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 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

EIGHTEENTH REPORT OF THE MONITOR DATED JANUARY 28, 2011

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Sean Dunphy LSUC#: 24941J
Tel: (416) 869-5662
Daniel S. Murdoch LSUC#: 53123L
Tel: (416) 869-5529
Fax: (416) 947-0866

Lawyers for the Monitor,
Ernst & Young Inc.

TO: THE SERVICE LIST

5686038 v1

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

EIGHTEENTH REPORT OF THE MONITOR DATED JANUARY 28, 2011

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 with a stay of proceedings through to February 28, 2011 (the "**Stay Period**").

PURPOSE

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

    i. Actual receipts and disbursements of the Remaining Applicants from June 21, 2010 to January 16, 2011;

    ii. The Remaining Applicants' updated cash flow projection from January 17, 2011 to May 1, 2011;

    iii. The Remaining Applicants' motion to extend the Remaining Applicants' Stay Period to April 29, 2011;

    iv. The Remaining Applicants' motion declaring that, in accordance with paragraph 8 of the Order of the Honourable Justice Campbell made on June 30, 2010 (the "**June 30, 2010 Order**"), Stonecrest is not in possession or control of any of the real property owned by GFPI set out on Schedule B to the draft order (the "**Real Property**"); however, if Stonecrest is alleged or later found to be in possession or control of any of the Real Property, then Stonecrest is a person who has been lawfully appointed to take, or has lawfully taken, possession or control of such Real Property of an insolvent person, GFPI, that was acquired for, or is used in relation to, a business carried on by such insolvent person in accordance with section 14.06(1.1)(c) of the *Bankruptcy and Insolvency Act* (the "**BIA**") and that Stonecrest is entitled to the benefits and protections provided by section 14.06 of the BIA to a trustee (which in accordance with Section 14.06(1.1) of the BIA includes Stonecrest); and

v. The Remaining Applicants' motion to approve the Seventeenth Report of the Monitor dated December 23, 2010 (the "**Seventeenth Report**") and this Eighteenth Report and the conduct and activities of the Monitor as set forth in these reports.

TERMS OF REFERENCE

8. In preparing this Eighteenth 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 Eighteenth Report. Some of the information referred to in this Eighteenth 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. Unless otherwise stated all monetary amounts contained herein are expressed in U.S. Dollars.

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

BACKGROUND

11. 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.

12. The Applicants and Footner Forest Products Ltd. ("**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.

13. 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.

14. 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.

15. 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 were 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.

16. 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.

17. 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.

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

    1) The Timmins Mill;

    2) The Footner Interests, which are described in detail in the Sixteenth Report of the Monitor dated December 20, 2010 (the "**Sixteenth Report**") and the sale of which was approved by this Honourable Court on January 5, 2011 and is scheduled to close on February 17, 2011; 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**").

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

20. The Monitor has been actively working with the Remaining Applicants and the CRO to sell the remainder of Remaining Applicants' assets.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS OF THE REMAINING APPLICANTS

21. A summary of the actual receipts and disbursements of the Remaining Applicants as compared to the projection set out in the Fifteenth Report of the Monitor dated June 28, 2010 (the "**Fifteenth Report**") for the period from June 21, 2010 to January 16, 2011 is attached as Appendix A to this Eighteenth Report. As set out in the Fifteenth Report, the projection excluded any net proceeds from the sale of the remaining assets due to the uncertainty in quantum and timing of receipts from the sale of such remaining assets. Further, the projection also excluded the release of funds held in escrow or in trust with the Monitor to the lenders, given the uncertainty in timing of when the relevant conditions related to the escrows would be met and the timing of their release.

22. The Remaining Applicants' actual consolidated net cash outflow for the period from June 21, 2010 to January 16, 2011, is set out in Appendix A to this Eighteenth Report. In addition, Appendix A includes further details with respect to the variance in the individual receipt and disbursement line items.

23. Attached as Appendix B is a summary of the cash balances held by the Monitor in its trust and escrow accounts. As at January 16, 2011, the Monitor's trust and escrow accounts held approximately \$25.5 million in U.S. currency and approximately \$2.8 million in Canadian currency primarily from the proceeds of the Georgia Pacific transaction.

UPDATED CASH FLOW PROJECTION OF THE REMAINING APPLICANTS

24. An updated cash flow forecast of the Remaining Applicants for the period from January 17, 2011 to May 1, 2011 is attached as Appendix C to this Eighteenth Report (the "**Remaining Applicants' Forecast**").

25. The Remaining Applicants' Forecast has been prepared by management of the Remaining Applicants with the assistance of the Monitor, using probable and hypothetical assumptions set out in the notes attached to the Remaining Applicants' Forecast.

26. The Remaining Applicants' Forecast attached to this Eighteenth Report reflects receipts and disbursements to be paid over the projection period in U.S. currency. No net proceeds from the sale of the remaining assets are projected in this projection period due to the uncertainty in quantum and timing of receipts from the sale of such remaining assets. Further, the Remaining Applicants' Forecast also excludes the release of funds held in escrow or in trust with the Monitor to the lenders, given the uncertainty in timing of when the relevant conditions related to certain escrows and reserves are met and the timing of their release.

27. The Remaining Applicants' Forecast projects that the Remaining Applicants will have sufficient liquidity to operate during the CCAA proceedings.

STAY EXTENSION OF THE REMAINING APPLICANTS

28. The current Stay Period of the Remaining Applicants expires on February 28, 2011. The Remaining Applicants are seeking an extension of the Stay Period to April 29, 2011 to permit them time to complete the sale of the remaining assets and the orderly liquidation of their business, and more specifically to:

i. continue to work towards the closing of the transaction related to the Footner Mill as described in detail in the Sixteenth Report;

ii. continue to work towards the sale of the Timmins Mill and the Non-Core Assets as described earlier in this Eighteenth Report;

iii. continue to work towards certain remaining post closing matters related to the transaction with Georgia Pacific including the release of certain funds held in escrow with the Monitor related to payables, as described in detail in the Fourteenth Report. Further, certain U.S. tax returns of GFPI and GAI are not expected to be filed by the current Stay Period; and

iv. completing other wind down activities.

29. Based on its observation of the Remaining Applicants' wind down process, the Monitor considers the Remaining Applicants to be acting in good faith and with due diligence. The extension of the Stay Period to April 29, 2011 is appropriate. Accordingly, the Monitor recommends to this Honourable Court that the Stay Period be extended to such date

RECOMMENDATIONS

30. The Remaining Applicants are seeking this Honourable Court's authorization for an Order:

i. approving the extension of the Remaining Applicants Stay Period to April 29, 2011;

ii. declaring that, Stonecrest is not in possession or control of any of the Real Property; however, if Stonecrest is alleged or later found to be in possession or control of any of the Real Property, then Stonecrest is a person who has been lawfully appointed to take, or has lawfully taken, possession or control of such Real Property of an insolvent person, GFPI, that was acquired for, or is used in relation to, a business carried on by such insolvent person in accordance with section 14.06(1.1)(c) of the *BIA,* and that Stonecrest is entitled to the benefits and protections provided by section 14.06 of the BIA to a trustee (which in accordance with Section 14.06(1.1) of the BIA includes Stonecrest); and

iii. approving the Seventeenth Report and Eighteenth Report, and the conduct and activities of the Monitor as reported on in these Reports.

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

All of which is respectfully submitted this 28th day of January, 2011.

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

APPENDIX A

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants")
Cumulative Combined Receipts and Disbursements
For the Period from June 21, 2010 to January 16, 2011
(In Thousands of US Dollars)

	Actual	Projection	Variance	Notes
Opening Bank Balance	25,315	25,315	-	
Receipts				
GST/HST Collected & Refunds	851	1,160	(309)	1
Other Receipts	3,558	2,685	873	2
Post-Transaction Trade Receipts	556	-	556	3
Corporate Tax Refund - Net	69	-	69	
Total Receipts	5,035	3,844	1,191	
Disbursements				
Payroll	(4,675)	(4,118)	(557)	4
Other Payables	(1,684)	(2,574)	890	5
SG&A	(1,490)	(1,003)	(487)	6
Restructuring Costs	(4,546)	(3,852)	(695)	7
Bank Charges	(187)	(85)	(102)	
Foreign Exchange Impact	162	33	129	
Total Disbursements	(12,421)	(11,598)	(822)	
Inter-Company Transfers:				
Transfers from (to) Footner	(1,060)	(970)	(89)	8
Total Inter-Company Transfers	(1,060)	(970)	(89)	
Transfer to Georgia Pacific	(1,300)	(691)	(609)	9
Net Cash Flows	(9,745)	(9,416)	(330)	
Ending Bank Balance	15,569	15,899	(330)	
Deduct: Restricted Cash	(126)	-	(126)	
Ending Cash excluding Restricted Cash	15,443	15,899	(456)	

Funds Held by the Monitor in Escrow and in Trust

	USD	CAD	Notes
Opening Bank Balance	$ 55,441	$ 1,031	
Receipts	46	5,300	10
Disbursements	(29,989)	(3,525)	10
Net Cash Inflow/(Outflow)	(29,943)	1,775	
Ending Bank Balance	25,498	2,806	11

Grant Forest Products Inc., Grant Alberta Inc. and Grant Forest Products Sales Inc. (the "Remaining Applicants") Cumulative Combined Actual Receipts and Disbursements For the Period June 21, 2010 to January 16, 2011 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$1.02=US$1.00.

1. **GST/HST Collected and Refunds** – The unfavourable variance is primarily due to a timing difference related to a prior period GST refund that was received prior to this projection period.

2. **Other Receipts** – The favourable variance is due to proceeds from the sale of unused natural gas and other miscellaneous receipts such as an insurance premium refund, a utilities refund, and sale proceeds of sundry assets. The Remaining Applicants have discontinued such sales of natural gas after the repudiation of the natural gas contract with the relevant vendor.

3. **Post-Transaction Trade Receipts** – The amount represents trade receipts received after the closing of the transaction with Georgia Pacific on May 26, 2010 and was not contemplated in the projection. Pursuant to the Purchase and Sale Agreement between the Remaining Applicants and Georgia Pacific (the "**PSA**"), Georgia Pacific is entitled to such trade receipts, which were paid.

4. **Payroll** – The unfavourable variance is primarily due to: i) Canada Revenue Agency's adjustments to certain 2009 T4 returns, ii) the payment of a pension contribution related to a former employee, and iii) higher than anticipated costs required with respect to the wind-up process.

5. **Other Payables** – The favourable variance is primarily due to a combination of several factors, including i) a certain payment not required to be made pursuant to subsequent amendments to the PSA, ii) the inclusion of two previous natural gas payments in SG&A that resulted in a classification variance as compared to the projection, and iii) timing differences.

6. **SG&A** – The unfavourable variance is due to a combination of several factors, including i) the classification variance related to two natural gas payments (as described in Note 5), ii) higher than anticipated insurance premium payments required for appropriate levels of insurance coverage, iii) higher than anticipated disbursements related to Footner mill transaction and the Timmins mill, and iv) the payment of certain property tax arrears that are not reflected in the projection.

7. **Restructuring Costs** – The unfavourable variance is primarily due to certain professional costs that were not reflected in the projection, partly offset by a favourable timing difference. The projection does not reflect fees related to the sale of certain non-

core assets and fees paid to the Chief Restructuring Advisor, the latter of which are subject to, and calculated based on distributions to the First Lien Lenders.

8. **Transfer to Footner** – The unfavourable variance is due to a combination of a timing difference and higher than anticipated costs related to Footner.

9. **Transfer to Georgia Pacific** – Pursuant to the PSA, the Remaining Applicants have transferred to Georgia Pacific approximately $1.3 million of post-transaction trade receipts that were received after the closing of the PSA on May 26, 2010.

10. **Receipts and Disbursements of the Escrow and Trust Accounts** – Transactions in the escrow and trust accounts during the current period have been summarized as follows:

Receipts

- U.S. dollar receipts represent a US$46,000 holdback released by Georgia Pacific.
- Canadian dollar receipts total to approximately CDN$5.3 million, including:
  - CDN$2.1 million proceeds from the sale of one of GFPI's non-core assets;
  - CDN$1.9 million from Georgia Pacific related to a working capital adjustment; and
  - A transfer of CDN$1.3 million from U.S currency accounts to Canadian currency accounts as part of the distribution to the first lien lenders was required to be made in Canadian currency.

Disbursements

- U.S. dollar disbursements total to approximately US$30.0 million, including:
  - US$28.8 million related to distributions to the first lien lenders pursuant to the Court Order of June 4, 2010; and
  - US$1.2 million converted to Canadian currency for Canadian currency distributions to the first lien lenders.

- Canadian dollar disbursements total to approximately $3.5 million, including:
  - Distributions of CDN$2.6 million to the first lien lenders; and
  - The release of CDN$918,000 to the Remaining Applicants with respect to an employee retention plan for certain former employees of GFPI and GFPSI, as described in a previous report.

11. **Closing balance of the escrow account** – The escrow and trust accounts held funding as at January 16, 2011 as set out in the summary attached in Appendix "B".

APPENDIX B

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants")
Summary of Funds in Escrow Account
As at January 16, 2011

		Amount
USD Account		
Purchased Assets and Purchase Price Adjustment	$	25,329,409
Other Payables Escrow		168,697
Total USD Account		25,498,106

	Amount
CDN Account	
Purchased Assets and Purchase Price Adjustment	2,800,588
Interest	5,582
Total CDN Account	2,806,169

Note
All account balances are net of bank charges.

APPENDIX C

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants") Combined Cash Flow Projection
For The Period From January 17, 2011 to May 1, 2011
(In Thousands of US Dollars)

		Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	
Period Enging	Notes	23-Jan-11	30-Jan-11	6-Feb-11	13-Feb-11	20-Feb-11	27-Feb-11	6-Mar-11	13-Mar-11	20-Mar-11	27-Mar-11	3-Apr-11	10-Apr-11	17-Apr-11	24-Apr-11	1-May-11	Total
Opening Bank Balance	1	15,569	15,292	15,014	14,985	14,636	14,232	13,953	13,727	13,589	13,453	13,240	13,055	12,921	12,839	12,592	15,569
Receipts																	
GST/HST Refunds	2	-	66	-	-	-	89	-	-	-	-	68	-	-	-	59	282
Other Receipts	3	1	22	257	-	-	-	-	-	-	-	-	-	-	-	-	280
Sale of Assets	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		1	88	257	-	-	89	-	-	-	-	68	-	-	-	59	562
Disbursements																	
Payroll	5	(35)	(32)	(4)	(32)	-	(162)	(4)	(22)	-	(27)	-	(22)	-	(27)	-	(368)
Other Payables	6	(1)	-	-	(175)	(175)	-	-	-	-	-	-	-	-	-	-	(351)
SG&A	7	(37)	(97)	(132)	(56)	(28)	(45)	(28)	(25)	(47)	(45)	(28)	(61)	(28)	(45)	(134)	(835)
Restructuring Costs	8	(135)	(176)	(106)	(49)	(173)	(107)	(152)	(49)	(87)	(135)	(210)	(49)	(52)	(171)	(176)	(1,832)
Bank Charges	9	(7)	(5)	(15)	(2)	(2)	(5)	(15)	(42)	(2)	(5)	(15)	(2)	(2)	(5)	(15)	(137)
Foreign Exchange Impact	10	(37)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37)
Total Disbursements		(252)	(311)	(257)	(314)	(379)	(319)	(200)	(138)	(137)	(212)	(253)	(134)	(82)	(247)	(325)	(3,559)
Transfer to Footner	11	(26)	(55)	(30)	(35)	(25)	(49)	(26)	-	-	-	-	-	-	-	-	(246)
Net Cash Flows		(277)	(278)	(30)	(349)	(404)	(279)	(226)	(138)	(137)	(212)	(185)	(134)	(82)	(247)	(265)	(3,243)
Ending Bank Balance		15,292	15,014	14,985	14,636	14,232	13,953	13,727	13,589	13,453	13,240	13,055	12,921	12,839	12,592	12,326	12,326
Deduct: Restricted Cash	12	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Ending Cash escluding Restricted Cash		15,168	14,890	14,860	14,511	14,107	13,828	13,602	13,465	13,328	13,116	12,930	12,797	12,714	12,467	12,202	12,202

In the Matter of the CCAA of Grant Forest Products Inc. Grant Alberta Inc., and Grant Forest Products Sales Inc., ("Grant" or the "Remaining Applicants") Notes to the Unaudited Combined Cash Flow Projection

Disclaimer:

In preparing this cash flow projection (the "**Remaining Applicants' Forecast**"), the Remaining Applicants have relied upon unaudited financial information, and the Remaining Applicants have not attempted to further verify the accuracy or completeness of such information. Since the Remaining Applicants' Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the forecast period will vary from the Remaining Applicants' 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 Remaining Applicants' Forecast reflects cash flows from the Remaining Applicants' operations including transfers to and from the mill at Footner. The Remaining Applicants with the assistance of the Monitor have prepared the Remaining Applicants' Forecast based primarily on their current cost base and historical results. Receipts and disbursements are denominated in both Canadian and US dollars; however, the consolidated cash flow is presented in U.S. dollars. Canadian dollars are converted to US dollars at the exchange rate of CDN$1.00 = US$1.00.

Pursuant to the Purchase and Sale Agreement (the "**PSA**") between Grant and Georgia Pacific, Grant has sold to Georgia-Pacific three of Grant's mills, specifically, the Englehart Mill, the Allendale Mill and the Clarendon Mill. The Remaining Applicants' Forecast assumes that the Timmins Mill and the Footner Mill will continue to remain idle during the forecast period. In addition, funding to the Footner Mill is expected to cease in March 2011 pursuant to the closing of the sale transaction related to the Footner mill.

Assumptions:

1) **Opening Balance:**
   This is the anticipated opening cash balance of the Remaining 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) **GST/HST Refunds:**
   Grant projects GST/HST refunds based on input tax credits during the forecast period. The Remaining Applicants' Forecast no longer reflects GST remittances on OSB and fibre sales pursuant to the closing of the transaction with Georgia Pacific.

3) **Other Receipts:**
Other Receipts include miscellaneous receipts such as WSIB and property tax refunds and other receipts.

4) **Sale of Assets:**
The Remaining Applicants' Forecast does not reflect any net proceeds from the sale of the Remaining Applicants' remaining assets in this projection period due to the uncertainty in the quantum and timing of such receipts. In addition, this line item also excludes the release of funds held in escrow or in trust with the Monitor due to the uncertainty in timing of when the relevant conditions related to the escrows are met and the timing of their release. Further, this line item excludes the sale proceeds of approximately CDN$20 million related to the Footner mill transaction.

5) **Payroll:**
Payroll represents salaries, benefits and retention payments, including deductions for all employees and contractors, and is forecast based on current run rates. Contractors and employees are paid bi-weekly through direct deposits.

6) **Other Payables:**
Other payables include primarily certain post-filing accounts payables.

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

8) **Restructuring Costs:**
Restructuring costs include costs related to the Remaining Applicants' advisors and their counsel and the Monitor and its counsel.

9) **Bank Charges:**
This line item primarily includes fees related to the lenders.

10) **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 actual exchange rate of CDN$0.9892 = US$1.00 as at the beginning of the forecast period and the Remaining Applicants' Forecast exchange rate of CDN$1.00 = US$1.00.

11) Transfer to Foonter:

Represents inter-company funding between the Remaining Applicants and the Footner mill. During the projection period, it is currently projected that the Footner mill will require approximately $246,000 in funding from the Remaining Applicants. The Remaining Applicants expect to cease funding in March 2011 pursuant to the closing of the sale transaction related to the Footner mill on February 17, 2011.

12) Restricted Cash:

At the beginning of the forecast period Restricted Cash represents approximately $125,000 of restricted cash held as a reserve for a letter of credit required by a municipal authority.