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

FOURTH REPORT OF THE MONITOR DATED OCTOBER 8, 2009

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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 ("**U.S. Holdings**") (collectively "**Grant**" or the "**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 October 15, 2009 (the "**Stay Period**") pursuant to an Order of this Honourable Court dated July 24, 2009.

PURPOSE

2. The purpose of this Fourth Report of the Monitor (the "**Fourth 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 Applicants from July 13, 2009 to September 27, 2009 as well as the Applicants' revised cash flow projection from September 28, 2009 to December 6, 2009;

c. the motion by the Applicants to extend the stay period to December 1, 2009; and

d. the Applicants' motion to approve this Fourth Report and the conduct and activities of the Monitor as presented in this Fourth Report

TERMS OF REFERENCE

3. In preparing this 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 Fourth Report. Some of the information referred to in this Fourth 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.

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

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

BACKGROUND

6. 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 U.S. 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.

7. The Applicants and certain of their subsidiaries or other related parties, namely Southeast Properties LLC, Grant Newco LLC, Grant Clarendon LP, Grant Allendale LP, Grant Excluded FP, Grant U.S. Sales Inc. and Footner Forest Products Ltd. ("**Footner**") (collectively, the "**Subsidiaries**"), 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.

8. The Applicants and the Subsidiaries have interests in three mills in Canada located at Englehart and Timmins in Ontario and High Level in Alberta. The Applicants and their Subsidiaries also have interests in the Allendale and Clarendon mills located in South Carolina in the United States. The mills located in Englehart and Timmins in Ontario are owned by GFPI and, as such, they are included in Grant's CCAA proceedings. GFPI also has a 50% interest in a mill located at High Level in Alberta. This mill is held by Footner as bare trustee and GFPI owns 50% of the shares of Footner. The Allendale and Clarendon mills in South Carolina are owned by Grant Allendale LP and Grant Clarendon LP respectively, which are 99.9% owned by Southeast Properties LLC, but these mills are indirectly owned by GFPI.

9. As a result of the present market conditions and the reduced demand for OSB and other wood products, only the OSB mills located in Englehart, Ontario and

Allendale, South Carolina, are presently operating. Both the mill in Timmins, Ontario and the mill in High Level, Alberta are idle. The mill in Clarendon, South Carolina is a new mill which is substantially complete but has not yet been put into production.

10. 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**") with services to be provided by Hap Stephen and Sandra Rosch.

STATUS OF THE MARKETING PROCESS

11. 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 Applicants and their Subsidiaries as a going concern or offer to sponsor a plan of arrangement of the Applicants, or any of them.

12. As set out in the Second Report, paragraph 18 of the Initial Order and the Investment Offering Protocol authorized and directed the Applicants to engage an investment offering advisor (the "**Investment Offering Advisor**"), subject to the approval of the Monitor and the Toronto-Dominion Bank, the Agent of the First Lien Lenders (the "**Agent**"), to assist in connection with the conduct of the Marketing Process. Subsequent to the issuance of the Initial Order, the Applicants requested that the Monitor undertake the role of the Investment Offering Advisor. The Agent was also in concurrence with the Monitor fulfilling the Investment Offering Advisor role.

13. As set out in the Second Report, further to the appointment of the Monitor as the Investment Offering Advisor, Grant, the CRA and the Monitor have collectively taken the following steps:

a. Prepared a two page overview of the Applicants' business and operations (the "**Teaser**") and a non-disclosure agreement (the "**NDA**") to be executed by interested parties who plan to participate in the Marketing Process;

b. Set up a data room including materials relevant for assessing the business and operations of the Applicants;

c. Compiled a list of potential interested parties including parties that expressed an interest in Grant's operations prior to the CCAA proceedings and other parties whose interest is known to Grant, the Monitor or the Investment Offering Advisor. The Monitor also requested the Agent and the second lien agent for names to be added to the list of interested parties;

d. Contacted a significant number of potential interested parties by phone and distributed the Teaser and the NDA to these interested parties (or a waiver with respect to a condition in certain NDAs previously executed by interested parties);

e. Negotiated NDAs as required and finalized the bid protocol letter and the expression of interest letter; and

f. Updated Grant's management presentation and presented it to the interested parties who have executed NDAs.

14. At the end of Phase 1 on July 31, 2009, Grant received certain expressions of interest from interested parties. Pursuant to the Initial Order, these expressions of interest were evaluated by the Investment Offering Advisor, the CRA and the Monitor in consultation with an independent committee of the Board of Directors of Grant (the "**Independent Committee**"), and the Agent. Based on the evaluation, a short list of interested parties were invited to Phase II to conduct further due diligence. The Monitor also informed a member of the second lien lenders as to how many parties were being invited into Phase II.

15. During Phase II, interested parties were provided access to Grant's facilities and permitted to conduct further due diligence. The Investment Offering Advisor attended each facility visit and facilitated the due diligence process with the CRA and with the assistance of Grant's management. The Investment Offering Advisor and the CRA also facilitated one on one meetings with each potential bidder and Grant's management.

16. Interested parties initially had until August 30, 2009 to submit revised proposals to the Investment Offering Advisor. In accordance with the Initial Order, this date was subsequently extended to September 11, 2009 by Grant with the consent of the Monitor and the Agent.

17. In accordance with the Initial Order, Grant further extended the date for certain interested parties to complete their due diligence and submit revised proposals to October 2, 2009 and extended the date to file a plan of arrangement and submit the plan to affected creditors or complete an asset purchase agreement and submit the same to the Court for approval, to October 30, 2009. This amendment was consented to by the Monitor and the Agent.

18. The CRA and the Monitor are collectively evaluating the revised proposals received and will review the proposals with the Independent Committee, and in consultation with the Agent and the second lien agent, will select a bidder to proceed to Phase III. The analysis and results of the Marketing Process will be reported to this Honourable Court in the near future.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS

19. A summary of the actual receipts and disbursements as compared to the projection set out in the Second Report, is attached as Appendix "A" to this Fourth Report.

20. The Applicants' actual consolidated net cash inflow for the period from July 13, 2009 to September 27, 2009 was $1.8 million. The actual net cash inflow was higher than projected by approximately $2.2 million primarily as a result of higher than anticipated sales and a stronger Canadian dollar as compared to the

exchange rate used in the projection. Grant has ramped up its production since the commencement of the CCAA proceedings to meet the higher demand for its product.

UPDATED CASH FLOW PROJECTION

21. Grant, with the assistance of the Monitor, had prepared a cash flow projection for the period from September 28, 2009 to December 6, 2009, (the "**Cash Flow Forecast**") a copy of which is attached as Appendix "B" to this Fourth Report.

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

23. The Applicants are projecting a net cash outflow of approximately $2.4 million during the projection period prior to transfers of funds to Footner and Grant's U.S. affiliates.

24. During the projection period, Grant estimates that the Applicants will not be required to transfer funds to its U.S. affiliates and will be required to transfer approximately $0.3 million to Footner. Such transfers to these affiliates preserve Grant's interests in these operations.

25. The Cash Flow Forecast projects that the Applicants will have sufficient liquidity to operate during the proposed stay period as discussed further in this Fourth Report.

STAY EXTENSION

26. The current stay of proceedings under the Initial Order expires on October 15, 2009. The Applicants are seeking an extension of the stay period to December 1, 2009 in order to permit them time to undertake the Marketing Process as set out in the Investment Offering Protocol, undertake the Non-Core Asset Sale Process and continue discussions with their key stakeholders regarding its restructuring alternatives.

27. The updated cash flows described earlier in this Fourth Report which cover the period from September 28, 2009 to December 6, 2009 indicate that the Applicants will have sufficient liquidity to sustain ordinary course operations during the projection period.

28. It is the Monitor's view that the 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

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

    a. an extension of the stay of proceedings to December 1, 2009; and

    b. approving the Fourth Report and the conduct and activities of the Monitor as presented in the Fourth Report.

All of which is respectfully submitted this 8th day of October, 2009.

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

APPENDIX A

Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. ("Applicants")
Cumulative Combined Receipts and Disbursements
For The Period From July 13 to September 27, 2009
(In Thousands of US Dollars)

	Actual	Projection	Variance	Notes
Opening Bank Balance	28,474	28,474	-	
Receipts				
OSB Sales	29,776	25,459	4,317	1
Wood Sales	1,542	194	1,348	2
GST Collected & Refunds	414	1,249	(835)	3
Interest Income	-	12	(12)	
Other Receipts	752	32	720	4
Total Receipts	32,484	26,946	5,538	
Disbursements				
Payables-Wood	(7,867)	(6,063)	(1,804)	5
Freight	(3,703)	(3,999)	296	6
Other Payables	(9,324)	(7,539)	(1,785)	7
Payroll	(5,538)	(3,968)	(1,570)	8
Utilities & Fuel	(997)	(1,259)	262	9
GST Remittance	(759)	(542)	(217)	10
SG&A	(1,016)	(1,008)	(8)	
Restructuring Costs	(2,369)	(2,509)	141	
Bank Charges	-	(4)	4	
Capex	(4)	(50)	46	
Foreign Exchange Impact	867	(414)	1,281	11
Total Disbursements	(30,710)	(27,355)	(3,355)	
Net Cash Flows	1,775	(409)	2,184	
Inter-Company Transfers:				
Transfer from (to) US Companies	(500)	-	(500)	
Transfers from (to) Footner	(184)	(573)	390	
Total Inter-Company Transfers	(684)	(573)	(110)	
Ending Bank Balance	29,564	27,491	2,073	
Deduct: Restricted Cash	(427)	(388)	(39)	
Ending Cash excluding Restricted Cash	29,137	27,104	2,034	

Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. ("Applicants")
Combined Actual Receipts and Disbursements
For Period July 13 to September 27, 2009
Variance Analysis

The actual receipts and disbursements are denominated in US dollars. Canadian dollars are converted to US 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$1.20=US$1.00.

1. **OSB Sales** – The positive variance is primarily due to a) higher than expected sales volume; b) the translation of CDN$ sales into U.S. currency at lower CDN$/US$ exchange rates; c) the collection of overdue June accounts receivables; and d) a change in classification of GST collected. Actual OSB sales include GST collected, which was reflected in the projection under the GST Collected and Refunds line item. Accordingly, this portion of variance reflects a change in classification.

2. **Wood Sales** – The Applicants sold higher than anticipated volumes of certain wood species that are not used in production at Englehart.

3. **GST Collected and Refunds** – The negative variance is as a result of a timing difference related to the Applicants' outstanding August GST refund; a lower than expected June GST refund and the classification of GST collected into the OSB sales line item as described in Note 1.

   The Applicants are awaiting the receipt of its August GST refund that was forecast in this period. Accordingly, this portion of the variance is caused by timing and is expected to reverse in the future. The Canada Revenue Agency re-assessed the Applicants' June GST liability and adjusted the refund for invoices that were stayed as a result of the CCAA.

4. **Other Receipts** – A portion of the favorable variance is related to the classification of payroll reimbursements. Actual receipts include reimbursements of US$380k for payroll and other costs paid by the Applicants on behalf of its affiliates, whereas the projection offset a certain portion of such payroll expense against SG&A. The remainder of the variance represents miscellaneous receipts that were not contemplated in the projection.

5. **Payables Wood** – The Applicants incurred higher costs for purchases of certain wood for the ramp up of production at the Englehart mill, which has been operating at full capacity since July. The increased supply of wood contributed to higher wood sales in the current period as described in Note 2. The unfavourable variance was also increased by an adverse usage variance.

   Further, the lower CDN$/US$ exchange rates contributed to the unfavourable variance as CDN$ disbursements were translated to U.S. currency. Such translation is done for presentation purposes only.

6. **Freight** – This favorable variance is as a result of lower than expected freight costs and timing differences. Actual freight per unit of wood is lower than projected largely because the Applicant's sales to their Canadian customers who are located at closer distance relative to their U.S. customers. The portion of variance that is related to timing is expected to reverse in the future.

7. **Other Payables** – The unfavourable variance reflects a combination of higher production related costs due to higher production volume and the translation of CDN$ disbursements into U.S. currency at the lower CDN$/US$ exchange rates.

8. **Payroll** – The unfavourable variance is primarily due to the employee incentive payments that were not contemplated in the projection. In addition, the Applicants discontinued a significant portion of payroll processing conducted on behalf of their affiliates. A large portion of the unfavourable variance is related to such discontinuation being done later than projected. These costs were reimbursed by the affiliates and therefore there is no cash impact. The remainder of the variance is primarily related to foreign exchange translation and higher than anticipated overtime pay as a result of increased production.

9. **Utilities & Fuel** – The favorable variance is primarily as a result of timing differences and is expected to reverse in the future.

10. **GST Remittance** – The Applicants submitted its August GST remittance that was projected to be paid in the following week. Accordingly, the variance represents a timing difference and is expected to reverse in the future.

11. **Foreign Exchange Impact** –The variance is primarily due to the conversion of the opening Canadian dollar balance to US currency using Thursday's closing rate as published by the Bank of Canada. This balance reflects a holding foreign exchange difference on the opening Canadian dollar cash balance as of July 13, 2009.

APPENDIX B

Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. ("Applicants") Consolidated Cash Flow Projection
For The Period From September 28, 2009 to December 6, 2009
(In Thousands of US Dollars)

Week Ending	Notes	4-Oct	11-Oct	18-Oct	25-Oct	1-Nov	8-Nov	15-Nov	22-Nov	29-Nov	6-Dec	Total
Opening Bank Balance	1	29,564	29,393	29,546	29,167	28,033	27,960	24,445	25,312	24,223	24,144	29,564
Receipts												
OSB Sales	2	3,071	2,196	2,428	1,596	1,995	1,995	1,995	1,545	1,545	1,159	19,524
Wood Sales	3	226	-	-	-	-	44	-	22	-	22	313
GST Refunds	4	352	-	-	-	235	-	-	-	235	-	822
Interest Income	5	-	-	-	-	-	6	-	-	-	5	11
Other Receipts	6	58	7	27	7	7	7	27	7	7	7	161
Corporate Tax Refund	7	-	-	-	-	-	-	-	-	-	14,444	14,444
Total Receipts		3,708	2,203	2,455	1,603	2,237	2,051	2,021	1,574	1,788	15,638	35,276
Disbursements												
Payables-Wood	8	(2,093)	-	(1,601)	-	-	(2,673)	-	(1,004)	-	(1,069)	(8,440)
Freight	9	(99)	(528)	(120)	(418)	(120)	(478)	(120)	(358)	(120)	(239)	(2,600)
Other Payables	10	(752)	(634)	(731)	(742)	(703)	(550)	(711)	(594)	(536)	(582)	(6,534)
Payroll	11	(31)	(600)	(14)	(623)	(14)	(1,638)	(14)	(619)	(14)	(777)	(4,344)
Utilities & Fuel	12	(599)	(70)	89	(628)	(220)	142	(64)	321	(692)	46	(1,677)
GST Remittance	13	-	-	(197)	-	-	-	-	(141)	-	-	(338)
SG&A	14	(53)	(66)	(103)	(114)	(786)	(186)	(68)	(110)	(150)	(78)	(1,714)
Restructuring Costs	15	(206)	(151)	(151)	(157)	(302)	(132)	(132)	(133)	(254)	(86)	(1,704)
Bank Charges	16	-	-	-	-	(144)	(13)	-	-	-	(13)	(171)
Capex	17	-	-	-	-	-	(25)	(25)	(25)	(25)	(50)	(150)
Transfer to Escrow with respect to the tax refund	7										(10,000)	(10,000)
Foreign Exchange Impact	18	25	-	-	-	-	-	-	-	-	-	25
Total Disbursements		(3,808)	(2,049)	(2,827)	(2,681)	(2,289)	(5,554)	(1,134)	(2,663)	(1,791)	(12,848)	(37,644)
Net Weekly Cash Flows		(100)	153	(372)	(1,079)	(52)	(3,503)	887	(1,089)	(4)	2,790	(2,368)
Inter-Company Transfers:												
Transfer from (to) US Companies	19	-	-	-	-	-	-	-	-	-	-	-
Transfers from (to) Footner	20	(71)	-	(6)	(56)	(20)	(13)	(20)	-	(76)	(13)	(275)
Total Inter-Company Transfers		(71)	-	(6)	(56)	(20)	(13)	(20)	-	(76)	(13)	(275)
Ending Bank Balance		29,393	29,546	29,167	28,033	27,960	24,445	25,312	24,223	24,144	26,921	26,921
Deduct: Restricted Cash	21	(431)	(431)	(431)	(431)	(431)	(431)	(431)	(431)	(431)	(431)	(431)
Ending Cash excluding Restricted Cash		28,962	29,115	28,737	27,602	27,530	24,014	24,881	23,793	23,713	26,491	26,491
Funds in Escrow with respect to the tax refund	7										10,000	10,000

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 "Applicants")
Notes to the Unaudited Cash Flows Projection

Disclaimer:

In preparing this cash flow projection (the "Cash Flow Forecast"), the Applicants have relied upon unaudited financial information and the 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 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 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$1.08 = US$1.00.

The Cash Flow Forecast assumes that three of Grant's mills, specifically, Timmins, Footner and Clarendon 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 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 historical volumes with a discount for the decline in sales as a result of the slower U.S. housing market as compared to previous years. 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) **Wood Sales Receipts:**
Wood 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) **Interest Income:**
Interest income is estimated at 0.25% of the previous month's bank balance and is projected to be received in the first week of each month.

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

7) **Corporate Tax Refund :**
Grant anticipates receiving a tax refund of approximately $14.44 million based on its income tax return filed with the Canada Revenue Agency. Approximately $10.0 million of this anticipated tax refund is required to be held in escrow further to an endorsement of Justice Newbold on October 5, 2009, pending a Court decision on the motion of Mr. Peter Grant Sr. with respect to such amount.

8) **Payables – Wood:**
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.

9) **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.

10) **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.

11) 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.

12) 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.

13) 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.

14) SG&A:

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

15) Restructuring Costs:

Restructuring costs include costs related to Grant's advisors and their counsel and the Monitor and its counsel.

16) 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.

17) Capex:

Capex costs represent payments for anticipated capital expenditures.

18) 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$1.089 = US$1.00 and the Cash Flow Forecast exchange rate of CDN$1.08 = US$1.00.

19) Transfer from (to) US Companies:

Represents intercompany funding between Allendale and Clarendon and the Applicants. During the projection period, it is currently projected that Allendale and Clarendon will not require funding from the Applicants.

20) Transfers from (to) Footner:

Represents intercompany funding between Footner and the Applicants. During the projection period, it is currently projected that Footner will require approximately $275,000 in funding from the Applicants.

21) Restricted Cash:

Represents approximately $431,000 of restricted cash held as a reserve for certain letters of credit issued by the Applicants.

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

FOURTH REPORT OF THE MONITOR, ERNST & YOUNG INC. (Dated OCTOBER 8, 2009)

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