

Presentation to the Reusable Industrial Packaging Association

Michael Hronchek

Managing Director

Elliott Davis Capital Partners

Did you ever think that making a speech on economics is a lot spilling hot coffee on your leg? It seems hot to you, but it never does to anyone else.

Glimmers of Hope

"Initial jobless claims plunged by 53,000"

U.S. Department of Labor
April 15, 2009

"[Rosetta Stone's IPO] is cause for optimism,"

Scott Cutler, NYSE Euronext
April 16, 2009

"We're beginning to see glimmers of hope"

President Obama
April 10, 2009

"I am fundamentally optimistic about our economy."

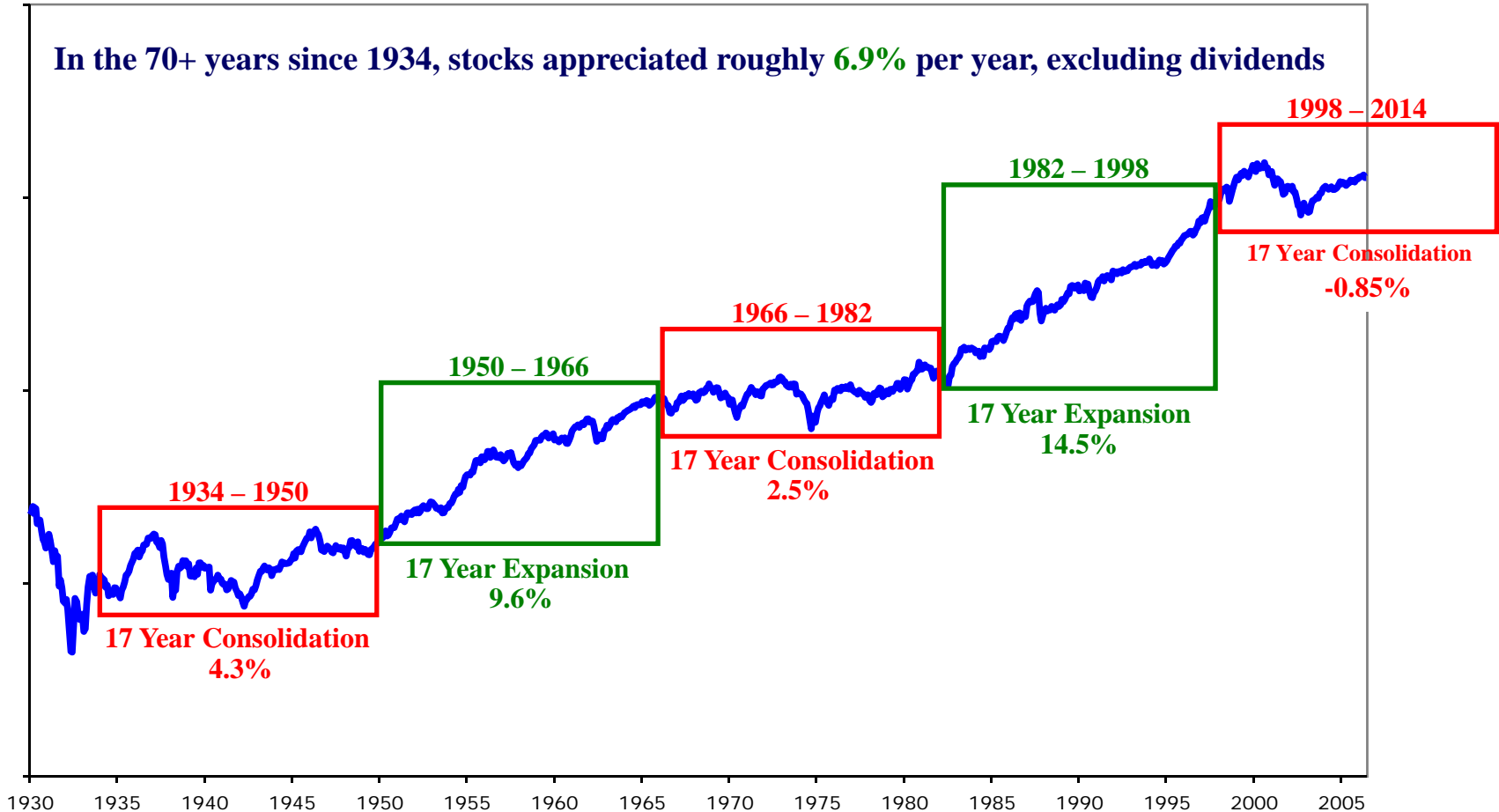
Ben Bernanke, Federal Reserve Chairman
April 14, 2009

"Increasing consumer sentiment suggests better times ahead."

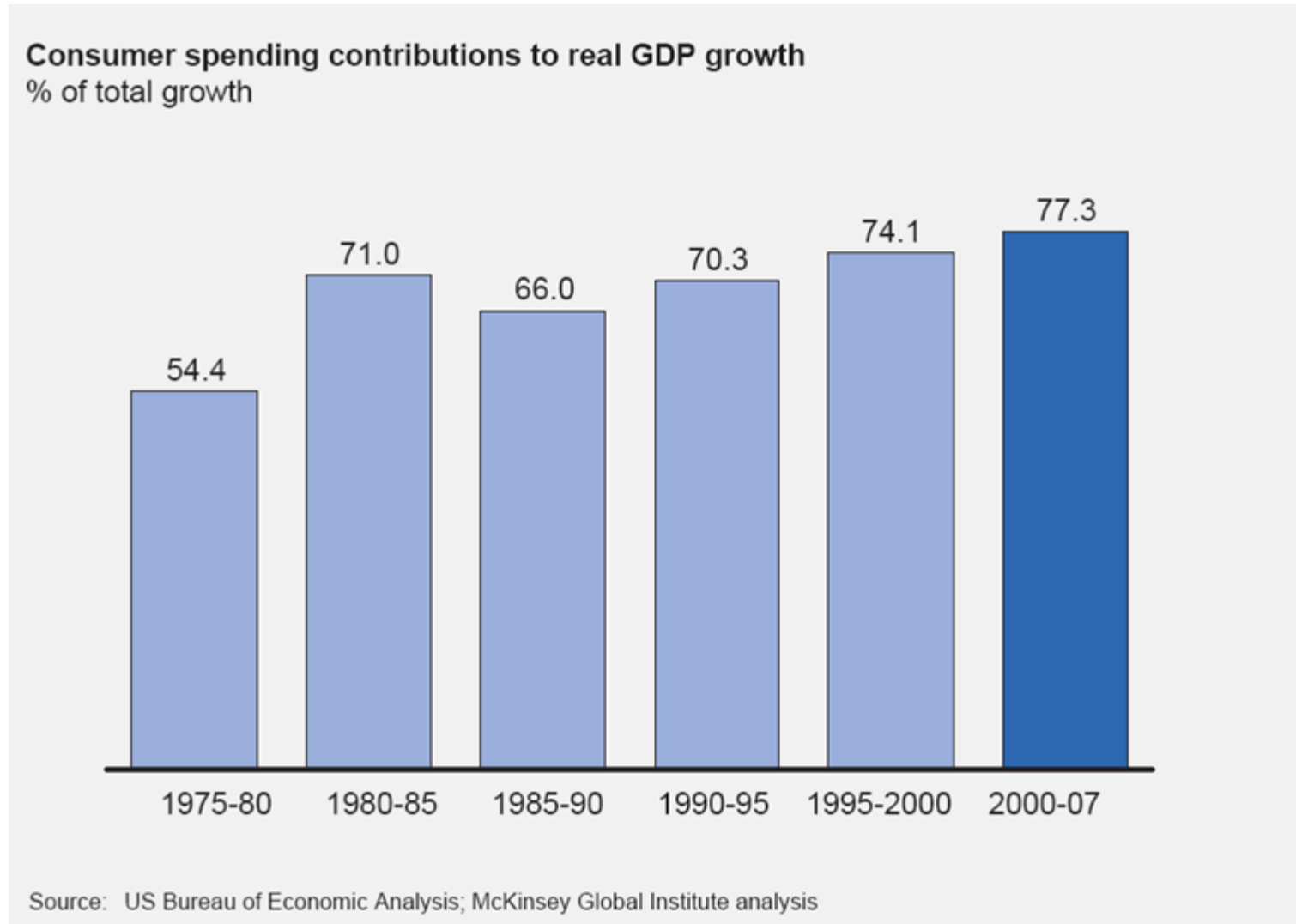
John Silvia, Wachovia Chief Economist
April 17, 2009

The Theory of 17 Year Cycles

S&P 500, 1930 – 2008



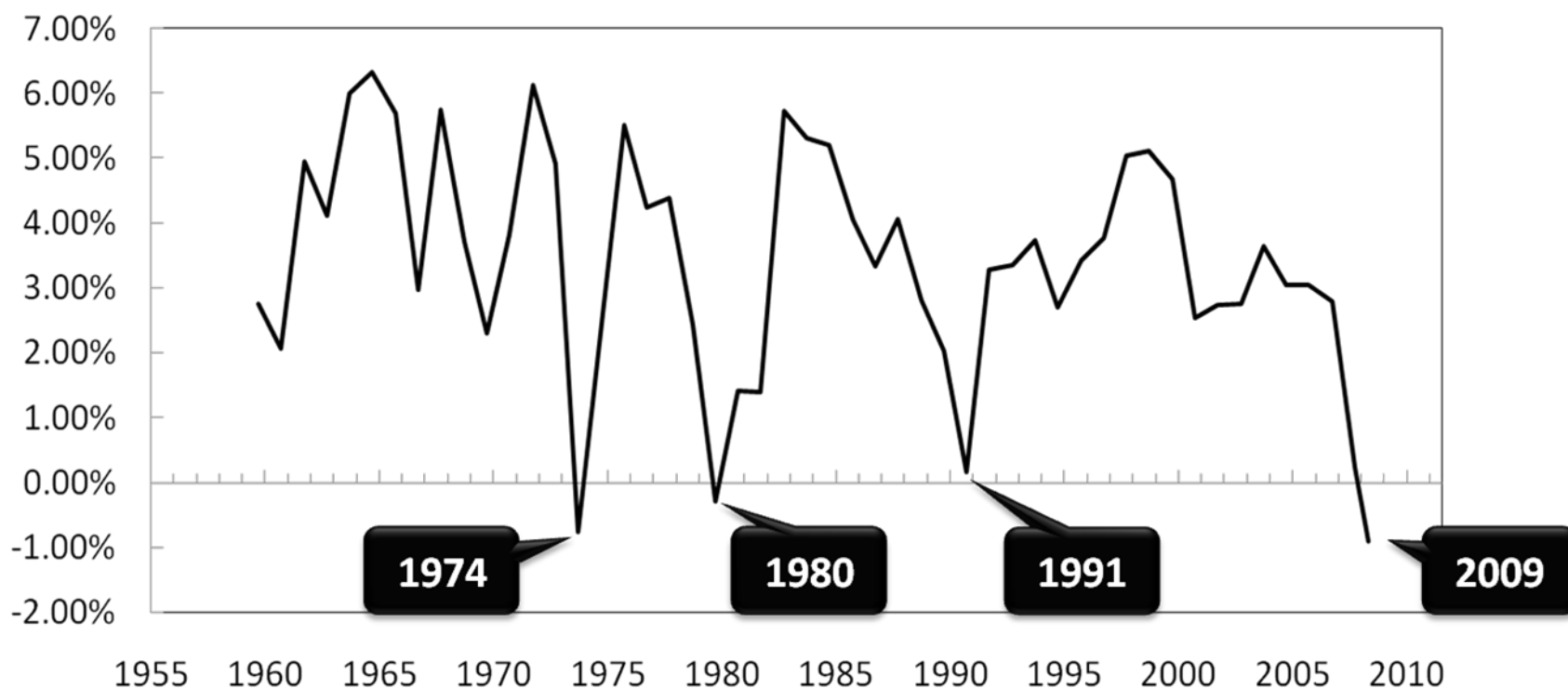
Consumer spending



Personal Expenditures

Real Personal Consumption Expenditures

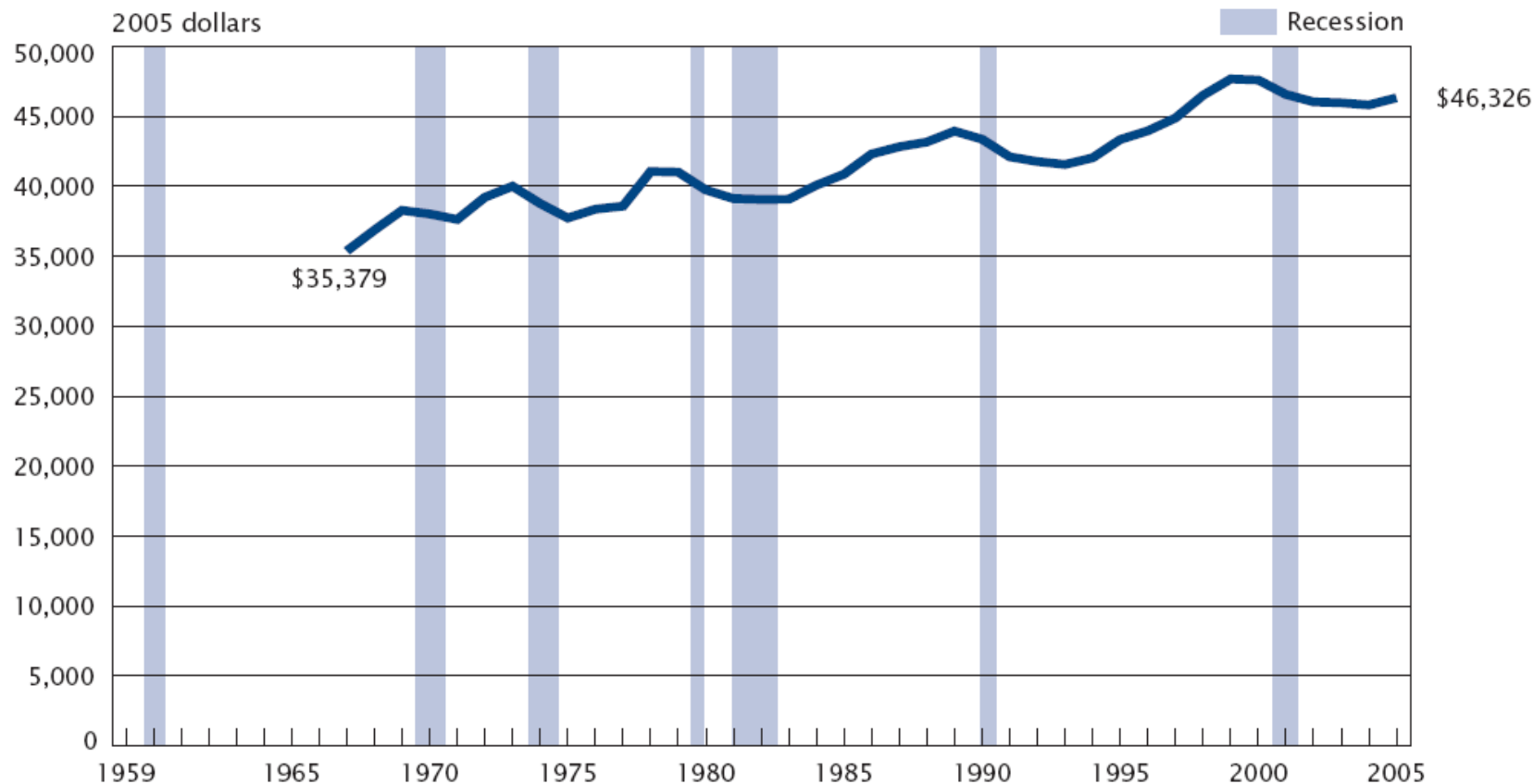
Year-over-Year Percent Change



Real Personal Consumption Expenditures. Vers. PCEC96. 27 Mar. 2009. U.S. Department of Commerce: Bureau of Economic Analysis. 14 Apr. 2009

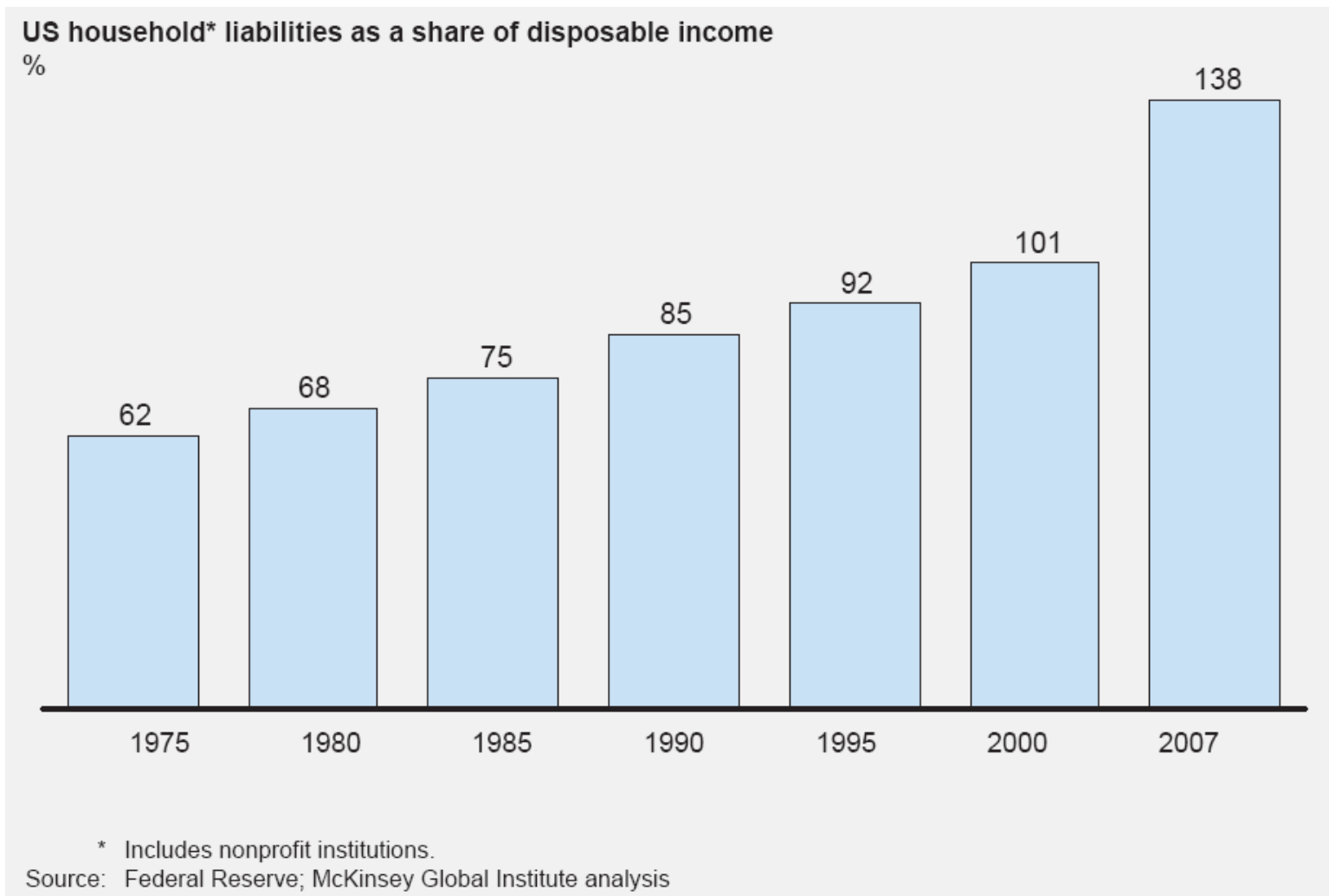
U.S. Household income is flat

Real Median Household Income: 1967 to 2005



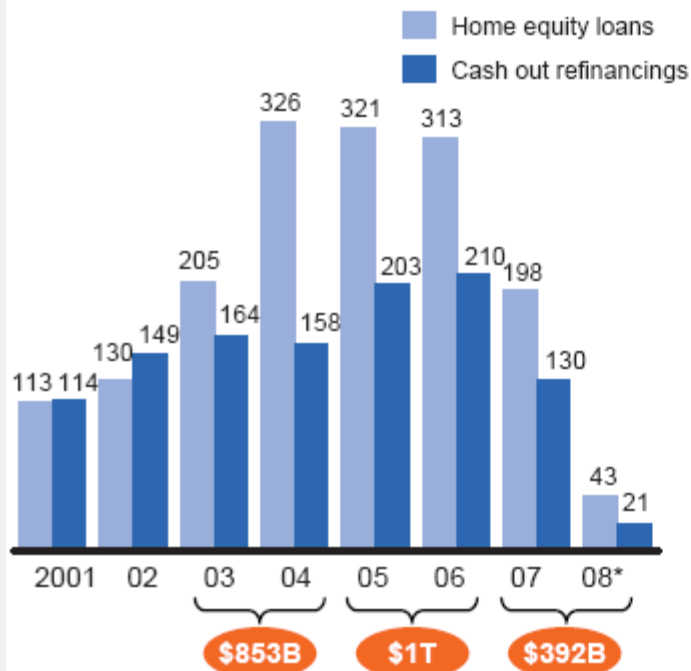
Source: US Census Bureau

Household debt-to-income



Home equity extraction

Free cash resulting from equity extraction
 \$ billion, not seasonally adjusted

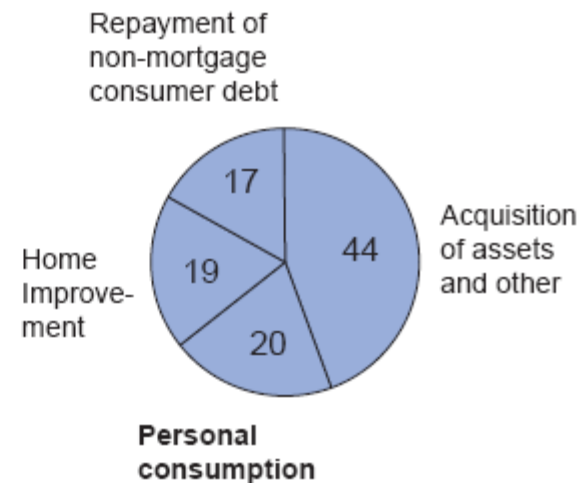


Total home equity loans and refinancing equity extraction

* YTD through the third quarter.

Source: Federal Reserve via Haver Analytics; McKinsey Global Institute analysis

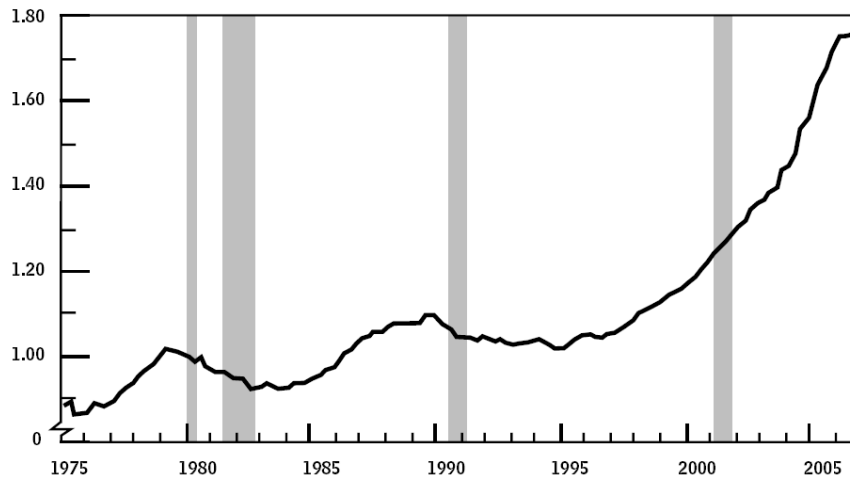
Uses of home equity extraction
 (quarterly average from 2001-2008)



Home price and home inventory

Real Price Index of Houses Sold

(Index, 1980:1 = 1.0)



Sources: Congressional Budget Office, the Office of Federal Housing Enterprise Oversight (OFHEO), and the Bureau of Economic Analysis.

Note: The series is the OFHEO repeat-sales price index divided by the price index of personal consumption expenditures, indexed to the first quarter of 1980. Shaded areas indicate periods of recession.

Inventory of Existing Homes for Sale

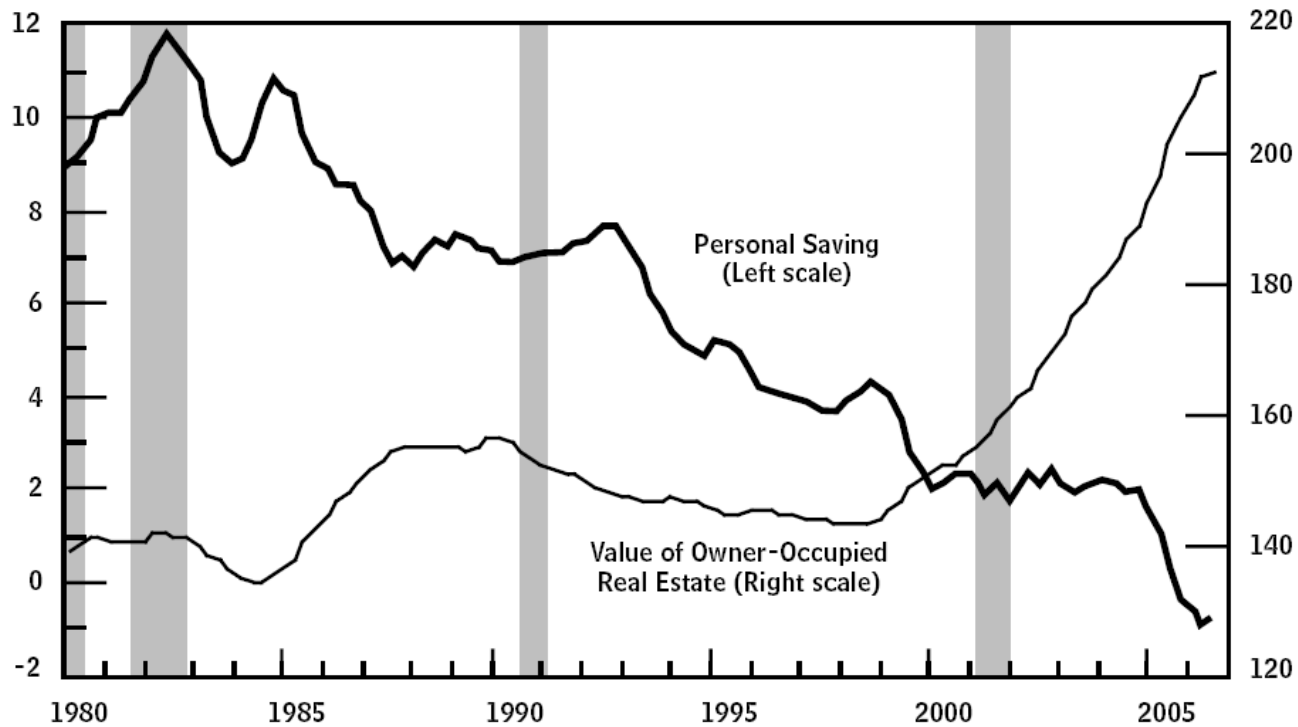
Existing Homes for Sale at End of Month, In Thousands



Source: National Association of Realtors and Wachovia

Housing Wealth and Personal Saving

(Percentage of personal disposable income)

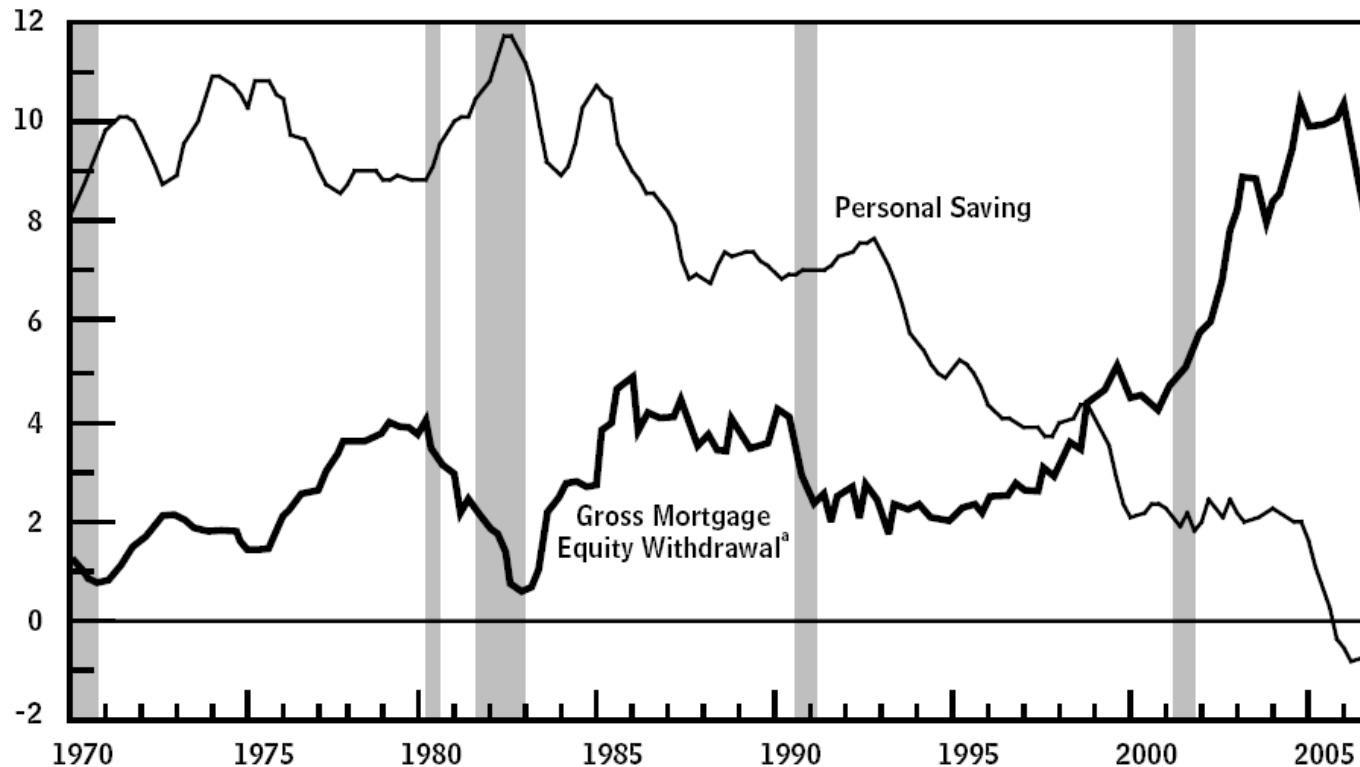


Sources: Congressional Budget Office, the Bureau of Economic Analysis, and the Federal Reserve Board.

Note: Data are four-quarter moving averages. Shaded areas indicate periods of recession.

Mortgage Equity Withdrawal

(Percentage of personal disposable income)



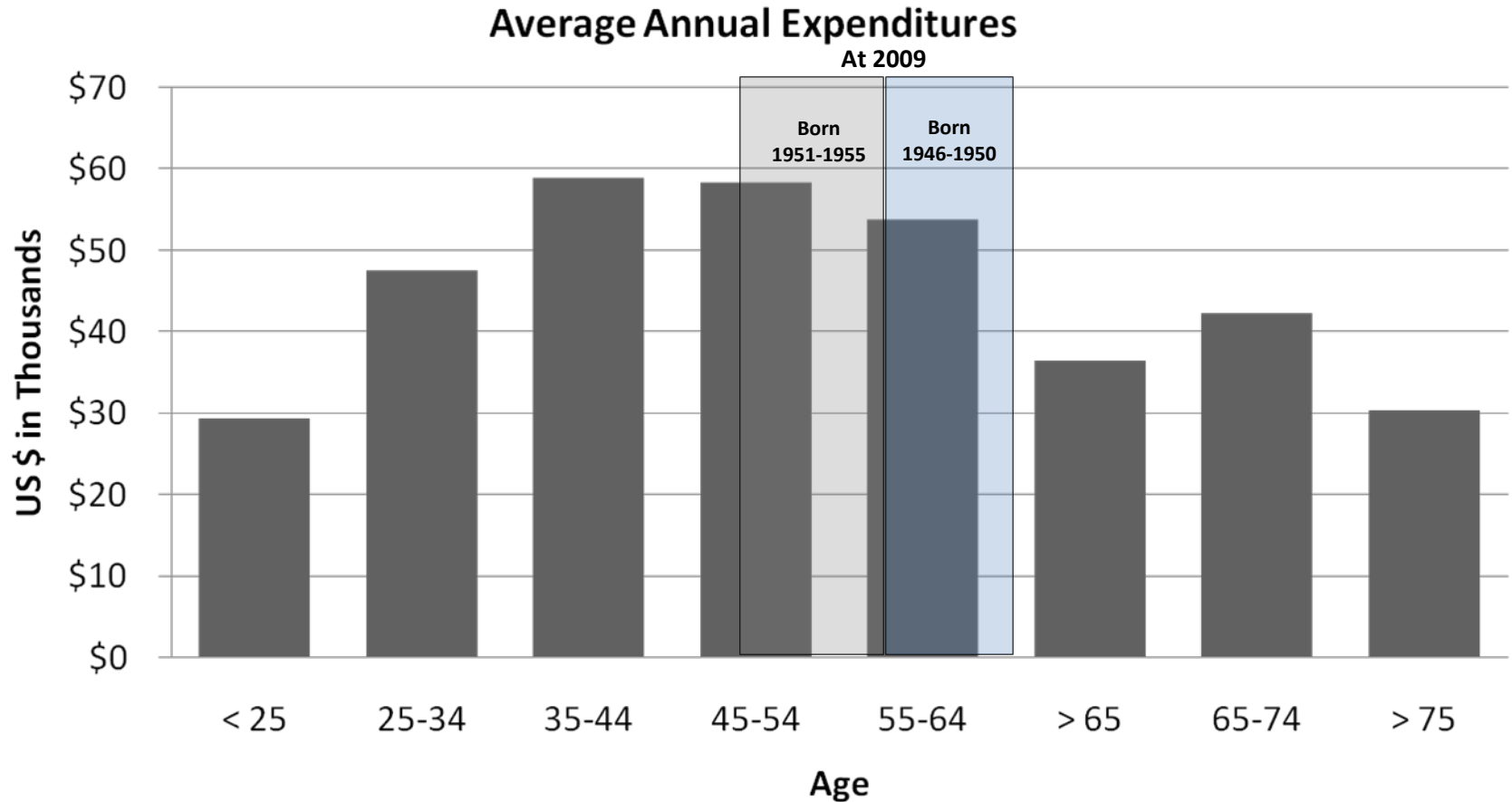
Sources: Congressional Budget Office and the Federal Reserve Board.

Note: Data are four-quarter moving averages. Shaded areas indicate periods of recession.

Underlying beliefs

- Consumer spending drives economy
- Slight year-over-year decrease has significant impact
- Sources of recent spending were not increases to household income, but unsustainable borrowings rooted in increases in home values

Expenditures by Age

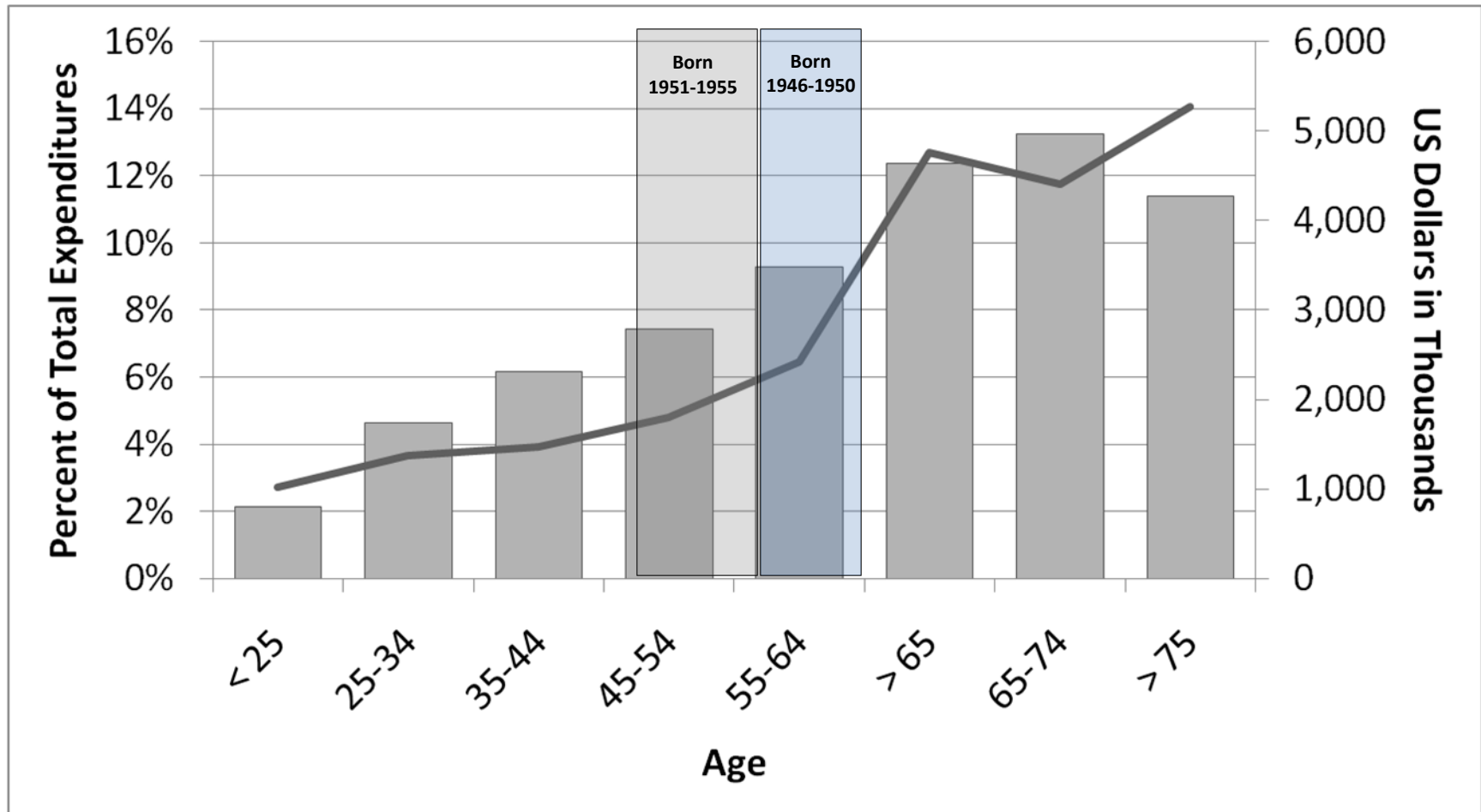


Complications

1. Baby boomers are entering phase in which they may spend less

Healthcare vs. Total Expenditures

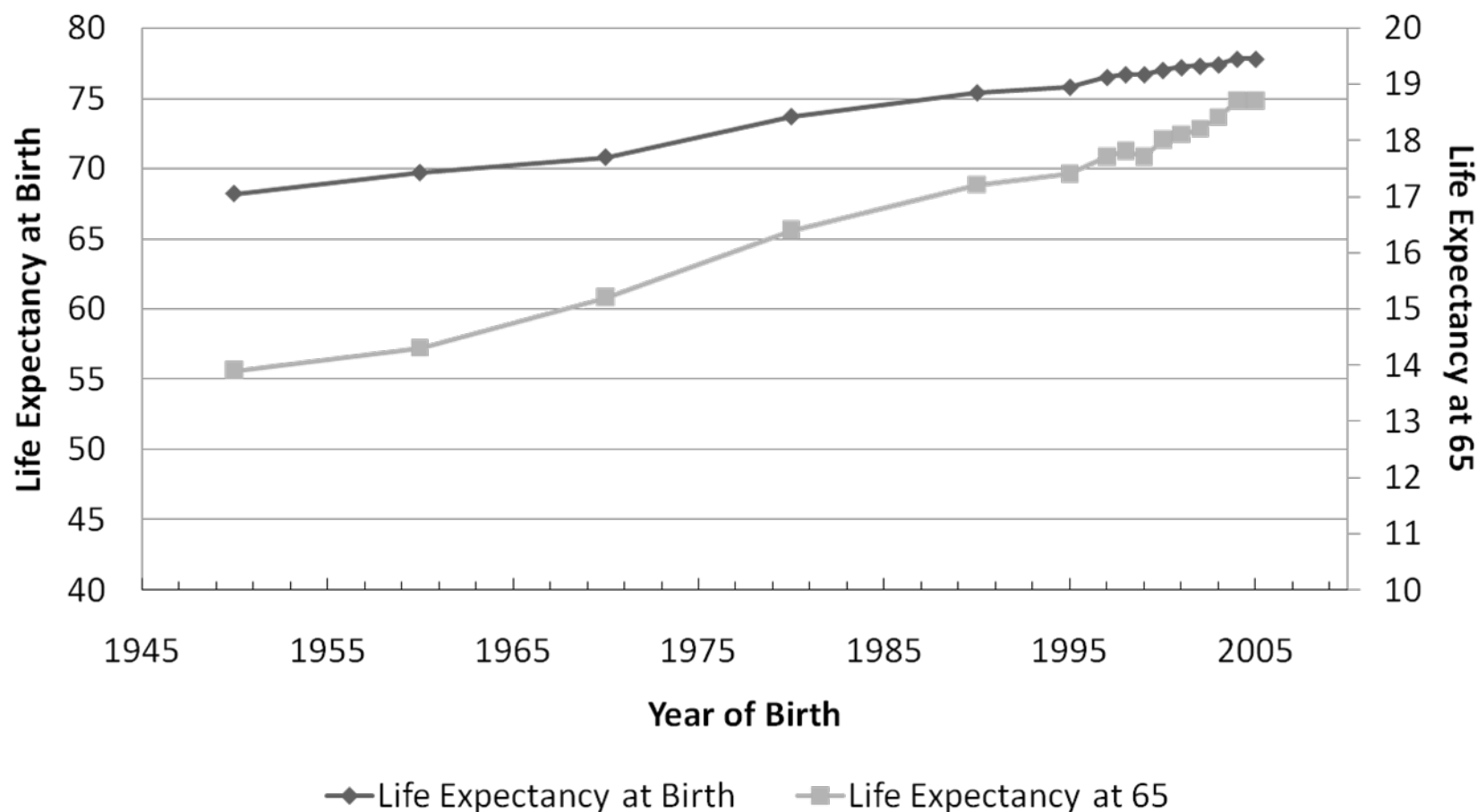
At 2009



Complications

1. Baby boomers are entering phase in which they may spend less
2. Healthcare will take increasing share of consumer dollars

Life Expectancies



Source: Table 26. Life expectancy at birth, at 65 years of age, and at 75 years of age, by race and sex: United States, selected years 1900–2005. Health in the United States, 2008. Centers for Disease Control.

Complications

1. Baby boomers are entering phase in which they may spend less
2. Healthcare will take increasing share of consumer dollars
3. Longer lives may reduce annual consumption of retirees

Residential Transaction by Age Group

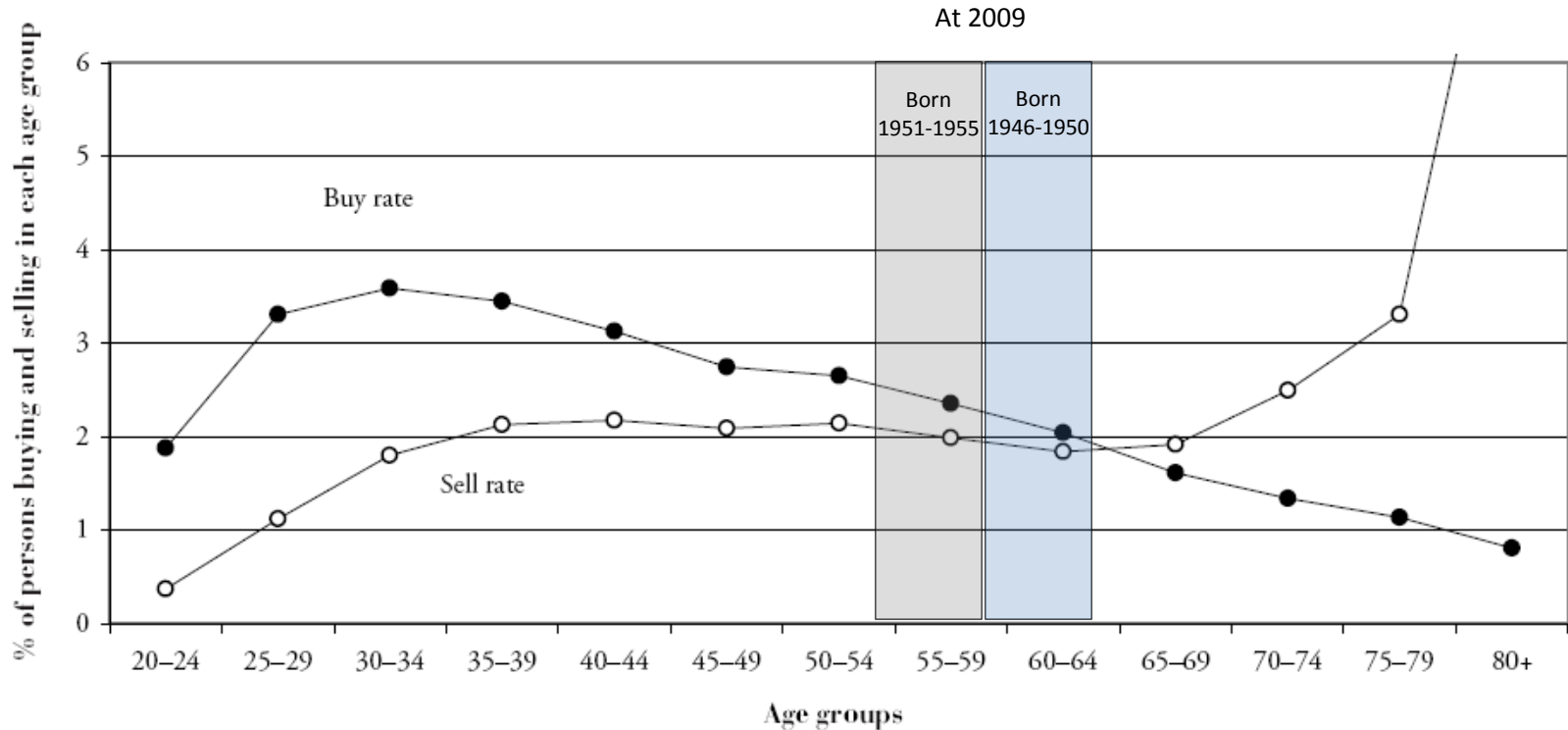


Figure 3. Average annual percent of persons buying and selling homes in each age group, for the United States, 1995 to 2000.

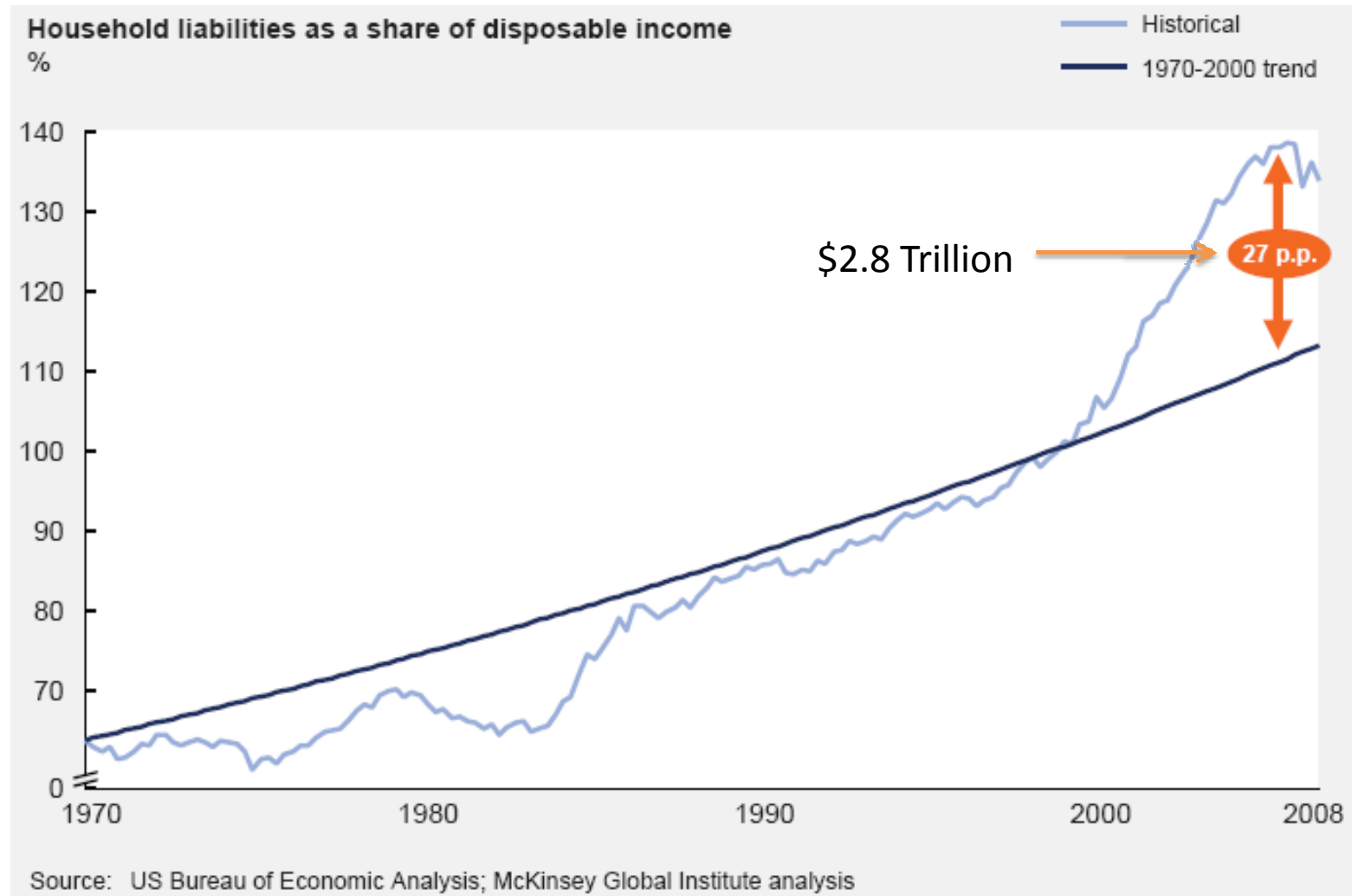
Note:

On average, 8.8% of persons 80 and older sold homes each year.

Complications

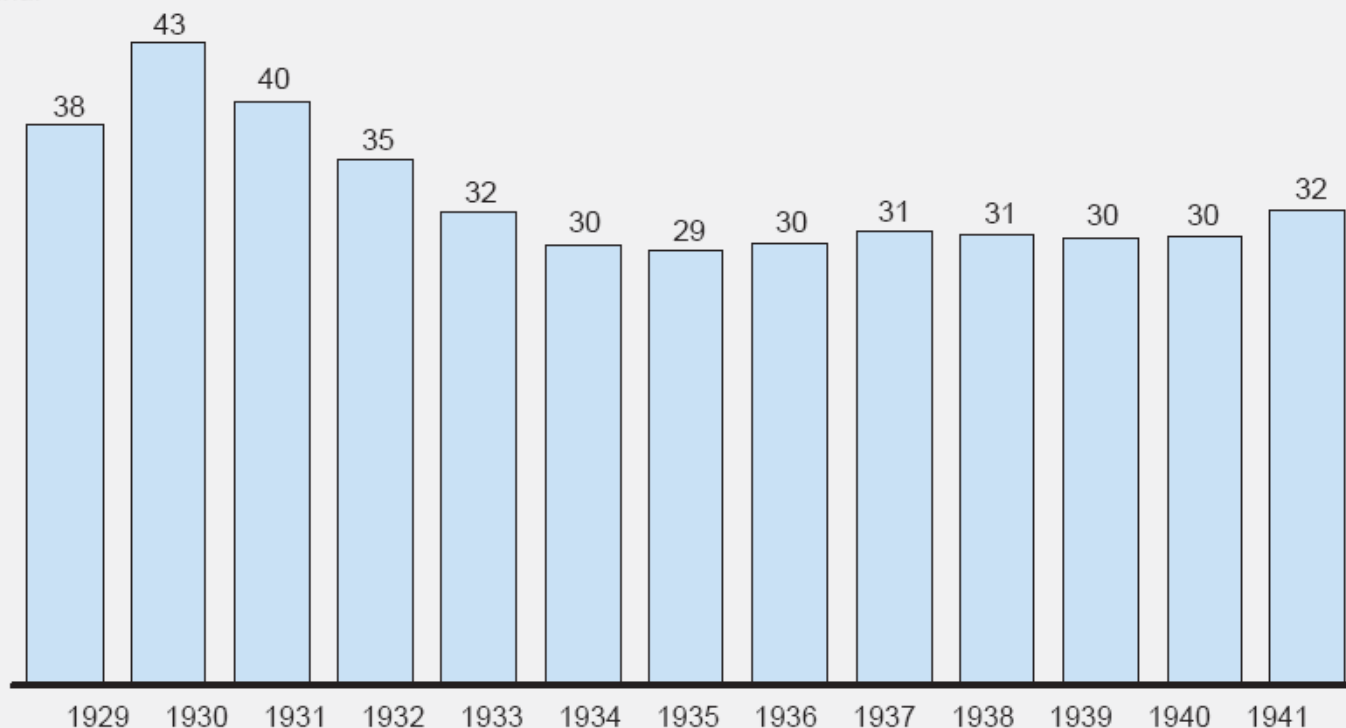
1. Baby boomers are entering phase in which they may spend less
2. Healthcare will take increasing share of consumer dollars
3. Longer lives may reduce annual consumption of retirees
4. Baby boomer will be net home sellers, putting downward pressure on home prices

Historical debt to income



Deleveraging = Depression?

Household debt outstanding*
 \$ billion, nominal



Debt as share
 of personal
 income, %



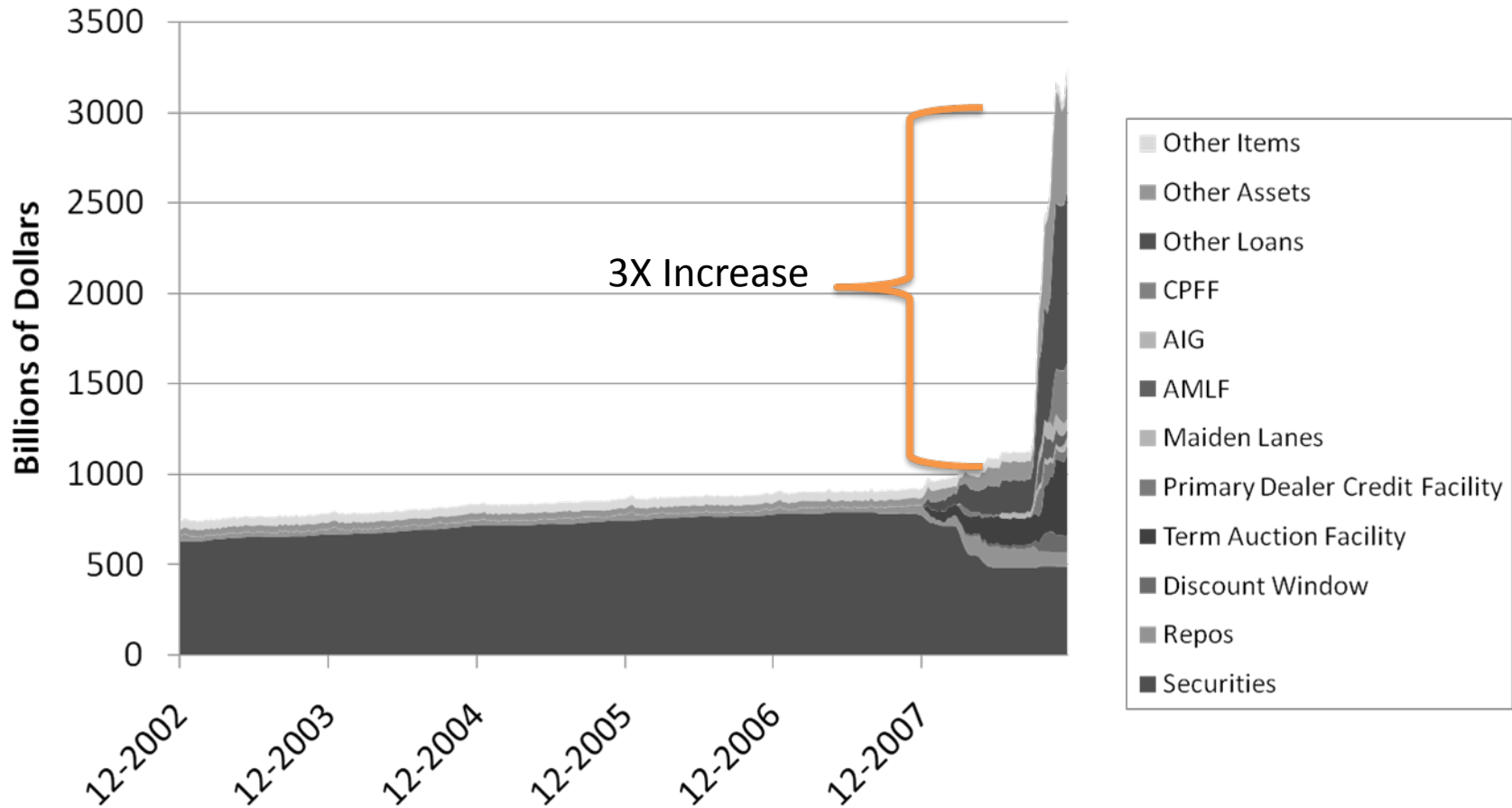
* Household debt was estimated at beginning of year values; see Mishkin (1978) for methodology.

Source: Frederic S. Mishkin. "The household balance sheet and the Great Depression." *Journal of Economic History*, Vol. 38, No. 4, December 1978; US Bureau of Economic Analysis; McKinsey Global Institute analysis

Complications

1. Baby boomers are entering phase in which they may spend less
2. Healthcare will take increasing share of consumer dollars
3. Longer lives may reduce annual consumption of retirees
4. Baby boomer will be net home sellers, putting downward pressure on home prices
5. Magnitude of deleveraging is disquieting

U.S. Government to the Rescue



Source: U.S. Federal Reserve. Weekly Historical Averages Tables 1-7. 9 April 2009.

Complications

1. Baby boomers are entering phase in which they may spend less
2. Healthcare will take increasing share of consumer dollars
3. Longer lives may reduce annual consumption of retirees
4. Baby boomer will be net home sellers, putting downward pressure on home prices
5. Magnitude of deleveraging is disquieting
6. Impact of unprecedented government spending is great unknown

Industrial production forecast



Source: EcoTrends, April 2009

Morningstar Bank Stress Test

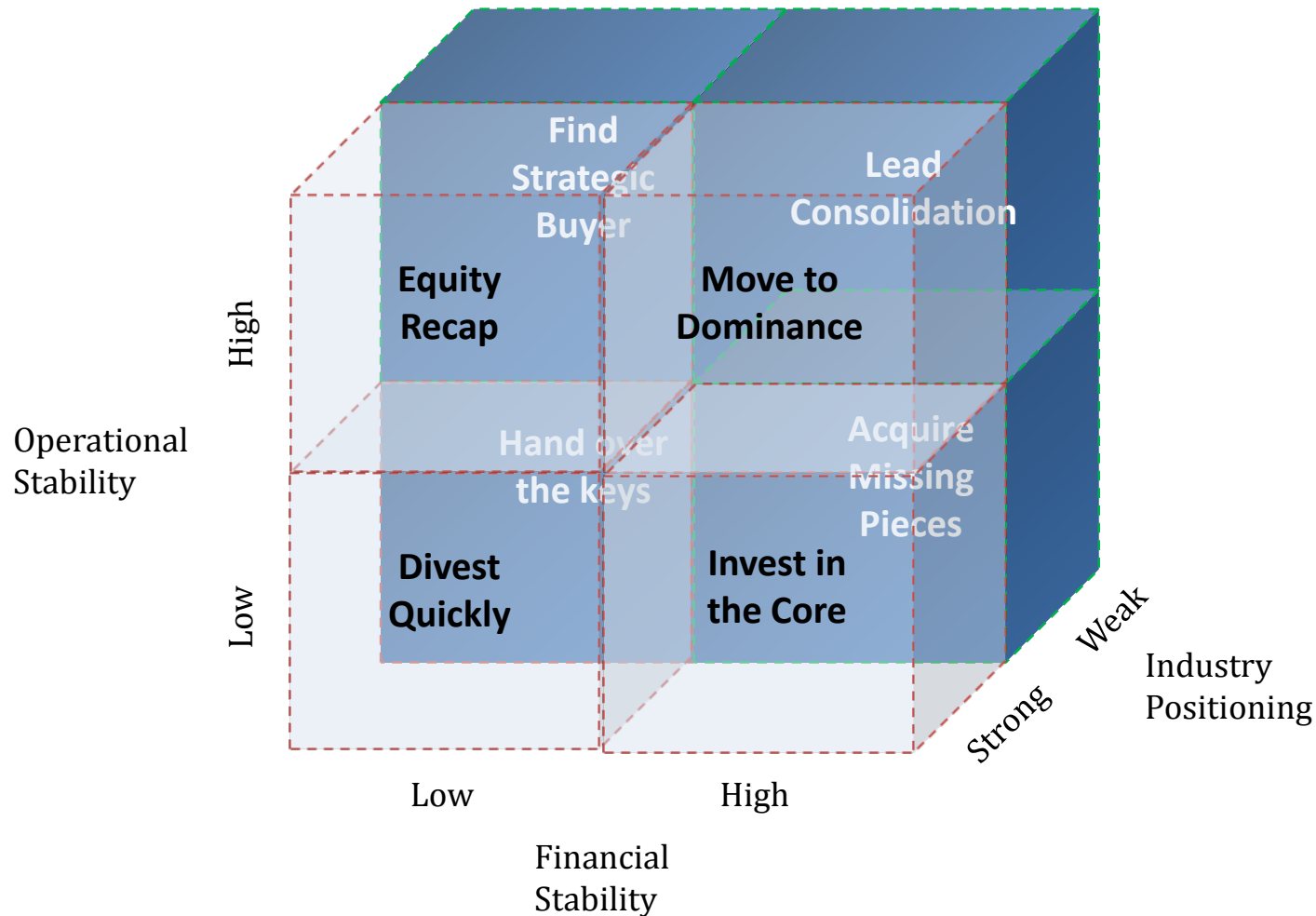
10% Cumulative Loss Rate over Next Two Years

	Pass or Fail?	Capital Shortfall (\$ Mil)	Dilution?	Star Rating
Citigroup (<u>C</u>)**	Fail	\$28,483	57%	★★★★
Bank of America (<u>BAC</u>)	Fail	\$4,070	12%	★★★★
JP Morgan (<u>JPM</u>)	Pass			★★★★
Wells Fargo (<u>WFC</u>)	Pass			★★★★★
State Street (<u>STT</u>)	Fail	\$2,033	15%	★★★★
Bank of New York Mellon (<u>BK</u>)	Pass			★★★★
US Bancorp (<u>USB</u>)	Pass			★★★★★
PNC (<u>PNC</u>)	Fail	\$3,081	18%	★★★★
SunTrust (<u>STI</u>)	Fail	\$343	50%	★★★★★
Capital One (<u>COF</u>)*	Pass			★★★★
Regions Financial (<u>RF</u>)	Pass			★★★★★
BB&T (<u>BBT</u>)	Pass			★★★★★
Fifth Third (<u>FITB</u>)	Fail	\$798	35%	★★★★
KeyCorp (<u>KEY</u>)	Fail	\$271	6%	★★★★★

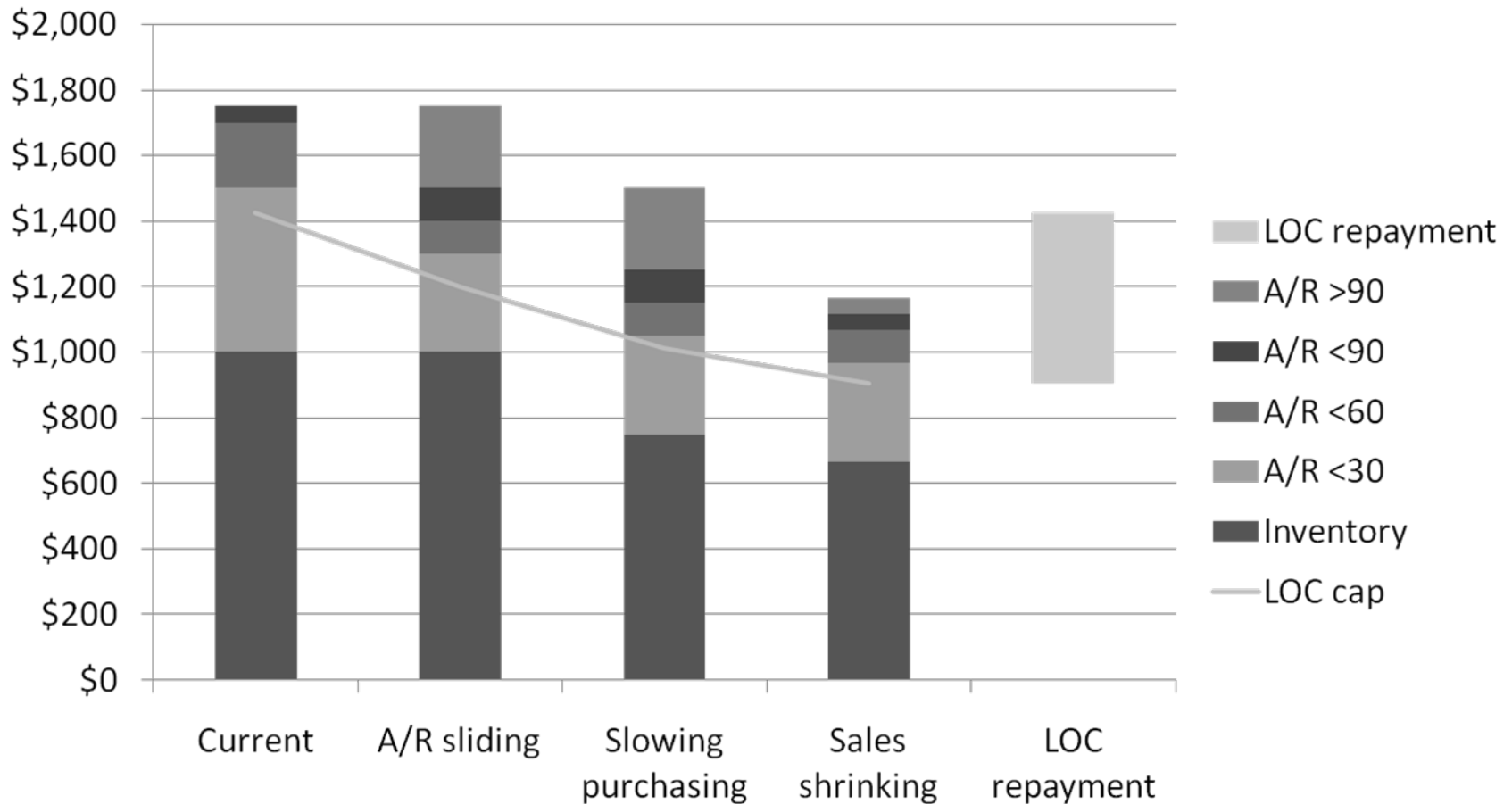
* Due to its credit-card-centered portfolio, our "downside" stress test for COF was based on a 15% loss rate.

** Citigroup figures based on 12-31-08 data, does not include the announced preferred swap for common stock.

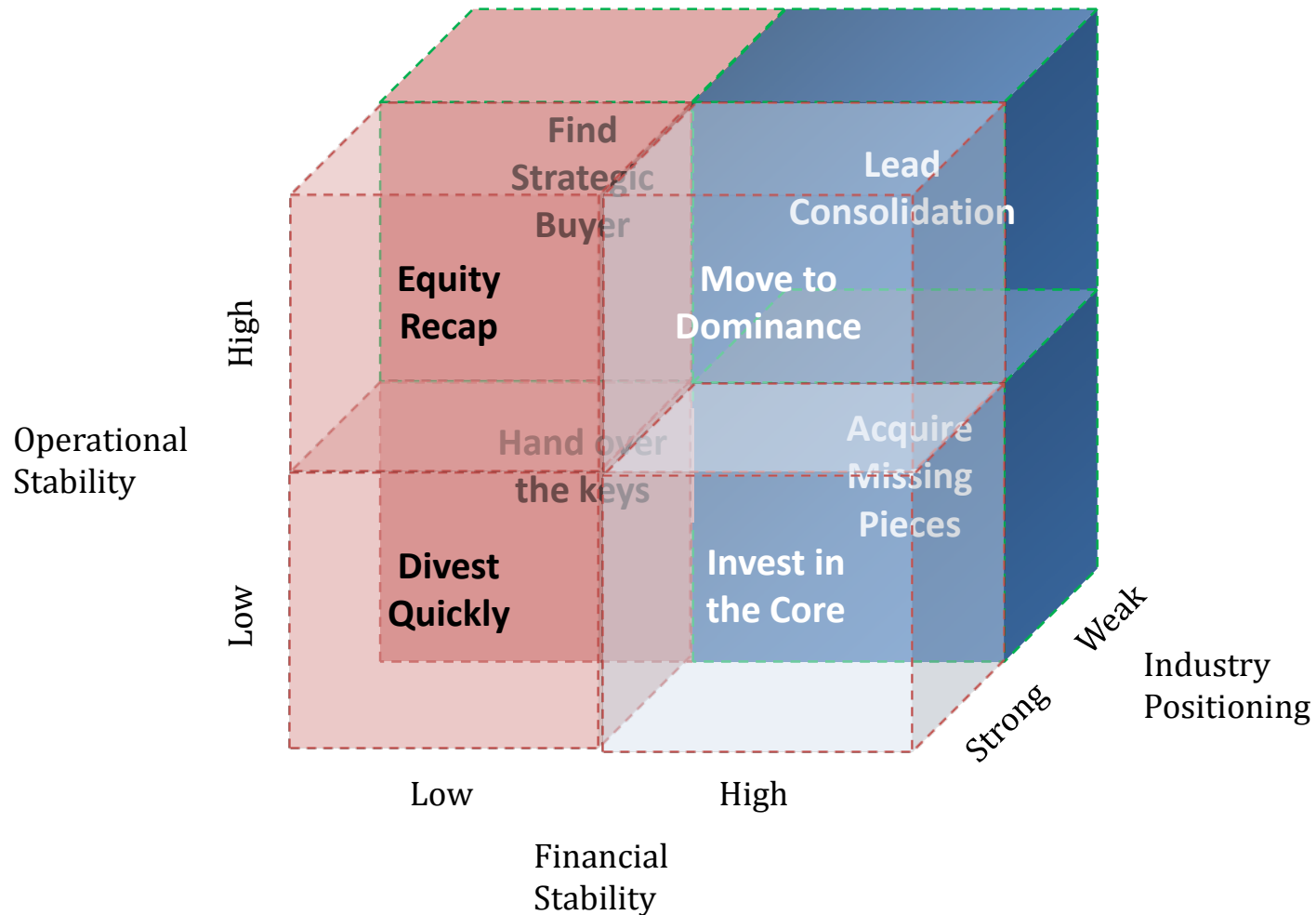
Evaluate Strategic Options



Stress test your customers



What may have been recommended



Illustrative note provisions

Default, Acceleration And Setoff

As used herein the term "Obligor" shall individually and collectively refer to the Borrower and any person or entity that is primarily or secondarily liable on this Note and any person or entity that has conveyed or may hereafter convey any security interest or lien to ██████████ in any real or personal property to secure payment of this Note. An "event of default" shall occur hereunder upon the occurrence of any one or more of the following events or conditions:

- (a) the failure by any Obligor to pay when due, whether by acceleration or otherwise, any amounts owed under this Note;
- (b) the occurrence of any event of default under any agreement or loan document executed in conjunction with this Note or the failure of any Obligor to perform any covenant, promise or obligation contained in this Note or any other agreement to which any

- d) The failure of any Obligor to pay when due any amount owed to any creditor other than BANK under a written agreement calling for the payment of money;
- n) Any other act or circumstances leading BANK to deem itself insecure.

- (g) the insolvency or inability to pay debts as they mature of any Obligor, the application for the appointment of a receiver for any Obligor, the filing of a petition or the commencement of a proceeding by or against any Obligor under any provision of any applicable Bankruptcy Code or other insolvency law, or statute, or any assignment for the benefit of creditors by or against any Obligor;

To extent permitted by law, under default BANK will have the right,... to set off the amount due under this Note...against any and all accounts in the possession of BANK without notice to or consent by any Obligor.

- (i) the sale or transfer by any Obligor of all or substantially all of such Obligor's assets other than in the ordinary course of business;
- (m) the termination of any guaranty of this Note by a guarantor; or
- (n) any other act or circumstances leading ██████████ to deem itself insecure.

██████████ shall not be obligated to fund this Note or make any advance under this Note if an event of default exists or would exist if such funding occurred or such advance made. Upon the occurrence of an event of default ██████████ shall, at its option, have the remedies provided herein and by any other agreement between ██████████ and any Obligor or under applicable law, including without limitation, declaring the entire outstanding principal balance, together with all interest thereon and any other amounts due under this Note, to be due and payable immediately without presentment, demand, protest, or notice of any kind, except notice required by law and ██████████ obligation to make advances under this Note shall automatically terminate without notice or further action by ██████████ Upon the occurrence of an event of default under section g above, the entire outstanding principal balance, together with all interest thereon and any other amounts due under this Note, shall automatically become due and payable without presentment, demand, protest, or notice of any kind except notice required by law. Upon the occurrence of an event of default, as of the date of such event of default, ██████████ at its option, may charge interest on the unpaid balance of this Note at the lesser of (i) the Rate plus 4.00% per

What we are advising

1. Stress test your company
 - a) Lenders
 - b) Customers
 - c) Management perspectives
 - d) Shareholder perspectives
2. If results point to need for more capital, address now

Perspectives on the Recession

- Admiral James Stockdale was held as a POW in Vietnam for seven and a half years. When asked how he coped, he replied:

"I never lost faith in the end of the story, I never doubted not only that I would get out, but also that I would prevail in the end and turn the experience into the defining event of my life, which, in retrospect, I would not trade."

Perspectives on the Recession

- When asked who did not make it out, Stockdale replied:

“Oh, that’s easy, the optimists. Oh, they were the ones who said, 'We're going to be out by Christmas.' And Christmas would come, and Christmas would go. Then they'd say, 'We're going to be out by Easter.' And Easter would come, and Easter would go. And then Thanksgiving, and then it would be Christmas again. And they died of a broken heart.”

Collins, Jim. Good to Great. New York: HarperCollins, 2001.

This material was used by Elliott Davis Capital Partners during an oral presentation; it is not a complete record of the discussion. This presentation is solely for the information use by clients, prospects, and associates of Elliott Davis Capital Partners. No part of it may be circulated, quoted, or reproduced for distribution outside the recipient's organization without prior written approval from Elliott Davis Capital Partners.

Elliott Davis Capital Partners, LLC
Michael Hronchek, Managing Director
200 East Broad Street
Suite 525
Greenville, SC 29601
(864) 552-4864

Member FINRA, SIPC

© 2009 Elliott Davis Capital Partners, LLC