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**

# FOURTEENTH REPORT OF THE MONITOR DATED JUNE 1, 2010


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TO: THE SERVICE LIST

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**FOURTEENTH REPORT OF THE MONITOR**
**DATED JUNE 1, 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 June 30, 2010 (the "**Original

**Applicants' Stay Period**") pursuant to an Order of this Honourable Court dated February 26, 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.

## PURPOSE

3. The purpose of this Fourteenth Report of the Monitor (the "**Fourteenth 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**") and the closing of the purchase agreement with Georgia Pacific (defined below) to sell certain of the Applicants' mills and related assets located in Canada and the U.S. as described in detail in the Monitor's Sixth Report dated January 15, 2010 (the "**Sixth Report**");

   b. the status of the CCAA proceedings of the Additional Applicants and the Grant Partnership;

   c. the review of the security of the first lien lenders who were owed approximately $399 million plus accrued interest as of May 31, 2009 (the "**First Lien Lenders**");

   d. the Applicants' motion for an interim distribution of funds in the possession of GFPI and in escrow with the Monitor to The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC as agents (collectively, the "**First Lien Lenders' Agent**"), the agent of the First Lien Lenders;

e. the Applicants' motion to authorize GFPI to pay to Hugh Saint, Inc. (the "**Boat Builder**"), with respect to the construction of the Boat (as defined below), an amount that is agreed between GFPI and the Boat Builder; and

f. the Applicants' motion for approval of an amendment to the Employee Retention Plan, as approved by the Order of this Honourable Court dated March 30, 2010; and

g. the Applicants' motion to approve this Fourteenth Report and the conduct and activities of the Monitor as set forth herein.

**TERMS OF REFERENCE**

4. In preparing this Fourteenth 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 Fourteenth Report. Some of the information referred to in this Fourteenth 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 Fourteenth Report are defined in the Initial Order, the Supplemental Initial Order or previous Reports of the Monitor.

**BACKGROUND**

7. 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.

8. 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.

9. The Applicants and Footner 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.

10. 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.

11. As set out further herein, the Applicants completed the sale of the Englehart Mill to Georgia Pacific on May 26, 2010. The Applicants still own the Timmins Mill;

12. 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 bare trustee and GFPI owns 50% of the shares of Footner. Footner is not a CCAA applicant.

13. 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 were Additional Applicants and were subject to these CCAA proceedings.

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

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

16. As described further herein, the Applicants completed a sale of the Grant Partnership to Georgia Pacific on May 26, 2010, as such, the Allendale Mill and Clarendon Mill are no longer owned by the Applicants.

17. 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 were operating prior to the completion of the sale to Georgia Pacific. Both the Timmins Mill and the Footner Mill are idle.

18. 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 Original Applicants with services to be provided by Hap Stephen and Sandra Rosch.

## STATUS OF THE MARKETING PROCESS

19. 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. 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.

20. 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 as the selected party to proceed to *Phase III* to negotiate a purchase and sale agreement with the Applicants.

21. On March 30, 2010 this Honourable Court granted an order (the "**Canadian Sale Approval Order**") approving the transaction (the "**Transaction**") as contemplated by a purchase agreement (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 (including the Englehart Mill, the Allendale Mill and the Clarendon Mill, as set out in further detail in the Sixth Report). Grant's interest in the Footner Mill was an excluded asset from the PSA, as was the Timmins Mill and certain other assets described in further detail in the Sixth Report.

22. On March 31, 2010, pursuant to the terms of the Canadian Sale Approval Order, the Monitor, as the foreign representative of the Applicants, filed petitions in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**") for relief under Chapter 15 of Title 11 of the U.S. Bankruptcy Code ("**Chapter 15**"), including recognition of these CCAA proceedings as a foreign main proceeding in respect of the Applicants and an order recognizing and approving the Canadian Sale Approval Order specifically. An Order granting emergency relief under Chapter 15 to the Applicants was granted by the U.S. Bankruptcy Court on April 6, 2010, and an Order granting provisional relief under Chapter 15 to the Applicants was granted by the U.S. Bankruptcy Court on April 19, 2010.

23. Further, pursuant to the terms of the Canadian Sale Approval Order, on April 1, 2010 the Monitor also filed a motion on behalf of the Applicants (the "**U.S. Sales**

**Motion**") requesting the U.S. Bankruptcy Court grant an order (the "**U.S. Sale Approval Order**"), among other things, affirming and enforcing the Canadian Sale Approval Order, and approving the Transaction as contemplated by the PSA between the Applicants and Georgia Pacific to sell a substantial portion of the Applicants' assets and operations, as set out in further detail in the Sixth Report. An Order granting recognition and approval of the Canadian Sale Approval Order was granted by the U.S. Bankruptcy Court on April 26, 2010.

24. On May 15, 2010, Georgia Pacific and the Applicants agreed to certain amendments and clarifications of the PSA, with respect to closing matters and escrow accounts, none of which negatively impact the PSA overview provided in the Sixth Report.

25. On May 26, 2010 the Transaction closed and Georgia Pacific paid to the Monitor the purchase price of US$403 million and a further amount of US$22.6 million with respect to a working capital adjustment that was contemplated in the PSA. The funds received from Georgia Pacific included US$15 million with respect to the Timber Escrow as described in the Sixth Report (the "**Timber Escrow**"), US$5 million with respect to the Working Capital Escrow as described in the Sixth Report (the "**Working Capital Escrow**"), and approximately US$1.4 million with respect to the Other Payables Escrow as described in the Sixth Report (the "**Other Payables Escrow**"). In addition, Georgia Pacific funded an amount of US$0.8 million with respect to an employee retention plan (the "**ERP**") for certain employees of GFPI and GFPSI. The ERP is further described in the Seventh Report of the Monitor dated January 27, 2010 (the "**Seventh Report**"). A table summarizing the closing proceeds received by the Monitor on behalf of the Applicants or to be held in escrow are summarized in the table below:

| Proceeds from sale | Amount (US$000's) | |
|---|---|---|
| Purchase Price | 403,000 | |
| Working Capital Adjustment | 22,657 | |
| Employee Retention | 866 | |
| **Total** | 426,523 | |
| **Item** | **Amount (US$000's)** | |
| Timber Escrow | 15,000 | Held by the Monitor in escrow |
| Working Capital Escrow | 5,000 | Held by the Monitor in escrow |
| Other Payables Escrow | 1,469 | Held by the Monitor in escrow |
| Employee Retention | 866 | Held by the Monitor in trust |
| Remaining proceeds | 404,188 | Held by the Monitor in trust |
| **Total** | 426,523 | |

**Note**: The Employee Retention amount held in trust by the Monitor was subsequently converted to Canadian Currency.

26. Subsequent to the receipt of the amounts described above, the Monitor delivered to Georgia Pacific a certificate (the "**Monitor's Certificate**") primarily certifying that the above funds were received by the Monitor and that the Monitor consented to the registration against title to the purchased real property of the Approval and Vesting Order issued by this Honourable Court on March 30, 2010. As contemplated by the Approval and Vesting Order, upon delivery of the Monitor's Certificate, the Transaction closed.

**STATUS OF THE CCAA PROCEEDINGS OF THE ADDITIONAL APPLICANTS AND THE GRANT PARTNERSHIP**

27. As set out in paragraph 33 of the Supplemental Initial Order, upon the delivery of the Monitor's Certificate to Georgia Pacific, the CCAA proceedings with respect to the Additional Applicants and the Grant Partnership were terminated and the Monitor was discharged as Monitor of the Additional Applicants and the Grant Partnership.

28. As a result of the 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.

## REVIEW OF FIRST LIEN LENDERS' SECURITY

29. As discussed in the affidavit of Mr. Peter Lynch dated June 22, 2009 in support of the motion for the issuance of the Initial Order (the "**Lynch Affidavit**"), as at May 31, 2009, the First Lien Lenders were owed the principal amount of approximately $399 million plus accrued interest of approximately $5.3 million pursuant to a credit agreement dated as of October 26, 2005, as amended by an agreement dated as of March 21, 2007 (the "**First Lien Credit Agreement**"). In addition, as discussed in the Lynch Affidavit, approximately $8.7 million was owed to one or more of the First Lien Lenders pursuant to interest rate swap agreements and such liability is also secured by the security held by the First Lien Lenders' Agent.

30. The Bank of New York Mellon ("**BNY**") (as successor agent to The Toronto-Dominion Bank and Toronto Dominion (Texas) LLC) is the agent (the "**Second Lien Lenders' Agent**") for the second lien lenders (the "**Second Lien Lenders**") which, as discussed in the Lynch Affidavit, as at May 31, 2009, were owed the principal amount of approximately $150 million plus accrued interest of approximately $42 million.

31. Grant has estimated that as at April 30, 2010, the First Lien Lenders are owed approximately US$ 441 million including accrued interest at default rates of interest, although Grant still needs to reconcile the precise figure with the First Lien Lenders' Agent.

32. The Monitor's counsel has conducted a security review of various security held by the First Lien Lenders in Canada granted in their favour by each of GFPI, GAI and GFPSI over each of their respective property and assets for the benefit of the First Lien Lenders and rendered an opinion with respect to the validity and perfection thereof under the provincial laws of Ontario and Alberta and the federal laws of Canada (the "**Canadian First Lien Security Opinion**").

33. The Canadian First Lien Security Opinion states that, subject to the assumptions and qualifications contained therein, including those relating to statutory and possessory

liens and claims that have priority by operation of law, the First Lien Lenders' security is valid and enforceable and ranks in first priority to the other claims with respect to the personal property secured, subject to certain registrations of secured parties made under the *Personal Property Security Act* of each of Ontario and Alberta prior to the registration by the First Lien Lenders' Agent.

34. In preparing the Canadian First Lien Security Opinion, Monitor's counsel reviewed the security interests in the personal property of each Canadian Applicant registered under the *Personal Property Security Act* of each of Ontario and Alberta and notices of intention of each Canadian Applicant to give security under Section 427 of the *Bank Act* (Canada) registered with the Bank of Canada in Ontario and Alberta.

35. The Canadian First Lien Security Opinion identifies a series of registrations under the *Personal Property Security Act* of each of Ontario and Alberta that precede the registration of the First Lien Lenders' security. Attached as Appendix "A" is a chart identifying all of the prior registrations. GFPI has advised the Monitor that all such prior registrations referred to in the Canadian First Lien Security Opinion are with respect to equipment leases.

36. In preparing the Canadian First Lien Security Opinion, Monitor's counsel also conducted or caused to be conducted subsearches in respect of the lands described in the First Lien Lenders' security documents (the "**Charged Lands**"). The Canadian First Lien Security Opinion states that, at the time of each subsearch, the relevant security document remained registered against the Charged Lands. GFPI has advised that Ontario and Alberta are the only Canadian jurisdictions in which GFPI, GAI and GFPSI own material assets. In respect of real property, the Canadian First Lien Security Opinion covers only the Charged Lands although the Canadian Applicants may own and lease additional parcels of land in Ontario and Alberta.

37. Legal counsel retained by the Monitor in the United States has also completed its review of the various security held by the First Lien Lenders in the U.S. and rendered its opinion with respect to such security documents (the "**U.S. First Lien**

**Opinion**").

38. The U.S. First Lien Opinion states that, subject to the assumptions and qualifications set out therein, under the relevant provisions of the Uniform Commercial Code (the "**UCC**"), the law governing the perfection of a security interest in the general partnership of Grant Partnership is the law of the jurisdiction where GAI and GFPI have their place of business. The U.S. First Lien Opinion further states that there are no financing statements disclosed in the UCC lien searches with respect to GFPI, GFPSI, GAI, the Grant Partnership, Allendale, Clarendon and Southeast that were filed prior to the First Lien Lenders' financing statement. In addition, the U.S. First Lien Opinion states that there are no outstanding mortgages or other instruments or agreements securing the repayment of money reflected in title commitments dated January 8, 2010 and January 14, 2010 from the Chicago Title Insurance Company with respect to real property owned by Allendale and Clarendon respectively that were filed prior to the First Lien Lenders' mortgage.

39. Accordingly, based on the Monitor's counsels' reviews of the First Lien Lenders' security, the proceeds from the Transaction and the Applicants' remaining assets, subject to the qualifications noted above and the need to maintain reserves to fund post filing obligations of the Applicants and the remaining costs of the Applicants to complete the CCAA proceedings, may appropriately be paid to the First Lien Lenders' Agent to apply to the fees, costs, interest and principal owed to the First Lien Lenders by the Applicants.

## FIRST INTERIM DISTRIBUTION

40. As of May 26, 2010, the Monitor holds approximately US$404.2 million from the Transaction proceeds which were received from Georgia Pacific, as summarized in the table in paragraph 25 in this Fourteenth Report, which are not subject to escrow or being held in trust with respect to ERP payments. In addition, as at May 25, 2010, GFPI holds the equivalent of approximately US$31 million cash on hand in its bank account. GFPI and the Monitor have prepared an analysis, which has been

reviewed by the CRA, to estimate the amount of surplus cash that would be available for distribution to the First Lien Lenders subject to maintaining certain reserves that are required to pay the ERP and to satisfy any accrued but unpaid post CCAA filing obligations of the Applicants, including final payroll to the date of the closing of the Transaction and trade vendor obligations, as well as establishing a reserve to fund the Applicants' remaining operations for the duration of the CCAA proceedings.

41. Based on the analysis, the Remaining Applicants are requesting this Honourable Court's approval to distribute the equivalent of US$370 million to the First Lien Lenders. The full proceeds of the proposed distribution will be from the funds held in trust by the Monitor. After the distribution of such amount, the Monitor will continue to hold approximately $55.6 million in U.S. currency, including the required funds in escrow pursuant to the PSA, and approximately $0.9 million in Canadian currency as set out in the table below. In addition, as discussed earlier in this Fourteenth Report, as at May 25, 2010, GFPI held the equivalent of approximately $31 million in U.S. currency cash on hand.

| **Item** | **Amount (US$000's)** | |
|---|---|---|
| Timber Escrow | 15,000 | Held by the Monitor in escrow |
| Working Capital Escrow | 5,000 | Held by the Monitor in escrow |
| Other Payables Escrow | 1,469 | Held by the Monitor in escrow |
| Remaining proceeds (net of distribution of US$ 370 million) | 34,188 | Held by the Monitor in trust |
| **Total** | 55,657 | |

| **Item** | **Amount (CDN$000's)** | |
|---|---|---|
| Employee Retention | 906 | Held by the Monitor in trust |

42. The benefit of making this distribution is that it will significantly reduce the ongoing interest being accrued on the First Lien Lenders' debt, which will benefit future recoveries of creditors from these proceedings. The Monitor understands that the US$ 370 million distribution will reduce ongoing interest costs of GFPI of approximately $ 2.3 million per month.

## POTENTIAL PAYMENTS RELATED TO THE BOAT

43. As described in the Second Report of the Monitor dated July 21, 2009 (the "**Second Report**"), GFPI owns a 65 foot custom built motor boat which is currently located in a storage facility in Florida (the "**Boat**"). The Boat is one of GFPI's non-core assets which GFPI intends to sell.

44. The Monitor understands that certain documentation, including a Manufacturers Certificate of Origin (the "**MSO**"), is required for the sale of the Boat. Accordingly, GFPI, with the assistance of the Monitor, has been working to obtain the MSO and other documentation required for the sale of the Boat, which requires the assistance of the Boat Builder. The Boat Builder is owed certain amounts by the Applicants from prior to the commencement of these proceedings with respect to the construction of the boat. Pursuant to ongoing discussions with the Boat Builder, GFPI is requesting this Honourable Court's approval to authorize GFPI to pay the Boat Builder, with respect to the construction of the Boat, an amount that is agreed to between GFPI and the Boat Builder.

45. GFPI with the assistance of the Monitor has contacted several boat brokers and has selected a boat broker who will be retained to market the Boat for sale after GFPI obtains the MSO and other relevant documentation from the Boat Builder.

## AMENDMENTS TO THE EMPLOYEE RETENTION PLAN

46. The ERP is attached as Exhibit "A" to the Affidavit of Peter Lynch sworn January 22, 2010 and, as set out above, is described in greater detail in the Seventh Report. The ERP provides that eligibility for Part 3 payments is limited to the referenced non-union employees who, among other things, enter into employment agreements with GFPI "for a term of from two to six months ending not later than the date which is six months after the Closing Date (and extendable by agreement of Grant Forest Products Inc. and the applicable employee)." In order to address its needs post-closing, GFPI has advised that it entered into employment agreements with certain applicable employees for terms of one month and nine months.

Accordingly, the excerpt from the ERP referenced above should be amended to state "on terms to be agreed by GFPI and the applicable employee with the approval of the Monitor."

47. Paragraph 12 of the Additional Provisions of the ERP states that the maximum amount payable to each eligible employee is set out on Schedules 1, 2, 3 and 6 of the ERP. These schedules were filed with the Court under seal because they contain confidential information about the employees. The maximum amount payable to one employee for Part 1 and Part 2 payments was underreported in the schedules filed under seal. The maximum amount payable to this employee is to be increased by an amount not exceeding $27,000. This amendment will not affect the maximum amount payable under the ERP to all eligible employees.

## RECOMMENDATIONS

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

    a. Approving an interim distribution of funds in the possession of the Monitor, as described in paragraph 25 in this Fourteenth Report, in the amount of $370 million to the First Lien Lenders' Agent;

    b. authorizing GFPI to pay to the Boat Builder, with respect to the construction of the Boat, an amount that is agreed to between GFPI the Boat Builder;

    c. approving the amendments to the ERP set out in this Fourteenth Report; and

    d. approving this Fourteenth Report of the Monitor and the conduct and activities of the Monitor as reported on herein.

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

All of which is respectfully submitted this 1st day of June, 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

# APPENDIX A

## DEFINED TERMS

| | | | | | |
|---|---|---|---|---|---|
| A | Accounts | AS | Amount Secured | BD | Book Debts |
| CG | Consumer Goods | DM | Date of Maturity | E | Equipment |
| I | Inventory | MVI | Motor Vehicle Included | N/A | Information Not Available |
| NFMD | No Fixed Maturity Date | O | Other | * | Registration that Applies to a Similar Name |

**SEARCH CONDUCTED AGAINST**
Grant Forest Products Inc.

**CURRENCY: January 3, 2010**

*PERSONAL PROPERTY SECURITY ACT* (ONTARIO)

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
|---|---|---|---|---|---|
| 1. | 631873107 | 20070104 1450 1530 6780<br>Reg. 4 years | Grant Forest Products | GMAC Leaseco Corporation | CG, E, O, MVI, NFMD<br>AS $57,020<br>2007 GMC Yukon, VIN |
| | " | 20070105 1456 1530 9772<br>(Amendment) | Grant Forest Products Inc. | | To amend name entered for debtor |
| | " | 20070502 1457 1530 1330<br>(Transfer) | Robert McLeod<br>(dob 08Oct1945) | | Transfer by debtor |

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
|---|---|---|---|---|---|
| 2. | 627726591 | 20060804 1440 1902 0338<br>Reg. 6 years | Grant Forest Products | Irwin Commercial Finance Canada Corporation | E, O<br>Copier (s) together with all attachments accessories accessions replacements substitutions additions and improvements thereto and all proceeds in any form derived directly or indirectly from any sale and or dealing with the collateral and a right to an insurance payment or other payment that indemnifies or compensates for loss or damage to the collateral or proceeds of the collateral |
| | " | 20060921 1210 1902 3036<br>(Amendment) | Grant Equipment Corp. | | Change debtor |
| 3. | 627592473 | 20060801 1453 1530 8811<br>Reg. 4 years | Grant Forest Products | GMAC Leaseco Corporation | CG, E, O, MVI, NFMD<br>AS $67,267<br>2007 GMC Yukon, VIN |
| | " | 20060802 1456 1530 1275<br>(Amendment) | Grant Forest Products Inc | | To amend name entered for debtor |
| 4. | 627378732 | 20060725 1704 1462 0877<br>Reg. 5 years | Grant Forest Products Inc. | Xerox Canada Ltd | E, O, NFMD<br>Unspecified |
| 5. | 626900445 | 20060710 1456 1530 7055<br>Reg. 5 years | Grant Forest Product In | GMAC Leaseco Corporation | CG, E, O, MVI, NMFD<br>AS $114,137<br>2007 Cadillac Escalade, VIN |

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
|---|---|---|---|---|---|
| | " | 20061120 1941 1531 8550 (Amendment) | Grant Forest Products Inc | | To amend name entered for debtor |
| 6. | 626708178 | 20060704 1419 1462 5464 Reg. 5 years | Grant Forest Products Inc. | Xerox Canada Ltd | E, O, NFMD Unspecified |
| 7. | 624196368 | 20060411 1457 1530 3155 Reg. 4 years | Grant Forest Products | GMAC Leaseco Corporation | CG, E, O, MVI, NFMD AS $49,817 2006 Subaru Legacy, VIN |
| 8. | 622812222 | 20060217 1703 1462 2512 Reg. 5 years | Grant Forest Products Inc | Xerox Canada Ltd | E, O, NFMD Unspecified |
| 9. | 622601064 | 20060208 1452 1530 5031 Reg. 4 years | Grant Forest Products | GMAC Leaseco Corporation | CG, E, O, MVI, NFMD AS $42,911 2006 Pontiac Montana, VIN |
| 10. | 621867078 | 20060109 1442 1530 3445 Reg. 4 years | Grant Forest Products | General Motors Acceptance Corporation of Canada, Limited | CG, E, O, MVI, NFMD AS $37,419 2006 GMC Canyon, VIN |
| 11. | 620404254 | 20051110 1451 1530 0627 Reg. 5 years | Grant Forest Products Corp. | The Toronto-Dominion Bank | A, O Postponement & assignment of creditor's claim |
| | " | 20090708 1118 1793 5763 (Amendment) | Grant Forest Products Limited | | Amend to change the debtor's name |
| | " | 20090731 1414 1793 6441 (Amendment) | Grant Forest Products Corp. | | Amend to change the debtor's name |
| 12. | 619883595 | 20051021 1523 1590 6013 Reg. 10 years | Grant Forest Products Inc. | The Toronto-Dominion Bank, as agent | I, E, A, O, MVI Unspecified |

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
|---|---|---|---|---|---|
| | " | 20080411 1352 1590 9795<br>(Partial Discharge) | | | Discharge from the security granted by Grant Forest Products Inc. of the sold 2008 refund (as defined by the tax refund purchase and sale agreement dated as of March 31, 2008 between Grant Forest Products Inc. as vendor and Peter Grant Sr. as purchaser) as such sold 2008 refund may be adjusted in accordance with such agreement. |
| 13. | 880460847 | 20020208 1441 1862 2513<br>Reg. 13 years | Grant Forest Products Inc. | GE Capital Canada Leasing Services Inc. | E, O<br>Without limitation, one (1) 1994 Dassault Falcon 900B aircraft bearing Canadian registration mark C-FGFI and airframe manufacturer's serial number 138, together with three (3) Garrett (Allied Signal) model TFE731-5BR-1C engines bearing manufacturer's serial numbers P-101217, P-101214 and P-101231 and any airframe replacing the foregoing airframe, and any other engine from time to time attached to such airframe (including any engine replacing the foregoing engines), and all |

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
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| | | | | | parts, accessories, appliances, appurtenances, components, furnishings, instruments, modules, navigational and communications equipment and all other goods, tangible personal property and other equipment of whatever nature (the "parts") that may from time to time be incorporated or installed in or attached to the foregoing airframe or engines (collectively, the "aircraft"), and all records, logs, maintenance records, manuals, technical data, training aids, computer software and other materials relating to the aircraft and any property substituted for any of the foregoing. |
| | " | 20030328 1110 1862 0554 (Amendment) | Grant Forest Products Inc. | GE Capital Canada Leasing Services Inc. | E, O<br>Without limitation, one (1) 1992 Dassault Falcon 50 Aircraft, bearing Canadian registration mark C GGFP and airframe manufacturer's serial number 227, together with three (3) Garret (Allied Signal) model TFE731-3-1C engines bearing |

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
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| | | | | | manufacturer's serial numbers 76821, 76824 and 76825 and any airframe replacing the foregoing airframe, and any other engine from time to time attached to such airframe (including any engine replacing the foregoing engines) and all parts, accessories, appliances, appurtenances, components, furnishings, instruments, modules, navigational and communications equipment and all other goods, tangible personal property and other equipment of whatever nature that may from time to time be incorporated or installed in or attached to the foregoing airframe or engines (the "aircraft"), and all records, logs, maintenance records, manuals, technical data, training aids, computer software and other materials relating to the aircraft and any property substituted for any of the foregoing. |
| | " | 20031127 1137 1862 7517 (Amendment) | Grant Forest Products Inc. | GE Capital Canada Leasing Services Company | E, A, O |

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
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| 14. | 857729169 | 19991217 1439 9065 4458<br>Reg. 11 years | Grant Forest Products Inc. | GE Capital Canada Leasing Services Inc. | E, A, O<br>Without limitation, one (1) 1992 Falcon 50 bearing Canadian registration mark C-GGFP and airframe manufacturer's serial number 227, together with three (3) Garrett TFE731-3-1C engines bearing manufacturer's serial number 76821, 76824 and 76825 and any engine replacing any of the foregoing engines, together with all parts, accessories, appliances, appurtenances, components, furnishings, instruments, modules, navigational and communications equipment and other equipment incorporated or installed in or attached to the foregoing airframe or engines, and all records, logs, manuals, technical data, computer software and other materials relating to the aircraft, airframe or any engine and any property substituted for any of the foregoing. |
| | " | 19991222 1012 1081 3250<br>(Amendment) | | | To amend line 13 on registration no. 19991217 |

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
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| | | | | | 1439 9065 4458<br>Without limitation, one (1) 1992 Dassault Falcon 50 bearing Canadian |
| | " | 19991222 1013 1081 3251<br>(Renewal - 2 year) | | | Renewal |
| | " | 20030328 1110 1862 0552<br>(Renewal - 2 years) | | | Renewal |
| | " | 20030328 1110 1862 0553<br>(Amendment) | | | To add to the collateral description<br>Without limitation, one (1) 1994 Dassault Falcon 900B aircraft bearing Canadian registration mark C-FGFI and airframe manufacturer's serial number 138, together with three (3) Garrett (Allied Signal) model TFE731-5BR-1C engines bearing manufacturer's serial numbers P-101217, P-101214 and P-101231 and any airframe replacing the foregoing airframe, and any other engine from time to time attached to such airframe (including any engine replacing the foregoing engines), and all parts, accessories, appliances, appurtenances, components, furnishings, |

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
|---|---|---|---|---|---|
| | | | | | instruments, modules, navigational and communications equipment and all other goods, tangible personal property and other equipment of whatever nature (the "parts") that may from time to time be incorporated or installed in or attached to the foregoing airframe or engines (the "aircraft"), and all records, logs, maintenance records, manuals, technical data, training aids, computer software and other materials relating to the aircraft and any property substituted for any of the foregoing. |
| | " | 20031127 1137 1862 7516 (Amendment) | | GE Canada Leasing Services Company | To reflect the new name of the secured party |
| 15. | 844695423 | 19980924 1819 1531 3351 Reg. 5 years | Grant Forest Products | IBM Canada Ltd – PPSA administrator | E, A, O Unspecified |
| | " | 20030904 1203 1529 7257 (Renewal – 2 years) | | | Renewal |
| | " | 20050829 1949 1531 6181 (Renewal – 3 years) | | | Renewal |
| | " | 20071030 1946 1531 5030 (Amendment) | Grant Forest Products Inc. | | Amend debtor name to include "Inc." |

| | File No. | Registration # | Debtor(s) | Secured Party | Collateral/Description |
|---|---|---|---|---|---|
| | " | 20071120 1450 1530 5048 (Amendment) | " | | Amend debtor location |
| | " | 20080826 1947 1531 1256 (Renewal – 4 years) | | | Renewal |

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")

Court File No: CV-09-824700CL

*ONTARIO*
**SUPERIOR COURT OF JUSTICE**
**(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**FOURTEENTH REPORT OF THE MONITOR, ERNST & YOUNG INC.**
**(Dated JUNE 1, 2010)**

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Lawyers for the Monitor, Ernst & Young Inc.

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