPI's stakeholders. The Monitor supports the approval of the Footner Agreement of Purchase and Sale and the consummation of the transactions contemplated therein. I agree with the Monitor's conclusion in that regard and its reasons for reaching that conclusion.

12. The First Lien Lenders have also executed a consent agreement with GFPI, the Monitor and Ainsworth pursuant to which the First Lien Lenders consent to the execution of the Footner Agreement of Purchase and Sale and the consummation of the transactions contemplated therein and agree to support the granting of such Court orders as may be necessary to satisfy the conditions of the Footner Agreement of Purchase and Sale.

Aircraft Parts Transaction

13. Prior to the granting of the Initial Order, GFPI had returned three leased aircraft, to the lessor, GE Canada Leasing Services Company. I understand that the Aircraft Parts (which were not leased), remained with GFPI. At some point during the CCAA proceedings certain of the Aircraft Parts came into the possession of GFPC.

14. GFPI is advised that GFPC takes the position that it has an interest in certain of the Aircraft Parts. GFPC has advised GFPI, however, that it supports approval of the Aircraft Parts Sale Agreement provided that the proceeds of sale are held by the Monitor and are not distributed to any party without either the consent of GFPC and Peter Grant Sr. or further Court order. The draft Aircraft Parts Approval and Vesting Order contains a provision to this effect.

15. For the reasons set out in the Sixteenth Report, I am of the view that Aircraft Parts Sale Agreement represents the best realization for the Aircraft Parts in the circumstances.

Conclusion

16. I swear this affidavit in support of a motion by the Remaining Applicants for the relief set out in the Notice of Motion dated December 20, 2010 and for no other or improper purpose.

SWORN before me at the City of Toronto in the Province of Ontario this 20th day of December, 2010)

A Commissioner, etc.

Jane Olive Dietrich

HAP STEPHEN

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. and GRANT U.S. HOLDINGS GP (the "Applicants")

ONTARIO

SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT OF HAP STEPHEN
(Sworn December 20, 2010)

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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

This is Exhibit "**E**" referred to in the Affidavit of HAP STEPHEN sworn before me on January 5, 2011.

Notary Public in and for the Province of Ontario

Jane Olive Dietrich

PRINT NAME AND EXPIRY/LAWYER /STUDENT-AT-LAW

Court File No.: CV-09-824700CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

Applicants

and

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

Respondents

SIXTEENTH REPORT OF THE MONITOR DATED DECEMBER 21, 2010

INTRODUCTION

1. On June 25, 2009, Grant Forest Products Inc. ("**GFPI**"), Grant Alberta Inc. ("**GAI**"), Grant Forest Products Sales Inc. ("**GFPSI**") and Grant U.S. Holdings GP (the "**Grant Partnership**" or "**U.S. Holdings**") (collectively the "**Original Applicants**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* ("**CCAA**") in order to restructure the business and affairs of the Original Applicants. Pursuant to the Order of this Honourable Court dated June 25, 2009 (the "**Initial Order**"), Ernst & Young Inc. ("**EYI**") was appointed as the Monitor of the Original Applicants (the "**Monitor**") in the CCAA proceeding. The Initial Order provided for a stay of proceedings through to July 24, 2009. The stay of proceedings was subsequently extended to February 28, 2011 (the "**Original**

Applicants' Stay Period") pursuant to an Order of this Honourable Court dated June 30, 2010.

2. On March 30, 2010, Southeast Properties LLC ("**Southeast**"), Grant Newco LLC ("**Newco**"), Grant US Sales Inc. ("**U.S. Sales**"), Grant Clarendon LP ("**Clarendon**"), Grant Allendale LP ("**Allendale**") and Grant Excluded GP ("**Excluded**") were added as additional applicants to these CCAA proceedings (collectively, the "**Additional Applicants**" and together with the Original Applicants, the "**Applicants**" or "**Grant**"). Pursuant to an Order of this Honourable Court dated March 30, 2010 (the "**Supplemental Initial Order**"), EYI was appointed as the Monitor of the Additional Applicants in the CCAA proceeding. The Supplemental Initial Order provided for a stay of proceedings through to April 29, 2010 (the "**Additional Applicants' Stay Period**"). The Additional Applicants' Stay Period was subsequently extended to June 30, 2010 pursuant to an Order of this Honourable Court dated April 28, 2010.

3. The Initial Order, among other things, approved the continuation of the engagement of Stonecrest Capital Inc. ("**Stonecrest**") as Chief Restructuring Advisor (the "**CRA**") of the Applicants with services to be provided by Hap Stephen and Sandra Rosch.

4. On June 30, 2010, this Honourable Court approved the revised engagement of Stonecrest as the Chief Restructuring Organization (the "**CRO**") of the Applicants with services to be provided by Hap Stephen and Sandra Rosch.

5. Paragraph 33 of the Supplemental Initial Order set out that, upon the delivery of a certificate by the Monitor to GP International Acquisition III, Ltd. (the "**Canadian Purchaser**"), Georgia-Pacific LLC (the "**U.S. Purchaser**"), and GP Palmetto Holding LLC (the "**Additional U.S. Purchaser**") (collectively "**Georgia Pacific**"), primarily certifying that the funds related to the transaction between Georgia Pacific and Grant were received, the transaction between Georgia Pacific and Grant closed and the CCAA proceedings with respect to the Additional Applicants and the Grant Partnership were terminated. Accordingly, the Monitor was discharged as Monitor

of the Additional Applicants and the Grant Partnership.

6. As a result of the completion of the sale to Georgia Pacific and the resultant termination of the CCAA proceedings of the Additional Applicants and the Grant Partnership, only GFPI, GAI and GFPSI (the "**Remaining Applicants**") continue to remain as applicants in these CCAA proceedings.

PURPOSE

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

   i. GFPI's motion for an Order (the "**Footner Approval and Vesting Order**") approving the sale transaction (the "**Ainsworth Transaction**") contemplated by an agreement of purchase and sale (the "**Ainsworth Sale Agreement**") between GFPI, Ainsworth Lumber Co. Ltd. ("**Ainsworth**") and Footner Forest Products Ltd. ("**Footner**") made as of December 20, 2010 and vesting in Footner GFPI's right, title and interest in and to the assets (the "**Footner Purchased Assets**") and shares (the "**Shares**") described in the Ainsworth Sale Agreement, free and clear of all claims and encumbrances;

   ii. GFPI's motion for an Order (the "**Aircraft Parts Approval and Vesting Order**") approving the sale transaction (the "**Aircraft Parts Transaction**") contemplated by an agreement of purchase and sale (the "**Aircraft Parts Sale Agreement**") between GFPI and Waterloo Aviation Corp. ("**Waterloo**") made as of November 12, 2010 and vesting in Waterloo GFPI's right, title and interest in and to the assets described in the Aircraft Parts Sale Agreement free and clear of all claims and encumbrances; and

   iii. GFPI's motion to approve this Sixteenth Report and the conduct and activities of the Monitor as set forth herein.

TERMS OF REFERENCE

8. In preparing this Sixteenth Report, the Monitor has been provided with and in making the comments herein relied upon unaudited financial information, the

Remaining Applicants' books and records, financial information prepared by the Remaining Applicants and discussions with management of the Remaining Applicants. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this Sixteenth Report. Some of the information referred to in this Sixteenth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants (**"CICA"**) Handbook, has not been performed. Future oriented financial information referred to in this report was prepared based on management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

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

BACKGROUND

10. GFPI and certain of its subsidiaries are privately owned corporations which carried on an oriented strand board (**"OSB"**) manufacturing business from facilities located in Canada and the United States. OSB is an engineered, mat-formed panel product made of strands, flakes or wafers sliced from logs and bonded with an exterior-type binder under heat and pressure. The most common uses are sheathing in walls, floors and roofs in the construction of buildings and residential housing.

11. The Applicants and Footner (in which GFPI has a 50% interest) had a total annual capacity to produce 3.7 billion square feet of OSB, which made them the third largest OSB manufacturer in North America.

12. The Applicants had interests in three mills in Canada located at Englehart and Timmins in Ontario and High Level in Alberta, and two mills in the United States located in the counties of Allendale and Clarendon in South Carolina.

13. The OSB mills located in Englehart (the "**Englehart Mill**") and Timmins (the "**Timmins Mill**") in Ontario were owned by GFPI, and as such, were subject to these CCAA proceedings.

14. The OSB mills located in Allendale (the "**Allendale Mill**") and Clarendon (the "**Clarendon Mill**") in South Carolina are owned by Allendale and Clarendon respectively, each of which is owned by Southeast, which in turn was owned by the Grant Partnership. Each of these entities were Additional Applicants and were subject to these CCAA proceedings.

15. As described in the Fourteenth Report of the Monitor dated June 1, 2010 (the "**Fourteenth Report**"), the Applicants completed a sale of the Grant Partnership and the Englehart Mill to Georgia Pacific on May 26, 2010, and as such, the Allendale Mill and the Clarendon Mill are no longer owned by the Remaining Applicants.

16. As described above, GFPI has a 50% interest in an OSB mill located at High Level in Alberta (the "**Footner Mill**"). This OSB mill is held by Footner as trustee for GFPI and Ainsworth, and GFPI owns 50% of the shares of Footner (such 50% interest and shares, the "**Footner Interests**"). Footner is not a CCAA applicant.

17. With the completion of the Georgia Pacific sale, the remaining assets of the Remaining Applicants include:

1) The Timmins Mill;

2) The Footner Interests; and

3) Certain assets which were not required for the operations of the OSB business, including an office premises and boathouse in Haileybury (the "**Haileybury Office**"), a golf course in Earlton, (the "**Golf Course**"), a 65 foot custom built motor boat which is currently located in Florida (the "**Boat**") and a lease of a hangar at the Earlton Airport (the "**Hangar Lease**") (collectively, the "**Non-Core Assets**").

18. The Timmins Mill has been idled since September 2006 and the Footner Mill has been idled since November 2007.

19. The Monitor has been actively working with the Remaining Applicants and the CRO to sell the remainder of Remaining Applicants' assets including the Footner Interests as described further herein.

20. The Monitor and the CRO have conducted a marketing process to sell the Timmins Mill that has comprised the comprehensive contact of 70 strategic parties (comprising forest products and bio-energy firms) and auctioneering/decommission firms. As a result of the idle status of the Timmins Mill, it is in a state of disrepair and the capital cost to return it to operating status would be significant, as evidenced by the fact that the highest consideration from credible parties has been offered by auctioneering/decommission firms. The Monitor and the CRO are currently in advanced discussions for a transaction involving the Timmins Mill and will report further to this Honourable Court once these discussions are completed.

OVERVIEW OF THE MARKETING PROCESS OF THE FOOTNER MILL

Ownership Structure of the Footner Mill

21. As described earlier in this Sixteenth Report, GFPI has a 50% interest in the Footner Mill. The Footner Mill is held by Footner as trustee for Ainsworth and GFPI and each owns 50% of the shares of Footner (GFPI and Ainsworth collectively, the "**Parties**"). Footner is not a CCAA applicant. Since the formation of the joint venture for Footner, Footner and the Parties have operated the Footner Mill. The Parties signed a Memorandum of Agreement (the "**MOU**") dated December 9, 1999 which contemplated the negotiation of the following four agreements to govern the joint venture:

   i. an operating agreement which would govern the operations of the Footner Mill and the necessary forestry work;

   ii. a unanimous shareholders' agreement, which was to govern board composition and meetings; status and responsibilities of the general manager; liquidation or wind-up of the Footner Mill; and a right of first refusal on a transfer of the interest of either GFPI or Ainsworth;

iii. an inventory purchase agreement; and

iv. a co-owners' agreement, which was to govern the Parties' joint ownership of the Footner Mill; agreement of the Parties not to seek a partition and sale; and a shotgun buy/sell agreement in relation to the interest of each of the Parties.

22. None of these four agreements was ever settled or signed. On August 6, 2010, GFPI repudiated the MOU by a notice of repudiation (the "**MOU Notice of Repudiation**") to Ainsworth. Ainsworth objected to the MOU Notice of Repudiation on the basis that in its view, GFPI does not have the right to repudiate the MOU.

Description of the Footner Mill

23. The construction of the Footner Mill commenced in September 1999 and was completed in late 2000. The Footner Mill is located approximately 600 kilometres north of Edmonton and is situated on approximately 400 acres of land. The Footner Mill has an annual production capacity of approximately 800 million square feet of OSB (3/8 inch basis). The Footner Mill was shut down in the second half of 2007 due to industry economics. Historically, the Footner Mill's primary market has been the southwestern U.S. states which have been significantly impacted by current housing market conditions, thus curtailing the current demand for OSB that could be produced by the Footner Mill.

24. While the Footner Mill has remained idle since shut down, it has been maintained by a full-time mill manager and skeleton staff. GFPI continues to pay its 50% share of the holding costs. GFPI's share is approximately $200,000 a month. These holding costs include property taxes, payroll expenses for the staff at the Footner Mill, utilities and insurance expenses.

The Footner Interests Sale Process

25. The Sixth Report of the Monitor dated January 15, 2010 (the "**Sixth Report**") described in detail the marketing process to sell the business and operations of the Applicants (the "**Marketing Process**"), which included the Footner Interests, that was conducted by the Monitor with the assistance of the CRA. The Marketing Process resulted in a purchase and sale agreement (the "**GP Sale Agreement**") between the Applicants and Georgia Pacific. As part of its transaction, Georgia Pacific elected not to acquire the Footner Interests.

26. As described in the Sixth Report, the Marketing Process (which included the Footner Interests) comprised a structured, fair, wide and effective canvassing of the market as demonstrated by the following:

    i. the comprehensive contact of 91 interested financial and strategic parties located in North America, South America, Europe and Asia;

    ii. the execution of 32 non-disclosure agreements (the "**NDAs**") by interested parties who were then granted access to review a data room and the subsequent submission of 13 expressions of interest (the "**EOIs**") at the end of the first phase of the Marketing Process; and

    iii. the EOIs from eight interested parties that were invited to participate in the second phase of the Marketing Process provided a value range which was market derived and tested.

27. During the due diligence phases of the Marketing Process, a number of parties indicated difficulty in calculating a value for the Footner Interests primarily due to the following factors:

    i. the Footner Interests represent a 50% non-majority controlled beneficial interest in the Footner Mill. Many potential purchasers indicated they would only have interest in the Footner Interests if they could acquire full ownership of the Footner Mill;

ii. the Footner Mill is an idled facility that has not operated since November 2007, and any purchaser of the Footner Interests would be required to pay the Footner Mill Operating Costs (as defined in paragraph 47 of this Report) on a monthly basis despite uncertainty as to when market conditions will lead to the Footner Mill restarting operations;

iii. the MOU, if it were to apply, does not clearly or comprehensively set out the terms governing the joint venture and there is no shareholders agreement with Ainsworth, so that any purchaser would have to try to negotiate with Ainsworth a shareholders' agreement and any other ancillary agreements necessary to govern the joint venture with Ainsworth; and

iv. the geographical location of the Footner Mill limited the market reach of the Footner Mill's production, and the U.S. housing market that the Footner Mill historically supplied continued to remain very weak.

28. In particular, certain interested parties indicated that the MOU and the absence of a finalized shareholders agreement and other ancillary agreements were impediments to determining a value for the Footner Interests. The Marketing Process was set up to sell all of GFPI's core assets and as such GFPI did receive interest from certain parties that included the Footner Interests. However, this interest was only contained in bids for all of the GFPI assets, not as a separate expression of interest in the Footner Interests on a standalone basis.

29. Pursuant to the completion of the GP Transaction, the Monitor, GFPI and the CRA evaluated the potential for a separate marketing process for the Footner Interests. This included the impact of the issues described above on the potential interest of parties to participate in a separate sale process for the Footner Interests.

30. As described in the Thirteenth Report of the Monitor dated May 21, 2010 (the "**Thirteenth Report**"), after taking into account the above factors to assess the feasibility of a separate market process for the Footner Interests, GFPI proposed to seek the approval of this Honourable Court for a marketing process for the Footner Interests

(the "**Footner Marketing Process**"). Subsequent to the service of GFPI's motion, counsel for certain of GFPI's second lien lenders (the "**Second Lien Lenders**") which had recently acquired their interests requested an adjournment of this motion so that they could consider their options. As the first lien lenders' agent (the "**First Lien Lenders' Agent**") and the Monitor were agreeable, GFPI requested an adjournment of this motion.

31. Also subsequent to the service of this motion, counsel to Ainsworth sent correspondence expressing concerns with respect to the Footner Marketing Process on the basis, among other things, that the Footner Marketing Process as proposed did not recognize the terms and conditions of the MOU.

OVERVIEW OF AINSWORTH LETTER OF INTENT

32. Concurrently with the above, and as a result of (i) the inability to sell the Footner Interests as part of the Marketing Process and (ii) the difficulty in valuing the Footner Interests because of the lack of agreement between GFPI and Ainsworth on the terms governing the joint venture, the decision was made to commence negotiations with Ainsworth for a separate sale of the Footner Interests. The position taken by Ainsworth with respect to the Footner Marketing Process and the request by certain Second Lien Lenders for an adjournment indicated that the ability of GFPI to obtain approval for the Footner Marketing Process and thus realize liquidity for the Footner Interests in a timely manner had been negatively impacted. Thus, subsequent to the adjournment of the motion for approval of the Footner Marketing Process, the CRO and the Monitor approached Ainsworth's counsel to determine Ainsworth's interest in a potential acquisition of the Footner Interests and also to ascertain an initial indication of value from Ainsworth for the Footner Interests.

33. As Ainsworth had taken the position that under the MOU it had certain rights in any marketing of the Footner Interests, including a right of first refusal, GFPI repudiated the MOU on August 6, 2010. Ainsworth objected to GFPI's repudiation of the MOU and indicated that it would oppose the Footner Marketing Process unless the terms of the MOU were honoured. As set out below, GFPI engaged in preliminary discussions with

certain second lien lenders regarding their interest in acquiring the remaining assets of the Remaining Applications. In addition, following the repudiation of the MOU, there were further negotiations between the Parties supported by the CRO, counsel to GFPI, the Monitor and counsel to the Monitor, through which Ainsworth ultimately proposed a purchase price of CDN$20,000,000, subject to certain closing adjustments.

34. Following agreement as to the consideration to be paid by Ainsworth for the Footner Interests, the Parties negotiated and agreed to a letter of intent (the "**Ainsworth LOI**") which detailed the business terms and conditions of a transaction whereby Ainsworth would effectively acquire the Footner Interests, subject to execution of the Ainsworth Sale Agreement and the approval of this Honourable Court.

35. The Ainsworth LOI was signed by Ainsworth and GFPI on October 22, 2010 and the parties proceeded to negotiate the Ainsworth Sale Agreement described herein.

OVERVIEW OF A PROPOSAL RECEIVED FOR GFPI'S REMAINING ASSETS

36. Following the adjournment of the hearing for the approval of the Footner Marketing Process, certain of GFPI's second lien lenders in conjunction with an operating partner (the "**Second Lien Group**") approached GFPI to express an interest in putting forth an offer for GFPI's remaining assets (the Footner Interests, the Timmins Mill, the GFPI's Non-Core Assets (collectively, the "**Remaining Assets**")). The Second Lien Group was advised by GFPI that GFPI was in discussions for a sale of the Timmins Mill and the Second Lien Group agreed to exclude the Timmins Mill from any potential offer for the Remaining Assets.

37. On August 6, 2010, the Second Lien Group provided GFPI with a non-binding term sheet (the "**Term Sheet**") for the Remaining Assets. After review of the Term Sheet, GFPI advised the Second Lien Group of certain problems with respect to the Term Sheet, including:

    i. the required payment by GFPI of the Second Lien Group's due diligence costs;

ii. the fees payable if the transaction proceeded;

iii. the closing risk; and

iv. GFPI's concerns that the proposed terms contained in the Term Sheet may not be acceptable to other Second Lien Lenders or the first lien lenders (the "**First Lien Lenders**").

38. On August 12, 2010, GFPI provided the Second Lien Group with a draft Purchase and Sale Agreement (the "**Second Lien Group Sale Agreement**"), the terms of which addressed the concerns GFPI had raised with respect to the Term Sheet, and the Second Lien Group was requested to provide a mark-up of the Second Lien Group Sale Agreement along with a draft letter of intent (the "**Second Lien Group LOI**") to formalize the provisions of its offer. These documents were returned by the Second Lien Group to GFPI on August 30, 2010.

39. The Second Lien Group LOI addressed some but not all of the issues set out above, and in particular the Second Lien Group was advised of the following concerns:

i. the length of the proposed 60 day due diligence period and the related closing risk; and

ii. the proposed restrictions in respect of discussions with other parties as to a transaction involving the Remaining Assets during the due diligence period.

40. The CRO and counsel to GFPI continued discussions with the Second Lien Group through September, 2010. However, they were unable to fully resolve all of the outstanding issues. On September 27, 2010, the Second Lien Group withdrew the Second Lien Group LOI.

41. On October 26, 2010, counsel to GFPI advised counsel to the Second Lien Group that GFPI had signed the Ainsworth LOI and that the purchase price contemplated therein was CDN $20,000,000.

OVERVIEW OF THE AINSWORTH SALE AGREEMENT

42. Following agreement with respect to the Ainsworth LOI, GFPI, in conjunction with its counsel and supported by the Monitor and the CRO, commenced negotiations with Ainsworth on the Ainsworth Sale Agreement. The Ainsworth Sale Agreement was finalized and executed by both Parties, subject to approval of this Honourable Court. The Ainsworth Sale Agreement also contemplates, but is not conditional on, an order of the Alberta Court of Queen's Bench recognizing the Footner Approval and Vesting Order (the "**Alberta Recognition Order**").

43. The Ainsworth Sale Agreement contemplates that Footner will purchase from GFPI the Footner Purchased Assets and the Shares. The aggregate purchase price for the Ainsworth Transaction is CDN$20,000,001 (the "**Purchase Price**"). Pursuant to the closing of the Ainsworth Transaction, Footner will pay the Purchase Price by way of two separate demand promissory notes in favour of GFPI for the Footner Purchased Assets and the Shares, respectively (collectively, the "**Promissory Notes**"). Immediately after the delivery of the Promissory Notes by Footner to GFPI, Ainsworth will loan Footner an amount equal to the Purchase Price to be used by Footner to repay the Promissory Notes. On receipt of the loan from Ainsworth, Footner will repay the Promissory Notes forthwith to an account specified by the Monitor. These funds will be held in trust by the Monitor for the benefit of GFPI.

44. The aggregate consideration being paid by Footner for the Footner Purchased Assets is CDN$20,000,000, with $1 payable for the Shares.

45. The Ainsworth Sale Agreement contemplates that GFPI and the CRO will:

   i. not solicit offers and terminate any existing discussions in respect of the Footner Interests;

   ii. terminate access to the Footner electronic data room;

   iii. not respond to requests for information related to Footner to any person that could reasonably be expected to facilitate an alternative transaction; and

iv. not engage in discussions or accept, approve or remain neutral regarding any alternative transaction.

46. GFPI also acknowledges that Ainsworth would not have an adequate remedy at law in the event any of the provisions of the Ainsworth Agreement were not performed by GFPI. Ainsworth would be entitled to seek injunctive relief to prevent breaches of the Ainsworth Agreement. GFPI further agrees to waive any requirement for the posting of security in connection with obtaining injunctive relief and to not to plead sufficiency of damages as a defence in the proceeding.

47. Each of GFPI and Ainsworth shall continue to pay its respective 50% share of the Footner Mill operating costs (including utilities, salaries, contract services and administration) (the **"Footner Mill Operating Costs"**) accruing prior to closing. Footner, GFPI and Ainsworth will prepare an estimated statement of adjustments to reflect any costs accruing as at closing, less a credit to GFPI for Footner Mill Operating Costs which are prepaid as of the closing date. On closing GFPI shall pay to Ainsworth or Ainsworth shall pay to GFPI the net amount owing to the other Party.

48. Included in the Footner Mill Operating Costs are certain costs which relate to payables that accrued at the time the Footner Mill was operating and are allegedly due to certain wood suppliers. GFPI may be responsible for paying on or after closing 50% of these costs to a maximum of $120,355.

49. A copy of the Ainsworth Sale Agreement is attached as Appendix A to this Sixteenth Report.

50. GFPI is seeking the Footner Approval and Vesting Order to approve the Transaction comprising *inter alia*: (a) sale of the Footner Purchased Assets; (b) sale of the Shares; and (c) related relief in order to complete the Ainsworth Transaction contemplated by the Ainsworth Sale Agreement.

51. Assuming this Honourable Court grants the Footner Approval and Vesting Order requested by GFPI, GFPI intends to commence proceedings for the Alberta Recognition Order affirming the Footner Approval and Vesting Order and any related relief required

to give effect to and to complete the Ainsworth Transaction contemplated by the Ainsworth Sale Agreement.

AIRCRAFT PARTS APPROVAL AND VESTING ORDER

52. As set out in the affidavit of Hap Stephen dated December 20, 2010, (the "**Stephen Affidavit**"), and the first report of the Monitor dated June 24, 2009 (the "**First Report**"), prior to the commencement of these CCAA proceedings, GFPI leased three aircraft from GE Canada Leasing Services Company ("**GE Leasing**") which were returned to GE Leasing prior to the granting of the Initial Order by this Honourable Court.

53. As set out in the Stephen Affidavit, certain aircraft parts related to the leased aircraft including cables, switches, filters, pumps, detectors, sensors and switch assemblies (the "**Aircraft Parts**") remained with GFPI. A list of the Aircraft Parts is set out in Schedule A to the Aircraft Parts Sale Agreement. As set out in the Stephen Affidavit, at some point during these CCAA proceedings, certain of the Aircraft Parts came into the possession of Grant Forest Products Corp. ("**GFPC**"). GFPC is a related company of GFPI that is not part of these CCAA proceedings.

54. GFPI has delivered motion materials in respect of a motion against GFPC and others relating to, among other things, the ownership of the Aircraft Parts. This motion has not yet been scheduled.

55. The Monitor understands that in June 2009 GFPI commenced a process to sell the Aircraft Parts. GFPI has advised that the Aircraft Parts were listed for sale on an online website which is used for the sale of such Aircraft Parts. Further, GFPI called the suppliers of the Aircraft Parts to determine if they would buy back the parts and also offered to pay a restocking fee; however, GFPI was unable to sell the Aircraft Parts. GFPI has explained that the main challenge in selling the Aircraft Parts was their location, as certain purchasers were looking for a 24 hour delivery period which was not possible as the parts are located in Earlton in Northern Ontario and delivery to the desired location typically would take at least two days. Further, the Aircraft Parts are

not parts that are typically held in stock by most aircraft operators and, due to the downturn in the economy, the aviation industry generally experienced an increase in the supply of aircraft parts and equipment in the market resulting in a significant decrease in price.

56. GFPI commenced correspondence with Waterloo in December 2009 and after several months of negotiations and other complexities due to the dispute between GFPI and GFPC with respect to the ownership of some of the Aircraft Parts, on November 12, 2010, GFPI and Waterloo entered into the Aircraft Parts Sale Agreement, subject to the approval of this Honourable Court. A copy of the Aircraft Parts Sale Agreement is attached as Appendix B to this Sixteenth Report.

57. The Aircraft Parts Sale Agreement contemplates a purchase price of CDN $50,000 plus HST for the Aircraft Parts (the "**Aircraft Parts Purchase Price**"). The sale of the Aircraft Parts is on an "as is where is" basis. No representation, warranty or condition is expressed or implied by GFPI with respect to the Aircraft Parts. The Aircraft Parts Sale Agreement contemplates that on the closing date of the Aircraft Parts Transaction which is scheduled to be ten business days after the approval of the Aircraft Parts Approval and Vesting Order by this Honourable Court, Waterloo will pay the Aircraft Parts Purchase Price to the Monitor.

58. As set out in the Stephen Affidavit, GFPC has advised GFPI that GFPC supports the Aircraft Parts Transaction on condition that the sales proceeds are held by the Monitor in a separate account and not distributed to either GFPI or GFPC without the consent of GFPI, GFPC and Mr. Peter Grant Sr. or further order of this Honourable Court. The Aircraft Parts Vesting and Approval Order includes this provision.

59. It is the Monitor's view that the Aircraft Parts were appropriately marketed considering the limited market and purchasers for such Aircraft Parts. The Monitor is of the view that the sale price maximizes the value to the Remaining Applicants, subject to paragraph 58 above.

60. The Remaining Applicants are seeking the Aircraft Parts Approval and Vesting Order

from this Honourable Court to approve the Aircraft Parts Transaction contemplated by the Aircraft Parts Sale Agreement between GFPI and Waterloo.

61. The Aircraft Parts Vesting Order contemplates that upon the delivery of the Monitor's certificate attached as Appendix A to the Aircraft Parts Vesting Order, all of GFPI's right, title and interest in the Aircraft Parts shall vest in Waterloo free and clear of encumbrances, including any right, title and interest in the Aircraft Parts held by GFPC.

RECOMMENDATIONS

62. It is the Monitor's view that there is likely to be limited interest in any further marketing process for the Footner Interests from third parties given the factors set out in paragraph 27 above, which caused difficulty for prospective purchasers trying to determine a value for the Footner interests, as well as the following:

i. Ainsworth has advised that it was not interested in participating in a marketing process involving its 50% interest in the Footner Mill;

ii. Ainsworth has advised that it will challenge any marketing process that does not recognise the terms and conditions of the now repudiated MOU; and

iii. OSB prices have declined since the execution of the Georgia Pacific Sale Agreement and the U.S. housing market conditions remain weak.

63. The Footner Interests were included in the Marketing Process for all of the Applicants' OSB assets, as described in detail in the Sixth Report. As set out above, during this process certain of the interested parties expressed difficulty determining a value for the Footner Interests in part due to the issues described earlier in this Sixteenth Report. These parties' bids included the Footner Interests only as part of an overall bid for the assets of GPFI and not on a standalone basis. Additionally, since the Footner Interests were disclosed as not being part of the GP Transaction, there has been no interest shown from any party who participated in the Marketing Process other than Ainsworth.

64. It is the Monitor's view that Ainsworth is the logical purchaser of the Footner Interests because it is the other 50% owner of the Footner Interests and Ainsworth is likely the

purchaser willing to pay the most for this asset because it can realize the highest value from its acquisition.

65. The Monitor notes that the First Lien Lenders, who are owed approximately US$44 million, inclusive of accrued interest, as at November 22, 2010, are supportive of GFPI completing the sale of the Footner Interests to Ainsworth.

66. GFPI, the CRO and the Monitor also had a call on September 30, 2010 with those Second Lien Lenders who signed confirmations of their confidentiality obligations and provided an update on the status of the sale of the Footner Interests including discussions being held with Ainsworth. A further call was conducted on November 8, 2010 further to a request from certain Second Lien Lenders.

67. Finally, the Monitor notes, as set out above, that GFPI is currently funding holding costs in the range of approximately $200,000 per month (the equivalent of $2,400,000 per annum) for the Footner Mill Operating Costs, providing a further incentive to sell the Footner Interests in the short term.

68. Based on the above factors, the Monitor recommends the Ainsworth Transaction for the following reasons:

   i. the Ainsworth Transaction with Footner will generate cash proceeds of CDN$20,000000. This represents value to the stakeholders of the Remaining Applicants;

   ii. the Ainsworth Transaction has been recommended by the CRO with the support of the First Lien Lenders and in consultation with the Second Lien Lenders;

   iii. the Ainsworth Transaction avoids possibly expensive and lengthy litigation with Ainsworth regarding the MOU; and

   iv. approval of the Ainsworth Transaction ceases the dissipation of GFPI's assets by the ongoing payment of the Footner Mill Operating Costs.

69. GFPI is seeking this Honourable Court's authorization:

i. for the Footner Approval and Vesting Order approving the Ainsworth Transaction contemplated by the Ainsworth Sale Agreement and vesting in Footner on closing GFPI's right, title and interest in and to the Footner Purchased Assets and the Shares described in the Ainsworth Sale Agreement, free and clear of all claims and encumbrances;

ii. for the Aircraft Parts Approval and Vesting Order approving the Aircraft Parts Transaction contemplated by the Aircraft Parts Sale Agreement between GFPI and Waterloo made as of November 12, 2010 and vesting in Waterloo on closing GFPI's right, title and interest in and to the assets described in the Aircraft Parts Sale Agreement free and clear of all claims and encumbrances; and

iii. approving this Sixteenth Report and the conduct and activities of the Monitor as reported on herein.

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

All of which is respectfully submitted this 21st day of December, 2010.

ERNST & YOUNG INC.
in its capacity as the Monitor of
Grant Forest Products Inc., Grant Alberta Inc., and
Grant Forest Products Sales Inc.

Per:

Alex Morrison
Senior Vice President

Simone Carvalho
Vice President

Daniel Sinclair
Vice President

APPENDIX A

FOOTNER PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is dated as of the 20th day of December, 2010,

B E T W E E N :

AINSWORTH LUMBER CO. LTD., a corporation incorporated under the laws of Canada

(hereinafter referred to as "**Ainsworth**")

- and -

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

(hereinafter referred to as "**Grant**")

- and -

FOOTNER FOREST PRODUCTS LTD., a corporation incorporated under the laws of the Province of Alberta

(hereinafter referred to as "**Footner**")

WHEREAS Grant is the owner of an undivided one-half beneficial interest in assets comprising an OSB mill located on the Real Property at High Level, Alberta and of 50 common shares in the capital of Footner;

AND WHEREAS Grant and related parties commenced proceedings in the Ontario Superior Court of Justice (the "**CCAA Court**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") with respect to which Ernst & Young Inc. (the "**Monitor**") was appointed as the monitor of Grant;

AND WHEREAS, subject to the issuance of the Approval and Vesting Order and other provisions of this Agreement, Grant has agreed to sell to Footner, and Footner has agreed to purchase from Grant, all of Grant's right, title and interest in and to the Purchased Assets and the Shares;

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

ARTICLE 1
INTERPRETATION

Section 1.01 Definitions

In this Agreement:

"Agreement" means this agreement, as amended from time to time, and all schedules and exhibits hereto;

"Agents' Liens" means the encumbrances in favour of The Toronto-Dominion Bank, Toronto Dominion (Texas) LLC or The Bank of New York Mellon (and instruments related thereto) listed in Schedule 3 hereto;

"Alberta Recognition Order" has the meaning ascribed to that term in Section 6.02;

"Applicable Law" means, in respect of any person, property, transaction or event, any domestic or foreign statute, law (including common law), ordinance, rule, regulation, treaty, code, by-law (zoning or otherwise) or Order that applies in whole or in part to such person, property, transaction or event;

"Approval and Vesting Order" has the meaning ascribed to that term in Section 6.01;

"Asset Purchase Price" has the meaning ascribed to that term in Section 4.01;

"Books and Records" means all books and records relating solely to the Purchased Assets and the Shares which are located on the Real Property on Closing;

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

"CCAA" has the meaning ascribed to that term in the second recital hereof;

"CCAA Court" has the meaning ascribed to that term in the second recital hereof;

"Closing" means the completion of the sale to, and purchase by, Footner of the Purchased Assets and Shares;

"**Closing Date**" means February 17, 2011 or such other date as the parties may select in accordance with Section 7.04;

"Contracts" means Grant's beneficial interest in any contracts entered into by Footner (other than this Agreement or any agreements delivered to Grant pursuant to or in respect of this Agreement or the transactions contemplated in this Agreement);

"Due Diligence Notice Date" means the date that is the 6th Business Day after the date of this Agreement;

"Excluded Assets" has the meaning ascribed to that term in Section 3.02;

"**Final Order**" means an Order that is not capable of appeal due to the passage of time or otherwise;

"**Footner Mill**" means the OSB mill located on the Real Property at High Level, Alberta;

"**Footner Mill Operating Costs**" means the costs listed in Schedule 5;

"Governmental Authority" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal and any governmental agency, ministry, department, Tribunal, commission, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government;

"GST" means taxes, interest, penalties and fines imposed under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder; and **"GST Legislation"** means such statute and regulations, collectively;

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

"**Insurance Policies**" means all insurance policies in effect on the Closing Date which only insure Purchased Assets;

"**Investment**" has the meaning ascribed to that term in Section 4.04;

"Legal Proceeding" means any litigation, action, suit, investigation, hearing, claim, complaint, grievance, arbitration proceeding or other proceeding and includes any appeal or review and any application for any of the foregoing;

"Machinery and Equipment" means the machinery, equipment, spare parts, tools, jigs, dies, office equipment (including computers and computer accessories), furniture, fixtures and furnishings of all kinds located on the Real Property on Closing;

"Monitor" has the meaning ascribed to that term in the second recital hereof;

"**MOU**" means memorandum of agreement dated December 9, 1999 between Ainsworth and Grant (as assigned to it by Grant Forest Products Corp.);

"Order" means any order, directive, judgment, decree, award or writ of any Tribunal;

"**Outside Date**" means March 31, 2011 or such other date as Grant, Footner and Ainsworth may mutually agree to in writing;

"**parties**" means the parties to this Agreement and "**party**" means any one of them;

"Permitted Encumbrances" mean the encumbrances listed in Schedule 4 hereto;

"person" has the meaning ascribed to it pursuant to the *Business Corporations Act* (Ontario) as amended;

"Purchased Assets" has the meaning ascribed to that term in Section 3.01;

"**Real Property**" means the real property listed in Schedule 1 hereto;

"Representative" means, in respect of a person, each director, officer, employee, agent, solicitor, accountant, professional advisor and other representative of such person;

"Share Purchase Price" has the meaning ascribed to that term in Section 4.02;

"**Shares**" means Grant's 50 common shares in the capital of Footner;

"Tax" or "Taxes" means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Authority under any applicable Tax Legislation including Canadian federal, provincial, territorial, municipal and local, foreign or other income, capital, GST, harmonized sales tax, sales, use, consumption, excise, value-added, business, real property, personal property, transfer, franchise, withholding, payroll, or employer health taxes, customs, import, anti-dumping or countervailing duties, Canada Pension Plan contributions, employment insurance premiums, and provincial workers' compensation payments, including any interest, penalties and fines associated therewith;

"Tax Legislation" means, collectively, the Income Tax Act and all federal, provincial, territorial, municipal, foreign, or other statutes imposing a Tax, including all treaties, conventions, rules, regulations, orders, and decrees of any jurisdiction;

"Time of Closing" means 10:00 a.m. (Toronto, Ontario local time) on the Closing Date or such other time on the Closing Date as the parties hereto agree in writing that Closing shall take place;

"Transfer Taxes" means all Taxes levied on or measured by, or referred to as transfer, land transfer, registration charges, sales, GST, use, consumption, value-added, turnover, excise or stamp taxes; and

"Tribunal" means any court (including a court of equity), arbitrator or arbitration panel and any other Governmental Authority, professional or business organization or association or other body exercising adjudicative, regulatory, judicial or quasi-judicial powers.

Section 1.02 Currency

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

Section 1.03 Entire Agreement; Amendment; Waiver

This Agreement constitutes the entire agreement between the parties with respect to its subject matter and supersedes any and all prior negotiations, understandings and agreements between the parties, subject to Section 10.03. This Agreement may not be amended or modified in any respect except by written agreement signed by both parties. No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the party to be bound thereby.

Section 1.04 Governing Law

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

Section 1.05 Singular, Plural and Gender

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

Section 1.06 Certain Words

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

Section 1.07 Headings, Section References and Recitals

The headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation hereof. Unless otherwise expressly indicated in this Agreement, any reference which is made in this Agreement to a "Section" means and refers to the Section of this Agreement so referenced. The recitals to this Agreement form an integral part of this Agreement and are incorporated into this Agreement by reference.

Section 1.08 Schedules and Exhibits

The parties hereby agree that disclosure made in a Schedule to this Agreement shall be deemed to be disclosure made in all other Schedules to this Agreement. The following are the Schedules and Exhibits attached to and incorporated in this Agreement by reference and deemed to be a part hereof:

Schedule 1	-	Real Property
Schedule 2	-	Allocation of Asset Purchase Price
Schedule 3	-	List of Agents' Liens
Schedule 4	-	List of Permitted Encumbrances
Schedule 5	-	List of Footner Mill Operating Costs
Schedule 6	-	Prepaid Expenses
Exhibit A	-	Form of Approval and Vesting Order
Exhibit B	-	Form of Alberta Recognition Order
Exhibit C	-	Form of Asset Promissory Note

Exhibit D - Form of Share Promissory Note

ARTICLE 2
APPROVAL AND VESTING ORDER

Section 2.01 Court Order Required

Each of the parties acknowledges that this Agreement contains conditions that, prior to the Time of Closing, the Approval and Vesting Order shall have been granted (which condition is not capable of waiver) and the Approval and Vesting Order shall have become a Final Order.

ARTICLE 3
PURCHASE AND SALE OF PURCHASED ASSETS

Section 3.01 Purchase and Sale of Purchased Assets

Subject to the provisions of this Agreement, Grant hereby agrees to sell, assign and transfer to Footner, and Footner hereby agrees to purchase from Grant, in each case at the Time of Closing, all of the right, title and interest of Grant in and to the following assets and property (collectively, the "**Purchased Assets**"):

(a) the Real Property and all buildings and improvements thereto located on the Real Property;

(b) the Machinery and Equipment;

(c) the Insurance Policies;

(d) the Contracts;

(e) the Books and Records;

(f) all current assets of Footner (including Footner's accounts receivable, inventory and cash balances);

(g) the full benefit of prepaid expenses of the Footner Mill and all deposits made by Footner with any public utility, lessor under any personal property lease or Governmental Authority;

(h) all motor vehicles and other mobile equipment registered in Alberta (including all trucks, vans, cars and forklifts) and owned or used or held by Grant solely for use in or relating to the Footner Mill;

(i) the goodwill of the Footner Mill and relating to the Purchased Assets, and information and documents located on the Real Property on Closing relevant thereto including lists of customers and suppliers, credit information, telephone and facsimile numbers, research materials, research and development files and confidential information and to all rights in respect of the name "Footner" and any variations of such name;

(j) the permits, licences, approvals and authorizations (including environmental permits), which Grant holds for the Footner Mill from any Governmental Authority;

(k) any claims, refunds, causes of action, rights of recovery, rights of set-off and rights of recoupment related to the Footner Mill or any of the Purchased Assets, and the interest of Grant in any litigation and in the proceeds of any judgement, order or decree in each case issued or made in respect of the Footner Mill in respect of occurrences, events, accidents or losses suffered prior to the Time of Closing relating to the Footner Mill (other than those of Grant against Ainsworth or Footner pursuant to or in respect of this Agreement, any agreement delivered to Grant pursuant to or in respect of this Agreement or the transactions contemplated in this Agreement);

(l) all warranty rights against manufacturers, builders, contractors or suppliers relating to any of the Purchased Assets, to the extent the foregoing are transferable; and

(m) any other assets comprising the Footner Mill;

free and clear of all encumbrances except for Permitted Encumbrances.

Section 3.02 Excluded Assets

Notwithstanding anything to the contrary in this Agreement, all assets of Grant other than the Purchased Assets (the "**Excluded Assets**"), shall not form part of the purchase and sale contemplated hereunder and shall remain the property of Grant after Closing. For greater certainty, other than with respect to any Contracts that are assigned to Footner in accordance herewith, neither Ainsworth nor Footner shall assume or be obligated to pay, perform or discharge any of Grant's debts, liabilities or obligations of any kind whatsoever.

Section 3.03 Purchase and Sale of the Shares

Subject to the provisions of this Agreement, Grant hereby agrees to sell, assign and transfer to Footner, and Footner hereby agrees to purchase from Grant for cancellation immediately following the purchase and sale of the Purchased Assets as described in Section 3.01, all of the right, title and interest of Grant in and to the Shares.

Grant acknowledges that all amounts paid by Grant to Footner were contributions in respect of Grant's share of the costs incurred by Footner, that any amounts showing in the accounting records as owing by Footner to Grant were recorded in error, and that as of the date hereof and the Closing Date, Footner does not have and will not have any obligation to pay any amount to Grant other than amounts owing under this Agreement or notes delivered hereunder.

Section 3.04 As Is, Where Is

Each of Footner and Ainsworth acknowledges that Grant is selling the Purchased Assets and the Shares on an "as is, where is" basis as they shall exist on the Closing Date. Each of Footner and Ainsworth further acknowledges that it will conduct such inspections of the condition of and title to the Purchased Assets as it deems appropriate and that it will satisfy itself with regard to these matters. No representation, warranty or condition is expressed or implied pursuant to this Agreement, any schedule to this Agreement (including any list of any Purchased Assets) or otherwise as to title, encumbrances, description, fitness for purpose, merchantability, condition, assignability, collectability, quantity, outstanding amount, value or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the Shares or the right of Grant to sell any Purchased Assets or the Shares, except as expressly represented or warranted in this Agreement. Without limiting the generality of the foregoing, any and all conditions, warranties or representations by Grant expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation in any other jurisdiction shall not apply hereto and are hereby waived by Footner and Ainsworth.

ARTICLE 4
PURCHASE PRICE OF THE PURCHASED ASSETS AND SHARES

Section 4.01 Purchase Price for the Purchased Assets

The purchase price (the "**Asset Purchase Price**") for the Purchased Assets shall be $20,000,000 and there shall be no adjustment to the Asset Purchase Price.

Section 4.02 Purchase Price for the Shares

The purchase price (the "**Share Purchase Price**") for the Shares shall be $1.00 and there shall be no adjustment to the Share Purchase Price.

Section 4.03 Footner Payment of Purchase Price

(a) Footner shall pay the Asset Purchase Price plus Transfer Taxes required to be paid to Grant in accordance with Section 4.06 by the delivery to Grant of a demand promissory note in favour of Grant in the amount of the Asset Purchase Price in the form set forth on Exhibit C (the "**Asset Promissory Note**"); and

(b) Footner shall pay the Share Purchase Price by way of delivery to Grant of a demand promissory note in favour of Grant in the amount of the Share Purchase Price in the form set forth on Exhibit D (the "**Share Promissory Note**").

Section 4.04 Ainsworth Investment in Footner

Ainsworth hereby agrees that immediately following delivery of the Asset Promissory Note and the Share Promissory Note by Footner to Grant, Ainsworth will loan $20,000,000 (plus the amount of the Transfer Taxes required to be paid to Grant in accordance with Section 4.06) plus the Share Purchase Price to Footner (the "**Investment**"). Upon receipt of the Investment, Footner shall repay both the Asset Promissory Note and the Share Promissory Note forthwith by certified cheque, bank draft or wire transfer of immediately available funds to an account specified by the Monitor (or as the Monitor may otherwise direct in writing). All documents delivered pursuant to this Agreement on Closing shall be held in escrow until the Monitor delivers the Monitor's Certificate (as defined in the Approval and Vesting Order) confirming that the Monitor has received such funds and that Closing shall have occurred upon delivery of the Monitor's Certificate to the parties.

Section 4.05 Allocation of Purchase Price

Grant and Footner hereby agree to allocate the Asset Purchase Price among the Purchased Assets in accordance with Schedule 2 hereto. Grant and Footner shall report the sale and purchase of the Asset Purchased Assets for all Tax purposes in a manner consistent with such allocation.

Section 4.06 Transfer Taxes

Footner shall pay all Transfer Taxes exigible in connection with the transactions contemplated hereunder as required by Applicable Law. Footner shall pay to Grant at the Time of Closing all applicable GST payable in connection with the transfer of the Purchased Assets to Footner. Notwithstanding the foregoing, Footner shall be liable for and will remit directly to the Receiver General of Canada (and not to Grant) the applicable GST payable in respect of the Real Property, including fixtures, in the time and the manner prescribed by the GST Legislation.

Footner shall deliver to Grant on Closing:

(a) a statutory declaration by an officer of Footner specifying Footner's GST registration number and confirming that the Real Property (including fixtures) is being purchased by Footner as principal for its own account; and

(b) an undertaking by Footner to self assess in respect of the GST payable on the amount of the Asset Purchase Price allocable to the Real Property (including fixtures) and an indemnity by Footner indemnifying Grant in respect of such GST and all interest and penalties payable with respect thereto.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

Section 5.01 Grant's Representations

Grant hereby represents and warrants to Ainsworth and Footner that:

(a) Grant is a corporation duly incorporated and validly subsisting under the laws of the Province of Ontario;

(b) subject to the issuance of the Approval and Vesting Order, Grant has the requisite power and authority to enter into this Agreement and to complete the transactions contemplated hereunder;

(c) Grant is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada); and

(d) Grant is registered for purposes of the GST Legislation and its registration number is 87286 1265 RT0001 and such registration shall be in full force and effect on Closing.

Section 5.02 Ainsworth's Representations

Ainsworth hereby represents and warrants to Grant and Footner that:

(a) Ainsworth is a corporation duly incorporated and validly subsisting under the federal laws of Canada and has the requisite power and authority to enter into this Agreement and to complete the transactions herein contemplated hereunder;

(b) Ainsworth has taken all necessary corporate action to authorize the entering into and performance by it of this Agreement; and

(c) Ainsworth is not a non-Canadian within the meaning of the *Investment Canada Act*.

Section 5.03 Footner's Representations

Footner hereby represents and warrants to Grant and Ainsworth that:

(a) Footner is a corporation duly incorporated and validly subsisting under the laws of Alberta and has the requisite power and authority to enter into this Agreement and to complete the transactions herein contemplated hereunder;

(b) Footner has taken all necessary corporate action to authorize the entering into and performance by it of this Agreement;

(c) Footner is registered for purposes of the GST Legislation and its registration number is 89304 9080 RT0001 and such registration shall be in full force and effect on Closing; and

(d) Footner is not a non-Canadian within the meaning of the *Investment Canada Act*.

ARTICLE 6
COVENANTS

Section 6.01 Approval and Vesting Order

Grant shall seek to obtain an Order from the CCAA Court substantially in the form attached as Exhibit A hereto (the "**Approval and Vesting Order**") that, *inter alia*:

(a) approves this Agreement and the sale by Grant to Footner of the Purchased Assets and Shares subject to and in accordance with the provisions of this Agreement;

(b) vests absolute, clear and unencumbered title to the Purchased Assets and the Shares in Footner free and clear of any and all liens (including the Agents' Liens), claims, charges, demands, adverse claims, title retention agreements, security interests, pledges, hypothecations, mortgages and encumbrances of any and every nature and kind whatsoever, except only the Permitted Encumbrances; and

(c) exempts the transactions contemplated by this Agreement from compliance with all applicable bulk sales legislation and dispenses with any notice requirements thereunder.

Grant shall prepare all materials for and shall apply to the CCAA Court for the Approval and Vesting Order. Written notification of the motion shall be given to Ainsworth and such other persons as shall be agreed upon by Grant and Ainsworth. Grant shall diligently pursue such motion and shall promptly notify Ainsworth of its disposition.

Section 6.02 Alberta Recognition Order

Grant shall, promptly following the issuance of the Approval and Vesting Order, seek to obtain an Order from the Alberta Court of Queen's Bench substantially in the form attached as Exhibit B (the "**Alberta Recognition Order**") that, *inter alia*, recognizes and gives full force and effect to the Approval and Vesting Order on Closing.

Grant shall prepare all materials for and shall apply to the Alberta Court of Queen's Bench for the Alberta Recognition Order. Written notification of the motion shall be given to Ainsworth and such other persons as shall be agreed upon by Grant and Ainsworth. Grant shall diligently pursue such motion and shall promptly notify Ainsworth of its disposition.

Section 6.03 Co-operation of Footner and Ainsworth

Each of Footner and Ainsworth, at its own expense, shall promptly provide to Grant all such information and assistance within its power as Grant may reasonably require to obtain the Approval and the Vesting Order and the Alberta Recognition Order including such information as may be required to reasonably evaluate each of Footner's and Ainsworth's financial ability to perform its obligations hereunder.

Section 6.04 Consents and Approvals

At the written request of Footner and Ainsworth, Grant shall use commercially reasonable efforts to assist Footner and Ainsworth in seeking all consents, approvals or authorizations required in connection with the transactions contemplated by this Agreement. Grant shall not approach any person with respect to consents, approvals or authorizations without the prior written request of Footner and Ainsworth. Nothing herein shall obligate Grant to pay any fee or other amount to any third party to obtain any such consent, approval or authorization.

Section 6.05 Maintenance of Books and Records; Access after Closing

Each of Footner and Ainsworth shall use its commercially reasonable efforts to retain all of the Books and Records relating to any period ending on or prior to the Closing Date for a period of six years following the Closing Date. At any time during such six-year period, Grant and its Representatives shall have reasonable access thereto in connection with the affairs of Grant but Ainsworth shall not be responsible or liable to Grant for or as a result of any unintentional loss or destruction of or damage to any of such Books and Records.

Section 6.06 Footner Information and Books and Records

Footner and its employees shall provide to Grant information and access to Footner's books and records, and to otherwise co-operate with Grant to facilitate the preparation of the statement of adjustments and to facilitate the completion of the transaction contemplated by this Agreement.

Section 6.07 Footner's Assumption of Contracts on Closing

Footner hereby assumes, on Closing, any of Grant's obligations under all Contracts and agrees with Grant on and after Closing to pay or perform all obligations of Grant, if any, pursuant to each of such Contracts. Footner hereby agrees on and after Closing to indemnify Grant and save Grant harmless from any and all costs, damages or other amounts now or hereafter claimed against Grant or incurred, suffered, paid or payable by Grant as a result, or in respect of Footner's failure to pay or perform any of Grant's obligations under any Contract or Contracts.

Section 6.08 Non-Solicitation

(a) On the date this Agreement is executed, Grant shall immediately cease and cause to be terminated any existing discussions, solicitations, initiations, encouragements and negotiations, if any, by Grant or the Grant Representatives (as defined below) with any person (other than Ainsworth or Footner) conducted on or before the date of this Agreement by Grant, Stonecrest Capital Inc. or any of their respective officers, directors, employees, legal counsel, representatives or agents ("**Grant Representatives**") with respect to any actual or potential offer to acquire all or a portion of Grant's interest in Footner or the Footner Mill (an "**Alternative Transaction**"). In connection therewith, Grant and the Grant Representatives will terminate access for all persons to any data room containing information on Footner or the Footner Mill and cease to provide any access to information concerning Footner or the Footner Mill.

(b) After the date this Agreement is executed, Grant will not and will not authorize or permit any Grant Representatives to, directly or indirectly:

(i) solicit, assist, initiate, or knowingly encourage or otherwise facilitate any inquiries, proposals, offers or expressions of interest regarding any actual or potential Alternative Transaction;

(ii) engage in any discussions or negotiations regarding any actual or potential Alternative Transaction or accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Alternative Transaction;

(iii) furnish or provide access to any information concerning Footner, the Footner Mill, or Footner's business, properties or assets to any person in connection with or that could reasonably be expected to lead to or facilitate, an Alternative Transaction;

(iv) accept, approve or recommend, or remain neutral with respect to, or propose publicly to accept, approve or recommend, or remain neutral with respect to, any Alternative Transaction; or

(v) waive any provision of or release or terminate any standstill provisions contained in any confidentiality, non disclosure, standstill or other agreements relating to any actual or potential Alternative Transaction, or amend any such agreement or consent to the making of an Alternative Transaction in accordance with the terms of such agreement.

(c) Grant acknowledges and agrees that Ainsworth would not have an adequate remedy at law and may be irreparably harmed in the event that any of the provisions of this Agreement were not performed by Grant and the Grant Representatives in accordance with their specific terms or were otherwise breached by Grant or the Grant Representatives. Accordingly, Grant acknowledges and agrees that Ainsworth shall be entitled to injunctive relief to prevent breaches of this Agreement and to specific performance of the terms and conditions of this Agreement in addition to any other remedy to which Ainsworth may be entitled at law or in equity. Grant hereby waives any requirement for the posting of any bond or other security in connection with the obtaining of any injunctive or other equitable relief. Grant hereby agrees not to plead sufficiency of damages as a defence in the proceeding for such injunctive relief or specific performance brought by Ainsworth and/or Footner.

ARTICLE 7
CONDITIONS

Section 7.01 Conditions for the Benefit of Footner and Ainsworth

The obligations of Footner and Ainsworth to complete the transactions contemplated by this Agreement are subject to the following conditions being fulfilled or performed, at or prior to the Time of Closing:

(a) all representations and warranties of Grant contained in this Agreement shall be true and correct as at the Time of Closing with the same force and effect as if made at and as of such time, and Grant shall have delivered to Footner and Ainsworth a certificate to that effect (provided that acceptance of such evidence and completion of the transactions contemplated hereunder shall not be a waiver of such representations and warranties);

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

(c) Grant shall have delivered the items referred to in Section 9.02 in escrow pending Closing;

(d) the CCAA Court shall have granted the Approval and Vesting Order;

(e) the Approval and Vesting Order (as granted by the CCAA Court) shall be substantially in the form of Exhibit A hereto, or otherwise in form and in substance satisfactory to Footner and Ainsworth acting reasonably;

(f) the Approval and Vesting Order shall have become a Final Order;

(g) all materials filed by Grant with the CCAA Court and/or the Alberta Court of Queen's Bench in connection with the Approval and Vesting Oder, the Alberta Recognition Order, or the transactions contemplated herein shall be in form and in substance satisfactory to Footner and Ainsworth acting reasonably;

(h) no injunction or other Order shall have been issued to enjoin, restrict or prohibit any of the transactions contemplated by this Agreement; and

(i) the letter dated December 7, 2010 from the Minister of Sustainable Resource Development in the Province of Alberta relating to the transactions contemplated by this Agreement shall not have been rescinded or withdrawn.

The foregoing conditions are for the exclusive benefit of Footner and Ainsworth and any of the foregoing conditions, other than the conditions specified in Section 7.01(d) and Section 7.01(h), may be waived by Ainsworth alone in whole or in part. Any such waiver shall be binding on Footner and Ainsworth only if it is made in writing.

Section 7.02 Conditions for the Benefit of Grant

The obligations of Grant to complete the transactions contemplated by this Agreement are subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

(a) all representations and warranties of Footner and Ainsworth contained in this Agreement shall be true and correct as at the Time of Closing with the same force and effect as if made at and as of such time, and Footner and Ainsworth shall have each delivered to Grant a certificate to that effect (provided that acceptance of such evidence and the completion of the transactions contemplated hereunder shall not be a waiver of such representations and warranties);

(b) Footner and Ainsworth shall each have complied with and performed all of its covenants and obligations contained in this Agreement;

(c) Ainsworth or Footner shall have delivered to Grant the items and paid the amounts referred to in Section 9.03;

(d) Ainsworth shall have paid the amount of the Investment to be made after completion of the transactions contemplated in Section 3.01 and Section 3.03 to Goodmans LLP, in trust, and Ainsworth shall have authorized in writing Goodmans LLP to release such funds to Footner subject only to the completion of the transactions contemplated by Section 3.01 and Section 3.03; and Footner shall in writing have directed Goodmans LLP to advance such funds to the Monitor in repayment of the Asset Promissory Note and the Share Promissory Note;

(e) the CCAA Court shall have granted the Approval and Vesting Order; and

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

The foregoing conditions are for the exclusive benefit of Grant and, subject to Section 2.01, any of the foregoing conditions, other than the conditions specified in Section 7.02(e) and Section 7.02(f), may be waived by Grant in whole or in part. Any such waiver shall be binding on Grant only if it is made in writing.

Section 7.03 Non-Satisfaction of Conditions

If any condition set out in Section 7.01 (other than the conditions specified in Section 7.01(d) and Section 7.01(h)) or Section 7.02 (other than the conditions specified in Section 7.02(e)and Section 7.02(f)) is not satisfied or performed prior to the Time of Closing, the party for whose benefit the condition is inserted may in writing, waive compliance with the condition in whole or in part in its sole discretion by notice to the other parties (if such condition is waivable pursuant to the provisions of this Agreement) and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part.

Section 7.04 Postponement of Closing Date

If any of the conditions described in Section 7.01(f), Section 7.01(h), Section 7.01(i) or Section 7.02(f) have not been satisfied or waived by February 17, 2011, any of the parties may choose to provide the other parties with written notice of an extension of the Closing Date to a date specified in such notice which may not be later than the Outside Date. In the event more than one party delivers a notice of extension as described above, the latest date chosen shall become the new Closing Date. Such new Closing Date may be further extended using the same procedures described above successively provided that the Closing Date may be no later than the Outside Date.

Section 7.05 Postponement of Closing Date in respect of the Condition referred to in Section 7.01(i)

If, on February 17, 2011, all of the conditions described in Section 7.01 and Section 7.02 have been satisfied or waived other than the condition referred to in Section 7.01(i) and the parties hereto extend the Closing Date to provide further time to satisfy or waive such condition(the "**Extended Closing Date**") then, if the Closing occurs:

(a) Grant shall not, despite Section 9.04 or any other provisions of this Agreement or any other agreement, be responsible for or liable to pay its 50% share of the Footner Mill Operating Costs accruing from February 17, 2011 to and including the Extended Closing Date; and

(b) The statement of adjustments referred to in Section 9.04 shall reflect the foregoing.

For greater certainty, the foregoing shall not apply if the Closing does not occur, in which case Grant shall forthwith reimburse Ainsworth or pay to Footner, as the case may be, for Grant's

50% share of all of the Footner Mill Operating Costs accruing from February 17, 2011 to the date that this Agreement is terminated by any party. Despite any other provision of this Agreement, if the Closing does not occur, nothing in this Agreement shall obligate Grant to pay any of the Woodland Contractor Amounts or to reimburse Footner or Ainsworth therefor.

ARTICLE 8
TERMINATION

Section 8.01 Termination

This Agreement may be terminated at any time prior to Closing as follows:

(a) by mutual written consent of Grant, Footner and Ainsworth;

(b) by any of Grant, Footner or Ainsworth in the event that the Approval and Vesting Order has not been granted on or before January 15, 2011;

(c) by any of Grant, Footner or Ainsworth if the Closing has not occurred by February 17, 2011 and the Closing Date has not been extended pursuant to Section 7.04; or

(d) by any of Grant, Footner or Ainsworth if Closing has not occurred on or before the Outside Date.

Section 8.02 Effect of Termination

In the event of termination of this Agreement pursuant to Section 8.01, (a) nothing herein shall relieve any party from liability for any breach of this Agreement, (b) no party hereto shall be under any further obligation to the other to complete the transactions contemplated by this Agreement and (c) each party hereto shall be released of all of its obligations hereunder, other than as set forth in Section 10.01, Section 10.03 and Section 10.05.

ARTICLE 9
CLOSING

Section 9.01 Closing Date and Place of Closing

The transactions contemplated by this Agreement shall close and be completed at the Time of Closing on the Closing Date. The completion of the transactions contemplated hereunder shall take place at the Toronto offices of Fraser Milner Casgrain LLP or such other location as the parties may agree in writing.

Section 9.02 Deliveries on Closing by Grant

Grant shall deliver to Footner and Ainsworth at the Time of Closing:

(a) the certificate by Grant referred to in Section 7.01(a);

(b) copies of the Approval and Vesting Order and, if granted, the Alberta Recognition Order;

(c) the share certificate evidencing the Shares issued to Grant (and endorsed by Grant in favour of Footner or a power of attorney signed by Grant with respect thereto);

(d) if required by Ainsworth, an assignment by Grant in respect of the Contracts;

(e) the statement of adjustments and any payments required to be made by Grant by certified cheque or wire transfer payable to Ainsworth pursuant to the first or second paragraphs of Section 9.04; and

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

Section 9.03 Deliveries and Payments on Closing by Footner

Footner shall deliver to Grant the following documents at the Time of Closing:

(a) the Asset Promissory Note and the Share Promissory Note required to be delivered by Footner in accordance with Section 4.03 and copies of the authorizations and directions referred to in Section 7.02(d);

(b) the certificates by Footner and Ainsworth referred to in Section 7.02(a);

(c) to the extent required by Grant, an undertaking and indemnity by Footner with respect to the Contracts assigned by Grant to Footner hereunder;

(d) the statutory declaration, undertaking and indemnity referred to in Section 4.06;

(e) the statement of adjustments and any payments by Ainsworth by certified cheque or wire transfer payable to Grant required pursuant to the first or second paragraphs of Section 9.04; and

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

Section 9.04 Grant's Share of Payment of Footner Mill Operating Costs

Each of Grant and Ainsworth shall, subject to the following, continue to pay its 50% share of the Footner Mill Operating Costs accruing prior to the Closing Date. Grant shall not be liable to pay any of the Footner Mill Operating Costs accruing on or after the Closing Date.

Footner, Ainsworth and Grant shall, prior to Closing, prepare an estimated statement of adjustments satisfactory to each of them with respect to Grant's 50% share of the Footner Mill Operating Costs to reflect the foregoing to the Time of Closing. The statement of adjustments shall include a credit to Grant (and not to Ainsworth) for the prepaid Footner Mill Operating Costs listed on Schedule 6, using the calculation methodology set forth on Schedule 6 (which assumes a Closing Date of February 17, 2011). To the extent any additional Footner Mill Operating Costs listed on Schedule 6 are required to be paid prior to Closing, Grant shall pay

50% of such new prepaid expenses, which shall then be included as a credit to Grant in the statement of adjustment at Closing. Any prepaid Footner Mill Operating Costs not listed on Schedule 6 which are required to be paid after execution of this Agreement but before Closing shall not be paid by Grant without the consent of Ainsworth, provided that if Ainsworth so consents, Grant shall pay 50% of such amount and such payment shall be credited to Grant on the statement of adjustments at Closing in addition to those listed on Schedule 6. Any property taxes accrued monthly for periods up to Closing but to be paid after Closing shall be reflected as a credit to Ainsworth on the statement of adjustments. On Closing, Grant shall pay to Ainsworth or Ainsworth shall pay to Grant by certified cheque or wire transfer the net amount owing to Ainsworth or to Grant respectively as shown by such statement of adjustments.

The parties shall re-adjust, after Closing, if necessary, each of the applicable items referred to in such statement of adjustments based on actual Footner Mill Operating Costs to Closing and pay any amounts owing within 10 Business Days of delivery of such statement of re-adjustments. The parties shall arrange for any applicable public utilities meters to be read on the Closing Date. Grant shall pay its 50% share of the public utilities charges included in the Footner Mill Operating Costs incurred prior to the Closing Date and Footner shall pay all such amounts incurred on or after the Closing Date. For greater certainty, Footner shall have the exclusive benefit of any and all tax refunds that Footner is entitled to receive from and after Closing, regardless of whether such refunds pertain to the period before or after Closing.

The parties agree that included in Footner Mill Operating Costs are amounts allegedly owing by Footner to woodland contractors as described in the Footner briefing note dated May 3, 2010 by Jason Kofluk to Bob Fleet (Grant Forest Products) and Terry Brennan (Ainsworth) (the "**Woodland Contractor Amounts**"). The parties agree that Grant shall, on and after Closing, be responsible for 50% of all amounts paid by Footner to the woodland contractors to a maximum payment by Grant of $120,355 of the Woodland Contractor Amounts. Such amounts shall be paid by the Monitor on behalf of Grant from the amount of $120,355 placed with the Monitor pursuant to the next sentence within five Business Days of written notice from Footner that amounts of Woodland Contractor Amounts have been paid to such contractors, whether before or after Closing and specifying the total amount paid. On Closing, Grant shall place $120,355 (less any amount paid on account of the Woodland Contractor Amounts prior to Closing) in a segregated account in the name of the Monitor to cover payment of these amounts after Closing. Any amount remaining in such account on June 1, 2011 shall be paid by the Monitor to Grant or its creditors.

Section 9.05 Appeal Periods

The parties shall not, unless otherwise agreed in writing, proceed with the transactions referred to in this Agreement until the expiry of any applicable appeal period or appeal periods relating to the Approval and Vesting Order, and, if granted, the Alberta Recognition Order.

Section 9.06 Risk and Insurance

The risk of loss of the Purchased Assets shall remain with Grant until Closing. In the event there is any material loss or material damage to any Purchased Assets occurring between the date of this Agreement and the Closing Date, Footner may terminate this Agreement or complete its purchase of the Purchased Assets without any reduction of the Asset Purchase Price and be entitled, after such completion, to receive all insurance proceeds payable with respect to such loss or damage.

Section 9.07 Possession

Footner shall be entitled to possession of the Purchased Assets on and after Closing.

ARTICLE 10
MISCELLANEOUS

Section 10.01 Confidentiality

(a) If, for any reason, the transactions contemplated by this Agreement are not completed, Footner and Ainsworth for themselves and on behalf of each of their respective affiliates, directors, officers, employees and agents, hereby agrees to keep confidential and to refrain from using any information concerning the business and affairs of Grant (other than information relating to the Footner Mill or Footner), which it may have acquired in connection with the tra nsactions contemplated by this Agreement and in addition, shall return all records or documents, including computer tapes and other forms of electronic media received from Grant. Footner's and Ainsworth's obligations in this respect shall not apply to any information which:

(i) is in the public domain at the time of its disclosure to Ainsworth ;

(ii) subsequently comes into the public domain without breach by Footner or Ainsworth; or

(iii) Footner or Ainsworth can show was:

(A) in its possession prior to its disclosure to Footner or Ainsworth in connection with this transaction; or

(B) independently developed by or on behalf of Footner or Ainsworth.

(b) After Closing, Grant shall, and shall cause its subsidiaries which it controls to, maintain the confidentiality of all information and records relating to Footner and the Footner Mill, except any information and records that are shown on Grant's electronic data site with respect to Footner prior to the date hereof or that were delivered or are hereafter required to be delivered to the Monitor and except any disclosure of such information and records as may be required by Applicable Law.

Section 10.02 Mutual Release Effective at Closing

Effective only at Closing but subject to Section 10.07, Footner and Ainsworth, on the one hand, and Grant, on the other hand, hereby fully and finally release and forever discharge each other and their respective successors, assigns, employees, officers, directors and agents, both past and present, of and from any and all actions, causes of action, claims, suits, demands, debts, accounts, proceedings, damages and losses of any nature whatsoever, by reason of any cause, matter or thing whatsoever relating to Footner, the Footner Mill or the MOU. Each of Footner, Ainsworth and Grant covenants and agrees, upon and following Closing but subject to Section 10.07, not to make or cause to be initiated any claims (expressly including any cross-claim, counterclaim, third party action or application) against any other person or corporation who might claim contribution or indemnity against the persons or corporations discharged by the mutual release set forth in the immediately preceding sentence.

Section 10.03 Status Quo for Parties' Positions Relating to MOU

Given Grant's desire to sell the Purchased Assets and the Shares and the rights that Ainsworth or Grant claim under the MOU relating to transfers of interests in Footner and the Footner Mill, the parties agree that the transactions contemplated by this Agreement are being undertaken pursuant to and in accordance with the MOU. Notwithstanding the foregoing, the parties agree that this Agreement shall not be referred to, filed as evidence, relied upon or otherwise used in any litigation, arbitration or other proceeding of any kind in connection with the MOU or the purported repudiation by Grant of the MOU, and is without prejudice to the parties' positions and rights with respect to the status of the MOU.

Section 10.04 Termination of Agreements

The parties agree that this Agreement shall not constitute an offer under Section 8 of the MOU or any other agreement which may exist between the parties, nor is the execution of this Agreement a waiver of either parties' respective rights, if any, under the MOU. Effective only at Closing , Ainsworth, Footner and Grant agree that all agreements signed on or before the date of this Agreement between Ainsworth and Grant or among Ainsworth, Grant and Footner in respect of the Footner Mill, including the MOU, shall terminate.

Section 10.05 Public Notices

Ainsworth shall issue a press release announcing the execution and delivery of this Agreement and another press release announcing Closing provided each is approved by the Monitor, acting reasonably, in writing. No other press release or other public announcement concerning the transactions contemplated by this Agreement shall be made by Grant, Footner or Ainsworth without the prior consent of the others (such consent not to be unreasonably withheld) provided, however, that any party may, without such consent, make such disclosure if the same is required by Applicable Law or by any stock exchange on which any of the securities of such party are listed or by any court or securities commission or other similar regulatory authority having jurisdiction over such party, and, if such disclosure is required, the party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure.

Section 10.06 Further Assurances

Each of the parties hereto after the Time of Closing shall, from time to time, and at the request and expense of the party requesting the same, do all such further acts and things and execute and deliver such further instruments, documents, matters, papers and assurances as may be reasonably requested for more effectually carrying out the true intent and meaning of this Agreement.

Section 10.07 Certain Obligations to Survive Closing

Notwithstanding the completion of the transactions contemplated hereunder or the delivery of documents pursuant to this Agreement, the obligations and covenants of the parties set out in Section 4.05, Section 4.06, Section 6.05, Section 9.04, Section 10.01, Section 10.02, Section 10.03, Section 10.04 and Section 10.05 shall survive such completion and delivery, remain in full force and effect, and not merge on Closing. All other obligations and covenants of the parties hereto shall terminate on Closing.

Section 10.08 No Assignment

None of the parties shall, without the prior written consent of the other parties, assign any right or interest in this Agreement.

Section 10.09 Time of the Essence

Time shall be of the essence of this Agreement.

Section 10.10 Costs and Expenses

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

Section 10.11 Notices

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

(a) in the case of Grant:

Grant Forest Products Inc.
c/o Stonecrest Capital Inc.
Suite 3130, Royal Trust Tower
77 King Street West
P.O. Box 33, Toronto-Dominion Centre
Toronto, ON M4K 1B7

Attention: Ms. Sandra Rosch
Facsimile No.: 416.364.7275
E-mail: srosch@stonecrestcapital.com

with a copy to the Monitor at the following address

Ernst & Young Tower,
222 Bay Street, P. O. Box 251,
Toronto, ON M5K 1J7

Attention: Alex Morrison
Facsimile No.: 416-943-3365
E-mail: Alex.Morrison@ca.ey.com

(b) in the case of Footner or Ainsworth:

c/o Ainsworth Lumber Co. Ltd.
Suite 3194
Bentall 4
P.O. Box 49307
1055 Dunsmuir Street
Vancouver, BC V7X 1L3

Attention: Mr. Rick Huff
Facsimile No.: 604-661-3275
E-mail: rick.huff@ainsworth.ca

with a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Attention: Tim Heeney/Rob Chadwick
Facsimile No: 416.979.1234
Emails: theeney@goodmans.ca
rchadwick@goodmans.ca

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

Section 10.12 Successors and Assigns

This Agreement shall be binding on, and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 10.13 Facsimile or PDF Execution and Counterparts

This Agreement may be executed by facsimile or pdf and in two counterparts with the same effect as if all parties had signed the same document, and both counterparts shall constitute one and the same agreement.

Section 10.14 No Claim by Footner or Ainsworth to Funds held by the Monitor

Despite any other provision of this Agreement, Footner and Ainsworth shall not make or have any claim to or against any amount paid by it to the Monitor hereunder and Footner and Ainsworth shall not take any step to prevent or delay the distribution by the Monitor of any such funds to the applicable creditors of Grant in accordance with an Order or Orders of the CCAA Court.

Section 10.15 Third Party Beneficiaries

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

Section 10.16 Performance of Footner's Obligations

Neither Ainsworth nor Grant shall do anything to prevent Footner from fulfilling in a timely manner all of Footner's obligations pursuant to this Agreement, and each of Ainsworth and Grant shall sign any documents necessary as shareholders of Footner to cause Footner to perform its obligations under this Agreement.

[Signature page follows]

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

AINSWORTH LUMBER CO. LTD.

Per: ______________________
Name: RICK HUFF
Title: CEO

Per: ______________________
Name: CHRIS DAVIES
Title: CFO

GRANT FOREST PRODUCTS INC.
by its Chief Restructuring Organization,
STONECREST CAPITAL INC.

Per: ______________________
Name:
Title:

FOOTNER FOREST PRODUCTS LTD.

Per: ______________________
Name: Rick Huff
Title: Authorized Signatory

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

AINSWORTH LUMBER CO. LTD.

Per: ______________________________
Name:
Title:

Per: ______________________________
Name:
Title:

GRANT FOREST PRODUCTS INC.
by its Chief Restructuring Organization,
STONECREST CAPITAL INC.

Per: ______________________________
Name: Sandra Rosch
Title: President, Stonecrest Capital Inc.

FOOTNER FOREST PRODUCTS LTD.

Per: ______________________________
Name: Rick Huff
Title: Authorized Signatory

Schedule 1
Real Property

Plan 0021068

Lot 2

Excepting throughout all mines and minerals

Municipal District of MacKenzie, Alberta

Title Number 002 297 266

Schedule 3
List of Agents' Liens

All security interests and charges granted by Grant to The Toronto-Dominion Bank, as Agent, or to Toronto Dominion (Texas) LLC, as Agent, in any Purchased Assets, financing statement in respect of which were filed under the *Personal Property Security Act* (Alberta) as follows:

1. Financing statement filed October 21, 2005 with registration number 05102128385 in favour of The Toronto-Dominion Bank, as Agent

2. Financing statement filed October 21, 2005 with registration number 05102128435 in favour of The Toronto-Dominion Bank, as Agent

3. Financing statement filed March 13, 2007 with registration number 07031207890 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon

4. Financing statement filed March 13, 2007 with registration number 07031307999 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon

5. Financing statement filed March 19, 2007 with registration number 07031934974 in favour of The Toronto-Dominion Bank, as Agent

6. Financing statement filed March 19, 2007 with registration number 07031935021 in favour of The Toronto-Dominion Bank, as Agent

7. Financing statement filed March 19, 2007 with registration number 07031935088 in favour of Toronto Dominion (Texas) LLC, as Agent

8. Financing statement filed March 19, 2007 with registration number 07031935096 in favour of Toronto Dominion (Texas) LLC, as Agent

9. Financing statement filed March 19, 2007 with registration number 07031935138 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon

10. Financing statement filed March 19, 2007 with registration number 07031935179 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon

11. Financing statement filed March 19, 2007 with registration number 07031935252 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon

12. Financing statement filed March 19, 2007 with registration number 07031935286 in favour of The Toronto-Dominion Bank, as Collateral Agent and now held by The Bank of New York Mellon

Schedule 5

List of Footner Mill Operating Costs

1. Electricity Cost
2. Natural Gas Cost
3. Diesel and Propane Gas Cost
4. Salaries
5. Outside Services

    Snow Removal
    Water Level Control
    Vegetation Control

6. Contract Services

    Forklift Rentals
    Sweeper
    Vehicle Allowance
    Garbage Bins
    Rental Heaters
    Pumps
    Misc.
    Environmental
    Parts and Inputs

7. Administration

    Property Taxes
    Insurance – HKMB
    Insurance – FM Global
    Rental Allowance
    Legal/Audit
    Licensing/Radios
    Communications – Phones
    Internet
    Photocopiers
    IT Support Contracts
    Misc. Admin.
    Ceridian
    Bank Fees

8. Wood - Holding and Protection Costs and other Costs in respect of Tolko land use, Silvacom and Regeneration Costs.
9. Woodland Contractor Amounts (subject to the maximum amount payable by Grant described in Section 9.04).

Schedule 6

Prepaid Expenses

(see attached)

Schedule 6 to Footner Purchase and Sale Agreement

	Prepaid	Expensed to Closing Date - Feb. 17			Remaining in Prepaid (Payable)	Grant's Portion (due on closing)
		days	$/day	$		50%
Holding and Protection - $380,000 (approx) paid in Sept and expensed out at $31,667/month (Sept 11 to Sept 11)	379,214	158	1,039	164,153	215,061	107,531
FM Global Insurance - $615,000 (approx) paid on May 31 and expensed throughout the year at $51,250/month (covers May 1 to May 1)	615,000	292	1,685	492,000	123,000	61,500
FKMB Insurance - $77,500 (approx) – 20% down payment on May 31 ($15,155) + 9 payments of $6,926.53; expensed at $6,460/month (covers May 1 to May 1)	77,494	292	212	61,995	15,499	7,749
Property Taxes - $287,427 (approx) – 50% down payment in June, 6 payments of $23,952; expensed at $23,952/month (covers Jan. 1 to Dec. 31 - no prepaid at Feb 17)	(287,427)	47	(787)	(37,011)	(37,011)	(18,506)
Natural Gas – is a bit different; we pay $35,000 at the end of the prior month (ie; end of October for November consumption). this will continue each month, unless consumption is low enough to allow the existing balance to cover the following month without another payment. We watch this to make sure that we don't end up with a huge credit balance. Alternatively, if the price or consumption increases to the point that this is not sufficient, they will increase the amount required.	34,286	16	1,224	19,592	14,694	7,347
					331,242.71	165,621.36

Assumes a Closing Date of February 17, 2011. To be adjusted accordingly if the Closing Date occurs on another date.

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Exhibit A

Form of Approval Vesting Order

(see attached)

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

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

THE HONOURABLE ______	)	______DAY, THE____DAY
	)	
JUSTICE ________________	)	OF ____________, 2010

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

Applicants

-and-

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

Respondents

APPROVAL AND VESTING ORDER

THIS MOTION made by Grant Forest Products Inc. ("**GFPI**") for an order *inter alia* (i) approving the sale transactions (collectively the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") among GFPI, Footner Forest Products Ltd. ("**Footner**") and Ainsworth Lumber Co. Ltd. ("**Ainsworth**") dated December ●, 2010 and appended to the sixteenth report to Court (the "**Sixteenth Report**") of Ernst & Young Inc. in its capacity as court-appointed monitor (the "**Monitor**") of GFPI; (ii) vesting in Footner, GFPI's right, title and interest in and to the Purchased Assets and Shares (as defined in the Sale Agreement and herein referred to as the "**Purchased Assets**" and "**Shares**" respectively) and;

(iii) approving the Sixteenth Report and the activities of the Monitor as set out therein was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Sixteenth Report, the affidavit of Hap Stephen sworn <>, 2010 and on hearing submissions of counsel for GFPI, the Monitor, First Lien Lenders' Agents and Ainsworth, no one appearing for any other person on the service list, although properly served as appears from the affidavit of <> sworn <>, 2010 filed:

1. THIS COURT ORDERS that the timing and method of service and filing of the notice of motion and GFPI's motion record are hereby abridged so that this motion is properly returnable today.

2. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and the execution of the Sale Agreement by GFPI is hereby authorized and approved, with such amendments as may be agreed to by GFPI, Footner and Ainsworth and consented to by the Monitor, and if such amendments are material, consented to by the First Lien Lenders' Agent. GFPI is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets and the Shares to Footner.

3. THIS COURT ORDERS AND DECLARES that upon the delivery free of escrow to Footner of a Monitor's certificate substantially in the form attached as Schedule "A" hereto (the "**Monitor's Certificate**"), all of GFPI's right, title and interest in and to the Purchased Assets and the Shares shall vest absolutely in Footner, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**"), and without limiting the generality of the foregoing, the Claims include: (i) the Agents' Liens (as defined in the Sale Agreement); (ii) all encumbrances or charges created by the Order of the Honourable Justice Newbould dated June 25, 2009, and (iii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or the *Personal Property Security Act* (Alberta) or any other personal property registry system (the items in (i), (ii) and (iii) being collectively referred to as the "**Encumbrances**"). For greater

certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the Purchased Assets or Shares are hereby expunged and discharged as against the Purchased Assets and Shares.

4. THIS COURT ORDERS that nothing in this Order affects any instruments registered on title to the Real Property (as defined in the Sale Agreement).

5. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets and Shares shall stand in the place and stead of the Purchased Assets and Shares, and that, from and after the delivery of the Monitor's Certificate, all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets and Shares with the same priority as they had with respect to the Purchased Assets and Shares respectively immediately prior to the sale, as if the Purchased Assets and Shares had not been sold and remained owned by GFPI and remained in the possession or control of the person having that possession or control immediately prior to the sale.

6. THIS COURT ORDERS AND DIRECTS the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof to Footner.

7. THIS COURT ORDERS that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of GFPI or its affiliates and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of GFPI or its affiliates;

the vesting of the Purchased Assets and Shares in Footner pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of GFPI or its affiliates and shall not be void or voidable by creditors of GFPI or its affiliates, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. THIS COURT ORDERS that the Sixteenth Report and the activities of the Monitor as described therein be and are hereby approved.

10. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, including, without limitation, the Court of Queens' Bench of Alberta, or in the United States to give effect to this Order and to assist GFPI, the Monitor, Ainsworth, Footner and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist GFPI, the Monitor, Ainsworth, Footner and their respective agents in carrying out the terms of this Order.

Schedule A – Form of Monitor's Certificate

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

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

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

Applicants

-and-

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

Respondents

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice ● of the Ontario Superior Court of Justice (the "Court") dated ●, 2010, the Court approved the agreement of purchase and sale made as of December ●, 2010 (the "**Sale Agreement**") among Grant Forest Products Inc. ("**GFPI**"), Footner Forest Products Ltd. ("**Footner**") and Ainsworth Lumber Co. Ltd. ("**Ainsworth**") and provided for the vesting in Footner of GFPI's right, title and interest in and to the Purchased Assets and Shares (as defined in the Sale Agreement), which vesting is to be effective with respect to the Purchased Assets and Shares upon the delivery free of escrow by Ernst & Young Inc. in its capacity as court-appointed monitor (the "**Monitor**") of GFPI to Footner of a certificate confirming (i) the payment of the Asset Purchase Price for the Purchased Assets and the Share Purchase Price for the Shares; (ii) that the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by GFPI, Footner or Ainsworth, as applicable; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE MONITOR CERTIFIES the following:

1. GFPI or the Monitor has received funds in respect of the Asset Purchase Price for the Purchased Assets and funds in respect of the Share Purchase Price for the Shares payable or deliverable on the Closing Date pursuant to the Sale Agreement;

2. The conditions to Closing as set out in the Sale Agreement have been satisfied or waived by GFPI, Footner or Ainsworth, as applicable; and

3. The Transaction has been completed to the satisfaction of the Monitor.

4. This Certificate was delivered by the Monitor at ________ [TIME] on ________ [DATE].

Ernst & Young Inc., in its capacity as court-appointed monitor of Grant Forest Products Inc., and not in its personal capacity

Per: ______________________________

Name:

Title:

Exhibit B

<u>Form of Alberta Recognition Order</u>

(see attached)

Clerk's Stamp

COURT FILE NUMBER	
COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	EDMONTON
APPLICANT(S)	GRANT FOREST PRODUCTS INC.
RESPONDENT(S)	AINSWORTH LUMBER CO. LTD. and FOOTNER FOREST PRODUCTS LTD.
DOCUMENT	**ORDER**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	RAY RUTMAN Fraser Milner Casgrain LLP 2900 Manulife Place 10180 – 101 Street Edmonton, Alberta T5J 3V5 Ph. (780) 423-7246. (780) 423-7276 File No.: 225850-149709/RCR

DATE ON WHICH ORDER WAS PRONOUNCED: ____________________________

LOCATION WHERE ORDER WAS PRONOUNCED: **Courthouse, Edmonton, Alberta**

NAME OF JUDGE WHO MADE THIS ORDER: ________________

Upon the application of counsel on behalf of Grant Forest Products Inc. ("Grant"); and upon having read the Originating Notice, the Sixteenth Report of the monitor of Grant (the "Monitor") appointed in Ontario Superior Court of Justice, Commercial List, Court File CV-09-8247-00CL (the "*CCAA* Proceedings") and the Affidavit of Hap Stephen sworn ● 2010; and upon having read a copy of an Order of the Ontario Superior Court of Justice dated ●, 2010 granted by the Honourable Mr. Justice Campbell in the *CCAA* Proceedings (the "CCAA Order"); and upon noting that the CCAA Order seeks the aid and recognition of the Court of Queen's Bench of Alberta for the purpose, without limitation, of giving effect to the CCAA Order and to assist Grant, the Monitor, Ainsworth Lumber Co. Ltd, Footner Forest Products Ltd. and their respective agents in carrying out the terms of the CCAA Order; and upon it appearing that Grant has entered into a purchase and sale agreement which contemplates the purchase and sale of interests in certain assets located in the Province of Alberta (the "Purchase and Sale Agreement"); and upon it appearing that the CCAA Order provides for the approval of the Purchase and Sale Agreement; and in accordance with the *Companies' Creditors Arrangement Act* (Canada);

IT IS HEREBY ORDERED THAT:

1. Service of notice of this application is deemed good and sufficient on all interested parties and the time for service is abridged to the time actually given.

2. This Court declares that the CCAA Order has full force and effect throughout the Province of Alberta.

3. Service of this Order upon all interested parties shall be deemed good and sufficient if a copy of this Order is forwarded by facsimile or e-mail transmission to the service list in the CCAA Proceedings.

____

J.C.Q.B.A.

Exhibit C

<u>Form of Asset Promissory Note</u>

(see attached)

PROMISSORY NOTE

Asset Purchase

FOR VALUE RECEIVED, the undersigned, Footner Forest Products Ltd., hereby acknowledges being indebted to, and promises to pay, on demand, to or to the order of Grant Forest Products Inc. (the "**Holder**"), the amount of $20,000,000 (the "**Principal**"). This promissory note shall be non-interest bearing.

The undersigned hereby waives presentment, notice and protest, waives diligence in collection or bringing suit, and consents to all extensions of time, renewals, waivers or modifications that may be granted by the Holder with respect to this promissory note. This promissory note may not be assigned by the Holder in whole or in part without the consent of the undersigned.

The undersigned shall have the right to prepay, at any time and from time to time, all or any part of the Principal then outstanding without notice, bonus or penalty.

The undersigned hereby agrees that any and all costs and expenses incurred by the Holder in connection with the demand, enforcement of or default under this promissory note shall be for the account of the undersigned.

This promissory note and every part hereof shall be binding upon the undersigned and its successors and shall enure to the benefit of and be enforceable by the Holder and any of his successors.

This promissory note shall be governed by the laws of the Province of Ontario.

DATED at this ___ day of _________________, 201__.

FOOTNER FOREST PRODUCTS LTD.

Per: ________________________________

Authorized Signing Officer

Exhibit D

Form of Share Promissory Note

(see attached)

PROMISSORY NOTE
Share Purchase

FOR VALUE RECEIVED, the undersigned, Footner Forest Products Ltd., hereby acknowledges being indebted to, and promises to pay, on demand, to or to the order of Grant Forest Products Inc. (the "**Holder**"), the amount of $1.00 (the "**Principal**"). This promissory note shall be non-interest bearing.

The undersigned hereby waives presentment, notice and protest, waives diligence in collection or bringing suit, and consents to all extensions of time, renewals, waivers or modifications that may be granted by the Holder with respect to this promissory note. This promissory note may not be assigned by the Holder in whole or in part without the consent of the undersigned.

The undersigned shall have the right to prepay, at any time and from time to time, all or any part of the Principal then outstanding without notice, bonus or penalty.

The undersigned hereby agrees that any and all costs and expenses incurred by the Holder in connection with the demand, enforcement of or default under this promissory note shall be for the account of the undersigned.

This promissory note and every part hereof shall be binding upon the undersigned and its successors and shall enure to the benefit of and be enforceable by the Holder and any of his successors.

This promissory note shall be governed by the laws of the Province of Ontario.

DATED at this ___ day of ________________, 201__.

FOOTNER FOREST PRODUCTS LTD.

Per: ______________________________
Authorized Signing Officer

APPENDIX B

November 12, 2010

Grant Forest Products Inc.
c/o Stonecrest Capital Inc.
Suite 3130, Royal Trust Tower
77 King Street West
Toronto, ON M5K 1B7

Attention: Mr. Hap Stephen

Re: Purchase and Sale of Airplane Parts

Waterloo Aviation Corp. (the "**Purchaser**") hereby offers, subject to the provisions of this agreement, to purchase from Grant Forest Products Inc. (the "**Vendor**") the airplane parts listed in Schedule "A" hereto (the "**Parts**") for the purchase price of $50,000 (and HST payable thereon) in accordance with the following:

1. Court Order Required. The Purchaser acknowledges that this agreement contains a condition (not capable of waiver) that, prior to closing, the Vendor shall have obtained the Approval and Vesting Order as provided by paragraph 5 of this agreement. In the event that the Vendor shall not have so obtained the Approval and Vesting Order after making application for it, this agreement shall automatically terminate without any further action on the part of either party hereto, no party hereto shall be under any further obligation to the other to complete the transaction contemplated by this agreement and each party hereto shall be released of all of its obligations hereunder.

2. As Is, Where Is. The Purchaser acknowledges that the Vendor is selling the Parts on an "*as is, where is*" basis as they shall exist on closing. The Purchaser further acknowledges that it will conduct such inspections of the condition of and title to the Parts as it deems appropriate and that it will satisfy itself with regard to these matters. No representation, warranty or condition is expressed or implied pursuant to this agreement, Schedule "A" to this agreement (the list of Parts) or otherwise as to title, encumbrances, description, fitness for purpose, merchantability, condition, assignability, collectability, quantity, outstanding amount, value or quality or in respect of any other matter or thing whatsoever concerning the Parts or the right of the Vendor to sell any Parts. Without limiting the generality of the foregoing, any and all conditions, warranties or representations by the Vendor expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation in any other jurisdiction shall not apply hereto and are hereby waived by the Purchaser. Any bill of sale provided by the Vendor shall contain a provision similar to this paragraph 2.

3. Payment of Purchase Price. The Purchaser shall pay the purchase price to Ernst & Young Inc. (the "**Monitor**") on closing on behalf of the Vendor, by certified cheque, bank draft or wire transfer of immediately available funds to an account specified by the Monitor (or as the Monitor may otherwise direct in writing).

4. Transfer Taxes. The Purchaser shall be liable for and shall pay all transfer tax payable in connection with the transactions contemplated hereunder. The Purchaser shall pay to the Monitor at closing all applicable HST payable in connection with the sale of the Parts and the Monitor shall remit such HST to Canada Revenue Agency.

5. Approval and Vesting Order. The Vendor shall, promptly following its acceptance of this offer, seek to obtain from the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**") a date for hearing a motion for an order (the "**Approval and Vesting Order**"):

   (a) approving this agreement and the sale by the Vendor to the Purchaser of the Parts in accordance with the provisions of this Agreement; and

   (b) containing a provision which on closing vests absolute, clear and unencumbered title to the Parts in the Purchaser free and clear of any and all liens, claims, charges, demands, adverse claims, title retention agreements, security interests, pledges, hypothecations, mortgages and encumbrances of any and every nature and kind whatsoever.

   The Vendor shall prepare all materials for and shall apply to the CCAA Court for the Approval and Vesting Order. Written notification of the motion shall be given to such persons as shall be agreed by the Vendor and the Purchaser. The Vendor shall diligently pursue such motion and shall promptly notify the Purchaser of its disposition. If the Approval and Vesting Order is not issued by the CCAA Court by December 31, 2010, this agreement shall terminate.

6. Conditions for the Benefit of the Purchaser. The obligation of the Purchaser to complete the transaction contemplated by this agreement is subject to the following conditions being fulfilled or performed, at or prior to the closing:

   (a) the Vendor shall have in all material respects complied with and performed all its obligations pursuant to this agreement;

   (b) the Vendor shall have delivered the items referred to in paragraph 10 in escrow pending the closing;

   (c) the CCAA Court shall have granted the Approval and Vesting Order;

   (d) no injunction or other Order shall have been issued to enjoin, restrict or prohibit the transaction contemplated by this agreement; and

   (e) there shall have been no material loss or destruction (whether by fire, theft or otherwise) of any of the Parts.

   The foregoing conditions are for the exclusive benefit of the Purchaser and, subject to paragraph 1, any of the foregoing conditions, other than the conditions specified in subparagraphs 6(c) or 6(d), may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if it is made in writing.

7. Conditions for the Benefit of the Vendor. The obligation of the Vendor to complete the transaction contemplated by this agreement is subject to the following conditions being fulfilled or performed at or prior to closing:

   (a) the Purchaser shall have complied with and performed all its obligations pursuant to this agreement;

   (b) the Purchaser shall have delivered to the Vendor the items and paid the amounts referred to in paragraph 11;

   (c) the CCAA Court shall have granted the Approval and Vesting Order; and

   (d) no injunction or other Order shall have been issued to enjoin, restrict or prohibit the transaction contemplated by this agreement.

   The foregoing conditions are for the exclusive benefit of the Vendor and, subject to paragraph 1, any of the foregoing conditions, other than the conditions specified in subparagraphs 7(c) or 7(d), may be waived by the Vendor in whole or in part. Any such waiver shall be binding on the Vendor only if it is made in writing.

8. Non-Satisfaction of Conditions. Subject to paragraph 1, if any condition set out in paragraph 6 (other than the conditions specified in subparagraphs 6(c) or 6(d)) or any condition set out in paragraph 7 (other than the conditions specified in subparagraph 7(c) or 7(d)) is not satisfied or performed prior to closing, the party for whose benefit the condition is inserted may:

   (a) in writing, waive compliance with the condition in whole or in part in its sole discretion by notice to the other party (if such condition is waivable pursuant to the provisions of this agreement) without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or

   (b) elect to terminate this agreement, in which case, this agreement shall be terminated and no party shall be under any further obligation to the other to complete the transactions contemplated by this agreement, provided that the foregoing shall not release either party hereto from any liability hereunder for any breach by such party, before such termination, of any of its covenants hereunder.

9. Closing Date and Place of Closing. The transactions contemplated by this agreement shall close and be completed on the date which is ten business days after the Approval and Vesting Order is issued by the CCAA Court or such other date as the parties may agree in writing. The completion of the transactions contemplated hereunder shall take place at the offices of Fraser Milner Casgrain LLP located in Toronto, Ontario or such other location as the parties may agree in writing. The Purchaser shall, at its expense, take possession of the Parts from the hangar or the barn, promptly after the Purchaser has paid the purchase price and the transaction has been completed.

10. Deliveries on Closing by the Vendor. The Vendor shall deliver to the Purchaser on closing:

    (a) a copy of the Approval and Vesting Order;

    (b) a certificate by the Monitor substantially in the form required by the Approval and Vesting Order;

    (c) if required by the Purchaser, a bill of sale by the Vendor conveying the Parts to the Purchaser, in a form satisfactory to the parties hereto, acting reasonably; and

    (d) the documents listed in Schedule "B" hereto relating to Parts.

11. Payments on Closing by the Purchaser. The Purchaser shall pay to the Monitor the following amounts on closing:

    (a) the purchase price of $50,000; and

    (b) HST to be collected by the Monitor pursuant to paragraph 4 in the amount of $6,500.

12. Appeal Periods. The parties shall complete the transaction referred to in this agreement without waiting for the expiry of any applicable appeal period or appeal periods relating to the Approval and Vesting Order unless the Approval and Vesting Order is stayed pending any such appeal.

13. Risk and Insurance. The risk of loss of the Parts shall remain with the Vendor until closing. Any property insurance, liability insurance and other insurance maintained by the Vendor shall not be transferred on closing, but shall remain the responsibility of the Vendor until closing. The Purchaser shall be responsible for placing its own property, liability and other insurance coverage with respect to the Parts in respect of the period from and after closing.

14. Possession. The Purchaser shall on closing, at its own expense, take possession of and transport the Parts to the Purchaser's premises.

15. Further Assurances. Each of the parties hereto after closing shall, from time to time, and at the request and expense of the party requesting the same, do all such further acts and things and execute and deliver such further assurances as may be reasonably requested for more effectually carrying out the true intent and meaning of this agreement.

16. Time of the Essence. Time shall be of the essence of this agreement.

17. Costs and Expenses. Each party hereto shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel and any broker) incurred by it in connection with this agreement and the transaction contemplated herein.

18. Notices. Any notice or other communication required or permitted to be given to either party hereunder shall be given in writing and addressed as follows:

(a) in the case of the Vendor:

c/o Stonecrest Capital Inc.
Suite 3130, Royal Trust Tower
77 King Street West
P.O. Box 33, Toronto-Dominion Centre
Toronto, ON M4K 1B7

Attention: Ms. Sandra Rosch
Facsimile No.: (416) 364-7275
E-mail: srosch@stonecrestcapital.com

(b) in the case of the Purchaser:

Waterloo Aviation Corp.
4-4881 Fountain St. N.
Hangar 33
Breslau, ON N0B 1M0

Attention: Mr. Gordon Williams
Facsimile No.: (519) 648-2031
E-mail: gwilliams@waterlooaviation.com

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

19. Successors and Assigns. This agreement shall be binding on, and enure to the benefit of, the parties hereto and their respective successors and assigns.

20. Facsimile or PDF Execution and Counterparts. This agreement may be executed by facsimile or pdf and in two counterparts with the same effect as if both parties had signed the same document, and both counterparts shall constitute one and the same agreement.

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

[Signature page follows]

Yours very truly,

WATERLOO AVIATION CORP.

Per: ______________________________

Name : Gordon Williams

Title: Director of Aviation

TO: **WATERLOO AVIATION CORP.**

Grant Forest Products Inc. hereby accepts the foregoing offer as at the date set out above.

GRANT FOREST PRODUCTS INC., by its
Chief Restructuring Organization,
STONECREST CAPITAL INC.

By:

____

title: President, Stonecrest Capital Inc.
name: Sandra Rosuk

Schedule "A"

List of Parts

Equipment	**Part Number**	**Serial Number**	**Qty.**
Tronair Oil Fill Can	06-5022-6500	AB16910205	1
Tronair Oil Fill Can	06-5022-6500	AB16930205	1
Tronair Hydraulic Power Unit	54100AB4CM	AA11780301	1
Deice Type 4 Spray Unit			1
Potable Water Cart			1
Metal Wash Tables on Castors			2
Hobart Gasoline GPU	JETEXIIP	80P502045	1
Quarantine Cabinet Lockable metal mesh on wheels.			1
Tronair 12 Ton Jack	02-7813-0100	132930102	1
Tronair Component Hydraulic Fill	06-4005-0511	1852660104	1
Metal Engine Stand/Cart on Castors			2
Tronair Tow Bar Head Falcon 50/900	01-0560-0010	AA12280211	1
Miscellaneous Grease Guns			5
Towable O2/Nitrogen Cart w/ fittings and regulators.			1
Tronair Tow Bar	01-1270-0010	1797120009	1
Tow Bar Head for Falcon 50/900	WY502	1193	1
Tronair Tow Bar	01-1202-0000	AB11120312	1
Snap-On Torque Wrench	QC1R200	0600402809	1
Snap-On Torque Meter	TE50FUA	14843	1
Aviation Lubrication Fitting Kit	LK2		1

Equipment	Part Number	Serial Number	Qty.
Snap-On Torque Wrench	QT1R50	0499002094	1
Hanson Scale	8930		1
Hanson Scale	895		1
Clark Tug Jan 03 Refurb.	CT50	0650/2080 Hrs. #0656	1
Tronair Lav. Cart	10-4036-0010	1815010012	1
Hobart GPU-400	6T28-400CL	103PS06994	1
Michaels Upholstery Cleaner	Premier 100	2200211031	1
Rubermaid Grooming Cart			1
Nitrogen Cart			1
Tronair Tow Bar Head Falcon 50/900	01-0560-0010	1534939707	1
Total Each Item $30,200.00*			
Cable	QA00329-00		2
Start Selector Switch	820UN01S4BA0A		1
Start Selector Switch	820UN01S4BA0A		1
Switch	8-240-02A		1
Switch	8-240-02A		1
O-Ring	S9412-011		4
Bulb	8539.29.40.00 (83)		10
Lamp	83		11
Cover Upper Aft Spar Fitting	50-120101-11		1
Bulb	8539.29.40.00 (4700760431)		1
Cam Lock	4002-4		9

Equipment	Part Number	Serial Number	Qty.
Strobe Light	01-0770024-25		1
Snap Ring	R4T		20
Grommet Flush High Shear	132753-5		2
Grommet Flush High Shear	132753-5		16
Stud Assembly Flat Head	40S5-5		10
Stud Assembly Flush Mount	40S5-4		9
Stud	1142005-3		10
SB-Kit Pump	SBF900-0271		1
Battery Connector (BD6-3)	MS25182-2		1
O-Ring	M83248-1-113		20
O-Ring	M83248-1-113		9
Seal	LAMJETDN12P		4
Cable	MC09780-00		2
Seal	LAMJETDN12P		2
Switch	8-240-02A		1
Seal	LAMJETDN12P		1
Connector	85106RC14-5P50		1
Lamp	ASTARA83		21
O-Ring	MS28775-237		2
Switch	7101SYZQE		7
Momentary Sw.	PB-12631ZQ		1
Green Lamp	1090QA5		2
Amber Lamp	1090QA3		1

Equipment	Part Number	Serial Number	Qty.
Bulbs	PR2		25
Seal	3020052-24		3
Filter	CG8106013356N00		2
Filter	CG0080503448N00		3
Filter	CG8104013446N00		6
Filter	CG8104013356N00		3
Filter	CH0378103392B00		6
Filter	ACA767F415		2
Detector	GA70821-7		1
Detector	GA70821-7		1
Switch Assembly	GA70814-9		1
GCU	D22-011		1
Hinge Anti-Siphon Fuel Fill	101-920061-19		2
Hinge Anti-Siphon Assy	101-920030-73		1
Switch	90E10A1C5F3J1W N14		1
Lockplate	AF85-71		2
Seal	A4051-4		6
Circuit Card Assy. Heat Ctrl.	101-364851-3 REP		1
Discharger	101-380053-15		2
Discharger	101-380053-9		1
Nose Gear Switch Assy.	101-364628-9		1
Screw	MS24693BB278		100
O-Ring	102A10001-16		10

Equipment	Part Number	Serial Number	Qty.
Hydrolock	SI02500-2		5
King Air 350 Main Wheel Tire	021-335-1		1
Plate Instruction	F50B800499039		1
Plate Instruction	F50B800499038		1
Plate Instruction	FGFB0900100022		1
Plate Instruction	F50B800499012A1		1
Pad	F50B58-175611B1		1
Protect Assy	F50B110070110		1
Stud	FGFB800170018		3
Nut	FGFB838027148		1
Lock Tab	F50B111025009		3
Lock Tab	33350AC048L		4
SB Kit	SBF50-0296A2		1
Lamp	Q4559X		3
SB Kit	SB50-0467AR1		1
Shock Mount Half	J7293-11		4
Tail Pipe Seal	BA3965		1
PC Board	CI955C		1
SB-KIT	SBF50-0474A		1
Plug	02C0CTNC6-508		1
Decal Ground Here	50-000148		1
Decal FWD	99-920048-1		2
Decal Aux Tank	101-920112-3		1

Equipment	Part Number	Serial Number	Qty.
Decal No Step	112733		4
SB-KIT	SBF2000-0300A		1
Washer	NAS1149B0763H		100
Lamp	AL1235-900		1
Curtain	170-16021-990		1
Start Selector Switch	820UN01S4BA0A		1
Switch	8-240-02A		1
Switch	622EN1-6		1
Switch	10AT403-2		1
Batt/Gen Switch	AP13RC549-6		1
Switch	402EN1-6		1
Prox Switch	D23336000-1		1
Detector	GA58250-4		1
Switch	84738722		1
Switch	803682		1
Switch	84799031		1
Switch	402EN1-6		1
Switch	622EN1-6		1
Switch	AP13RC549-6		1
Switch	80-5-0		1
Detector	D22073-3		1
Switch	GA70814-12		1
GCU	D22-500-1		1

Equipment	**Part Number**	**Serial Number**	**Qty.**
Lamp	1308		7
Lamp	1308		10
Lamp	311		10
Lamp	311		3
Light Socket	23009-01		1
Slide	2330		3
Brake	31650AC120TA		1
Nut	3012675		8
Brake	31650AC120TA		3
Plug-Hole	2673		2
Lamp	313		2
Switch Assembly	101-36428-7		1
Switch Assembly	101-364628-11		1
Filter	AP-MVP		2
Filter	3882440-1		1
Gear	P24D28-15		5
Gear	P24D28-15		3
Gear	P24D28-15		1
Latch	P711-70NLS		1
Lamp	CMA7512-24		1
Hinge	HCTH4S180K		2
Connector	320575		100
Terminal	324159		100

Equipment	Part Number	Serial Number	Qty.
Terminal	320563		100
Gauge	LM40AMD		1
Lamp	387		10
Lamp	327		20
Sleeve	8954-2		1
Nipple	MS25171-4S		5
Nipple	MS25171-3S		5
Terminal	31880		90
Terminal	320551		90
Terminal	320571		15
Stud	36154		40
O-Ring	R14000X200A21A 6		1
O-Ring	MS29513-246		4
Connector	MS27473T20A16S		1
Packing	9536002		6
Packing	6002120		7
O-Ring	MS9386-015		6
O-Ring	MS9386-015		10
O-Ring	MS9386-015		10
O-Ring	MS29513-246		5
Union	MS21908-4		4
Coupling	MS21907-4		3
Retainer	MS28773-04		2

Equipment	Part Number	Serial Number	Qty.
Coupling	MS21907-4		2
O-Ring	MS28773-04		10
Pop Rivet	OSMLS100M05-05		20
Pop Rivet	OSMLS100M05-06		20
Rod	F50BB01002308		1
Door Seal	50-430061-27		1
NLG Prox Switch	C23845-10		1
Sensor Assy	GA9710-3		1
Prox Switch	D22073-3		1
Prox Switch	C23844-10		1
Detector	GA70814-11		1
Prox Switch	D22884000-1		1
Screw	NAS1153V5A		75
Screw	NAS1153V4A		75
Rod End/Bearing	M81935/2-03L		2
Relay	M83536/9-024M		2
Screw	GB511BG7-15A		4
Bolt	GB511BG6-16A		2
Screw	GB511BG5-15A		4
Bolt	GB511BG6-16A		1
Screw	GB511BG5-15A		1
Bulb	6635U550S		1
Bulb	6635265S		1

Equipment	Part Number	Serial Number	Qty.
Bulb	6635320S		2
Bulb	6645U320S		3
Bulb	6635U450S		2
Bulb	7300017-000		1
Bulb	7300017-000		1
Bulb	7300068-6		4
Bulb	7300125-11		2
Bulb	AL1235-750		1
Bulb	AL1235-642		1
Bulb	AL1235-1203		1
Bulb	AL1235-750		1
Bulb	AL1235-1203		1
Bulb	AL1235-371		2
Bulb	AL1235-371		1
Bulb	AL1235-420		1
Bulb	7300233-001		2
Bulb	101-380065-11		1
Bulb	AL1235-320		2
Bulb	AL1235-150		1
Bulb	6635U1225U		2
Bulb	6635-265S		2
Bulb	AL1235-485		3
Bulb	6635U1097S		1

Equipment	Part Number	Serial Number	Qty.
Bulb	6635U450S		1
Bulb	AL1235-560		2
Bulb	AL1235-606		1
Bulb	6635U1097S		1
Bulb	AL1235-900		1
Bulb	7300125-14		2
Bulb	AL1235-642		1
Bulb	6635U1016S		1
Bulb	6645U450S		1
Bulb	6635U1225S		1
Bulb	AL1235-606		1
Bulb	6635U1097S		1
Bulb	6635U1016S		1
Bulb	AL1235-1220		1
Misc Diagnostic Lot	Misc Diagnostic Lot		1
Scott Air Pack			1
Air Ground Radio			1
Temp Set			1
Pressure Tester U/S			1
Tensionometer			1
Wheel U/S			1
Quarantine Parts U/S	Misc		1
Nose Gear per bn 1159	9543426		2

Equipment	Part Number	Serial Number	Qty.
Nose Gear	C20182000		1
Battery U/S			1
Battery			1
Battery Lead Acid			1
Misc. O-rings			1
Misc Filters Lot			1
Water Heater			1
GCU			1
Igniter			1
Igniter			1
Misc Parts Lot			1
King Air 350 Nose Wheel Assy			1
Falcon 50 fuel probe			1
Misc Office Supplies			1

Schedule "B"

List of Documents relating to Parts

All documents relating to the Parts contained in the four (4) bankers boxes located in the office of Mr. Kyle Sinclair.

:8714380_13.DOC.

AMENDMENT TO
AGREEMENT FOR THE PURCHASE AND SALE OF AIRPLANE PARTS
DATED AS OF NOVEMBER 12, 2010

This amendment is dated as of December 14, 2010.

BETWEEN

WATERLOO AVIATION CORP. (the "**Purchaser**")

-and-

GRANT FOREST PRODUCTS INC. (the "**Vendor**")

WHEREAS the Purchaser and the Vendor are parties to an agreement dated as of November 12, 2010, whereby the Purchaser agreed to purchase airplane parts from the Vendor for the purchase price of $50,000 (and HST payable thereon) (the "**Purchase Agreement**").

AND WHEREAS the Ontario Superior Court of Justice (Commercial List) is scheduled to hear on January 5, 2011 the Vendor's motion for the Approval and Vesting Order.

AND WHEREAS the Purchaser and the Vendor wish to amend the Purchase Agreement as of December 14, 2010.

NOW THEREFORE in consideration of the sum of $10.00 of lawful money of Canada now paid by each party to the other (the receipt and sufficiency of which are hereby acknowledged by them), the parties hereto hereby agree as follows:

1. Definitions. All words capitalized in this agreement shall have the meanings assigned to them by the Purchase Agreement unless such words are otherwise defined in this agreement.

2. Effective Date. This agreement and the amendments to the Purchase Agreement referred to herein shall be effective as at the date of this agreement (the "**Effective Date**").

3. Date for Approval and Vesting Order. In section 5 of the Purchase Agreement the sentence "If the Approval and Vesting Order is not issued by the CCAA Court by December 31, 2010, this agreement shall terminate" is hereby amended to "If the Approval and Vesting Order is not issued by the CCAA Court by January 10, 2011, this agreement shall terminate".

4. No Other Changes. All other provisions of the Purchase Agreement shall remain in full force and effect.

5. Applicable Law. This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

6. Captions. The captions, headings and arrangements used in this agreement are for convenience only and do not in any way affect, limit, amplify or modify any provision of this amendment shall prevail.

7. Conflicts. If there is any conflict between any provision of this agreement and any provision of the Purchase Agreement, the provision of this agreement shall prevail.

8. Counterparts, Fax and Email Signing. This agreement may be executed in one or more counterparts, in original, telecopied or PDF form, each of which shall be deemed to be an original and which taken together shall be deemed to constitute one and the same agreement.

9. Successors and Permitted Assigns. This agreement shall enure to the benefit of and be binding on the parties hereto and their respective successors and

In witness whereof, the Purchaser and the Vendor have executed this amendment agreement.

[Signature Page Follows]

WATERLOO AVIATION CORP.

By:

name: Gordon Williams
title: Director of Aviation

GRANT FOREST PRODUCTS INC., by its chief Restructuring Organization, STONECREST CAPITAL INC.

By:

name: Sandra Rosch
title: President

WATERLOO AVIATION CORP.

By:

name: Gordon Williams
title: Director of Aviation

GRANT FOREST PRODUCTS INC., by its chief Restructuring Organization, STONECREST CAPITAL INC.

By: Sandra Rosch

name: Sandra Rosch
title: President