

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GRANT FOREST PRODUCTS INC.,
GRANT FOREST PRODUCTS SALES INC., GRANT ALBERTA INC.,
GRANT U.S. HOLDINGS GP, SOUTHEAST PROPERTIES LLC, GRANT
CLARENDON LP, GRANT ALLENDALE LP, GRANT US SALES INC., GRANT
NEWCO LLC, AND GRANT EXCLUDED GP.

Applicants

and

THE TORONTO-DOMINION BANK, in its capacity as agent for secured lenders
holding first lien security and THE BANK OF NEW YORK MELLON, in its capacity
as agent for secured lenders holding second lien security

Respondents

THIRTY FIRST REPORT OF THE MONITOR
DATED SEPTEMBER 12, 2013

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 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 most recently extended to September 16, 2013 (the "Stay Period")

pursuant to an Order of this Court dated April 16, 2013 (the “**Stay Extension Order**”).

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 Court dated March 30, 2010 (the “**Supplemental Initial Order**”), EYI was appointed as the Monitor of the Additional Applicants in the CCAA proceeding.
3. The Initial Order, among other things, approved the continuation of the engagement of Stonecrest Capital Inc. (“**Stonecrest**”) as Chief Restructuring Advisor (the “**CRA**”) of the Applicants with services to be provided by Hap Stephen and Sandra Rosch.
4. On June 30, 2010, this Court approved the revised engagement of Stonecrest as the Chief Restructuring Organization (the “**CRO**”) of the Applicants with services to be provided by Hap Stephen and Sandra Rosch.
5. Paragraph 33 of the Supplemental Initial Order set out that, upon the delivery of a certificate by the Monitor to GP International Acquisition III, Ltd. (the “**Canadian Purchaser**”), Georgia-Pacific LLC (the “**U.S. Purchaser**”), and GP Palmetto Holding LLC (the “**Additional U.S. Purchaser**”) (collectively “**Georgia Pacific**”), primarily certifying that the funds related to the transaction between Georgia Pacific and Grant were received, the transaction between Georgia Pacific and Grant closed and the CCAA proceedings with respect to the Additional Applicants and the Grant Partnership were terminated. Accordingly, the Monitor was discharged as Monitor of the Additional Applicants and the Grant Partnership.
6. As a result of the completion of the sale to Georgia Pacific and the resulting 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.

PURPOSE

7. The purpose of this Thirty First Report of the Monitor (the “**Thirty First Report**”) is to report to this Court with respect to:
 - a. the actual receipts and disbursements of the Remaining Applicants from April 1, 2013 to September 1, 2013 and an updated cash flow projection from September 2, 2013 to February 2, 2014 (the “**Remaining Applicant’s Forecast**”);
 - b. the Remaining Applicants’ motion to:
 - i. extend the Stay Period to January 31, 2014;
 - ii. amend paragraph 6 of the Stay Extension Order to update the reference to the Remaining Applicant’s Forecast or such other disbursements as may be approved by this Court; and
 - iii. approve this Thirty First Report and the conduct and activities of the Monitor as set forth herein.

TERMS OF REFERENCE

8. In preparing this Thirty First Report, the Monitor has been provided with, and in making the comments herein, relied upon unaudited financial information, the Remaining Applicants’ books and records, financial information prepared by the Remaining Applicants and discussions with management of the Remaining Applicants. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this Thirty First Report. Some of the information referred to in this Thirty First Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants (“**CICA**”) Handbook, has not been performed. Future oriented financial information referred to in this report was prepared based on management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are

not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

9. Unless otherwise stated all monetary amounts contained herein are expressed in U.S. Dollars.
10. Capitalized terms not defined in this Thirty First Report are defined in the Initial Order, the Supplemental Initial Order or previous Reports of the Monitor.

BACKGROUND

11. GFPI and certain of its subsidiaries are privately owned corporations which carried on an oriented strand board ("**OSB**") manufacturing business from facilities located in Canada and the United States. OSB is an engineered, mat-formed panel product made of strands, flakes or wafers sliced from logs and bonded with an exterior-type binder under heat and pressure. The most common uses are sheathing in walls, floors and roofs in the construction of buildings and residential housing.
12. The Applicants and Footner Forest Products Ltd. ("**Footner**") (in which GFPI had a 50% interest) had a total annual capacity to produce 3.7 billion square feet of OSB, which made them the third largest OSB manufacturer in North America.
13. The Applicants had interests in three mills in Canada located at Englehart and Timmins in Ontario and High Level in Alberta, and two mills in the United States located in the counties of Allendale and Clarendon in South Carolina.
14. The OSB mills located in Englehart (the "**Englehart Mill**") and Timmins (the "**Timmins Mill**") in Ontario were owned by GFPI, and as such, were subject to these CCAA proceedings.
15. The OSB mills located in Allendale (the "**Allendale Mill**") and Clarendon (the "**Clarendon Mill**") in South Carolina were owned by Allendale and Clarendon respectively, each of which was owned by Southeast, which in turn was owned by the Grant Partnership. Each of these entities were Additional Applicants and were subject to these CCAA proceedings.
16. As described in the Fourteenth Report of the Monitor dated June 1, 2010 (the

“Fourteenth Report”), the Applicants completed a sale of their units in the Grant Partnership and the Englehart Mill to Georgia Pacific on May 26, 2010, and as such, the Allendale Mill and the Clarendon Mill are no longer owned by the Remaining Applicants.

17. As described above, GFPI also had a 50% interest in an OSB mill located at High Level in Alberta (the **“Footner Mill”**), which was described in detail in the Sixteenth Report of the Monitor dated December 20, 2010 (the **“Sixteenth Report”**). GFPI’s sale of its interests in the Footner Mill was approved by this Court on January 5, 2011 and the sale closed on February 17, 2011.
18. As described above, GFPI had owned the Timmins Mill located in Timmins, Ontario, which was described in detail in the Nineteenth Report of the Monitor dated March 22, 2011 (the **“Nineteenth Report”**). GFPI’s sale of the building and equipment comprising the Timmins Mill was approved by this Court on March 9, 2011 and the sale closed on March 21, 2011. GFPI’s sale of the building and equipment related to the Timmins Mill to EDS Decommissioning Canada Inc. (**“EDS”**) did not include the land on which the Timmins Mill is located and this land (defined below as the Timmins Land) was sold separately by GFPI as further described in the following paragraph.
19. With the completion of the Georgia Pacific sale, the sale of GFPI’s interests in Footner and the sale of the Timmins Mill, GFPI had the following remaining assets:
 - a. Office premises and boathouse in Haileybury, Ontario (the **“Boat House”**);
 - b. a parcel of land in Earlton, Ontario that was formerly a golf course (the **“Golf Course Lands”**);
 - c. GFPI’s interest in the prepaid lease of an airplane hangar in Earlton, Ontario (the **“Hangar Lease”**);
 - d. a custom built 65 foot yacht located in Florida (the **“Boat”**);

- e. the parcel of land near Timmins, Ontario (the “**Timmins Land**”) which contained the Timmins Mill, which is in the process of being dismantled and demolished by EDS; and
 - f. a landfill site near Timmins, Ontario (the “**Ogden Landfill**”).
20. On September 21, 2011, this Court granted Orders approving the sale of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land. The sales of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land closed on October 13, 2011. Further details with respect to these sales transactions are described in the Twenty Second Report of the Monitor dated September 16, 2011 (the “**Twenty Second Report**”).
21. On November 16, 2011, this Court granted Orders approving the sale of the Boat and the Ogden Landfill. Further details with respect to these sales transactions are described in the Twenty Third Report of the Monitor dated November 9, 2011 (the “**Twenty Third Report**”).
22. As described in the Twenty Sixth Report of the Monitor dated August 22, 2012, (the “**Twenty Sixth Report**”), GFPI continued to work with the purchaser of the Ogden Landfill to close the sale transaction, which sale transaction closed on November 7, 2012.
23. As discussed in the Twenty First Report of the Monitor dated August 18, 2011, GFPI was plan administrator of four registered pension plans including two defined contribution pension plans and two defined benefit plans. At that time, the defined contribution plans were in the process of being wound up. As described in the Twenty Fifth Report of the Monitor dated June 20, 2012 (the “**Twenty Fifth Report**”), PricewaterhouseCoopers Inc. (“**PwC**”) was appointed as the replacement administrator of the Pension Plans. The defined benefit plans are the pension plan registered as #1053008 Pension Plan for the Salaried Employees of GFPI - Timmins Plant (the “**Timmins Salaried Plan**”), and the pension plan registered as #0992537 Pension Plan for Executive Employees of GFPI (the “**Executive Plan**”) (collectively, the “**Pension Plans**”).
24. Further to Orders of this Court dated August 26, 2011 and September 21, 2011 (the

“**Pension Reserve Orders**”), the Monitor began holding in escrow an amount of CDN\$191,245 with respect to the Timmins Salaried Plan and CDN\$2,185,000 with respect to the Executive Plan (collectively, the “**Pension Reserves**”). The Pension Reserves were based on 115% of the estimated amount necessary to satisfy the wind up deficits of the Pension Plans.

25. On November 27, 2012, this Court heard oral submissions with respect to:
 - i. the Pension Motion as defined in the Twenty Seventh Report of the Monitor dated October 18, 2012 (the “**Twenty Seventh Report**”) and the Twenty Sixth Report; and
 - ii. a motion by West Face Capital Inc. (“**West Face**”) for, among other things, an order lifting the stay of proceedings as provided in the Initial Order to permit a bankruptcy order to be made against GFPI (the “**Bankruptcy Motion**”).
26. The Court reserved its decisions with respect to these motions. On February 6, 2013, a case conference was held with Mr. Justice Campbell to discuss next steps with respect to the Pension Motion and the Bankruptcy Motion following the release of the *Re Indalex* decision by the Supreme Court of Canada. At that time, Mr. Justice Campbell requested that the parties develop an Order (the “**Next Steps Order**”) outlining the matters in the Pension Motion and the Bankruptcy Motion which remain to be addressed. A form of the Next Steps Order is attached as Exhibit ‘C’ to the affidavit of Hap Stephen sworn on September 9, 2013.
27. Further submissions with respect to the Bankruptcy Motion were provided by West Face on March 19, 2013 and further submissions with respect to the Pension Motion were provided by PwC, the Financial Services Commission of Ontario and Peter Grant Sr. on April 2, 2013. In addition, further submissions were provided by each of West Face, PwC, the Financial Services Commission of Ontario and Peter Grant Sr. as the Monitor to assist with an additional hearing that was scheduled for July 23, 2014.
28. An additional hearing with respect to the Pension Motion and Bankruptcy Motion was heard on July 23, 2013. The Court reserved its decisions with respect to these

motions.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS OF THE REMAINING APPLICANTS

29. A summary of the actual receipts and disbursements of the Remaining Applicants as compared to the projection set out in the Thirtieth Report of the Monitor dated April 9, 2013 (the “**Thirtieth Report**”) for the period from April 1, 2013 to September 1, 2013 is attached as Appendix ‘A’ to this Thirty First Report. Appendix ‘A’ includes further details with respect to the variance in the individual receipt and disbursement line items. Overall, the consolidated net cash flow had a net positive variance. Total actual disbursements were lower than projected disbursements by approximately \$1.9 million.
30. Attached as Appendix ‘B’ is a summary of the cash balances held by the Monitor in its trust and escrow accounts. As at September 1, 2013 the Monitor’s trust and escrow accounts held approximately \$284,000 in U.S. currency and approximately \$6,591,000 in Canadian currency primarily from the proceeds of previous asset sales and a settlement with Mr. Peter Grant Sr. as described in detail in previous Reports of the Monitor.

UPDATED CASH FLOW PROJECTION OF THE REMAINING APPLICANTS

31. The Remaining Applicant’s Forecast is attached as Appendix ‘C’ to this Thirty First Report.
32. The Remaining Applicants’ Forecast has been prepared with the assistance of the Monitor, using probable and hypothetical assumptions set out in the notes attached to the Remaining Applicants’ Forecast.
33. The Remaining Applicants’ Forecast reflects receipts and disbursements to be paid over the projection period in U.S. currency. The Remaining Applicants’ Forecast projects that the Remaining Applicants will have sufficient liquidity to operate during these CCAA proceedings.

34. As described earlier in this Thirty First Report, PricewaterhouseCoopers Inc. (“PwC”) is the administrator of the Pension Plans, which were formerly administered by GFPI. Further to Orders of this Court dated August 26, 2011 and September 21, 2011, the Monitor began holding in escrow an amount of CDN\$191,245 with respect to the Timmins Salaried Plan and CDN\$2,185,000 with respect to the Executive Plan (collectively, the “**Pension Reserves**”). The Pension Reserves were based on 115% of the estimated amount necessary to satisfy the wind up deficits of the Pension Plans. The wind up deficits were calculated based on interim valuation reports prepared by GFPI’s actuaries.
35. As a result of further actuarial valuations obtained by PwC, the Pension Reserves were increased to CDN\$726,372 with respect to the Timmins Salaried Plan and CDN\$2,384,688 with respect to the Executive Plan by the Order of this Court dated June 25, 2012 (the “**June 25, 2012 Order**”).
36. Paragraph 6 of the June 25, 2012 Order also provided that:
6. THIS COURT ORDERS and declares that, without limiting the obligation of GFPI to fund the windup deficits in the Pension Plans, none of GFPI, the CRO and the Monitor shall incur any additional liability in the event that the Pension Reserves and any additional funds held by GFPI and the Monitor as of the date of this Order, as may be increased by the proceeds of any further sales of assets of GFPI or *decreased by no more than 110% of the Total Disbursements in the Cash Flows filed in the Twenty Fifth Report of the Monitor and such disbursements as may be approved by the Court, are not sufficient to fund the wind up deficit or any other liabilities associated with the Pension Plans.*
37. Paragraph 6 of the June 25, 2012 Order was amended in the Stay Extension Order, and GFPI is seeking an Order of this Court further amending paragraph 6 of the June 25, 2012 Order to update the reference to the Remaining Applicant’s Forecast, as attached as Appendix ‘C’ to this Thirty First Report, or such other disbursements as may be approved by this Court.

STAY EXTENSION OF THE REMAINING APPLICANTS

38. The current Stay Period of the Remaining Applicants expires on September 16, 2013. As described earlier in this Thirty First Report, an additional hearing with respect to the Pension Motion and Bankruptcy Motion was heard on July 23, 2013. The Court reserved its decisions with respect to these motions.
39. The Remaining Applicants are seeking an extension of the Stay Period to January 31, 2014 to permit them time to complete the next steps with respect to the Pension Motion and the Bankruptcy Motion.
40. Based on its observation of the Remaining Applicants' wind down process, the Monitor considers the Remaining Applicants to be acting in good faith and with due diligence. In the Monitor's view, the extension of the Stay Period to January 31, 2014 is appropriate. Accordingly, the Monitor recommends to this Court that the Stay Period be extended to such date.

RECOMMENDATIONS

41. The Remaining Applicants are seeking this Court's authorization for an Order:
 - i. approving the extension of the Stay Period to January 31, 2014;
 - ii. amending paragraph 6 of the June 25, 2012 Order to update the reference to the Remaining Applicant's Forecast as set out in Appendix 'C' to this Thirty First Report, or such other disbursements as may be approved by this Court; and
 - iii. approving this Thirty First Report and the conduct and activities of the Monitor as reported on herein.
42. The Monitor recommends that this Court grant the relief sought by the Remaining Applicants.

All of which is respectfully submitted this 12th day of September, 2013.

ERNST & YOUNG INC.

in its capacity as the Monitor of

Grant Forest Products Inc., Grant Alberta Inc., and

Grant Forest Products Sales Inc.

Per:

A handwritten signature in black ink, appearing to read "Alex Morrison", with a stylized flourish at the end.

Alex Morrison

Senior Vice President

Simone Carvalho

Vice President

APPENDIX “A”

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the “Remaining Applicants”)
Cumulative Combined Receipts and Disbursements
For the Period from April 1, 2013 to September 1, 2013
(In Thousands of US Dollars)

	Actual	Projection	Variance	Note
Opening Bank Balance	1,992	1,992	-	
Receipts				
GST/HST Collected & Refunds	94	-	94	
Transfer from funds held by the Monitor for the Remaining Applicants	-	500	(500)	1
Sale of Assets	-	-	-	
Total Receipts	94	500	(406)	
Disbursements				
SG&A	(28)	(255)	228	2
Restructuring Costs	(274)	(689)	415	2
HST/GST Remittance	-	(221)	221	3
Other disbursements	-	(1,000)	1,000	4
Foreign Exchange Impact	(3)	-	(3)	
Total Disbursements	(305)	(2,165)	1,860	
Net Cash Flows	(211)	(1,665)	1,454	
Ending Bank Balance	1,781	327	1,455	

Funds Held by the Monitor in Trust

	USD	CAD	
Opening Bank Balance	\$ 284	\$ 6,557	
Receipts	(0)	34	5
Disbursements	-	-	
Net Cash Inflow/(Outflow)	(0)	34	
Ending Bank Balance	284	6,591	6

**Grant Forest Products Inc., Grant Alberta Inc. and Grant Forest
Products Sales Inc. (the “Remaining Applicants”)
Cumulative Combined Actual Receipts and Disbursements
For the Period April 1, 2013 to September 1, 2013
Variance Analysis**

The actual receipts and disbursements are denominated in U.S. dollars. Canadian dollars are converted to U.S. dollars every week at Friday'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\$1.00 =US\$1.00.

- 1. Transfer from funds held by the Monitor on behalf of the Remaining Applicants –**
As at September 1, 2013 the Monitor's trust and escrow accounts held approximately \$284,000 in U.S. currency and approximately \$6,591,000 in Canadian currency including approximately \$3.7 million of the Remaining Applicants' funds in trust. The cash flow projected the Remaining Applicants would require a transfer of certain of these funds into the Remaining Applicants' bank account for disbursements. However, the transfer was unnecessary during the current period as the Remaining Applicants had sufficient funds to make its disbursements.
- 2. SG&A and Restructuring –** The favourable variance is primarily due to a combination of lower than anticipated fees and a timing difference. The portion related to timing is expected to reverse in the future
- 3. HST/GST Remittance –** As noted in the Remaining Applicants' Forecast, for conservatism, the Remaining Applicants' forecast reflected the amount of \$221,000 as a disbursement. The Monitor continues to assist the Remaining Applicants with providing information to CRA in order to resolve this matter.
- 4. Other Disbursements –** Other disbursements include certain potential contingent liabilities which did not arise in the projection period.
- 5. Receipts and disbursements of trust accounts –** The amount shown represents interest earned on funds held in the trust and escrow accounts.
- 6. Closing balance of the escrow and trust accounts –** The escrow and trust accounts held funding as at September 1, 2013 is as set out in the summary attached.

APPENDIX “B”

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the “Remaining Applicants”)
Summary of Funds in Trust Account
As at September 1, 2013

<u>USD Account</u>	Amount
Trust Account	\$ 284,239
Total USD Account	<u><u>284,239</u></u>

<u>CDN Account</u>	Amount
Trust Account	3,431,778
Pension Escrow	3,159,200 Note 2
Total CDN Account	<u><u>6,590,978</u></u>

Note

1. All account balances are net of bank charges.
2. The Pension Escrow includes CDN\$726,372 with respect to the Timmins Salaried Plan and CDN\$2,384,688 with respect to the Executive Plan plus accumulated interest.

APPENDIX “C”

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants") Combined Cash Flow Projection
For The Period From September 2, 2013 to February 2, 2014
(In Thousands of US Dollars)

Period Ending	Notes	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Month	Month	Total
		8-Sep-13	15-Sep-13	22-Sep-13	29-Sep-13	6-Oct-13	13-Oct-13	20-Oct-13	27-Oct-13	3-Nov-13	10-Nov-13	17-Nov-13	24-Nov-13	1-Dec-13	71 \$	107 \$	December, 2013	January, 2014	
Opening Bank Balance	1	\$ 1,781	\$ 1,703	\$ 1,684	\$ 1,684	\$ 1,648	\$ 1,610	\$ 1,311	\$ 1,292	\$ 1,257	\$ 1,219	\$ 1,201	\$ 1,075	\$ 43	\$ 71	\$ 107	\$ 25	\$ 375	\$ 1,781
Receipts																			
GST/HST Refunds	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash held by Monitor in trust	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	500
Total Receipts		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	500
Disbursements																			
Payroll	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Payables	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SG&A	6	(3)	(4)	(21)	(23)	(23)	(3)	(4)	(21)	(23)	(3)	(19)	(21)	(13)	(13)	(15)	(31)	(35)	(225)
Restructuring Costs	7	(75)	(15)	(15)	(15)	(15)	(75)	(15)	(15)	(15)	(15)	(75)	(15)	(15)	(15)	(15)	(120)	(135)	(630)
GST/HST Remittance	2	-	-	-	-	-	(221)	-	-	-	-	-	-	-	-	-	-	-	(221)
Other disbursements	8	-	-	-	-	-	-	-	-	-	-	(1,000)	-	-	-	-	-	-	(1,000)
Total Disbursements		(78)	(19)	(36)	(38)	(38)	(299)	(19)	(36)	(38)	(18)	(1,094)	(36)	(28)	(28)	(151)	(170)	(170)	(2,076)
Net Cash Flows		(78)	(19)	(36)	(36)	(38)	(299)	(19)	(36)	(38)	(18)	(1,094)	(36)	(28)	(28)	(151)	(170)	(170)	(1,576)
Ending Bank Balance		\$ 1,703	\$ 1,684	\$ 1,648	\$ 1,610	\$ 1,311	\$ 1,292	\$ 1,201	\$ 1,257	\$ 1,219	\$ 1,201	\$ 1,075	\$ 71	\$ 43	\$ 71	\$ 25	\$ 375	\$ 205	\$ 205

Funds held by the Monitor in Trust/Escrow as at September 1, 2013

	Amount
Funds held in US Currency	284
Funds held in Canadian Currency	3,432
Pension Escrow	3,159
Total funds in mixed currency	<u>6,875</u>

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

Disclaimer:

In preparing this cash flow projection (the “**Remaining Applicants’ Forecast**”), the Remaining Applicants have relied upon unaudited financial information, and the Remaining Applicants have not attempted to further verify the accuracy or completeness of such information. Since the Remaining Applicants’ Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the forecast period will vary from the Remaining Applicants’ Forecast, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

Overview:

The Remaining Applicants’ Forecast reflects projected cash flows in respect of the Remaining Applicants’ operations. The Remaining Applicants with the assistance of the Monitor have prepared the Remaining Applicants’ Forecast based primarily on their estimated current costs and historical results. Receipts and disbursements are denominated in both Canadian and US dollars; however, the consolidated cash flow is presented in U.S. dollars by converting Canadian dollars at par.

All of Grant’s mills have been sold. Georgia-Pacific has acquired three of Grant’s mills, specifically, the Englehart Mill, the Allendale Mill and the Clarendon Mill. Further, the Remaining Applicants have sold their 50% interest in the Footner mill to Ainsworth Lumber Co. Ltd, and sold the building and equipment related to the Timmins mill to EDS Decommissioning Canada. The Timmins Land, the Ogden Landfill and the non-core assets have also been sold.

Assumptions:

1) Opening Balance:

This is the anticipated opening cash balance of the Remaining Applicants at the commencement of the stay extension period and includes funds held in Canadian dollars and U.S. dollars that were converted into U.S. dollars at the closing exchange rate on September 1, 2013 of $\text{CDN}\$1.053 = \text{US}\1.00 .

2) GST/HST Refunds:

As noted in the previous Remaining Applicants’ Forecast, the Remaining Applicants received a notice of re-assessment from Canada Revenue Agency (“**CRA**”) reflecting an outstanding balance of approximately \$221,000, which is net of certain HST refunds. The Monitor continues to assist Grant with supplying information to CRA and working with CRA in order to resolve this issue. For conservatism, the Remaining Applicants’ Forecast reflects the amount of \$221,000

as a disbursement and does not include any HST refunds during the projection period. .

3) Cash held by the Monitor

As at September 1, 2013, the Monitor held approximately \$3.7 million of the Remaining Applicants' funds in trust. The Remaining Applicants' Cash Flow Forecast projects a transfer of approximately \$500,000 to the Remaining Applicants in December 2013.

4) Payroll:

The projection does not reflect any payroll payment as the Remaining Applicants have no remaining employees. The Remaining Applicants' books and records reflect no outstanding payments to CRA with respect to payroll taxes, however, CRA has not conducted its audit with respect to the Remaining Applicants' payroll tax payments.

5) Other Payables:

No other payables are anticipated during this forecast period.

6) SG&A:

SG&A represents costs for storage of documents, consulting fees, insurance, bank charges and other miscellaneous items.

7) Restructuring Costs:

Restructuring costs include costs related to the Remaining Applicants' advisors and counsel and the Monitor and its counsel.

8) Other Disbursements:

Other disbursements include potential disbursements with respect to certain potential contingent obligations.