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

FIFTH REPORT OF THE MONITOR DATED NOVEMBER 26, 2009

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

Sean Dunphy LSUC#: 24941J
Tel: (416) 869-5662
Kathy Mah LSUC#51077W
Tel: (416) 869-5652
Fax: (416) 947-0866

Solicitors for the Monitor, Ernst & Young Inc.

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

FIFTH REPORT OF THE MONITOR DATED NOVEMBER 26, 2009

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 December 1, 2009 (the "**Stay Period**") pursuant to an Order of this Honourable Court dated October 13, 2009.

PURPOSE

2. The purpose of this Fifth Report of the Monitor (the "**Fifth 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 September 28, 2009 to November 15, 2009 as well as the Applicants' revised cash flow projection from November 16, 2009 to February 28, 2010;

c. the motion by the Applicants to extend the stay period to February 26, 2010; and

d. the Applicants' motion to approve this Fifth Report and the conduct and activities of the Monitor as presented in this Fifth 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 Fifth Report. Some of the information referred to in this Fifth 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 Syndicate (the "**Agent**") who were owed approximately $400 million plus accrued interest as of the date of the CCAA filing (the "**First Lien Lenders**") 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 agent (the "**Second Lien Lenders' Agent**") for the Second Lien Lenders' Syndicate (the "**Second Lien Lenders**") 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. As set out in the Fourth Report, 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. As set out in the Fourth Report, 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. As discussed in the Fourth Report, interested parties had until September 11, 2009 to submit revised proposals to the Investment Offering Advisor. 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 December 15, 2009. This amendment was consented to by the Monitor and the Agent.

17. At the end of Phase II on October 2, 2009, the Investment Offering Advisor received revised bids from certain parties. Pursuant to the Initial Order, these revised bids were evaluated by the Investment Offering Advisor, the CRA and the Monitor in consultation with the Independent Committee, the Agent, and a steering committee of the First Lien Lenders. In addition, the Monitor and the CRA contacted the Second Lien Lenders' Agent to inform the Second Lien

Lenders' Agent that the Monitor and the CRA would review the bids received in Phase II with the Second Lien Lenders' members who were prepared to agree that the confidentiality provisions of the second lien credit agreement dated as of March 21, 2007, as amended by an agreement dated as of April 30, 2009, would apply to any information received in respect to the bids and the Marketing Process. On October 15, 2009, the Monitor and the CRA conducted a conference call with those second lien lenders who confirmed confidentiality to review the status of the Marketing Process and the bids received.

18. A single party (the "**Selected Party**") was invited to Phase III and GFPI entered into an exclusivity agreement with the Selected Party on October 20, 2009, which requires GFPI to refrain from seeking bids, responding to or negotiating with any party other than the Selected Party with respect to the items included in the bid of the Selected Party. The exclusivity agreement has a termination date of December 11, 2009 to enable GFPI and the Selected Party to negotiate a purchase and sale agreement, which process is currently underway. The analysis and results of the Marketing Process will be reported to this Honourable Court in the near future, once a purchase and sale agreement is finalized, subject to approval of this Honourable Court.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS

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

20. The Applicants' actual consolidated net cash outflow for the period from September 28, 2009 to November 15, 2009 was $0.3 million. The actual net cash outflow was better than projected by approximately $3.7 million primarily as a result of higher than anticipated OSB and wood sales and a timing delay in the payment of production bonus disbursements to OSB employees. Grant has increased its production levels 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 November 16, 2009 to February 28, 2009, (the "**Cash Flow Forecast**") a copy of which is attached as Appendix "**B**" to this Fifth Report.

22. The Cash Flow Forecast attached to this Fifth 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 $13.0 million during the projection period prior to transfers of funds to Footner and Grant's U.S. affiliates. The net cash outflow of approximately $13.0 million during the Cash Flow Forecast period is primarily due to the seasonal decrease in OSB sales and the seasonal increase in fibre purchases. The increased fibre purchases during the winter months is typical in the forestry industry in Canada as it is cost efficient and easier to cut and transport timber from the forest during the winter months. Of the total projected disbursements of approximately $17.5 million for timber during the Cash Flow Forecast period, approximately $9.5 million relates to a seasonal increase in fibre inventory, which will be eventually consumed during the spring and summer months.

24. During the projection period, Grant estimates that the Applicants will be required to transfer approximately $2.7 million to its U.S. affiliates primarily due to property tax payments in South Carolina and other working capital requirements. In addition, the Applicants will be required to transfer approximately $0.4 million to Footner. Such transfers to these affiliates preserve Grant's interests in these operations, and is permitted by the Initial Order.

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 Fifth Report.

STAY EXTENSION

26. The current stay of proceedings under the Initial Order expires on December 1, 2009. The Applicants are seeking an extension of the Stay Period to February 26, 2010 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, as discussed in the Second Report, and continue discussions with their key stakeholders regarding its restructuring alternatives.

27. The updated cash flows described earlier in this Fifth Report which cover the period from November 16, 2009 to February 26, 2010 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 February 26, 2010; and

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

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

All of which is respectfully submitted this 26th day of November, 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

Simone Carvalho
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 September 28 to November 15, 2009
(In Thousands of US Dollars)

	Actual	Projection	Variance	Notes
Opening Bank Balance	29,564	29,564	-	
Receipts				
OSB Sales	17,106	15,274	1,831	1
Wood Sales	1,395	270	1,126	2
GST Collected & Refunds	1,205	587	618	3
Interest Income	-	6	(6)	
Other Receipts	296	140	156	
Total Receipts	20,002	16,277	3,725	
Disbursements				
Payables-Fibre	(6,674)	(6,367)	(306)	4
Freight	(2,217)	(1,883)	(334)	5
Other Payables	(5,336)	(4,822)	(514)	6
Payroll	(2,108)	(2,934)	826	7
Utilities & Fuel	(1,523)	(1,351)	(171)	8
GST Remittance	(493)	(197)	(296)	9
SG&A	(554)	(1,376)	822	10
Restructuring Costs	(1,309)	(1,231)	(78)	
Bank Charges	(63)	(157)	94	
Capex	-	(50)	50	
Foreign Exchange Impact	(68)	25	(93)	
Total Disbursements	(20,344)	(20,343)	(1)	
Net Cash Flows	(342)	(4,066)	3,723	
Inter-Company Transfers:				
Transfer from (to) US Companies	-	-	-	
Transfers from (to) Footner	(209)	(186)	(23)	
Total Inter-Company Transfers	(209)	(186)	(23)	
Ending Bank Balance	29,013	25,312	3,701	
Deduct: Restricted Cash	(440)	(431)	(10)	
Ending Cash excluding Restricted Cash	28,573	24,881	3,691	

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 The Period September 28 to November 15, 2009
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$1.08=US$1.00.

1. **OSB Sales** – The positive variance is primarily due to a higher than anticipated OSB sales volume. The remainder of the variance relates to a timing difference and the translation of Canadian currency sales into U.S. currency at lower than projected CDN$/US$ exchange rates.

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

3. **GST Collected & Refund** –The positive variance is due to a higher than projected September and October GST refund.

4. **Fibre Payables** – The unfavourable variance is as a result of higher than anticipated volumes of wood received and the foreign exchange impact related to the translation of CDN$ disbursements into U.S. dollars at lower CDN$/US$ exchange rates. The increased supply of wood contributed to higher wood sales in the current period as described in Note 2.

5. **Freight** – The unfavourable variance is primarily due to higher than expected sales volumes as described in Note 1.

6. **Other payables** – The unfavourable variance is primarily due to higher production related costs as a result of increased production volumes, increased prepayment terms with suppliers, and timing differences. The portion of variance that is related to timing is expected to reverse in the future.

7. **Payroll** – The favourable variance is due to a delay in the payment of the third quarter production bonus to the OSB employees.

8. **Utilities & Fuel** – The unfavourable variance is due to timing differences and is expected to reverse in the future.

9. **GST Remittance** – The unfavourable variance is as a result of timing differences and is expected to reverse in the future.

10. **SG&A** – The favourable variance is as a result of timing differences and is expected to reverse in the future.

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 November 16, 2009 to February 28, 2010
(In Thousands of US Dollars)

Week Ending	Notes	22-Nov	29-Nov	6-Dec	13-Dec	20-Dec	27-Dec	3-Jan	10-Jan	17-Jan	24-Jan	31-Jan	7-Feb	14-Feb	21-Feb	28-Feb	Total
Opening Bank Balance	1	29,013	26,557	26,487	24,277	24,974	23,723	25,261	25,425	22,673	18,699	31,984	22,566	19,232	17,393	13,228	29,013
Receipts																	
OSB Sales	2	2,578	1,722	2,927	2,003	2,804	2,804	2,003	801	0	1,164	1,047	1,396	1,047	1,282	1,442	25,020
Wood Sales	3	101	101	101	101	101	101	-	90	90	90	90	86	86	86	86	1,310
GST Refunds	4	-	-	-	-	-	400	-	-	-	-	350	-	-	-	322	1,072
Interest Income	5	-	-	6	-	-	-	-	5	-	-	-	5	-	-	-	16
Other Receipts	6	-	8	-	21	-	-	-	-	-	-	-	-	-	-	-	29
Corporate Tax Refund	7	-	-	-	-	-	-	-	-	-	13,714	(9,300)	-	(6)	-	-	4,408
Total Receipts		2,679	1,830	3,033	2,125	2,905	3,305	2,003	897	91	14,968	(7,812)	1,487	1,127	1,368	1,850	31,855
Disbursements																	
Payables-Fibre	8	(1,745)	-	(1,942)	-	(1,786)	-	-	(1,930)	(2,547)	(43)	-	(3,435)	-	(4,100)	-	(17,528)
Freight	9	(514)	(120)	(611)	(120)	(712)	(120)	(296)	0	(59)	(219)	(254)	(254)	(231)	(284)	(308)	(4,104)
Other Payables	10	(944)	(644)	(852)	(850)	(980)	(452)	(229)	(459)	(363)	(498)	(334)	(393)	(542)	(467)	(502)	(8,509)
Payroll	11	(611)	(14)	(1,580)	(14)	(583)	(14)	(910)	(51)	(649)	(33)	(646)	(304)	(1,267)	(33)	(646)	(7,357)
Utilities & Fuel	12	(477)	(134)	45	(196)	131	(643)	(146)	10	(30)	(471)	(54)	(147)	(49)	(33)	(410)	(2,605)
GST Remittance	13	-	-	-	-	-	(171)	-	-	-	(159)	-	-	-	-	(88)	(418)
SG&A	14	(693)	(72)	(197)	(117)	(75)	(84)	(118)	(96)	(82)	(129)	(84)	(111)	(163)	(82)	(84)	(2,186)
Restructuring Costs	15	(155)	(305)	(79)	(109)	(119)	(219)	(109)	(90)	(90)	(90)	(190)	(103)	(103)	(103)	(203)	(2,064)
Bank Charges	16	-	(83)	(14)	-	-	-	(14)	-	-	-	-	(14)	-	-	-	(124)
Transfer to Escrow with respect to the tax refund	7																-
Foreign Exchange Impact	17	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14
Total Disbursements		(5,126)	(1,372)	(5,230)	(1,407)	(4,123)	(1,703)	(1,821)	(2,617)	(3,819)	(1,642)	(1,563)	(4,762)	(2,355)	(5,102)	(2,240)	(44,881)
Net Weekly Cash Flows		(2,447)	458	(2,197)	718	(1,218)	1,602	181	(1,720)	(3,728)	13,326	(9,375)	(3,274)	(1,228)	(3,734)	(390)	(13,025)
Inter-Company Transfers:																	
Transfer from (to) US Companies	18	-	(450)	-	-	-	-	-	(1,014)	(245)	-	-	(38)	(612)	(390)	-	(2,749)
Transfers from (to) Footner	19	(10)	(78)	(13)	(21)	(33)	(64)	(18)	(18)	(0)	(42)	(42)	(21)	-	(41)	(32)	(433)
Total Inter-Company Transfers		(10)	(528)	(13)	(21)	(33)	(64)	(18)	(1,032)	(245)	(42)	(42)	(60)	(612)	(431)	(32)	(3,182)
Ending Bank Balance		26,557	26,487	24,277	24,974	23,723	25,261	25,425	22,672	18,699	31,984	22,566	19,232	17,393	13,228	12,806	12,805
Deduct: Restricted Cash	20	(443)	(443)	(443)	(443)	(805)	(805)	(805)	(805)	(805)	(805)	(805)	(805)	(805)	(805)	(805)	(805)
Ending Cash excluding Restricted Cash		26,114	26,044	23,834	24,531	22,918	24,456	24,620	21,868	17,895	31,179	21,761	18,427	16,588	12,423	12,001	12,001

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$1.05 = 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 Grant's production process.

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 miscellaneous receipts.

7) **Corporate Tax Refund :**
Grant anticipates receiving a tax refund of approximately $13.71 million for this projection period based on its income tax return filed with the Canada Revenue Agency. Approximately $9.3 million of this anticipated tax refund will be paid to Peter Grant Sr. further to an endorsement of Justice Newbold on October 13, 2009.

8) **Payables – Fibre:**
The cost of wood is estimated based on recent historical run rates and current production levels. The increased fibre purchases during the winter months is typical in the forestry industry in Canada as it is cost efficient and easier to cut and transport timber from the forest during the winter months.. In addition to the cost of wood, the company pays freight on such wood, 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 sold 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 premiums.

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) 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$1.0516 = US$1.00 and the Cash Flow Forecast exchange rate of CDN$1.05 = US$1.00.

18) 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 require approximately $2.7 million of funding from the

Applicants. This amount is primarily related to Property taxes arising in South Carolina and other working capital requirements.

19) **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 $433,000 in funding from the Applicants.

20) **Restricted Cash:**
Represents approximately $805,000 of restricted cash held as a reserve for certain letters of credit issued by the Applicants. At the start of the forecast the amount is $443,000.

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

FFITH REPORT OF THE MONITOR, ERNST & YOUNG INC.
(Dated NOVEMBER 26, 2009)

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

Sean Dunphy LSUC # 24941J
Tel: (416) 869-5662
Kathy Mah LSUC# 51077W
Tel: (416) 869-5652
Fax: (416) 947-0866

Solicitors for the Monitor, Ernst & Young Inc.