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

NINTH REPORT OF THE MONITOR DATED FEBRUARY 11, 2010

INTRODUCTION

1. On June 25, 2009, Grant Forest Products Inc. ("**GFPI**"), Grant Alberta Inc. ("**GAI**"), Grant Forest Products Sales Inc. ("**GFPSI**") and Grant U.S. Holdings GP (the "**Grant Partnership**" or "**U.S. Holdings**") (collectively the "**Original Applicants**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* ("**CCAA**") in order to restructure the business and affairs of the Original Applicants. Pursuant to the Order of this Honourable Court dated June 25, 2009 (the "**Initial Order**"), Ernst & Young Inc. ("**EYI**") was appointed as the Monitor of the Original Applicants (the "**Monitor**") in the CCAA proceeding. The Initial Order provided for a stay of proceedings through to July 24, 2009. The stay of proceedings 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.

2. The Initial Order provided for the immediate commencement of a marketing process (the "**Marketing Process**") in accordance with the protocol attached as Appendix "A" to the Initial Order (the "**Investment Offering Protocol**") to provide interested parties with the opportunity to offer to purchase the business

and operations of the Original Applicants as a going concern or offer to sponsor a plan of arrangement of the Original Applicants, or any of them. As part of this Marketing Process, the Original Applicants requested that the Monitor undertake the role of investment offering advisor ("**Investment Offering Advisor**"), and together with Stonecrest Capital Inc. as Chief Restructuring Advisor ("**CRA**"), assist the Original Applicants in a sale of their businesses, in whole or in part, in consultation with the Monitor, the First Lien Lenders' Agent and the Second Lien Lenders' Agent, as provided for in the Initial Order.

3. The Original Applicants brought a motion (the "**Sale Motion**") originally returnable February 1, 2010 seeking, *inter alia,* an approval and vesting order with respect to a transaction as contemplated by a purchase agreement (the "**PSA**") between the Original Applicants (and certain additional subsidiaries) and Georgia-Pacific LLC and related entities ("**GP**") (the "**Transaction**"). The Sale Motion was adjourned to February 9, 2010. On February 9, 2010 the Sale Motion was commenced but was not completed. The Sale Motion will resume on February 11, 2010.

4. On January 15, 2010, the Monitor served its Sixth Report (the "**Sixth Report**") which, among other things, provided an overview of the Marketing Process, summarized the analysis which was undertaken with respect to the various bids received and provided an overview of the PSA with GP.

5. On February 8, 2010, the Monitor served its Eighth Report (the "**Eighth Report**") which advised that a non-binding expression of interest had been received from "Bidder B" on February 5, 2010 and that the Monitor did not recommend the Applicants pursue the Bidder B expression of interest for the reasons set out in the Eighth Report.

6. Terms not otherwise defined herein have the meanings ascribed to them in the Sixth Report.

PURPOSE

7. The purpose of this report (the "**Ninth Report**") is to report to this Honourable Court with respect to:

   a. The receipt, during the evening of Wednesday, February 10, 2010, by the Monitor of a non-binding expression of interest received from an interested party, Wabi Iron and Steel Corp. ("**Wabi**") who has not previously participated in the Marketing Process (the "**February 10 Letter**"). A copy of this letter is attached as Appendix "A" to this Eighth Report. A sealing order will be sought with respect to Appendix A due to the confidential nature of the February 10 Letter.

EXPRESSION OF INTEREST RECEIVED

8. The February 10 Letter is a non-binding indication of interest by Wabi to acquire the assets which are the subject of the GP Transaction as well as additional OSB and Non-Core assets of the Applicants.

9. The non-binding expression of interest states that a transaction would be conditional on, amongst other items:

   a. the completion of necessary due diligence;

   b. the execution and delivery of a purchase agreement in a form and on terms satisfactory to the purchaser; and

   c. financing being confirmed for the completion of the transaction.

10. The Monitor notes that Wabi has not participated in the Marketing Process to date. As such, it has neither executed a non-disclosure agreement nor conducted the level of due diligence that those parties who participated in Phase 1 and Phase 2 of the Marketing Process performed. Further, Wabi's proposal is subject to financing – an extremely important qualification for a proposed transaction of this order of magnitude. The principal of Wabi has been interviewed on local radio stations indicating that he is still seeking government and other support to raise the financing necessary to pursue such a transaction. The risk associated with

pursuing a proposal of this nature at this stage in the Marketing Process would be exceptionally large.

11. The Monitor discussed the February 10 letter with the President of Wabi this morning. Wabi is located in New Liskeard, Ontaio, and has operated for many years in manufacturing castings and designs and manufacturing of equipment.

12. Although the Monitor believes that Wabi's interest in acquiring the Applicants is significant, the Monitor does not recommend that the Applicants pursue this expression of interest for four primary reasons.

13. First, as stated in the Eighth Report, the fairness and integrity of the Marketing Process is paramount to these proceedings and to alter the terms of the Marketing Process at this point would be grossly unfair to GP and all the other parties who participated in the Marketing Process. The terms of the Marketing Process, and the bidding process in particular, were fully available at the commencement of the Marketing Process in July 2009. Wabi did not participate in the Marketing Process, despite as noted above, a process which terms were fully available since the summer of last year.

14. Second, as stated in the Eighth Report, no bid protections are in place to protect GP's interest as the potential purchaser. GP has relied upon the protections of the court-approved Marketing Process and the oversight of the Monitor to ensure that the process is fair to all parties and that a bidder who fairly advances to Phase III cannot not be "out-bid" at the last moment once the terms of its offer are made public. There is significant risk that GP would drop out of the process if there was an attempt to pursue another bid at this stage in the Marketing Process.

15. Third, to consider any new bids at this stage would result in a considerable set back in timing. The February 10 Letter is a non-binding expression of interest with numerous conditions precedent, including: conducting due diligence, negotiation of a purchase agreement, financing being confirmed (with no information provided as to sources and availability). It is reasonable to expect that such conditions would require time to resolve and even then, there is no certainty a transaction would be completed.

16. Fourth, as the February 10 Letter is simply a non-binding expression of interest, with numerous conditions precedent, this poses a greater risk to the creditors of the Applicants versus the all cash bid by GP which has been fully negotiated and documented in the PSA, and presently before the Court for approval.

17. Based on the foregoing, as well as the need to preserve the integrity of the Court supervised Marketing Process, the Monitor recommends that the Sale Motion with respect to the GP Transaction proceed and confirms its recommendation that the GP Transaction be approved by the Court.

18. All of which is respectfully submitted this 11th day of February, 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"

THE CONTENTS OF THIS APPENDIX ARE THE SUBJECT MATTER OF A SEALING ORDER REQUEST

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ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto

NINTH REPORT OF THE MONITOR, ERNST & YOUNG INC.
(Dated FEBRUARY 11, 2010)

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

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

Solicitors for the Monitor, Ernst & Young Inc.