



Hilco Appraisal Services, LLC

Paper Products Industry Perspective

FOURTH QUARTER 2011

PRIMARY RECOVERY FACTORS

>> Total demand for printing and writing paper declined 4.7% year over year through October 2011.

>> Pulp and recycled fiber prices have eased over the last few months, helping paper producers manage input costs.

RECENT APPRAISAL EXPERIENCE

- NewPage Corp.
- Resolute Forest Products
- Unisource Worldwide, Inc.
- Global Tissue Group, Inc.
- Catalyst Paper Corp.
- Appleton Papers, Inc.
- Twin Rivers Paper Co.
- FutureMark Paper Corp.

Prices Decline Slightly in Q4

By Jesse Marzouk

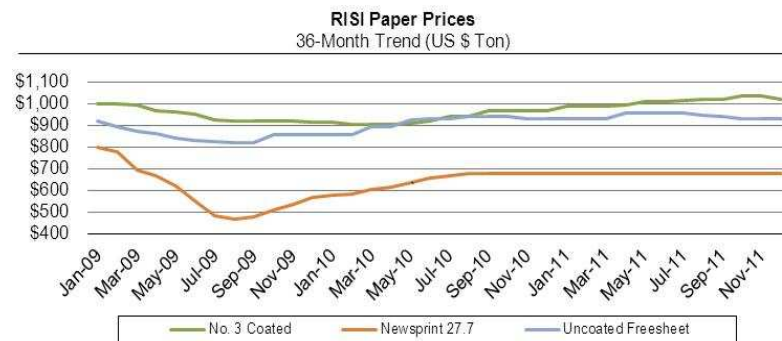
Prices for most types of printing and writing (P&W) paper declined slightly in the fourth quarter of 2011. Producers continued to remove capacity from the North American market, while overall demand declined further. Continued capacity cuts will be necessary to maintain prices going forward, as overall demand for P&W

experienced demand declines: the smallest from coated freesheet (2.4%), and the largest in coated mechanical (8.2%).

Coated paper prices decreased \$15 to \$30 per ton, as demand remained soft. Uncoated freesheet roll prices decreased approximately \$10 per ton. Some of the declines could be attributed

capacity closures supported a weak demand environment. Overall demand for newsprint in North America has declined 7.2% year over year through October. Newsprint manufacturers are taking market downtime on certain machines and shutting other machines permanently in an effort to offset the demand decline.

Moving forward, the direction of prices will depend largely on the pace of capacity closures. If manufacturers can stay ahead of the declines in demand, they have the chance to maintain, or even raise, their prices. More specifically for the coated paper market, price levels will depend largely on



paper decreased 4.7% year over year through October in North America. All four major types of P&W paper (coated mechanical, uncoated mechanical, uncoated freesheet, and coated freesheet)

to the weakening prices for pulp and recovered paper, which are large input costs for non-integrated or recycled mills.

Newsprint prices remained steady throughout the quarter as

the capacity levels of North America's largest producer, NewPage, post bankruptcy. NewPage filed for chapter 11 bankruptcy protection in September 2011.

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.



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