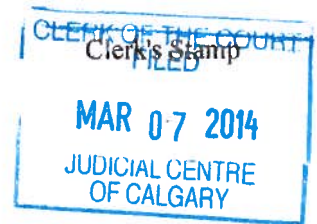


COURT FILE NUMBER 1301-11881
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF JAGER HOLDINGS INC.
DEFENDANT JAGER ENGINEERED WOOD PRODUCTS LTD.
DOCUMENT **FIRST REPORT OF THE RECEIVER,
HARDIE & KELLY INC.
MARCH 7, 2014**

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**FIRST REPORT OF THE RECEIVER
HARDIE & KELLY INC.
MARCH 7, 2014**

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INTRODUCTION

1. On October 11, 2013, Jager Holdings Ltd. (“JHL”) made an application to the Court of Queen’s Bench of Alberta (the “Court”) for the appointment of a receiver and manager (the “Receiver”) of the current and future assets, property and undertakings of Jager Engineered Wood Products Ltd. (“Jager” or the “Company”).
2. The Court granted an Order (the “Receivership Order”) on October 11, 2013 (the “Date of Receivership”) appointing Hardie & Kelly Inc. as the Receiver.
3. The purpose of this report (the “First Report”) is to provide information to the Court in respect of:
 - a. An overview of the business of Jager;
 - b. The Receiver’s initial activities including the Receiver’s efforts to realize on the assets of the Company; and
 - c. The Receiver’s recommendation with respect to the sale of substantially all of the Company’s assets.

TERMS OF REFERENCE

4. In preparing this First Report, the Receiver has relied upon unaudited financial information and records of the Company. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND

5. Jager is a private company that was incorporated in 2009 for the purpose of acquiring certain operating assets and carrying on business as a manufacturer of engineered wood products, principally joists, used in residential and commercial buildings in Western Canada. Jager is the wholly owned subsidiary of JHL.
6. In September 2009, Jager acquired the assets associated with the manufacturing of engineered wood products including wood preparation and production lines from JHL (which was known as MH02 Properties Ltd. at that time prior to changing its name to Jager Holdings Ltd.). The purchase price for the assets was financed by JHL by way of a promissory note executed by Jager in favour of JHL. Jager also granted a General Security Agreement in favour of JHL.
7. Jager originally commenced operations in Calgary, Alberta. However, in December 2012, the Company entered into lease agreements with a view to moving its operation to Claresholm, Alberta. In late 2012 and early 2013, the Company transferred its operations to Claresholm. The Receiver understands that the costs of the move were very significant as a result of the dismantling, shipping and reconstruction of the production lines.
8. The Company effectively experienced working capital deficiencies since its inception arising from several factors including:
 - a. Effects of the North American recession on the housing industry;
 - b. The commoditizing in the marketplace of Jager's principal manufactured product (joists) resulting in smaller margins;
 - c. Competition in the market place; and
 - d. The costs associated with the transfer of its operations to Claresholm.

9. As a result of the above factors, Jager was ultimately unable to satisfy its obligations as they became due leading to JHL's application for the appointment of the Receiver.

INITIAL ACTIVITIES OF THE RECEIVER

10. Upon being appointed, the Receiver changed the locks to the buildings in Claresholm (the "Property") and notified the local Royal Canadian Mounted Police detachment of the Receiver's appointment.
11. The Receiver arranged for the placement of insurance coverage and for ongoing periodic inspections of the Property.
12. The Receiver entered into an occupation arrangement with the landlord to allow for the marketing of the Company's assets (the "Assets").
13. The Company had shut down operations and terminated all employees prior to the Date of Receivership. The Receiver arranged for the preparation and issuance of T4s and Records of Employment and processed the required documentation to permit former employees to file claims pursuant to the *Wage Earner Protection Program Act* ("WEPPA").

MARKETING OF ASSETS

14. Given Jager's manufacturing and production equipment is specialized in nature, the Receiver initially held preliminary discussions with some experienced local professional liquidators to ascertain the potential level of interest that may be available in the Assets. The feedback provided to the Receiver was that given the specialized nature of the Assets, the level of interest for acquiring the assets on a going concern basis in the local Western Canada market would likely be quite limited.
15. Consequently, the Receiver determined that a broader international exposure of the Assets would be necessary to attempt to maximize recoveries.

16. With the support of JIIL, the Receiver entered into a *Limited Right to Sell and Brokerage Fee Agreement* with EuroSource L.L.C. ("EuroSource") to market the Assets on both a regional and international basis. EuroSource specializes in the particleboard, medium density fiber board and oriented strand board industry including the supply of product, the brokering of associated production equipment and the liquidation and decommissioning of entire plants. Attached as Appendix "A" is a brief biography of EuroSource's background.
17. As a result of the marketing process undertaken by EuroSource, the Receiver ultimately accepted an offer submitted by Louisiana-Pacific Corporation ("LP") based out of Nashville, Tennessee for substantially all of the Assets of the Company. The offer from LP (the "LP Offer") excludes the finger joint line and office furniture (the "Residual Assets"). The LP Offer is conditional on the Receiver seeking the approval of this Honourable Court
18. The details of the LP Offer and an assessment of same will be contained in the Receiver's Confidential Report (the "First Confidential Report").
19. The Receiver is concerned that in the event the pending sale to LP does not close for any reason, the disclosure of the details of the LP Offer may affect the Receiver's efforts to remarket the Assets. The Receiver will be seeking the Court's approval to have the First Confidential Report sealed.

CREDITOR CLAIMS

20. The secured and priority claimants known to the Receiver and the approximate amounts owed to each are as follows:
 - Canada Revenue Agency - GST - \$216,000;
 - JHL - \$2.5 Million plus interest;
 - Workers' Compensation Board of Alberta - \$24,000; and
 - Service Canada - WEPPA - \$20,000.

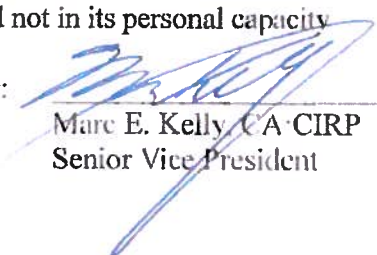
21. Upon closing of the sale to LP, the Receiver proposes to pay the outstanding costs of administration of the estate from the sales proceeds and hold the balance in the place and stead of the Assets pending further order of the Court; however, the Receiver does not intend to make a distribution application until such time as the Residual Assets have been realized upon.

RECOMMENDATIONS

22. The Receiver is seeking and recommends to this Honourable Court the approval of the LP Offer for the reasons set out in the First Confidential Report, with the proceeds to be utilized as set out in this First Report.
23. The Receiver recommends that the First Confidential Report be sealed for purposes of maintaining the integrity of the sales process in the event the contemplated sale to LP does not close for any reason.

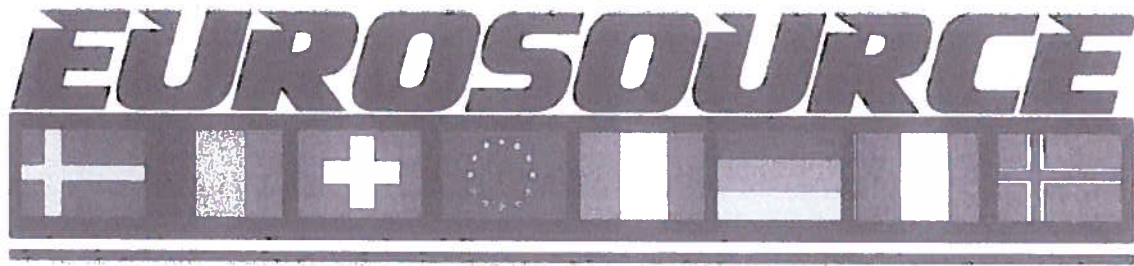
All of which is respectfully submitted this 7th day of March 2014.

Hardie & Kelly Inc.,
in its capacity as Receiver and Manager of
Jager Engineered Wood Products Ltd.
and not in its personal capacity

Per: 

Marc E. Kelly CA CIRP
Senior Vice President

APPENDIX "A"



8 March 2014

RE: Eurosource LLC, Doug Moore

EuroSource was founded in 1996 by Doug Moore to market the *CasTalon* particleboard blending tool developed in conjunction with Reinhard Kessing and Henner Nuelle of INCA Presswood Pallets. This modular design tool proved highly effective in resin minimization across the range of particleboard production methods. In 2000, Gisiger Technik of Switzerland appointed EuroSource the North and South American representative for the Gisiger line of particleboard blenders and material preparation equipment. Due to changing emissions requirements for raw particleboard in North America, the Gisiger blender was rapidly adopted as the standard in blending technology for North America.

In 2003, EuroSource expanded into the secondhand machinery market for particleboard, MDF, and OSB. The global expansion of composite panel production has made "obsolete" North American machinery very attractive to overseas producers. Between 2003-2007, EuroSource acquired and refurbished individual machines from North American producers, for resale overseas or domestically. The downturn in housing in 2007 sent several large composite facilities into permanent closure. EuroSource was retained by the ownership of these facilities to conduct "whole plant liquidations". Between 2007-2013, EuroSource relocated 7 facilities in whole or in part, with an original constructed cost of \$950M USD. EuroSource is the only firm in

N. America specializing in liquidation of composite manufacturing equipment. As such, we are in constant communication with the leaders of the industry. Our global connections ensure the highest recovery on surplus assets, and our experience in rigging, dismantling, and shipping bring clients back to us on a repeat basis.