Gran t Forest Products Inc. Court/Estate No.: #31-2062812
Gran t Forest Products Sales Inc. Court/Estate No.: #31-2062814
Gran t Alberta Inc. Court/Estate No.: #31-2062811

IN THE MATTER OF THE BANKRUPTCY OF GRANT FOREST PRODUCTS INC., GRANT FOREST PRODUCTS SALES INC. AND GRANT ALBERTA INC. ALL OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION OF THE ESTATES OF GRANT FOREST PRODUCTS INC., GRANT FOREST PRODUCTS SALES INC. AND GRANT ALBERTA INC.

DISCLAIMER

1. Pursuant to the Court Order of the Ontario Superior Court (the "**Court**") dated September 20, 2013, (the "**Transition Order**"), Grant Forest Products Inc. ("**GFPI**"), Grant Forest Products Sales Inc. ("**GFPSI**") and Grant Alberta Inc. ("**GAI**") were each adjudged bankrupt on the 27th day of November, 2015. Ernst & Young Inc. was appointed as the Trustee in Bankruptcy (the "**Trustee**") of each of GFPI, GFPSI and GAI.

2. On June 25, 2009, GFPI, GFPSI, Grant U.S. Holdings GP (the "**Grant Partnership**") and GAI filed for and obtained protection under the *Companies' Creditors Arrangement Act* ("**CCAA**") in order to restructure the business and affairs of each of these companies (the "**CCAA Applicants**"). Pursuant to the Order of this Court dated June 25, 2009 (the "**Initial Order**"), Ernst & Young Inc. ("**EY**") was appointed as the Monitor of the CCAA Applicants (the "**Monitor**") in the CCAA proceedings. The Initial Order provided for a stay of proceedings through to July 24, 2009, which stay was periodically extended throughout the CCAA proceedings. Pursuant to the Transition Order, the stay of proceedings was extended until the filing by the Monitor of a certificate discharging the CCAA proceedings (the "**Monitor's Discharge Certificate**"). The conditions precedent to the filing of the Monitor's Discharge Certificate set out in the Transition Order have not yet been satisfied.

3. Documents related to the CCAA proceedings are available on the website of the Monitor at www.ey.com/ca/gfp (the "**Monitor Website**").

4. 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**"). Pursuant to an Order of this Court dated March 30, 2010 (the "**Supplemental Initial Order**"), EY was appointed as the Monitor of the Additional Applicants in the CCAA proceeding.

5. Paragraph 33 of the Supplemental Initial Order, a copy of which is on the Monitor Website, 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**"), certifying that the funds related to the transaction between Georgia Pacific and Grant Forest were received, the transaction between Georgia Pacific and Grant Forest 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 at that time.

6. As GFPI, GFPSI and GAI are related entities, the Trustee presents hereunder our Report on the Preliminary Administration of GFPI, GFPSI and GAI. (the "**Report**").

7. In developing the Report, we have relied upon unaudited financial information, financial records and previous discussions with management and employees of GFPI, GFPSI and GAI. We have not performed an audit or other verification of such information, and accordingly we express no opinion thereon.

8. The Report has been prepared solely for the use of the creditors of GFPI, GFPSI and GAI (the "**Creditors**"), as general information on the state of affairs of the Companies. Given the nature of the Trustee's mandate, this information is preliminary only and is subject to change as the mandate progresses. In light of the foregoing, the Report should not be

circulated or used for other purposes or reproduced without our knowledge and prior written permission. We will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of the Report contrary to the provisions of this paragraph.

BACKGROUND OF GFPI, GFPSI AND GAI

9. GFPI and certain of its subsidiaries, including GFPSI and GAI, were 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.

10. GFPI and its subsidiaries 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.

11. GFPI and its subsidiaries 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.

12. The OSB mills located in Englehart (the "**Englehart Mill**") and Timmins (the "**Timmins Mill**") in Ontario were owned by GFPI. The OSB mills located in Allendale (the "**Allendale Mill**") and Clarendon (the "**Clarendon Mill**") in South Carolina were owned by Allendale and Clarendon respectively, each of which was owned by Southeast, which in turn was owned by the Grant Partnership. As described in the Fourteenth Report of the Monitor dated June 1, 2010 (the "**Fourteenth Report**"), a copy of which is available on the Monitor Website, the Englehart Mill and the units in the Grant Partnership were sold to Georgia Pacific on May 26, 2010.

13. GFPI also had a 50% interest in an OSB mill located at High Level in Alberta (the "**Footner Mill**"), which was described in detail in the Sixteenth Report of the Monitor dated December 20, 2010 (the "**Sixteenth Report**"), a copy of which is available on the Monitor

Website. GFPI's sale of its interests in the Footner Mill was approved by the Court on January 5, 2011 and the sale closed on February 17, 2011.

14. GFPI had owned the Timmins Mill located in Timmins, Ontario, which was described in detail in the Nineteenth Report of the Monitor dated March 22, 2011 (the "**Nineteenth Report**"), a copy of which is available on the Monitor Website. GFPI's sale of the building and equipment comprising the Timmins Mill was approved by this Court on March 9, 2011 and the sale closed on March 21, 2011. GFPI's sale of the building and equipment related to the Timmins Mill to EDS Decommissioning Canada Inc. ("**EDS**") did not include the land on which the Timmins Mill is located and this land (defined below as the Timmins Land) was sold separately by GFPI.

15. In addition to the OSB mills, GFPI had the following non-core assets:

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

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

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

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

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

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

16. On September 21, 2011, the Court granted Orders approving the sale of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land. The sales of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land closed on October 13, 2011. Further details with respect to these sales transactions are described in the Twenty Second Report of the Monitor dated September 16, 2011 (the "**Twenty Second Report**"), a copy of which is on the Monitor Website.

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

18. As discussed in the Twenty First Report of the Monitor dated August 18, 2011, a copy of which is on the Monitor Website, GFPI was plan administrator of four registered pension plans including two defined contribution pension plans and two defined benefit plans. At that time, the defined contribution plans were in the process of being wound up. As described in the Twenty Fifth Report of the Monitor dated June 20, 2012 (the "**Twenty Fifth Report**"), a copy of which is on the Monitor Website, PricewaterhouseCoopers Inc. ("**PwC**") was appointed as the replacement administrator of the Pension Plans. The defined benefit plans are the pension plan registered as #1053008 Pension Plan for the Salaried Employees of GFPI - Timmins Plant (the "**Timmins Salaried Plan**"), and the pension plan registered as #0992537 Pension Plan for Executive Employees of GFPI (the "**Executive Plan**") (collectively, the "**Pension Plans**").

19. Further to Orders of the Court dated August 26, 2011 and September 21, 2011 (the "**Pension Reserve Orders**"), the Monitor began holding in escrow an amount of CDN$191,245 with respect to the Timmins Salaried Plan and CDN$2,185,000 with respect to the Executive Plan (collectively, the "**Pension Reserves**"). The Pension Reserves were based on 115% of the estimated amount necessary to satisfy the wind up deficits of the Pension Plans. The Pension Reserves were subsequently increased to $726,372 for the Timmins Salaried Plan and $2,384,688 for the Executive Plan.

20. On November 27, 2012, the Court heard oral submissions with respect to:

    i. the Pension Motion as defined in the Twenty Seventh Report of the Monitor dated October 18, 2012 (the "**Twenty Seventh Report**") and the Twenty Sixth Report, copies of which are on the Monitor Website; and

    ii. a motion by West Face Capital Inc. ("**West Face**") for, among other things, an order lifting the stay of proceedings as provided in the Initial Order to permit a bankruptcy order to be made against GFPI (the "**Bankruptcy Motion**").

21. The Court reserved its decisions with respect to these motions. On February 6, 2013, a case conference was held with Mr. Justice Campbell to discuss next steps with respect to the Pension Motion and the Bankruptcy Motion following the release of the *Re Indalex* decision by the Supreme Court of Canada. At that time, Mr. Justice Campbell requested that the parties develop an Order (the "**Next Steps Order**") outlining the matters in the Pension Motion and the Bankruptcy Motion which remain to be addressed.

22. Further submissions with respect to the Bankruptcy Motion were provided by West Face on March 19, 2013 and further submissions with respect to the Pension Motion were provided by PwC, the Financial Services Commission of Ontario ("**FSCO**") and Peter Grant Sr. on April 2, 2013. In addition, further submissions were provided by each of West Face, PwC, FSCO and Peter Grant Sr. as the Monitor to assist with an additional hearing that was scheduled for July 23, 2013.

23. An additional hearing with respect to the Pension Motion and Bankruptcy Motion was heard on July 23, 2013. The Court reserved its decisions with respect to these motions.

24. On September 20, 2013, the Court granted the Transition Order and ruled that the remaining funds being held by GFPI and GFPSI including the Pension Reserves and other funds being held by the Monitor in trust for GFPI should not be paid to the Pension Plans but to the secured lenders (the "**Pension Decision**") subject to certain conditions as described in the Transition Order. As the first lien lenders were previously paid out in full, the second lien lenders (the "**Second Lien Lenders**") would have priority to these funds.

25. FSCO sought leave to appeal the Pension Decision and such leave was granted by the Court of Appeal. Submissions were made by FSCO, West Face and other interested parties to the Court of Appeal.

26. On August 7, 2015, the Court of Appeal upheld the decision of the Superior Court (the "**Court of Appeal Decision**").

BANKRUPTCY PROCEEDINGS

27. Following the expiry of the appeal period with respect to the Court of Appeal Decision,

pursuant to the Transition Order, on November 27, 2015, the Monitor filed a certificate (the "**Monitor's Certificate**") certifying that the Transition Order was upheld in whole on appeal and no further leave to appeal had been sought in respect of the decision and that paragraphs 8 to 28 of the Transition Order were now operative. A copy of the Monitor's Certificate is on the Monitor Website.

28. Accordingly, on November 27, 2015, EY filed the Bankruptcy Order and other required documents with office of the Superintendent of Bankruptcy (the "**OSB**"). On November 30, 2015, the OSB provided EY with a certificate of appointment for each of the estates of GFPI, GFPSI and GAI. Copies of these certificates are available on the Monitor Website.

29. On December 1, 2015, packages were mailed to the Creditors listed on Statement of Affairs of GFPI, GFPSI and GAI. The packages included a notice of the bankruptcy and first meeting of creditors, the statement of affairs including a list of creditors, a proof of claim along with instructions to complete the proof of claim and a proxy. Copies of these documents are available on the Trustee's website at www.ey.com/ca/gfp. The following newspaper advertisements were placed informing Creditors of the bankruptcy and the date and time of the meeting of creditors. The newspapers were selected based on the location of GFPI's mills in Englehart and Timmins:

   a. On December 7, 2015, in the Globe and Mail (National Edition);

   b. On December 9, 2015 in the Timiskaming Speaker; and

   c. On December 10, 2015 in the Timmins Times.

FINANCIAL POSITION OF THE COMPANY

30. As described in the Transition Order, GFPI, GFPSI and GAI are required to transfer all remaining funds to the Monitor. The Monitor is required to retain a sum of $550,000 (the "**Administration Charge**") to complete the CCAA proceedings and transfer to the Trustee a sum of $275,000 (the "**Third Party Guarantee**") as a third party guarantee pursuant to a third party retainer agreement for the Trustee's costs related to the administration of the bankruptcy proceedings of each of the estates. All remaining funds

of GFPI are required to paid by the Monitor to the Second Lien Lenders' Agent (the "**Agent**") pursuant to the Second Lien Credit Agreement (the "**Credit Agreement**"). Further, any remaining funds remaining with the Trustee with respect to the Third Party Guarantee are to be paid back to the Monitor for distribution to the Agent.

31. Accordingly, there are no assets in the bankruptcy estates of GFPI, GFPSI and GAI.

LEGAL PROCEEDINGS

32. The Trustee has not initiated any legal proceedings during its administration of the estates of GFPI, GFPSI and GAI to date nor is the Trustee aware of any outstanding or pending litigation against these estates.

33. The Trustee's counsel in these bankruptcy proceedings is Stikeman Elliott LLP.

PROVABLE CLAIMS

34. As of December 11, 2015 only two claims were filed in the estate of GFPI of which one was subsequently withdrawn, leaving one remaining claim in the amount of $228,184.87. As of December 11, 2015, no claims were filed in the estates of GFPSI and GAI.

PREFERENCES AND TRANSFERS AT UNDERVALUE

35. The Trustee has not conducted a review of any preferences or transactions undervalue in each of the estates of GFPI, GFPSI and GAI.

ANTICIPATED RESULTS AND PROJECTED DISTRIBUTION

36. As there are no assets in each of the bankruptcies of GFPI, GFPSI and GAI, it is not anticipated that there will be a dividend available to the creditors of GFPI, GFPSI and GAI from these bankruptcy proceedings.

Dated at Toronto, Ontario this 14th day of December, 2015.

ERNST & YOUNG INC.
Trustee of the Bankrupt Estates of
Grant Forest Products Inc.;
Grant Forest Products Sales Inc.; and
Grant Alberta Inc.

Per:

Alex F. Morrison
Senior Vice President