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PAPER PRODUCTS INDUSTRY PERSPECTIVE PRICES FLAT TO DOWN

Prices for most types of printing and writing (P&W) paper held steady in the second quarter of 2012, with the exception of coated freesheet grades, which declined approximately \$20 per ton. For the most part, prices held as producers removed capacity as demand eroded. Year-over-year through May 2012, all four types of P&W paper (coated mechanical, uncoated mechanical, coated freesheet, and uncoated freesheet) saw demand declines

in North America; the smallest was seen in uncoated freesheet (2.5%), while the largest was in uncoated mechanical (16.6%). Uncoated mechanical grades are under pressure as demand for paper books continues to decline and newsprint takes share from uncoated mechanical grades for other applications. Newsprint prices in the East remained steady throughout the quarter as capacity closures and market share gains from other users besides newspapers

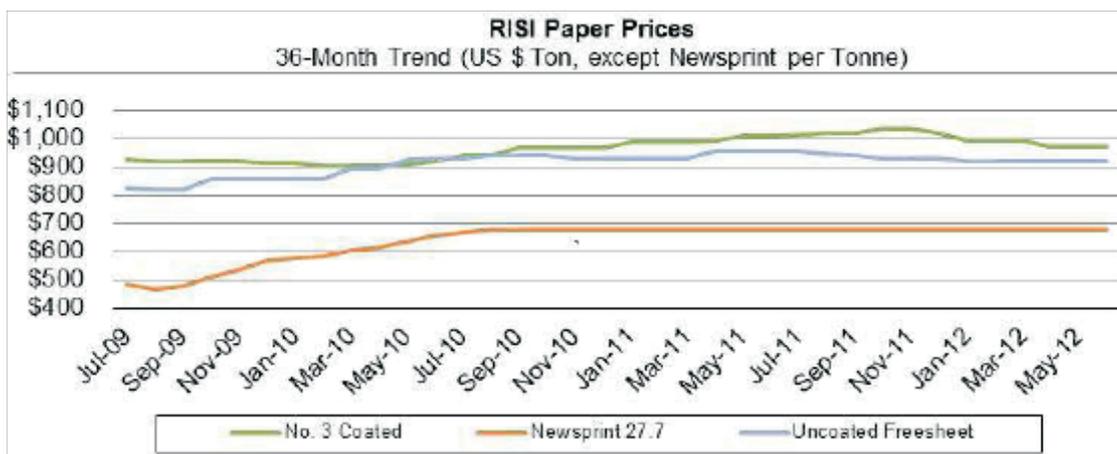
supported a weak demand environment from newspapers. Newsprint prices in the West, however, began to weaken and slipped \$10 per ton in the second quarter. This may presage a drop in prices in the East as overall demand for newsprint in North America has declined 7.3% year-over-year through February. Furthermore, White Birch Paper is

targeting a restart of its Stadacona, Quebec, newsprint mill at the beginning of August and Kruger's Corner Brook, Newfoundland, mill will continue to



operate after the union came to an agreement with management. Lastly, export market demand, which was a source of strength for North American

newsprint producers in 2010 and 2011, has declined 25.8% year-to-date through May in 2012. The strength of the U.S. dollar against the Indian rupee and Euro have made it difficult for producers to ship product into these markets.



2012 U.S. DROUGHT IMPACT ON INVENTORY VALUES

With 61% of the land in the lower 48 states experiencing drought conditions this summer, America is experiencing the worst drought it has seen in 24 years. The government has declared more than 1,000 counties in 26 states as natural disaster areas. Going into this summer, it had



been projected that the U.S. was going to have a record corn crop, resulting in some of the lowest prices per bushel ever experienced (adjusted for inflation). Now with the drought, corn prices have already increased 45% with soybeans up 22%. These shortages of supply and resulting increases in prices will have numerous effects. Corn is used to make ethanol, an additive to gasoline, which has accordingly begun to experience increases in market prices at the pump.

This, in turn, results in higher shipping costs for many goods and services and negatively impacts consumer spending. Agricultural products like corn, soybeans, and

meat products account for roughly 10% of the country's \$1.5 trillion export market and has already begun to experience negative impacts. Domestically, the increases in corn prices will also impact meat producers that use corn as feed, which ultimately will result in higher protein costs at the market; however, farmers have been slaughtering their herds quicker than normal because of the drought, currently bringing more meat to market and reducing prices. Eventually prices are expected to increase. There has been a faster impact on poultry and eggs as the production cycle is shorter. The impacts of the drought will effect manufacturers, distributors and retailers, resulting in higher input prices and, ultimately, lower gross margins, coupled with reduced consumer spending.

HILCO PROFILES



Jason Frank
Managing Director - Corporate Finance

Jason leads Hilco's enterprise valuation, intangibles asset valuation and corporate finance teams. Jason comes to Hilco from the investment banking and corporate M&A world. Most recently, he was with P&M Corporate Finance, where he was involved in both buy- and sell-side M&A transactions, principally

in the life sciences and business services sectors. Prior thereto, Jason was with AON Risk Services, where he led the research and analysis team within the company's M&A Professional Services group. His responsibilities included the analysis of financial and capital structures and interpretation of financial performance and constraints among Fortune 1000 companies. Earlier, Jason was Manager of Strategic Planning for Diamond Cluster International, a leading technology consultancy. While with Diamond, Jason helped facilitate a billion dollar transaction and subsequent integration of a European consulting firm. Jason has also served as a senior analyst at Arthur Anderson LLP. Jason holds an MBA from the University of Chicago, Graduate School of Business, and a BSBA from the University of Florida. He is a CPA.

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Elaine Odell
Director – Collateral Services



Elaine joined Hilco in 2001 as a Business Development Associate in the inventory valuation group, based in Boston. As the inventory appraisal business grew, Elaine took on responsibility of developing Hilco's successful valuation renewal business. In this capacity, Elaine is responsible for contacting Hilco's customers to schedule their appraisal updates for previously completed Inventory, M&E and Intangible Assets projects as part of the customer's periodic review process. Elaine's previous professional experience includes Cahners Publishing Company, where she was responsible for developing and managing more than 250 trade show and meeting events each year. Elaine attended the University of Connecticut and Bentley College.

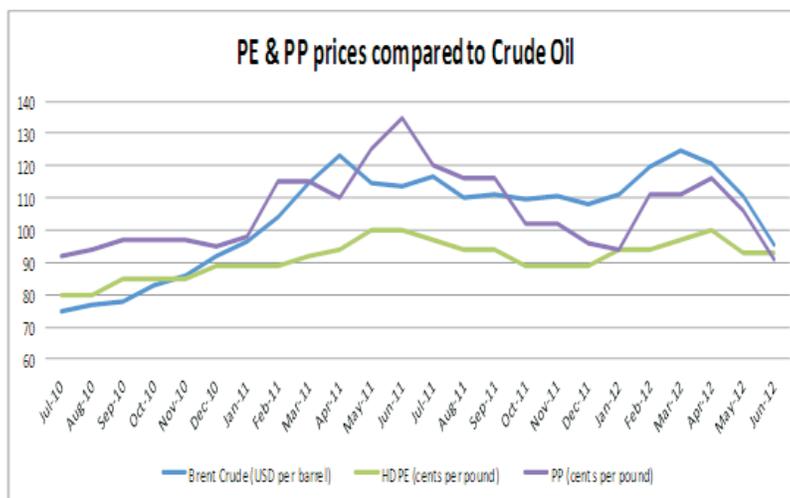
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PLASTICS PRODUCTS INDUSTRY PERSPECTIVE

RESIN PRICES FALLING

Prices for most plastic resin categories have fallen in line with falling crude oil prices. Polypropylene (PP) fell 18% in Q2 from \$1.11 per pound to \$0.91 per pound. PP prices are very volatile and track very closely to crude oil prices. Polyethylene (PE) prices also fell in Q2, but at less severe rates compared to PP. PE fell 4.1% from \$0.97 per pound to \$0.93 per pound for high-density polyethylene (HDPE). PE prices still track closely to crude oil prices; however, in North America, PE is primarily made from ethane derived from natural gas, which is cheaper than ethane derived from crude oil. The lower-cost raw material has made PE prices less volatile compared to prices for PP. Resin prices increased in the first quarter, causing many companies to purchase larger quantities of resin as buyers attempted to purchase material ahead of additional price increases. Since Q1, demand has slowed and raw materials inventory levels have increased. Demand

for resins is lower for a number of reasons, including economic slowdowns in Europe and Asia. In addition, lower oil prices lowered the cost of manufacturing PE in Europe and Asia, and is having a negative impact on North American PE export sales. Chinese demand for North America resin was forecasted to increase 8% in 2012 compared to 2011, but updated forecasts project Chinese exports to decrease 5% compared to 2011. On the supply side, monomer inventory levels used to manufacture resins are high due to lower demand, as well as numerous petrochemical producers coming back on line after a maintenance period. Resin inventory levels are also currently high due to reductions in demand compared to forecasts with higher demand projections.



HILCO REAL ESTATE APPRAISAL, LLC ADDS TEAMS IN SOUTHERN CALIFORNIA

ROBERT W. BELL, MAI, MBA has joined Hilco Real Estate Appraisal, LLC as West Region Manager, and has opened the new Irvine, CA Office. Bob is joined by a select appraisal and consulting team consisting of Scott Davis, Hugh Everhart, and Corina Schindel.

Bob has been actively appraising and consulting for more than 30 years and has specialties in portfolio valuation, statistical analysis, and corporate-owned realty. Bob has been located in Southern California for his entire career, and has worked throughout the Western states.

KENT J. CARPENTER, MAI joined Hilco Real Estate Appraisal, LLC in our San Diego, CA office in June 2012 as Managing Director. Kent is joined by his entire team, consisting of Walter J. Stevens, MAI, Patrick Marsh, Sean Stinchfield and Marcus Romero.

Kent has been engaged in the appraisal and analysis of real estate throughout Southern California for more than 25 years, with additional experience in development and site acquisitions.

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