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

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SIXTH REPORT OF THE MONITOR DATED JANUARY 15, 2010

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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

INDEX

Court File No.: CV-09-824700CL

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

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Applicants

SIXTH REPORT OF THE MONITOR DATED JANUARY 15, 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**") 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 has been subsequently extended, most recently to February 26, 2010 (the "**Stay Period**") pursuant to an Order of this Honourable Court dated November 30, 2009.

PURPOSE

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

a. the status of the marketing process to sell the business and operations of the Original Applicants as described in the Initial Order (the "**Marketing Process**");

b. the Original Applicants' motion for an order in the form attached as Schedule 'A' to the Original Applicants' notice of motion dated January 15, 2010, to approve a transaction (the "**Transaction**") as contemplated by a purchase agreement (the "**PSA**") between the Applicants and the Additional Applicants (as defined below) (collectively hereinafter, the "**Applicants**" or "**Grant**") 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, as set out in further detail in this Sixth Report.

c. the motion of The Toronto-Dominion Bank (the "**First Lien Lenders' Agent**"), the agent of the first lien lenders who were owed approximately $399 million plus accrued interest as of May 31, 2009 (the "**First Lien Lenders**") to, among other things, include 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**") as additional applicants to these CCAA proceedings (collectively, the "**Additional Applicants**");

d. an overview of the cash flow forecast of the Additional Applicants; and

e. the Original Applicants' motion to approve this Sixth Report and the conduct and activities of the Monitor as presented in this Sixth 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 Sixth Report. Some of the information referred to in this Sixth 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 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.

7. The Applicants and Footner Forest Products Ltd. (**"Footner"**) (in which GFPI has a 50% interest), 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 Footner have 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.

9. The OSB mills located in Englehart (the "**Englehart Mill**") and Timmins (the "**Timmins Mill**") in Ontario are owned by GFPI, and as such, are subject to these CCAA proceedings.

10. GFPI also 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. The Footner mill itself is not directly subject to these CCAA Proceedings.

11. 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 are included as Additional Applicants and subject to issuance of an order by this Honourable Court, would become subject to these CCAA Proceedings.

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

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

14. Attached as Appendix 'A' to this Sixth Report is the Applicants' organization chart setting out the Original Applicants, the Additional Applicants, Footner (which is not part of these CCAA proceedings) and Grant Equipment Corp. (an affiliate company, also not part of these CCAA proceedings).

15. In addition to the above noted OSB mills, GFPI owns certain assets which are not required for the operations of the OSB business, including premises in Haileybury (the "**Haileybury Office**"), a golf course in Earlton, (the "**Golf Course**"), a 65 foot custom built motor boat which is currently located in Florida (the "**Boat**") and certain property located at New Liskeard in Ontario (the "**MTO Property**") (collectively, the "**Non-Core Assets**"). With the exception of the MTO Property,

a full description of the Non-Core Assets was provided in the Second Report of the Monitor dated July 21, 2009 (the "**Second Report**").

16. 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 are presently operating. Both the Timmins Mill and the Footner Mill are idle. The Clarendon Mill is a new mill which is substantially complete but has not yet been put into production.

17. 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**") of the Applicants with services to be provided by Hap Stephen and Sandra Rosch.

GFPI'S DEBT STRUCTURE

18. The Applicants have two levels of primary secured debt. The total debt obligations are comprised of the following facilities:

First Lien Credit Agreement

a. 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**").

b. In addition, as discussed in the Lynch Affidavit, as at May 31, 2009, 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.

Second Lien Credit Agreement

- 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 pursuant to a credit agreement dated as of March 21, 2007, as amended and assigned by an amendment and appointment and acceptance agreement dated as of April 30, 2009 (the "**Second Lien Credit Agreement**").

19. GFPI and the Grant Partnership are the borrowers under the First Lien Credit Agreement with GAI, GFPSI, Southeast, Allendale, Clarendon, Newco and U.S. Sales as guarantors of the First Lien indebtedness.

20. The Grant Partnership is the borrower under the Second Lien Credit Agreement with GFPI, GFPSI, GAI, Southeast, Allendale, Clarendon, U.S. Sales and Newco as guarantors of the Second Lien debt.

21. GFPI and the Grant Partnership are in default under the First Lien Credit Agreement and Grant Partnership is in default under the Second Lien Credit Agreement (collectively, the "**Credit Agreements**").

22. The First Lien Lenders' Agent holds various security in Canada granted in its favour by each of GFPI, GAI and GFPSI over each of their respective property and assets (the "**First Lien Security**") for the benefit of the First Lien Lenders.

23. The Second Lien Lenders' Agent holds various security in Canada granted in its favour by each of GFPI, GAI and GFPSI over each of their respective property and assets (the "**Second Lien Security**") for the benefit of the Second Lien Lenders.

24. As set out in the affidavit of Mr. William O'Connor (as representative of the First

Lien Lenders' Agent) dated January 15, 2010 (the "**O'Connor Affidavit**"), the Applicants, Southeast, Allendale, Clarendon, U.S. Sales, the First Lien Lenders' Agent and the Second Lien Lender's Agent are parties to an agreement dated March 21, 2007 (the "**Intercreditor Agreement**"). A copy of the Intercreditor Agreement is attached as Exhibit 'A' to the O'Connor Affidavit. Among other things, the Intercreditor Agreement provides that the existing Second Lien Security is junior and subordinate in all respects to the existing First Lien Security.

STATUS OF THE MARKETING PROCESS

25. The Monitor understands from discussions with the Applicants that prior to the commencement of the CCAA proceedings the Applicants had engaged as a financial advisor, a prominent investment banking firm to advise on capital and strategic options to address the Applicants' debt position and liquidity needs, which included a market canvass to raise capital, locate investors or sell the business. This process did not result in a capital solution or a transaction which the Applicants could implement. Although this process was not successful at the time, the Applicants were of the view that a transaction to sell the business as a going concern or to sponsor a plan of arrangement could still be consummated in the CCAA proceedings.

26. 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 in whole or part of the Applicants as a going concern or offer to sponsor a plan of arrangement of the Applicants, or any of them.

27. The Marketing Process included all operations and businesses of the Original Applicants and the Additional Applicants.

28. As set out in the Second Report, paragraph 18 of the Initial Order and the Investment Offering Protocol authorized and directed the Original Applicants to

engage an investment offering advisor (the "**Investment Offering Advisor**"), subject to the approval of the Monitor and the First Lien Lenders' Agent, to assist in connection with the conduct of the Marketing Process. Subsequent to the issuance of the Initial Order, the Original Applicants requested that the Monitor undertake the role of the Investment Offering Advisor. The First Lien Lenders' Agent was also in concurrence with the Monitor fulfilling the Investment Offering Advisor role.

29. At the commencement of the Marketing Process, the Monitor and the CRA set out protocols for the involvement of the Applicants' Management ("**Management**") and the Applicants' shareholders in the Marketing Process, as certain members of Management and Mr. Peter Grant Sr., as a major indirect shareholder of GFPI, had potential involvement with certain of the prospective bidders in the Marketing Process. The Monitor is of the view that this arrangement ensured a fair and level playing field for all bidders.

30. An informal committee of independent members of the Board of Directors was formed (the "**Independent Directors Committee**"), which excluded Mr. Peter Grant Sr., Mr. Peter Grant Jr. (both members of the founding Grant family) and Mr. Peter Lynch (the primary non-Grant family member of management guiding the Applicants through the CCAA process). As such, Management and the Grant family did not, until the successful bid was selected, receive information as to the identity or content of the bids received during the Marketing Process, nor were they involved in the evaluation of the bids received at each stage of the Marketing Process.

31. The Initial Order set out three phases to the Marketing Process. Briefly, *Phase I* comprised the identification by the Investment Offering Advisor of potential interested parties and the development of certain information with the assistance of Management, to be sent to the potential interested parties. At the end of *Phase I*, interested parties were required to submit expressions of interest ("**EOI's**) on the basis of which certain interested parties would be invited to *Phase II*.

32. *In Phase II*, interested parties were invited to attend management presentations

(the "**Management Presentation**"), tour the Applicants' OSB mills and conduct further due diligence. At the end of *Phase II*, interested parties were required to submit revised EOI's on the basis of which a selected party would be invited to *Phase III*.

33. In *Phase III*, Grant was required to conduct final negotiations of an agreement to sponsor a plan of arrangement or sell the operations to an interested party and seek the approval of this Honourable Court of the negotiated agreement. The Investment Offering Protocol prohibited the Applicants from filing any plan of arrangement with this Honourable Court or entering into an agreement to sell the business or any material part of the business without the prior written approval of the First Lien Lenders' Agent, at the direction of the First Lien Lenders then holding not less than 66 2/3% of the total amount of the then outstanding indebtedness owing by the Applicants to the First Lien Lenders.

34. The Marketing Process conducted by the Investment Offering Advisor with the assistance of the CRA is described in greater detail below.

Phase I

35. As discussed in the Second Report, further to the appointment of the Monitor as the Investment Offering Advisor, the Original Applicants, the CRA and the Investment Offering Advisor collectively took the following steps in June and July of 2009 at the commencement of the Marketing Process:

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 planned to participate in the Marketing Process. A copy of the Teaser is attached as Appendix 'B' to this Sixth Report;

b. Set up an electronic data room (the "**Data Room**") including materials relevant for assessing the business and operations of the Applicants. A summary of the index of the Data Room is attached as Appendix 'C' to this Sixth Report;

c. Compiled a list of potential interested parties, including parties that expressed an interest in the Applicants' operations prior to the CCAA proceedings and further parties that were not part of the pre-CCAA marketing process that was conducted by the Applicants. In addition, the list included other parties whose interest was known to the Applicants, the Monitor or the CRA. The Monitor also requested the First Lien Lenders' Agent and the Second Lien Lenders' Agent for names to be added to the list of interested parties;

d. Contacted 91 interested parties by phone and distributed the Teaser, the NDA and a letter dated July 2009 which set out the process for interested parties to follow and the key dates to the Marketing Process. A copy of the letter is attached as Appendix 'D' to this Sixth Report;

e. Negotiated NDAs as required. In addition, a bid protocol letter (the "**Bid Protocol Letter**") was provided to all interested parties that set out a process which each interested party was requested to adhere to in formulating its bid with respect to the following:

    i. discussions with the Applicants' current lenders;

    ii. obtaining new financing from the current lenders to the Applicants;

    iii. interaction with the Grant family and their advisors; and

    iv. discussions with other interested parties in respect to potential joint bids;

f. For each of the above items in subparagraph (e) above, the Investment Offering Advisor would be party to and/or advised of such discussions. A copy of the Bid Protocol Letter is attached as Appendix 'E' to this Sixth Report.

g. Issued to each of the interested parties, an EOI instruction letter that set out the detail and information that interested parties were required to include in the EOI and the timing thereof. A copy of the EOI instruction letter is attached as Appendix "F" to this Sixth Report; and

h. Provided an updated Management Presentation to the interested parties who had executed NDAs. A copy of the Management Presentation is attached as Appendix 'G' to this Sixth Report. As this appendix contains sensitive financial information of the Applicants that interested parties had to sign an NDA to receive, the Applicants are requesting a sealing Order from the Honourable Court with respect to Appendix 'G'.

36. Strong interest was demonstrated by interested parties during *Phase I* of the Marketing Process. As discussed in the Fourth Report of the Monitor dated October 8, 2009 (the "**Fourth Report**"), at the end of *Phase 1* on July 31, 2009, Grant received 13 EOIs from interested parties. Pursuant to the Initial Order, these expressions of interest were evaluated by the Investment Offering Advisor and the CRA in consultation with the Independent Directors Committee and the First Lien Lenders' Agent. Based on the evaluation, eight interested parties were invited to *Phase II* to conduct further due diligence. The Investment Offering Advisor also informed a spokesperson of the Second Lien Lenders as to how many parties were being invited to *Phase II*.

37. The Investment Offering Protocol was organized and implemented by the Investment Offering Advisor and the CRA. Management did not participate in the evaluation of the EOI's in order to maintain confidentiality of the EOI's received by the Investment Offering Advisor.

Phase II

38. As set out in the Fourth Report, during *Phase II*, interested parties were provided access to the Applicants' OSB facilities and were permitted to conduct further due diligence.

39. At the commencement of *Phase II*, the Investment Offering Advisor sent a process letter to each interested party invited to *Phase II* setting out the process with respect to *Phase II* of the Marketing Process including the instructions to co-ordinate mill site tours and attend due diligence meetings with Management. A copy of the *Phase II* bid process letter is attached as Appendix 'H' to this Sixth

Report.

40. The Investment Offering Advisor attended each facility visit and facilitated the due diligence process with the CRA and with the assistance of Management. The Investment Offering Advisor and the CRA also facilitated one on one meetings with each interested party and Management.

41. 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 First Lien Lenders' Agent, in order to accommodate the due diligence requirements, the plant tour schedules and management meetings with the eight interested parties. The Investment Offering Advisor communicated the revised timeline to the interested parties through a letter which set out the detailed bid information required to be submitted by interested parties at the end of *Phase II* and provided updated timing for the submission of the revised bids. A copy of the second *Phase II* bid process letter is attached as Appendix 'I' to this Sixth Report.

42. Five interested parties submitted revised proposals to the Investment Offering Advisor on or before September 11, 2009. Two of the bids received were for either lower consideration or contained terms and conditions which made them clearly inferior to the other three. The other bids received from three bidders (the "**Short Listed Parties**") included financial considerations which were within a similar range of each other. However each of these three bids was subject to outstanding due diligence items to be completed and a number of significant conditions precedent to the closing of the transaction. In the view of the Monitor and the CRA, these outstanding due diligence items and closing conditions represented significant risks to the completion of the transaction. Accordingly, the Monitor as provided for in the Initial Order, further extended the date for the Short Listed Parties to submit revised bids to October 2, 2009 ("***Phase IIb***"). The purpose of the *Phase IIb* process was to provide the Short Listed Parties with the opportunity to further progress on completing their outstanding due diligence and

address or reduce closing conditions, thereby reducing the closing risk of each bid. Such extension was confirmed to the Short Listed Parties in a letter dated September 28, 2009 by the Investment Offering Advisor. The letter also set out further details with respect to the revised final bids that were due on October 2, 2009. A copy of this letter is attached as Appendix 'J' to this Sixth Report.

43. At the end of *Phase IIb* on October 2, 2009, the Monitor received revised bids from each of the Short Listed Parties. Pursuant to the Initial Order, these revised bids were evaluated by the Investment Offering Advisor and the CRA.

44. The evaluation of the bids of the Short Listed Parties by the Investment Offering Advisor and the CRA included the following:

a. the overall level of consideration of each of the bids;

b. the composition of the consideration contained in each of the bids, including the amount of cash consideration being offered;

c. The potential incremental realizable value, net of costs, from the assets excluded from each the bids;

d. the risk with respect to the financing of each of the bids; and

e. the closing risks of each of the bids.

45. An overview of the bids of the Short Listed Parties is attached as Appendix 'K' to this Sixth Report. As this appendix contains sensitive commercial information relating to the competitive bids received, the Applicants are requesting a sealing Order from this Honourable Court with respect to Appendix 'K' to this Sixth Report.

46. The bids of the Short Listed Parties along with a summary of such bids was presented to the steering committee of the First Lien Lenders (the **"First Lien Lenders' Steering Committee"**).

47. After a vote of the Steering Committee on October 16, 2009, the First Lien Lenders' Agent advised the Monitor that the First Lien Lenders representing in

excess of 66 2/3% of the First Lien Credit Agreement debt, had voted in favour, of the selection of Georgia Pacific's bid to proceed to *Phase III* of the Marketing Process.

48. Headquartered in Atlanta, Georgia, Georgia Pacific is one of the world's leading manufacturers and marketers of tissue, packaging, paper, pulp, and building products and related chemicals. Georgia Pacific employs approximately 40,000 people at about 300 locations in North America, South America and Europe.

49. On October 14, 2009, the Monitor and the CRA presented the summary of the bids to the Independent Directors Committee. After having an opportunity to consider the bids, on October 16, 2009, the Independent Directors Committee approved the selection of Georgia Pacific as the final party and authorized Management to enter into an exclusivity agreement with Georgia Pacific for the purpose of negotiating a purchase and sale agreement with Georgia Pacific.

50. As discussed in the Fifth Report of the Monitor dated November 26, 2009 (the "**Fifth Report**"), the Monitor and the CRA contacted the Second Lien Lenders' Agent to advise that the Monitor and the CRA would review the bids received in *Phase IIb* with the Second Lien Lenders' members who were prepared to agree that the confidentiality provisions of the Second Lien Credit Agreement would apply to any information received in respect of the bids of the Short Listed Parties 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 of the Short Listed Parties received. Comments of participants were solicited, although no formal vote was undertaken in light of the ad-hoc nature of the group participating. The group asked questions but did not make a formal recommendation.

51. Based on the evaluation of the bids, as described in paragraph 44 above, the recommendation of the Monitor and the CRA, the discussions with the Second Lien Lenders referred to above, the approval of the First Lien Lenders Steering Committee and the authorization of the Independent Directors Committee, GFPI

entered into an exclusivity agreement with Georgia Pacific on October 20, 2009, which required the Applicants to refrain from seeking bids, responding to or negotiating with any party other than Georgia Pacific with respect to the items included in the bid of Georgia Pacific during the exclusivity period (the **"Exclusivity Period"**) which was reported on in the Fifth Report.

52. The Exclusivity Period was extended through a series of extensions to January 8, 2010 to enable the Applicants and Georgia Pacific to negotiate a purchase and sale agreement which could be brought before the court for approval.

53. On January 8, 2010, the parties finalized the PSA, a copy of which is attached as Appendix 'L' to this Sixth Report. As a result of the requirement of Georgia Pacific, due to the PSA containing sensitive financial and commercial information related to the Transaction, the Applicants are requesting a sealing Order from this Honourable Court with respect to Appendix 'L' to this Sixth Report.

54. An overview of the key terms of the PSA is provided later in this Sixth Report and in Appendix 'M', attached hereto.

55. In accordance with the Initial Order, the Applicants 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, through a series of extensions to February 1, 2010. This amendment was consented to by the Monitor and the First Lien Lenders' Agent.

56. It is the Monitor's view that the Marketing Process included a structured, fair, wide and effective canvassing of the market as demonstrated by the following:

   a. contact by the Investment Offering Advisor of 91 interested parties comprising both financial and strategic parties located in North America, South America, Europe and Asia;

   b. the execution of 32 NDA's by interested parties who were then granted access to review the Data Room and the subsequent submission of 13 EOI's at the end of *Phase I*;

c. the EOI's of eight interested parties that were invited to participate in *Phase II* provided a value range which was market derived and tested, and as such, supported the conclusion that the consideration included in Georgia Pacific's bid reflected fair value;

d. of the eight interested parties that were invited to *Phase II*, five submitted improved bids in respect of consideration and/or closing conditions at the close of *Phase II* and of the three interested parties that were invited through to *Phase IIb*, each party again improved its bid in terms of consideration and/or closing conditions at the end of *Phase IIb*;

e. the selection of Georgia Pacific to negotiate a PSA was based on a thorough analysis of all of the financial and commercial terms presented in all of the bids, was recommended by the Monitor and the CRA and was approved by the First Lien Lenders Steering Committee and the Independent Directors Committee; and

f. the Second Lien Lenders were consulted, and their views and questions were taken into account in the final selection of Georgia Pacific.

OVERVIEW OF THE PSA

57. Following approval of Georgia Pacific as the selected party to proceed to *Phase III*, Management in conjunction with the Applicants' counsel and supported by the Monitor and the CRA, commenced negotiations with Georgia Pacific on the PSA and certain ancillary documents.

58. Due to the nature of the transaction, the PSA is an extensive document, and as such, the drafting and negotiation of the PSA took a number of weeks. On January 8, 2010, the PSA was finalized and executed by both the Applicants and Georgia Pacific, subject to approval by this Honourable Court and the U.S. Bankruptcy Court, as discussed further in this Sixth Report.

59. The Transaction includes the Canadian Purchaser purchasing certain assets set out in the PSA (the "**Purchased Assets**") from GFPI, GAI and GFPSI (the

"Vendors"), including the Englehart Mill (the **"Purchased Assets Transaction"**). The Purchased Assets exclude the Timmins Mill, Footner, the Non-Core Assets, cash on closing, income tax refunds and certain other assets as described more fully in the PSA.

60. Further, the Grant Partnership, which holds the interests directly or indirectly in the Additional Applicants, has agreed to issue new partnership interests (the **"Purchasers' Partnership Interests"**) in the Grant Partnership to the U.S. Purchaser and the Additional U.S. Purchaser and to admit the U.S. Purchaser and the Additional U.S. Purchaser as partners of the Grant Partnership. Simultaneously, GFPI and GAI will surrender their partnership interests in the Grant Partnership (the **"Vendors' Partnership Interest"**) and withdraw as partners of the Grant Partnership (the **"Partnership Interests Transaction"**). This transaction has the effect of transferring the interests in and assets of the Additional Applicants, including the Allendale Mill and the Clarendon Mill, to Georgia Pacific.

61. In order for the applicable Purchasers to obtain the Additional Applicants' assets (through the Partnership Interests Transaction) free and clear of all liens, claims and encumbrances held by the First Lien Lenders' Agent and the Second Lien Lenders' Agent, the First Lien Lenders' Agent has agreed, provided that the Canadian Order (defined later in this Sixth Report) and U.S. Order (as defined in Appendix 'M') are made, on its behalf and on behalf of the First Lien Lenders, the Second Lien Lenders' Agent and the Second Lien Lenders, to discharge all liens, claims and encumbrances the First Lien Lenders and Second Lien Lenders and their respective agents have pursuant to or in respect of the First Lien Credit Agreement and the Second Lien Credit Agreement, respectively against the Grant Partnership, Southeast, Newco, Clarendon, Allendale, Grant Excluded and U.S. Sales. For the purposes of determining the nature and priority of any claims against the Grant Partnership, the net amounts paid by the U.S. Purchaser and Additional U.S, Purchaser to acquire the Purchasers' Partnership Interests, shall stand in the place and stead of the assets of the Grant Partnership.

62. The aggregate consideration being paid by Georgia Pacific for the Purchased Assets and the Purchasers' Partnership Interests is $403 million, subject to adjustments for working capital relative to a target working capital and any losses calculated pursuant to a formula due to breaches of representations and warranties of the Applicants prior to closing the Transaction.

63. A redacted summary of the PSA is attached as Appendix 'M' to this Sixth Report. Further, an executed copy of the PSA is attached as Appendix 'L' to this Sixth Report. As a result of the requirement of Georgia Pacific, due to the sensitive financial and commercial information related to the Transaction, the Applicants are requesting a sealing Order from this Honourable Court with respect to Appendix 'L' and an unredacted copy of Appendix 'M' to this Sixth Report.

64. The Applicants' are seeking an approval and vesting order (the "**Canadian Order**") to approve, *inter alia*: (a) the Purchased Assets Transaction; (b) the Partnership Interests Transaction; and (c) related relief in order to complete the transactions contemplated by the PSA.

65. Assuming the Court grants the Canadian Order requested by the Applicants, the Applicants intend to direct the Monitor, and request this Honourable Court direct the Monitor, as the Applicants' foreign representative to commence proceedings in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**") under Chapter 15 of Title 11 of the United States Bankruptcy Code for recognition of the Grant CCAA Proceedings as a foreign main proceeding in respect of the Applicants and for an order affirming and enforcing the Canadian Order and any related relief required to give effect to and to complete the transactions contemplated by the PSA.

ADDITIONAL APPLICANTS

66. As set out in the affidavit of Mr. Hap Stephen dated January 15, 2010 (the "**Stephen Affidavit**"), the Additional Applicants, with the exception of Excluded, are guarantors to the debt obligations of GFPI and the Grant Partnership owed to the First Lien Lenders under the First Lien Lender Credit Agreement. In addition,

the Additional Applicants, with the exception of Excluded, are guarantors to the debt obligations of the Grant Partnership owed to the Second Lien Lenders under the Second Lien Lender Credit Agreement. As set out earlier in this Sixth Report, GFPI and the Grant Partnership are in default under the Credit Agreements. Further, as set out in the Stephen Affidavit, the applicable Additional Applicants do not have the ability to repay the obligations owing under the Credit Agreements pursuant to their guarantees.

67. As discussed earlier in this Sixth Report, the O'Connor Affidavit sets out that the Original Applicants, Southeast, Allendale, Clarendon, U.S. Sales, the First Lien Lenders' Agent and the Second Lien Lender's Agent are parties to an Intercreditor Agreement. The Intercreditor Agreement permits the First Lien Lenders' Agent to release the security held by both the First Lien Lenders and the Second Lien Lenders under the First Lien Credit Agreement and the Second Lien Credit Agreement in the event of a default with respect to the First Lien Credit Agreement, including a filing under the CCAA. As GFPI and the Grant Partnership are in default under the Credit Agreements with no ability to repay the obligations owing under such Credit Agreements, in order to exercise its rights under the First Lien Credit Agreement and the Intercreditor Agreement, the First Lien Lenders' Agent has brought a motion to, among other things, add the Additional Applicants to the existing CCAA proceedings.

68. As set out in the Stephen Affidavit, with the exception of Allendale and U.S. Sales, the Additional Applicants do not carry on active business. The main financial books and records of the Additional Applicants as well as the directing minds of each of the Additional Applicants are located in Ontario.

69. As described earlier in this Sixth Report, as a result of the present market conditions and the reduced demand for OSB and other wood products, only the Allendale Mill is presently operating in the United States. The Clarendon Mill is a new mill which is substantially complete but has not yet been put into production.

70. As discussed in the Original Applicants' motion materials dated January 15, 2010,

if the orders requested by the First Lien Lenders 'Agent are granted by this Honourable Court, the Applicants intend to commence proceedings in the U.S. Bankruptcy Court under Chapter 15 of Title 11 of the United States Bankruptcy Code for recognition of these CCAA proceedings with respect to the Applicants as a foreign main proceeding and for an order attached as Exhibit 'G" to the PSA to, among other things, approve the PSA and the items set out in the PSA.

OVERVIEW OF THE CASH FLOW PROJECTION OF THE ADDITIONAL APPLICANTS

71. The Additional Applicants, with the assistance of the Monitor, have prepared a 13 Week Cash Flow Projection (the "**Cash Flow Forecast**") for the 13 week period from January 4, 2010 to April 11, 2010. The Cash Flow Forecast does not reflect the closing of the PSA and is prepared on the basis that the Additional Applicants will continue to operate under normal business conditions during the projection period. A copy of the Cash Flow Forecast which is attached as Exhibit "F" to the Stephen Affidavit is attached as Appendix 'N' to this Sixth Report. The Cash Flow Forecast has been prepared by Management of the Additional Applicants for the purpose of the CCAA application, using probable and hypothetical assumptions set out in the notes attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over the 13 week projection period in U.S. dollars.

72. The Additional Applicants' cash position as at January 4, 2010 is estimated to be approximately $1.7 million.

73. The Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to the Monitor by certain of the Management and employees of the Additional Applicants. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Monitor has also reviewed the support provided by Management of the Additional Applicants for the probable

assumptions, and the preparation and presentation of the Cash Flow Forecast.

74. Based on the Monitor's review, nothing has come to the Monitor's attention that causes the Monitor to believe that, in all material respects:

- the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
- as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Additional Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
- the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

75. As described in the Terms of Reference above, since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Monitor expresses no opinion or other form of assurance with respect to the accuracy of financial information presented in the Cash Flow Forecast, or relied upon by the Monitor in preparing this Sixth Report.

76. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

77. The Cash Flow Forecast projects that the Additional Applicants will have sufficient liquidity to operate during the CCAA proceedings.

SELECTED FINANCIAL MATTERS ADDRESSED IN THE PROPOSED SUPPLEMENTAL INITIAL ORDER

78. The First Report of the Monitor dated June 23, 2009 (the "**First Report**") discussed certain financial matters that were set out in the Initial Order. The following items are further financial matters that are contemplated in the draft

Supplemental Initial Order (the "**Supplemental Initial Order**").

- *Creditor Notification*

79. The Supplemental Initial Order contemplates that the Monitor shall without delay publish in The Temiskaming Speaker (in Northern Ontario), The State (in South Carolina) and The Wall Street Journal newspapers a notice containing the information prescribed under the CCAA and make the Supplemental Initial Order publically available in the manner prescribed under the CCAA. Further, the Supplemental Initial Order contemplates that the Monitor shall, within five days of the date of entry of the Supplemental Initial Order send a notice of the making of the Supplemental Initial Order to the Additional Applicants' known creditors owed more than $1,000 and make publically available a list showing the names and addresses of those creditors and the estimated amounts of those creditors.

- *Specific relief set out in the Supplemental Initial Order with respect to the Additional Applicants*

80. The Supplemental Initial Order contemplates that the Additional Applicants will be entitled, but not required to pay all obligations incurred in the ordinary course of business, whether or not incurred prior to the date of the Supplemental Initial Order. However, the Supplemental Initial Order directs the Additional Applicants to make no payments to the First Lien Lenders and the Second Lien Lenders related to amounts for principal, interest thereon or otherwise on account of amounts owing by the Additional Applicants to the First Lien Lenders or the Second Lien Lenders.

- *Termination of the Supplemental Order and the Discharge of Monitor as Monitor of the Additional Applicants*

81. The Supplemental Initial Order contemplates that on delivery by the Monitor of a certificate, substantially in the form of the certificate attached as Schedule "B" to the Canadian Order attached as Schedule 'A' to the Original Applicants' notice of motion dated January 15, 2010 (the "**Monitor's Certificate**"), the CCAA

proceedings with respect to the Additional Applicants and Grant Partnership will terminate and the Monitor will be automatically discharged as Monitor of the Additional Applicants and Grant Partnership without a further Order of this Honourable Court.

82. The Supplemental Initial Order further contemplates that EYI will be released and discharged from any liability that E&Y may have while acting in its capacity as Monitor of the Additional Applicants and Grant Partnership.

RECOMMENDATIONS

83. It is the Monitor's view that the Marketing Process was comprehensive and was conducted in a structured and fair manner to obtain a market tested value for the acquired assets, for the benefit of the stakeholders of the Applicants.

84. The Transaction with Georgia Pacific should generate cash proceeds of $403 million subject to escrow arrangements, working capital adjustments and adjustments for losses, if any, for certain breaches of the Applicants representations and warranties as described more fully in Appendix 'M' of this Sixth Report. This represents significant value to the stakeholders of the Applicants.

85. The Transaction has been recommended by the Monitor and the CRA. In addition, the Transaction has been approved by the First Lien Lenders and has been authorized by the Independent Directors Committee.

86. The Original Applicants will continue a marketing process to realize value from Footner, the Non-Core Assets and the Timmins Mill and any residual assets of the Applicants not sold pursuant to the PSA, supported by the Monitor.

87. Accordingly, the Monitor supports the relief sought by the Applicants and recommends that the following relief be granted as requested by the Applicants:

   a. authorizing and directing the Applicants to complete the transactions contemplated in the PSA with Georgia Pacific;

b. approving the PSA between the Applicants and Georgia Pacific and granting the Approval and Vesting Order;

c. including the Additional Applicants as applicants in Grant's CCAA proceedings; and

d. approving the Sixth Report and the conduct and activities of the Monitor as presented in the Sixth Report.

All of which is respectfully submitted this 15th day of January, 2010.

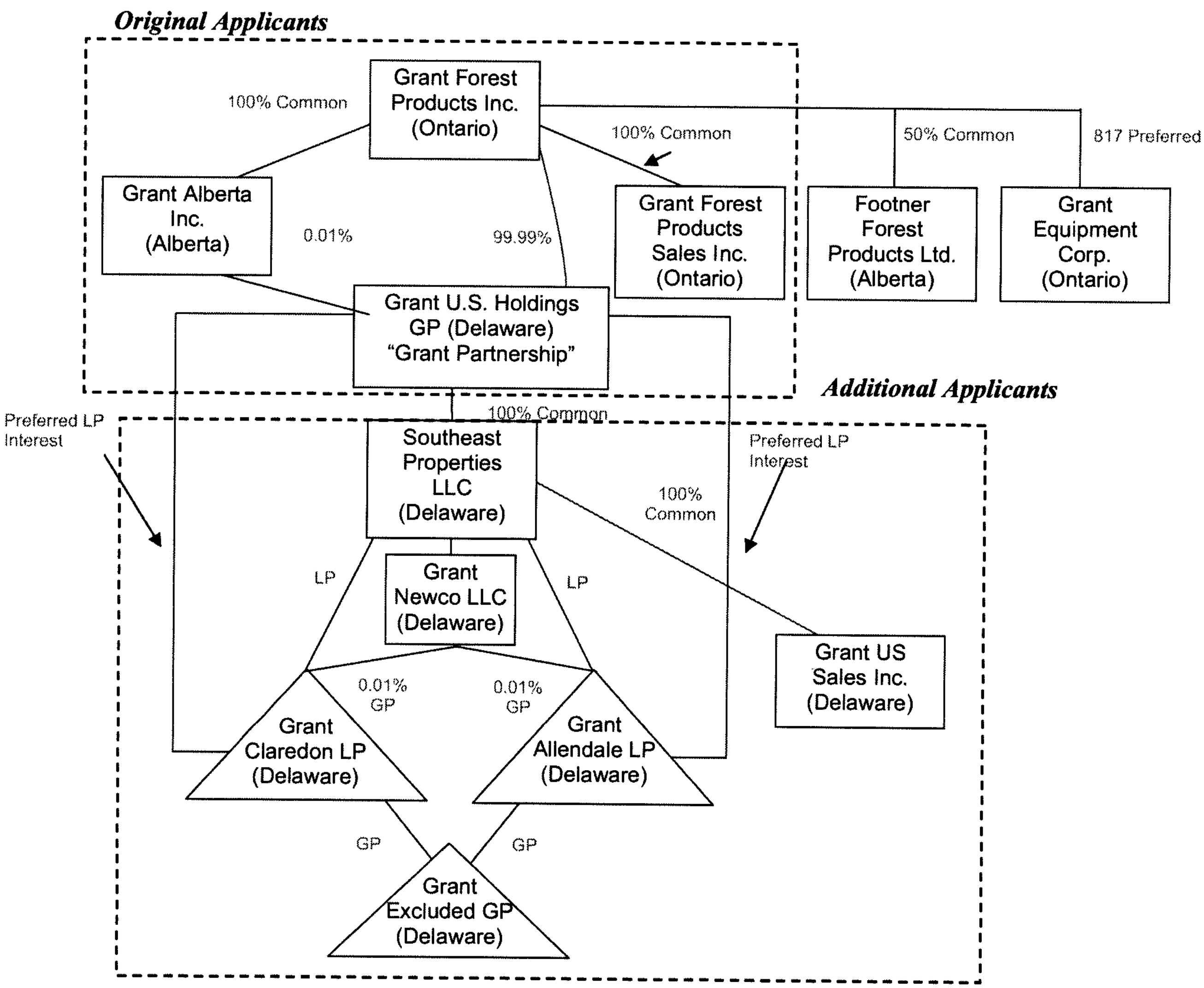
ERNST & YOUNG INC.
in its capacity as the Monitor of
Grant Forest Products Inc.,
Grant Alberta Inc.,
Grant Forest Products Sales Inc., and
Grant U.S. Holdings G.P.

Per:

Alex Morrison
Senior Vice President

APPENDIX A

Organizational Structure of the Applicants and the Subsidiaries



APPENDIX B

July 2009

GRANT FOREST PRODUCTS INC.

Ernst & Young Inc. ("E&Y") has been engaged by Grant Forest Products Inc. and certain of its subsidiaries ("Grant" or the "Company") to assist Grant in connection with a proposed refinancing, recapitalization or a sale of Grant pursuant to an Order (the "Order") issued by the Ontario Superior Court of Justice (the "Court") pursuant to the Companies' Creditors Arrangement Act (the "CCAA") on June 25, 2009.

Company Overview

- Founded in 1981, a private, family-owned company, Grant is North America's 3rd largest Oriented Strand Board ("OSB") manufacturer by capacity with a total annual capacity of 3.7 billion square feet ("bsf") of OSB
- Grant manufactures OSB in panels of varying lengths and thickness, as well as specialty products such as enhanced flooring, solar panels, oversized panels, rimboard and webstock products
- The Company owns four mills: in Englehart, Ontario; Timmins, Ontario; Allendale, South Carolina; and Clarendon, South Carolina (not yet commissioned) and has a 50% interest in the Footner mill in High Level, Alberta
- The global economic situation and the dramatic downturn in housing markets, particularly in the United States, has significantly changed the operating environment for the entire OSB industry and led Grant to reorganize its financial affairs under CCAA to position itself for future growth

Investment Highlights

Low cost operator

- Grant's mills are among the lowest cost facilities in North America. This has historically allowed the Company to operate near full production capacity and positions Grant to return to profitability with a recovery in the sector
- The Company's cost advantage is derived primarily from its strategy of operating large and efficient state-of-the-art manufacturing facilities located with access to secure low cost fibre supply

Significant operating leverage

- Upon commissioning and start-up of the Clarendon, South Carolina mill, Grant's installed capacity will have increased from 2.0 bsf to 3.7bsf (an 85% increase) from its highest production output in 2004. Adjusted EBITDA in 2004 was greater than US$250 million. As OSB demand returns to long-term trend levels, Grant's relatively low unit cost should support strong EBITDA generation even at lower than historical average OSB prices

Modern efficient mills with limited future capital expenditures required

- Grant has been successfully enhancing both product quality and the efficiency of its manufacturing operations by continuously developing and implementing proprietary formulations and manufacturing processes
- For example, Grant has been able to increase the capacity of its Englehart mill since 1995 by more than 60% to over 950 million square feet today
- The Company has made significant capital investments from 2005 to 2008, spending approximately US$675 million, relating to the construction of the Allendale and Clarendon mills and the updating of the Englehart and Timmins mills
- Minimal maintenance capital expenditures will be required going forward
- Ability to install a 3rd line at both South Carolina mills and minor upgrades to the Englehart mill will allow Grant to increase total capacity up to 4.5 bsf with minimal additional capital investment

Secure fibre source

- Long term, secure, and low cost fibre supply at its strategically located Canadian and U.S. mills is sufficient to support Grant's current production and future growth potential
- The Company continually improves its wood management practices to minimize fibre costs and maximize fibre yield

Geographic diversity

- Strategically placed mills in both Canada and South Carolina take advantage of abundant fibre and enhance Grant's wide reaching sales coverage and market access
- Broad based geographic footprint places Grant in a strong position to respond to regional demand differences as well as exchange rate volatility

OSB industry fundamentals

- The North American structural panels (OSB and plywood) industry has grown at a CAGR of 0.4% over the last 10 years, with OSB increasing its share away from plywood. OSB production has grown at a CAGR of 3.5% during the same period and accounts for 61% of total structural panel production
- OSB demand exposure to housing start cyclicality is reducing as demand driven by the repair and remodelling market is increasing and new applications such as containers and furniture are found

Direct-to-customer marketing strategy

- The Company's direct-to-customers sales strategy fosters deep, loyal customer relationships. Grant's twenty largest customers (75% of 2008 sales, collectively) have had more than 13 years of relationship with Grant on average
- A distribution approach focused on pro-builders (vs. big-box distributors) who value just-in-time delivery, attentive customer service and quality allows superior distribution margins

Experienced management team

- Grant's management team on average has more than 20 years of relevant industry experience

Marketing Process

The Company will consider transaction proposals only from interested parties ("Interested Parties") who meet certain qualifications. Interested Parties may receive additional information upon execution of a Non-Disclosure Agreement and will be invited to complete due diligence. Interested Parties should direct all inquiries to E&Y who will arrange all contacts for appropriate due diligence. **Interested Parties are requested not to contact Grant directly other than as directed by E&Y.**

This process is being managed by E&Y pursuant to the Order. Interested parties are requested therefore to note and respect the Court approved schedule:

- **Phase I** – Initial assessment and submission of a non-binding preliminary proposal on or before **July 31, 2009**
- **Phase II** - After completion of further due diligence, submission of a revised proposal on or before **August 30, 2009**
- **Phase III** – The Company to file with the Court a plan of arrangement or an agreement to sell the business on or before **September 30, 2009**

For a copy of the Order, please refer to www.ey.com/ca/gfp.

Ernst & Young Corporate Finance (Canada) Inc. is a U.S. registered broker-dealer. Any inquiries by U.S. persons should be directed to Ernst & Young Corporate Finance (Canada) Inc. through Daniel Sinclair.

Ernst & Young Inc. and **Ernst & Young Corporate Finance (Canada) Inc.**

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APPENDIX C

Summary of the Contents of the Data Room

1. *Corporate information:* included general information about the Applicants, including an organizational chart, corporate documents and management biographies.
2. *Legal information:* included material legal agreements, litigation background, real estate summaries and product warranties.
3. *Financial and accounting:* included financial information in respect of the Applicants.
4. *Tax:* included tax information in respect of the Applicants.
5. *Insurance:* included information with respect to the insurance of the Applicants.
6. *Environmental:* included environmental information in respect of the Applicants.
7. *Operations:* included information in respect of the operations of the OSB facilities, maintenance of the facilities and equipment listing.
8. *Sales and marketing:* including information in respect of anonymous customer rankings, a general description of the channels to market and locations of consignment inventory.
9. *Human resources:* included human resources information in respect of the Applicants.
10. *Information technology:* included information technology details in respect of the Applicants.
11. *Other:* included fibre baskets studies, mill expansion studies and other relevant internal information or third party studies.
12. *Marketing process:* included the presentations and frequently asked questions provided by Management.
13. *Idle mill start-up*: included projected start-up costs of the idle facilities, as projected by Management.

APPENDIX D

ERNST & YOUNG

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STRICTLY PRIVATE AND CONFIDENTIAL

July 2009

RE: Grant Forest Products Inc.

This letter sets out the process for parties interested in the acquisition of Grant Forest Products Inc.

On June 25, 2009, Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP (collectively "Grant" or the "Company") were granted protection from their creditors pursuant to an order (the "Order") issued under the Companies' Creditors Arrangement Act (the "CCAA") by the Ontario Superior Court of Justice (the "Court").

Pursuant to the Order, Grant is reviewing its strategic alternatives including a refinancing or recapitalization of the Company or a sale of its assets. Ernst & Young Inc. (E&Y) was appointed investment offering advisor for Grant as contemplated in the Order. For a copy of the Order, please refer to www.ey.com/ca/gfp. In connection with your potential interest, please find enclosed a copy of the teaser and the non disclosure agreement ("NDA").

As is noted in the Order, the Company will consider transaction proposals only from interested parties ("Interested Parties") who meet certain qualifications. Interested Parties should direct all inquiries to E&Y who will arrange all contacts for appropriate due diligence. Interested Parties are requested not to contact Grant directly other than as directed by E&Y.

Pursuant to the Order, interested parties are requested to note and respect the Court approved schedule:

- Phase I – Initial assessment and submission of a non-binding preliminary proposal on or before July 31, 2009.
- Phase II - After completion of further due diligence, submission of a revised proposal on or before August 30, 2009.
- Phase III – File with the Court a plan of arrangement or an agreement to sell the business on or before September 30, 2009.

The following items will be provided by E&Y upon receipt of an executed NDA, along with the contact details of the person(s) that you would like to have access to the data room ("Data Room") (see Appendix A):

- Access to a Company prepared Data Room.
- Copy of an information memorandum in presentation format.
- Opportunity to submit questions.
- Access to a Company hosted conference call to be scheduled, during which additional details of the Company will be provided.

E&Y will provide periodic updates to the Data Room including a template to be used in connection with a non-binding preliminary proposal and any further updates related to updated process details, as required.

Should you have any questions or comments, please contact any of the undersigned.

Yours truly,

Daniel Sinclair, Vice President
Ernst & Young Inc.
Phone #: 416-943-2141
Email: daniel.sinclair@ca.ey.com

Colin McLelland, Vice President
Ernst & Young Inc.
Phone #: 416-943-2269
Email: colin.g.mclelland@ca.ey.com

Appendix A

Data Room Access Request:

Name: ______________________________

Firm: ______________________________

Tel#: ______________________________

Email: ______________________________

Please email to robbie.bressler@ca.ey.com to request access to the Data Room.

APPENDIX E

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STRICTLY PRIVATE AND CONFIDENTIAL

July 15, 2009

GRANT FOREST PRODUCTS INC. AND ITS SUBSIDIARIES

BID PROCESS PROTOCOL

The following protocol is to be followed by all parties involved in the bidding process.

A. Discussions with the Companies' Current Lenders

If an interested party wishes to obtain information from, or have discussions with a current lender to Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc. or Grant U.S. Holdings GP or any of their subsidiaries (collectively, the "**Companies**") or the lenders' agents, the interested party must arrange the information request or discussion by contacting Ernst & Young, as investment offering advisor (the "**IOA**"), and the IOA shall attend the discussions and receive copies of any information provided by the lenders or agents.

B. Obtaining New Financing from Lenders to the Companies

If an interested party wishes to arrange new financing from a current lender to a Company, a confidentiality wall will be established at the lender between the individuals and group at the lender which deal with the Companies and those at the lender which will deal with the proposed new financing for the interested party and the IOA shall be advised of same.

C. Interaction with the Grant Family and their Advisors

If an interested party wishes to have discussions with members of the Grant family or their advisors with respect to participating in or making a joint bid, the interested party shall inform the IOA in advance of its intentions to hold such discussions and such discussions shall not include the communication of any information relating to the business affairs or operations of the Companies not made available to all potential interested parties.

D. Discussions with other Interested Parties

If any potential interested party wishes to discuss a joint bid with another potential interested party, it shall do so only after it informs the IOA in writing of the proposed discussion and advises the IOA that such parties will be making a joint bid.

APPENDIX F

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STRICTLY PRIVATE AND CONFIDENTIAL

July 15, 2009

Re: Expression of Interests: Grant Forest Products Inc. and its subsidiaries

On June 25, 2009, Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc. and Grant U.S. Holdings GP (collectively "Grant" or the "Company") were granted protection pursuant to an initial order (the "Order") issued under the Companies' Creditors Arrangement Act by the Ontario Superior Court of Justice (the "Court"). Ernst & Young Inc. ("E&Y") was appointed both Monitor (the "Monitor") and Investment Offering Advisor for Grant as contemplated in the Order. Pursuant to the Order, Grant is reviewing its strategic alternatives including a refinancing or recapitalization of Grant and/or a sale of its assets.

Interested parties ("Interested Parties") are requested to submit to E&Y a non-binding preliminary proposal ("Proposal(s)") by July 31, 2009 at 5 pm EST by email to the undersigned. Proposals received after July 31, 2009 may not be accepted.

This letter sets out further details related to requirements of Proposals that will be submitted by Interested Parties. Proposals should include all of the following:

i) Description of the assets and business operations to be purchased as part of the Proposal and/or a description of the nature and assumptions of a Proposal in respect of a refinancing and/or recapitalization of the Company;

ii) The debt free, cash free total enterprise value of Grant and its subsidiaries, upon which the Proposal is based, expressed as a range;

iii) Description of the proposed treatment of First Lien Lenders, Second Lien Lenders, trade creditors, other unsecured creditors and shareholders;

iv) Amounts, forms and uses of consideration including a preliminary sources and uses of funds statement;

v) Method of financing a transaction, including any funding partners anticipated to be included in a transaction;

vi) The structure of a transaction;

vii) Any special due diligence requirements;

viii) Any required conditions of closing or approvals required in connection with a transaction;

ix) Confirmation that the anticipated closing time frame will be in accordance with the Order;

x) Your plans for Grant and its subsidiaries; and,

xi) Any other points which you consider integral to a transaction or that would be of interest to Grant or its Stakeholders.

Proposal(s) will be kept in strict confidence and accordingly should be submitted to E&Y marked "Strictly Private & Confidential".

Proposal(s) are not to be shared with the Company and details of the Proposal(s) will not be shared with senior management or shareholders. The Company has formed an Independent Committee of the Board of Directors to assist the Monitor and Chief Restructuring Advisor ("CRA") in evaluating the Proposals.

Proposals should be explicit regarding whether non-core real estate and other assets (the details of which will be provided in the data room) are included or excluded from the Proposal and, if included, a value should specifically be attributed to the non-core assets. Further details will be available in the data room regarding the process for the disposal of the non-core assets.

Following July 31, 2009, E&Y and the CRA will evaluate Proposals received with the assistance of the Independent Committee. Pursuant to the Order, E&Y and Grant, in consultation with the First Lien Agent and Second Lien Agent, will jointly select a short list of candidates who will be invited to conduct further due diligence in anticipation of the submission of binding offers by August 30, 2009.

Should you have any questions or comments, please contact any of the undersigned.

Yours truly,

Daniel Sinclair, Vice President
Ernst & Young Corporate Finance (Canada) Inc.
Phone#: 416-943-2141
Email: daniel.sinclair@ca.ey.com

Colin McLelland, Vice President
Ernst & Young Corporate Finance (Canada) Inc.
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APPENDIX G

[Subject to a Sealing Order of this Honourable Court]

APPENDIX H

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STRICTLY PRIVATE AND CONFIDENTIAL

August 2009

RE: Grant Forest Products Inc. and its subsidiaries

On June 25, 2009, Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP (collectively "Grant" or the "Company") were granted protection from their creditors pursuant to an order (the "Order") issued under the Companies' Creditors Arrangement Act (the "CCAA") by the Ontario Superior Court of Justice (the "Court"). Ernst & Young Inc. ("E&Y") was appointed Investment Offering Advisor for Grant as contemplated in the Order. For a copy of the Order and up to date filing materials, please refer to www.ey.com/ca/gfp.

This letter sets out the process for parties ("Parties") that have been invited to move to Phase II of the Marketing Process for Grant Forest Products Inc. and its subsidiaries.

Pursuant to the Order, Parties are requested to note and respect the Court approved schedule:

- Phase II - After completion of further due diligence, submission of a revised proposal (firm and binding offer in a form to be communicated) on or before 12:00 pm EDT on September 11, 2009 (note that this date has been extended from August 30, 2009, by the Grant Companies, in consultation with the Investment Offering Advisor and consented to by the Monitor and the First Lien Agent as laid out in the Order).

- Phase III – File with the Court a plan of arrangement or an agreement to sell the business on or before September 30, 2009.

The Company prepared Data Room has been updated with additional information and Parties may access the Data Room using their previously established accounts. In addition, Parties are invited to schedule mill site visits and meetings with management on a "first come, first served" basis, subject to the following timing and communication of dates directly with Michael Kaye of E&Y via email at Michael.E.Kaye@ca.ey.com or phone at 416 943 3108.

- Mill site visits will commence August 10th. Site locations, instructions on arranging visits and a site visit protocol are attached to this letter.

- Meetings with Management will be held the week of August 24th. Meetings will be held in four hour blocks commencing at 8:30 am or 1:30 pm. Please indicate your preferred date and time slot and a list of attendees. Parties are requested to submit a list of questions and topics to be discussed 48 hours prior to the meeting.

Parties are advised that the Bid Process Protocol applies to Phase II. In particular Parties that wish to speak to the First Lien Lenders are requested to first advise E&Y of such intent and should insure that all discussions are coordinated with the First Lien Agent. Discussions will be attended by E&Y.

E&Y will provide periodic updates to the Data Room including a template to be used in connection with the bids and any further updates related to updated process details, as required.

Should you have any questions or comments, please contact either of the undersigned.

Yours truly,

Daniel Sinclair, Vice President
Ernst & Young Corporate Finance (Canada) Inc.
Phone #: 416-943-2141
Email: daniel.sinclair@ca.ey.com

Colin McLelland, Vice President
Ernst & Young Corporate Finance (Canada) Inc..
Phone #: 416-943-2269
Email: colin.g.mclelland@ca.ey.com

SITE INSPECTIONS OF GRANT FOREST PRODUCTS FACILITIES

Mill Locations:

Ontario Mills:

Englehart:	Highway 11 North Englehart, ON P0J 1H0
Timmins:	Highway 101 West Timmins, ON P4N 7C9
Earlton:	Remanufacturing and Coated Wood Products Highway 11 North Earlton, ON P0J 1E0

Alberta Mill:

High Level:	Footner Forest Products Ltd. South Highway 35 High Level, AB T0H 1Z0

South Carolina Mills:

Allendale:	9918 Burford's Bridge Road Fairfax, South Carolina USA 29827
Clarendon:	82 Sumter Highway Alcolu, South Carolina USA 29001

Arranging Site Visits

The arrangements for physical inspections of Grant Forest Products operating facilities are as follows:

- Available dates: Monday, August 10 to Friday, August 14, 2009, inclusive and Monday, August 17 to Friday, August 21, 2009, inclusive

- Bidders interested in arranging for site inspections should make scheduling arrangements with Michael Kaye by email at Michael.E.Kaye@ca.ey.com and advise Michael of the number and names and titles of individuals in the visiting party and preferred times for visiting each site.

- For planning purposes parties should anticipate a full working day for visiting and traveling between the Mills in each of the Ontario and South Carolina regions.

- Given its location, travel to the Footner Mill will be more time consuming and arrangements should be checked carefully.

Site Visit Protocol:

The following protocol will apply to all site visits:

1. Visiting parties should have received final confirmation of the scheduled time of visit and provided travel and contact arrangements to Michael at least 24 hours prior to the time of visit.

2. The confirmation will provide the name and co-ordinates of the individual who will act as the visitor's primary contact during the site visit. If any questions arise re travel logistics on the day of the site visit, or if you experience any delays, please call your contact person directly.

3. During the site visit all visitors will comply with all applicable safety rules and regulations and specific directions of their primary contact. Hard hats, safety glasses and ear plugs must be worn during Mill tours and will be provided by the Company. No open toed shoes or sweaters should be worn.

4. Photographs, video recordings or audio recordings are not permitted.

5. To maintain confidentiality and minimize the impact of the process on the Company's employees, visitors shall not directly or indirectly disclose to employees the identity of the entity they represent (i.e. company names or logos are not to be displayed on visitors' apparel) and business related questions are to be directed to the primary contact or his delegates.

6. For scheduling purposes it will be assumed that visits to each of the Englehart and Allendale facilities will take approximately 2 hours and that visits to the 3 other sites which are currently not operating (Timmins, Clarendon and Footner) will each require about 1.5 hours. If any party feels that additional time may be required, please advise Michael when making scheduling arrangements.

APPENDIX I

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STRICTLY PRIVATE AND CONFIDENTIAL

August 2009

Re: Revised Final Bid Instructions: Grant Forest Products Inc. and its subsidiaries

On June 25, 2009, Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc. and Grant U.S. Holdings GP (collectively "Grant" or the "Company") were granted protection pursuant to an initial order issued under the Companies' Creditors Arrangement Act by the Ontario Superior Court of Justice (the "Court"), which was extended by further order of the Court dated July 24, 2009 (the initial order as extended, the "Order") Ernst & Young Inc. ("E&Y") was appointed both Monitor (the "Monitor") and Investment Offering Advisor for Grant as contemplated in the Order. Pursuant to the Order, Grant is reviewing its strategic alternatives including a refinancing or recapitalization of Grant and/or a sale of its assets.

Interested parties ("Interested Parties") are requested to submit to E&Y revised final bids ("Bid(s)") by September 11, 2009 at 12:00 pm EDT by email to the undersigned (note that this date has been extended from August 30, 2009, by the Grant Companies, in consultation with the Investment Offering Advisor and consented to by the Monitor and the First Lien Agent as provided for in the Order). Bids received after September 11, 2009 may not be accepted.

This letter sets out further details related to requirements of the Bids submitted by Interested Parties. Bids must not be contingent upon: (i) the receipt of financing; or (ii) any board of directors, shareholders or other corporate or partnership approvals. Should your Bid be subject to the finalization of any items of due diligence, indicate the specific items or information which require further confirmation or clarification. This will be considered when evaluating the Bid and may impact the assessment of the Bid.

Bids should include all of the following:

i) Description of the form and nature of the transaction(s) proposed by the Bid (i.e. asset purchase, refinancing, recapitalization), (the "Transaction");

ii) Description of the assets and business operations included, as well as any liabilities or obligations not to be assumed, in the Transaction;

iii) The debt free, cash free (projected tax refund free) total consideration for Grant and its subsidiaries (including any minimum level of working capital), upon which the Bid is based;

iv) Amounts, forms and uses of consideration including a sources and uses of funds statement;

v) Proof of financing for a Bid, including any funding partners and written confirmation from third party(s) of amounts committed;

vi) Description of the treatment of First Lien Lenders, Second Lien Lenders, trade creditors, other unsecured creditors and shareholders;

vii) The structure of the Transaction, including the specific structure for the Canadian and US assets;

viii) Any required conditions of closing, including any specific due diligence items to be confirmed or clarified; or regulatory or other third party approvals required in connection with the Transaction, including an indication of the timing needed to obtain such approvals or authorizations;

ix) Confirmation that the anticipated closing time frame will be in accordance with the Order. Note that the date for completion of Phase III has been extended from September 30, 2009 to October 15, 2009 by the Grant Companies, in consultation with the Investment Offering Advisor and consented to by the Monitor and the First Lien Agent as provided for in the Order;

x) Your plans for Grant and its subsidiaries and a description of the future role, if any, which your offer contemplates for current employees, including management; and,

xi) Any other points which you consider integral to the Transaction or that would be of interest to Grant or its Stakeholders.

Bid(s) will be kept in strict confidence and accordingly should be submitted to E&Y marked "Strictly Private & Confidential". Bids should be explicit regarding whether non-core real estate and other assets are included or excluded from the Bid and, if included, a value should specifically be attributed to the non-core assets. E&Y will seek, if necessary, clarification of the Bids submitted.

Bid(s) are not to be shared with the Company and details of the Bid(s) will not be shared with senior management or shareholders. The Company has formed an Independent Committee of the Board of Directors to assist the Monitor and Chief Restructuring Advisor ("CRA") in evaluating the Bids.

Following September 11, 2009, E&Y and the CRA with the assistance of the Independent Committee will review final Bids and pursue any further negotiations with Interested Parties that

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they, in their sole discretion, deem advisable. Pursuant to the Order, E&Y and Grant, in consultation with the First Lien Agent and Second Lien Agent, may jointly select a Bid(s) to move forward with documentation, including a purchase, refinancing or recapitalization agreement in a form we will send to you.

Should you have any questions or comments, please contact any of the undersigned.

Yours truly,

Daniel Sinclair, Vice President
Ernst & Young Corporate Finance (Canada) Inc.
Phone#: 416-943-2141
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Colin McLelland, Vice President
Ernst & Young Corporate Finance (Canada) Inc.
Phone#: 416-943-2269
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APPENDIX J

Ernst & Young

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STRICTLY PRIVATE AND CONFIDENTIAL

September 28 2009

Re: Revised Final Bid Instructions: Grant Forest Products Inc. and its subsidiaries

On June 25, 2009, Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc. and Grant U.S. Holdings GP (collectively "Grant" or the "Company") were granted protection pursuant to an initial order issued under the Companies' Creditors Arrangement Act by the Ontario Superior Court of Justice (the "Court"), which was extended by further order of the Court dated July 24, 2009 (the initial order as extended, the "Order") Ernst & Young Inc. ("E&Y") was appointed both Monitor (the "Monitor") and Investment Offering Advisor for Grant as contemplated in the Order and the Order authorized and directed the confirmation of Stonecrest Capital Inc, ("Stonecrest") as Chief Restructuring Advisor (the "CRA"). Pursuant to the Order, Grant is reviewing its strategic alternatives including a refinancing or recapitalization of Grant and/or a sale of its assets (the "Transaction").

Further to the Revised Final Bid Instructions letter that was provided on August 28, 2009, this letter sets out further details in respect of the revised final bids ("Bid(s)") for October 2, 2009.

Bidders are requested to re-submit their Bids as follows:

i) Confirmation and/or changes (if any) to the following:

a. conditions of closing, including any specific due diligence items that remain to be confirmed or clarified, and/or regulatory or other third party approvals required in connection with the Transaction, <u>including an indication of the timing needed to obtain such confirmations, clarifications, approvals or authorizations</u>;

b. Description of the assets and business operations included, as well as any liabilities or obligations not to be assumed, in the Transaction;

c. The debt free, cash free (projected tax refund free) total consideration for Grant and its subsidiaries (including any minimum level of working capital), upon which the Bid is based;

d. Amounts, forms and uses of consideration including a sources and uses of funds statement;

e. Precise details and quantification of any purchase price adjustment, to the total consideration contemplated under the Bid; and

ii) Any other points which you consider integral to your Bid or that would be of interest to Grant or its Stakeholders

Bid(s) will be kept in strict confidence and accordingly should be submitted to E&Y marked "Strictly Private & Confidential". Bid(s) are not to be shared with the Company and details of the Bid(s) will not be shared with senior management or shareholders. The Company has formed an Independent Committee of the Board of Directors (the "Independent Committee") to assist E&Y and the CRA in evaluating the Bids.

Following October 2, 2009, E&Y and the CRA with the assistance of the Independent Committee, and in consultation with the First Lien Agent and Second Lien Agent, will review the Bids and pursue any further negotiations with bidders that they, in their sole discretion, deem advisable and select a Bid to move forward with final documentation.

Should you have any questions or comments, please contact the undersigned.

Yours truly,

Daniel Sinclair

Daniel Sinclair, Vice President
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Email: daniel.sinclair@ca.ey.com

APPENDIX K

[Subject to a Sealing Order of this Honourable Court]

APPENDIX L

[Subject to a Sealing Order of this Honourable Court]

APPENDIX M

[REDACTED VERSION]

[Unredacted version is subject to a Sealing Order of this Honourable Court]

OVERVIEW OF THE PSA

1. Capitalized terms not defined in this Appendix are defined in the body of the Sixth Report.

2. Following the selection of Georgia Pacific as the selected party to proceed to *Phase III* of the Marketing Process, Management in conjunction with the Applicants' counsel and supported by the Investment Offering Advisor and the CRA, commenced negotiations with Georgia Pacific on the PSA and certain supporting or related documents (collectively the "**Supporting Documents**"), which included a:

    a. Consent Agreement;

    b. Release, Discharge and Termination Agreement;

    c. Release Agreement;

    d. Amended and Restated Partnership Agreement of the Grant Partnership;

    e. U.S. Applicants Assumption Agreement;

    f. Assignment Agreement.

    g. Canadian Order; and

    h. U.S. Order;

    The Supporting Documents are described further in this Appendix. As detailed in the Sixth Report, the PSA was executed on January 8, 2010 and the exclusivity period was extended through to June 30, 2010 to allow sufficient time to complete the closing of the transaction.

3. The negotiations of the PSA were extensive as the transaction was complex, including certain representations and warranties, which while not customary for a CCAA transaction, are required by Georgia Pacific. The representations and

warranties were a requirement of Georgia Pacific to address the fact that the acquisition of the Allendale Mill and the Clarendon Mill was being effected not by an asset acquisition using a vesting order but rather by a purchase of new partnership interests in Grant U.S. Holding GP (the "**Grant Partnership**") and were to address the period between signing the PSA and the closing of the Transaction. Additionally, the PSA contains as exhibits the Supporting Documents (except for the Consent Agreement which was executed simultaneous with the execution of the PSA) each of which were fully negotiated prior to finalizing the final form of the PSA.

4. The final form of the PSA is attached as Appendix 'L' to this Sixth Report. As the PSA contains sensitive financial and commercial information, Georgia Pacific requires the Applicants to seek a sealing Order from this Honourable Court with respect to Appendix 'L' of the Sixth Report.

Transaction Summary

5. As set out in the PSA, GFPI, GFPSI and GAI are defined collectively as the "**Vendors**" and collectively with the Grant Partnership as the "**Canadian Applicants**".

6. The Grant Partnership and the Additional Applicants are collectively defined in the PSA as the "**U.S. Applicants**" (and collectively with the Vendors, the "**Grant Entities**").

7. The PSA contemplates that the Transaction will be effected through the following steps:

- The First Lien Lenders' Agent will apply to this Honourable Court (hereinafter referred to as the "**CCAA Court**") for the Additional Applicants to be added as applicants to this CCAA proceeding;

- The Applicants will seek an Order approving the Transaction ("**Canadian Order**");

- The Grant Entities will then obtain authority and direction from the CCAA Court for the Monitor, as its foreign representative, to take steps to commence proceedings (the "**U.S. Bankruptcy Proceedings**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**") under Chapter 15 of Title 11 of the United States Code (the "**U.S. Bankruptcy Code**") for:

    i) The recognition of these CCAA proceedings as a foreign main proceeding; and

    ii) To obtain an order of the U.S. Bankruptcy Court (the "**U.S. Order**") which will (a) affirm and enforce the Canadian Order and the relief set out therein; and (b) separately authorize and approve the Vendors' sale and transfer of the Purchased Assets and issuance of the Purchasers' Partnership Interests (both defined below), free and clear of all liens, claims and encumbrances to the applicable Purchasers.

8. Subject to the issuance of the Canadian Order by the CCAA Court and the U.S. Order from the U.S. Bankruptcy Court then:

    a) Pursuant to the PSA, GP International Acquisition III, Ltd. (the "**Canadian Purchaser**") will acquire certain assets of the Vendors, including the Englehart Mill in Ontario and the associated facility in Earlton, Ontario (the "**Purchased Assets**"). The Purchased Assets include but are not limited to the following: i) machinery and equipment; ii) inventory; iii) accounts receivable; iv) real property; v) intellectual property and associated goodwill; and vi) certain contracts of the Vendors;

    b) The Grant Partnership, will issue new partnership interests (the "**Purchasers' Partnership Interests**") to Georgia Pacific LLC (the "**U.S. Purchaser**") and GP Palmetto Holding LLC (the "**Additional U.S. Purchaser**") (together with the Canadian Purchaser, the

"**Purchasers**'" or "**Georgia Pacific**") and to admit the U.S. Purchaser and the Additional U.S. Purchaser as partners in the Grant Partnership, while simultaneously, GFPI and GAI will surrender and cancel their partnership interests in the Grant Partnership (the "**Vendors' Partnership Interest**") and withdraw as partners of the Grant Partnership. The effect of this transaction will be that Georgia Pacific (via the U.S. Purchaser and the Additional U.S. Purchaser) will be the sole partners of the Grant Partnership giving it control over the assets and operations of the Additional Applicants, including the Allendale Mill and the Clarendon Mill; and

c) Subject and pursuant to the U.S. Order, the liabilities of the U.S. Applicants at closing shall remain liabilities after closing except for the liabilities owed to the First Lien Lenders and the Second Lien Lenders, and obligations owed to the Vendors. The effect of this is that all the ordinary course business liabilities of Allendale, Clarendon and the other Additional Applicants will continue to be obligations of these entities to be satisfied in the ordinary course.

9. The acquisition of the businesses of the Additional Applicants is structured through the purchase of the Purchasers' Partnership Interests, rather than as an asset acquisition, in order to maximize value to the Grant Entities enabling Georgia Pacific to submit a higher bid.

10. In summary, the PSA provides for Georgia Pacific to complete an asset acquisition of certain of the Vendors' assets, including the Englehart Mill, and a purchase of the Purchasers' Partnership Interests in order to take ownership of the Allendale Mill and the Clarendon Mill.

Purchase Price

11. The PSA comprises: i) the acquisition of the Purchased Assets by the Canadian Purchaser; and ii) the acquisition of the Purchasers' Partnership Interests by the

U.S. Purchaser and the Additional U.S. Purchaser, for total cash consideration of $403 million, subject to certain adjustments as described further herein (collectively the "**Transaction**").

a) *Purchase of the Purchased Assets*

12. Pursuant to the PSA, each of the Vendors will sell to the Canadian Purchaser their interests in the Purchased Assets as set out in the PSA. The portion of the purchase price attributable to the Purchased Assets (the "**Purchase Price**") **[REDACTED**], less any adjustments related to *inter alia* the working capital on closing (as described further below) and for any Losses which arise due to a breach of representations and warranties by the Vendors for the benefit of the Purchaser prior to closing (described later herein). On closing, the Purchase Price will be paid to the Monitor on behalf of the Vendors as follows:

i) the Timber Escrow Amount (defined below) ($15 million);

ii) the Working Capital Escrow Amount (defined below) ($5 million);

iii) the Other Payables Escrow Amount (defined below) (to be determined prior to closing of the Transaction); and

iv) the balance of the Purchase Price.

Excluded Assets

13. The Transaction excludes the acquisition of certain of the Vendors' assets, comprising principally: the Timmins Mill; Footner; the Non-Core Assets; the cash on hand of the Vendors at closing; the Vendors' entitlement to tax refunds as well as additional assets listed in Schedules 10 and 20 of the PSA (collectively the "**Excluded Assets**"). Certain of the Excluded Assets are subject to separate marketing processes in order to maximize the realizations for the benefit of the stakeholders of the Vendors.

14. The acquisition of the Purchased Assets excludes the assumption of any of the Vendors' liabilities which arise before the time of closing of the Transaction; however it does include the assumption of the collective bargaining agreement between GFPI and the Communications, Energy and Paperworkers Union of Canada in respect of the Englehart Mill and the pension plan for hourly employees of GFPI at the Englehart Mill.

b) Acquisition of the Purchasers' Partnership Interests

15. The purchase price to be paid to the Monitor on behalf of the Grant Partnership by the U.S. Purchaser and the Additional U.S. Purchaser for the Purchasers' Partnership Interests [**REDACTED**] (the "**Partnership Interests Acquisition Price**"), subject to any adjustments for Losses with respect to a breach of representations and warranties for the benefit of the U.S. Purchaser and the Additional U.S. Purchaser which is in effect at closing, as described further herein.

16. Any distribution of the Purchase Price and the Partnership Interests Acquisition Price will be subject to the future approval of the CCAA Court.

Representations and Warranties (Articles 7, 8 and 9 of the PSA)

17. There are a number of representations and warranties ("**R&W's**") being provided by the Vendors to the Purchaser which are unusual for a CCAA transaction. However, many of the R&W's are required by Georgia Pacific due to the nature of the agreement to purchase the Purchasers' Partnership Interests. The R&W's will not survive closing and will be in effect only for the period between signing of the PSA and the closing of the Transaction. There are separate R&W's with respect to the purchase of the Purchased Assets from the Vendors and the acquisition of the Purchasers' Partnership Interests from the Grant Partnership, reflecting the difference in structure of the acquisition of each asset / business respectively. There are two forms of the R&W's as follows:

a. true as at the date of signing of the PSA; and

b. true as at the date of signing of the PSA and as at the date of the closing of the Transaction. Certain of the R&W's that fall under this category are noted in the summary below, as these R&W's could result in a condition precedent to closing not being met.

A breach of a R&W will be subject to the calculation of Losses (if any) and be an adjustment to the aggregate consideration being paid by Georgia Pacific.

R&W's of the Vendors Regarding the Purchased Assets

18. The Monitor has summarized below the most significant R&W's included in the PSA with respect to the Purchased Assets. Reference should be made to Articles 7 and 8 of the PSA for a full list of all the R&W's being provided to the Purchasers.

Ownership of Assets (Section 7.04 of the PSA): confirms the Vendors' interests in and title to the Purchased Assets, other than inventory and accounts receivable (which are subject to a separate R&W). This R&W also confirms that to the knowledge of the Vendors, the buildings and equipment are in good condition and state of repair (reasonable wear and tear and depreciation excepted) and are adequate for the operation of the business. Section 7.04(c) of this R&W relating to equipment is required to be true at the signing of the PSA and the closing of the Transaction.

Related persons (Section 7.03 of the PSA): No related person of the Grant Entities, Mr. Peter Grant Jr. or Mr. Peter Grant Sr. has had any interest in the property used by the Grant Entities in its business since January, 2008. This R&W also confirms to the knowledge of the Vendors that no related person other than Peter Grant Jr. or Peter Grant Sr. owns an equity interest in any company that has had material dealings, other than business dealings, conducted in the ordinary course of business or engaged in competition with the Grant Entities with respect to any product or service provided by the Grant Entities. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Accounts Receivable (Section 7.05 of the PSA): confirms that all accounts receivable as shown on the financial statements of the Grant Entities represent sales made or services performed in the ordinary course of business by the Vendors. Additionally, to the knowledge of the Vendors, adequate reserves have been established for the accounts receivable in accordance with generally accepted accounting principles ("**GAAP**"). This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Contracts (Section 7.08 of the PSA): a list of all contracts of the Vendors (the "**Canadian Material Contracts**") related to the Purchased Assets that are considered material to the operation of the business is provided in Schedule 7.08(a) of the PSA. **[REDACTED**

] This R&W also requires the Vendor to confirm, to their knowledge, that there has been no threatened termination, cancellation or limitation of any of the Canadian Material Contracts.

Vendor Intellectual Property (Section 7.09 of the PSA): confirms that to the knowledge of the Vendors, the business of the Vendors does not violate or conflict with any third party's intellectual property.

Environmental (Section 7.11 of the PSA): to confirm that the Vendors are in compliance with all environmental laws and permits during the last three years. The PSA also contains a schedule which lists any deviation from compliance, including any investigation or requests from environmental enforcement or regulatory governmental organization and contains a section in which the Vendors to their knowledge, must identify legal proceedings which relate to the compliance of environmental laws. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Labour Matters (Section 7.13 of the PSA): confirmation of all the employees of the Vendors, including their job position, remuneration, years of service and any benefits received by the employee (provided in a list to the Canadian Purchaser) is true and correct. The Vendors also confirm to their knowledge that no officer, director or employee has been charged with unfair labour practices since December 31, 2007 and that there are no pending labour claim. The Vendors confirm that they are not liable for any unpaid wages, bonuses, commissions or taxes. Section 7.13(g) of this R&W relating to unpaid wages, bonuses or commissions is required to be true at the timing of signing of the PSA and closing of the Transaction.

Taxes (Section 7.15 of the PSA): confirmation that the Vendors provided Georgia Pacific with complete copies of all tax returns for each of the Vendors and confirmation that they are not non-residents of Canada pursuant to the *Income Tax Act (Canada).* Further, the Vendors confirm that each Vendor is registered for the purposes of GST and has remitted all applicable taxes to the government with respect to the employees of the Vendors. Sections 7.15(b) and (c) of this R&W relating to not being a non-resident and GST registration respectively, are required to be true at the signing of PSA and the closing of the Transaction.

Insurance (Section 7.17 of the PSA): policies are listed in Schedule 7.17(a) of the PSA, including any policies that are occurrence based liability policies. The insurance representation confirms that the Vendors' insurance is in good standing and that the Grant Entities are in full compliance with the terms and conditions of their insurance. The Vendors are required to list certain claims brought against them and any amounts paid by them or their insurance policies to settle legal proceedings or other claims since October 31, 2005. The Vendors must also confirm that they have not been denied insurance coverage during the past five years. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Timber Warranty (Section 7.18 of the PSA): as scheduled, contains a true and correct list of all timber contracts, permits, agreements, licences and all other legally binding commitments in respect of the Vendors' ability to harvest, receive or supply timber in addition to notices from the Ontario government that direct anyone to supply timber to the Vendors that are considered material to the business. [**REDACTED**

]

R&W's of the Vendors Regarding the U.S. Applicants

Organization and Qualification (Section 8.01 of the PSA): confirmation of the ownership structure and organization of the U.S. Applicants. The Vendors also confirm that the U.S. Applicants are free and clear of any liens other than the First Lien Lenders and Second Lien Lenders' liens. The Vendors confirm that at closing, the U.S. Purchaser and the Additional U.S. Purchaser will have valid and marketable title to their interests in the Grant Partnership.

Financial statements and books and records (Section 8.03 of the PSA): confirmation that the financial statements attached as Schedule 8.03 to the PSA are correct and complete and subject to certain exceptions, have been prepared in accordance with GAAP. Additionally, the Vendors confirm to their knowledge that there are no undisclosed liabilities except for liabilities incurred since October 31, 2009 in the ordinary course of business, none of which individually or in the aggregate are material. Section 8.03(b) of this R&W in relation to the undisclosed liabilities is required to be true at the signing of the PSA and the closing of the Transaction.

Ownership of Assets (Section 8.04 of the PSA): confirms the U.S. Applicants' interests in and title to assets to the U.S. Applicants, other than inventory and accounts receivable (which are subject to separate R&W). This R&W also confirms that to the knowledge of the U.S. Applicants the equipment is in good condition and state of repair, reasonable wear and tear and depreciation excepted and is adequate for the operation of the business. Section 8.04(c) of this R&W relating to equipment is required to be true at the signing of the PSA and the closing of the Transaction.

Accounts Receivable (Section 8.05 of the PSA): confirmation that all accounts receivable as shown on the financial statements represent sales made or services performed in the ordinary course of business. Additionally, to the knowledge of the Vendors, adequate reserves have been established for the accounts receivable in accordance with GAAP. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Personal Property (Section 8.06 of the PSA): listing of the vehicles, equipment and other tangible personal property (collectively the "**Personal Property**"), contained in Schedules 8.06(a)(i), (ii) and (iii) is true and correct. Confirmation by the Vendors that the U.S. Applicants have good and transferable title to all of their Personal Property. Section 8.06(b) of this R&W in relation to the transferability of title by the U.S. Applicants of the Personal Property is required to be true at the signing of the PSA and the closing of the Transaction.

Inventories (Section 8.07 of the PSA): confirmation that all inventories (except inventory in transit or disposed of in the ordinary course of business) are reflected on the financial statements of the U.S. Applicants. The Vendors confirm that, to their knowledge, the inventories are in good and merchantable quality and not subject to any write-downs or write-offs in excess of the reserves established by the Vendors based on past practices. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Contracts (Section 8.08 of the PSA): confirms all contracts related to the business of the U.S. Applicants that are considered material to the operation of the business are listed in a schedule (the "**U.S. Material Contracts**"). **[REDACTED**

] This R&W also requires the Vendors to confirm, to their knowledge, that there has been no threatened termination, cancellation or limitation of the U.S. Material Contracts. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Real Property (Section 8.10 of the PSA): confirms the list of real property owned by the U.S. Applicants and a summary description of the real property. Confirmation from the U.S. Applicants that to their knowledge the real property conforms to the zoning and laws and that there has been no adverse claims affecting the real property.

Environmental Matters (Section 8.11 of the PSA): confirms that the U.S. Applicants' real property is in compliance with all environmental laws and permits during the last five years. The PSA also contains a schedule which lists any deviation from compliance, including any investigation or requests from environmental enforcement or regulatory governmental organization. The R&W contains a listing of the environmental permits that have been obtained by the U.S. Applicants, including confirmation of compliance of said permits. The U.S. Applicants further confirm that all environmental certificates are in compliance and are listed in a schedule to the PSA. The U.S. Applicants must identify to their knowledge, legal proceedings, if any, which relate to the compliance of environmental laws. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Legal Proceedings (Section 8.12 of the PSA): other than as listed and briefly described, there have been no legal proceedings filed or threatened in writing to the knowledge of the Vendors against the U.S. Applicants since June 30, 2006. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Taxes (Section 8.16 of the PSA): Confirmation that all tax returns in respect of the U.S. Applicants have been filed and are complete, accurate and fully paid. There is also a listing of specific tax R&W which relate to the payment and treatment of certain tax specific issues by the U.S. Applicants. Additionally, the Vendors confirm to their knowledge that there are no examinations by tax authorities' in progress. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Compliance with Laws, Permits and Orders (Section 8.17 of the PSA): Confirmation by the Vendors that to their knowledge the U.S. Applicants are in compliance with all laws, permits and orders and to the knowledge of the U.S. Applicants, that no officer, director, agent or employee is the subject to any order that prohibits them from any conduct or activity relating to the U.S. Applicants.

Certain Payments (Section 8.18 of the PSA): confirmation that, to the knowledge of the Vendors, no U.S. Applicant or director, agent, officer or employee of the U.S. Applicants have established a fund or asset in violation of any law, made any contribution, gift, bribe, rebate, payoff, kickback, etc. for the purposes of obtaining favourable treatment or special concessions in respect of the U.S. Applicants. This R&W is required to be true at the signing of the PSA and the closing of the Transaction.

Covenants (Article 10 of the PSA)

19. The PSA contains covenants which set out the requirements of the Grant Entities and Georgia Pacific between signing of the PSA and closing. Certain of the key

covenants are summarized below. These are more fully set out in Article 10 of the PSA:

20. *Canadian Order (Section 10.02 of the PSA)*: The Canadian Applicants or the First Lien Lenders' Agent shall apply to the CCAA Court for an order adding the Additional Applicants to the CCAA proceedings. Concurrently, the Grant Entities shall seek the Canadian Order. The form of the Canadian Order to be sought is attached as Exhibit B to the PSA.

21. *U.S. Order; Release and Discharge Agreement (Section 10.03 of the PSA)*: After the issuance of the Canadian Order, the Grant Entities shall cause the Monitor to initiate the U.S. Bankruptcy Proceedings and make application to the U.S. Bankruptcy Court for entry of the US Order approving the Transaction. The form of the U.S. Order is attached as Exhibit G to the PSA. Additionally, once the Canadian Order and the U.S. Order are granted, the Applicants are to use their commercially reasonable efforts to obtain an executed copy of the Release and Discharge Agreement (the form of which is attached as Exhibit E to the PSA); this has the effect as described further herein of releasing the security interests of the First Lien Lenders and Second Lien Lenders against the Purchased Assets and the U.S. Applicants.

22. *Operation of the Businesses in the Ordinary Course (Section 10.05 of the PSA)*: The Grant Entities covenant to operate the business in the normal course until closing of the Transaction.

23. *Issue to the Canadian Purchaser a Forest Resource Processing Facility License and Timber Supply Agreement; Release of Timber Escrow Amount (Section 10.10 of the PSA)*: GFPI shall work with the Canadian Purchaser to obtain a forest resource facility licence (the "**Facility License**") and an optimized fibre supply agreement (the "**Timber Supply Agreement**") for the Englehart Mill with the Ministry of Northern Development, Mines and Forestry ("**MNDMF**") which optimizes the cost of the supply of fibre allocated to the Englehart Mill by the MNDMF.

24. Georgia Pacific and GFPI with the assistance of the Monitor and the CRA have been in direct discussions with the MNDMF with respect to the provision of the Facility License and the Timber Supply Agreement. Throughout these discussions the MNDMF has been supportive of the acquisition by Georgia Pacific of the Purchased Assets including the Englehart Mill, and has been working co-operatively to satisfy these requirements to close the Transaction.

25. As set out in the section of this Appendix describing the purchase price to be paid on closing to the Monitor on behalf of the Vendors, a timber holdback escrow (the "**Timber Escrow Amount**") in the amount of $15 million will be paid to the Monitor as escrow agent (the "**Timber Escrow Agent**") to address the negative variations (if any) in the actual realized cost for the Canadian Purchaser of fibre supply to the Englehart Mill as compared to the cost projected by the Vendors for the two year period immediately following the closing of the Transaction.

26. **[REDACTED**

]

27. *Trade and Employee Payables; Priority Liens and Claims (Section 10.11 of the PSA)*: GFPI agrees to prepare a statement no later than five business days prior to closing of the Transaction, of an estimate of all the Vendors' outstanding trade accounts payable incurred subsequent to the date of the Initial Order and the estimate of the outstanding, wages, vacation pay and other amounts owed to employees to be hired by the Canadian Purchaser (the "**OP Statement**"). In order to ensure that these obligations are satisfied by the Vendors subsequent to the closing of the Transaction, the PSA contains an escrow amount (the "**OP Escrow**") which will be an amount (the "**Other Payables Escrow Amount**") equal to the total amount set out on the OP Statement.

28. The Other Payables Escrow Amount is to be held in trust by the Monitor (acting as the escrow agent) (the "**OP Escrow Agent**") pursuant to the terms of an escrow agreement. The Monitor shall from time to time direct the OP Escrow Agent to release from such escrowed funds (and interest accrued thereon) to the Monitor on behalf of the Vendors an amount equivalent to each amount paid by a Vendor to the applicable payee of an amount referred to in the OP Statement. The Monitor shall direct the OP Escrow Agent to release the balance of such escrowed funds (and interest accrued thereon) to the Monitor on behalf of the Vendors when all of the applicable payees of the amounts referred to in the OP Statement have been paid the amounts owing to them.

29. *Access to Information, Employees, Facilities, Customers and Suppliers (Section 10.14 of the PSA)*: The Applicants will provide Georgia Pacific reasonable access to the books, records, employees, premises, etc. of the Grant Partnership. The Applicants agree to work with Georgia Pacific to develop and implement a protocol for communications with customers and suppliers of the operations.

30. **[REDACTED**

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31. **[REDACTED**

]

32. **[REDACTED**

]

Conditions

33. The PSA contains a number of conditions which Georgia Pacific requires to be satisfied as a condition to closing (but some of which may be waived at the discretion of Georgia Pacific). The full list of the conditions to closing is contained in Article 11 of the PSA. A summary of the most significant conditions for the benefit of the Purchasers is set out below:

    a. All of the R&W's of the Grant Entities were true and correct when made and certain R&W's such as, but not limited to, Related Parties, Environmental Matters for the Purchased Assets and Contracts, Environmental, Legal Proceedings and Taxes for the U.S. Applicants are true and correct at the time of closing with the same force and effect as when the R&W's were made on signing of the PSA. However this is subject to section 11.04 (Losses);

    b. The Grant Entities have complied with and performed their respective obligations, covenants, and obligations under the Covenants section of the PSA;

    c. The CCAA Court shall have granted the Canadian Order and the US Applicants shall have obtained the U.S. Order, and such Orders shall have become a Final Orders;

    d. The receipt of an executed copy of the Release Discharge and Termination Agreement by the Additional Applicants. This is discussed in greater detail in the "Overview of Supporting Documents" section below;

    e. The issuance by the MNDMF of the Facility License and the Timber Supply

Agreement for the Englehart Mill;

f. Other than any such required consent, approval or waiver that is provided by way of an order of the Court, the receipt of:

   i) all required consents (as listed in Schedule 9 of the PSA) and any other consent or waiver that is required for the assignment to the Canadian Purchaser of certain contracts or permits that provides for timber supply with respect to a timber commitment for delivery of timber after closing **[REDACTED**]; and

   ii) any other material consent or waiver that is required for the assignment of the Purchased Assets or the change of control of the Grant Partnership, or the other U.S. Applicants and that relates to any material contract that is required to conduct the business in accordance with all applicable laws.

g. The filing of all required notices and the receipt or assignment to the Purchasers of all permits that are required to conduct the Grant Entities' business in accordance with applicable law;

h. The receipt of the required government and regulatory approvals, including pursuant to the Competition Act and Investment Canada Act in Canada and Hart Scott Rodino Act in the United States;

i. No litigation, regulation, injunction, order or legislation has been issued in respect of the Transaction as contemplated in the PSA;

j. No proceedings have been initiated against the Grant Entities that results or may reasonably result in a criminal penalty;

k. The completion of the Transaction in the PSA does not breach any law; and

l. No material adverse change shall have occurred **[REDACTED**

]

Losses

34. **"Losses"** in the PSA relate to any failure to meet any of the Threshold Conditions (as defined below) or in the determination of whether there has occurred any material adverse effect or material adverse change. Such Losses are the total amount (without duplication) of; **[REDACTED**

]

35. In the event of the failure of the Grant Entities to meet any of the R&W conditions that must be true at signing, or signing and closing (the "**Threshold Conditions**") for the benefit of the Purchasers, the following mechanism has been incorporated into the PSA to address the calculation of the damages (if any) that Georgia Pacific may suffer from each breach of a R&W [**REDACTED**

]

36. Any disputes with respect to the calculation of the Losses will be adjudicated by a commercial arbitrator prior to closing which may be extended by up to thirty days for the arbitration process.

Closing of the Transaction (Article 12 of the PSA)

37. The timing of the closing of the Transaction is subject to the following:

a. Notice by the Vendors to the Purchasers that the conditions listed in the definition of major conditions satisfaction date in the PSA (some of which have been summarized above) have been met (the "**Major Conditions Satisfaction Date**") in which case the closing date will not be earlier than 10 business days and not later than 30 business days after the Major Conditions Satisfaction Date;

b. In the event of a failure to meet any of the conditions that relate to the R&W's then the closing date as specified in the notice described above, shall be extended until such time as the Losses are determined; and

c. The 20^{th} business day following the date on which all closing conditions are met or waived by the appropriate party, or such other time as the parties may agree in writing.

38. It is the intention of the Vendors and Purchasers to close on or about March 31, 2010. Subject to the timing parameters above, the closing date may be extended by the written agreement of the Vendors and Purchasers to an outside date of June 30, 2010, at which time the PSA shall at the option of any party, terminate if the Transaction has not closed.

Purchase Price Adjustment for Working Capital Amount

39. Article 13 of the PSA contains a working capital adjustment (the "**Working Capital Adjustment**") clause for the Purchase Price based on the Grant Entities' working capital levels as at July 30, 2009, relating to the Purchased Assets and the U.S. Applicants, compared to the working capital levels at closing.

40. The Grant Entities and Georgia Pacific have agreed to a target working capital amount (the "**Target WC**"), which details the balance sheet accounts and amounts that comprise the Target WC.

41. The PSA provides for a working capital estimate (the "**WC Estimate**") to be prepared by Management five business days prior to closing. The WC Estimate will be compared to the Target WC and the Purchase Price will be adjusted upwards (if the WC Estimate is higher than the Target WC) or downwards (if the WC Estimate is lower than the Target WC) as necessary.

42. The PSA incorporates an escrow of $5.0 million (the "**Working Capital Escrow Amount**") to address any difference between the WC Estimate at closing and the actual final calculation which is to be completed thirty days after closing.

43. The Monitor has agreed to act as escrow agent (the "**Working Capital Escrow Agent**") pursuant to an escrow agreement to be entered into by the parties on closing.

Overview of Supporting Documents

44. In addition to the PSA, the Applicants and Georgia Pacific negotiated certain supporting documents which are summarized as follows, and (except for the Consent Agreement) are included as Exhibits to the PSA:

Consent Agreement

45. A Consent Agreement has been entered into between the First Lien Lenders' Agent, Georgia Pacific and the Applicants to confirm certain understandings and agreements as between the parties effective as of January 8, 2010 (the "**Consent Agreement**"). Pursuant to the Consent Agreement, the parties have agreed or affirmed and consented, *inter alia,* as follows:

(a) The Applicants and Georgia Pacific desire to effectuate the Transaction contemplated by the PSA and the First Lien Lenders' Agent approves of the Transaction;

(b) In order to implement the Transaction set forth in the PSA, the First Lien Lenders' Agent on behalf of the First Lien Lenders, agrees, *inter alia*:

(i) To initiate enforcement proceedings to exercise the First Lien Lenders' Agents' remedies with respect to the Applicants as necessary to facilitate the completion of the Transaction, including, without limitation, making an application to have the Additional Applicants added to the present CCAA proceeding; and

(ii) Provided that the Canadian Order and the U.S. Order are each granted in form and substance attached to the PSA, the First Lien Lenders' Agents' on behalf of itself and each of the First Lien Lenders, agrees that upon closing on behalf of itself and each of the First Lien Lenders, to execute and deliver the Release and Discharge Agreement (described later herein) to Georgia Pacific and to release its liens, claims and encumbrances against *inter alia* the Grant Partnership, the other U.S. Applicants and their respective assets as further described herein.

Release, Discharge and Termination Agreement

46. Upon issuance of the Canadian and U.S. Orders substantially in the form attached respectively as Exhibit "B" and Exhibit "G" to the PSA, a Release, Discharge and Termination Agreement will be executed and entered into between the First Lien Lenders' Agent, Second Lien Lenders' Agent, the U.S. Purchaser, GFPI, GFPSI, GAI and the U.S. Applicants (the "**Release and Discharge Agreement**").

47. According to the First Lien Lenders' Agent and the Applicants, pursuant to Section 5.1(c) of the Intercreditor Agreement, the First Lien Lenders' Agent has the power of attorney to execute the Release and Discharge Agreement on behalf of the Second Lien Lenders' Agent. The First Lien Lenders' Agent intends to exercise that authority upon approval of same by both the CCAA Court and the U.S. Court as provided for in the draft Canadian Order and the draft U.S. Order attached to the PSA.

48. Pursuant to the Release and Discharge Agreement, the First Lien Lenders' Agent, on behalf of itself and the First Lien Lenders, as well as on behalf of the Second

Lien Lenders' Agent and the Second Lien Lenders, irrevocably agrees that as of the closing of the PSA, it hereby:

(a) Releases each Lien (for the purposes of this section, as defined in the Intercreditor Agreement), claim and other encumbrance against or with respect to the Purchased Assets relating to the First Lien Credit Agreement and the Second Lien Credit Agreement;

(b) Releases each Lien, claim and other encumbrance against or with respect to the Purchasers' Partnership Interests relating to the First Lien Credit Agreement or the Second Lien Credit Agreement;

(c) Discharges all Obligations of the Grant Partnership as defined in the First Lien Credit Agreement and the Second Lien Credit Agreement;

(d) Releases each First and Second Lien guaranty and discharges all obligations of the U.S. Applicants related thereto;

(e) Releases each lien, claim and other encumbrance with respect to the U.S. Applicants and the collateral (for the purposes of this section, as defined in the Intercreditor Agreement) held by the U.S. Applicants relating to the First Lien Credit Agreement and the Second Lien Credit Agreement;

(f) Terminates, discharges and otherwise releases the U.S. Applicants from the First Lien Credit Agreement and the Second Lien Credit Agreement; and any and all obligations thereunder;

(g) Confirms and consents to the Canadian Order and the U.S. Order and agrees to take no action to appeal, amend, modify or vary either the Canadian Order or the U.S. Order; and

(h) Grants Georgia Pacific the authority to terminate any outstanding financing statements, fixture filings, mortgages and other documents or instruments granting or evidencing or purporting to grant any Lien against the Purchased Assets, the Purchaser's Partnership Interests, or against any U.S. Applicant relating to the First Lien Credit Agreement and the Second Lien Credit Agreement.

49. Furthermore, pursuant to the Canadian Order, the liens of the First Lien Lenders' Agent and the Second Lien Lenders' Agent will attach to the Net Partnership Interests Acquisition Proceeds, with the same priority that the First Lien Lenders' Agent and the Second lien Lenders' Agent would have had against the Grant Partnership and the collateral of the Grant Partnership if their respective Liens, claims and other encumbrances against the Grant Partnership and the collateral of the Grant Partnership had not been released, terminated, discharged, extinguished and expunged.

Release Agreement (Grant release)

50. A form of the Release Agreement, a copy of which is attached as Exhibit 'E' to the PSA, has been agreed to by GFPI, GAI and GFPSI (collectively, the "**Releasors**") whereby the Releasors have each agreed to release the U.S. Applicants (and together with their respective successors and assigns, the "**Released Entities**") from, *inter alia,* any and all liabilities, damages, claims and debts of any Released Entities to any Releasor, effective upon the closing of the PSA.

Amended and Restated Partnership Agreement of Grant U.S. Holdings GP

51. A form of the Amended and Restated Partnership Agreement of the Grant Partnership (the "**Partnership Agreement**") has been agreed to between GAI, as partner, GFPI, as partner (the "**Withdrawing Partners**") and Georgia-Pacific LLC, as partner and GP Palmetto Holding LLC, as partner (and together with Georgia-Pacific LLC, the "**Partners**") to, *inter alia,* set forth certain of the terms and conditions to: (i) surrender and cancel the Withdrawing Partners' Partnership Interests and the withdrawal of the Withdrawing Partners; (ii) admit the Partners to the Grant Partnership; and (iii) issue the Purchasers' Partnership Interests to the Partners in proportion to their initial capital contributions.

U.S. Applicants Assumption Agreement

52. A form of the U.S. Applicants Assumption Agreement has been agreed to

between the Grant Partnership, Southeast, Grant Newco, Grant U.S. Sales, Clarendon, Allendale and Excluded of the first part and GFPI of the second part (the "**Assumption Agreement**"), which provides, *inter alia,*

(a) That GFPI shall assume all of the obligations and liabilities owing from any of the U.S. Applicant to any affiliate or related person of any Vendor under the PSA (other than any U.S. Applicant) that is not released pursuant to the Release Agreement discussed earlier in this Sixth Report (the "**Intracompany Commitments**"); and

(b) Effective as of closing, each U.S. Applicant (i) irrevocably assigns and transfers to GFPI all of such U.S. Applicant's right, title and interest in and to the Intracompany Commitments held by such U.S. Applicant, (ii) GFPI accepts all right, title and interest of each such U.S. Applicant in and to the Intracompany Commitments and (iii) GFPI assumes full and complete responsibility to promptly perform, satisfy and discharge the Intracompany Commitments when due.

A copy of the Assumption Agreement is attached to the PSA as Exhibit C .

Assignment Agreement

53. A form of assignment agreement (the "**Assignment Agreement**") has been agreed to by GFPI, GFPSI, GAI and the Canadian Purchaser. The Assignment Agreement provides that effective at closing each of the Vendors assigns and transfers to the Canadian Purchaser, and the Canadian Purchaser accepts such assignment of, all such Vendor's rights, title and benefits to the Purchased Assets (as defined in the PSA), including without limitation: Vendors' contracts, the accounts receivable, the causes of action, the shares, the equipment operating leases, the Vendor intellectual property, the prepaid expenses, the goodwill, the permits, licenses and deposits, the demands of each Vendor, the Uniform Product Code Symbols of each Vendor, and the assets of the pension plan for the Hourly Employees of GFPI at the Englehart Mill. A copy of the form of Assignment Agreement is attached to the PSA as Exhibit L.

The Canadian Order

54. The "Canadian Order" which is an approval and vesting order being sought by the Applicants will, *inter alia,* approve:

(a) The Applicants' entry into the PSA and any necessary ancillary documents necessary or desirable to complete the transactions and satisfy the Applicants' obligations contemplated thereby;

(b) That Mr. Peter Lynch, on behalf of the Applicants and Additional Applicants, is authorized to execute the PSA, the Release Agreement, the Release and Discharge Agreement and any other agreement required to complete the Transaction and satisfy the Applicants' obligations under the PSA;

(c) The purchase by the Canadian Purchaser of the Purchased Assets from and the transfer of the Purchased Assets by the Vendors to the Canadian Purchaser;

(d) the admission of the U.S. Purchasers as partners of the Grant Partnership, the surrender by GFPI and GAI of their respective partnership interests in the Grant Partnership and the issuance by the Grant Partnership of the partnership interests in the Grant Partnership to the U.S. Purchaser and the Additional U.S. Purchaser as provided for in the PSA;

(e) the entry into of the Release Agreement by the Applicants; and

(f) the entry into of the Release, Discharge and Termination agreement by (i) the Applicants, (ii) the First Lien Lenders' Agent (acting on its behalf and on behalf of the First Lien Lenders), and (iii) the First Lien Lenders' Agent (acting on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders pursuant to the Intercreditor Agreement).

55. The Applicants are also requesting that this Honourable Court make an Order stating that the First Lien Lenders' Agent, on behalf of itself and the First Lien Lenders, the Second Lien Lenders' Agent, on behalf of itself and the Second Lien

Lenders, and the First Lien Lenders' Agent, on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders pursuant to and in accordance with the Intercreditor Agreement, are authorized, empowered and directed to enter into the Release and Discharge Agreement and to take such steps and execute such documents as necessary to facilitate the release and discharge of:

(a) All obligations of the U.S. Applicants;

(b) All Liens (as defined in the Intercreditor Agreement) of the First Lien Lenders' Agent, the First Lien Lenders, the Second Lien Lender's Agent or the Second Lien Lenders, against,

  (i) The Acquired Interests; and

  (ii) The collateral of the U.S. Applicants.

However, the Second Lien Lenders' Agent shall be relieved of its obligations to act if the First Lien Lenders' Agent takes the steps necessary to complete the transactions contemplated by the Release and Discharge Agreement on behalf of the Second Lien Lenders' Agent and the Second Lien Lenders pursuant to section 5.1(c) of the Intercreditor Agreement.

56. In connection with the release and discharge of the First Lien Lenders' claims and Second Lien Lenders' claims (including those of their respective agents), the Applicants are requesting a provision in the Canadian Order which states that neither the First Lien Lenders' Agent nor any of the First Lien Lenders shall incur any liability or obligation of whatsoever nature or kind arising from taking any step or acting in any way on the authority and/or direction provided for in the Canadian Order.

57. Pursuant to the PSA, the Monitor is required to file with the CCAA Court confirmation that:

a. the Purchasers have paid and the Monitor has received payment of the Purchase Price and the Partnership Interests Acquisition Price; and

b. the conditions to closing as set out in Section 11 of the PSA

("Conditions"), and deliveries on closing by the Vendors, the Grant Partnership, the Canadian Purchaser, the U.S. Purchaser and the Additional U.S. Purchaser (as described in Sections 12.01-12.06 of the PSA) have been satisfied or waived by the Vendors, the Grant Partnership and Georgia Pacific (the "**Monitor's Certificate**")

58. Upon delivery of the Monitor's Certificate to the Purchasers, all right, title and interest in and to the Purchased Assets and the Purchasers Partnership Interests shall vest absolutely in the applicable Purchasers free and clear of all claims and encumbrances (except for the Permitted Encumbrances as described in Schedule "D" to the Canadian Order).

59. For the purposes of determining the nature and priority of any claims and encumbrances, the proceeds of sale of the Purchased Assets, net of applicable sales taxes and any purchase price adjustments pursuant to the PSA (the "**Net Purchased Assets Sale Proceeds**") and the amounts paid by the U.S. Purchasers to acquire the Purchasers' Partnership Interests, net of applicable taxes and adjustments pursuant to the PSA (the "**Net Partnership Interests Acquisition Proceeds**", and, together with the Net Purchased Assets Sales Proceeds, the "**Net Acquisition Proceeds**"), shall stand in the place and stead of the applicable Purchased Assets and assets of the Grant Partnership, and that effective from and after the date of delivery of the Monitor's Certificate to the Purchasers as follows:

(a) all claims and encumbrances against the Purchased Assets shall attach in place and stead to the Net Purchased Assets Sale Proceeds, with the same priority as they had with respect to the Purchased Assets immediately prior to the completion of their sale to the Canadian Purchaser, as if the Purchased Assets had not been sold to or acquired by the Canadian Purchaser immediately prior to the transaction;

(b) all claims and encumbrances against the Vendors' Partnership Interests and Purchasers' Partnership Interests shall be released, discharged, extinguished and expunged as against the Vendors' Partnership Interests and the Purchasers' Partnership Interests shall be issued to the U.S. Purchasers free and clear of all such claims and encumbrances;

(c) on assumption by the Partnership Proceeds Trustee of the Assumed Partnership Indebtedness (described below), all claims and encumbrances against the Grant Partnership and its collateral shall be released, discharged, extinguished and expunged as against the Grant Partnership and its collateral and shall attach in place and stead to the Net Partnership Interests Acquisition Proceeds (which proceeds shall be distributed by the Partnership Proceeds Trustee subject to further order of the CCAA Court in accordance with the Canadian Order), with the same priority as such Claims and Encumbrances had with respect to the Grant Partnership and its collateral immediately prior to the closing, and as if such claims and encumbrances had not been released, discharged, extinguished and expunged from the Grant Partnership and its collateral; and

(d) all claims and encumbrances of or held by the First Lien Lender's Agent and the Second Lien Lender's Agent, the First Lien Lenders, the Second Lien Lenders and the Applicants (or any one or more of them) against any of the U.S. Applicants and any of their respective collateral shall be released, discharged, extinguished and expunged.

60. In order to effect the sale of the Purchaser's Partnership Interests to the applicable Purchasers, the Vendors, the Purchasers and the First Lien Lenders' Agent have all agreed that from and after the time of delivery of the Monitor's Certificate to the Purchasers, the Monitor shall be constituted the trustee of the Net Partnership Interests Acquisition Proceeds (the "**Partnership Proceeds Trustee**") and hold the Net Partnership Interests Acquisition Proceeds in trust for the sole and exclusive benefit of the creditors of the Grant Partnership.

61. In consideration for, and conditional upon its receipt of, the Net Partnership

Interests Acquisition Proceeds, the Partnership Proceeds Trustee shall assume all indebtedness and obligations of the Grant Partnership (the "**Assumed Partnership Indebtedness**") and, notwithstanding any other provision of the Order, the Net Partnership Interests Acquisition Proceeds shall be subject to all encumbrances against the Grant Partnership existing as at the time of closing (the "**Partnership Encumbrances**"), in each case, only to the extent necessary to enable the holders of the Assumed Partnership Indebtedness to receive the Net Partnership Interests Acquisition Proceeds according to the priorities of the Partnership Encumbrances and, if applicable, the priorities set forth in the Intercreditor Agreement.

62. The Net Partnership Interests Acquisition Proceeds will be distributed, upon further Order of the Court, to the creditors entitled thereto with the same priority that the holders of the Partnership Encumbrances would have had against the collateral of the Grant Partnership as if the Partnership Encumbrances had not been released, discharged, extinguished and expunged as against the Grant Partnership and its collateral and, if applicable, pursuant to the priorities set forth in the Intercreditor Agreement.

63. Neither the Partnership Proceeds Trustee, nor Ernst & Young Inc., in any capacity, shall have or be under any personal or corporate liability to any person in relation to the Partnership Encumbrances or for acting in its capacity as the Partnership Proceeds Trustee (except for wilful misconduct or gross negligence), and the sole recourse any holders of the Partnership Encumbrances shall have in relation to the Assumed Partnership Indebtedness and the Partnership Encumbrances is to the Net Partnership Interests Acquisition Proceeds.

64. Immediately following the distribution of all of the Net Partnership Interests Acquisition Proceeds in accordance with further Order of the Court, the Monitor shall be released and discharged from its role as Partnership Proceeds Trustee and shall have no further duties or obligations, the Assumed Partnership Indebtedness shall be deemed to have been satisfied in full and all Partnership Encumbrances

shall be released and discharged.

65. The Canadian Order also seeks an order and declaration that the Monitor be the foreign representative of the Applicants with the authority to commence the U.S. Bankruptcy Proceedings and to obtain from the U.S. Bankruptcy Court such orders as may be required to (a) recognize the CCAA Proceeding as a foreign proceeding in relation to each of the Applicants (the "**Chapter 15 Proceedings**"), and (b) carry out the terms of the Canadian Order and the PSA.

66. In anticipation of the Chapter 15 Proceedings, a draft of the U.S. Order approving the Canadian Order is attached as Exhibit "G" to the PSA. The draft U.S. Order seeks to:

(a) Affirm and enforce the Canadian Order and all the relief provided for therein; and

(b) Separately authorize and approve the sale and transfer of the Purchased Assets and the issue of the Purchasers' Partnership Interests (together , the "**Acquired Interests**") by the Vendors and the Grant Partnership to the Purchasers.

67. The U.S. Order substantially follows and seeks the same relief set forth in the Canadian Order, with the additional relief required to meet the requirements under the United States Bankruptcy Code to recognize the Canadian Order in the Chapter 15 Proceedings.

Miscellaneous

68. The Independent Committee approved the PSA on January 5, 2010.

69. The Monitor received email communication from the First Lien Lenders' Agent that the PSA was approved by the First Lien Lenders.

70. The PSA was executed by the Applicants and Georgia Pacific on January 8, 2010.

APPENDIX N

Southeast Properties LLC, Grant Clarendon LP , Grant Allendale LP, Grant US Sales Inc. Grant Newco LLC, Grant Excluded GP (the "Additional Applicants")
Consolidated Cash Flow Projection
For The Period From January 4, 2010 to April 11, 2010
(In Thousands of US Dollars)

Week Ending	Notes	10-Jan	17-Jan	24-Jan	31-Jan	7-Feb	14-Feb	21-Feb	28-Feb	7-Mar	14-Mar	21-Mar	28-Mar	4-Apr	11-Apr	Total
Opening Bank Balance	1	1,758	546	565	407	473	418	418	418	553	532	460	267	749	599	1,758
Receipts																
OSB Sales	2	1,356	1,862	1,306	1,306	1,306	1,306	1,356	1,356	1,695	1,695	1,528	1,528	1,528	1,528	20,655
Total Receipts		1,356	1,862	1,306	1,306	1,306	1,306	1,356	1,356	1,695	1,695	1,528	1,528	1,528	1,528	20,655
Disbursements																
Payables-Wood	3	(442)	(610)	(251)	(479)	(560)	(479)	(485)	(375)	(329)	(481)	(481)	(481)	(481)	(481)	(6,415)
Freight	4	(144)	(120)	(120)	(120)	(120)	(120)	(120)	(149)	(149)	(130)	(130)	(130)	(130)	(109)	(1,788)
Other Payables	5	(465)	(614)	(553)	(442)	(439)	(574)	(569)	(568)	(639)	(688)	(438)	(385)	(492)	(719)	(7,583)
Payroll	6	(419)	-	(419)	-	(531)	-	(638)	-	(550)	-	(438)	-	(550)	-	(3,545)
Utilities & Fuel	7	(186)	(452)	(15)	(12)	(15)	(583)	(15)	(15)	(11)	(430)	(197)	(12)	(12)	(450)	(2,405)
SG&A	8	(875)	(10)	(68)	(150)	-	(359)	-	(89)	-	-	-	-	-	-	(1,551)
Restructuring Costs	9	(38)	(38)	(38)	(38)	(25)	(25)	(25)	(25)	(38)	(38)	(38)	(38)	(13)	(13)	(425)
Total Disbursements		(2,569)	(1,843)	(1,464)	(1,240)	(1,689)	(2,139)	(1,851)	(1,221)	(1,716)	(1,766)	(1,721)	(1,045)	(1,677)	(1,771)	(23,712)
Net Weekly Cash Flows		(1,213)	19	(157)	66	(383)	(833)	(495)	135	(21)	(71)	(194)	482	(150)	(244)	(3,058)
Inter-Company Transfers:																
Transfer from (to) Original Applicants	10	-	-	-	-	327	833	495	-	-	-	-	-	-	-	1,655
Total Inter-Company Transfers		-	-	-	-	327	833	495	-	-	-	-	-	-	-	1,655
Ending Bank Balance		546	565	407	473	418	418	418	553	532	460	267	749	599	356	356

In the Matter of the CCAA of Southeast Properties LLC, Grant Clarendon LP , Grant Allendale LP, Grant US Sales Inc. Grant Newco LLC, Grant Excluded GP (collectively the "Additional Applicants")
Notes to the Unaudited Cash Flows Projection

Disclaimer:

In preparing this cash flow projection (the "**Cash Flow Forecast**"), the Additional Applicants have relied upon unaudited financial information and the Additional Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations and costs of the Clarendon Mill and the Allendale Mill and additional assumptions discussed below. 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 the Additional Applicants' operations including inter-company transfers to and from the Original Applicants' operations. The Additional Applicants with the assistance of the Monitor have prepared the Cash Flow Forecast based primarily on historical results and the Additional Applicants' current business plan. Receipts and disbursements are denominated in US dollars.

The Cash Flow Forecast assumes that one of the Additional Applicants' mill, specifically; the Clarendon Mill continues to remain non-operational during the Cash Flow Forecast period. The Cash Flow Forecast does not reflect the closing of the PSA in the Cash Flow Forecast period. In addition, 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 Additional Applicants at the commencement of the CCAA proceedings and includes funds held in U.S. dollars.

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 the Additional Applicants' 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 the Additional Applicants' sales department and market forecasts published by independent services. Further amounts estimated for freight are added to the unit price to arrive

at the gross price per unit. The Additional Applicants assume that sales are collected in two weeks, based on recent historical run rates.

3) **Payables – Wood:**
The cost of wood is estimated based on recent historical run rates and current production levels.

4) **Freight:**
Freight costs are recovered from customers, however, the Additional Applicants pay freight costs approximately a week after the sales are made and recover these amounts from customers in two weeks, at the same time as payment for product sold as described in note 2 above.

5) **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.

6) **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. The Additional Applicants have outsourced their 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.

7) **Utilities & Fuel:**
Utilities represent costs for electricity. These costs are estimated based on recent historical run rates and production levels.

Fuel represents cost for natural gas, hog fuel, gas and diesel used in the production process. These costs are estimated based on recent historical run rates and production levels.

8) **SG&A:**
SG&A represents costs for property taxes, customer rebates, and insurance premiums.

9) **Restructuring Costs:**
Restructuring costs include costs related to the Additional Applicants' advisors and their counsel and the Monitor and its counsel. These costs are incremental to the restructuring costs included in the cash flow forecast of the Original Applicants.

10) **Transfer from (to) Original Applicants:**
Represents intercompany funding between the Original Applicants and the Additional Applicants. During the projection period, it is projected that the

Additional Applicants will require approximately $1.7 million of funding from the Original Applicants. This amount is primarily related to working capital requirements.

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

Court File No. CV-09-824700CL

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto

SIXTH REPORT OF THE MONITOR, ERNST & YOUNG INC.
(Dated JANUARY 15, 2010)

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