



Hilco Appraisal Services, LLC

Containerboard Industry Perspective

FOURTH QUARTER 2011

A Quiet End to the Year

By Jesse Marzouk

PRIMARY RECOVERY FACTORS

>> Recycled fiber prices dropped significantly in the last four months of 2011.

>> For the 11 months ended November 2011, U.S. containerboard mills were operating at 96% of capacity.

RECENT APPRAISAL EXPERIENCE

Caraustar, Inc.

Longview Fibre Paper and Packaging, Inc.

The Newark Group, Inc.

Forest Resources, LLC

Tembec Inc.

Prices for containerboard and paperboard remained flat in the final quarter of 2011. U.S. prices for unbleached kraft linerboard remained steady at \$660 per ton, and corrugated medium held at

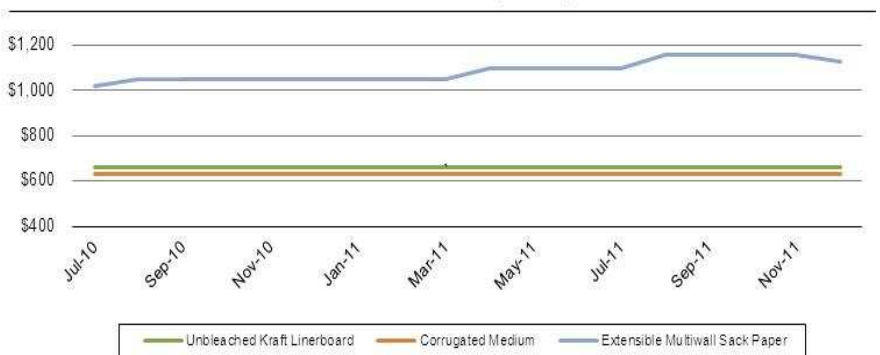
\$630 per ton. These prices remained unchanged throughout 2011 in the U.S., an unanticipated occurrence. Extensible multiwall sack paper, which experienced two price increases in 2011 totaling \$110 per ton, recently saw a decline of \$30 per ton to \$1,130 per ton. Extensible multiwall sack paper is often used for transporting construction materials including cement. As construction demand growth in emerging markets, including Brazil and China, has slowed, prices for this type of paper

came under pressure.

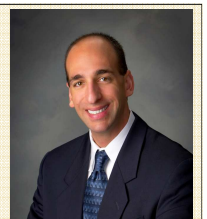
Looking forward to early 2012, containerboard prices may decline in the U.S., which has not experienced the recent price decreases felt throughout Europe and Asia. For much of the year, the export market, specifically Asia and Latin America, has buoyed prices and provided a source of demand for containerboard. In recent months, however, these markets have cooled considerably, with U.S. export prices dropping. Additionally, prices for

recycled fiber have fallen significantly from their highs earlier in the year, removing pressure on recycled producers to maintain high containerboard prices. Lastly, as the economy in Europe slides into recession and additional containerboard capacity ramps up in Asia, the global supply/demand balance appears to be shifting. While any containerboard price decrease in the U.S. likely will be minimal because of high operating rates, the next move appears to be down.

RISI Containerboard and Paperboard Prices
18-Month Trend (US \$ Ton)



Jesse Marzouk is a vice president and forestry products specialist. He has appraised numerous U.S. and Canadian pulp, paper, and lumber-related companies involved in manufacturing and distribution. Jesse received his MBA in finance from Kellogg School of Management at Northwestern University and has a degree in finance and accounting from Indiana University.



Hilco Appraisal Services, LLC

For Further Information, Please Contact:

Jesse Marzouk | 847-849-2959 | fax 847-521-7896 | jmarzouk@hilcoappraisal.com

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