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

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

Applicants

TENTH REPORT OF THE MONITOR DATED FEBRUARY 23, 2010

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ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

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

Applicants

TENTH REPORT OF THE MONITOR DATED FEBRUARY 23, 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 "**Grant**" or 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 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 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 26, 2010 (the "**Stay Period**") pursuant to an Order of this Honourable Court dated November 30, 2009.

2. On February 9, 2010, The Toronto-Dominion Bank (the "**First Lien Lenders' Agent**"), the agent of the first lien lenders who were owed approximately $399 million plus accrued interest as of May 31, 2009 (the "**First Lien Lenders**")

brought a motion to this Honourable Court to, among other things, include 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**") as additional applicants to these CCAA proceedings (collectively, the "**Additional Applicants**", and together with the Original Applicants, the "**Applicants**").

PURPOSE

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

   a. the status of the marketing process as described in the Initial Order (the "**Marketing Process**");

   b. actual receipts and disbursements of the Original Applicants from November 16, 2009 to February 7, 2010 as well as the Original Applicants' revised cash flow projection from February 8, 2010 to July 4, 2010;

   c. the motion by the Original Applicants to extend the Stay Period to June 30, 2010; and

   d. the Original Applicants' motion to approve the Sixth Report of the Monitor dated January 15, 2010 (the "**Sixth Report**"), the Seventh Report of the Monitor dated January 27, 2010 (the "**Seventh Report**"), the Confidential Supplement to the Sixth Report of the Monitor dated January 28, 2010 (the "**Confidential Supplement to the Sixth Report**"), the Eighth Report of the Monitor dated February 8, 2010 (the "**Eighth Report**"), the Ninth Report of the Monitor dated February 11, 2010 (the "**Ninth Report**"), the Tenth Report (collectively, the "**Monitor's Reports**") and the conduct and activities of the Monitor as set forth in these Monitor's Reports.

TERMS OF REFERENCE

4. In preparing this Tenth Report, the Monitor has been provided with and in making the comments herein relied upon unaudited financial information, the Applicants' books and records, financial information prepared by the Applicants and discussions with management of the 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 Tenth Report. Some of the information referred to in this Tenth 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.

5. Unless otherwise stated all monetary amounts contained herein are expressed in U.S. Dollars.

6. Capitalized terms not defined in this Tenth Report are defined in the Initial Order or previous Reports of the Monitor.

BACKGROUND

7. GFPI and certain of its subsidiaries are privately owned corporations carrying 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.

8. The Applicants and Footner Forest Products Ltd. ("**Footner**") (in which GFPI has a 50% interest), have a total annual capacity to produce 3.7 billion square feet of OSB, which makes them the third largest OSB manufacturer in North America.

9. The Applicants and Footner have 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.

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

11. GFPI also 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 bare trustee and GFPI owns 50% of the shares of Footner. The Footner mill itself is not directly subject to these CCAA Proceedings.

12. 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. Each of these entities are included as Additional Applicants and subject to issuance of an order by this Honourable Court (which is presently under reserve), would become subject to these CCAA Proceedings.

13. The Grant Partnership, which is one of the Original Applicants, owns 100% of Southeast.

14. GFPI, also one of the Original Applicants, owns 99.99% of the Grant Partnership (and GAI, another Original Applicant owns, the remaining 0.01%); thereby, GFPI and GAI collectively own indirectly the Allendale Mill and the Clarendon Mill.

15. In addition to the above noted OSB mills, GFPI owns certain assets which are not required for the operations of the OSB business, including premises 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 certain property located at New Liskeard in Ontario (the "**MTO Property**") (collectively, the "**Non-Core Assets**"). With the exception of the MTO Property, a full description of the Non-Core Assets was provided in the Second Report of the Monitor dated July 21, 2009 (the "**Second Report**").

16. As a result of the present market conditions and the reduced demand for OSB and other wood products, only the Englehart Mill and the Allendale Mill are presently operating. Both the Timmins Mill and the Footner Mill are idle. The Clarendon Mill is a new mill which is substantially complete but has not yet been put into production.

17. On June 25, 2009, this Honourable Court issued the Initial Order which, 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.

STATUS OF THE MARKETING PROCESS

18. The Initial Order provided for the immediate commencement of the Marketing Process in accordance with the protocol attached as Appendix "A" to the Initial Order (the "**Investment Offering Protocol**") to provide interested parties with the opportunity to offer to purchase the business and operations of the Original Applicants and their subsidiaries as a going concern or offer to sponsor a plan of arrangement of the Original Applicants, or any of them. The Initial Order also authorized the Original Applicants to engage an investment offering advisor (the "**Investment Offering Advisor**") to assist in connection with the Marketing Process. The Original Applicants requested that EYI undertake the role of the Investment Offering Advisor.

19. The Sixth Report describes in detail, the Marketing Process that was conducted by the Investment Offering Advisor with the assistance of the CRA. The Marketing Process resulted in Georgia Pacific (defined below) as the selected party to proceed to *Phase III* to negotiate a purchase agreement (the "**PSA**") with the Applicants.

20. On January 8, 2010, the PSA was finalized and executed by both the Applicants and Georgia Pacific, subject to approval by this Honourable Court and the U.S. Bankruptcy Court, as described in the Sixth Report.

21. On February 9, 2010, the Original Applicants' brought a motion to this Honourable Court to approve a transaction (the "**Transaction**") as contemplated by the PSA between the Applicants and GP International Acquisition III, Ltd. (the "**Canadian Purchaser**"), Georgia-Pacific LLC (the "**U.S. Purchaser**"), and GP Palmetto Holding LLC (the "**Additional U.S. Purchaser**") (collectively "**Georgia Pacific**") to sell a substantial portion of the Applicants' assets and operations, as set out in further detail in the Sixth Report. This decision is presently under reserve.

22. The Transaction includes the Canadian Purchaser purchasing certain assets set out in the PSA (the "**Purchased Assets**"), including the Englehart Mill. The Purchased Assets exclude the Timmins Mill, Footner, the Non-Core Assets, cash on closing, income tax refunds and certain other assets as described more fully in the PSA.

23. Further, the Grant Partnership, which holds the interests directly or indirectly in the Additional Applicants, has agreed to issue new partnership interests (the "**Purchasers' Partnership Interests**") in the Grant Partnership to the U.S. Purchaser and the Additional U.S. Purchaser and to admit the U.S. Purchaser and the Additional U.S. Purchaser as partners of the Grant Partnership.

24. As described in the Sixth Report, the Original Applicants are seeking an approval and vesting order (the "**Canadian Order**") to approve, *inter alia*: (a) the Purchased Assets Transaction; (b) the Partnership Interests Transaction; and (c) related relief in order to complete the transactions contemplated by the PSA. The Original Applicants' motion was heard before this Honorable Court on the 9^{th}, 11^{th} and 12^{th} of February 2010.

25. As further described in the Sixth Report, assuming this Honourable Court grants the Canadian Order requested by the Applicants, the Applicants intend to direct the Monitor, and request this Honourable Court direct the Monitor, as the Applicants' foreign representative to commence proceedings in the United States Bankruptcy Court for the District of Delaware (the **"U.S. Bankruptcy Court"**) under Chapter 15 of Title 11 of the United States Bankruptcy Code for recognition of the Grant CCAA Proceedings as a foreign main proceeding in respect of the Applicants and for an order affirming and enforcing the Canadian Order and any related relief required to give effect to and to complete the transactions contemplated by the PSA.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS

26. A summary of the actual receipts and disbursements of the Original Applicants as compared to the projection set out in the Fifth Report of the Monitor dated November 26, 2009 (the **"Fifth Report"**), is attached as **Appendix "A"** to this Tenth Report.

27. The Original Applicants' actual consolidated net cash outflow for the period from November 16, 2009 to February 7, 2010 was 7.5 million. The actual net cash outflow was better than projected by approximately $151,000 primarily as a result of higher than anticipated OSB and wood sales, which were partly offset by the delay in receipt of an income tax refund for 2009. As discussed in the Fifth Report, the net cash outflow during the period from November 16, 2009 to February 7, 2010 is primarily due to the seasonal decrease in OSB sales and the seasonal increase in fibre purchases. The increased fibre purchases during the winter months is typical in the forestry industry in Canada as it is cost efficient and easier to cut and transport timber from the forest during the winter months.

UPDATED CASH FLOW PROJECTION

28. Grant, with the assistance of the Monitor, had prepared a cash flow projection for the Original Applicants for the period from February 8, 2010 to July 4, 2010 (the "**Cash Flow Forecast**"), a copy of which is attached as **Appendix "B"** to this Tenth Report. The Cash Flow Forecast does not reflect the closing of the PSA and is prepared on the basis that the Original Applicants will continue to operate under normal business conditions during the projection period.

29. A copy of the cash flow projection of the Additional Applicants prepared by Grant was attached as Appendix N to the Sixth Report.

30. The Cash Flow Forecast attached to this Tenth Report reflects receipts and disbursements to be received or paid over the projection period in U.S. dollars.

31. The Original Applicants are projecting a net cash outflow of approximately $1.0 million during the projection period prior to transfers of funds to Footner and Grant's U.S. affiliates. The net cash outflow of approximately $1.0 million during the Cash Flow Forecast period is primarily due to the seasonal increase in fibre purchases during the first two months of this projection period, partially offset by the anticipated higher receipts from OSB sales due to the projected increase in OSB prices.

32. During the projection period, Grant estimates that the Additional Applicants will not require funding from the Original Applicants, however, the Original Applicants will be required to transfer approximately $1.1 million to Footner. Such transfers to these affiliates preserve Grant's interests in these operations, and are permitted by the Initial Order.

33. The Cash Flow Forecast projects that the Original Applicants will have sufficient liquidity to operate during the proposed Stay Period as discussed further in this Tenth Report.

STAY EXTENSION

34. The current stay of proceedings under the Initial Order expires on February 26, 2010. The Original Applicants are seeking an extension of the Stay Period to June 30, 2010 in order to permit them time to complete the closing of the Transaction, undertake a marketing process to sell certain assets that are not included in the Purchased Assets, including Footner and the Timmins Mill, continue with the Non-Core Asset Sale Process, as discussed in the Second Report, and continue discussions with their key stakeholders regarding its restructuring alternatives.

35. The updated cash flows described earlier in this Tenth Report which cover the period from February 8, 2010 to July 4, 2010 indicate that the Original Applicants will have sufficient liquidity to sustain ordinary course operations during the projection period.

36. It is the Monitor's view that the Original Applicants have acted in accordance with the Initial Order and are working on the Marketing Process diligently. Accordingly, the Monitor is satisfied that the Applicants are acting in good faith and with due diligence.

RECOMMENDATIONS

37. The Original Applicants are seeking this Honourable Court's authorization for the following:

    a. an extension of the stay of proceedings to June 30, 2010; and

    b. approving the Monitor's Reports and the conduct and activities of the Monitor as set forth in these Monitor's Reports.

38. The Monitor recommends that this Honourable Court grant the relief sought by the Original Applicants.

All of which is respectfully submitted this 23rd day of February, 2010.

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

Per:

Alex Morrison
Senior Vice President

Simone Carvalho
Vice President

APPENDIX A

Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. (the "Original Applicants")
Cumulative Combined Receipts and Disbursements
For the Period From November 16, 2009 to February 7, 2010
(In Thousands of US Dollars)

	Actual	Projection	Variance	Notes
Opening Bank Balance	29,013	29,013	-	
Receipts				
OSB Sales	27,314	21,249	6,064	1
Fibre Sales	2,718	1,053	1,665	2
GST Collected & Refunds	1,276	750	526	3
Interest Income	-	16	(16)	
Other Receipts	855	29	826	4
Corporate Tax Refund - Net	-	4,414	(4,414)	5
Total Receipts	32,163	27,512	4,651	
Disbursements				
Payables-Fibre	(14,584)	(13,428)	(1,157)	6
Freight	(3,945)	(3,281)	(664)	7
Other Payables	(8,567)	(6,998)	(1,568)	8
Payroll	(5,300)	(5,411)	110	
Utilities & Fuel	(2,684)	(2,113)	(571)	9
GST Remittance	(491)	(330)	(161)	
SG&A	(1,513)	(1,858)	344	
Restructuring Costs	(2,302)	(1,656)	(646)	10
Bank Charges	(139)	(124)	(15)	
Foreign Exchange Impact	(158)	14	(173)	
Total Disbursements	(39,684)	(35,184)	(4,500)	
Net Cash Flows	(7,522)	(7,673)	151	
Inter-Company Transfers:				
Transfer from (to) US Companies	(1,856)	(1,748)	(108)	
Transfers from (to) Footner	(280)	(360)	80	
Total Inter-Company Transfers	(2,136)	(2,108)	(28)	
Ending Bank Balance	19,356	19,232	123	
Deduct: Restricted Cash	(788)	(805)	17	
Ending Cash excluding Restricted Cash	18,568	18,427	140	

Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. (the "Original Applicants") Combined Actual Receipts and Disbursements For the Period November 16, 2009 to February 7, 2010 Variance Analysis

The actual receipts and disbursements are denominated in U.S. dollars. Canadian dollars are converted to U.S. dollars every week at Thursday's closing exchange rate as published by the Bank of Canada. In the projection, Canadian dollars are converted to U.S. dollars at the exchange rate of CDN$1.050=US$1.00.

1. **OSB Sales** – The positive variance is primarily due to the collection of overdue accounts receivable which is not expected to reverse in the future and a higher than anticipated OSB sales volume and OSB price.

2. **Fibre Sales** – The positive variance is primarily due to the sale of higher than anticipated volumes of certain wood logs that are not used for production at Englehart.

3. **GST collect & refund** – The favourable variance is primarily due to the receipt of a Research & Development tax refund.

4. **Other receipts** –The favourable variance is due primarily to the sale of excess natural gas and the refund of WSIB premiums due to NEER adjustments for the previous year that were not contemplated during the projection period.

5. **Corporate Tax Refund** – The unfavourable variance is a timing difference related to an anticipated corporate tax refund net of a projected payment to Peter Grant Sr. for the portion sold to him. As discussed in the previous report, the delay is primarily due to a CRA review of the supporting information related to the tax refund.

6. **Payables - fibre** – The unfavourable variance is primarily due to the build up of wood inventory in the winter months and higher than anticipated OSB production and Wood sales described in Note 1 and 2, respectively.

7. **Freight** - The unfavourable variance is primarily due to higher than anticipated OSB sales volumes described in Note 1.

8. **Other payables** – The unfavourable variance is primarily due to higher production related costs as a result of increased production and an increase in raw material inventory as a result of higher anticipated production volumes in the near future.

9. **Utilities and Fuel** – The unfavourable variance is primarily due to the increased production described in Note 6.

10. **Restructuring Charges** – The unfavourable variance is primarily related to higher than anticipated restructuring costs, including costs for anticipated proceedings in the United States that were not contemplated in the Projection.

APPENDIX B

Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. (the "Original Applicants") Consolidated Cash Flow Projection
For The Period From February 8, 2010 to July 4, 2010
(In Thousands of US Dollars)

Week Ending	Notes	14-Feb	21-Feb	28-Feb	7-Mar	14-Mar	21-Mar	28-Mar	4-Apr	11-Apr	18-Apr	25-Apr	2-May	9-May	16-May	23-May	30-May	6-Jun	13-Jun	20-Jun	27-Jun	4-Jul	Total
Opening Bank Balance	1	19,356	19,562	15,674	15,027	12,784	13,522	12,154	11,786	12,055	12,467	13,271	25,124	17,290	17,39(	18,275	18,064	19,403	17,936	18,467	17,802	18,181	19,356
Receipts																							
OSB Sales	2	2,563	2,579	2,831	3,186	3,982	3,035	3,035	3,033	3,033	3,031	2,929	2,929	2,929	2,929	3,133	3,133	3,133	2,506	2,839	2,767	2,767	62,301
Fibre Sales	3	523	85	85	82	82	82	82	82	-	-	-	-	20	20	20	20	42	42	42	42	42	1,392
GST Refunds	4	-	-	-	400	-	-	-	453	-	-	-	532	-	-	-	-	344	-	-	-	191	1,921
Other Receipts	5	282	-	7	21	7	-	7	-	28	-	7	-	28	-	7	-	7	21	7	-	7	437
Corporate Tax Refund	6	-	-	-	-	-	-	-	-	-	-	12,714	-	-	-	-	-	-	-	-	-	-	12,714
Total Receipts		3,368	2,664	2,923	3,689	4,071	3,117	3,124	3,568	3,061	3,031	15,651	3,461	2,977	2,949	3,160	3,153	3,526	2,569	2,888	2,809	3,007	78,765
Disbursements																							
Payables-Fibre	7	-	(4,660)	-	(4,000)	-	(2,851)	-	(1,500)	-	(793)	-	(70)	-	(304)	-	-	(1,344)	-	(1,110)	-	(1,189)	(17,822)
Freight	8	(617)	(105)	(676)	(105)	(900)	(105)	(728)	(105)	(733)	(105)	(763)	(105)	(767)	(105)	(833)	(105)	(807)	(105)	(750)	(105)	(767)	(9,392)
Other Payables	9	(821)	(840)	(787)	(867)	(894)	(967)	(842)	(814)	(807)	(987)	(1,022)	(822)	(726)	(994)	(992)	(852)	(663)	(848)	(936)	(938)	(825)	(18,243)
Payroll	10	(932)	(116)	(733)	(300)	(678)	(33)	(710)	(300)	(677)	(33)	(709)	(300)	(1,321)	(33)	(708)	(33)	(674)	(257)	(677)	(33)	(912)	(10,171)
Utilities & Fuel	11	(105)	37	(698)	(83)	(66)	6	(595)	(69)	(50)	1	(720)	(272)	165	(213)	(483)	(193)	118	(193)	144	(863)	132	(4,002)
GST Remittance	12	-	-	(183)	-	-	-	(182)	-	-	-	(247)	-	-	-	-	(189)	-	-	-	(190)	-	(991)
SG&A	13	(300)	(429)	(75)	(153)	(79)	(187)	(115)	(170)	(81)	(111)	(138)	(187)	(76)	(225)	(184)	(91)	(1,464)	(155)	(80)	(94)	(126)	(4,519)
Restructuring Costs	14	(466)	(401)	(405)	(391)	(308)	(306)	(308)	(306)	(183)	(181)	(183)	(181)	(153)	(150)	(153)	(150)	(143)	(145)	(143)	(145)	(130)	(4,928)
Bank Charges	15	-	-	-	(14)	-	-	-	(17)	-	-	-	(32)	-	-	(19)	-	(15)	-	-	-	(14)	(110)
Capex	16	-	-	-	-	-	-	-	-	(100)	-	-	-	-	-	-	-	-	(300)	-	-	-	(400)
Tax Refund Payment and other taxes	6	-	-	-	-	-	-	-	-	-	-	-	(9,300)	-	(6)	-	-	-	-	-	-	-	(9,306)
Foreign Exchange Impact	17	103	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106
Total Disbursements		(3,138)	(6,511)	(3,556)	(5,914)	(2,926)	(4,444)	(3,480)	(3,281)	(2,631)	(2,210)	(3,782)	(11,269)	(2,877)	(2,030)	(3,371)	(1,613)	(4,992)	(2,003)	(3,553)	(2,368)	(3,830)	(79,779)
Net Weekly Cash Flows		230	(3,847)	(634)	(2,225)	1,145	(1,327)	(356)	288	430	821	11,869	(7,808)	101	919	(211)	1,539	(1,466)	567	(665)	440	(823)	(1,013)
Inter-Company Transfers:																							
Transfer from (to) Additional Applicants	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from (to) Footner	19	(24)	(41)	(13)	(18)	(407)	(41)	(12)	(18)	(19)	(17)	(15)	(26)	-	(35)	-	(199)	(1)	(35)	-	(62)	(72)	(1,056)
Total Inter-Company Transfers		(24)	(41)	(13)	(18)	(407)	(41)	(12)	(18)	(19)	(17)	(15)	(26)	-	(35)	-	(199)	(1)	(35)	-	(62)	(72)	(1,056)
Ending Bank Balance		19,562	15,674	15,027	12,784	13,522	12,154	11,786	12,055	12,467	13,271	25,124	17,290	17,391	18,275	18,064	19,403	17,936	18,467	17,802	18,181	17,286	17,286
Deduct: Restricted Cash	20	(804)	(805)	(805)	(805)	(805)	(805)	(805)	(870)	(870)	(870)	(870)	(1,225)	(1,225)	(1,225)	(1,225)	(1,225)	(1,225)	(1,225)	(1,225)	(1,225)	(1,225)	(1,225)
Ending Cash excluding Restricted Cash		18,758	14,869	14,222	11,979	12,717	11,350	10,981	11,185	11,596	12,400	24,254	16,065	16,165	17,049	16,838	18,178	16,710	17,242	16,577	16,956	16,061	16,061

In the Matter of the CCAA of Grant Forest Products Inc. Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. ("Grant" or the "Original Applicants")
Notes to the Unaudited Cash Flows Projection

Disclaimer:

In preparing this cash flow projection (the "**Cash Flow Forecast**"), the Original Applicants have relied upon unaudited financial information and the Original Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations of the mills and additional assumptions discussed below with respect to the requirements. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

Overview:

The Cash Flow Forecast reflects cash flows from Grant's operations including inter-company transfers to and from the mill at Footner and Grant's U.S. operations. The Original Applicants with the assistance of the Monitor have prepared the Cash Flow Forecast based primarily on historical results and Grant's current business plan. Receipts and disbursements are denominated in both Canadian and U.S. dollars; however the consolidated cash flow is presented in U.S. dollars. Canadian dollars are converted to U.S. dollars at the exchange rate of CDN$1.05 = US$1.00.

The Cash Flow Forecast assumes that three of Grant's mills, specifically, the Timmins Mill, the Footner Mill and the Clarendon Mill continue to remain closed during the Cash Flow Forecast period. The Cash Flow Forecast also assumes that no interest will be paid to the lenders during the projection period.

Assumptions:

1) **Opening Balance:**
   This is the anticipated opening cash balance of the Original Applicants at the commencement of the stay extension period and includes funds held in Canadian dollars and U.S. dollars that were converted into U.S. dollars at the exchange rate noted above.

2) **Sales Receipts:**
   OSB Sales are calculated as the product of the projected volume and the projected price per unit. The projected volume is estimated based on Grant's recent historical volumes. The projected sales price per unit is estimated using historical pricing data by Grant's sales department and market forecasts published by independent

services. Further amounts estimated for freight and GST (for sales in Canada) are added to the unit price to arrive at the gross price per unit. Grant assumes that sales are collected in two weeks, based on recent historical run rates.

3) **Fibre Sales Receipts:**
Fibre sales receipts represent receipts from sales of wood not utilized in the production process. It is anticipated that such sales and the corresponding receipts will not be significant during the projection period.

4) **GST Refunds:**
Grant is typically in a net refund position as GST remittances are offset by potential input tax credits.

5) **Other Receipts:**
Other Receipts include certain intercompany reimbursements and other miscellaneous receipts.

6) **Corporate Tax Refund :**
Grant anticipates receiving a tax refund of approximately $12.7 million based on its 2009 income tax return filed with the Canada Revenue Agency. This amount is subject to CRA's review of the supporting information related to the tax refund. Approximately $9.3 million of this anticipated tax refund is required to be paid to Mr Peter Grant Sr., further to an Order from Justice Newbould. The Order from Justice Newbould has been appealed by the First Lien Lenders' Agent in the Court of Appeal. A hearing took place on February 19, 2010 and the decision from the Court of Appeal is in reserve.

7) **Payables – Fibre:**
The cost of wood is estimated based on recent historical run rates and current production levels. In addition to the cost of wood, the company pays freight, which fluctuates slightly on a weekly basis.

8) **Freight:**
Freight costs are recovered from customers, however, Grant pays freight costs approximately a week after the sales are made and recovers these amounts from customers in two weeks, at the same time as payment for product as described in note 2 above.

9) **Other Payables:**
Other payables represent suppliers not included in other specific line items. Payables primarily include payments to suppliers for resin, wax, repairs & maintenance, packaging, and contract labour.

10) **Payroll:**
Payroll represents bonus and payroll costs including deductions for all executives and employees and is forecast based on historical run rates. Both salaried and

hourly employees are paid bi-weekly through direct deposits. Grant has outsourced its payroll services to ADP. ADP is usually funded a few days prior to the payroll date. Included in the payroll line item are costs for benefits and pension.

11) **Utilities & Fuel:**
Utilities represent costs for electricity and natural gas. These costs are estimated based on recent historical run rates and production levels.

Fuel represents costs of refuelling both Grant owned vehicles and independent truckers that deliver wood to Englehart and finished goods to customers. The Cash Flow Forecast includes recoveries of fuel costs from freight transport companies who use Grant's fuel pump at Englehart and the highway card lock system.

12) **GST Remittance:**
GST Remittance represents anticipated GST remittances of GFPSI based on projected sales. Typically, Grant on a net consolidated basis is in a GST refund position; however, the sales company is in a payable position as it has no input tax credits.

13) **SG&A:**
SG&A represents costs for rent, property tax, equipment rentals, general repairs and maintenance, office supplies, travel and insurance.

14) **Restructuring Costs:**
Restructuring costs include costs related to Grant's advisors and their counsel and the Monitor and its counsel.

15) **Bank Charges:**
No interest is projected to be paid to the lenders during the projection period. This line item includes agency fees for the first lien lenders.

16) **Capex:**
Capex costs represent payments for anticipated capital expenditures.

17) **Foreign Exchange Impact:**
Foreign Exchange Impact represents the difference in the exchange rate between the opening cash balance in which Canadian dollars are converted to U.S. dollars at the exchange rate of CDN$1.0727 = US$1.00 and the Cash Flow Forecast exchange rate of CDN$1.05 = US$1.00.

18) **Transfer from (to) Additional Applicants:**
Represents intercompany funding between Allendale and Clarendon and the Original Applicants. During the projection period, it is projected that Allendale and Clarendon will not require funding from the Original Applicants.

19) Transfers from (to) Footner:

Represents intercompany funding between Footner and the Original Applicants. During the projection period, it is currently projected that Footner will require approximately $1.1 million in funding from the Original Applicants.

20) Restricted Cash:

At the beginning of the forecast period it represents approximately $804,000 of restricted cash held as a reserve for certain letters of credit issued by the Original Applicants. The restricted cash amount increase to approximately $1.2 million over the projection period due to the renewal of two letters of credit that will require additional collateral.

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

Court File No. CV-09-824700CL

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

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto

TENTH REPORT OF THE MONITOR, ERNST & YOUNG INC.
(Dated FEBRUARY 23, 2010)

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