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

SECOND REPORT OF THE MONITOR DATED JULY 21, 2009

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INTRODUCTION

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

PURPOSE

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

   a. the status of the CCAA proceedings;

   b. the status of the marketing process as described in the Initial Order (the

"Marketing Process");

c. the motion by the Applicants to commence a marketing process for the sale of its non-core assets;

d. actual receipts and disbursements of the Applicants from June 25, 2009 to July 12, 2009 as well as the Applicants' revised cash flow projection from July 13, 2009 to October 18, 2009; and,

e. the motion by the Applicants to extend the stay period to October 15, 2009.

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 Second Report. Some of the information referred to in this Second 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

EYI's Report dated June 24, 2009.

BACKGROUND

6. GFPI and certain of its subsidiaries are, privately owned corporations carrying on an Oriented Strand Board ("**OSB**") manufacturing business from facilities located in Canada and the U.S. OSB is an engineered, mat-formed panel product made of strands, flakes or wafers sliced from logs and bonded with an exterior-type binder under heat and pressure. The most common uses are sheathing in walls, floors and roofs in the construction of buildings and residential housing.

7. The Applicants and certain of their subsidiaries or other related parties, namely Southeast Properties LLC, Grant Newco LLC, Grant Clarendon LP, Grant Allendale LP, Grant Excluded FP, Grant U.S. Sales Inc. and Footner Forest Products Ltd. ("**Footner**") (collectively, the "**Subsidiaries**"), have a total annual capacity to produce 3.7 billion square feet of OSB, which makes them the third largest OSB manufacturer in North America.

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

9. As a result of the present market conditions and the reduced demand for OSB and other wood products, only the OSB mills located in Englehart, Ontario and Allendale, South Carolina, are presently operating. Both the mill in Timmins,

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

STATUS OF CCAA PROCEEDINGS

10. On June 25, 2009, this Honourable Court issued the Initial Order which, among other things, declared that the Applicants are debtor companies to which the CCAA applies and granted certain relief to the Applicants while they assess their restructuring alternatives pursuant to the CCAA. In addition, the Initial Order approved the continuation of the engagement of Stonecrest Capital Inc. ("**Stonecrest**") as Chief Restructuring Advisor (the "**CRA**") with services to be provided by Hap Stephen and Sandra Rosch.

11. The Monitor has established a toll-free telephone number to allow creditors and other interested parties in Canada and the U.S. to contact the Monitor to obtain additional information concerning the CCAA proceedings. In addition, the Monitor has also posted all public documents related to the CCAA proceedings on its website at www.ey.com/ca/gfp.

12. Pursuant to the Initial Order, the Applicants, with the assistance of the Monitor, sent a copy of the Initial Order to all known creditors, excluding employees, with balances owing to them of greater than CDN$1,000. The Applicants provided the toll-free number and the website address of the Monitor in a cover letter that was sent along with the copy of the Initial Order.

13. The Applicants with the assistance of the Monitor have maintained the functionality of their operations and have been working towards stabilizing their operations and returning them to a business as usual basis. The Monitor is not aware of any interruptions to the operations of the Applicants since the commencement of the CCAA proceedings.

STATUS OF THE MARKETING PROCESS

14. The Initial Order provided for the immediate commencement of the Marketing Process in accordance with the protocol attached as Appendix "A" to the Initial Order (the "**Investment Offering Protocol**") to provide interested parties with the opportunity to offer to purchase the business and operations of the Applicants and their Subsidiaries as a going concern or offer to sponsor a plan of arrangement of the Applicants, or any of them.

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

16. Further to the appointment of the Monitor as the Investment Offering Advisor; Grant, the CRA and the Monitor have collectively taken the following steps:

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

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

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

and

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

17. In addition to the above, Grant, with the assistance of the Monitor has updated its management presentation that will be presented to potential interested parties who have executed NDAs. This presentation is scheduled for July 21, 2009.

18. As set out in the Investment Offering Protocol, potential interested parties have until July 31, 2009 to submit a non-binding preliminary proposal.

PROCESS TO MARKET AND SELL THE NON-CORE ASSETS

Background

19. 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**") and a 65 foot custom built motor boat which is currently located in Florida (the "**Boat**") (collectively, the "**Non-Core Assets**").

20. It is the Monitor's view that it is unlikely that parties participating in the Marketing Process will view the Non-Core Assets as necessary for the operation of the business.

21. As such, Grant plans to conduct a marketing process to effect a sale or sales of the Non-Core Assets. This process is described in detail below (the "**Non-Core Asset Sale Process**").

22. The Applicants in their motion dated July 20, 2009, are seeking an Order from this Honourable Court approving the marketing process for the sale of the Non-Core Assets as described in this Second Report. The key elements of the Non-Core Asset Sale Process are:

a. Grant will undertake the Non-Core Asset Sale Process and the Monitor will oversee the process and assist with its implementation;

b. Grant will retain the right to discontinue the Non-Core Asset Sale Process at any time if other restructuring alternatives are pursued;

c. Grant reserves the right to reject any or all of the offers received; and

d. Any sale of the Non-Core Assets must be approved by this Honourable Court in accordance with the Initial Order.

23. Grant and the Monitor may provide periodic updates, as appropriate, to stakeholders including the First Lien Lenders and the Second Lien Lenders.

Outline of the Non-Core Asset Sale Process

- ***General***

24. The following are the general steps in the Non-Core Asset Sale Process. Specific procedures unique to each of the Non-Core Assets are provided later in this Second Report. Initially, Grant, with the assistance of the Monitor, will:

i. compile all relevant design and construction documentation and details of current status for each of the Non-Core Assets;

ii. prepare an overview of each of the Non-Core Assets including details of location, design specifications and significant features supported by pictures and web-based virtual tours as appropriate (the "**Non-Core Asset Marketing Materials**"). The Non-Core Asset Marketing Materials will be located on the Monitor's website;

iii. prepare Standard Terms and Conditions governing the Non-Core Asset Sale Process which include that non-binding expressions of interest are due on or before September 30, 2009;

iv. advertise the Non-Core Assets available for sale in relevant publications and/or other media in the appropriate locations of the Non-Core Assets; and

v. after conducting the processes for each of the Non-Core Assets as outlined below, review the results and/or market response received as at September 30, 2009 and, based on this information, determine the appropriate next steps.

- ***The Haileybury Office***

25. The Haileybury Office is located in Haileybury, Ontario, and includes dry-dock storage for two boats, entertainment facilities, guest rooms, a fitness facility and space available to configure for office and /or other purposes. In addition to the general steps in the Non-Core Asset Sale Process described above, GFPI proposes to proceed with the additional steps as outlined below with respect to the marketing and sale of the Haileybury Office:

a) develop a list of real estate brokers with expertise in this type of real estate with offices in Toronto and offices or affiliates in Haileybury, Ontario or other nearby communities, and ask these real estate brokers for a proposal to market the Haileybury Office;

b) based on the proposals submitted, select a broker (the "**Selected Broker**") to assist with the marketing and sale process and discuss and confirm compensation arrangements;

c) list the Haileybury Office for sale with the Selected Broker;

d) prepare additional marketing material specifically related to the Haileybury Office highlighting relevant unique aspects of the premises;

e) establish arrangements with the Selected Broker regarding access for potential purchasers to view the Haileybury Office; and

f) establish a protocol with the Selected Broker for the distribution of the Non-Core Asset Marketing Materials and Standard Terms and Conditions along with the Selected Broker's approach to the market and the process and time line for reporting to GFPI and the Monitor.

- ***Golf Course***

26. The Golf Course is located near Twin Lakes in New Liskeard, Ontario. The Golf Course is owned by GFPI. In addition to the general steps in the Non-Core Asset Sale Process described above, GFPI proposes to proceed with the steps as outlined below with respect to the marketing and sale of the Golf Course:

    a) develop a list of potential purchasers (the "**Potential Purchasers**") based on parties who own golf course properties or are otherwise involved in the golf and/or recreational property industry, focusing on those based in Ontario;

    b) prepare additional marketing material related to the Golf Course highlighting relevant specifications and items unique to the Golf Course;

    c) establish arrangements regarding access for Potential Purchasers to view the Golf Course;

    d) make contact with and distribute the Non-Core Asset Marketing Materials along with the Standard Terms and Conditions and viewing arrangements to the list of Potential Purchasers; and

    e) place follow up calls to the Potential Purchasers to determine those who have expressed an interest in the Golf Course.

- ***Boat***

27. GFPI commissioned the design and construction of the Boat which is a 65 foot motor yacht premised on the use of OSB as a component of the materials used to construct it. The Boat is essentially complete, having been subjected to sea trials

but has not yet been audited and is currently located at a dry storage facility in Florida.

28. GFPI listed the Boat for sale with an Orillia, Ontario based boat retailer ("**Crates**") prior to the commencement of the CCAA proceedings. In addition to the general steps in the Non-Core Asset Sale Process described above, GFPI proposes to proceed with the steps as outlined below with respect to the marketing and sale of the Boat:

    a. develop a list of boat brokers that includes such entities around the world that are known to have clients who purchase and/or charter vessels of this type;

    b. approach certain of these boat brokers seeking an outline of a marketing plan for the Boat along with their proposed compensation arrangements for managing the marketing process;

    c. consider all proposals received, compare the current arrangements in place with Crates, determine which of these parties will manage the marketing process and retain this party on commercially reasonable terms (the "**Boat Broker**");

    d. establish the protocol with the Boat Broker for the process and time line for reporting progress to GFPI and the Monitor;

    e. in conjunction with the Boat Broker, prepare additional marketing material related to the Boat highlighting relevant specifications and including a schematic of the layout;

    f. consider establishing a reserve bid amount;

    g. establish arrangements with the facility in Florida regarding access for potential purchasers and the possibility of open water demonstrations; and

    h. in coordination with the Boat Broker, distribute the Boat marketing materials, along with the Standard Terms and Conditions, the reserve bid amount, if applicable and viewing arrangements to the established list of boat brokers and charter companies and confirm compensation arrangements for cooperating brokers.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS

29. A summary of the actual receipts and disbursements as compared to the projection set out in Exhibit 'F' to the affidavit of Mr. Peter Lynch, dated June 22, 2009, supporting Grant's CCAA Application, is attached as Appendix "A" to this Second Report.

30. The Applicants' actual consolidated net cash inflow for the period from June 25, 2009 to July 12, 2009 was $485,000. The actual net cash inflow was higher than projected by approximately $3.0 million primarily as a result of higher than anticipated sales. Grant has ramped up its production since the commencement of the CCAA proceedings to meet the higher demand for its product.

UPDATED CASH FLOW PROJECTION

31. Grant, with the assistance of the Monitor, had prepared a cash flow projection for the period from July 13, 2009 to October 18, 2009, (the "**Cash Flow Forecast**") a copy of which is attached as Appendix "B" to this Second Report.

32. The cash flow projection attached to this Second Report reflects receipts and disbursements to be received or paid over the projection period in U.S. dollars.

33. The Applicants are projecting a net cash outflow of approximately $235,000 during the projection period prior to transfers of funds to Footner and Grant's U.S. affiliates.

34. During the projection period, Grant estimates that the Applicants will be required to transfer funds of approximately $90,000 to its U.S. affiliates and approximately $710,000 to Footner. Such transfers to these affiliates preserve Grant's interests in these operations.

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

STAY EXTENSION

36. The current stay of proceedings under the Initial Order expires on July 24, 2009. The Applicants are seeking an extension of the stay period to October 15, 2009 in order to permit them time to undertake the Marketing Process as set out in the Investment Offering Protocol, undertake the Non-Core Asset Sale Process and continue discussions with their key stakeholders regarding its restructuring alternatives.

37. The updated cash flows described earlier in this Second Report which cover the period from July 13, 2009 to October 18, 2009 indicate that the Applicants will have sufficient liquidity to sustain ordinary course operations during the projection period.

38. It is the Monitor's view that the Applicants have acted in accordance with the Initial Order and are working on the Marketing Process on an expedited basis. Accordingly, the Monitor is satisfied that the Applicants are acting in good faith and with due diligence.

RECOMMENDATIONS

39. The Applicants are seeking this Honourable Court's approval to commence the Non-Core Asset Sale Process and extend the Stay Period to October 15, 2009.

40. The Monitor recommends that this Honourable Court approve the Non-Core Asset Sale Process and the steps outlined in this Second Report and approve the Applicants' motion for an extension of the Stay Period to October 15, 2009.

41. Approve the First and Second Reports and the conduct and activities of the Monitor as presented in the First and Second Reports.

All of which is respectfully submitted this 21st day of July, 2009.

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

Per:

Alex Morrison
Senior Vice President

APPENDIX A

Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. ("Applicants")
Combined Actual Receipts and Disbursements
For The Period From June 25 to July 12, 2009
(In Thousands of US Dollars)

	Actual	Projection	Variance	Note
Opening Bank Balance	28,051	26,413	1,637	1
Receipts				
OSB Sales	4,963	2,433	2,530	2
Wood Sales	102	21	81	
GST Refunds	181	33	148	3
Interest Income	-	23	(23)	
Other Receipts	329	-	329	4
Total Receipts	5,575	2,510	3,065	
Disbursements				
Payables-Wood	(678)	(1,140)	462	5
Freight	(463)	(534)	71	
Other Payables	(1,965)	(636)	(1,329)	6
Payroll	(767)	(880)	113	7
Utilities & Fuel	(52)	(305)	253	8
GST Remittance	(155)	(86)	(69)	
SG&A	(61)	(399)	338	9
Restructuring Costs	(110)	(598)	488	10
Bank Charges	-	(15)	15	
Capex	-	(505)	505	11
Foreign Exchange Impact	(75)	-	(75)	12
Pre-filing Outstanding Cheques Cleared	(764)	-	(764)	13
Total Disbursements	(5,090)	(5,097)	8	
Net Cash Flows	485	(2,587)	3,072	
Inter-Company Transfers:				
Transfer from (to) US Companies	-	-	-	
Transfers from (to) Footner	(62)	(241)	179	14
Total Inter-Company Transfers	(62)	(241)	179	
Ending Bank Balance	28,474	23,585	4,889	

Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. ("Applicants")
Combined Actual Receipts and Disbursements
For The Period June 25 to July 12, 2009
Variance Analysis

This analysis reflects the significant variances between actual receipts and disbursements vs. projected receipts and disbursements as set out in the Affidavit of Peter Lynch of June 22, 2009.

The actual receipts and disbursements are denominated in US dollars. Canadian dollars are converted to US dollars every week at Thursday's closing exchange rate as published by the Bank of Canada. In the projection, Canadian dollars are converted to U.S. dollars at the exchange rate of CDN$1.1032=US$1.00.

1. **Opening Bank Balance** – The opening bank balance in the projection were estimated opening bank balances which was presented in the cash flow projection appended to the Affidavit of Peter Lynch of June 22, 2009. The actual opening balance is higher as a result of higher than anticipated receipts in prior weeks.

2. **OSB Sales** – The favorable variance in OSB receipts is primarily a result of higher than expected sales volumes for the period June 15 to June 27, 2009.

3. **GST Refund** – The balance shown represents the GST refund for the month of May 2009, which the Applicants projected to receive in the week ending June 21, 2009. Accordingly, this variance is caused by timing of such receipt.

4. **Other Receipts** – Actual receipts include reimbursements for payroll processed by the Applicants on behalf of affiliates of the Applicants and other miscellaneous receipts. The projection did not contemplate such receipts, therefore this is a permanent variance.

5. **Payables Wood** – The projection assumed COD payment term for wood supplies, however, the Applicants were successful in maintaining original terms on wood purchases. Accordingly, this is a timing difference which is expected to reverse in the future.

6. **Other payables** – The variance is a result of both credit term modifications and higher purchases due to the ramp up in production at the Englehart mill. As a result of increased production, the Applicants incurred higher costs for materials used in the production process. The portion of variance that is related to credit term modifications is expected to reverse in the future.

7. **Payroll** – The variance is caused by the timing of the payroll remittance that was projected to be in the week ending June 27, 2009 but was actually made one week earlier.

8. **Utilities and Fuel** – This is a temporary variance caused by timing which is anticipated to reverse in the future.

9. **Sales, General & Administrative** – This is a temporary variance which is expected to reverse in the future.

10. **Restructuring Costs** – This is a temporary positive variance which is expected to reverse in the future.

11. **Capex** – This is a temporary variance which may reverse in the future.

12. **Foreign Exchange Impact** – The Applicants converted the weekly opening Canadian dollar balance to US dollars using the Thursday closing rate as published by the Bank of Canada. This balance reflects the holding foreign exchange difference on the opening Canadian dollar balance as of June 25, 2009 caused by unfavourable changes in the foreign exchange rate.

13. **Pre-filing Outstanding Wire Transfers and Cheques Cleared** – These are pre-filing outstanding cheques and wire transfers that cleared the bank on June 25, 2009 prior to the issuance of the Initial Court Order.

14. **Transfer to Footner** – These transfers represent the Applicants' share of expenditures incurred by the Footner mill, which are primarily lease and utility payments, as the Footner mill remains temporarily closed. This is a temporary variance which may reverse in the future.

APPENDIX B

Grant Forest Products Inc., Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. ("Applicants") Consolidated Cash Flow Projection
For The Period From July 13, 2009 to October 18, 2009
(In Thousands of US Dollars)

Week Ending	Notes	19-Jul	26-Jul	2-Aug	9-Aug	16-Aug	23-Aug	30-Aug	6-Sep	13-Sep	20-Sep	27-Sep	4-Oct	11-Oct	18-Oct	Total
Opening Bank Balance	1	28,474	26,764	27,491	27,422	27,299	28,370	27,221	27,418	27,297	28,024	27,881	27,491	27,762	29,066	28,474
Receipts																
OSB Sales	2	1,691	2,660	2,345	2,345	2,736	1,955	2,345	2,345	2,345	2,345	2,345	2,345	2,345	391	30,541
Wood Sales	3	39	-	-	39	-	39	-	39	-	39	-	39	-	19	252
GST Collected & Refunds	4	268	48	42	42	326	35	42	42	319	42	42	42	263	42	1,597
Interest Income	5	-	-	-	6	-	-	-	6	-	-	-	6	-	-	17
Other Receipts	6	-	32	-	-	-	-	-	-	-	-	-	-	-	-	32
Total Receipts		1,998	2,740	2,388	2,432	3,062	2,028	2,388	2,432	2,664	2,426	2,388	2,432	2,609	452	32,439
Disbursements																
Payables-Wood	7	(1,170)	-	-	(1,193)	-	(1,162)	-	(1,293)	-	(1,244)	-	(1,018)	-	(1,050)	(8,131)
Freight	8	(408)	(120)	(598)	(120)	(598)	(120)	(598)	(120)	(598)	(120)	(598)	(120)	(299)	(120)	(4,538)
Other Payables	9	(718)	(746)	(630)	(742)	(626)	(761)	(616)	(688)	(659)	(706)	(647)	(614)	(287)	(471)	(8,911)
Payroll	10	(732)	(19)	(723)	(19)	(538)	(19)	(665)	(61)	(538)	(19)	(636)	(19)	(538)	(19)	(4,544)
Utilities & Fuel	11	164	(299)	140	(195)	150	(750)	140	(195)	164	(202)	(374)	(187)	188	(161)	(1,419)
GST Remittance	12	-	(162)	-	-	-	-	(211)	-	-	-	(169)	-	-	-	(542)
SG&A	13	(78)	(194)	(38)	(56)	(56)	(94)	(56)	(71)	(86)	(111)	(168)	(66)	(60)	(92)	(1,225)
Restructuring Costs	14	(229)	(468)	(500)	(229)	(229)	(229)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(2,884)
Bank Charges	15	-	(4)	-	-	-	-	-	-	-	-	-	(13)	-	-	(17)
Capex	16	-	-	(50)	-	-	-	-	-	-	-	-	-	-	-	(50)
Foreign Exhange Impact	17	(414)	-	-	-	-	-	-	-	-	-	-	-	-	-	(414)
Total Disbursements		(3,585)	(2,012)	(2,399)	(2,555)	(1,897)	(3,136)	(2,132)	(2,553)	(1,842)	(2,528)	(2,718)	(2,161)	(1,120)	(2,038)	(32,675)
Net Weekly Cash Flows		(1,587)	728	(11)	(123)	1,166	(1,107)	256	(121)	822	(102)	(330)	271	1,489	(1,586)	(235)
Inter-Company Transfers:																
Transfer from (to) US Companies	18	-	-	-	-	-	-	-	-	-	-	-	-	(90)	-	(90)
Transfers from (to) Footner	19	(123)	(1)	(58)	-	(95)	(42)	(59)	-	(95)	(42)	(59)	-	(95)	(42)	(710)
Total Inter-Company Transfers		(123)	(1)	(58)	-	(95)	(42)	(59)	-	(95)	(42)	(59)	-	(185)	(42)	(800)
Ending Bank Balance		26,764	27,491	27,422	27,299	28,370	27,221	27,418	27,297	28,024	27,881	27,491	27,762	29,066	27,438	27,438
Deduct: Restricted Cash	20	(354)	(354)	(388)	(388)	(388)	(388)	(388)	(388)	(388)	(388)	(388)	(388)	(388)	(388)	(388)
Ending Cash excluding Restricted Cash		26,410	27,137	27,035	26,912	27,982	26,834	27,030	26,910	27,637	27,493	27,104	27,375	28,678	27,051	27,051

In the Matter of the CCAA of Grant Forest Products Inc. Grant Alberta Inc., Grant Forest Products Sales Inc., and Grant U.S. Holdings GP. ("Grant" or the "Applicants")
Notes to the Unaudited Cash Flows Projection

Disclaimer:

In preparing this cash flow projection (the "Cash Flow Forecast"), the Applicants have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations of the mills and additional assumptions discussed below with respect to the requirements. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecasts, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

Overview:

The Cash Flow Forecast reflects cash flows from Grant's operations including inter-company transfers to and from the mill at Footner and Grant's U.S. operations. The Applicants with the assistance of the Monitor have prepared the Cash Flow Forecast based primarily on historical results and Grant's current business plan. Receipts and disbursements are denominated in both Canadian and US dollars; however the consolidated cash flow is presented in U.S. dollars. Canadian dollars are converted to US dollars at the exchange rate of CDN$1.2 = US$1.00.

The Cash Flow Forecast assumes that three of Grant's mills, specifically, Timmins, Footner and Clarendon continue to remain closed during the Cash Flow Forecast period. The Cash Flow Forecast also assumes that no interest will be paid to the lenders during the projection period.

Assumptions:

1) **Opening Balance:**
   This is the anticipated opening cash balance of the Applicants at the commencement of the stay extension period and includes funds held in Canadian dollars and U.S. dollars that were converted into U.S. dollars at the exchange rate noted above.

2) **Sales Receipts:**
   OSB Sales are calculated as the product of the projected volume and the projected price per unit. The projected volume is estimated based on Grant's historical volumes with a discount for the decline in sales as a result of the slower U.S. housing market as compared to previous years. The projected sales price per unit is

estimated using historical pricing data by Grant's sales department and market forecasts published by independent services. Further amounts estimated for freight and GST (for sales in Canada) are added to the unit price to arrive at the gross price per unit. Grant assumes that sales are collected in two weeks, based on recent historical run rates.

3) **Wood Sales Receipts:**
Wood sales receipts represent receipts from sales of wood not utilized in the production process. It is anticipated that such sales and the corresponding receipts will not be significant during the projection period.

4) **GST Collected & Refunds:**
It is estimated that 42% of Grant's OSB sales are to Canadian Customers based on Grant's most recent sales trend. GST is calculated at 5% of such sales. It is assumed that GST invoiced is collected after two weeks, similar to the receipts of sales as described above. Grant is typically in a net refund position as GST remittances are offset by potential input tax credits.

5) **Interest Income:**
Interest income is estimated at 0.25% of the previous month's bank balance and is projected to be received in the first week of each month.

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

7) **Payables – Wood:**
The cost of wood is estimated based on recent historical run rates and current production levels which are approximately 80% of total capacity. In addition to the cost of wood, the company pays freight, which fluctuates slightly on a weekly basis.

8) **Freight:**
Freight costs are recovered from customers, however, Grant pays freight costs approximately a week after the sales are made and recovers these amounts from customers in two weeks, at the same time as payment for product as described in note 2 above.

9) **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.

10) **Payroll:**
Payroll represents payroll costs including deductions for all executives and employees and is forecast based on historical run rates. Both salaried and hourly employees are paid bi-weekly through direct deposits. Grant has outsourced its

payroll services to ADP. ADP is usually funded a few days prior to the payroll date. Included in the payroll line item are costs for benefits, pension, and WSIB.

11) Utilities & Fuel:

Utilities represent costs for electricity and natural gas. These costs are estimated based on recent historical run rates and production levels.

Fuel represents costs of refuelling both Grant owned vehicles and independent truckers that deliver wood to Englehart. The Cash Flow Forecast includes recoveries of fuel costs from freight transport companies who use Grant's fuel pump at Englehart and the highway card lock system.

12) GST Remittance:

GST Remittance represents anticipated GST remittances of GFPSI based on projected sales. Typically, Grant on a net consolidated basis is in a GST refund position; however, the sales company is in a payable position as it has no input tax credits.

13) SG&A :

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

14) Restructuring Costs:

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

15) Bank Charges:

No interest in projected to be paid to the lenders during the projection period.

16) Capex:

Capex costs represent payments for anticipated capital expenditures.

17) Foreign Exchange Impact:

Foreign Exchange Impact represents the difference in the exchange rate between the opening cash balance in which Canadian dollars are converted to U.S. dollars at the exchange rate of CDN$1.16 = US$1.00 and the Cash Flow Forecast exchange rate of CDN$1.2 = US$1.00.

18) Transfer from (to) US Companies:

Represents intercompany funding between Allendale and Clarendon and the Applicants. During the projection period, it is currently projected that Allendale and Clarendon will require approximately $90,000 in funding from the Applicants.

19) Transfers from (to) Footner:
Represents intercompany funding between Footner and the Applicants. During the projection period, it is currently projected that Footner will require approximately $710,000 in funding from the Applicants.

20) Restricted Cash:
Represents approximately $388,000 ($354,000 in the first two weeks) of restricted cash held as a reserve for certain letters of credit issued by the Applicants.

Court File No: CV-09-824700CL

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GRANT FOREST PRODUCTS INC., GRANT ALBERTA INC., GRANT FOREST PRODUCTS SALES INC. AND GRANT U.S. HOLDINGS GP

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

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