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 THIRD REPORT OF THE MONITOR DATED NOVEMBER 9, 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 November 30, 2011 (the "**Stay**

Period") pursuant to an Order of this Honourable Court dated August 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 Third Report of the Monitor (the "**Twenty Third Report**") is to report to this Honourable Court with respect to:

   a. the motion by The Toronto-Dominion Bank (the "**First Lien** Lenders' **Agent**"), the agent for secured lenders holding first lien security (the "**First Lien Lenders**") for an Order:

      a. declaring that interest payable to the First Lien Lenders pursuant to a credit agreement dated October 26, 2005 as amended by an agreement dated as of March 21, 2007 (the "**First Lien Credit Agreement**") has not been paid in full;

      b. declaring that interest calculated pursuant to Section 4.05(2) of the First Lien Credit Agreement is a valid and enforceable obligation of the Remaining Applicants;

      c. directing the Monitor to distribute sufficient cash to the First Lien Lenders' Agent to satisfy all obligations to the First Lien Lenders including interest calculated pursuant to Section 4.05(2) of the First Lien Credit Agreement, and the First Lien Lenders' Agent's costs related to these CCAA proceedings and the First Lien Agent's motion; or

      d. alternatively, declaring that any amount distributed to the agent (the "**Second Lien Lenders' Agent**") for secured lenders holding second lien security (the "**Second Lien Lenders**"), and/or any Second Lien Lender be held in trust for the First Lien Lenders and turned over to the First Lien Lenders' Agent for irreversible distribution to the First Lien Lenders;

   b. the Remaining Applicants' motion for an Order (the "**Ogden Landfill Approval and Vesting Order"**) approving the sale transaction (the "**Ogden Landfill Transaction**") contemplated by an agreement of purchase and sale (the "**Ogden Landfill Sale Agreement**") between GFPI and Chartrand Power Generation Inc. (the "**Ogden Landfill Purchaser**") made as of September 20, 2011 and vesting in the Ogden Landfill Purchaser on closing, GFPI's right, title and interest, if any, in and to the Ogden Landfill (defined below) free and clear of all claims, liens or encumbrances;

c. the Remaining Applicants' motion for an Order (the "**Boat Approval and Vesting Order")** approving the sale transaction (the "**Boat Transaction**") contemplated by an agreement of purchase and sale between GFPI and Crown Capital Corporation (the "**Boat Purchaser**") dated as of October 25, 2011, as amended by an agreement dated as of November 4, 2011 to include a boat trailer (collectively the **"Boat Sale Agreement"**) and vesting in the Boat Purchaser GFPI's right, title and interest in and to the assets described in the Boat Sale Agreement free and clear of all claims, liens and encumbrances;

d. the Remaining Applicants' motion for an Order declaring that the Debt Forgiveness Interest Payment Claim (as defined below) is an unsecured claim against GFPI, which is stayed, and not required to be paid by GFPI until GFPI has paid its secured creditors in full;

e. the actual receipts and disbursements of the Remaining Applicants from August 8, 2011 to October 16, 2011 and provide an updated cash flow projection from October 17, 2011 to April 1, 2012;

f. the Remaining Applicants' motion to extend the Stay Period to March 30, 2012; and

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

TERMS OF REFERENCE

8. In preparing this Twenty Third 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 Third Report. Some of the information referred to in this Twenty Third 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 Third 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) 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 (collectively, the "**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 Honourable 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. Following the closing of the sales of the Boat House, the Golf Course Lands, the Hangar Lease and the Timmins Land, GFPI continued to own the Boat and the Ogden Landfill. As set our further herein, GFPI has now entered into separate sale agreements for each of the Boat and the Ogden Landfill, subject to the approval of this Honourable Court.

MOTION BY THE FIRST LIEN LENDERS' AGENT

22. As stated in the Fourteenth Report and as initially set out in the affidavit of Peter Lynch sworn June 22, 2009 in support of the Initial Order, as at May 31, 2009 the First Lien Lenders were owed the principal amount of approximately $399 million plus accrued interest of approximately $5.3 million, pursuant to the First Lien Credit Agreement. Additional amounts were owed to one First Lien Lender pursuant to an interest swap agreement.

23. The Fourteenth Report was prepared by the Monitor in respect of a motion by the Remaining Applicants for, *inter alia*, an Order authorizing and directing the Monitor and the Remaining Applicants to distribute certain amounts to the First Lien Lenders' Agent.

24. As set out in the Fourteenth Report, the Monitor's counsel conducted a security review of various security held by the First Lien Lenders in Canada granted in their favour by the Remaining Applicants over each of their respective property and assets and rendered an opinion with respect to the validity and perfection thereof under the provincial laws of Ontario and Alberta and the federal laws of Canada. The opinion of Monitor's counsel stated that, subject to the assumptions and qualifications contained therein, that the First Lien Lenders' security is valid and enforceable and ranks in first priority to the other claims with respect to the personal property secured.

25. The Monitor's U.S. legal counsel also completed a review and rendered an opinion with respect to the various security held by the First Lien Lenders in the U.S., the contents of which are set out in the Fourteenth Report.

26. The Honourable Mr. Justice Campbell granted an Order dated June 4, 2010 (the "**Distribution Order**"), *inter alia*, (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 Lenders' Agent as well as (2) an Order authorizing the Monitor and the Remaining Applicants to distribute further sums to the First Lien Lenders' 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."

27. Pursuant to the Distribution Order, the Monitor and the Remaining Applicants have distributed US$436.6 million and CAD$35.5 million to the First Lien Lenders' Agent, which, as determined by the First Lien Lenders' Agent and the Remaining Applicants, is an amount sufficient to pay all indebtedness owing to the First Lien

Lenders except for any amounts payable as "default interest" under Section 4.05(2) of the First Lien Credit Agreement.

28. In or around March 2011, a question was raised with the Monitor as to whether the additional interest amounts provided for in Section 4.05(2) of the First Lien Credit Agreement were payable as a result of the *Interest Act*, R.S.C. 1985, c. I-15. The Monitor's counsel reviewed the issue in conjunction with counsel to the Remaining Applicants and determined that it would require the advice and direction of this Honourable Court prior to distributing any amounts pursuant to Section 4.05(2) of the First Lien Credit Agreement. Accordingly, and consistent with the terms of the Distribution Order, the Monitor advised the First Lien Lenders' Agent that the Monitor would require a further court order before it would distribute any amounts payable under s. 4.05(2) of the First Lien Credit Agreement.

29. As a result, the First Lien Lenders' Agent served a Motion Record seeking the relief set out in paragraph 7a above. The Monitor has been advised by GFPI that it has reviewed the default interest calculations set out in the Motion Record and does not have any corrections to those calculations.

30. The Monitor does not express any opinion on whether any amount is payable pursuant to Section 4.05(2) of the First Lien Credit Agreement.

OGDEN LANDFILL APPROVAL AND VESTING ORDER

The Marketing Process:

31. As described in the Twentieth Report of the Monitor dated April 15, 2011 (the "**Twentieth Report**"), GFPI owns a parcel of land known as Parcel 24714, Section SEC, Location C.L. 12151 Ogden, being Part 1, Plan 6R-7502, Timmins, on which GFPI operated a landfill site. The Ogden Landfill was included as part of a modified tender sale process (the "**Tender Process**"). Details of the Tender Process are described in the Twentieth Report.

32. As described in the Twenty Second Report, on April 26, 2011, this Honourable Court issued an Order (the "**Further Marketing Process Order**"), which, among

other things, authorized the Remaining Applicants to conduct a modified tender process with the oversight of the Monitor and the CRO, to identify purchasers for the Ogden Landfill (the "**Further Marketing Process**") along with certain other of the Remaining Assets.

33. As further described in the Twenty Second Report, pursuant to the Further Marketing Process Order, the Monitor placed four newspaper advertisements in each of the Globe and Mail (National Edition), North Bay Nugget and the Timmins Daily Press, and sent information packages to approximately 10 national and international real estate brokerage firms for distribution to clients who may have an interest in purchasing, among other assets, the Ogden Landfill.

The Ogden Landfill Sale Agreement:

34. On June 24, 2011, the bid deadline for the Further Marketing Process, the Monitor received two bids for the Ogden Landfill. One of these bidders was selected as the successful bidder and GFPI, with the assistance of the Monitor and the CRO, negotiated the Ogden Landfill Sale Agreement with this successful bidder. The Ogden Landfill Sale Agreement was signed on September 20, 2011. A copy of the Ogden Landfill Sale Agreement is attached as Appendix 'A' to this Twenty Third Report. The deposit of the unsuccessful bidder was returned.

35. Certain significant items included in the Ogden Landfill Sale Agreement are described below:

   a. the purchase price of the Ogden Landfill is CDN$40,000. The Ogden Landfill Purchaser paid a deposit of CDN$7,500 to the Monitor, and the remaining purchase price is payable on the closing of the Ogden Landfill Transaction;

   b. the closing date of the Ogden Landfill transaction is 10 business days after the issuance of the Ogden Landfill Approval and Vesting Order, or at such other time as may be specified by GFPI (the "**Closing Date**");

   c. the Odgen Landfill Transaction is to be completed in accordance with the provisions of the terms and conditions attached as Schedule A to the Ogden Landfill Sale Agreement;

d. the sale is conditional on the return to GFPI, on or before the completion of the sale, by Her Majesty the Queen in Right of Ontario, as represented by the Minister of the Environment of a letter of credit issued by the Toronto-Dominion Bank at the request of GFPI for the Ogden Landfill in the current outstanding amount of $124,537;

e. GFPI and the Ogden Landfill Purchaser agreed that there shall be no adjustment to the purchase price in respect of any property tax or other expense related to the Ogden Landfill; and

f. the Ogden Landfill Transaction is not conditional on the transfer by GFPI to the Ogden Landfill Purchaser of any permits issued by the Ontario Government to GFPI in respect of the Ogden Landfill or any adjoining lands or the issuance of any new permit to the Ogden Landfill Purchaser.

BOAT APPROVAL AND VESTING ORDER

The Marketing Process:

36. As described in the Twentieth Report of the Monitor and above, GFPI owns the Boat, which is an 'express cruiser' weighing approximately 70,000 pounds. The hull of the Boat is made of an OSB composite. The Boat was initially stored at a marina in Placida, Florida and subsequently relocated to Fort Lauderdale, Florida where the Boat was listed for sale with a boat broker.

37. There were several challenges encountered by GFPI in order to prepare the Boat for sale, including:

a. negotiating a settlement with the boat builder to complete the construction of the Boat and obtain documentation required to register the Boat;

b. conducting a survey and sea trial of the Boat and working with the boat builder to rectify items identified during the survey and sea trial;

c. working with counsel in Florida to register the Boat; and,

d. relocating the Boat from Placida, Florida to Fort Lauderdale, Florida so it would be situated at the marina with the boat broker to list the Boat for sale.

38. Further to the listing of the Boat with the boat broker in November 2010, the boat broker assisted with relocating the Boat to Fort Lauderdale, Florida and preparing the Boat for sale. At this time, certain problems were identified with the Boat, including the peeling of the outer layer of the finish of the Boat. The boat broker suggested repairing the finish of the Boat. Quotes obtained by GFPI show that the cost of such a repair would have been approximately $60,000. In addition, GFPI has annual holding costs of approximately $60,000 with respect to the Boat.

39. The Boat was originally included in the sales process conducted to market the Applicants' OSB Mills, as more fully described in the Sixth Report. These efforts did not result in any offers for the Boat.

40. The broker marketed the Boat by showing it in an open house and a boat show as well as displaying the Boat at the marina where the boat broker is based. The boat broker advised that these showings and displays resulted in the Boat being viewed by numerous parties; however, there has been limited interest in purchasing the Boat.

41. Subsequent to listing the Boat for sale with the boat broker, the Boat Purchaser, who either directly or through an affiliated company also purchased the Boat House, the Hangar Lease, the Golf Course Lands and the Timmins Lands, expressed an interest in purchasing the Boat. The Boat Purchaser conducted two surveys and other due diligence with respect to the Boat.

<u>The Boat Sale Agreement:</u>

42. Further to negotiations between GFPI and the Boat Purchaser, the Boat Sale Agreement was negotiated. After providing advance notice to the Second Lien Lenders, and with the approval of the Monitor, GFPI signed the Boat Sale Agreement on October 25, 2011.

43. The Boat Purchaser has requested that the purchase price not be disclosed publicly; accordingly, a copy of the redacted Boat Sale Agreement is attached as Appendix

‘B’ to this Twenty Third Report.

44. The significant provisions of the Boat Sale Agreement are described below:

a. the closing date of the Boat Transaction is December 15, 2011 (the “**Closing Date**”);

b. the Boat Purchaser is required to pay an initial deposit to the Monitor to be held in escrow until the completion of the Boat Transaction. On the Closing Date, the Boat Purchaser is required to pay the remaining purchase price to the Monitor;

c. the Boat Purchaser acknowledges that GFPI is selling the Boat on an “as is, where is” basis as of the Closing Date. The Boat Purchaser further acknowledges that it will conduct inspections of the condition of the Boat and other matters as it deems appropriate to satisfy itself with respect to these matters;

d. in the event the Boat Transaction does not close due to the non-performance of the Boat Purchaser, the deposit that the Boat Purchaser pays will be forfeited by the Boat Purchaser and such deposit will be shared between GFPI and the boat broker. However, in the event the Boat Transaction does not close due to action or inaction of GFPI, then the deposit is to be returned to the Boat Purchaser;

e. the Boat Transaction is subject to the approval of this Honourable Court and the issue by this Honourable Court of a vesting order which vests GFPI’s interest in the Boat in the Boat Purchaser;

f. upon closing, the Boat Purchaser will be provided a Monitor’s certificate, which is attached as Schedule ‘A’ to the draft order attached to the motion of the Remaining Applicants returnable November 16, 2011; and

g. the sale includes a trailer for the Boat.

DEBT FORGIVENESS INTEREST PAYMENT CLAIM

45. GFPI has been advised by its tax advisor that while preparing GFPI’s 2010 and

2011 corporate federal income tax returns, it inquired into GFPI's inter-company balances with GFPI's related companies. As a result of this inquiry, GFPI's tax advisor was informed by the management at GFPI's parent company, 1308406 Ontario Inc., that it made a unilateral election under subsection 50(1) of the federal *Income Tax Act* on its December 31, 2009 corporate federal income tax return with respect to a CDN $50 million loan receivable from GFPI. This section 50(1) election made by GFPI's parent company has been accepted by Canada Revenue Agency (**"CRA"**), which, according to GFPI's tax advisor, resulted in significant tax implications to GFPI in its taxation year ending July 3, 2010, due to the loan receivable owing from GFPI being treated as an unrecoverable receivable for corporate federal income tax purposes by 1308406 Ontario Inc.

46. According to GFPI's tax counsel, subsection 50(1) of the *Income Tax Act* generally allows a taxpayer to trigger a loss on a debt owing to the taxpayer for federal income tax purposes where the debt has been established to have become a "bad debt" in a particular taxation year. Provided (i) the taxpayer has established that the debt has become a "bad debt" in the year; and (ii) the taxpayer has filed the necessary election in its tax return for the year, the taxpayer will be deemed under subsection 50(1) to have disposed of the debt at the end of the taxation year for nil proceeds. This deemed disposition will trigger a tax loss to the taxpayer. The taxpayer will also be deemed to have reacquired the debt immediately after the end of the year. Accordingly, subsection 50(1) allows a taxpayer to unilaterally trigger a loss on a debt for tax purposes without actually disposing of the debt.

47. GFPI's tax advisor has advised GFPI and the Monitor that since this debt of CDN$50 million was inter-company debt, there are now tax implications for GFPI's July 3, 2010 corporate federal income tax returns under section 80 of the federal *Income Tax Act*. The election of GFPI's parent company generates debt forgiveness in the hands of GFPI for income tax purposes. GFPI therefore has to amend its corporate federal income tax return for the year ended July 3, 2010 to account for the additional taxable income as a result of the unilateral election of its parent company. GFPI's tax advisor advised that GFPI realized non-capital losses in its tax year ending July 3, 2011, which GFPI will carry back to offset the additional

taxable income of its tax year ending July 3, 2010. This carry back will result in no tax payable for the tax year ended July 3, 2010; however, amounts will remain owing in respect of interest (the "**Debt Forgiveness Interest Payment Claim**") in respect of the underpayment of tax for the period between the due date for tax payable for the tax year ended July 3, 2010 and the date the carry back of losses is applied against the tax liability.

48. Paragraph 7(c) of the Initial Order provides that "the Applicants' shall remit, in accordance with legal requirements…any amount payable to the Crown in the right of Canada or any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments, levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by any of the Applicants."

49. As a result, GFPI believes that it is only required to remit the Debt Forgiveness Interest Payment Claim to CRA, if (i) such amount is, by law, payable in priority to claims of secured creditors; and, (ii) it is attributable to or in respect of the carrying on of the Business by any of the Remaining Applicants. GFPI's counsel has advised that under the *Income Tax Act* no special priority is given to payments of interest or penalties, and as such, GFPI has determined that the Debt Forgiveness Interest Payment Claim is an unsecured claim which ranks behind the claims of GFPI's secured creditors. Accordingly, GFPI is seeking an Order from this Honourable Court declaring that the Debt Forgiveness Interest Payment Claim is an unsecured claim against GFPI, which is stayed, and not required to be paid by GFPI in whole or in part unless GFPI has paid its secured creditors in full.

ACTUAL CASH RECEIPTS AND DISBURSEMENTS OF THE REMAINING APPLICANTS

50. A summary of the actual receipts and disbursements of the Remaining Applicants as compared to the projection set out in the Twenty First Report of the Monitor dated August 18, 2011 (the "**Twenty First Report**") for the period from August 8, 2011 to October 16, 2011 is attached as Appendix 'C' to this Twenty Third Report. As

set out in the Twenty First 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 such distributions, due to the Motion of the First Lien Lenders' Agent described earlier in this Twenty Third Report.

51. The Remaining Applicants' actual consolidated net cash outflow for the period from August 8, 2011 to October 16, 2011, is set out in Appendix 'C' to this Twenty Third Report. In addition, Appendix 'C' includes further details with respect to the variance in the individual receipt and disbursement line items.

52. Attached as Appendix 'D' is a summary of the cash balances held by the Monitor in its trust and escrow accounts. As at October 16, 2011, the Monitor's trust and escrow accounts held \$320,000 in U.S. currency and \$15.2 million in Canadian currency primarily from the proceeds of previous asset sales.

UPDATED CASH FLOW PROJECTION OF THE REMAINING APPLICANTS

53. An updated cash flow forecast of the Remaining Applicants for the period from October 17, 2011 to April 1, 2012 is attached as Appendix 'D' to this Twenty Third Report (the "**Remaining Applicants' Forecast**").

54. 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.

55. The Remaining Applicants' Forecast 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 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.

56. 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

57. The current Stay Period of the Remaining Applicants expires on November 30, 2011. The Remaining Applicants are seeking an extension of the Stay Period to March 30, 2012 to permit them time to complete the sales of the Ogden Landfill and the Boat and continue to work to resolve the 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.

58. 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 March 30, 2012 is appropriate. Accordingly, the Monitor recommends to this Honourable Court that the Stay Period be extended to such date.

RECOMMENDATIONS

59. It is the Monitor's view that the marketing process with respect to the Ogden Landfill and the Boat was conducted in a fair and efficient manner. It is the Monitor's view that the sale of the Ogden Landfill to the Ogden Landfill Purchaser and the Boat to the Boat Purchaser will realize the highest amount of proceeds for the Ogden Landfill and the Boat. In addition, the Monitor notes that GFPI is currently funding holding costs for the Boat in the range of approximately CDN$60,000 per annum which will cease on the Boat Closing Date and that GFPI will not need to fund the cost of painting and maintaining the Boat.

60. The Remaining Applicants are seeking this Honourable Court's authorization for the following Orders:

i. an Order approving the Ogden Landfill Transaction contemplated by the Ogden Landfill Sale Agreement between GFPI and the Ogden Landfill Purchaser, and vesting in the Ogden Landfill Purchaser on closing, GFPI's right, title and interest, if any, in and to the Ogden Landfill free and clear of all claims, liens or encumbrances;

b. an Order approving the Boat Transaction contemplated by the Boat Sale Agreement between GFPI and the Boat Purchaser, and vesting in the Boat Purchaser GFPI's right, title and interest in and to the assets described in the Boat Sale Agreement free and clear of all claims, liens and encumbrances;

iii. an Order declaring that the Debt Forgiveness Interest Payment Claim is an unsecured claim against GFPI which is stayed and not required to be paid by GFPI until GFPI has paid its secured creditors in full;

iv. approving the extension of the Stay Period to March 30, 2012; and

v. approving this Twenty Third Report and the conduct and activities of the Monitor as reported on herein.

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

All of which is respectfully submitted this 9th day of November, 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

APPENDIX “A”

THIS AGREEMENT is dated as of the 20 day of September, 2011,

BETWEEN:

CHARTRAND POWER GENERATION INC.

(hereinafter referred to as the "**Purchaser**")

- and –

GRANT FOREST PRODUCTS INC.

(hereinafter referred to as the "**Vendor**")

WHEREAS Ernst & Young Inc., the Court-appointed monitor of the Vendor, requested tenders to purchase Parcel 24714, Section SEC, Location C.L. 12151 Ogden, being Part 1, Plan 6R-7502 (reserving all ores, mines or minerals thereon or thereunder), Timmins (the "**Property**") owned by the Vendor, on which the Vendor operated a landfill site;

AND WHEREAS the Purchaser is prepared to pay to the Vendor the purchase price of Cdn. $40,000 (the "**Purchase Price**") to purchase the Property subject to and in accordance with the provisions of the terms and conditions of sale dated May 4, 2011 enclosed with the tender, a copy of which is attached as Schedule "A" hereto (the "**Terms and Conditions of Sale**");

AND WHEREAS the Purchaser and the Vendor wish to confirm their agreement in respect of the Property;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of other good and valuable consideration and payment by the Purchaser to Ernst & Young Inc. of the deposit in the amount of $7,500 (the receipt and sufficiency of which are hereby acknowledged), the parties hereby agree as follows:

1. The Purchaser hereby agrees to purchase the Property (referred to in the Terms and Conditions of Sale as "Parcel 5 Timmins Ogden Landfill") from the Vendor and the Vendor hereby agrees to sell the Property to the Purchaser for the Purchase Price of Cdn. $40,000 subject to and in accordance with the provisions of the Terms and Conditions of Sale as supplemented or amended by this agreement.

2. The sale shall be conditional on the return to the Vendor undrawn, on or before the completion of the sale, by Her Majesty the Queen in Right of Ontario, as represented by the Minister of the Environment, of the letter of credit no. DA27B55MD issued by The Toronto-Dominion Bank at the request of the Vendor with respect to the Property in the current outstanding amount of $124,537. This condition is inserted for the Vendor's exclusive benefit and may be waived by the Vendor in writing.

3. The parties agree that there shall be no adjustment to the Purchase Price in respect of any property tax or other expense related to the Property or otherwise.

4. The Purchaser acknowledges that it has reviewed the inspection report dated February 8, 2011 issued by the Ontario Ministry of the Environment which discloses the results of its inspection of the Property completed on November 17, 2010. The Purchaser agrees to purchase the Property without any abatement of the Purchase Price despite any provision of such report.

5. The purchase is not conditional on the transfer by the Vendor to the Purchaser of any permits issued by the Ontario Government to the Vendor in respect of the Property or of any adjoining lands or the issue of any new permit to the Purchaser.

6. The parties hereby confirm the provisions of the Terms and Conditions of Sale, as supplemented or amended by this agreement. In the event of any conflict, the provisions of this agreement shall govern. For greater certainty, this transaction is conditional on its approval by the Ontario Superior Court of Justice as specified by paragraph 12 of the Terms and Conditions of Sale.

7. This agreement may be executed in any number of counterparts, and/or by facsimile or e-mail transmission each of which shall constitute an original and all of which, taken together, shall constitute one and the same instrument. Any Party executing this agreement by fax or e-mail transmission shall, immediately following a request by any other Party, provide an original executed counterpart of this agreement provided, however, that any failure to so provide shall not constitute breach of this agreement except to the extent that such electronic execution is not otherwise permitted under the *Electronic Commerce Act, 2000*(Ontario).

8. This agreement shall be governed by and construed in accordance with the law of Ontario.

9. This agreement shall enure to the benefit of and be binding on the parties hereto and their respective successors and assigns.

CHARTRAND POWER GENERATION INC.

By: Colette Chartrand
Name: Colette Chartrand
Title: Secretary
I have authority to bind the Corporation

GRANT FOREST PRODUCTS INC., by its Chief Restructuring Organization, STONECREST CAPITAL INC.

By: Sandra Rosch
Name: Sandra Rosch
Title: President

By: ____________________
Name:
Title:

I have authority to bind the Corporation

Schedule "A"

Terms and Conditions of Sale

1. The vendor is Grant Forest Products Inc. (the "**Vendor**").
2. The Monitor is requesting offers to purchase the Vendor's right, title and interest, if any, in the following assets (the "**Assets**" or the "**Purchased Property**") pursuant to these Terms and Conditions of Sale:
   - (i) Parcel 1 Haileybury Lakeside Complex
   - (ii) Parcel 2 Golf Course
   - (iii) Parcel 3 Hangar Lease
   - (iv) Parcel 4 Timmins Land
   - (v) Parcel 5 Timmins Ogden Landfill
3. The description of the Assets for sale or otherwise made available by the Vendor or the Monitor through the Vendor's dataroom or any other means has been prepared solely for the convenience of prospective offerors and <u>is not warranted to be complete or accurate</u> and does not form part of these Terms and Conditions of Sale.
4. Offers marked "**Do Not Open – Offer – Grant Forest Products**" shall be sent by e-mail, fax or courier to Ernst & Young Inc., 222 Bay Street, Suite 2400, Toronto, ON M5K 1J7, to the attention of Todd Ambachtsheer so as to be received before 5:00 PM (Toronto time) on June 24, 2011. Deposits related to offers sent by e-mail or fax are required to be received by the aforementioned deadline. Offers may be faxed to Todd Ambachtsheer's attention at (416) 943-2018. Offers may also be sent via email to todd.ambachtsheer@ca.ey.com.
5. Every offer submitted <u>must</u> be in the Form of Offer attached hereto. **If offers are not in this form, they may not be considered.**
6. Offers may be submitted by individual parcel only. Offers submitted for more than one parcel will be considered as a separate offer for each separate parcel unless the offeror specifically states that the acceptance of the offeror's offer for one parcel is conditional on the acceptance of the offeror's offer for one or more additional parcels.
7. Each offeror shall, with its offer, deliver to the Vendor a certified cheque payable to Ernst & Young Inc. for fifteen percent (15%) of the gross aggregate offered price (the "**Purchase Price**"). If the offer is accepted said cheque shall be deemed to be a cash deposit and the successful offeror (the "**Purchaser**") shall pay the balance of the Purchase Price to the Vendor, by certified cheque or bank draft on or before closing. No interest on any deposit will be paid.
8. Once the Monitor, in its sole discretion, has determined that the likelihood of closing the relevant sale with the Successful Bidder(s) is advanced enough, deposit cheques will be returned to the bidders whose bids were not selected as described in the Tender Package. No interest will be paid on such deposits.
9. If any offer is accepted by the Vendor, then such acceptance shall be communicated to the Purchaser within ten business days of the date called for offers by notice in writing by the Vendor to the Purchaser at the address set forth in its offer, such notice to be given by prepaid

regular mail, e-mail, facsimile or personal delivery and to be deemed effectively given and received when deposited in the post office or when transmitted by e-mail or facsimile or when personally delivered as the case may be.

10. When an offer for any parcel(s) is accepted, the terms of the offer and the acceptance thereof, and these Terms and Conditions of Sale shall be read together and constitute an agreement of purchase and sale (the "**Agreement of Purchase and Sale**") between the Purchaser and the Vendor with respect to such parcel(s) unless otherwise agreed in writing by the Vendor and the Purchaser.
11. The closing of the Agreement of Purchase and Sale shall take place at the office of the Monitor, 222 Bay St., Suite 2400, Toronto, Ontario, Canada or, at the option of the Vendor, at the offices of the Vendor's solicitors, at no later than the tenth (10th) business day following approval of the offer by the Ontario Superior Court of Justice or at such other time as may be specified by the Vendor at its sole discretion.
12. Any Agreement of Purchase and Sale shall include a condition that the sale will be subject to approval by the Ontario Superior Court of Justice.
13. Upon closing of the sale contemplated by the Agreement of Purchase and Sale, the Purchaser shall be entitled, upon receipt by the Vendor of the Purchase Price, to such deeds, bills of sale or assignments as may be considered necessary by the Vendor to convey its right, title and interest in the Purchased Property, if any. Any such deeds, bills of sale or assignments shall state that the Vendor does not make any representations, warranties or conditions of any kind.
14. The Purchaser shall be responsible for and pay on closing in addition to the Purchase Price all applicable federal and provincial taxes.
15. The Purchaser shall assume, at the Purchaser's cost, complete responsibility for compliance with all municipal, provincial and federal laws insofar as the same apply to the Purchased Property and the use thereof by the Purchaser.
16. The Vendor shall not be required to produce evidence as to title, other than those in its possession.
17. Prior to closing, the Purchased Property shall be and remain in the possession of and at the risk of the Vendor and the Vendor will hold all policies of insurance effected thereon and the proceeds thereof in trust for the Vendor and the Purchaser as their respective interests may appear. After closing, the Purchased Property shall be at risk of the Purchaser. In the event of substantial damage to the Purchased Property occurring on or before closing the Purchaser may either have the proceeds of the insurance and complete the Agreement of Purchase and Sale or may cancel the Agreement of Purchase and Sale and have all monies paid, returned without interest, deduction, costs or compensation of any kind whatsoever. Where any damage is not substantial, the Purchaser shall be obliged to complete the purchase and shall be entitled to any proceeds of insurance referable to such damage, but not to any other costs, price abatements or compensation whatsoever.
18. If the Purchaser of any parcel(s) fails to comply with the Agreement of Purchase and Sale, the Purchaser's deposit shall be forfeited to the Vendor on account of liquidated damages, such parcel(s) may be resold by the Vendor and the Purchaser shall pay to the Vendor: (i) an amount equal to the amount, if any, by which the Purchase Price under the Agreement of Purchase and Sale exceeds the net sale price received by the Vendor pursuant to such resale, and (ii) an

amount equal to all costs and expenses incurred by the Vendor in respect of or occasioned by the Purchaser's failure to comply with the Agreement of Purchase and Sale.

19. By submitting an offer, a Purchaser acknowledges that it has inspected the Purchased Property and that the Purchased Property is sold on an "as is, where is" basis at the time of closing and that no representation, warranty or condition is expressed or implied, statutory or otherwise, as to title, description, fitness for any purpose, merchantability, quality, quantity, state, condition or location thereof or compliance with any government laws, regulations, bylaws and orders or in respect of any other matter or thing whatsoever. All parcels are specifically offered as they now exist with no adjustments to be allowed to the Purchaser for changes in conditions, qualities or quantities of such parcels from the date hereof to the closing date. Each Purchaser acknowledges that the Vendor is not required to inspect or count, measure or provide any inspection, measurement or counting, of the Purchased Property or any part thereof and each Purchaser shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation. It shall be the Purchaser's sole responsibility to obtain, at its own expense, any consents to such transfer of the Purchased Property and any further documents or assurances which are necessary or desirable in the circumstances.

20. Ernst & Young Inc. acts in its capacity as court-appointed Monitor of the Company and shall have no personal or corporate liability hereunder or from any Agreement of Purchase and Sale contemplated hereby or as a result of any sale contemplated hereby.

21. The highest or any offer will not necessarily be accepted.

22. The Vendor reserves the right to sell any of the parcels in a fashion to maximize asset realizations which includes the right of the Vendor, in its sole discretion, to elect to sell the parcels in a manner other than as set out in these Terms and Conditions of Sale. Without limitation, the Vendor reserves the right to sell any and all parcels prior to the June 24, 2011, offer submission deadline set out in paragraph 4 above.

23. Before or after the opening of and acceptance of offers, the Vendor may in its sole discretion negotiate with any offeror for changes in that offeror's offer. The Vendor shall not be obliged to negotiate with any offeror or to give any offeror an opportunity to resubmit an offer, whether or not the Vendor negotiates with another offeror or offerors. Upon receipt by the Vendor of an offer, the offeror submitting the offer shall not be entitled to retract, withdraw, revoke, vary or countermand the offer and such offer shall be irrevocable prior to acceptance or rejection thereof by the Vendor.

24. The Vendor, at its discretion, may prior to accepting any offer waive or vary any or all of the Terms and Conditions of Sale or of its notice of inviting offers, including, without limitation, the removal from the sale of any or all of parcels 1, 2, 3, 4 or 5.

25. The terms and conditions contained herein shall not merge on the closing of the transaction contemplated by any Agreement of Purchase and Sale but shall survive such closing and remain in full force and effect and be binding on the Purchaser thereafter.

26. Any Agreement of Purchase and Sale hereunder shall be governed by and construed in accordance with the laws of Ontario, Canada, and such agreement shall enure to the benefit of and be binding on the parties thereto and their respective heirs, executors, administrators, successors or assigns as the case may be.

27. All stipulations as to time are strictly of the essence.

28. Any tender of documents or money hereunder may be made upon the Vendor or the Purchaser, or their respective solicitors. Money may be tendered by cheque certified by or a bank draft of a Canadian chartered bank or Canadian trust company.
29. The obligations of the Vendor to complete an Agreement of Purchase and Sale shall be relieved if, on or before the closing of such sale, any parcel which is the subject of the sale has been removed from the control of the Vendor by any means or process, or if the sale thereof has been enjoined, whereupon the only obligation of the Vendor shall be to return the applicable deposit, without interest, deduction costs or compensation.

Inspection of Assets and Offers

Parties interested in inspecting the Assets and/or requiring additional information should contact Todd Ambachtsheer of EYI at (416) 943-2018. The Assets are available for viewing by appointment only. A confidential dataroom has also been set up by the Vendor. Potential purchasers should contact the undersigned to receive access.

DATED at Toronto, Ontario, this 4th day of May, 2011.
Ernst & Young Inc., in its capacity as
Monitor of Grant Forest Products Inc.
222 Bay St., Suite 2400
Toronto, Ontario M5K 1J7

Todd Ambachtsheer
Vice President
Phone #: 416.943.2018
Email:
todd.ambachtsheer@ca.ey.com

Alex Morrison
Senior Vice President
Phone #: 416.941.7743
Email: alex.f.morrison@ca.ey.com

APPENDIX “B”

A Legacy of Excellence
BRADFORD MARINE
YACHT SALES

3051 W. STATE ROAD 84 • FORT LAUDERDALE, FL 33312 • PHONE (954) 377-3900 • FAX (954) 377-3901

YACHT PURCHASE & SALE AGREEMENT

Agreement made this 25th day of October, 2011, between:

CROWN CAPITAL CORPORATION (Hereinafter referred to as "**Buyer**")

GRANT FOREST PRODUCTS INC. (Hereinafter referred to as "**Owner**")

1. Subject to the provisions of this Agreement, Buyer agrees to purchase and Owner agrees to sell all Owner's right, title and interest to the Vessel described as:
Name: Miss OSB Hull No.: SMQ 000260709
Model Year: 2009 Length: 65' Make: Saint Custom Commuter Style Type: motor yacht (one of a kind)
Registration No.: ______________ Documentation No.: ______________

2. The purchase price (the "**Purchase Price**") is ______________ Dollars ($______). Sum of ______ Dollars ($______) is hereby paid to the escrow account of Ernst & Young Inc., the Owner's monitor (the "**Monitor**"), as a deposit (the "**Deposit**") toward the purchase price, subject to the provisions of this Agreement; said funds to be cleared into said account following acceptance by Owner. No interest shall be paid on the Deposit. The Deposit shall be credited against the Purchase Price on closing. The Purchaser shall pay the balance of the Purchase Price to the Owner (or, at the Owner's direction, to Ernst & Young Inc., as Monitor), by certified cheque or bank draft on or before closing.

3. This offer to purchase shall be accepted by Owner, and written evidence thereof delivered to the selling Broker on or before the 31st day of October, 2011, or this offer shall be deemed revoked and the Deposit shall be returned to Buyer.

4. ~~Written, email or telegraph acceptance or rejection of the Vessel must be made by Buyer by ______, 2011; Buyer's failure to exercise his right of acceptance or rejection as specified shall be construed as rejection. In the event of rejection the Deposit shall be returned to Buyer after all expenses incurred by Buyer against Vessel have been paid.~~ Non applicable as a survey has been completed and the Buyer accepts the Vessel in its current "as is" state.

(a) The sale of the Vessel is subject to: (write in N/A if not applicable)
N/A

5. If the Vessel is destroyed prior to closing by an Act of God, or other cause, this contract shall become null and void and the Deposit shall be returned to Buyer.

6. In the event the closing is not consummated due to non-performance of Buyer, including but not limited to a failure of Buyer to pay monies due or execute all documents necessary to be executed by Buyer for completion of the purchase by the closing date, all Deposit funds paid prior to closing shall be retained by the Owner and Broker as liquidated and agreed damages, and the parties shall be relieved of all obligations under this Agreement. Buyer and Owner agree that the forfeited Deposit shall be divided fifty percent (50%) to Owner and fifty percent (50%) to the Broker or Brokers after all expenses incurred on behalf of Buyer against the Vessel have been paid from the Deposit. The Brokers shall divide the broker's portion of the Deposit in the same proportions as the commission would have been divided if a sale had been consummated.

7. In the event the closing is not consummated due to non-performance of Owner regarding any of the covenants in this Agreement, all money paid or deposited pursuant to this Agreement by Buyer shall be returned to Buyer upon demand; or the Buyer shall have the right of specific performance.

8. The Vessel is being purchased free and clear of all liens and encumbrances of any kind whatsoever and Owner will deliver to the broker all necessary documents for transfer of title to Buyer on or before the closing date, which is agreed to be 15TH day of December, 2011. Final payment due at time of closing shall be in the form of cleared or negotiable funds acceptable to Owner. By the date of closing the Vessel shall be delivered at Bradford Marine Yacht Sales, Inc. on Marina Mile, Fort Lauderdale, together with all gear, machinery, equipment, furnishings and all other articles and appurtenances thereto located on or in the Vessel at closing.

9. It is agreed by the parties that the risk of loss, damage or destruction of Vessel and equipment shall be borne by Owner until the transaction is closed.

10. Sale or use taxes, if applicable on this purchase, shall be paid by Buyer and will be collected by the selling broker at time of closing.

11. Information on the Vessel is believed by the Broker to be good and correct, and the Broker offers such information in good faith, but does not and cannot guarantee the accuracy of the information. The Buyer acknowledges that the Owner is selling the Vessel on an "as is, where is" basis as it shall exist at the time of closing. The Buyer further acknowledges that it will conduct such inspections of the condition of the Vessel and other matters as it deems appropriate and that it will satisfy itself with regard to these matters. No representation, warranty or condition is expressed or implied, pursuant to this Agreement, by statute or otherwise, as to title, encumbrances, description, fitness for any purpose, merchantability, quality, quantity, state, condition, assignability, collectability, value or location thereof or compliance with any law, government regulations, bylaws and orders or in respect of any other matter or thing whatsoever concerning the Vessel or the right of the Owner to sell the Vessel. No adjustments to be allowed to the Buyer for changes in condition or quality of the Vessel from the date hereof to the closing date. Without limiting the generality of the foregoing, any and all conditions, warranties or representations by the Owner expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation in any other jurisdiction shall not apply hereto and are hereby waived by the Buyer.

~~12. Buyer, if an individual, is at least 18 years of age and is a citizen of~~ ______________________.

13. This Agreement shall be binding on all parties herein, their heirs, personal representatives and/or assigns when this Agreement shall have been signed by all parties or their duly authorized agents. Owner agrees not to sell the Vessel or enter into any contract for the sale of same while this Agreement is in effect. If a sale is not consummated per the terms of this Agreement, and Buyer and Owner make direct arrangements between themselves within two years after this Agreement is terminated for the transfer of ownership of the Vessel, Owner agrees to pay the Broker an amount identical to the commission the Broker would receive under the terms of any listing contract between Owner and Broker.

14. This Agreement constitutes the entire agreement between the parties hereto and it is agreed that there are no other duties, obligations, liabilities, representations, warranties or conditions, implied or otherwise.

15. Any legal action brought by or against either party under the terms of this Agreement shall be determined by the laws of the State of Florida, and venue and jurisdiction for said action shall be within the county of Broward and the State of Florida, respectively. Parties further agree that in the event Broker(s) become party to any litigation involving this Agreement between Buyer and Owner, the non-prevailing party shall pay any costs and legal fees incurred by Broker(s).

16. Owner agrees to sell the above-described Vessel on the terms and conditions stated herein. The Owner and Buyer recognize and acknowledge Bradford Marine Yacht Sales, Inc. as the authorized selling Broker and Bradford Marine Yacht Sales as the listing Broker.

17. Any funds due Broker for storage, insurance, repairs and/or any other items accrued to the Owner's account shall be deducted from the Owner's net proceeds prior to disbursement of funds to the Owner.

18. It is further agreed by the parties hereto:

(a) This transaction shall be conditional on its approval by the Ontario Superior Court of Justice and the issue by such court of a vesting order which vests in the Buyer, the Owner's interest in the Vessel. The parties shall close without waiting for the expiry of any appeal period.

(b) Upon closing, the Buyer shall be entitled, upon receipt by the Owner of the Purchase Price, to a Monitor's certificate and a bill of sale by the Owner to transfer the Owner's right, title and interest in the Vessel. Such bill of sale shall contain a provision similar to paragraph 11 of this Agreement.

IN WITNESS WHEREOF, the undersigned Buyer has executed this Purchase & Sale Agreement on the date indicated below and acknowledges receipt of a copy hereof.

Buyer:
CROWN CAPITAL CORPORATION,

Witnesses:

25TH October, 2011
Date

By:
Title: Director

OWNER ACCEPTANCE
The undersigned Owner accepts and agrees to sell the Vessel on the above terms and conditions. Owner acknowledges receipt of a copy of this Agreement and authorizes Broker to deliver a signed copy hereof to Buyer.

Owner:
GRANT FOREST PRODUCTS INC.
by its chief restructuring organization,
STONECREST CAPITAL INC.

28 th October, 2011
Date

By: Sandra Rosch
Sandra Rosch

DEPOSIT RECEIPT
Receipt of $________ per paragraph 2 above as the Deposit is hereby acknowledged.

ERNST & YOUNG INC., as the Monitor of the Owner

By: ____________________
Title:

A Legacy of Excellence

BRADFORD MARINE
YACHT SALES

3051 W. State Road 84 • Fort Lauderdale, FL 33312 • Phone (954) 377-3900 • Fax (954) 377-3901

ACCEPTANCE OF VESSEL

I, in my personal capacity or as authorized signatory of, **CROWN CAPITAL CORPORATION**, Buyer of the Vessel **MISS OSB HULL NUMBER SMQ000260709** do hereby accept said Vessel and hereby agree to perform all other conditions of the Purchase and Sale Agreement dated **October 25, 2011**, heretofore entered into by the undersigned for the purchase of said Vessel and agree to close this transaction in accordance with the terms therein.

It is expressly understood, and acknowledged that **JEFF HAHN OF FLORIDA BOAT AND YACHT SURVEYORS**, Marine Surveyor(s) was selected by me and acted on behalf of Buyer. I confirm that the marine surveyors used in this purchase were chosen by me to insure that the Vessel meets all of my requirements and to ascertain that all speeds, measurements, tank capacity, consumption figures, and other data provided, but not guaranteed by owners or brokers, are satisfactory to me.

In the event Buyer fails to close this transaction as specified, the person holding deposited funds is directed to forthwith pay the escrowed deposit funds to the Seller and Broker in accordance with the Purchase and Sale Agreement, and upon such payment the person holding the deposited funds is released from any further liability as escrow agent.

BUYER:
CROWN CAPITAL CORPORATION

By: ______________________

Title: Director

DATE:
October 25, 2011

WITNESS:

____

THIS YACHT PURCHASE & SALE AMENDMENT AGREEMENT is dated as of the 4th day of November, 2011,

B E T W E E N:

CROWN CAPITAL CORPORATION,

(hereinafter referred to as "**Buyer**")

- and –

GRANT FOREST PRODUCTS INC.

(hereinafter referred to as "**Owner**")

WHEREAS the Buyer and the Owner entered into a yacht purchase & sale agreement dated October 25, 2011 (the "**Boat Sale Agreement**") with respect to the sale of a vessel named "Miss OSB" (the "**Boat**");

AND WHEREAS the Buyer and the Owner wish to include in such sale a Con-o-Lift trailer with current license plate 881 04X (the "**Trailer**");

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the mutual premises, the Buyer and the Owner hereby agree as follows:

1. The Trailer shall be included in the purchase and sale of the Boat pursuant to the Boat Sale Agreement without the payment of any additional purchase price provided that Buyer pays to the Owner the purchase price of , for the Boat pursuant to the Boat Sale Agreement.

2. The Owner specifically advises the Buyer that the Trailer may not have the capacity to carry the Boat over a road.

3. The Owner makes no representation or warranty and there is no condition of any kind whatsoever in respect of the Trailer. The Trailer is being sold "as is, where is".

4. The Buyer shall be responsible, at its sole expense, for all purchase or sale taxes, government transfers, registrations, licences and fees and the sale shall not be conditional on any government transfer or registration or the obtaining of any licence.

5. The Owner shall not assign any insurance rights or proceeds to the Buyer.

6. The Buyer shall be responsible, at its sole expense, for all storage costs of the Trailer arising on and after the closing of the sale.

7. The provisions of the Boat Sale Agreement shall, subject to the provisions of this agreement, apply to the Trailer and to the transfer of the Trailer to the Buyer.

IN WITNESS WHEREOF the parties hereto have executed this agreement.

CROWN CAPITAL CORPORATION

By: ____________________
Title: Director

GRANT FOREST PRODUCTS INC., by
its Chief Restructuring Organization,
STONECREST CAPITAL INC.

By: ____________________
Title: President

APPENDIX “C”

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 August 8, 2011 to October 16, 2011
(In Thousands of US Dollars)

	Actual	Projection	Variance	Notes
Opening Bank Balance	11,657	11,657	-	
Receipts				
GST/HST Collected & Refunds	55	59	(4)	
Other Receipts	32	8	25	1
Sale of Assets	-	-	-	
Total Receipts	88	67	21	
Disbursements				
Payroll	(80)	(102)	21	
Other Payables	-	(179)	179	2
SG&A	(164)	(293)	128	3
Restructuring Costs	(524)	(626)	102	3
Bank Charges	(3)	(3)	-	
Foreign Exchange Impact	(21)	(0)	(21)	
Total Disbursements	(793)	(1,202)	409	
Net Cash Flows	(705)	(1,135)	430	
Ending Bank Balance	10,952	10,522	430	
Deduct: Restricted Cash	(120)	(127)	7	
Ending Cash excluding Restricted Cash	10,832	10,395	437	

Funds Held by the Monitor in Trust

	USD	CAD	Notes
Opening Bank Balance	$ 321	$ 14,230	
Receipts	-	980	4
Disbursements	-	(33)	5
Net Cash Inflow/(Outflow)	-	946	
Ending Bank Balance	321	15,177	5

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 August 8, 2011 to October 16, 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$0.98=US$1.00.

1. **Other Receipts**– The favourable variance is primarily due to a tax refund that was not included in the projection.

2. **Other payables** – The favourable variance is primarily due to a timing difference as the Remaining Applicants continue to review certain post-filing invoices.

3. **SG&A & Restructuring –** The favourable variances are due to timing and lower than anticipated professional fees in this period. The portion related to timing is expected to reverse in the future.

4. **Receipts and disbursements of trust accounts** – Receipts shown represent proceeds from the sale of certain non-core assets and interest income; disbursements represent the return of certain deposits related to the tender process.

5. **Closing balance of the escrow and trust accounts** – The escrow and trust accounts held funding as at October 16, 2011 as set out in the summary attached in Appendix "A".

APPENDIX “D”

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants")
Summary of Funds in Trust Account
As at October 16, 2011

		Amount
USD Account		
Purchased Assets and Purchase Price Adjustment	$	151,796
Other Payables Escrow		168,697
Total USD Account		320,493

	Amount
CDN Account	
Purchased Assets and Purchase Price Adjustment	12,698,946
Pension Escrow	2,376,245
Tender Process Deposits	7,500
Interest	94,616
Total CDN Account	15,177,306

Note
All account balances are net of bank charges.

APPENDIX “E”

Grant Forest Products Inc., Grant Alberta Inc., and Grant Forest Products Sales Inc. (the "Remaining Applicants") Combined Cash Flow Projection
For The Period From October 17, 2011 to April 1, 2012
(In Thousands of US Dollars)

		Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Week	Month	Month	
Period Enging	**Notes**	**23-Oct-11**	**30-Oct-11**	**6-Nov-11**	**13-Nov-11**	**20-Nov-11**	**27-Nov-11**	**4-Dec-11**	**11-Dec-11**	**18-Dec-11**	**25-Dec-11**	**1-Jan-12**	**8-Jan-12**	**15-Jan-12**	**22-Jan-12**	**29-Jan-12**	**February 2012**	**March 2012**	**Total**
Opening Bank Balance	1	10,952	10,907	10,862	10,807	10,542	10,479	10,442	10,363	10,302	10,248	9,943	9,847	9,785	9,730	9,696	9,604	9,363	10,952
Receipts																			
GST/HST Refunds	2	-	-	39	-	-	-	29	-	-	-	25	-	-	-	26	26	26	171
Sale of Assets	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		-	-	39	-	-	-	29	-	-	-	25	-	-	-	26	26	26	171
Disbursements																			
Payroll	4	(15)	(3)	(7)	-	(16)	-	(10)	-	(7)	-	(18)	-	(8)	-	(19)	(26)	(26)	(154)
Other Payables	5	-	-	-	-	-	-	-	-	-	(270)	-	-	-	-	-	-	(270)	(539)
SG&A	6	(6)	(12)	(5)	(207)	(5)	(6)	(16)	(4)	(5)	(4)	(18)	(4)	(5)	(4)	(18)	(28)	(77)	(423)
Restructuring Costs	7	(24)	(30)	(82)	(58)	(41)	(30)	(82)	(58)	(41)	(30)	(86)	(58)	(41)	(30)	(82)	(211)	(244)	(1,230)
Bank Charges	8	-	-	-	-	(1)	-	-	-	(1)	-	-	-	(1)	-	-	(1)	-	(4)
Foreign Exchange Impact	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements		(46)	(45)	(94)	(264)	(64)	(36)	(107)	(62)	(54)	(304)	(121)	(62)	(55)	(34)	(119)	(267)	(616)	(2,351)
Net Cash Flows		(46)	(45)	(55)	(264)	(64)	(36)	(79)	(62)	(54)	(304)	(97)	(62)	(55)	(34)	(92)	(241)	(590)	(2,180)
Ending Bank Balance		10,907	10,862	10,807	10,542	10,479	10,442	10,363	10,302	10,248	9,943	9,847	9,785	9,730	9,696	9,604	9,363	8,773	8,773
Deduct: Restricted Cash	10	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)	(122)
Ending Cash excluding Restricted Cash		10,785	10,740	10,685	10,420	10,357	10,320	10,241	10,179	10,125	9,821	9,725	9,663	9,608	9,574	9,481	9,241	8,651	8,651

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$1.02 = 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) **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.

4) **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.

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

6) **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.

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

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

9) **Foreign Exchange Impact:**
The Remaining Applicants' Forecast does not reflect the foreign exchange impact due to the uncertainty in its quantum and timing.

10) **Restricted Cash:**
At the beginning of the forecast period Restricted Cash represents approximately $122,000 of restricted cash held as a reserve for a letter of credit required by a municipal authority.