MADISON'S TIMBER PREVIEW

PO Box 2486, Vancouver, BC V6B 3W7 ❖ Tel: 604-984-6838 ❖ Email: madrep@shawcable.com ❖ Web: www.madisonsreport.com

March 27, 2009

In 1974, Taiga Forest Products was established in Calgary, AB with one distribution centre. Between 1975 and 1984 Taiga opened four more outlets across the Canadian west, plus one in Ontario. From 1990 to 1992, the company opened more facilities in British Columbia, its first in Manitoba and a sales office in Quebec. Taiga's focus on direct lumber shipments across Canada and into the US slowly shifted to include panel products, mouldings, doors, and other specialty products. By 1984, new product lines such as insulation, oriented strand board and pressure-treated lumber were added.

By 2000 Taiga had become Canada's largest independent wholesale distributor of lumber, panel products, pressure-treated wood products and related building materials, with 88 per cent of its sales coming from lumber and panel.

Steady, manageable growth has served Taiga well; sales have increased from $42 million in the company's first year of operation to over $1.3 billion by year end 2005. In 2008 Taiga ranked number 169 on Canadian Business Online's fifth annual MoneySense Top 200 Stocks in Canada list. Assessed using a combination of growth and value tests, MoneySense lists stocks that score well for both criteria. Currently Taiga has dropped to number 193, with a Value Grade of F, the lowest possible.

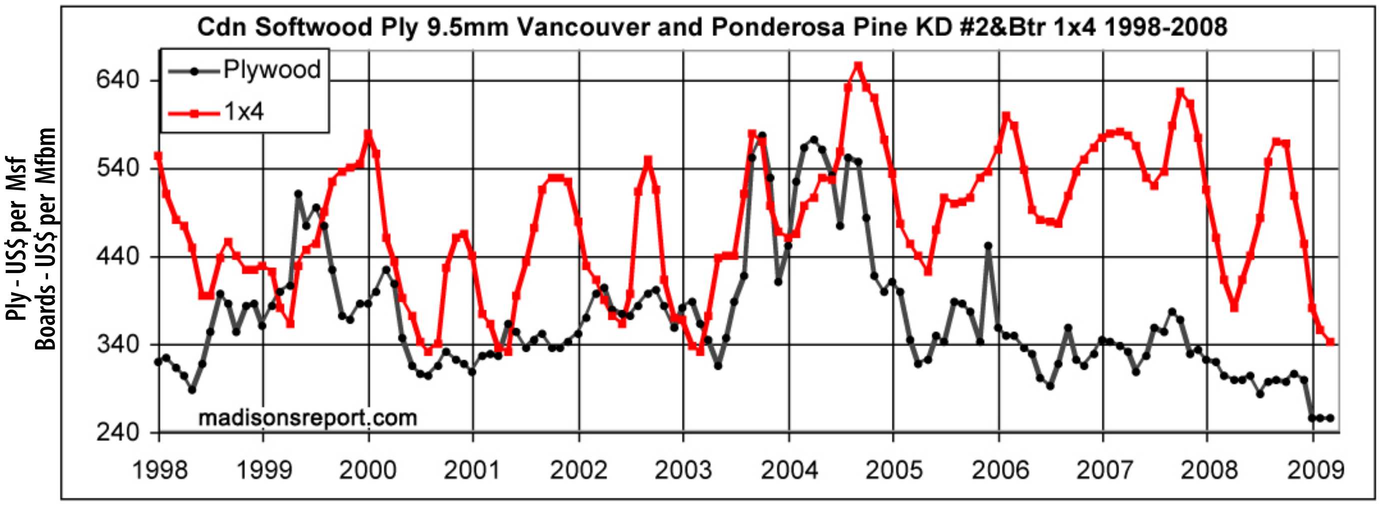
Unlike some other Canadian wood products companies, Taiga expanded slowly and without incurring a significant debt load. Enjoying continued growth in 1994, the company opened yet another distribution centre, this time in Nova Scotia, and built a new facility in Sudbury, ON. In March 1996 the company purchased three distribution centres in Ontario and Quebec from Norbord Building Materials. On the west coast, expansion also continued with the opening of an export sales office in Burnaby, BC at the end of 1998, and the 2002 purchase of a wholesale centre in California to serve northern California and western Nevada.

With a continued emphasis on treated wood, Taiga built four preservation facilities in three provinces between 1987 and 1995. In these early years Taiga boasted a strong balance sheet with good returns, and stock values were estimated between $7 and $8 per share. Between 1998 and 2004 company sales increased by 63 per cent (from $688 million annually to $1,086.8 million annually). Taiga's earnings showed similar healthy growth in that time, by 43 per cent (from $4.5 million in 1998 to $10.5 million in 2004), except for 2001 when the North American lumber market slowed considerably and the Coalition for Fair Lumber Imports was created.
Despite the temporary slowdown in 2001, Taiga was able to increase its working capital from $30 million to $40 million from 1998 to 2002, while keeping its long term debt low at an astonishing $20,000 in 1998 to $14.6 million in 2000, then back down to $5.6 million in 2002. Earnings per share were also growing steadily, if slightly, until 2002 when Taiga instituted a two-for-one share split.

Taiga's 3Q 2004 profits dropped, with the company making $800,000, or 10 cents per share, down from a profit of $1.8 million or 23 cents per share in the same quarter a year earlier. Quarterly sales totalled $277.9 million, up 14 per cent from $244.1 million reported in the same quarter last year. However, operating margins fell on lower panel and lumber prices.

Needing an infusion of cash, in September 2005 Taiga Forest Products completed its conversion into an income fund-like structure under the name Taiga Building Products Ltd. Each common share was exchanged for four stapled units plus one 14% subordinated note at $5.32 each, representing a market capitalization of approximately $215 million. At the same time, Envirofor Preservers (BC) Ltd, Envirofor Preservers (Alta) Ltd, Dynamic Forest Products Ltd, Elmira Wood Products Ltd, Taiga Logistics Limited and the "Old Taiga" were wholly-owned subsidiaries of Taiga Building Products. The terms of this reorganization did not change the company ownership, with Berjaya Group (Cayman) Limited owning 40 per cent, and 3Cs Investments Limited owning 20 per cent, both indirectly. The directors and officers of Taiga collectively owned, directly or indirectly, 3 per cent. The remaining 38 per cent Taiga shares were widely held.

Cdn Softwood Plywood 9.5 mm Van and Ponderosa Pine KD 1x4 Boards 1998 - 2009



The reorganization efforts proved fruitful, at least at first, when 3Q 2005 net earnings before interest distributions were $5.6 million compared to $0.8 million for the same quarter one year earlier. Net earnings after interest distributions were $0.4 million compared with $0.8 million the previous year. Monthly interest distributions to stapled unit holders for the quarter totaled $5.2 million. Total distributions inclusive of dividends were $7.2 million for the quarter.

The "New Taiga", as referenced in company reports, showed strong sales from 2006 to 2008, but reduced earnings and dividends. Total sales of $1,179.3 million in 2006 only managed to bring in earnings of $3.6 million and $0.13 per share. Stock prices fell from $2.98 in mid-2006 to $2.04 at the beginning of 2007, $1.58 in January 2008 and $0.22 in January 2009. In December 2008 the company announced that long-time CEO Kooi Ong Tong would step down, but remain active on the Board of Directors and Executive Committee. Taiga President and COO Jim Bradshaw took over the CEO position.

Together with 2008 3Q results, Taiga announced a $10 million rights offering in February 2009 intended to give current shareholders an opportunity to buy more stock in the company. "The net proceeds of the offering will be used to reduce indebtedness under the Company's revolving credit facilities, thereby providing additional liquidity for working capital and general corporate purposes," said a recent Taiga statement.

The rights offering was set to expire on March 26. On March 23 the company announced it received limited support. Shareholders were offered one right to purchase 2.2 common shares of Taiga, at $0.14 per share, for each common share held. The company anticipated it would be able to defer monthly interest payments effective early April 2009 bringing an approximate $1.3 million net cash savings per month. In addition the company expects to save another $22 million through the rest of the fiscal year with previously enacted cost-cutting measures.
Slow growth, careful planning, little debt and strict cost reducing policies have served to keep Taiga Building Products viable through this prolonged and unforseen lumber market downturn. Despite low stock prices currently, the company should be well poised to bounce back as soon as demand picks up, even just a little.

Keta Kosman
Publisher
Madison's Lumber Reporter
Madison's Timber Preview
www.madisonsreport.com
604 984-6838