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-NINTH REPORT OF THE MONITOR DATED FEBRUARY 21, 2013

February 21, 2013

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**TWENTY NINTH REPORT OF THE MONITOR
DATED FEBRUARY 21, 2013**

INTRODUCTION

1. On June 25, 2009, Grant Forest Products Inc. ("**GFPI**"), Grant Alberta Inc. ("**GAI**"), Grant Forest Products Sales Inc. ("**GFPSI**") and Grant U.S. Holdings GP (the "**Grant Partnership**" or "**U.S. Holdings**") (collectively the "**Original Applicants**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* ("**CCAA**") in order to restructure the business and affairs of the Original Applicants. Pursuant to the Order of this Court dated June 25, 2009 (the "**Initial Order**"), Ernst & Young Inc. ("**EYI**") was appointed as the Monitor of the Original Applicants (the "**Monitor**") in the CCAA proceeding. The Initial Order provided for a stay of proceedings through to July 24, 2009. The stay of proceedings was most recently extended to April 30, 2013 (the "**Stay Period**")

pursuant to an Order of this Court dated January 30, 2013 (the "**Stay Extension Order**").

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

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

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

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

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

PURPOSE

7. The purpose of this Twenty Ninth Report of the Monitor (the "**Twenty Ninth Report**") is to report to this Court with respect to the following information that may be of assistance to (1) this Court's determination of the motion by the West Face Capital Inc. ("**West Face**") for, among other things, an order lifting the stay of proceedings as provided in the Initial Order to permit a bankruptcy order to be made against GFPI (the "**Bankruptcy Motion**"); and (2) the motion of GFPI, originally returnable June 25, 2012, that it not be required to make any further payment to the Pension Plans (defined below) without further Court order (the "**Pension Motion**"). In particular, this Twenty Ninth Report will report on the following:

   a. a summary of the Applicants' asset sales during the course of these CCAA proceedings;

   b. a summary of distributions made by the Applicants to its first lien lenders and second lien lenders during the course of these CCAA proceedings; and

   c. a summary of the Applicants' cash positions at certain points in time during the course of these CCAA proceedings.

TERMS OF REFERENCE

8. In preparing this Twenty Ninth 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 Ninth Report. Some of the information referred to in this Twenty Ninth 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 Ninth Report are defined in the Initial Order, the Supplemental Initial Order or previous Reports of the Monitor.

BACKGROUND

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

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

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

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

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

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

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

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

19. With the completion of the Georgia Pacific sale, the sale of GFPI's interests in Footner and the sale of the Timmins Mill, GFPI had the following remaining assets:

    a. Office premises and boathouse in Haileybury, Ontario (the "**Boat House**");

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

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

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

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

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

20. On September 21, 2011, this Court granted Orders approving the sale of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land. The sales of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land closed on October 13, 2011. Further details with respect to these sales transactions are described in the Twenty Second Report of the Monitor dated September 16, 2011 (the "**Twenty Second Report**").

21. On November 16, 2011, this Court granted Orders approving the sale of the Boat and the Ogden Landfill. Further details with respect to these sales transactions are described in the Twenty Third Report of the Monitor dated November 9, 2011 (the "**Twenty Third Report**").

22. As described in the Twenty Sixth Repot of the Monitor dated August 22, 2012, (the "**Twenty Sixth Report**"), GFPI continued to work with the purchaser of the Ogden Landfill to close the sale transaction, which sale transaction closed on November 7, 2012.

THE PENSION PLANS AND *INDALEX*

23. As discussed in the Twenty First Report of the Monitor dated August 18, 2011, GFPI was plan administrator of four registered pension plans including two defined contribution pension plans and two defined benefit plans. At that time, the defined contribution plans were in the process of being wound up. The defined benefit plans are the pension plan registered as #1053008 Pension Plan for the Salaried Employees of GFPI - Timmins Plant (the "**Timmins Salaried Plan**"), and the pension plan registered as #0992537 Pension Plan for Executive Employees of GFPI (the "**Executive Plan**") (collectively, the "**Pension Plans**").

24. Further to Orders of this Court dated August 26, 2011 and September 21, 2011 (the

"**Pension Reserve Orders**"), the Monitor began holding in escrow an amount of CDN$191,245 with respect to the Timmins Salaried Plan and CDN$2,185,000 with respect to the Executive Plan (collectively, the "**Pension Reserves**"). The Pension Reserves were based on 115% of the estimated amount necessary to satisfy the wind up deficits of the Pension Plans. The wind up deficits were calculated based on interim valuation reports prepared by GFPI's actuaries. The Pension Reserve Order in respect of the Timmins Salaried Plan (the "**August 26, 2011 Order**") stated as follows, with the September 21, 2011 Order containing substantially the same language in respect of the Executive Plan:

> 2. THIS COURT ORDERS that GFPI is hereby authorized to take steps required in accordance with the PBA [*Pension Benefits Act* (Ontario)] to initiate a wind up of the Timmins Salaried Plan and GFPI is authorized to work with the Superintendent of Financial Services and the Financial Services Commission of Ontario to facilitate the appointment of a replacement plan administrator of the Timmins Salaried Plan. For greater certainty, nothing in this Order shall fetter a replacement administrator's discretion, subject to the requirements of the PBA, whether to wind up the Timmins Salaried Plan.
>
> 3. THIS COURT ORDERS that the Monitor is hereby authorized and directed, until further Court Order, to hold back from any distribution to creditors of GFPI an amount of $191,245.00, which is estimated to be the amount necessary to satisfy the wind up deficent of the Timmins Salaried Plan. For greater certainty nothing in this order affects or determines the priority or security of the claims against these funds.

25. As described in the Twenty Fifth Report of the Monitor dated June 20, 2012 (the "**Twenty Fifth Report**"), PricewaterhouseCoopers Inc. ("**PWC**") was appointed as the replacement administrator of the Pension Plans. On June 14, 2012, counsel to PWC advised that the Financial Services Commission of Ontario ("**FSCO**") approved the wind up report prepared by PWC in respect of the Executive Plan. Pursuant to an Order of FSCO dated February 27, 2012, the effective wind up date of the Executive Plan is June 30, 2010.

26. As a result of further actuarial valuations obtained by PWC, the Pension Reserves were increased by an Order of this Honourable Court dated June 25, 2012 (the

"**June 25, 2012 Order**") to CDN$726,372 with respect to the Timmins Salaried Plan and CDN$2,384,688 with respect to the Executive Plan.

27. Also as set out in the Twenty Fifth Report, on June 5, 2012, the Supreme Court of Canada heard submissions on the appeal of the Court of Appeal's decision in the *Indalex* CCAA proceeding with respect to, among other things, the existence and priority of deemed trust amounts under the *Pension Benefits Act*. As a result of the uncertainty in respect of the existence and priority of such a deemed trust pending the Supreme Court's decision, GFPI brought the Pension Motion.

28. The Pension Motion was adjourned on June 25, 2012, August 27, 2012 and October 22, 2012. In all instances the Court confirmed its endorsement from June 25, 2012 that "I am satisfied that GFPI, the CRO and the Monitor hold funds that may otherwise be due under the pension plans pending notice to second lien creditors and those parties represented today and FSCO . . . until the return of the balance of the motion in this respect."

29. Shortly after the hearing on June 25, 2012, FSCO approved the wind up report in respect of the Timmins Salaried Plan. Pursuant to an Order of FSCO dated February 27, 2012, the wind up date of the Timmins Salaried Plan is March 31, 2011.

30. Based on the approval of the wind up report for the Executive Plan, the special payments required to be paid under the *Pension Benefits Act* to fund the wind up deficit for the Executive Plan is $1,263,186, representing amounts for June 30, 2010, June 30, 2011 and February 29, 2012. In addition, interest is accruing on these amounts. Further annual special payments would be $480,286 for each of February 28, 2013 and February 28, 2014, and $160,095 for February 28, 2015.

31. Based on the approval of the wind up report for the Timmins Salaried Plan, the special payments required to be paid under the *Pension Benefits Act* to fund the wind up deficit for the Timmins Salaried Plan is $328,298, representing amounts for March 31, 2011 and March 31, 2012. In addition, interest is accruing on these amounts. Further annual special payments would be $141,534 for each of March 31, 2013, March 31, 2014, and March 31, 2015.

32. As set out in the Twenty Sixth Report, GFPI and the Monitor were advised that

PWC contacted various insurance companies to inquire about the cost of purchasing annuities to fund the payment of benefits due to beneficiaries under the Executive Plan. Due to the terms of the Executive Plan, in particular the fact that it has a cost-of-living adjustment linked to the consumer price index, PWC advised that the cost of purchasing such annuities, according to the insurance companies it contacted at that time, would be in the range of CDN$6.1 million to CDN$6.5 million, which exceeds the estimated wind up liabilities calculated by the actuary by about $1.7 million, after taking into account the plan assets. Accordingly, the wind up deficit associated with the Executive Plan may increase significantly.

33. On November 27, 2012, this Court heard oral submissions with respect to the Pension Motion and the Bankruptcy Motion. This Court reserved its decision on both motions. At the conclusion of this hearing, the Court made an endorsement that no payments in respect of the Pension Plans were to be made pending the Court's decision on both motions.

34. On February 1, 2013, the Supreme Court of Canada released its decision in *Indalex*. On February 6, 2013, a 9:30 chambers appointment was held with this Court to discuss further briefing on the impact of *Indalex* to the Bankruptcy Motion and the Pension Motion. This Court issued an endorsement stating that "counsel to draft order to outline process to deal with remaining issues and obtain a return date in early April if oral argument required."

35. One outstanding issue applicable to the Bankruptcy Motion and the Pension Motion is whether some or all of the funds currently held by GFPI and/or the Monitor are subject to a deemed trust for the benefit of the Pension Plans, and if so, the priority of the deemed trust. In *Indalex*, the Supreme Court of Canada addressed the creation and priority of a deemed trust in respect of the wind up deficit of a pension plan that was wound up prior to the commencement of CCAA proceedings. The issue in this proceeding is whether a deemed trust was created as a result of the wind up of the Executive Plan and the Timmins Salaried Plan *after* the commencement of this CCAA proceeding, in accordance with the terms of the Initial Order, and if so, what priority does such deemed trust have and over what assets.

36. To assist the Court and the interested parties in their consideration of these issues, this Twenty Ninth Report will set out the source of the funds currently held by GFPI and the Monitor in their respective accounts and the cash position of GFPI and the Monitor at relevant times in this CCAA proceeding.

SUMMARY OF THE APPLICANTS' ASSET SALES

Sale of the Grant Partnership and the Englehart Mill

37. As described in the Fourteenth Report, pursuant to the Order of this Court of March 30, 2010, the Applicants completed the sale of its interest in the Grant Partnership and the Englehart Mill to Georgia Pacific on May 26, 2010. The Grant Partnership included the Allendale Mill and the Clarendon Mill.

38. On May 26, 2010 pursuant to the closing of the sale, Georgia Pacific paid to the Monitor the purchase price of US$403 million and a further amount of US$22.6 million with respect to a working capital adjustment that was contemplated in the purchase and sale agreement. The purchase price of US$403 million included US$133 million with respect to certain purchased assets located in Canada and US$270 million with respect to the Grant Partnership. The working capital adjustment of US$22.6 million included US$1.1 million with respect to certain purchased assets located in Canada and US$21.5 million with respect to the Grant Partnership.

39. Attached as Appendix 'A' is a copy of the detail breakdown of the working capital adjustment of US$22.6 million and attached as Appendix 'B' is the breakdown of the allocation of the sales proceeds with respect to the Applicants' Canadian assets, which included US$133 million for the purchase price and US$1.1 million for the working capital adjustment as described above. There is no breakdown of the allocation of the sales proceeds with respect to the sale of the Grant Partnership units, however, Appendix A includes the working capital items and the net working capital related to the Grant Partnership, which totals to approximately $17 million.

40. The funds received from Georgia Pacific included US$15 million with respect to the

Timber Escrow as described in the Sixth Report of the Monitor dated January 15, 2010 (the "**Sixth Report**") (the "**Timber Escrow**"), US$5 million with respect to the Working Capital Escrow as described in the Sixth Report (the "**Working Capital Escrow**"), and approximately US$1.4 million with respect to the Other Payables Escrow as described in the Sixth Report (the "**Other Payables Escrow**"). In addition, Georgia Pacific funded an amount of US$0.8 million with respect to an employee retention plan (the "**ERP**") for certain employees of GFPI and GFPSI. The ERP is further described in the Seventh Report of the Monitor dated January 27, 2010 (the "**Seventh Report**").

41. A table summarizing the closing proceeds received by the Monitor on behalf of the Applicants or to be held in escrow are summarized in the table below:

		(Split between Canada and the US)	
Proceeds from sale	**Amount (US$000's)**	**Canada**	**US**
Purchase Price	403,000	133,000	270,000
Working Capital Adjustment	22,657	1,116	21,541
Employee Retention	866		
Total	426,523	134,116	291,541

Item	**Amount (US$000's)**	
Timber Escrow	15,000	Held by the Monitor in escrow
Working Capital Escrow	5,000	Held by the Monitor in escrow
Other Payables Escrow	1,469	Held by the Monitor in escrow
Employee Retention	866	Held by the Monitor on behalf of GFPI
Remaining proceeds	404,188	Held by the Monitor on behalf of GFPI
Total	426,523	

42. The Timber Escrow, the Working Capital Escrow and the Other Payables Escrow were subsequently released by Georgia Pacific. Accordingly, these funds were removed from escrow and held by the Monitor on behalf of GFPI.

Sale of the Footner Mill

43. As described earlier in this Twenty Ninth Report, GFPI also had a 50% interest in the Footner Mill, which was described in detail in the Sixteenth Report. GFPI sold its interests in the Footner Mill to Ainsworth Lumber Co. Ltd. for CDN$20 million. The sale was approved by this Court on January 5, 2011 and the sale closed on February 17, 2011. Details of the sale of the Footner Mill are described in detail in

the Sixteenth Report.

44. Attached as Appendix 'C' to this Twenty Ninth Report is the breakdown of the purchase price. The prepaid expenses and deposits totalled approximately $106,000 (after closing adjustments). The remaining current assets based on the balance sheet as at February 16, 2011 included receivables of approximately $149,000 and inventory of approximately $5.7 million.

Sale of the building and equipment related to the Timmins Mill

45. As described earlier in this Twenty Ninth Report, GFPI had owned the Timmins Mill which was described in detail in the Nineteenth Report. GFPI sold the building and equipment comprising the Timmins Mill to EDS for CDN$1.25 million. The assets sold included the building, fixtures, machinery, equipment, books and records and all other personal property of GFPI located at the Timmins Mill at the time of the closing of the sale. This sale was approved by this Court on March 9, 2011 and the sale closed on March 21, 2011.

46. GFPI's sale of the building and equipment related to the Timmins Mill to EDS did not include the land on which the Timmins Mill was located and this land was sold separately by GFPI as described below.

Sale of the Applicants' Non Core Assets

47. After the sale of the above core assets, the Applicants remaining assets included the Boat House, the Golf Course Lands, the Hangar Lease, the Boat, the Ogden Landfill and the Timmins Land.

48. As described above, on September 21, 2011, this Court granted Orders approving the sale of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land. The total combined proceeds with respect to these sales was approximately CDN$1.01 million. These assets were primarily real estate assets. The sales of the Boat House, the Golf Course Lands, the Hangar Lease and the

Timmins Land closed on October 13, 2011. Further details with respect to these sales transactions are described in the Twenty Second Report.

49. On November 16, 2011, this Court granted Orders approving the sale of the Boat and the Ogden Landfill. Further details with respect to these sales transactions are described in the Twenty Third Report. The Boat was sold for CDN$425,000 and the Ogden Landfill was sold for CDN$40,000. The sale of the Boat closed on December 16, 2011 and the sale of the Ogden landfill closed on November 7, 2012.

Other Assets

50. In addition to the above assets, as described in the Sixteenth Report, GFPI owned certain aircraft parts including cables, switches and detectors that remained with GFPI after it returned certain leased aircraft that it had prior to these CCAA proceedings. These aircraft parts were sold to Waterloo Aviation Corp. For $50,000. This sale was approved by this Court on January 5, 2011 and the sale closed on January 19, 2011, however, due to certain litigation this amount was held in escrow by the Monitor until June 25, 2012, when it was released to GFPI.

51. As described in the Twenty Fifth Report of the Monitor dated June 20, 2012 (the "**Twenty Fifth Report**"), in the course of these CCAA proceedings, GFPI brought a motion against Peter Grant Sr. (the CEO and owner of GFPI prior to the commencement of these CCAA proceedings) and related entities seeking (a) recovery of certain assets that were in the hands of Mr. Grant Sr. but which GFPI believed belonged to it, and (b) to reconcile intercompany balances between GFPI and Mr. Grant Sr.'s personal companies. Further to extensive negotiations, a settlement was reached which among other things, resulted in payment of $650,000 to GFPI. The court approved this settlement on June 25, 2012 and the amount of $650,000 was received by the Monitor on behalf of GFPI on June 27, 2012.

DISTRIBUTIONS TO THE APPLICANTS' LENDERS

52. As described in the Twenty Third Report, on June 4, 2010, this Court granted an Order (the "**Distribution Order**"), among other things, (1) authorizing and

directing the Monitor to distribute the sums of US$ 340,291,419.61 and CAD$ 30,943,214.65 to the first lien lender's agent as well as (2) an Order authorizing the Monitor and the Remaining Applicants to distribute further sums to the first lien lender's agent "from time to time at such times as the Monitor may determine in its discretion or at such times as the court may direct by subsequent order until all amounts owing to the First Lien Lenders under and pursuant to the First Lien Credit Agreement have been irrevocably paid in full."

53. Pursuant to the Distribution Order, the Monitor and the Remaining Applicants have distributed US$401.3 million and CAD$36.5 million to the first lien lender's agent, as set out in the chart below. The amount of US currency and CDN currency were calculated based on exchange rates as of the day prior to the distribution dates as noted below:

Date	Amount (C$)	Amount (US$)	Total (US$)
June 4, 2010	30,943,214.65	340,291,419.61	370,000,000.00
July 13, 2010	1,249,468.82	13,785,031.15	14,999,995.00
July 29, 2010	416,942.95	4,597,428.84	5,000,000.00
August 31, 2010	166,772.43	1,842,101.46	2,000,000.00
September 30, 2010	573,587.23	6,343,119.19	6,900,000.00
October 1, 2010	149,629.11	1,654,700.81	1,800,000.00
November 23, 2010	49,731.27	551,181.63	600,000.00
February 23, 2011	2,471,482.32	27,493,171.40	30,000,000.00
March 23, 2011	523,131.37	4,784,313.52	5,319,869.79
Total	**36,543,960.16**	**401,342,467.62**	**436,619,864.79**

54. In addition to the above distribution, pursuant to the order of this Court, default interest of US$8,992,781 and CDN$715,005 was paid to the first lien lenders' agent on January 30, 2012.

55. The above distributions to the first lien lenders' agent were made by the Monitor from funds held by the Monitor on behalf of GFPI.

56. Pursuant to the Order of this Court of February 23, 2012, on March 7, 2012, GFPI made a distribution of US$ 6 million to the Second Lien Lenders from funds held by GFPI.

CASH POSITION OF THE APPLICANTS

57. The Monitor has reported on the cash held by GFPI and the Monitor's trust accounts in previous reports of the Monitor including those reports that supported the Applicants' requests for further extensions of the CCAA stay period.

58. The following is a summary of the cash held by the Applicants and the Monitor as at certain dates which are closest to: 1) the dates of the sale of significant assets; 2) the dates of the distributions to the lenders; and 3) the dates when extensions of the CCAA stay period were sought. The cash held by GFPI is reflected in US currency and includes cash held as collateral for certain letters of credit. For purposes of reporting cash, GFPI converts Canadian currency to US currency every week at Thursday's closing exchange rate as published by the Bank of Canada. The cash held by the Monitor includes both, funds held by the Monitor in escrow for certain purposes, and funds held by the Monitor on behalf of GFPI:

Summary of Cash Position
(In thousands of Dollars)

		GFPI Cash	Cash held by the Monitor	
Date	Event	US$	CDN$	US$
May 23, 2010		28,785	0	0
May 30, 2010	Georgia Pacific transaction closed on May 26, 2010	30,404	906	425,657
June 6, 2010	1st Distribution to first lien lenders on June 4, 2010	33,293	1,031	55,441
June 20, 2010	Wind up date of Executive Pension Plan is June 30, 2010	25,315	1,031	55,441
July 11, 2010		21,841	124	55,441
August 1, 2010		19,669	1,841	35,843
September 5, 2010		17,926	1,675	34,001
October 3, 2010		17,910	2,851	26,003
November 28, 2010		16,533	2,804	25,452
January 16, 2011		15,569	2,806	25,498
January 23, 2011		15,314	2,865	25,498
February 20, 2011	Footner transaction closed on February 17, 2011	15,210	23,046	25,498
February 27, 2011		15,206	18,301	305
March 20, 2011		13,464	18,303	305
March 27, 2011	Timmins Mill (not land) transactions closed March 21, 2011	12,740	14,201	320
April 10, 2011	Wind up date of Timmins Salaried Plan is March 31, 2011	12,423	14,201	320
August 7, 2011		11,657	14,236	320
October 16, 2011		10,952	15,177	320
December 18, 2011		10,456	15,648	320
January 29, 2012		10,313	6,582	9,277
February 5, 2012	Final distritbution to the first lien lenders on January 30, 2012	9,860	5,617	284
March 4, 2012	1st Distribution to second lenders on March 7, 2012	9,756	5,631	284
June 3, 2012		3,067	5,652	284
June 24, 2012		2,978	5,656	284
November 11, 2012	Peter Grant Sr. settlement amount received	2,547	6,359	284
January 20, 2013		2,211	6,545	284
February 1, 2013		2,182	6,545	284

Note: The cash held by the Monitor in the table above includes cash held for specific escrows as well as cash held by the Monitor on behalf of GFPI.

59. Cash held by the Monitor includes an escrow of CDN$3,111,060 for the Pension Reserves including CDN$726,372 with respect to the Timmins Salaried Plan and CDN$2,384,688 with respect to the Executive Plan. The remaining cash is held on behalf of GFPI. As all sales proceeds have been paid to the Monitor, the cash currently held by GFPI is, for the most part, proceeds remaining from the operations of GFPI prior to the completion of the transaction with Georgia Pacific and certain tax refunds.

All of which is respectfully submitted this 21st day of February, 2013.

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

Per:

Alex Morrison
Senior Vice President

Simone Carvalho
Vice President

APPENDIX "A"

PSA Working Capital Estimate at May 26, 2010

	GFPI/Sales Inc	Allendale	Clarendon	US Sales	Total
Assets					
US Entity Cash				14,569	14,569
Receivables					
Trade Receivables	9,557			11,138	20,695
Woodlands AR	186				186
Other		17		16	33
Inventory					
Finished goods	2,503	2,895			5,398
Raw Materials	1,000	740			1,740
Logs	6,008	468			6,476
Parts	4,833	5,888	1,729		12,450
GIT	1,332	178			1,510
Other	336			(51)	285
Prepaid Expenses					
Vendor Deposits	948	1,610	460		3,017
Property Tax	85				85
Insurance	261	117	59		437
Woodlands	821				821
Other	475				475
Total Assets	28,345	11,912	2,248	11,103	68,177
Liabilities					
AP Trade		2,853	79	159	3,091
Accruals	(348)	3,159	189	557	3,557
Payroll Accruals	477	616	5	38	1,136
Income Tax Payable				579	579
Total Liabilities	129	6,628	274	1,333	8,364
Net Working Capital	**28,216**	① **5,283**	① **1,974**	① **9,770**	**59,813**
Target Working Capital (unadjusted)					34,842
		Excess Working Capital			24,971
		Excess Working Capital $US			23,168
Target Working Capital (adjusted for Clarendon property tax)					35,393
		Excess Working Capital			24,420
		Excess Working Capital $US			**22,657**

Σ ① - $17,027

APPENDIX “B”

Candian Purchase Price Allocation
As of May 25, 2010

	Canadian Dollars	Exchange Rate	US Dollars
Purchase Price Allocation			
Land and Buildings			$ 17,068,000
Manufacturing Equipment			86,842,488
Non-Manufacturing Equipment			223,000
Intangibles			3,804,000
Working Capital	$ 28,215,839	0.9278	26,178,655
			$ 134,116,143

APPENDIX “C”

Schedule 2
Allocation of Asset Purchase Price

Purchased Assets	Allocated Asset Purchase Price
Real Property	$300,000
Building and improvements	$8,500,000
Insurance Policies	$1
Contracts	$1
Books and Records	$1
Current Assets	Book value
Prepaid Expenses and Deposits	Book value
Goodwill	$1
Permit and Licenses	$1,000,000
Machinery, Equipment and Motor Vehicles	Balance
TOTAL	$20,000,000

Court File No: CV-09-824700CL

N 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

TWENTY-NINTH REPORT OF THE MONITOR
DATED FEBRUARY 21, 2013

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