GREAT AMERICAN GROUP

GREAT AMERICAN GROUP ADVISORY & VALUATION SERVICES

Building Materials Monitor

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Introduction

Welcome to the fifth issue of the *Building Materials Monitor* from Great American Group Advisory & Valuation Services ("GA"). This publication will provide you with market value and industry trends for a variety of building material products. The enclosed information represents a composite of GA's industry expertise, well-respected industry publications, liquidation and appraisal experience, and contact with industry personnel. Due to the commodity nature of certain building materials, timely reporting is necessary to understand an ever-changing marketplace. GA strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole.

The *Building Products Monitor* relates information covering most building projects, including industry trends, market pricing, and their relation to our valuation process. GA provides our customer base with a concise document highlighting the building products industry. Please feel free to utilize our contact information shown in this and all *Building Materials Monitor* issues. GA welcomes the opportunity to make our expertise available to you in every possible way.

Trends in Recovery Values

Within the building materials vertical, net recovery values on the whole have experienced mixed results in the fourth quarter from the third quarter 2011. Within the commodity lumber sector, involving both producers and lumber dealers, declining lumber prices, coupled with competitive pricing pressures, limited growth in Net Orderly Liquidation Value ("NOLV").

Trend Tracker
NOLVs: **Mixed**
Sales Trends: **Mixed**
Gross Margin: **Decreasing**
Inventory: **Mixed**
Pricing: **Mixed**

Collateral engagements during the most recent quarter saw NOLVs primarily decline less than a percentage point. The wide array of product categories within the industry results in a variety of factors influencing NOLVs. GA observed NOLV results range from a decline of five percentage points to an increase of one percentage point. Companies more directly impacted by commodity pricing experienced year-over-year declines due to falling lumber prices, while other segments showed flat to slightly higher trends. The past year ended on a similar note to 2010, with the most recent housing start information indicating a slight improvement over the prior year. There remain significant economic issues blocking market improvement, such as soft existing home pricing, high unemployment levels, and continued tight lending standards. There are indications that export activity, which has helped buoy pricing over the last 12 months, may encounter some obstacles with the ongoing debt crisis in Europe, as well as evidence that the Chinese market has hit a saturation point for lumber products.

GA internally tracks recovery ranges for specialty and exotic hardwoods and softwoods, building product retailers and wholesale distributors, hardware supply stores and distributors, and specialty building products, but we are mindful to adhere to your request for a simple reference document. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer.

ABOUT GREAT AMERICAN GROUP

GA is a leading provider of asset disposition solutions and valuation and appraisal services to a wide range of retail, wholesale, and industrial clients, as well as lenders, capital providers, private equity investors, and professional services firms. In addition to the *Building Materials Monitor*, GA also provides clients with industry expertise in the form of monitors for the metals, food, automotive, and chemicals, plastics, and packaging industries, among many others.

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EXPERIENCE

In 2010, GA was involved in the liquidation of three National Home Centers building products locations, as well as the liquidation of inventory and fixed assets across eight North Pacific Building Materials distribution centers. GA has worked with and appraised numerous companies within the building products industry, including industry leaders within each category. While our clients remain confidential, they include industry leaders such as globally-recognized full-line lumber and building materials distributers and some of the largest U.S. roofing distributors, as well as market-leading manufacturers and distributors of plumbing fixtures. GA's extensive list of appraisal experience includes:

- The nation's largest supplier of building materials for home building, as well as professional and contract builders.
- One of the largest roofing products distributors in the United States, with locations throughout the country and sales exceeding $2 billion annually.
- Global leaders in home fixtures and plumbing products, including faucets, sinks, toilets, and bath tubs, with presence in over 40 countries.
- Leading manufacturers of HVAC systems, serving residential, light commercial, and commercial applications, with annual sales exceeding $1 billion.
- One of the nation's largest producers of oriented strand board ("OSB"), siding, and engineered wood products.
- The largest independent distributor of wallboard, acoustical, and other specialty building materials in the United States.

GA also maintains appraisal experience involving more regionalized and specialized building materials companies, allowing for the utmost depth in our valuations:

- Regional sawmills, log processors, and producers of green and kiln-dried lumber.
- Specialty producers of custom interior wood doors for the education, commercial, health care, institutional, and hospitality industries.
- A leading distributor of roofing materials, with 60 distribution facilities nationwide.
- A manufacturer and distributor of exterior residential building products, primarily servicing professional contractors.
- Distributors of exotic imported hardwoods utilized in high-end building projects.
- Independent building material and plumbing product retailers and wholesalers, each serving distinct regional customer bases.
- A diversified holding company operating in the building materials supply industry, with a focus on more specialized supply services.
- A manufacturer and distributor of metal roofing and accessories for residential, light commercial, and agricultural applications.

In addition to our vast liquidation and appraisal experience, GA maintains contacts within the Building Products industry that we utilize for insight and perspective on recovery values.

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OVERVIEW

The construction market endured three quarters of mixed results in 2011, before edging up slightly during the fourth quarter. With building outlays increasing over 1% in November 2011, exceeding many analysts' expectations, cautious optimism seems to be the prevailing tone within the industry. Caution cannot be overemphasized, however. The Standard and Poor's/Case Shiller Home Price Index suggests that home prices continue on a flat or downward trajectory, falling over 1% from September to October; further, the national median existing-home price for all housing types fell over 3% year-over-year in November 2011.

The 18-month construction recession, which began in June 2009, has begun to show signs of remission, largely spurred by near-record-low mortgage rates. Private construction spending totaled $522 billion in November 2011, representing the highest level since December 2009, while homebuilding outlays climbed 2%.

According to recent data from the U.S. Commerce Department, housing starts reached the highest total in 19 months, while construction permits increased to the highest total in 12 months. To further the upward trending within the market, the National Association of Realtors reports that existing-home sales improved 4% from October to November, representing an encouraging 12% increase over November 2010.

Current existing home sales levels are now 34% above the trench of the housing market, which was reached in mid-2010. Despite the buyer-friendly conditions, including bargain-basement prices and low mortgage rates, restrictive mortgage underwriting conditions have worked to moderate sales conditions. Many well-qualified potential homebuyers have been denied purchasing opportunities, as a high level of contract failures - caused by application denials and a negative variance between appraised value and negotiated prices - have made securing a loan more difficult.

Despite barriers to home ownership, total housing inventory fell nearly 6% from October 2011 to November 2011, signaling that a possible stabilization in home pricing is nearing. The current indicators represent seven months of supply at the current pace of sales, a decrease from almost eight months in October 2011.

RECENT APPRAISAL TRENDS

SOFTWOOD AND HARDWOOD LUMBER

Lumber prices declined fairly consistently across most species during the second half of 2011, as demand lagged behind supply in the market. The falling prices had a corresponding impact on sales trend, margins, and, as a result, recovery values. A mild weather pattern helped keep prices from a traditionally steeper decline to end the year, particularly within the panel segments. Prices should remain at current levels, as both producers and dealers are less likely to have aggressive forecasts heading into 2012, which should keep recovery values stable among producers, while distributors must continue to keep inventory levels low. Historically, we see a runup in pricing toward the end of the first quarter, as dealers stock up for the building season, but it is unclear how significant the gains will be this year and how large, if any, the gains in recovery values will be.

As mentioned earlier, export activity to Asian countries remains above historical levels, but a flooded Chinese lumber market and concerns about the country's economic health could slow North American purchasing in the current year. This will mean an even greater emphasis on keeping inventories in lockstep with demand, as a surplus in the market causes hesitancy in purchasing and a corresponding weakening of distribution channels. Additionally, further declines in prices will result in declining recovery on cost, depending on when standards are updated.

Larger wholesalers and building supply dealers who emerged from the downturn of recent years continue to demonstrate strong inventory controls and purchasing restraint, as levels remain consistent and in-line with seasonal demand. Sales trends have been modest, although commodity pricing and competition for diminished demands continues to put downward pressure on gross margins.

COMMERCIAL CONSTRUCTION PRODUCTS

Products that have a stronger correlation to the nonresidential construction market, such as aggregate, cement, and piping, experience similar trends to their residential counterparts. Delays in infrastructure projects and anticipated cuts in federal and municipal budgets are reflected in negative sales trends GA noted in several appraisal projects. However, recent construction statistics outpaced forecasts to close 2011, and there remains optimism for incremental improvement ahead in 2012. Recovery values within this segment remain strong as producers have adjusted capacity to align with market activity. However, competitive pricing on project bids, in addition to reduced manufacturing activity, have driven down margin, causing production overheads to further chip away at profits. Rebounds to the market activity could result in further recovery gains, as gross margins have been held in check for the past 12 months.

RECENT APPRAISAL TRENDS

OTHER BUILDING PRODUCTS

Appraisals performed for both HVAC and plumbing products have resulted in similar indicators, improved sales trends combined with lower margins. The impact has been slight year-over-year declines in recovery values for these materials. Rising acquisition costs and increasing sales of lower margin products have outpaced increased activity in the repair and remodel market.

GA also performed multiple appraisals in the door, window and millwork sectors. Sales trends were generally negative, with slight declines within gross margins as well. Inventory mix significantly impacts recovery values, as made-to-order finished products hold strong values, while raw materials demonstrate significant variability, from higher-recovering commodity lumber and resin, to lower-recovering parts and components.

MONITORING POINTS

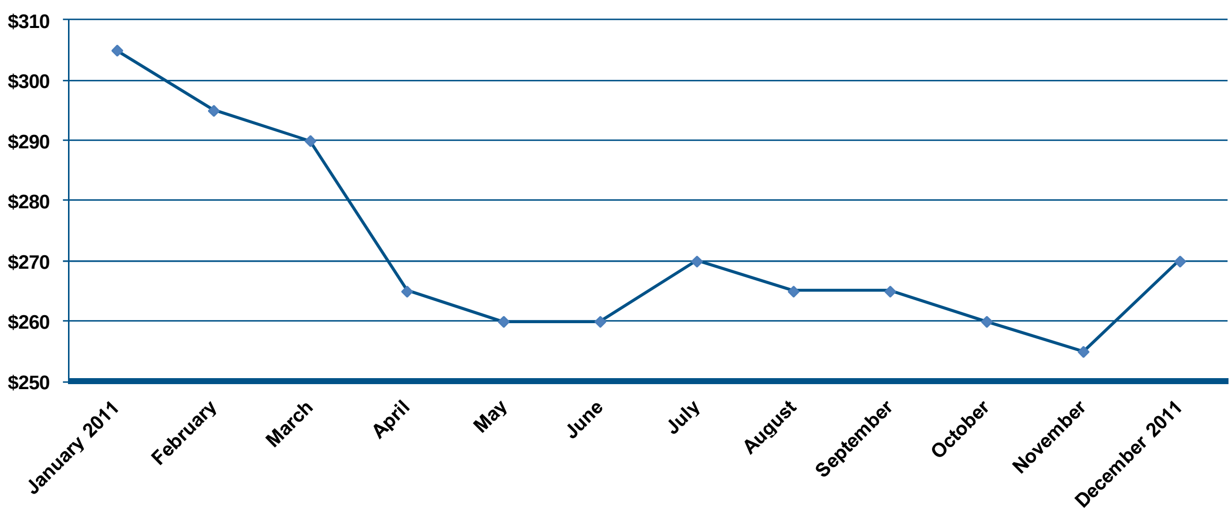
Monitoring Point	Impact
Monitor construction activity in China.	As the Chinese construction market and resulting high level of exports to China helped buoy market prices for building products during 2011, market prices could fall without stabilization from overseas. During the fourth quarter of 2011, the export market softened, resulting in declining market values, although the full impact of the waning Chinese market has yet to be seen.
Monitor market prices in relation to historical patterns.	Market prices have historically experienced improvement during the first quarter, as the industry prepares for the traditional building season. Should market prices fail to follow traditional patterns, recovery values could be negatively impacted.
Monitor gross margins among producers and distributors.	Declining market values and a high level of competition within the industry have resulted in significant pricing pressures. A furthering of this trend could result in significant margin compression, negatively impacting recovery values.

PRICING TRENDS

SOFTWOOD LUMBER

Softwood lumber includes species such as Spruce, Pine, Fir, and Cedar, and is typically used for structural building purposes, as well as millwork. As seen in the graph below, lagging demand drew down market prices during the early fourth quarter, as caution prevailed among buyers. However, a mild early winter aided consumption in December. Despite positive movements in recent months, worries persist about winter storms, which have become an inevitability within the industry. As such, purchasing has remained somewhat modest, and significant gains are unlikely in the coming months.

Monthly Average Framing Lumber Pricing Trend
January 2011 through December 2011
$ per MBF

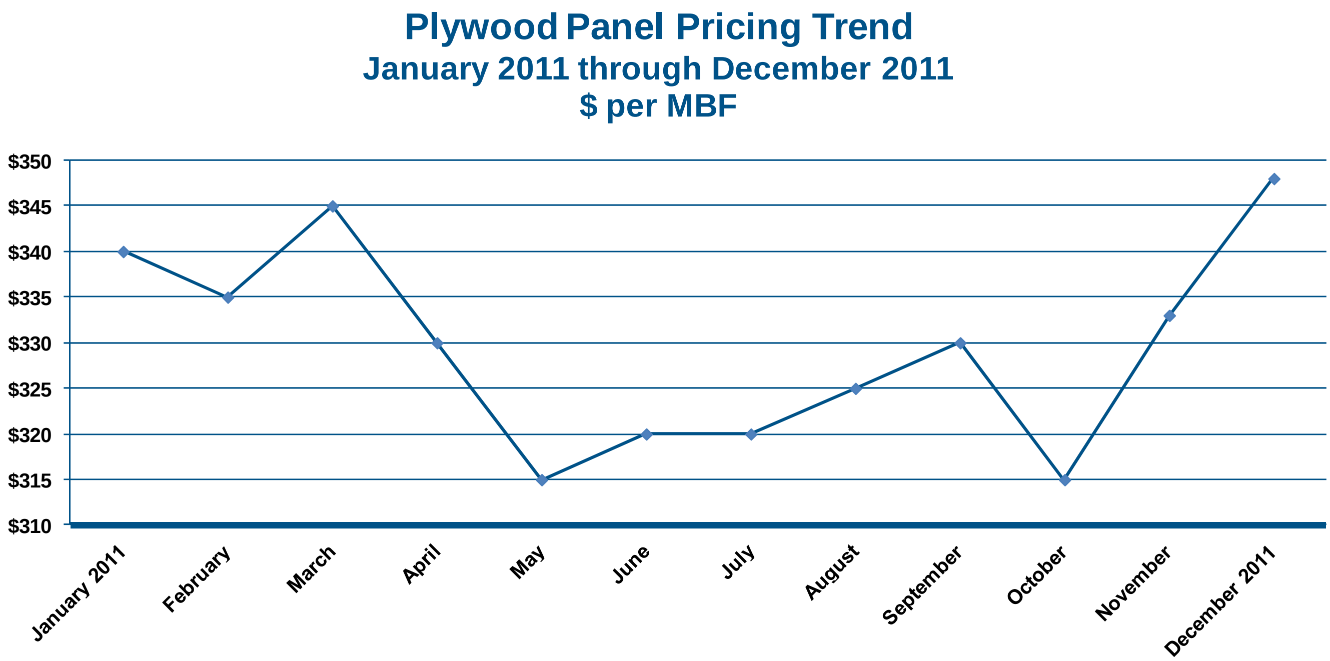


As builder sentiment, reported by the National Association of Home Builders, rose for the third consecutive month, many within the industry predict that the upward trend in prices may continue. However, it must be stressed that the recent run-up in softwood pricing is largely due to the low expectations for the period, resulting in tight supplies in light of better-than-anticipated building conditions. Should the mild weather continue for any prolonged period of time, a ramp up in production would certainly stabilize pricing during the first quarter.

PRICING TRENDS

SOFTWOOD PANELS

As noted in the prior *Building Materials Monitor,* demand in the panel market swelled during the third quarter after Georgia Pacific announced plans to stop production at two plants in Arkansas and one plant in Florida, resulting in a loss of approximately 850 million square feet of annual production. During the tail end of December, prices remained stable after rising throughout October, November, and the beginning of December, as inventory levels were slow to budge and demand remained relatively consistent. Southern Pine plywood panels were the major recipients of demand surges, although many purchasers have begun to supplement Southern Pine purchases with Western Fir plywood, which has buoyed prices across the board. Overall, supply and demand ratios remain in lockstep, and prices do not seem likely to move in the coming months, at least on the commodity side of things. Specialty products, while demonstrating a higher degree of variability, have also remained stable in recent months.

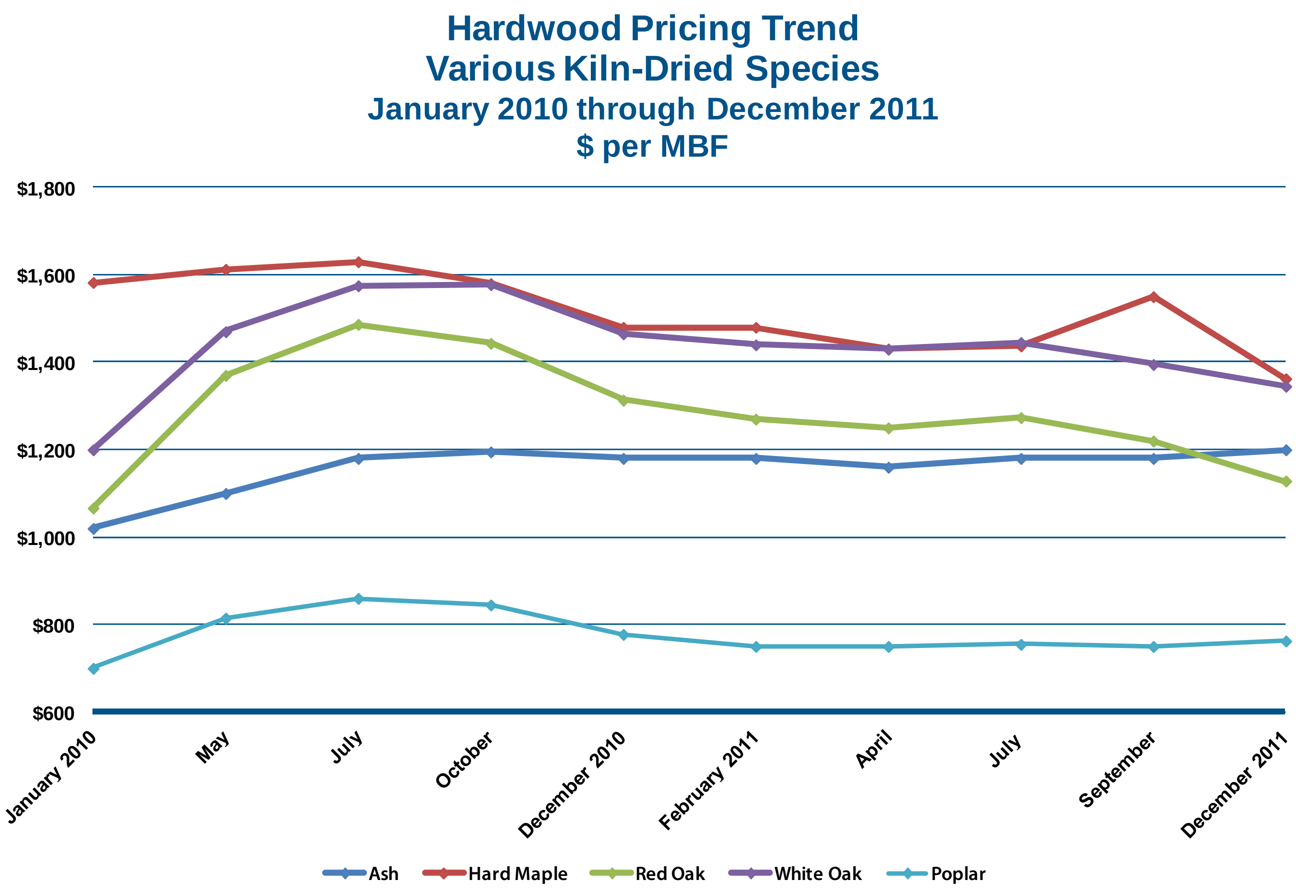


OSB demand, which is more closely linked to new home construction, rebounded in the fourth quarter. While demand remains historically weak, improvements have been witnessed in relation to poor third-quarter results. Further, producers have been successful on the whole at scaling back production to meet demand, which has kept pricing afloat in recent weeks.

PRICING TRENDS

HARDWOOD LUMBER

The hardwood market, which includes species such as Oak, Cherry, Maple, Ash, Hickory and Poplar, has followed on a somewhat flat trajectory throughout 2011. While peaks and valleys have been experienced in hardwood pricing, these trends have largely mirrored housing and manufacturing indicators, which seem to be following a pattern of ebb and flow. Moderately improved housing and construction indicators should push values higher in the first quarter of 2012, but the impact failed to make a dent in December, as many purchasers dealt with tax liabilities. Further, the industry seems to be working to combat a lack of trust in housing indicators, as producers and purchasers alike are suspicious of overly positive statistics in the midst of rampant uncertainty.

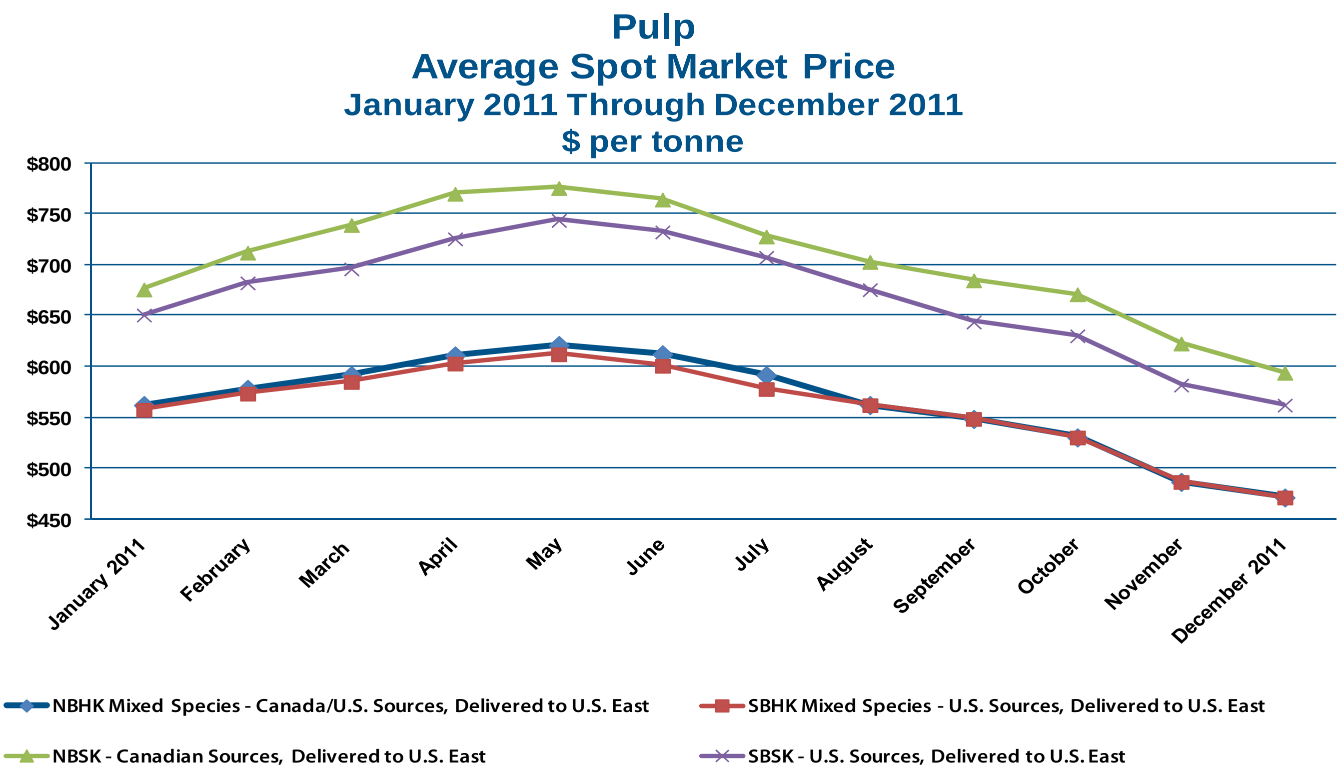


PRICING TRENDS

PULP AND WOOD FIBERS

As reported in the previous *Building Materials Monitor,* price decreases from major producers announced at the tail-end of the summer drew down market prices industry-wide. Demand from China, which had previously buoyed market values, declined precipitously during this period. Prices for Northern Bleached Softwood Kraft ("NBSK") closed the year down $30/tonne after reaching an all-time high in the beginning of the summer 2011. Inventories continue to be high throughout the market, putting significant pricing pressures on various grades. December 2011 marked the sixth straight month of price decreases. However, despite the recent depletion of demand from China, larger overseas shipments to China have allowed pricing to remain in check, at least for the time being.

It remains unlikely that China will increase purchases anytime soon, so further price decreases should be expected during the first quarter of 2012.



Pricing declines were not limited to softwood varieties, as most hardwood species exhibited significant declines in December, primarily in the $30/tonne-range. While lagging demand is certainly the primary concern for producers, price declines were exacerbated by year-end efforts to sell off remaining inventory.

BUILDING PRODUCTS REFERENCE SHEET

Softwood lumber and panel pricing trends - % change from previous quarter - all U.S. regions

	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Average Softwood Framing Lumber ($260 - $295/mbf)	1%	(13%)	-	1%
OSB ($200 - $235/mbf)	4%	(12%)	(1%)	5%
Pine Plywood ($390 - $460/mbf)	7%	(5%)	9%	1%

Hardwood lumber pricing trends - % change from previous quarter (reflects FAS-grade pricing)

Green - all U.S. regions

	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Red Oak ($880 - $950/mbf)	(2%)	(1%)	(4%)	(5%)
White Oak ($965 - $1,110/mbf)	(2%)	-	(1%)	(1%)
Ash ($780 - $810/mbf)	-	-	2%	-
Poplar ($540 - $575/mbf)	-	-	-	6%
Hard Maple ($1,060 - $1,210/mbf)	(13%)	(10%)	3%	8%

Kiln-dried - all U.S. regions

	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Ash ($1,055 - $1,190/mbf)	(7%)	2%	-	2%
Hard Maple ($1,430 - $1,550/mbf)	(3%)	(3%)	7%	(5%)
Red Oak ($1,215 - $1,320/mbf)	(5%)	-	(4%)	(6%)
White Oak ($1,390 - $1,470/mbf)	(3%)	1%	(4%)	(6%)
Poplar ($750 - $780/mbf)	(3%)	-	-	1%
Walnut ($3,105 - $3,190/mbf)	2%	1%	-	(4%)

PPI Average Pulp Spot Prices ($ per Ton) - % change from previous month

	October 2011	November 2011	December 2011
NBHK Mixed Species - Canada/U.S. Sources, Delivered to U.S. East ($470 to $625/ton)	(3%)	(8%)	(3%)
SBHK Mixed Species - U.S. Sources, Delivered to U.S. East ($470 to $615/ton)	(3%)	(8%)	(3%)
NBSK - Canadian Sources, Delivered to U.S. East ($595 to $780/ton)	(2%)	(7%)	(5%)
SBSK - U.S. Sources, Delivered to U.S. East ($560 to $745/ton)	(2%)	(8%)	(3%)