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

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

Applicants

and

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

Respondents

TWENTY FIRST REPORT OF THE MONITOR DATED AUGUST 18, 2011

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 was most recently extended to August 31, 2011 (the "**Stay Period**")

pursuant to an Order of this Honourable Court dated April 26, 2011.

2. On March 30, 2010, Southeast Properties LLC ("**Southeast**"), Grant Newco LLC ("**Newco**"), Grant US Sales Inc. ("**U.S. Sales**"), Grant Clarendon LP ("**Clarendon**"), Grant Allendale LP ("**Allendale**") and Grant Excluded GP ("**Excluded**") were added as additional applicants to these CCAA proceedings (collectively, the "**Additional Applicants**" and together with the Original Applicants, the "**Applicants**" or "**Grant**"). Pursuant to an Order of this Honourable Court dated March 30, 2010 (the "**Supplemental Initial Order**"), EYI was appointed as the Monitor of the Additional Applicants in the CCAA proceeding.

3. The Initial Order, among other things, approved the continuation of the engagement of Stonecrest Capital Inc. ("**Stonecrest**") as Chief Restructuring Advisor (the "**CRA**") of the Applicants with services to be provided by Hap Stephen and Sandra Rosch.

4. On June 30, 2010, this Honourable Court approved the revised engagement of Stonecrest as the Chief Restructuring Organization (the "**CRO**") of the Applicants with services to be provided by Hap Stephen and Sandra Rosch.

5. Paragraph 33 of the Supplemental Initial Order set out that, upon the delivery of a certificate by the Monitor to GP International Acquisition III, Ltd. (the "**Canadian Purchaser**"), Georgia-Pacific LLC (the "**U.S. Purchaser**"), and GP Palmetto Holding LLC (the "**Additional U.S. Purchaser**") (collectively "**Georgia Pacific**"), primarily certifying that the funds related to the transaction between Georgia Pacific and Grant were received, the transaction between Georgia Pacific and Grant closed and the CCAA proceedings with respect to the Additional Applicants and the Grant Partnership were terminated. Accordingly, the Monitor was discharged as Monitor of the Additional Applicants and the Grant Partnership.

6. As a result of the completion of the sale to Georgia Pacific and the resultant termination of the CCAA proceedings of the Additional Applicants and the Grant Partnership, only GFPI, GAI and GFPSI (the "**Remaining Applicants**") continue to remain as applicants in these CCAA proceedings.

PURPOSE

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

   i. The Remaining Applicants' motion for an Order (the "**Engine Approval and Vesting Order**"):

      a. approving the sale transaction (the "**Engine Transaction**") contemplated by an agreement of purchase and sale (the "**Engine Sale Agreement**") between GFPI and East Coast Electrical Equipment Company (the "**Engine Purchaser**") made as of July 28, 2011 and vesting in the Engine Purchaser on closing GFPI's right, title and interest, if any, in and to the Motor (defined below) free and clear of all claims, liens or encumbrances;

      b. sealing and treating as confidential the unredacted Engine Sale Agreement attached as confidential Appendix 'A' to this Twenty First Report until the filing of a certificate by the Monitor substantially in the form attached as Schedule A to the Engine Approval and Vesting Order (the "**Monitor's Certificate**") as contemplated by the Engine Approval and Vesting Order or further Order of this Honourable Court;

   ii. the Remaining Applicants' motion for an Order:

      a. authorizing GFPI to take steps required in accordance with the *Pension Benefits Act* (Ontario) (the "**PBA**") to initiate a wind-up of the two registered defined benefit pension plans of which GFPI is plan administrator, namely: #0992537 - Pension Plan for Executive Employees of GFPI (the "**GFP Executive Plan**") and #1053008 Pension Plan for the Salaried Employees of GFPI – Timmins Plant (the "**Timmins Salaried Plan**") (The Timmins Salaried Plan and the GFP Executive Plan are collectively referred to as the "**DB Plans**") and authorizing GFPI to work with the Superintendent of Financial Services and the Financial Services Commission of Ontario ("**FSCO**") to appoint a replacement plan administrator of the DB Plans;

b. authorizing and directing the Monitor, until further court order, to hold back from any distribution to creditors of GFPI an amount which is estimated to be the amount necessary to satisfy the wind-up deficits of the DB Plans;

iii. Actual receipts and disbursements of the Remaining Applicants from April 11, 2011 to August 7, 2011 and an updated cash flow projection from August 8, 2011 to December 4, 2011;

iv. the Remaining Applicants' motion to extend the Stay Period to November 30, 2011; and

v. the Remaining Applicants' motion to approve this Twenty First Report and the conduct and activities of the Monitor as set forth herein.

TERMS OF REFERENCE

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

projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

9. Unless otherwise stated all monetary amounts contained herein are expressed in U.S. Dollars.

10. Capitalized terms not defined in this Twenty First Report are defined in the Initial Order, the Supplemental Initial Order or previous Reports of the Monitor.

BACKGROUND

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

12. The Applicants and Footner Forest Products Ltd. ("**Footner**") (in which GFPI had a 50% interest) had a total annual capacity to produce 3.7 billion square feet of OSB, which made them the third largest OSB manufacturer in North America.

13. The Applicants had interests in three mills in Canada located at Englehart and Timmins in Ontario and High Level in Alberta, and two mills in the United States located in the counties of Allendale and Clarendon in South Carolina.

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

15. The OSB mills located in Allendale (the "**Allendale Mill**") and Clarendon (the "**Clarendon Mill**") in South Carolina were owned by Allendale and Clarendon respectively, each of which was owned by Southeast, which in turn was owned by the Grant Partnership. Each of these entities were Additional Applicants and were

subject to these CCAA proceedings.

16. As described in the Fourteenth Report of the Monitor dated June 1, 2010 (the "**Fourteenth Report**"), the Applicants completed a sale of the Grant Partnership and the Englehart Mill to Georgia Pacific on May 26, 2010, and as such, the Allendale Mill and the Clarendon Mill are no longer owned by the Remaining Applicants.

17. As described above, GFPI also had a 50% interest in an OSB mill located at High Level in Alberta (the "**Footner Mill**"), which was described in detail in the Sixteenth Report of the Monitor dated December 20, 2010 (the "**Sixteenth Report**"). GFPI's sale of its interests in the Footner Mill was approved by this Honourable Court on January 5, 2011 and the sale closed on February 17, 2011.

18. As described above, GFPI had owned the Timmins Mill located in Timmins, Ontario, which was described in detail in the Nineteenth Report of the Monitor dated March 22, 2011 (the "**Nineteenth Report**"). GFPI's sale of the building and equipment comprising the Timmins Mill was approved by this Honourable Court on March 9, 2011 and the sale closed on March 21, 2011. GFPI's sale of the building and equipment related to the Timmins Mill to EDS Decommissioning Canada Inc. ("**EDS**") did not include the land on which the Timmins Mill is located and this land (defined below as the Timmins Land) is still owned by GFPI.

19. With the completion of the Georgia Pacific sale and the sale of GFPI's interests in Footner, the remaining assets (collectively, the "**Remaining Assets**") of the Remaining Applicants include the following:

   i. Office premises and boathouse in Haileybury, Ontario (the "**Haileybury Lakeside Complex**");

   ii. a parcel of land in Earlton, Ontario that was formerly a golf course (the "**Golf Course**");

iii. GFPI's interest in the prepaid lease of an airplane hangar in Earlton, Ontario (the "**Hangar Lease**");

iv. a custom built 65 foot yacht located in Placida, Florida (the "**Boat**");

v. a parcel of land near Timmins, Ontario which contained the Timmins Mill (the "**Timmins Land**"). The Timmins Mill is in the process of being dismantled and demolished; and

vi. a landfill site near Timmins, Ontario (the "**Timmins Ogden Landfill**").

ENGINE APPROVAL AND VESTING ORDER

20. In addition to the Remaining Assets described above, GFPI owns an industrial motor which was purchased for use at one of its mills, manufactured by Teco-Westinghouse with serial number D57044-1 (the "**Motor**"), which is stored at Siemens Canada Limited ("**Siemens**") in Kirkland Lake, Ontario. The Monitor understands that the Motor was purchased by GFPI a few years ago and, based on GFPI's records, the Motor was expensed in the year of purchase.

21. In June of this year, GFPI commenced a process to sell the Motor. Due to the specialized nature of the Motor, GFPI initially offered the Motor for sale to certain likely purchasers of the Motor. However, there was no interest in the Motor from these purchasers. Subsequently, the Motor was advertised for sale in certain newspapers in Northern Ontario, as well as listed for sale on the Siemens website for approximately three weeks.

22. The listing of the Motor on the Siemens website resulted in an offer from the Engine Purchaser to purchase the Motor. Further to a negotiation, GFPI and the Engine Purchaser entered into the Engine Sale Agreement, subject to the approval of this Honourable Court. A copy of the Engine Sale Agreement is attached as confidential Appendix 'A' to this Twenty First Report. GFPI is seeking a sealing order from this Honourable Court with respect to the Engine Sale Agreement.

23. It is the Monitor's view that the Motor was appropriately marketed considering the limited market and purchasers for the Motor. The Monitor is of the view that the sale price maximizes the value to the Remaining Applicants.

24. The Remaining Applicants are seeking the Engine Approval and Vesting Order from this Honourable Court to approve the Engine Transaction contemplated by the Engine Sale Agreement between GFPI and the Engine Purchaser.

25. The Engine Vesting Order contemplates that upon the delivery of the Monitor's certificate attached as Appendix A to the Engine Vesting Order, all of GFPI's right, title and interest in the Motor shall vest in the Engine Purchaser free and clear of encumbrances.

GFPI'S PENSION PLANS

26. As discussed in the affidavit of Hap Stephen sworn August 10, 2011 (the "**Stephen Affidavit**"), GFPI is plan administrator of four registered pension plans including two defined contribution pension plans and the DB Plans described earlier in this Twenty First Report. The two defined contribution pension plans are currently in the process of being wound up.

27. GFPI is seeking the authorization of this Honourable Court to wind up the DB Plans and work with the Superintendent of Financial Services and FSCO to appoint a replacement plan administrator of the DB Plans. The Monitor has been provided with a copy of the Timmins Salaried Plan valuation conducted as of September 30, 2010, which shows a hypothetical wind up deficit of CDN$166,300. As discussed in the Stephen Affidavit, GFPI has requested its actuary for the GFP Executive Plan, Towers Watson, to prepare an interim valuation of the GFP Executive Plan, a preliminary draft of which is expected in August, 2011.

28. GFPI is seeking the approval of this Honourable Court to direct the Monitor to hold back from any future distribution to creditors of GFPI, an amount which is estimated to be 115% of the amount necessary to satisfy the wind up deficits of the

DB Plans. The amounts of the holdback will be determined as the sum which is 115% of CDN$166,300 for the Timmins Salaried Plan and the sum which is 115% of the estimated wind up deficit identified in the interim valuation being prepared by Towers Watson with respect to the GFP Executive Plan. If the interim valuation is not received prior to the return of this motion, the Monitor will calculate the holdback to be 115% of the estimated deficit identified in the last interim valuation prepared as at January 1, 2009, (which estimated deficit was CDN828,800), and will adjust such part of the holdback to be 115% of the estimated deficit once the interim valuation is received.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS OF THE REMAINING APPLICANTS

29. A summary of the actual receipts and disbursements of the Remaining Applicants as compared to the projection set out in the Twentieth Report of the Monitor dated April 15, 2011 (the "**Twentieth Report**") for the period from April 11, 2011 to August 7, 2011 is attached as Appendix 'B' to this Twenty First Report. As set out in the Twentieth Report, the projection excluded any net proceeds from the sale of the Remaining Assets due to the uncertainty in quantum and timing of receipts from the sale of such remaining assets. Further, the projection also excluded the release of funds held in escrow or in trust with the Monitor to the lenders, given the uncertainty in timing of when the relevant conditions related to the escrows would be met and the timing of their release.

30. The Remaining Applicants' actual consolidated net cash outflow for the period from April 11, 2011 to August 7, 2011, is set out in Appendix 'B' to this Twentieth Report. In addition, Appendix 'B' includes further details with respect to the variance in the individual receipt and disbursement line items.

31. Attached as Appendix 'C' is a summary of the cash balances held by the Monitor in its trust and escrow accounts. As at August 7, 2011, the Monitor's trust and escrow accounts held $320,489 in U.S. currency and $14,230,436 in Canadian currency

primarily from the proceeds of previous asset sales.

UPDATED CASH FLOW PROJECTION OF THE REMAINING APPLICANTS

32. An updated cash flow forecast of the Remaining Applicants for the period from August 8, 2011 to December 4, 2011 is attached as Appendix 'D' to this Twenty First Report (the "**Remaining Applicants' Forecast**").

33. The Remaining Applicants' Forecast has been prepared by management of the Remaining Applicants with the assistance of the Monitor, using probable and hypothetical assumptions set out in the notes attached to the Remaining Applicants' Forecast.

34. The Remaining Applicants' Forecast attached to this Twenty First Report reflects receipts and disbursements to be paid over the projection period in U.S. currency. No net proceeds from the sale of the remaining assets are projected in this projection period due to the uncertainty in quantum and timing of receipts from the sale of such remaining assets. Further, the Remaining Applicants' Forecast also excludes the release of funds held in escrow or in trust with the Monitor to the lenders, given the uncertainty in timing of when the relevant conditions related to certain escrows and reserves are met and the timing of their release.

35. The Remaining Applicants' Forecast projects that the Remaining Applicants will have sufficient liquidity to operate during the CCAA proceedings.

STAY EXTENSION OF THE REMAINING APPLICANTS

36. The current Stay Period of the Remaining Applicants expires on August 31, 2011. The Remaining Applicants are seeking an extension of the Stay Period to November 30, 2011 to permit them time to complete the sales process for the Remaining Assets and continue to work towards certain remaining post closing matters related to the transaction with Georgia Pacific including the release of certain funds held in

escrow with the Monitor related to payables, as described in detail in the Fourteenth Report.

37. Based on its observation of the Remaining Applicants' wind down process, the Monitor considers the Remaining Applicants to be acting in good faith and with due diligence. In the Monitor's view, the extension of the Stay Period to November 30, 2011 is appropriate. Accordingly, the Monitor recommends to this Honourable Court that the Stay Period be extended to such date.

RECOMMENDATIONS

38. The Remaining Applicants are seeking this Honourable Court's authorization for an Order:

i. approving the Engine Transaction and sealing and treating as confidential the Engine Sale Agreement;

ii. authorizing GFPI to take steps to wind up its DB Plans and work with the Superintendent of Financial Services and FSCO to appoint a replacement plan administrator of the DB Plans;

iii. directing the Monitor to hold back from any distribution to creditors of GFPI, an amount which is estimated to be the amount necessary to satisfy the wind up deficits of the DB Plans; and

iv. approving the extension of the Stay Period to November 30, 2011.

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

All of which is respectfully submitted this 18th day of August, 2011.

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

Per:

Alex Morrison
Senior Vice President

Simone Carvalho
Vice President

CONFIDENTIAL APPENDIX "A"
[SUBJECT TO A SEALING ORDER]

APPENDIX “B”

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants")
Cumulative Combined Receipts and Disbursements
For the Period from April 11, 2011 to August 7, 2011
(In Thousands of US Dollars)

	Actual	Projection	Variance	Notes
Opening Bank Balance	12,423	12,423	-	
Receipts				
GST/HST Collected & Refunds	199	190	9	
Other Receipts	808	722	87	1
Post-Transaction Trade Receipts	-	-	-	
Corporate Tax Refund - Net	-	-	-	
Total Receipts	1,008	912	96	
Disbursements				
Payroll	(232)	(136)	(96)	2
Other Payables	(175)	(361)	186	3
SG&A	(440)	(394)	(46)	
Restructuring Costs	(890)	(1,852)	961	4
GST/HST Remittance	-	(89)	89	5
Taxes	(9)	-	(9)	
Bank Charges	(5)	(4)	(1)	
Foreign Exchange Impact	(17)	(0)	(17)	
Total Disbursements	(1,769)	(2,836)	1,067	
Inter-Company Transfers:				
Transfers from (to) Footner	(5)	-	(5)	
Total Inter-Company Transfers	(5)	-	(5)	
Net Cash Flows	(766)	(1,924)	1,158	
Ending Bank Balance	11,657	10,499	1,158	
Deduct: Restricted Cash	(127)	(128)	1	
Ending Cash excluding Restricted Cash	11,530	10,371	1,160	

Funds Held by the Monitor Trust

	USD	CAD	Notes
Opening Bank Balance	$ 321	$ 14,201	
Receipts	-	83	6
Disbursements	-	(55)	6
Net Cash Inflow/(Outflow)	-	29	
Ending Bank Balance	321	14,230	7

Grant Forest Products Inc., Grant Alberta Inc. and Grant Forest Products Sales Inc. (the "Remaining Applicants")
Cumulative Combined Actual Receipts and Disbursements
For the Period April 11, 2011 to August 7, 2011
Variance Analysis

The actual receipts and disbursements are denominated in U.S. dollars. Canadian dollars are converted to U.S. dollars every week at Thursday's closing exchange rate as published by the Bank of Canada. In the projection, Canadian dollars are converted to U.S. dollars at the exchange rate of CDN$0.97=US$1.00.

1. **Other Receipts** – The favourable variance is primarily due to a refund as a result of the cancellation of the Timmins mill property insurance policy.

2. **Payroll** – The unfavourable variance is primarily due to a combination of several factors, including, pension contributions and certain vacation payments that were not included in the projection as well as a timing difference.

3. **Other Payables** – The favourable variance is primarily due to a timing difference as the Remaining Applicants continue to review certain post-filing accounts payable.

4. **Restructuring** – The favourable variance is due to timing and lower than anticipated professional fees in this period. The portion related to timing is expected to reverse in the future.

5. **GST/HST Remittance** – The favourable variance is primarily due to additional HST input credits related to certain professional fees incurred prior to the projection period.

6. **Receipts and disbursements of trust accounts** – Receipts shown represent interest income and deposits received from the tender process. Disbursements relate to payments to certain woodland contractors related to Footner and the return of certain deposits with respect to the tender process as described further in the Twentieth Report of the Monitor.

7. **Closing balance of the escrow and trust accounts** – The escrow and trust accounts held funding as at August 7, 2011 as set out in the summary attached in Appendix "C".

APPENDIX “C”

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants")
Summary of Funds in Trust Account
As at August 7, 2011

USD Account		**Amount**
Purchased Assets and Purchase Price Adjustment	$	151,793
Other Payables Escrow		168,697
Total USD Account		320,489

CDN Account	**Amount**
Purchased Assets and Purchase Price Adjustment	14,157,917
Escrow Account	13,485
Interest	59,034
Total CDN Account	14,230,436

Note
All account balances are net of bank charges.

APPENDIX “D”

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants") Combined Cash Flow Projection
For The Period From August 8, 2011 to December 4, 2011
(In Thousands of US Dollars)

		Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	
Period Enging	**Notes**	**14-Aug-11**	**21-Aug-11**	**28-Aug-11**	**4-Sep-11**	**11-Sep-11**	**18-Sep-11**	**25-Sep-11**	**2-Oct-11**	**9-Oct-11**	**16-Oct-11**	**23-Oct-11**	**30-Oct-11**	**6-Nov-11**	**13-Nov-11**	**20-Nov-11**	**27-Nov-11**	**4-Dec-11**	**Total**
Opening Bank Balance	1	11,657	11,599	11,445	11,414	11,286	11,192	11,048	10,805	10,727	10,642	10,522	10,472	10,406	10,358	10,077	9,974	9,930	11,657
Receipts																			
GST/HST Refunds	2	-	-	20	-	-	-	-	39	-	-	-	-	41	-	-	-	28	128
Other Receipts	3	-	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8
Sale of Assets	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		-	-	28	-	-	-	-	39	-	-	-	-	41	-	-	-	28	135
Disbursements																			
Payroll	5	(14)	(7)	(16)	(3)	(13)	(8)	(16)	(3)	(13)	(8)	(15)	(3)	(13)	-	(24)	-	(16)	(173)
Other Payables	6	-	-	-	-	-	-	(179)	-	-	-	-	-	-	-	-	-	-	(179)
SG&A	7	(5)	(16)	(18)	(91)	(10)	(33)	(22)	(79)	(10)	(9)	(10)	(31)	(10)	(221)	(11)	(13)	(25)	(612)
Restructuring Costs	8	(39)	(129)	(25)	(34)	(72)	(102)	(25)	(34)	(62)	(102)	(25)	(31)	(65)	(60)	(67)	(31)	(65)	(972)
Bank Charges	9	-	(1)	-	-	-	(1)	-	-	-	(1)	-	-	-	-	(1)	-	-	(4)
Foreign Exchange Impact	10	(0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0)
Total Disbursements		(58)	(154)	(59)	(128)	(94)	(144)	(242)	(117)	(85)	(120)	(50)	(66)	(89)	(281)	(103)	(44)	(106)	(1,940)
Net Cash Flows		(58)	(154)	(31)	(128)	(94)	(144)	(242)	(78)	(85)	(120)	(50)	(66)	(48)	(281)	(103)	(44)	(78)	(1,804)
Ending Bank Balance		11,599	11,445	11,414	11,286	11,192	11,048	10,805	10,727	10,642	10,522	10,472	10,406	10,358	10,077	9,974	9,930	9,853	9,853
Deduct: Restricted Cash	11	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)	(127)
Ending Cash excluding Restricted Cash		11,472	11,318	11,287	11,159	11,065	10,921	10,678	10,600	10,515	10,395	10,345	10,279	10,230	9,950	9,847	9,803	9,725	9,725

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

Disclaimer:

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

Overview:

The Remaining Applicants' Forecast reflects projected cash flows in respect of the Remaining Applicants' operations. The Remaining Applicants with the assistance of the Monitor have prepared the Remaining Applicants' Forecast based primarily on their current cost base and historical results. Receipts and disbursements are denominated in both Canadian and US dollars; however, the consolidated cash flow is presented in U.S. dollars. Canadian dollars are converted to US dollars at the exchange rate of CDN$0.98 = US$1.00.

All of Grant's mills have been sold. Georgia-Pacific has acquired three of Grant's mills, specifically, the Englehart Mill, the Allendale Mill and the Clarendon Mill. Subsequently the Remaining Applicants have closed the sale of their 50% interest in the Footner mill to Ainsworth Lumber Co. Ltd, and sold the building and equipment related to the Timmins mill to EDS Decommissioning Canada.

Assumptions:

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

2) **GST/HST Refunds:**
Grant projects GST/HST refunds based on input tax credits during the forecast period. The Remaining Applicants' Forecast no longer reflects GST remittances on OSB and fibre sales pursuant to the closing of the transaction with Georgia Pacific.

3) **Other Receipts:**
Other receipts in the Remaining Applicants' Forecast represent a tax refund.

4) **Sale of Assets:**
The Remaining Applicants' Forecast does not reflect any net proceeds from the sale of the Remaining Applicants' remaining assets in this forecast period due to the uncertainty in the quantum and timing of such receipts. In addition, this line item also excludes the release of funds held in escrow or in trust with the Monitor due to the uncertainty in timing of when the relevant conditions related to the escrows are met and the timing of their release.

5) **Payroll:**
Payroll represents salaries, benefits and retention payments, including deductions for all remaining employees, and is forecast based on current run rates. Employees are paid bi-weekly through direct deposits.

6) **Other Payables:**
Other payables include primarily certain post-filing accounts payables.

7) **SG&A:**
SG&A represents costs for insurance, rent, property tax, repairs and maintenance related to the remaining non-core assets, office supplies and travel.

8) **Restructuring Costs:**
Restructuring costs include costs related to the Remaining Applicants' advisors and their counsel and the Monitor and its counsel.

9) **Bank Charges:**
Bank charges primarily include monthly bank charges and fees.

10) **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 actual exchange rate of CDN$0.9795 = US$1.00 as at the beginning of the forecast period and the Remaining Applicants' Forecast exchange rate of CDN$0.98 = US$1.00.

11) **Restricted Cash:**
At the beginning of the forecast period Restricted Cash represents approximately $127,000 of restricted cash held as a reserve for a letter of credit required by a municipal authority.