FutureMark Paper Group






Investor Presentation

March, 2015

Kraft Strategy

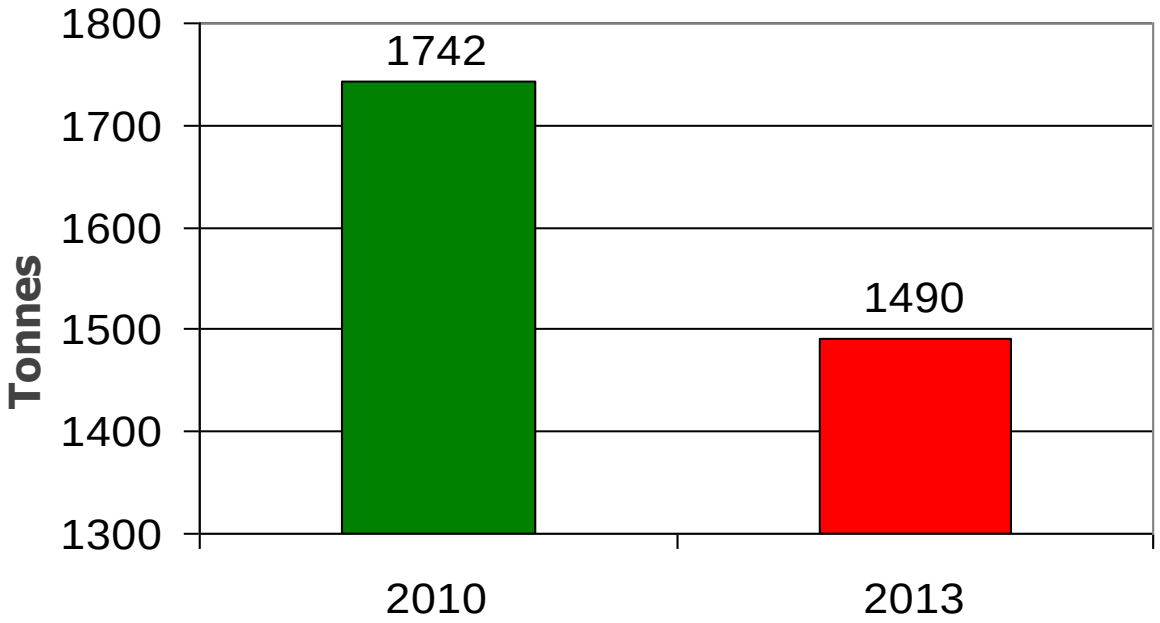
Introduction

Kraft Strategy

- In the last 9 months the focus has been to grow Kraft packaging and manage the mill transition from white printing papers to Kraft Packaging
  - Raised Capital
  - Hired new employees
  - Implemented critical capital projects to lower costs and improve quality
  - Reduced energy costs
  - Increased white paper sales prices and improved customer mix
  - Sold out the mill
  - Achieve improved production rates and efficiency
- In each area we made significant progress, but we determined that the required brown and white mix results in too much operational risk and is too costly
- The future for Manistique is to manufacture Kraft packaging grades exclusively
- Upon start-up of the machine we will immediately transition to Kraft versus transitioning from White to Kraft packaging.
- Our estimate shows solid financial results with an estimated EBITDA of $5.6 M per year

Kraft Strategy

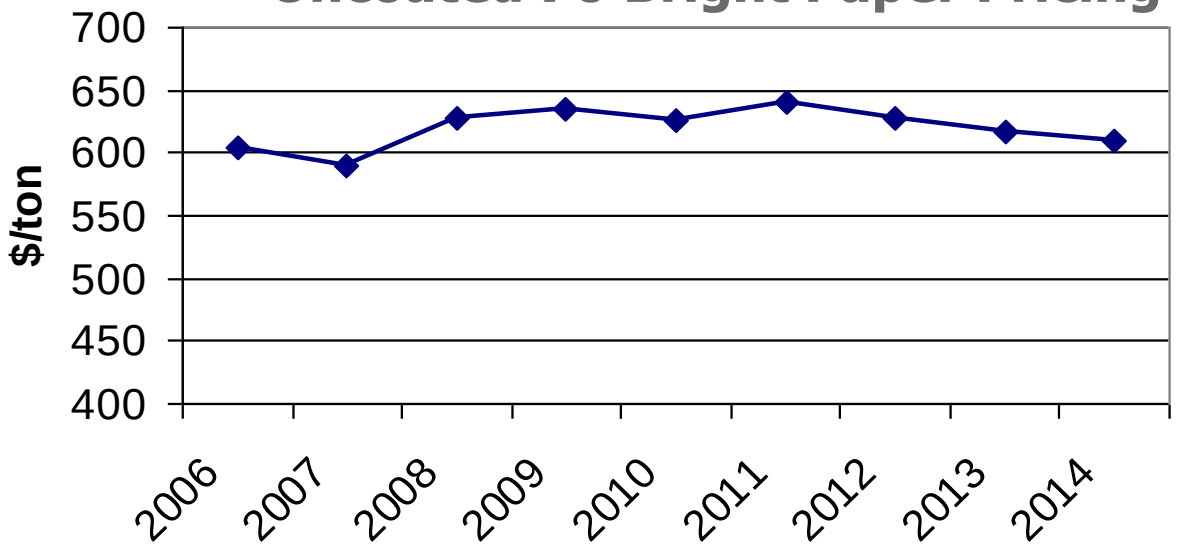
Uncoated Printing Papers Demand and Pricing



> **Demand for white printing papers has continually decreased since 2004.**

> **This trend will continue due to electronic substitution.**

Uncoated 70 Bright Paper Pricing



> **Pricing is flat and is driven by over supply from large producers that keep pricing down to avoid making lower margin products.**

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Kraft Strategy

- The overall North American Kraft market is very large at nearly 40 M tons. The large markets are box board and medium for cardboard boxes.

- The lightweight portion of the market that we are targeting is 1.2 M tons. This market includes bags, packing papers, wrapping papers and lightweight fluting papers for small clamshells.

- Lightweight Kraft packaging is growing as brand owners prefer the green image of brown versus Styrofoam, Plastics and white paper packaging.

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Kraft Strategy

- The 100% Kraft strategy has favorable market dynamics and is balanced with the mill capabilities and a competitive cost position.
- The Kraft strategy is for the entire organization; cross functional coordination is essential
- All hiring, training and capital spending decisions are assessed based on what we need to implement the Kraft strategy.
- **We now have the right strategy and the right organization to deliver the results needed.**



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Kraft Strategy

- Operations Plan
- Sales & Marketing Plan
- Capital Plan
- Financials
  - Kraft Plan
  - Transition Plan

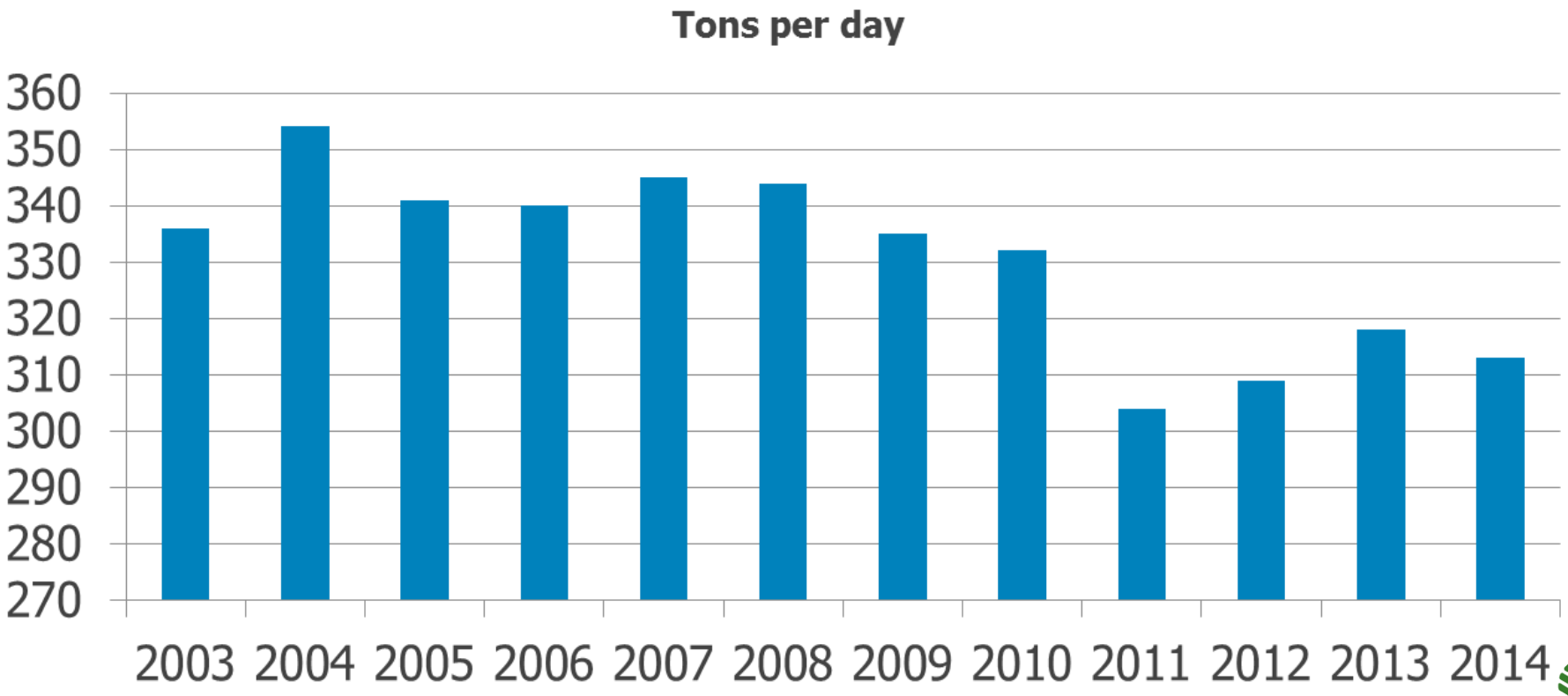
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FutureMark Manistique

Operations Review

Kraft Strategy – Operation Plan

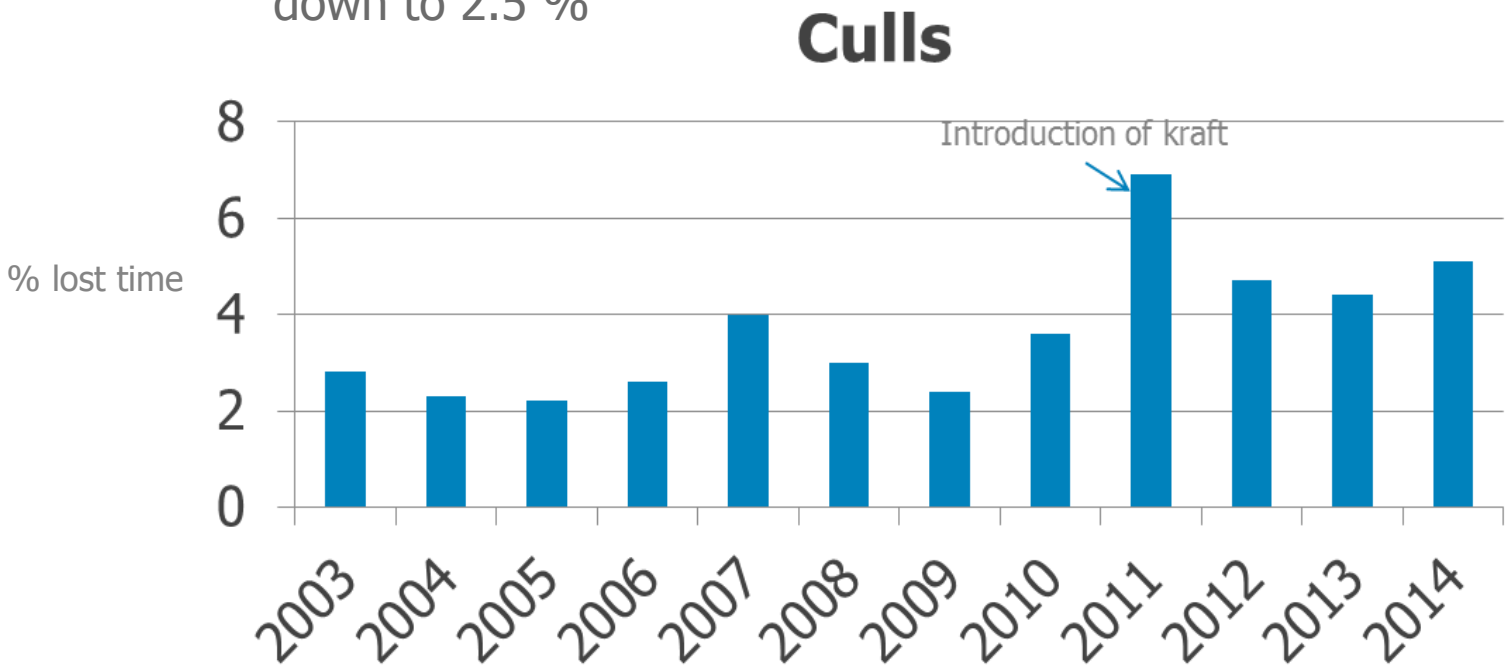
- Run Rate Capabilities
  - Historically Manistique best production was a decade ago when operations had a less complex basis weight/brightness matrix.
  - The 100% kraft option will reduce our grade complexity from 70 primary grades we manufacture today to 11 kraft grades all utilizing the same raw material and minimal chemistry



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Kraft Strategy- Operations Plan

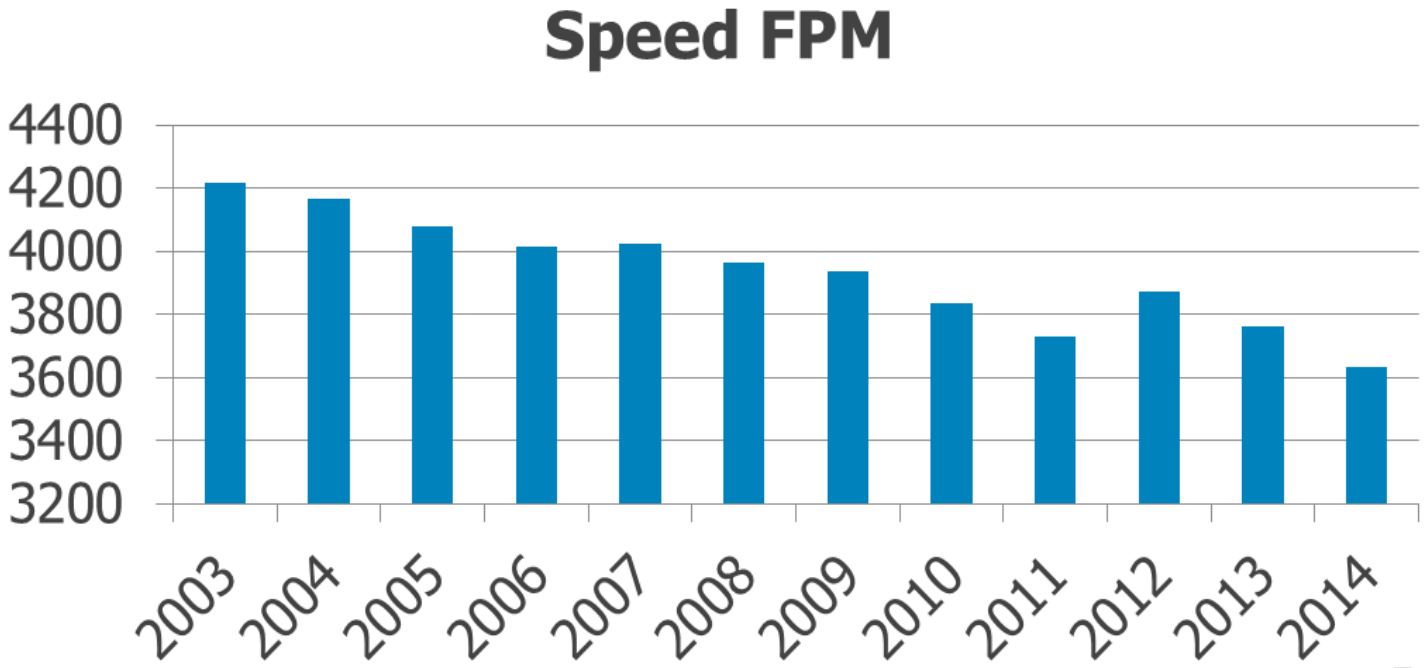
- Productivity Improvements
  - Simplified Grade Structure
    - Lost production due to grade changes, loss of brightness and transition from white grade to brown has increased since we have introduced new grades.
    - With focus just on Kraft we project getting culls and other losses back down to 2.5 %



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Kraft Strategy- Operations Plan

- Productivity Improvements
  - Simplified Grade Structure
    - Speed has reduced since the introduction of High Bright paper (2004) and Kraft (2011).
    - With focus just on Kraft we project getting paper machine speed up to higher operating levels due to a stronger fiber base, less ash in the furnish, less chemical usage and fewer grade changes.



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Kraft Strategy- Operations Plan

- Productivity Improvements
  - Simplified Grade Structure
    - 100% Kraft operation will reduce wastepaper grades we purchase from 17 different grades down to 2 grades (OCC & DLK).
    - Logistic challenges will be reduced in unloading, storing and staging different wastepaper for each brightness run
    - With the exit of high bright manufacturing the mill will eliminate 10 bulk chemicals that will be no longer be needed and two additional chemicals will be dramatically reduced.
    - Process equipment can be set up to run in an optimum condition for a common furnish to be processed.
    - Cost per grade will be easily established due to not blending multiple grades of waste paper/chemistry to hit brightness targets

Kraft Strategy- Operations Plan

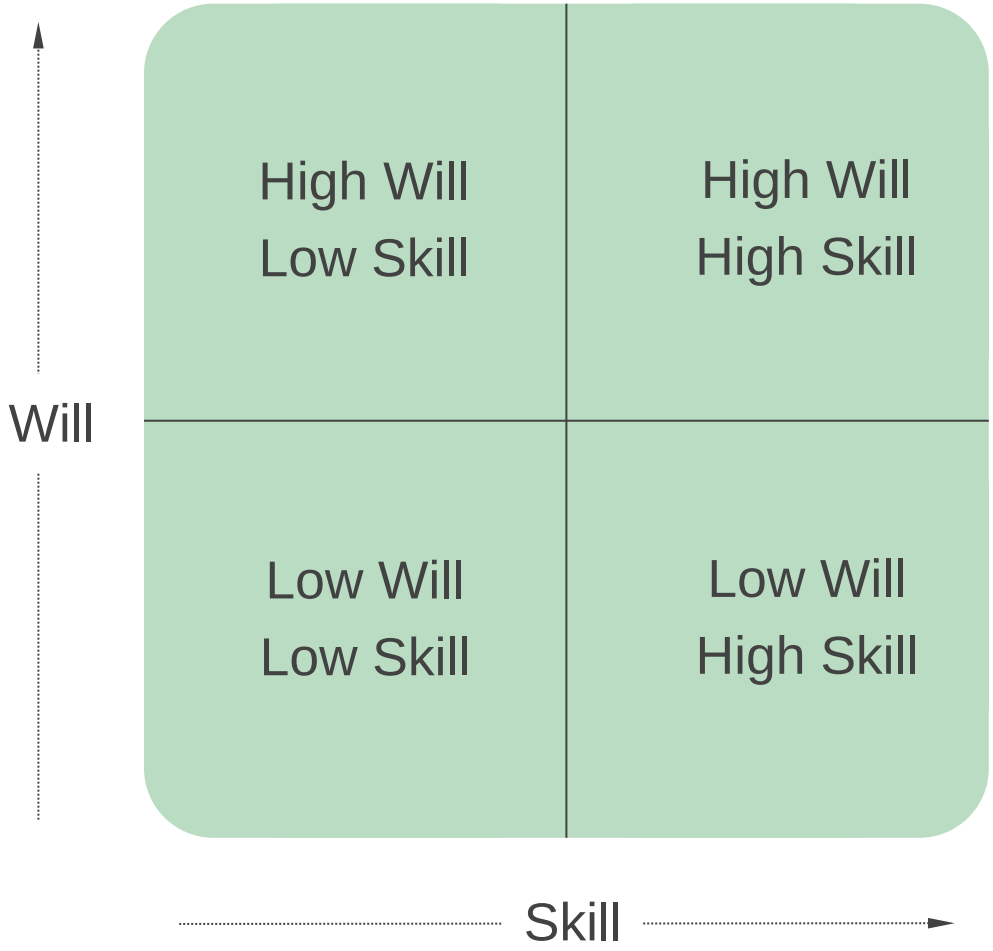
- Productivity Improvements
  - Kraft fiber
    - OCC is readily available throughout the Midwest market.
    - Exports to Asia has been slow and predicted to stay soft.
    - Large volume of "trash" is present in some OCC supply so source selection is important.
  - Kraft processing limitations
    - Pulping and coarse screening are a limiting factor to hit the average run rates on Kraft.
      - Plastic and Styrofoam are the largest problem
      - New coarse screens have already been engineered and will improve the pulp capacity from 400 tons per day to over 500 tons per day and increase yield.

Kraft Strategy- Operations Plan

- Productivity Improvements
  - Reliability
    - With fewer grade changes equipment can run in a steady state condition. Today we operate in such a large window of grades we compromise operational parameters to satisfy both white and brown furnish.
    - Alignment of technical resources with focus on planning, preventative maintenance and execution will be achieved.
    - Organizational changes have recently been made to flatten the structure, and promote accountability

"Will and Skill" Matrix used to pair employees with mill's needs

- Key staff and managerial positions were assessed according to:
  - Improvements necessary in various parts of the mill
  - Functional needs of the job
  - Employee's abilities
  - Employee's motivation and attitude
- Determined who didn't fit
- Recognized future needs due to attrition and necessary training (hourly and salaried)
- Results included some reorganization and realignment within the Matrix Organization



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Operations Milestones and Progress

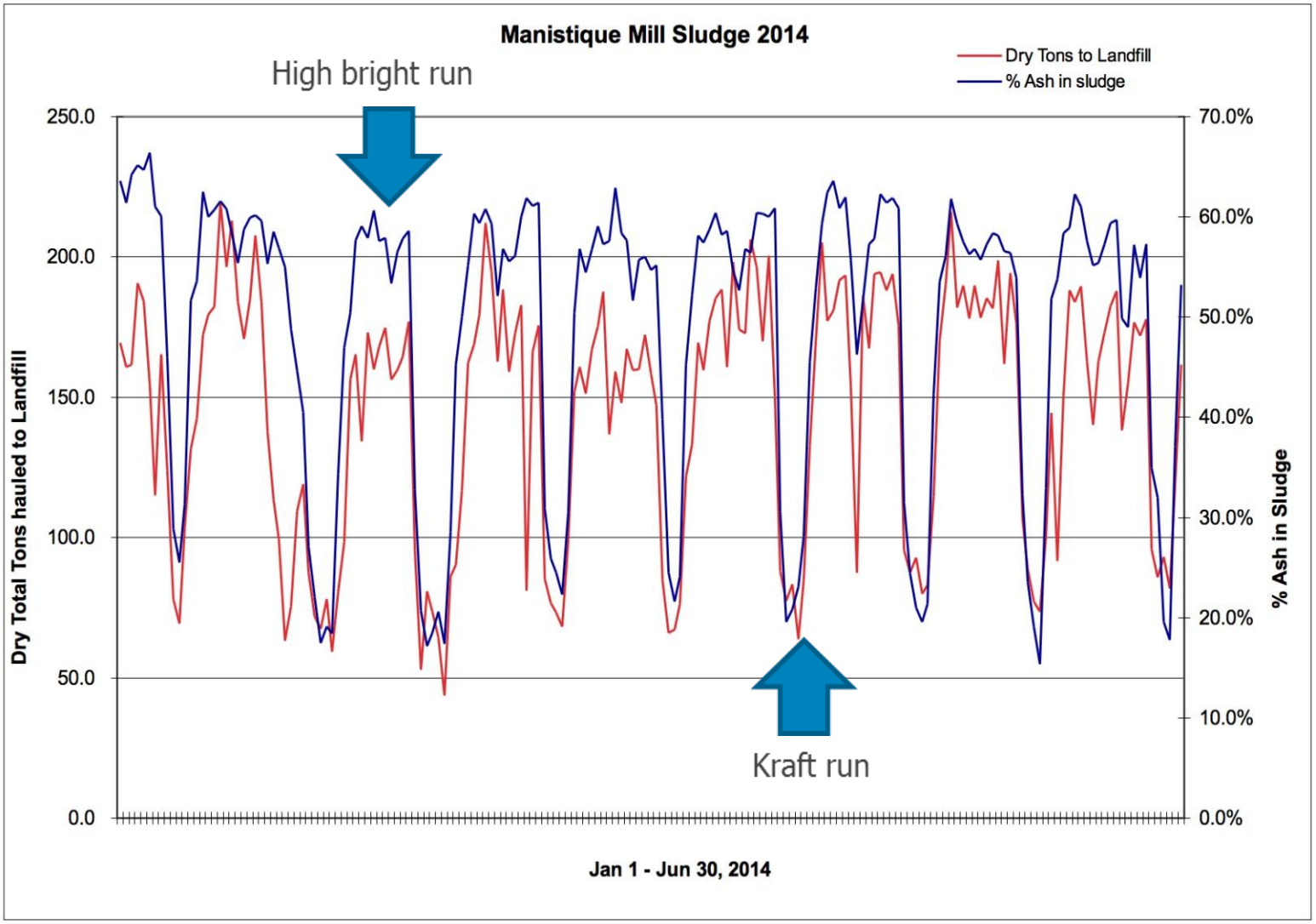
- Since recapitalizing the business in September 2014, we are improving production. Everett O'Neill started Dec 1st to be the new mill manager. Everett is a highly skilled mill operator and a strong leader.
- Jon Johnson is the VP of Strategic Projects and Regulatory Affairs, including energy management, the optimization of the landfill, capital projects oversight, government relations.
- We successfully recruited a new paper machine superintendent (Jan. 5th start). He has excellent papermaking and supervisor skills. This will help improve paper machine performance.
- We successfully recruited a new Technical Director (Feb 9th start). He has excellent papermaking, process engineering, quality management and waste treatment experience.

Kraft Strategy- Operations Plan

- Environmental Improvement
  - Air Emissions
    - New gas boiler will meet new EPA air emissions standards being implemented in the Summer of 2016
    - Gas boiler eliminates need to dispose of coal ash
    - Reduces the operation and maintenance cost by $894,000/yr.
    - Gas boiler has 15% additional steam capacity over the old coal fired boilers
  - Water Treatment
    - Manistique treats between 4 to 5 million gallons per day of waste water using a biological treatment system.
    - Biological systems work best in steady state conditions where microbes can breakdown solids and filter the water
    - The existing grade structure of the mill keeps the water treatment system in a steady state of flux, swing from a high inorganic load (ash and clay coatings) to a heavy organic load (box board fiber).

Kraft Strategy- Operations Plan

Highest yield losses occur during high bright runs, lowest losses are when we manufacture Kraft from OCC



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Kraft Strategy- Operations Plan

- Environmental Improvement
  - Landfill
    - 100% kraft operation will reduce landfill space requirements and extend the life of the cell.
    - Due to the elimination of the coal ash and coating clays in the furnish the waste material is more stable, reducing the landfill maintenance and operating cost.
  - Alternative Use of waste material
    - The high organic nature of the 100% kraft waste makes it well suited as a additive to sandy solids to help hold moisture and build organic mass for the soil.
    - A local farmer has a test plot of 65 acres that will have 1200 tons of kraft fiber applied to the soil in August. This test plot will be a major step towards using all of the kraft residuals for land application.

Kraft Strategy

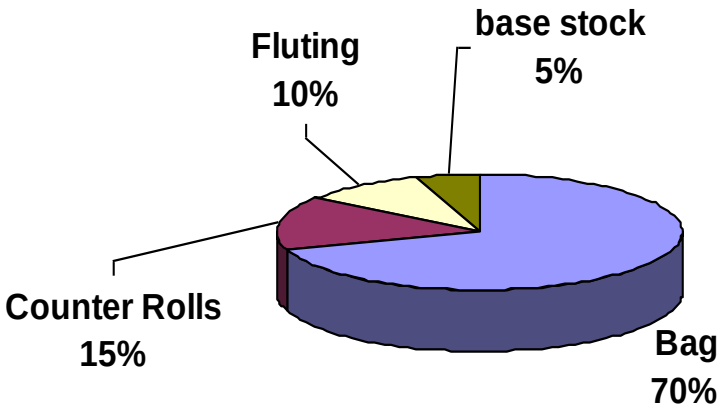
Sales and Marketing Plan

Kraft Strategy – End Use Market Share

- Target Market overview **1.2 M tons**
  - **Bag:** Fast food & shopping bags. Strength and sizing needed to avoid bag failure.
  - **Counter Rolls:** Void fill protection in shipping packages. Automated crumpling machines require bulk and strength.
  - **Microflute:** Cushioning in small packaging containers and for hot beverage sleeves. Crush resistance needed to protect contents.

Kraft End Use Market Share

1.2 M tons from 25 lb - 60 lb)

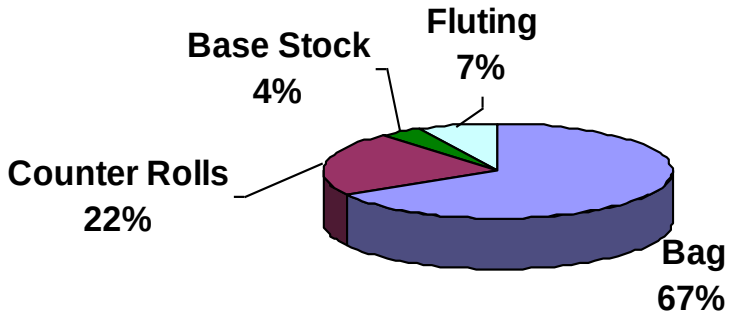


  - **Base Stock:**
    - **Green Masking:** used to protect surfaces from paints and liquid stains.
    - **Interleaving Papers**: laid by steel, glass and lumber manufacturers between units for protection during transport. Cleanliness is critical to avoid scratching.
    - **Wax and Poly Coated:** Strength is needed for moist conditions; i.e. for waxing or poly coating for butcher wrap and non food packaging.

Kraft Strategy – Manistique Volumes

Market	Gross Price
Bag	$651
Counter Rolls	$675
Base Stock	$718
Fluting	$582

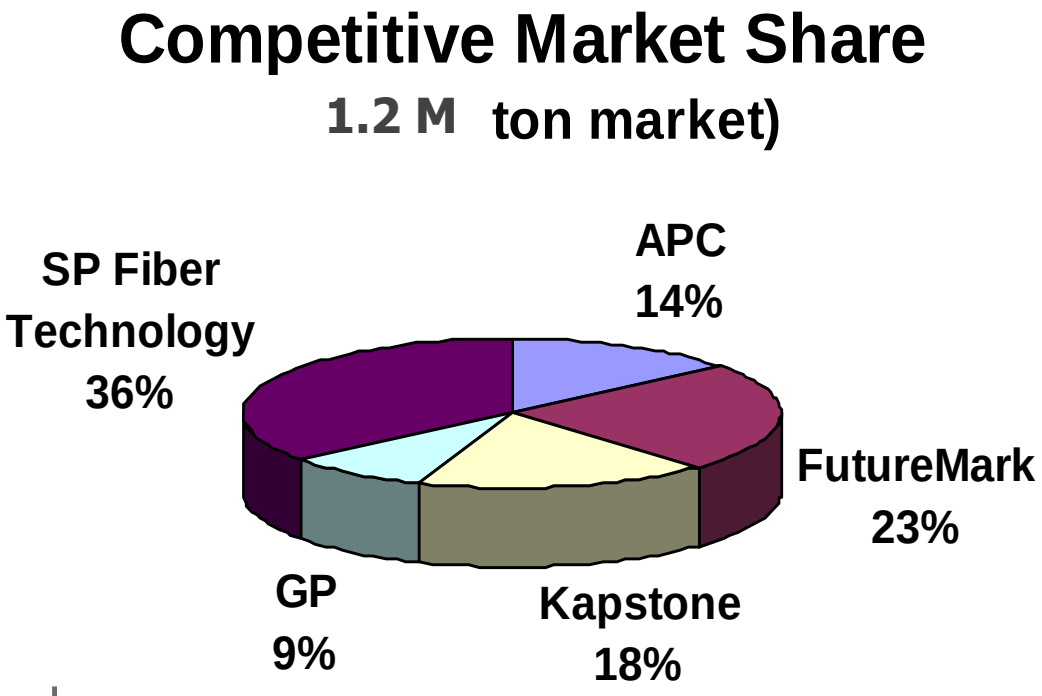
Manistique Target Volumes by End Use
(11,000 TPM)



- **Bag:** Largest market and a good target to gain volumes, but freight must be managed carefully. There are only 10 sizable converters.
- **Counter Rolls:** We targeted a higher share in this market versus the overall market. This is a fragmented market with 27 target converters.
- **Fluting:** Generally heavier BW so per machine hour margins acceptable if the freight is favorable. Very competitive segment with virgin mills.
- **Base Stock:** Value added small segment with functional coatings applied at the converters. Most demanding technically.

Kraft Strategy – Competitive Position

- **APC:** Small east coast supplier
- **Kapstone**: Partial recycled west coast supplier - prefer heavier weights.
- **GP:** virgin mill in Florida. Rarely see them with the exception of southern bag plants. Large in medium.
- **SP**: Main competitor with two converted recycled Newsprint machines. Big in bag and medium.



- **Notes:**
  - **Cascades:** Quebec mill shut a mill in October with 100 K tons of capacity. Focus on grease proof, base stocks and bag.
  - **Most mills** move in and out of the 10 M ton medium market and like 60 lb or greater. Our lightweight cost structure is very strong.

Kraft Strategy – Competitive Position

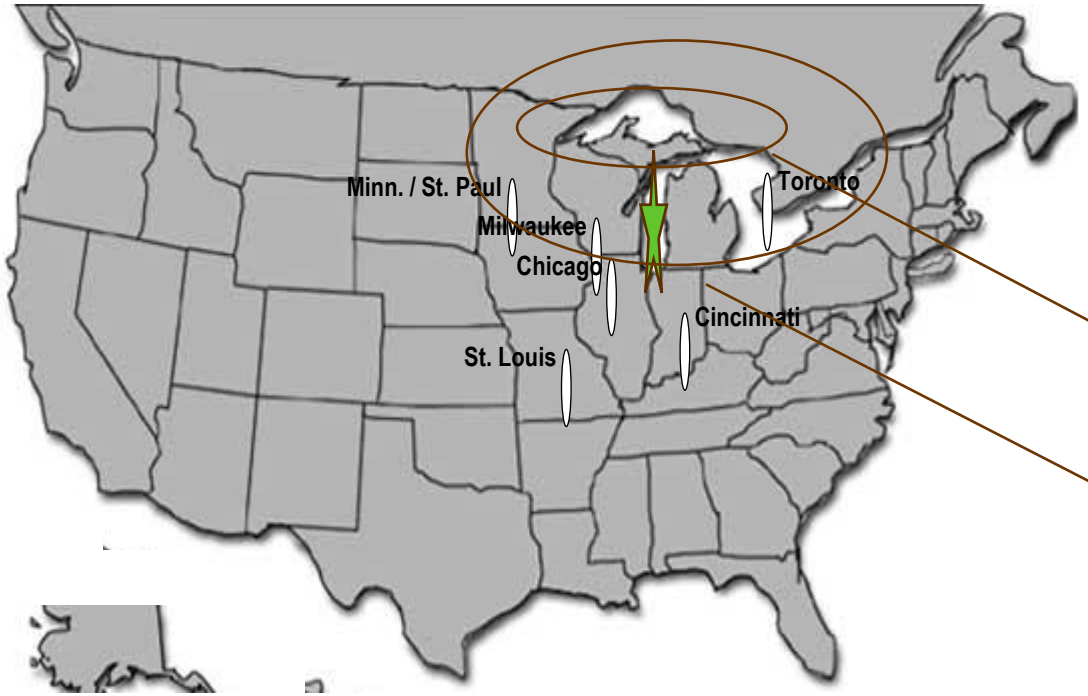
- No other Kraft competitors in the mid-west.
- Based on Fisher's database on mill costs and technical age, Manistique is considered one of the lowest cost.
- APC is high cost, Kapstone and GP are slightly higher cost than Manistique. SP is considered low risk.
- The only threat to new Kraft capacity is SP in their Newsprint mill in Oregon.

Lightweight Kraft Competitive Landscape

Company	Location	State	% recycled	Production	BW
APC	Clermont	NY	100%	36,000	30 lb
APC	Norfolk	NY	100%	50,000	25 lb - 80 lb
FutureMark	Manistique	MI	100%	132,000	25 lb - 70 lb
*Kapstone	Longview	WA	50 % - 100%	100,000	25 lb - 70 lb
**GP	Palaka	FL	0%	50,000	30 lb - 90 lb
***SP Fiber Technology	Dublin	GA	100%	200,000	30 lb - 90 lb
			Total	**568,000**	
* Capacity is 275,00 tons, but they prefer to make heavier weights.					
**Capacity is 210,00 tons, but they prefer to make heavier weights.					
** * Capacity is 550,00 tons, but they prefer to make heavier weights.					
**** there are large medium producers that can make lighter weights, but they mainly produce 69 lb or greater					

Market Positioning

- MPI's customer base is concentrated in the Midwestern markets in which the Mill has a freight advantage relative to competitors
- The Mill enjoys a competitive advantage due to its geographic proximity to key markets. It has significant demand in the Chicago market, which is less than 400 miles from the Mill. Chicago and other Midwestern cities such as St. Louis and Milwaukee are home to a significant number of commercial printers and converters, key users of the Mill's products
- The Mill seeks to obtain its wastepaper through backhaul on the trucks delivering paper from its mill and other mills in the area. As a result, its geographic proximity to customers also serves to reduce costs for its key raw material.

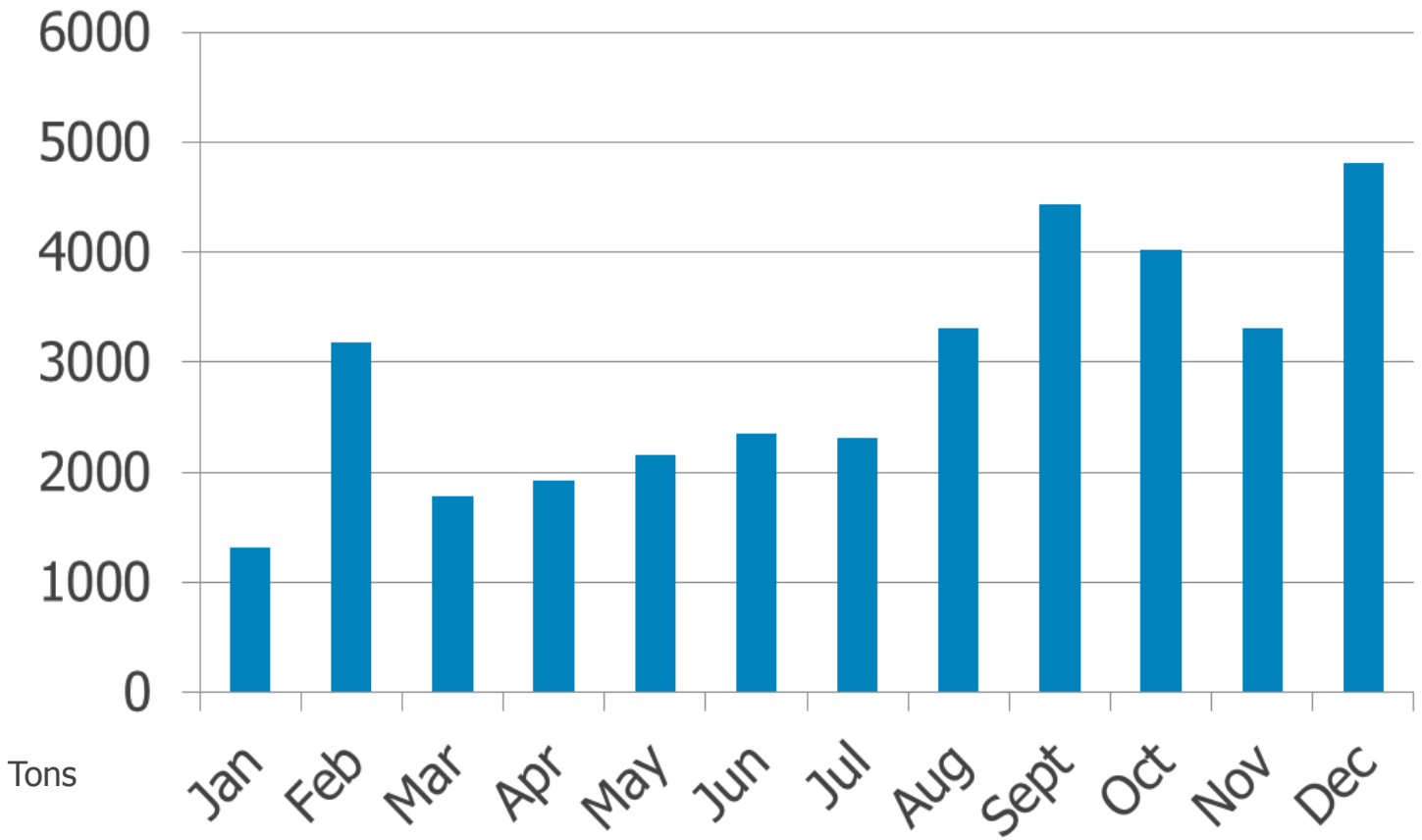


400 Miles
30% of Shipments
Freight / Ton ~ $43

600 Miles
55% of Shipments
Freight / Ton ~ $51

Sales Review

Monthly production of packaging papers has grown significantly and December was a record.



Kraft Strategy – Go to Market Strategy

- Channel
  - Currently 83% of our Kraft volume is direct to converters. The direct channel will grow to 90% as our business ramps up.
  - The direct sales model will be expanded to large brand owners; i.e. McDonalds.
  - Selling direct is more efficient and enables increased insight into our customer's business so we can provide value.
  - Direct marketing is less expensive and more effective than broad based advertising and PR.
  - Understanding what customers value is critical to our success.

Kraft Strategy – Sales & Marketing Plan

- We have recruited another Kraft sales person and will have a total of two sales people .
- Our Kraft volume will grow from 4500 tpm to 11,000 tpm.
- Overall, Manistique's 100% recycled content packaging products offer a strong competitive advantage with targeted Midwestern customers who value high recycled content papers.

Kraft Financial Forecast

Kraft Financial Summary

- $5.6mm EBITDA
- Sales volume: 120,450 tons (330 tons per day)
- Net sales: $67.4mm
- Net selling price per ton: $560
- Cost of sales: $61.8mm
- Cost per ton: $513
- 2 year capital requirements: $ 4.0 – 5.0 mm

Kraft Model - Key Assumptions

- 83% machine overall efficiency
- $560 / ton net selling price
- 80% pulp yield
- Waste paper unit cost based on June – December ‘14 average
- 50% of production is sized
- 9% staffing reduction ($1.1mm)

Kraft Model – Sensitivity Analysis

- 10 ton per day change in production rate = $0.8mm
- $10 change in net selling price per ton = $1.2mm
- $10 change in waste paper cost per ton = $1.5mm
- 5% change in pulp yield = $1.2mm

Kraft Strategy Summary

The Kraft Strategy enables Manistique to:

- Serve a growing and vital domestic packaging market.
- Simplify our mill processes.
- Move from an unfocused business model to a focused packaging business.
- Achieve higher efficiencies and lower costs.
- Fully utilize and optimize previous capital investments.
- Have better control of the sales process with more direct customers
- More easily control mill performance with the right individuals and organizational design
- Avoid costs for future air emission regulations and landfill expansion

- **Make Money Consistently**