## *C. Project Sequoia*

**Privileged and Confidential**
**Attorney Work Product**

# Project Sequoia

## 2007 - 2016 Financial Forecast

**November 26, 2007**

**CONFIDENTIAL: NOT TO BE DISCLOSED TO LITIGANT COMMITTEE MEMBERS:**
**EPIC, UNITED STEELWORKERS OF AMERICA, CAVE OR AFFILIATED PARTIES**

## Income Statement

*($ in thousands)*

| | 2006 | 2007 | | | | | | | | | | | | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Actual* | *Actual* | *Actual* | *Actual* | *Actual* | | | | | | | | | | | | | | | | | | |
| **Revenue** | | | | | | | | | | | | | | | | | | | | | | | |
| Redwood | $ 55,585 | $ 2,936 | $ 1,306 | $ 5,187 | $ 3,112 | $ 2,984 | $ 4,265 | $ 6,177 | $ 6,645 | $ 4,581 | $ 2,692 | $ 323 | $ 77 | $ 40,286 | $ 46,167 | $ 42,657 | $ 44,723 | $ 44,622 | $ 46,641 | $ 47,523 | $ 55,183 | $ 54,073 | $ 49,406 |
| Douglas-fir | 6,012 | 387 | 168 | 408 | 226 | 226 | 471 | 867 | 814 | 641 | 276 | 63 | 39 | 4,584 | 1,594 | 2,416 | 2,951 | 3,823 | 4,429 | 4,734 | 5,338 | 6,741 | 9,837 |
| Whitewood | 604 | 5 | 11 | 31 | 110 | 93 | (848) | (1,708) | 26 | 17 | 9 | 1 | (7,999) | (10,253) | 8,250 | 320 | 330 | 463 | 409 | 412 | 511 | 606 | 419 |
| Total | $ 62,201 | $ 3,327 | $ 1,485 | $ 5,626 | $ 3,447 | $ 3,303 | $ 3,888 | $ 5,336 | $ 7,485 | $ 5,239 | $ 2,977 | $ 387 | $ (7,883) | $ 34,617 | $ 56,011 | $ 45,392 | $ 48,004 | $ 48,907 | $ 51,480 | $ 52,670 | $ 61,031 | $ 61,419 | $ 59,662 |
| **Cost of Logs** | | | | | | | | | | | | | | | | | | | | | | | |
| THP-Related | $ 5,181 | $ 433 | $ 214 | $ 1,254 | $ (413) | $ 81 | $ 490 | $ 881 | $ 928 | $ 686 | $ 363 | $ 56 | $ 23 | $ 4,996 | $ 4,643 | $ 4,239 | $ 4,354 | $ 4,491 | $ 4,626 | $ 4,765 | $ 4,908 | $ 5,055 | $ 5,207 |
| Labor (Non-THP)[1] | 2,031 | 163 | 178 | 131 | 135 | 116 | 116 | 116 | 116 | 116 | 116 | 116 | 116 | 1,532 | 1,426 | 1,469 | 1,517 | 1,563 | 1,609 | 1,658 | 1,707 | 1,759 | 1,811 |
| Timber Yield Taxes | 1,780 | 96 | 43 | 163 | 100 | 96 | 113 | 155 | 217 | 152 | 86 | 11 | (229) | 1,004 | 1,624 | 1,316 | 1,392 | 1,418 | 1,493 | 1,527 | 1,770 | 1,781 | 1,730 |
| Roads[2] | 3,238 | 176 | 94 | 107 | 86 | 345 | 502 | 523 | 519 | 536 | 354 | 56 | 29 | 3,326 | 2,895 | 2,992 | 1,945 | 2,014 | 2,084 | 2,158 | 2,233 | 2,310 | 2,390 |
| Other Expenses[3] | 3,430 | 340 | 433 | 343 | 352 | 139 | 294 | (177) | 244 | 280 | 237 | 235 | (2,766) | (46) | 6,131 | 2,448 | 2,522 | 2,597 | 2,675 | 2,755 | 2,838 | 2,923 | 3,011 |
| Total Cost of Logs | $ 15,660 | $ 1,208 | $ 962 | $ 1,997 | $ 261 | $ 776 | $ 1,515 | $ 1,498 | $ 2,023 | $ 1,770 | $ 1,156 | $ 474 | $ (2,827) | $ 10,812 | $ 16,719 | $ 12,464 | $ 11,729 | $ 12,083 | $ 12,488 | $ 12,863 | $ 13,456 | $ 13,828 | $ 14,149 |
| **Gross Margin** | $ 46,541 | $ 2,119 | $ 523 | $ 3,628 | $ 3,187 | $ 2,527 | $ 2,373 | $ 3,838 | $ 5,462 | $ 3,470 | $ 1,821 | $ (86) | $ (5,057) | $ 23,805 | $ 39,292 | $ 32,928 | $ 36,275 | $ 36,825 | $ 38,992 | $ 39,807 | $ 47,575 | $ 47,591 | $ 45,513 |
| General and Admin. | 4,166 | 279 | 259 | 284 | 253 | 270 | 222 | 222 | 222 | 222 | 222 | 222 | 222 | 2,901 | 2,756 | 2,839 | 2,924 | 3,012 | 3,102 | 3,195 | 3,291 | 3,390 | 3,492 |
| **EBITDAR** | $ 42,375 | $ 1,840 | $ 264 | $ 3,344 | $ 2,934 | $ 2,257 | $ 2,151 | $ 3,615 | $ 5,240 | $ 3,247 | $ 1,599 | $ (309) | $ (5,279) | $ 20,904 | $ 36,536 | $ 30,089 | $ 33,351 | $ 33,813 | $ 35,890 | $ 36,612 | $ 44,284 | $ 44,201 | $ 42,021 |
| *% Margin* | *68.1%* | *55.3%* | *17.8%* | *59.4%* | *85.1%* | *68.3%* | *55.3%* | *67.8%* | *70.0%* | *62.0%* | *53.7%* | *(79.7%)* | *67.0%* | *60.4%* | *65.2%* | *66.3%* | *69.5%* | *69.1%* | *69.7%* | *69.5%* | *72.6%* | *72.0%* | *70.4%* |
| Restructuring Exp.[4] | (1,286) | (319) | (1,183) | (1,621) | (2,945) | (762) | (1,294) | (1,792) | (1,292) | (1,292) | (1,292) | (1,292) | (1,292) | (16,359) | (7,908) | - | - | - | - | - | - | - | - |
| **EBITDA** | **$ 41,089** | **$ 1,521** | **$ (919)** | **$ 1,723** | **$ (11)** | **$ 1,495** | **$ 857** | **$ 1,823** | **$ 3,948** | **$ 1,955** | **$ 307** | **$ (1,601)** | **$ (6,571)** | **$ 4,545** | **$ 28,628** | **$ 30,089** | **$ 33,351** | **$ 33,813** | **$ 35,890** | **$ 36,612** | **$ 44,284** | **$ 44,201** | **$ 42,021** |
| Depletion | $ (5,829) | $ (323) | $ (146) | $ (522) | $ (340) | $ (292) | $ (420) | $ (707) | $ (751) | $ (540) | $ (301) | $ (41) | $ (14) | $ (4,397) | $ (4,126) | $ (3,710) | $ (3,667) | $ (3,527) | $ (3,443) | $ (3,289) | $ (3,574) | $ (3,346) | $ (3,019) |
| Depreciation | (3,195) | (277) | (277) | (277) | (277) | (266) | (266) | (266) | (266) | (266) | (266) | (266) | (266) | (3,233) | (3,253) | (3,308) | (3,366) | (3,427) | (3,491) | (3,558) | (3,629) | (3,576) | (3,283) |
| Amortization | (913) | (76) | (76) | (76) | (76) | (76) | (76) | (76) | (76) | (76) | (76) | (76) | (76) | (913) | (913) | (152) | - | - | - | - | - | - | - |
| Total DD&A | $ (9,938) | $ (677) | $ (499) | $ (875) | $ (693) | $ (634) | $ (762) | $ (1,049) | $ (1,093) | $ (882) | $ (642) | $ (383) | $ (356) | $ (8,544) | $ (8,293) | $ (7,171) | $ (7,033) | $ (6,954) | $ (6,934) | $ (6,847) | $ (7,202) | $ (6,922) | $ (6,302) |
| Operating Income | $ 31,151 | $ 844 | $ (1,418) | $ 848 | $ (704) | $ 861 | $ 95 | $ 774 | $ 2,855 | $ 1,074 | $ (336) | $ (1,984) | $ (6,927) | $ (3,999) | $ 20,335 | $ 22,918 | $ 26,318 | $ 26,858 | $ 28,955 | $ 29,764 | $ 37,082 | $ 37,279 | $ 35,719 |
| Interest Expense | $ (56,465) | $ (2,901) | $ (369) | $ (167) | $ (15,542) | $ (4,827) | $ (4,845) | $ (4,845) | $ (4,846) | $ (4,846) | $ (4,846) | $ (4,846) | $ (4,846) | $ (57,727) | $ (58,163) | $ (58,182) | $ (58,203) | $ (58,227) | $ (58,253) | $ (58,281) | $ (56,871) | $ (56,825) | $ (56,864) |
| Interest Income[5] | 10,359 | 336 | 107 | 179 | 45 | 163 | 164 | 163 | 163 | 162 | 161 | 161 | 160 | 1,964 | 1,897 | 1,966 | 2,064 | 2,167 | 2,275 | 2,389 | 2,509 | 2,634 | 2,766 |
| Interest Expense, net | $ (46,106) | $ (2,565) | $ (262) | $ 11 | $ (15,497) | $ (4,664) | $ (4,682) | $ (4,682) | $ (4,683) | $ (4,684) | $ (4,684) | $ (4,685) | $ (4,686) | $ (55,763) | $ (56,265) | $ (56,216) | $ (56,139) | $ (56,060) | $ (55,977) | $ (55,892) | $ (54,362) | $ (54,191) | $ (54,098) |
| Pre-Tax Income | $ (14,955) | $ (1,721) | $ (1,680) | $ 859 | $ (16,200) | $ (3,803) | $ (4,587) | $ (3,908) | $ (1,828) | $ (3,610) | $ (5,020) | $ (6,669) | $ (11,612) | $ (59,762) | $ (35,930) | $ (33,298) | $ (29,822) | $ (29,201) | $ (27,022) | $ (26,128) | $ (17,280) | $ (16,912) | $ (18,379) |
| Taxes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net Income** | **$ (14,955)** | **$ (1,721)** | **$ (1,680)** | **$ 859** | **$ (16,200)** | **$ (3,803)** | **$ (4,587)** | **$ (3,908)** | **$ (1,828)** | **$ (3,610)** | **$ (5,020)** | **$ (6,669)** | **$ (11,612)** | **$ (59,762)** | **$ (35,930)** | **$ (33,298)** | **$ (29,822)** | **$ (29,201)** | **$ (27,022)** | **$ (26,128)** | **$ (17,280)** | **$ (16,912)** | **$ (18,379)** |

(1) Labor Expense does not include labor associated with THP Expense. Labor pertaining to THPs is capitalized and released through THP Expense as appropriate. See Total Labor Cash Expenditure for more information.

(2) Assumes 65% of roads expenditures are capitalized (considered "capex") and depreciated and 35% expensed immediately ("Roads" on P&L). See Total Roads Cash Expenditure for more information.

(3) Other Expenses includes expenses related to watershed analysis, hydrology and other categories that are generally not impacted by THP levels.

(4) Bondholder counsel and financial advisor fees accrue but are not paid in cash pending resolution

(5) Includes gain on sale of assets.

## Balance Sheet

*($ in thousands)*

| | 2006 | 2007 | | | | | | | | | | | | | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Actual* | *Actual* | *Actual* | *Actual* | *Actual* | | | | | | | | | | | | | | | | | | | |
| **Assets** | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | $ 1,562 | $ 1,549 | $ 1,971 | $ 1,450 | $ 4,387 | $ 5,485 | $ 5,530 | $ 6,455 | $ 8,384 | $ 12,182 | $ 12,506 | $ 12,289 | $ 131 | $ 131 | $ 23,035 | $ 42,452 | $ 66,878 | $ 91,631 | $ 118,234 | $ 145,377 | $ 179,777 | $ 213,887 | $ 245,589 | |
| SAR Account[1] | 39,536 | 39,876 | 39,927 | 39,941 | 40,017 | 40,180 | 40,044 | 39,907 | 39,770 | 39,632 | 39,493 | 39,354 | 39,214 | 39,214 | 39,312 | 41,277 | 43,341 | 45,508 | 47,784 | 50,173 | 52,681 | 55,316 | 58,081 | |
| A/R - Palco | 2,917 | 3,079 | 3,244 | 7,462 | 5,286 | 5,137 | 5,722 | 7,170 | 9,319 | 7,073 | 4,811 | 2,221 | 1,930 | 1,930 | 1,943 | 1,944 | 1,951 | 1,953 | 1,959 | 1,962 | 1,983 | 1,984 | 1,979 | |
| A/R - Other/Inventory | 77 | 44 | 90 | 282 | 247 | 247 | 247 | 247 | 247 | 247 | 247 | 247 | 5,237 | 5,237 | 237 | 237 | 237 | 237 | 237 | 237 | 237 | 237 | 237 | |
| Prepaid Timber Harvesting Costs | 5,330 | 5,165 | 5,255 | 4,327 | 5,094 | 5,452 | 5,400 | 4,957 | 4,468 | 4,220 | 4,146 | 4,378 | 4,643 | 4,643 | 4,239 | 4,354 | 4,491 | 4,626 | 4,765 | 4,908 | 5,055 | 5,207 | 5,363 | |
| Other Prepaids | 1,299 | 1,628 | 1,453 | 1,303 | 1,122 | 991 | 1,549 | 1,456 | 1,362 | 1,280 | 1,474 | 1,387 | 1,298 | 1,298 | 1,292 | 1,256 | 1,256 | 1,256 | 1,256 | 1,256 | 1,256 | 1,256 | 1,256 | |
| Total Current Assets | $ 50,721 | $ 51,341 | $ 51,940 | $ 54,765 | $ 56,153.5 | $ 57,492 | $ 58,492 | $ 60,192 | $ 63,550 | $ 64,634 | $ 62,677 | $ 59,876 | $ 52,455 | $ 52,455 | $ 70,058 | $ 91,521 | $ 118,154 | $ 145,211 | $ 174,235 | $ 203,913 | $ 240,989 | $ 277,886 | $ 312,506 | |
| Timber and Timberlands, net | $ 211,663 | $ 211,630 | $ 211,894 | $ 211,630 | $ 211,598 | $ 211,067 | $ 210,682 | $ 210,041 | $ 209,319 | $ 208,840 | $ 208,587 | $ 208,626 | $ 208,641 | $ 208,641 | $ 205,742 | $ 203,254 | $ 200,880 | $ 198,707 | $ 196,686 | $ 194,844 | $ 192,955 | $ 191,345 | $ 190,121 | |
| PP&E, net | 30,806 | 30,650 | 30,418 | 30,346 | 30,226 | 30,676 | 31,417 | 32,199 | 32,972 | 33,776 | 34,242 | 34,156 | 34,019 | 34,019 | 36,760 | 39,644 | 40,545 | 41,533 | 42,609 | 43,774 | 45,029 | 46,504 | 48,443 | |
| Deferred Financing Costs | 10,738 | 10,630 | 10,522 | 10,358 | 10,231 | 10,104 | 9,977 | 9,850 | 9,723 | 9,596 | 9,469 | 9,343 | 9,216 | 9,216 | 7,693 | 6,171 | 4,648 | 3,125 | 1,603 | 80 | - | - | - | |
| Restricted Cash | 2,503 | 2,513 | 2,523 | 2,524 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | 2,526 | |
| Intangible Assets | 1,979 | 1,903 | 1,827 | 1,750 | 1,674 | 1,598 | 1,522 | 1,446 | 1,370 | 1,294 | 1,218 | 1,142 | 1,066 | 1,066 | 152 | - | - | - | - | - | - | - | - | |
| Total Non-Current Assets | $ 257,688 | $ 257,326 | $ 257,183 | $ 256,608 | $ 256,255 | $ 255,970 | $ 256,124 | $ 256,062 | $ 255,909 | $ 256,032 | $ 256,042 | $ 255,793 | $ 255,467 | $ 255,467 | $ 252,873 | $ 251,594 | $ 248,599 | $ 245,892 | $ 243,424 | $ 241,224 | $ 240,510 | $ 240,375 | $ 241,090 | |
| Total Assets | $ 308,410 | $ 308,667 | $ 309,123 | $ 311,373 | $ 312,409 | $ 313,462 | $ 314,617 | $ 316,254 | $ 319,459 | $ 320,666 | $ 318,719 | $ 315,669 | $ 307,922 | $ 307,922 | $ 322,931 | $ 343,116 | $ 366,753 | $ 391,103 | $ 417,659 | $ 445,137 | $ 481,499 | $ 518,261 | $ 553,595 | |
| **Liab. and Member Deficit** | | | | | | | | | | | | | | | | | | | | | | | | |
| A/P - Trade | $ 415 | $ - | $ 273 | $ 276 | $ 374 | $ 248 | $ 403 | $ - | $ 352 | $ 389 | $ 346 | $ 344 | $ - | $ - | $ 339 | $ 292 | $ 301 | $ 310 | $ 319 | $ 328 | $ 338 | $ 348 | $ 359 | |
| A/P - Palco | 1,783 | 260 | 941 | 900 | 810 | 1,154 | 1,605 | 1,697 | 1,646 | 1,728 | 1,193 | 377 | 246 | 246 | 240 | 247 | 185 | 192 | 199 | 205 | 216 | 223 | 231 | |
| A/P - Other | 431 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Timber Yield Taxes Payable | 448 | - | 43 | 206 | 3 | 98 | 211 | 57 | 274 | 426 | (11) | 0 | (228) | (228) | 13 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | |
| Accrued Interest (BofA) | 1,482 | 1,666 | 1,851 | 1,325 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | 1,353 | |
| Accrued Interest (Timber Notes) | 23,843 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Accrued Restructuring Exp. | - | - | 1,180 | 2,798 | 5,247 | 5,142 | 3,251 | 3,374 | 3,445 | 3,593 | 3,155 | 3,303 | 3,451 | 3,451 | 1,378 | 1,378 | 1,378 | 1,378 | 1,378 | 1,378 | 1,378 | 1,378 | 1,378 | |
| Other Accrued Liabilities | 1,807 | 1,429 | 1,386 | 1,493 | 1,375 | 1,445 | 1,383 | 1,203 | 1,273 | 1,218 | 1,288 | 1,111 | 1,076 | 1,076 | 43 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | |
| Accrued Compensation/Benefits | 625 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| BofA Revolver | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | 36,214 | |
| Total Current Liabilities | $ 67,047 | $ 39,569 | $ 41,889 | $ 43,213 | $ 45,375 | $ 45,654 | $ 44,420 | $ 43,898 | $ 44,557 | $ 44,920 | $ 43,538 | $ 42,701 | $ 42,112 | $ 42,112 | $ 39,580 | $ 39,572 | $ 39,519 | $ 39,535 | $ 39,551 | $ 39,567 | $ 39,587 | $ 39,605 | $ 39,623 | |
| Timber Notes[1] | $ 711,079 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| A-2 Discount[2] | (10,342) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Other Non-Current Liabilities | 137 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total Non-Current Liabilities | $ 700,874 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| Liab. Subject to Compromise | $ - | $ 730,320 | $ 730,130 | $ 730,194 | $ 745,258 | $ 749,713 | $ 754,167 | $ 758,622 | $ 763,076 | $ 767,531 | $ 771,986 | $ 776,441 | $ 780,896 | $ 780,896 | $ 834,367 | $ 887,858 | $ 941,370 | $ 994,905 | $ 1,048,466 | $ 1,102,056 | $ 1,155,678 | $ 1,209,334 | $ 1,263,029 | |
| Member Deficit | $ (459,512) | $ (461,221) | $ (462,895) | $ (462,034) | $ (478,225) | $ (481,905) | $ (483,970) | $ (486,266) | $ (488,174) | $ (491,784) | $ (496,805) | $ (503,474) | $ (515,086) | $ (515,086) | $ (551,016) | $ (584,314) | $ (614,136) | $ (643,337) | $ (670,358) | $ (696,486) | $ (713,766) | $ (730,678) | $ (749,057) | |
| Total Liab. and Member Deficit | $ 308,410 | $ 308,667 | $ 309,123 | $ 311,373 | $ 312,409 | $ 313,462 | $ 314,617 | $ 316,254 | $ 319,459 | $ 320,666 | $ 318,719 | $ 315,669 | $ 307,922 | $ 307,922 | $ 322,931 | $ 343,116 | $ 366,753 | $ 391,103 | $ 417,659 | $ 445,137 | $ 481,499 | $ 518,261 | $ 553,595 | |
| Memo: Liab. Subject to Compr. | | | | | | | | | | | | | | | | | | | | | | | | |
| A/P - Trade[3] | $ - | $ 793 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | $ 595 | |
| A/P - Palco | - | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | |
| A/P - Other | - | 431 | 408 | 434 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | 410 | |
| Timber Yield Taxes Payable[3] | - | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | |
| Accrued Interest | - | 26,360 | 26,360 | 26,360 | 41,465 | 45,906 | 50,346 | 54,787 | 59,228 | 63,668 | 68,109 | 72,549 | 76,990 | 76,990 | 130,277 | 183,564 | 236,851 | 290,138 | 343,425 | 396,712 | 449,999 | 503,286 | 556,573 | |
| Other Accrued Liabilities | - | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | |
| Timber Notes | - | 711,079 | 711,079 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | 711,088 | |
| A-2 Discount | - | (10,342) | (10,329) | (10,329) | (10,315) | (10,302) | (10,288) | (10,274) | (10,260) | (10,246) | (10,231) | (10,217) | (10,202) | (10,202) | (10,018) | (9,814) | (9,590) | (9,341) | (9,067) | (8,764) | (8,430) | (8,060) | (7,652) | |
| Accrued Compensation/Benefits | - | 472 | 490 | 520 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | |
| Other Non-Current Liabilities | - | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | 137 | |
| Total LSTC | $ - | $ 730,320 | $ 730,130 | $ 730,194 | $ 745,258 | $ 749,713 | $ 754,167 | $ 758,622 | $ 763,076 | $ 767,531 | $ 771,986 | $ 776,441 | $ 780,896 | $ 780,896 | $ 834,367 | $ 887,858 | $ 941,370 | $ 994,905 | $ 1,048,466 | $ 1,102,056 | $ 1,155,678 | $ 1,209,334 | $ 1,263,029 | |

(1) $2.8 million of Timber Notes are held by ScoPac in the SAR account. Amounts shown exclude any Timber Notes held in treasury.

(2) Represents repurchased Timber Notes that were subsequently resold at a discount. Discount amortizes and is captured on the income statement within interest expense.

(3) Pre-petition Timber Yield Tax liability totals $0.5 million; $0.1 million is classified as Timber Yield Tax Payable and $0.4 million is classified in A/P - Trade.

## Statement of Cash Flows

*($ in thousands)*

| | 2007 | | | | | | | | | | | | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan[1] | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | Total | | | | | | | | | |
| | *Actual* | *Actual* | *Actual* | *Actual* | | | | | | | | | | | | | | | | | | |
| **Cash Flow from Operating Activ.** | | | | | | | | | | | | | | | | | | | | | | |
| Net Income | $ (1,721) | $ (1,680) | $ 859 | $ (16,200) | $ (3,803) | $ (4,587) | $ (3,908) | $ (1,828) | $ (3,610) | $ (5,020) | $ (6,669) | $ (11,612) | $ (59,779) | $ (35,930) | $ (33,298) | $ (29,822) | $ (29,201) | $ (27,022) | $ (26,128) | $ (17,280) | $ (16,912) | $ (18,379) |
| DD&A | 677 | 499 | 875 | 693 | 634 | 762 | 1,049 | 1,093 | 882 | 642 | 383 | 356 | 8,544 | 8,293 | 7,171 | 7,033 | 6,954 | 6,934 | 6,847 | 7,202 | 6,922 | 6,302 |
| SAR Interest Income | (336) | (107) | (179) | (45) | (163) | (164) | (163) | (163) | (162) | (161) | (161) | (160) | (1,964) | (1,897) | (1,966) | (2,064) | (2,167) | (2,275) | (2,389) | (2,509) | (2,634) | (2,766) |
| Amortization of Def. Fin. Costs | 105.082 | 108.095 | 164.448 | 127 | 127 | 127 | 127 | 127 | 127 | 127 | 127 | 127 | 1,520 | 1,523 | 1,523 | 1,523 | 1,523 | 1,523 | 1,523 | 80 | - | - |
| A-2 Discount | 10,342 | - | - | - | - | - | - | - | - | - | - | - | 10,342 | - | - | - | - | - | - | - | - | - |
| Change in Cash from Incr./(Decr.) from: | | | | | | | | | | | | | | | | | | | | | | |
| A/R - Palco | (162) | (165) | (4,218) | 2,176 | 149 | (585) | (1,448) | (2,149) | 2,246 | 2,263 | 2,590 | 291 | 987 | (13) | (1) | (6) | (2) | (6) | (3) | (20) | (1) | 4 |
| A/R - Other | 33 | (46) | (193) | 36 | - | - | - | - | - | - | - | (4,990) | (5,160) | 5,000 | - | - | - | - | - | - | - | - |
| Prepaid Timber Harvesting Costs | 165 | (89) | 927 | (767) | (358) | 52 | 443 | 489 | 248 | 75 | (233) | (265) | 687 | 405 | (115) | (137) | (135) | (139) | (143) | (147) | (152) | (156) |
| Other Prepaids | (329) | 175 | 150 | 180 | 131 | (558) | 94 | 94 | 83 | (194) | 88 | 89 | 1 | 6 | 36 | - | - | - | - | - | - | - |
| Other Current Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Restricted Cash | (11) | (10) | (0) | (2) | - | - | - | - | - | - | - | - | (23) | - | - | - | - | - | - | - | - | - |
| A/P - Trade | (415) | 273 | 3 | 98 | (126) | 155 | (403) | 352 | 36 | (43) | (2) | (344) | (415) | 339 | (47) | 9 | 9 | 9 | 10 | 10 | 10 | 10 |
| A/P - Palco | (1,523) | 681 | (41) | (89) | 343 | 451 | 93 | (51) | 82 | (535) | (816) | (131) | (1,537) | (6) | 7 | (62) | 7 | 7 | 6 | 11 | 7 | 7 |
| A/P - Other Interco | (431) | - | - | - | - | - | - | - | - | - | - | - | (431) | - | - | - | - | - | - | - | - | - |
| Timber Yield Taxes Payable | (448) | 43 | 163 | (204) | 96 | 113 | (154) | 217 | 152 | (437) | 11 | (229) | (676) | 242 | (6) | - | - | - | - | - | - | - |
| Accrued Interest | (23,658) | 185 | (526) | 27 | - | - | - | - | - | - | - | - | (23,971) | - | - | - | - | - | - | - | - | - |
| Accrued Restructuring Charges | - | 1,180 | 1,618 | 2,449 | (105) | (1,891) | 123 | 71 | 148 | (437) | 148 | 148 | 3,451 | (2,073) | - | - | - | - | - | - | - | - |
| Other Accrued Liabilities | (378) | (43) | 107 | (119) | 70 | (62) | (180) | 70 | (56) | 70 | (177) | (35) | (731) | (1,034) | 38 | - | - | - | - | - | - | - |
| Accrued Comp and Benefits | (625) | - | - | - | - | - | - | - | - | - | - | - | (625) | - | - | - | - | - | - | - | - | - |
| Other Non-current Liabilities | (137) | - | - | - | - | - | - | - | - | - | - | - | (137) | - | - | - | - | - | - | - | - | - |
| Other | (77) | (51) | 91 | (191) | 397 | 2,521 | 1,612 | (81) | - | - | - | - | 4,221 | - | - | - | - | - | - | - | - | - |
| **Cash from Operating Activities** | **$ (18,929)** | **$ 954** | **$ (198)** | **$ (11,831)** | **$ (2,608)** | **$ (3,666)** | **$ (2,716)** | **$ (1,759)** | **$ 175** | **$ (3,651)** | **$ (4,712)** | **$ (16,756)** | **$ (65,698)** | **$ (25,146)** | **$ (26,658)** | **$ (23,526)** | **$ (23,013)** | **$ (20,969)** | **$ (20,277)** | **$ (12,653)** | **$ (12,759)** | **$ (14,977)** |
| **Cash Flow from Investing Activities** | | | | | | | | | | | | | | | | | | | | | | |
| Roads Capex | $ (100) | $ (24) | $ (187) | $ (46) | $ (640) | $ (932) | $ (972) | $ (964) | $ (995) | $ (657) | $ (104) | $ (54) | $ (5,674) | $ (5,376) | $ (5,556) | $ (3,612) | $ (3,739) | $ (3,871) | $ (4,007) | $ (4,147) | $ (4,290) | $ (4,439) |
| Reforestation Capex | (225) | (318) | (200) | (250) | (34) | (36) | (66) | (28) | (61) | (48) | (81) | (28) | (1,375) | (1,228) | (1,222) | (1,293) | (1,355) | (1,422) | (1,446) | (1,685) | (1,736) | (1,795) |
| Other Capex | - | - | - | - | (75) | (75) | (75) | (75) | (75) | (75) | (75) | (75) | (600) | (618) | (637) | (656) | (675) | (696) | (716) | (738) | (760) | (783) |
| **Cash from Investing Activities** | **$ (325)** | **$ (341)** | **$ (387)** | **$ (296)** | **$ (749)** | **$ (1,043)** | **$ (1,114)** | **$ (1,067)** | **$ (1,131)** | **$ (779)** | **$ (260)** | **$ (157)** | **$ (7,649)** | **$ (7,221)** | **$ (7,415)** | **$ (5,560)** | **$ (5,769)** | **$ (5,989)** | **$ (6,170)** | **$ (6,569)** | **$ (6,787)** | **$ (7,017)** |
| **Cash Flow from Financing Activities** | | | | | | | | | | | | | | | | | | | | | | |
| SAR Account[2] | $ - | $ - | $ - | $ - | $ - | $ 300 | $ 300 | $ 300 | $ 300 | $ 300 | $ 300 | $ 300 | $ 2,100 | $ 1,800 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| BofA Revolver | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Timber Notes | (711,079) | - | - | - | - | - | - | - | - | - | - | - | (711,079) | - | - | - | - | - | - | - | - | - |
| **Cash Flow from Financing Activities** | **$ (711,079)** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 300** | **$ 300** | **$ 300** | **$ 300** | **$ 300** | **$ 300** | **$ 300** | **$ (708,979)** | **$ 1,800** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Change in Liab. Subject to Compromise** | 730,320 | (190) | 64 | 15,065 | 4,454 | 4,454 | 4,455 | 4,455 | 4,455 | 4,455 | 4,455 | 4,455 | 780,896 | 53,471 | 53,491 | 53,512 | 53,535 | 53,561 | 53,590 | 53,622 | 53,656 | 53,695 |
| **Net Change in Cash** | **$ (13)** | **$ 422** | **$ (521)** | **$ 2,937** | **$ 1,097** | **$ 45** | **$ 925** | **$ 1,929** | **$ 3,798** | **$ 324** | **$ (217)** | **$ (12,158)** | **$ (1,431)** | **$ 22,904** | **$ 19,417** | **$ 24,425** | **$ 24,753** | **$ 26,603** | **$ 27,143** | **$ 34,399** | **$ 34,111** | **$ 31,702** |
| Beginning Balance | 1,562 | 1,549 | 1,971 | 1,450 | 4,387 | 5,485 | 5,530 | 6,455 | 8,384 | 12,182 | 12,506 | 12,289 | 1,562 | 131 | 23,035 | 42,452 | 66,878 | 91,631 | 118,234 | 145,377 | 179,777 | 213,887 |
| Ending Balance | $ 1,549 | $ 1,971 | $ 1,450 | $ 4,387 | $ 5,485 | $ 5,530 | $ 6,455 | $ 8,384 | $ 12,182 | $ 12,506 | $ 12,289 | $ 131 | $ 131 | $ 23,035 | $ 42,452 | $ 66,878 | $ 91,631 | $ 118,234 | $ 145,377 | $ 179,777 | $ 213,887 | $ 245,589 |

(1) Reflects reclassification to LSTC on January 18, 2007.

(2) Reflects usage of SAR account to pay bondholders' counsel/advisors.

# Project Sequoia

## Restructuring Model

November 25, 2007

**Restructuring Summary** *($ in millions)*

## Recovery

| | Claim | Cash | Notes | Equity |
|---|---|---|---|---|
| **Palco** [1] | | | | |
| U. Administrative | $ 5.5 | $ 5.5 | $ - | $ - |
| U. Priority Tax Claims | 0.0 | 0.0 | - | - |
| U. Super Priority Administrative (DIP) | 75.3 | 75.3 | - | - |
| 1. Priority Unsecured | 0.9 | 0.9 | - | - |
| 2. Secured Tax Claim | - | - | - | - |
| 3. Secured Claim - Marathon Term | 87.1 | 87.1 | - | - |
| 4. General Unsecured | 4.0 | - | 4.0 | - |
| 5. Trade Claims | 3.7 | 3.7 | - | - |
| 6. Interco Claims | - | - | - | - |
| 7. Non-Debtor Affiliate Claims | 40.7 | - | - | 40.7 |
| 8. General Unsecured - Convenience Class | 0.0 | 0.0 | - | - |
| **Subtotal** | **217.2** | **172.6** | **4.0** | |
| **ScoPac** [1] | | | | |
| U. Administrative | 10.0 | 10.0 | - | - |
| U. Priority Tax Claims | 0.5 | 0.5 | - | - |
| 1. Priority Unsecured | 0.1 | 0.1 | - | - |
| 2. Secured Tax Claims | - | - | - | - |
| 3. Timber Noteholder Claims | 788.1 | - | 788.1 | - |
| 4. Secured Claim - Bank of America | 37.6 | 37.6 | - | - |
| 5. General Unsecured | 0.2 | - | 0.2 | - |
| 6. Trade Claims | 0.3 | 0.3 | - | - |
| 7. Interco Claims | - | - | - | - |
| 8. Non-Debtor Affiliate Claims | - | - | - | - |
| 9. Convenience Class | 0.0 | 0.0 | - | - |
| **Subtotal** | **836.7** | **48.4** | **788.3** | |
| **Total** | **$ 1,053.9** | **$ 221.0** | **$ 792.2** | |

(1) Assumes Pension, OPEB, and Workers' Compensation are reinstated.

## Valuation

| | |
|---|---|
| **Total Enterprise Value** | |
| Less: New Timber PIK Notes | (388.1) |
| Less: New Timber Notes | (400.0) |
| Less: Term / Revolver | (188.1) |
| Less: New Unsecured Notes | (4.2) |
| **Total Equity Value** | |

## Maxxam Contribution

(1) $291 mm federal capital loss carryforwards plus $7 mm of state NOLs donated (PV of $85.9 at 9%)

(2) $41 mm sub debt and other non-debtor affiliate claims converted to equity

(3) Advance purchase of ScoPac's logs (at no profit to Maxxam)

(4) $25 mm participation in bond buy-back facility

## Key Assumptions

| | |
|---|---|
| **Revolver** | |
| Facility: | $125.0 mm |
| Interest Rate: | L + 125 bps |
| Commitment Fee: | 50 bps |
| Cash Sweep: | Cash in excess of $5.0 million minimum cash balance |
| **Term Loan** | |
| Facility: | $150.0 mm |
| Interest Rate: | L + 250 bps |
| Annual Amortization: | $1.5 mm beginning 6/30/09 |
| Bullet Maturity: | 2014 |
| **New Timber Notes** | |
| Amount: | $400.0 mm |
| Interest Rate: | 8.50% |
| Maturity: | 2017 |
| Buyout Option: | Buyout at a discount, up to $75 mm purchase price |
| **New Timber PIK Notes** | |
| Amount: | $388.1 mm |
| Interest Rate: | 10.5%* PIK until 12/31/10 compounding semi-annually<br>10.5%* Cash-pay from 12/31/10 to maturity |
| Minimum Amortization: | $50 mm beginning 6/30/11 |
| Additional Amortization: | 85% of after-tax net asset sale proceeds after minimum amortization |
| Maturity: | 2017 |
| Buyback Option: | Buyout at a discount, up to $75 mm purchase price |
| **Unsecured Notes** | |
| Amount: | $4.2 mm |
| Interest Rate: | 8.25% |
| Annual Amortization: | Paid down evenly over three years |
| **Other** | |
| Asset Sale Timing: | Assumed mid-year collection of receipts and repayment of debt |
| Litigation Proceeds: | $4.2 mm of cost in 2008. No recoveries modeled, substantial recoveries expected. |
| Interest Income: | 4% on average cash balance (8% 2013-2015 for illustrative purposes) |

* Increase to 12.5% if 2009 paydown does not occur.

## Sources and Uses

| | Combined | Palco | ScoPac |
|---|---|---|---|
| **Sources** | | | |
| Existing Cash | $ 2.7 | $ - | $ 2.7 |
| SAR Account | 39.2 | - | 39.2 |
| Maxxam Funding | - | - | - |
| New Credit Facility (Emergence Draw) | 188.1 | 181.5 | 6.6 |
| **Total Sources** | **230.0** | **181.5** | **48.4** |
| **Uses** | | | |
| Admin (Prof Fees) | 15.5 | 5.5 | 10.0 |
| Other Priority Claims | 1.5 | 0.9 | 0.6 |
| Superpriority Admin (DIP) | 75.3 | 75.3 | - |
| Secured Tax Claims | - | - | - |
| BofA | 37.6 | - | 37.6 |
| Marathon (Term) | 87.1 | 87.1 | - |
| Trade | 4.0 | 3.7 | 0.3 |
| Convenience Class | 0.0 | 0.0 | 0.0 |
| Transaction Costs | 4.0 | 4.0 | - |
| Cash | 5.0 | 5.0 | - |
| **Total Uses** | **$ 230.0** | **$ 181.6** | **$ 48.4** |

## Asset Sales

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012-2015 |
|---|---|---|---|---|---|---|
| **Palco** | | | | | | |
| Gross Proceeds | $ 1.3 | $ 12.9 | $ 34.2 | $ 16.0 | $ 15.3 | $ - |
| Less: Asset Sale Costs | (1.2) | (6.3) | (6.5) | (5.6) | 2.3 | - |
| Less: Taxes | - | - | - | - | - | - |
| **Total Palco Asset Sales** | **0.1** | **6.6** | **27.7** | **10.4** | **17.6** | **-** |
| **ScoPac** | | | | | | |
| Gross Proceeds | - | - | 416.5 | 19.0 | 9.8 | 811.7 |
| Less: Asset Sale Costs | - | (3.0) | (19.7) | (23.9) | (23.0) | (201.4) |
| Less: Taxes | - | - | (1.3) | - | - | (113.9) |
| **Total ScoPac Asset Sales** | **-** | **(3.0)** | **395.5** | **(4.9)** | **(13.2)** | **496.4** |

# Cash Flow Summary *($ in millions)*

## Non-Consensual Merged-Debtor Restructuring

| Cash Flows | | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| EBITDAR - Timber Operations [1] | | | $ 20.9 | $ 36.5 | $ 30.1 | $ 33.4 | $ 33.8 | $ 35.9 | $ 36.6 | $ 44.3 | $ 44.2 |
| EBITDAR - Lumber Operations and Non-Core [1] | | | (18.2) | (1.7) | 8.9 | 10.2 | 11.1 | 12.1 | 13.1 | 14.2 | 15.3 |
| **Total EBITDAR** | | | **2.7** | **34.8** | **39.0** | **43.5** | **44.9** | **48.0** | **49.7** | **58.4** | **59.5** |
| Capex - Timber Operations | | | (7.6) | (7.2) | (7.4) | (5.6) | (5.8) | (6.0) | (6.2) | (6.6) | (6.8) |
| Capex - Lumber Operations | | | (4.0) | (4.0) | (4.0) | (4.1) | (4.2) | (4.4) | (4.5) | (4.6) | (4.8) |
| Change in Working Capital / Other | | | 4.1 | 5.5 | 6.5 | (1.1) | (1.1) | (1.1) | (1.1) | (1.2) | (1.2) |
| **Operating Cash Flow** | | | **(4.8)** | **29.1** | **34.0** | **32.8** | **33.8** | **36.5** | **37.9** | **46.1** | **46.7** |
| Cash Interest | | | (21.7) | (49.8) | (48.9) | (47.9) | (59.6) | (55.2) | (44.0) | (32.8) | (23.2) |
| Cash Taxes | | | - | - | - | - | - | - | - | (5.9) | (10.4) |
| **Operating Cash Flow After Cash Interest** | | | **(26.5)** | **(20.7)** | **(14.9)** | **(15.1)** | **(25.8)** | **(18.8)** | **(6.2)** | **7.3** | **13.1** |
| Asset Sales and Debt Amortization | | | | | | | | | | | |
| Net Town Proceeds, Pre-Tax | | | | 6.6 | 27.7 | 10.4 | 17.6 | - | - | - | - |
| Net Land Sale Proceeds, Pre-Tax | | | | (3.0) | 396.8 | (4.9) | (13.2) | 118.8 | 178.2 | 165.7 | 147.6 |
| Cash Taxes Before NOLs | | | | (2.9) | (183.0) | (11.6) | (11.3) | (43.6) | (68.3) | (63.2) | (55.8) |
| Maxxam NOL Benefit | | | | 2.3 | 99.5 | - | - | - | - | - | - |
| Palco NOL Benefit | | | | 0.6 | 82.1 | 11.6 | 11.3 | 36.6 | 54.9 | 25.4 | - |
| Term Loan Minimum Amortization | | | | - | (1.5) | (1.5) | (1.5) | (1.5) | (1.5) | (1.5) | (1.5) |
| New Timber PIK Note Minimum Amortization | | | | - | - | - | - | (50.0) | (0.9) | - | - |
| New Timber PIK Note Additional Amortization | | | | - | (362.7) | (4.7) | (3.8) | (45.0) | - | - | - |
| Change in Unsecured Notes | | | | (1.4) | (1.4) | (1.4) | - | - | - | - | - |
| Restructuring Costs and Other | | | | (2.8) | - | - | - | - | - | - | - |
| **Net Cash Flow, Before Revolver Borrowings/Repayment** | | | | **(21.2)** | **42.6** | **(17.1)** | **(26.6)** | **(3.5)** | **156.4** | **133.7** | **103.4** |
| **Leverage** | | Total | | | | | | | | | |
| New Revolver | L+125 bps | 125.0 | 38.1 | 59.4 | 16.7 | 33.9 | 60.5 | 64.0 | - | - | - |
| New Term | L+250 bps | 150.0 | 150.0 | 150.0 | 148.5 | 147.0 | 145.5 | 144.0 | 142.5 | 141.0 | 139.5 |
| New Timber Notes | 8.50% | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |
| New Timber PIK Notes | 10.5%/12.5% [2] | 388.1 | 388.1 | 429.9 | 94.4 | 99.7 | 95.9 | 0.9 | - | - | - |
| Unsecured Notes | 8.25% | 4.2 | 4.2 | 2.8 | 1.4 | - | - | - | - | - | - |
| **Total Debt** | | **1,067.2** | **980.4** | **1,042.1** | **661.1** | **680.6** | **702.0** | **608.9** | **542.5** | **541.0** | **539.5** |
| Ending Cash | | | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 97.3 | 231.0 | 334.4 |
| **Net Debt** | | | **$ 975.4** | **$ 1,037.1** | **$ 656.1** | **$ 675.6** | **$ 697.0** | **$ 603.9** | **$ 445.2** | **$ 310.0** | **$ 205.1** |
| **Credit Statistics** | | | | | | | | | | | |
| EBITDAR / Total Interest | | | n.m. | 0.4x | 0.5x | 0.7x | 0.7x | 0.9x | 1.1x | 1.8x | 2.6x |
| EBITDAR / Cash Interest | | | 0.1x | 0.7x | 0.8x | 0.9x | 0.8x | 0.9x | 1.1x | 1.8x | 2.6x |
| (EBITDAR - Capex) / Interest | | | n.m. | 0.3x | 0.4x | 0.6x | 0.6x | 0.7x | 0.9x | 1.4x | 2.1x |
| (EBITDAR- Capex) / Cash Interest | | | n.m. | 0.5x | 0.6x | 0.7x | 0.6x | 0.7x | 0.9x | 1.4x | 2.1x |
| Net Cash Pay Debt / EBITDAR | | | n.m. | 17.4x | 14.4x | 13.2x | 15.5x | 12.6x | 9.0x | 5.3x | 3.4x |
| Net Total Debt / EBITDAR | | | n.m. | 29.8x | 16.8x | 15.5x | 15.5x | 12.6x | 9.0x | 5.3x | 3.4x |

(1) No synergies assumed.
(2) PIK notes rate adjusted to 12.5% should 2009 paydown not occur.

## MergedCo Income Statement

*($'s in 000s)*

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Wood Products | $ 113,942 | $ 83,538 | $ 151,439 | $ 157,959 | $ 164,773 | $ 171,893 |
| Power Plant | 9,057 | 10,800 | 10,800 | 12,000 | 12,000 | 12,000 |
| Town | 2,928 | 2,136 | 1,399 | - | - | - |
| Other | - | - | - | - | - | - |
| **Total Revenue** | **125,927** | **96,474** | **163,638** | **169,959** | **176,773** | **183,893** |
| **Operating Expenses** | | | | | | |
| COGS | 97,441 | 37,348 | 101,067 | 103,378 | 108,730 | 112,718 |
| Power Plant | 10,712 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Town | 2,192 | 1,440 | 625 | - | - | - |
| SG&A | 12,870 | 10,876 | 10,959 | 11,044 | 11,132 | 11,222 |
| **Total Operating Expenses** | **123,216** | **61,664** | **124,651** | **126,422** | **131,862** | **135,940** |
| **EBITDAR** | **2,711** | **34,810** | **38,988** | **43,537** | **44,911** | **47,953** |
| Restructuring Expense[(1)] | (31,374) | (2,750) | - | - | - | - |
| EBITDA | (28,663) | 32,060 | 38,988 | 43,537 | 44,911 | 47,953 |
| DD&A | (18,951) | (18,964) | (18,042) | (17,905) | (17,826) | (17,806) |
| EBIT | (47,614) | 13,095 | 20,945 | 25,633 | 27,086 | 30,147 |
| Gain on Sale | 886 | 3,703 | 427,492 | 27,499 | 26,419 | 106,321 |
| Gain / (Loss) on Sale of Mills | - | - | - | - | - | - |
| Interest Expense, net | (76,989) | (92,377) | (76,996) | (58,615) | (60,421) | (56,045) |
| Other Income / (Expense) | 79 | - | - | - | - | - |
| Pre-Tax Income | (123,638) | (75,578) | 371,442 | (5,483) | (6,916) | 80,423 |
| Taxes | 11 | - | (1,341) | - | - | (7,001) |
| Equity in Earnings of Subsidiaries | - | - | - | - | - | - |
| **Net Income** | **$ (123,627)** | **$ (75,578)** | **$ 370,101** | **$ (5,483)** | **$ (6,916)** | **$ 73,422** |

(1) Includes Headwaters Litigation costs.

**MergedCo Balance Sheet**

*($'s in 000s)*

| | Pre-Transaction 12/31/07 | | | | Restructuring Transaction | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Palco | ScoPac | Eliminations | Consolidated MergedCo | Exit Financing | Cash Settlement | Non-Cash Settlement | PF 2007 (1) | 2008 | 2009 | 2010 | 2011 | 2012 |
| **Assets** | | | | | | | | | | | | | |
| Cash and Cash Equivalents | $ - | $ 2,657 | $ - | $ 2,657 | $ 21,709 | $ (19,366) | $ - | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 |
| Receivables | 9,116 | 7,581 | (3,748) | 12,949 | - | - | - | 12,949 | 6,285 | 11,396 | 11,730 | 12,075 | 12,430 |
| Inventories | 32,934 | - | - | 32,934 | - | - | - | 32,934 | 33,118 | 19,817 | 20,411 | 21,024 | 21,654 |
| SAR Account | - | 39,214 | - | 39,214 | - | (39,214) | - | - | - | - | - | - | - |
| Other Current Assets | 19,078 | 5,941 | - | 25,020 | - | - | - | 25,020 | 23,962 | 27,041 | 49,178 | 71,313 | 58,952 |
| Total Current Assets | 61,129 | 55,394 | (3,748) | 112,775 | 21,709 | (58,581) | - | 75,903 | 68,365 | 63,253 | 86,320 | 109,412 | 98,036 |
| PP&E and Timberlands | 74,236 | 242,660 | - | 316,896 | - | - | - | 316,896 | 310,066 | 303,591 | 295,366 | 287,554 | 280,108 |
| Deferred Tax Assets (MAXXAM) | 10,727 | - | - | 10,727 | - | - | - | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 |
| Other Non-Current Assets | 3,228 | 1,066 | - | 4,294 | 4,000 | - | - | 8,294 | 6,580 | 5,628 | 4,828 | 4,028 | 3,228 |
| Total Non-current Assets | 88,191 | 243,725 | - | 331,916 | 4,000 | - | - | 335,916 | 327,373 | 319,946 | 310,921 | 302,309 | 294,063 |
| **Total Assets** | **$ 149,319** | **$ 299,120** | **$ (3,748)** | **$ 444,691** | **$ 25,709** | **$ (58,581)** | **$ -** | **$ 411,819** | **$ 395,738** | **$ 383,199** | **$ 397,241** | **$ 411,721** | **$ 392,099** |
| **Liabilities & Stockholders' Equity** | | | | | | | | | | | | | |
| Accounts Payable and Accrued Expenses | $ 8,730 | $ 11,094 | $ (248) | $ 19,576 | $ - | $ (15,500) | $ 6,540 | $ 10,616 | $ 10,442 | $ 9,895 | $ 9,903 | $ 9,912 | $ 9,922 |
| Deferred Tax Liabilities | - | - | - | - | - | - | 6,895 | 6,895 | 6,895 | 6,895 | 6,895 | 6,895 | 6,895 |
| BofA Revolver | - | 37,567 | - | 37,567 | - | (37,567) | - | - | - | - | - | - | - |
| Total Current Liabilities | 8,730 | 48,660 | (248) | 57,142 | - | (53,067) | 13,435 | 17,511 | 17,338 | 16,790 | 16,799 | 16,808 | 16,817 |
| DIP Financing | 75,300 | - | - | 75,300 | (75,300) | - | - | - | - | - | - | - | - |
| New Revolver | - | - | - | - | 38,146 | - | - | 38,146 | 59,384 | 16,737 | 33,883 | 60,526 | 64,020 |
| New Term Loan | - | - | - | - | 150,000 | - | - | 150,000 | 150,000 | 148,500 | 147,000 | 145,500 | 144,000 |
| Long-term Debt | - | - | - | - | - | - | 788,078 | 788,078 | 829,896 | 494,437 | 499,694 | 495,938 | 400,891 |
| New Unsecured Notes | - | - | - | - | - | - | 4,159 | 4,159 | 2,772 | 1,386 | - | - | - |
| Other Liabilities | 659 | - | - | 659 | - | - | 19,620 | 20,279 | 18,279 | 17,179 | 17,179 | 17,179 | 17,179 |
| Total Non-current Liabilities | 75,959 | - | - | 75,959 | 112,846 | - | 811,857 | 1,000,662 | 1,060,332 | 678,239 | 697,756 | 719,142 | 626,090 |
| **Total LSTC** | **171,742** | **780,452** | **(3,500)** | **948,694** | **(87,137)** | **(5,514)** | **(856,043)** | - | - | - | - | - | - |
| **Stockholders' Equity** | **(107,112)** | **(529,992)** | **-** | **(637,104)** | **-** | **-** | **30,751** | **(606,353)** | **(681,932)** | **(311,831)** | **(317,314)** | **(324,230)** | **(250,808)** |
| **Total Liabilties and Stockholders' Equity** | **$ 149,319** | **$ 299,120** | **$ (3,748)** | **$ 444,691** | **$ 25,709** | **$ (58,581)** | **$ 0** | **$ 411,819** | **$ 395,738** | **$ 383,199** | **$ 397,241** | **$ 411,720** | **$ 392,099** |

(1) Does not require Fresh Start accounting as the reorganization value of the assets of the emerging entity is greater than the total of all post-petition liabilities and allowed claims.

**MergedCo - Cash Flow Statement**

*($'s in 000s)*

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Cash Flow from Operating Activities** | | | | | |
| Net Income | $ (75,578) | $ 370,101 | $ (5,483) | $ (6,916) | $ 73,422 |
| Depreciation | 18,964 | 18,042 | 17,905 | 17,826 | 17,806 |
| Gain on Sale | (3,703) | (427,492) | (27,499) | (26,419) | (106,321) |
| Other | 42,618 | 28,080 | 10,731 | 800 | 800 |
| *Changes in Operating Assets and Liabilities* | | | | | |
| Accounts Receivables | 6,664 | (5,110) | (335) | (345) | (355) |
| Inventories | (184) | 13,301 | (595) | (612) | (631) |
| Accounts Payable | 585 | (542) | 9 | 9 | 9 |
| Other | (1,597) | (1,185) | (137) | (135) | (139) |
| **Total Cash Flow from Operating Activities** | **(12,231)** | **(4,805)** | **(5,405)** | **(15,792)** | **(15,408)** |
| **Cash Flow from Investing Activities** | | | | | |
| Gross Proceeds from Asset Sales | 12,850 | 450,688 | 35,027 | 25,099 | 156,409 |
| Cost of Asset Sales | (9,250) | (26,196) | (29,528) | (20,680) | (37,588) |
| Capital Expenditures | (11,221) | (11,415) | (9,680) | (10,013) | (10,360) |
| Other | - | - | - | - | - |
| **Total Cash from Investing Activities** | **(7,621)** | **413,077** | **(4,181)** | **(5,594)** | **108,461** |
| **Cash Flow from Financing Activities** | | | | | |
| Exit Financing - Revolver Draw / (Paydown) | 21,238 | (42,648) | 17,146 | 26,643 | 3,494 |
| Exit Financing - Term Loan Draw / (Paydown) | - | (1,500) | (1,500) | (1,500) | (1,500) |
| Paydown of Timber PIK Notes | - | (362,738) | (4,674) | (3,756) | (95,047) |
| Other | (1,386) | (1,386) | (1,386) | - | - |
| **Total Cash Flow from Financing Activities** | **19,852** | **(408,272)** | **9,586** | **21,386** | **(93,053)** |
| **Change in Liabilities Subject to Compromise** | - | - | - | - | - |
| Beginning Balance | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| **Net Change in Cash** | - | - | **0** | **(0)** | **(0)** |
| **Ending Balance** | **$ 5,000** | **$ 5,000** | **$ 5,000** | **$ 5,000** | **$ 5,000** |

## *D. Project Benny*

# Project Benny

## 2007 - 2009 Monthly Financial Forecast (Chapter 11)

August 1, 2007

## P&L

*($ in 000's)*

| Palco/Britt Combined P&L | | 2006A[1] January | February | March | April | May | June | July | August | September | October | November | December | Total | 2007[1] January | February | March | April | May | June | July | August | September | October | November | December | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Est Actuals* | | | | | | | | |
| **Revenue** | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lumber | | $ 10,586 | $ 11,657 | $ 10,157 | $ 7,605 | $ 10,549 | $ 12,370 | $ 10,646 | $ 11,740 | $ 10,635 | $ 9,243 | $ 7,848 | $ 8,072 | $ 121,108 | $ 7,551 | $ 7,165 | $ 8,361 | $ 7,642 | $ 8,599 | $ 7,631 | $ 7,197 | $ 8,930 | $ 9,113 | $ 8,324 | $ 7,929 | $ 7,840 | $ 96,282 |
| Logs | | 1,056 | 387 | 495 | 2 | 14 | 8 | 20 | 122 | 113 | 144 | 412 | 1,265 | 4,038 | 1,980 | 1,369 | 1,839 | 1,081 | 2,553 | 1,293 | 1,157 | 1,171 | 207 | 224 | 71 | - | 12,943 |
| Woodchips | | 313 | 232 | 219 | 149 | 218 | 347 | 269 | 313 | 240 | 230 | 130 | 106 | 2,766 | 357 | 419 | 472 | 418 | 356 | 371 | 577 | 602 | 544 | 303 | 278 | 257 | 4,954 |
| Power Plant | (2) | 662 | 632 | 616 | 243 | 835 | 927 | 837 | 1,034 | 1,104 | 940 | 510 | 123 | 8,463 | 903 | 856 | 894 | 904 | 1,054 | 1,012 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 12,523 |
| Town | | 287 | 144 | 203 | 212 | 251 | 221 | 254 | 274 | 344 | 755 | 235 | 260 | 3,440 | 258 | 260 | 257 | 215 | 255 | 251 | 245 | 245 | 245 | 242 | 233 | 224 | 2,928 |
| Intercompany Power Plant Elim. | (2) | - | - | - | - | - | - | - | - | - | - | - | - | - | (286) | (307) | (342) | (319) | (384) | (328) | (250) | (250) | (250) | (250) | (250) | (250) | (3,466) |
| **Total Revenue** | | $ 12,904 | $ 13,052 | $ 11,690 | $ 8,211 | $ 11,867 | $ 13,873 | $ 12,026 | $ 13,483 | $ 12,436 | $ 11,312 | $ 9,135 | $ 9,826 | $ 139,815 | $ 10,763 | $ 9,762 | $ 11,481 | $ 9,941 | $ 12,433 | $ 10,230 | $ 10,076 | $ 11,848 | $ 11,008 | $ 9,992 | $ 9,410 | $ 9,221 | $ 126,165 |
| **Operating Expenses** | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Log Costs | (3) | $ 12,735 | $ 14,390 | $ 14,048 | $ 10,491 | $ 12,848 | $ 13,091 | $ 11,217 | $ 12,674 | $ 12,182 | $ 11,404 | $ 10,108 | $ 18,033 | $ 153,221 | $ 7,390 | $ 7,103 | $ 8,378 | $ 7,173 | $ 9,749 | $ 7,033 | $ 6,207 | $ 8,015 | $ 7,222 | $ 6,591 | $ 5,951 | $ 5,502 | $ 86,314 |
| Production Costs | (3) | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,096 | 2,880 | 2,606 | 2,348 | 2,586 | 4,284 | 4,790 | 3,802 | 2,618 | 2,207 | 2,038 | 1,920 | 35,176 |
| Power Plant | (2)(4) | 1,159 | 1,080 | 897 | 1,150 | 1,099 | 1,697 | 850 | 1,172 | 1,120 | 1,178 | 1,057 | 1,555 | 14,014 | 1,046 | 962 | 1,138 | 972 | 1,237 | 1,324 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 14,178 |
| Town | (4) | - | - | - | - | - | - | - | - | - | - | - | - | - | 177 | 139 | 176 | 164 | 182 | 189 | 203 | 203 | 203 | 185 | 185 | 185 | 2,192 |
| SG&A | | 957 | 883 | 997 | 713 | 870 | 824 | 937 | 701 | 1,160 | 1,123 | 1,217 | 555 | 10,937 | 1,036 | 753 | 768 | 573 | 807 | 622 | 902 | 902 | 902 | 902 | 902 | 902 | 9,969 |
| Headwaters Litigation Costs | | - | - | - | - | - | - | - | - | - | - | - | - | - | 18 | 24 | 35 | 63 | (3) | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 1,000 |
| Intercompany Power Plant Elim. | | - | - | - | - | - | - | - | - | - | - | - | - | - | (286) | (307) | (342) | (319) | (384) | (328) | (250) | (250) | (250) | (250) | (250) | (250) | (3,466) |
| **Total Operating Expenses** | | $ 14,851 | $ 16,353 | $ 15,942 | $ 12,354 | $ 14,817 | $ 15,612 | $ 13,004 | $ 14,547 | $ 14,462 | $ 13,705 | $ 12,382 | $ 20,143 | $ 178,172 | $ 12,477 | $ 11,553 | $ 12,759 | $ 10,974 | $ 14,174 | $ 13,247 | $ 13,226 | $ 14,045 | $ 12,069 | $ 11,009 | $ 10,199 | $ 9,633 | $ 145,363 |
| **EBITDAR** | | **$ (1,947)** | **$ (3,301)** | **$ (4,252)** | **$ (4,143)** | **$ (2,950)** | **$ (1,739)** | **$ (978)** | **$ (1,064)** | **$ (2,026)** | **$ (2,393)** | **$ (3,247)** | **$ (10,317)** | **$ (38,357)** | **$ (1,714)** | **$ (1,791)** | **$ (1,278)** | **$ (1,033)** | **$ (1,742)** | **$ (3,018)** | **$ (3,149)** | **$ (2,197)** | **$ (1,060)** | **$ (1,017)** | **$ (788)** | **$ (412)** | **$ (19,199)** |
| Restructuring | (5) | 56 | 35 | 15 | 1 | 10 | 94 | 51 | 762 | (108) | (18) | - | 2,495 | 3,393 | 578 | 824 | 1,287 | 746 | 1,176 | 1,018 | 3,342 | 1,025 | 1,025 | 1,016 | 998 | 961 | 13,997 |
| Depreciation | | 1,034 | 882 | 1,109 | 975 | 862 | 511 | 380 | 872 | 872 | 871 | 1,571 | (2) | 9,937 | 953 | 940 | 584 | 942 | 867 | 868 | 870 | 872 | 875 | 878 | 880 | 880 | 10,407 |
| Operating Income | | $ (3,037) | $ (4,218) | $ (5,376) | $ (5,119) | $ (3,822) | $ (2,344) | $ (1,409) | $ (2,698) | $ (2,790) | $ (3,246) | $ (4,818) | $ (12,810) | $ (51,687) | $ (3,245) | $ (3,555) | $ (3,149) | $ (2,721) | $ (3,785) | $ (4,903) | $ (7,361) | $ (4,094) | $ (2,961) | $ (2,911) | $ (2,666) | $ (2,253) | $ (43,604) |
| Gain on Sale of Assets | (6) | - | 2 | 5 | (4) | - | 991 | 900 | 7 | 209 | (15) | 272 | 59 | 2,426 | 28 | 34 | 852 | (57) | 29 | - | - | - | - | - | - | - | 886 |
| Interest Expense | (7) | (709) | (580) | (529) | (586) | (442) | (458) | (931) | (1,023) | (4,690) | (1,257) | (947) | (3,970) | (16,122) | (1,581) | (1,337) | (1,328) | (1,594) | (1,389) | (1,431) | (2,837) | (1,766) | (1,778) | (1,861) | (1,865) | (1,886) | (20,653) |
| Other Income & (Expense) | | 7 | (1) | 2 | 1 | 33 | (7) | 46 | 69 | 14 | 121 | 2 | 5 | 292 | 1 | - | 3 | 28 | 24 | 23 | - | - | - | - | - | - | 79 |
| Pre-Tax Income | | $ (3,739) | $ (4,797) | $ (5,898) | $ (5,708) | $ (4,231) | $ (1,818) | $ (1,394) | $ (3,645) | $ (7,257) | $ (4,397) | $ (5,491) | $ (16,716) | $ (65,091) | $ (4,797) | $ (4,858) | $ (3,622) | $ (4,344) | $ (5,121) | $ (6,311) | $ (10,198) | $ (5,861) | $ (4,738) | $ (4,772) | $ (4,531) | $ (4,140) | $ (63,291) |
| Taxes | (8) | 6 | - | 17 | - | - | 4,702 | - | - | 236 | - | - | 282 | 5,243 | 12 | - | - | (1) | - | - | - | - | - | - | - | - | 11 |
| Equity/(Loss) in Earnings of Subs | | (1,108) | (915) | (8,503) | (5,108) | (3,562) | 6,214 | 3,398 | (514) | 2,026 | 748 | (3,015) | (4,280) | (14,619) | (1,236) | (386) | 2,221 | (16,192) | (4,086) | (3,024) | - | - | - | - | - | - | (22,703) |
| **Net Income** | | **$ (4,841)** | **$ (5,712)** | **$ (14,384)** | **$ (10,816)** | **$ (7,793)** | **$ 9,098** | **$ 2,004** | **$ (4,159)** | **$ (4,995)** | **$ (3,649)** | **$ (8,506)** | **$ (20,714)** | **$ (74,467)** | **$ (6,021)** | **$ (5,244)** | **$ (1,401)** | **$ (20,537)** | **$ (9,207)** | **$ (9,335)** | **$ (10,198)** | **$ (5,861)** | **$ (4,738)** | **$ (4,772)** | **$ (4,531)** | **$ (4,140)** | **$ (85,983)** |

(1) 2006 actuals through December. 2007 June YTD reflects preliminary actuals.
(2) 2006 Power Revenue and Production Costs shown on a consolidated basis (no further elimination required).
(3) 2006 Production Costs and Finishing Costs are included in Log Costs and represent Total COGS. Includes a $5.3 million LCM inventory write-down in December 2006.
(4) 2006 Town costs are included in Power Plant costs.
(5) Includes $0.7 million and $1.3 million of severance charges in August and December 2006, respectively.
(6) Gain calculation assumes book value of $0.
(7) Includes the write-off of $3.5 million of deferred financing costs in September 2006.
(8) Assumes NOL's sufficient to offset any positive taxable income.

## P&L

*($ in 000's)*

| Palco/Britt Combined P&L | 2008 January | February | March | April | May | June | July | August | September | October | November | December | TOTAL | 2009 January | February | March | April | May | June | July | August | September | October | November | December | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lumber | $ 6,531 | $ 7,250 | $ 7,051 | $ 7,420 | $ 7,249 | $ 7,089 | $ 6,411 | $ 6,117 | $ 6,031 | $ 5,978 | $ 5,933 | $ 5,906 | $ 78,965 | $ 8,401 | $ 9,142 | $ 10,797 | $ 12,841 | $ 13,643 | $ 13,216 | $ 13,070 | $ 12,956 | $ 13,407 | $ 12,784 | $ 12,015 | $ 11,820 | $ 144,092 |
| Logs | - | 15 | 45 | 225 | 210 | 90 | 60 | 150 | 300 | 285 | 90 | - | 1,470 | - | 15 | 150 | 95 | 29 | 45 | 38 | 75 | 150 | 150 | 60 | - | 806 |
| Woodchips | 273 | 234 | 258 | 271 | 234 | 246 | 258 | 283 | 258 | 283 | 246 | 258 | 3,103 | 568 | 493 | 545 | 571 | 464 | 542 | 575 | 548 | 575 | 597 | 519 | 545 | 6,542 |
| Power Plant | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 13,800 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 13,800 |
| Town | 192 | 192 | 192 | 182 | 182 | 182 | 178 | 178 | 178 | 160 | 160 | 160 | 2,136 | 155 | 155 | 155 | 128 | 128 | 128 | 92 | 92 | 92 | 92 | 92 | 92 | 1,399 |
| Intercompany Power Plant Elim. | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (3,000) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (3,000) |
| **Total Revenue** | $ 7,896 | $ 8,590 | $ 8,446 | $ 8,998 | $ 8,775 | $ 8,507 | $ 7,808 | $ 7,629 | $ 7,667 | $ 7,606 | $ 7,329 | $ 7,224 | $ 96,474 | $ 10,024 | $ 10,705 | $ 12,547 | $ 14,535 | $ 15,164 | $ 14,831 | $ 14,674 | $ 14,571 | $ 15,123 | $ 14,522 | $ 13,586 | $ 13,356 | $ 163,638 |
| **Operating Expenses** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Log Costs | $ 4,359 | $ 4,531 | $ 4,613 | $ 5,150 | $ 5,220 | $ 5,103 | $ 4,761 | $ 4,843 | $ 5,005 | $ 4,859 | $ 4,578 | $ 4,433 | $ 57,456 | $ 6,053 | $ 7,038 | $ 8,228 | $ 9,670 | $ 9,964 | $ 9,631 | $ 9,870 | $ 10,397 | $ 10,792 | $ 10,440 | $ 9,317 | $ 8,652 | $ 110,052 |
| Production Costs | 1,495 | 1,501 | 1,487 | 1,444 | 1,383 | 1,418 | 1,334 | 1,288 | 1,220 | 1,214 | 1,177 | 1,214 | 16,176 | 1,662 | 1,723 | 2,045 | 2,270 | 2,211 | 2,351 | 2,196 | 2,081 | 2,254 | 2,100 | 1,885 | 2,005 | 24,785 |
| Power Plant | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 15,000 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 15,000 |
| Town | 140 | 140 | 140 | 125 | 125 | 125 | 115 | 115 | 115 | 100 | 100 | 100 | 1,440 | 75 | 75 | 75 | 67 | 67 | 67 | 33 | 33 | 33 | 33 | 33 | 33 | 625 |
| SG&A | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 8,120 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 8,120 |
| Headwaters Litigation Costs | 123 | 123 | 123 | - | - | - | - | - | - | - | - | - | 370 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intercompany Power Plant Elim. | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (3,000) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (3,000) |
| **Total Operating Expenses** | $ 7,795 | $ 7,972 | $ 8,039 | $ 8,396 | $ 8,405 | $ 8,323 | $ 7,887 | $ 7,923 | $ 8,017 | $ 7,850 | $ 7,532 | $ 7,423 | $ 95,562 | $ 9,467 | $ 10,513 | $ 12,025 | $ 13,684 | $ 13,918 | $ 13,725 | $ 13,776 | $ 14,188 | $ 14,756 | $ 14,250 | $ 12,912 | $ 12,367 | $ 155,582 |
| **EBITDAR** | **$ 101** | **$ 618** | **$ 407** | **$ 602** | **$ 370** | **$ 184** | **$ (79)** | **$ (295)** | **$ (349)** | **$ (244)** | **$ (202)** | **$ (199)** | **$ 913** | **$ 557** | **$ 193** | **$ 522** | **$ 851** | **$ 1,246** | **$ 1,106** | **$ 897** | **$ 383** | **$ 367** | **$ 272** | **$ 674** | **$ 990** | **$ 8,057** |
| Restructuring | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 7,139 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 7,139 |
| Depreciation | 881 | 882 | 882 | 883 | 886 | 889 | 892 | 893 | 895 | 896 | 897 | 897 | 10,671 | 897 | 898 | 899 | 900 | 903 | 906 | 908 | 910 | 911 | 913 | 913 | 913 | 10,871 |
| Operating Income | $ (1,375) | $ (858) | $ (1,071) | $ (876) | $ (1,111) | $ (1,300) | $ (1,566) | $ (1,783) | $ (1,839) | $ (1,735) | $ (1,694) | $ (1,691) | $ (16,898) | $ (935) | $ (1,301) | $ (972) | $ (644) | $ (252) | $ (395) | $ (606) | $ (1,122) | $ (1,139) | $ (1,235) | $ (834) | $ (519) | $ (9,954) |
| Gain on Sale of Assets (1) | - | - | - | - | - | 700 | - | - | 5,881 | - | - | 6,456 | 13,036 | - | - | 6,178 | - | - | 5,868 | - | - | 5,743 | - | - | 17,768 | 35,555 |
| Interest Expense | (1,873) | (1,785) | (1,885) | (1,867) | (1,932) | (1,889) | (2,033) | (1,983) | (1,971) | (2,056) | (2,101) | (2,140) | (23,516) | (2,126) | (2,039) | (2,098) | (1,970) | (1,858) | (1,776) | (1,891) | (1,818) | (1,804) | (1,886) | (1,902) | (1,842) | (23,009) |
| Other Income & (Expense) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pre-Tax Income | $ (3,248) | $ (2,643) | $ (2,955) | $ (2,744) | $ (3,043) | $ (2,489) | $ (3,599) | $ (3,766) | $ 2,071 | $ (3,791) | $ (3,795) | $ 2,625 | $ (27,378) | $ (3,061) | $ (3,340) | $ 3,108 | $ (2,614) | $ (2,109) | $ 3,696 | $ (2,497) | $ (2,940) | $ 2,799 | $ (3,121) | $ (2,736) | $ 15,407 | $ 2,592 |
| Taxes (2) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity/(Loss) in Earnings of Subs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net Income** | **$ (3,248)** | **$ (2,643)** | **$ (2,955)** | **$ (2,744)** | **$ (3,043)** | **$ (2,489)** | **$ (3,599)** | **$ (3,766)** | **$ 2,071** | **$ (3,791)** | **$ (3,795)** | **$ 2,625** | **$ (27,378)** | **$ (3,061)** | **$ (3,340)** | **$ 3,108** | **$ (2,614)** | **$ (2,109)** | **$ 3,696** | **$ (2,497)** | **$ (2,940)** | **$ 2,799** | **$ (3,121)** | **$ (2,736)** | **$ 15,407** | **$ 2,592** |

(1) Gain calculation assumes book value of $0.

(2) Assumes NOL's sufficient to offset any positive taxable income.

## Balance Sheet

*($ in 000's)*

| | 2006[1] | | | | | | | | | | | | 2007[1] | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January | February | March | April | May | June | July | August | September | October | November | December | January | February | March | April | May | June | July | August | September | October | November | December |
| **Assets** | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Est Actuals* | | | | | | |
| **Current Assets** | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | $ 793 | $ 1,596 | $ 516 | $ 797 | $ 785 | $ 1,210 | $ 34,226 | $ 19,214 | $ 13,088 | $ 356 | $ (12) | $ 592 | $ 2,891 | $ 4,899 | $ 10,595 | $ 8,936 | $ 8,735 | $ 7,755 | $ - | $ - | $ - | $ - | $ - | $ - |
| Receivables | 8,845 | 9,061 | 8,132 | 6,422 | 8,204 | 11,814 | 8,991 | 9,838 | 10,629 | 9,511 | 9,061 | 8,132 | 8,819 | 9,445 | 9,160 | 7,638 | 9,909 | 8,758 | 8,397 | 9,873 | 9,174 | 8,327 | 7,842 | 7,684 |
| Receivables (ScoPac) | 918 | 1,074 | 326 | 563 | 841 | 1,065 | 1,346 | 1,257 | 1,502 | 1,466 | 1,255 | 1,812 | 765 | 1,445 | 1,404 | 1,331 | 1,404 | 2,493 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 |
| Receivables (Affiliates) | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Inventories | 32,040 | 31,052 | 22,046 | 16,971 | 14,168 | 21,990 | 30,676 | 39,183 | 47,961 | 57,961 | 55,849 | 47,335 | 43,053 | 37,610 | 37,338 | 36,519 | 32,056 | 30,935 | 32,476 | 32,297 | 32,182 | 30,655 | 26,076 | 20,178 |
| Prepaid & Other Assets | 6,112 | 6,134 | 6,058 | 6,042 | 5,652 | 5,792 | 7,884 | 7,600 | 7,789 | 6,622 | 6,616 | 7,095 | 6,762 | 6,384 | 5,626 | 5,547 | 5,154 | 4,761 | 5,239 | 5,699 | 6,175 | 7,256 | 7,479 | 4,982 |
| **Total Current Assets** | **$ 48,736** | **$ 48,945** | **$ 37,106** | **$ 30,823** | **$ 29,678** | **$ 41,899** | **$ 83,151** | **$ 77,120** | **$ 80,997** | **$ 75,944** | **$ 72,797** | **$ 64,994** | **$ 62,318** | **$ 59,811** | **$ 64,151** | **$ 59,999** | **$ 57,286** | **$ 54,730** | **$ 47,544** | **$ 49,301** | **$ 48,964** | **$ 47,670** | **$ 42,830** | **$ 34,277** |
| PP&E | $ 82,055 | $ 81,273 | $ 80,452 | $ 79,656 | $ 79,226 | $ 77,852 | $ 77,481 | $ 77,434 | $ 76,781 | $ 77,430 | $ 76,789 | $ 77,503 | $ 76,388 | $ 75,882 | $ 75,506 | $ 74,638 | $ 74,013 | $ 73,707 | $ 73,249 | $ 72,808 | $ 72,743 | $ 72,563 | $ 72,128 | $ 71,295 |
| Timber and Timberland, net | 3,709 | 3,709 | 3,709 | 3,709 | 3,709 | 3,438 | 3,534 | 3,506 | 3,445 | 3,398 | 3,343 | 3,359 | 3,333 | 3,341 | 2,969 | 2,969 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 |
| Note Receivable | 1,478 | 1,481 | 1,532 | 1,628 | 1,682 | 1,638 | 1,702 | 1,779 | 1,958 | 2,041 | 2,469 | 2,663 | 2,823 | 2,975 | 3,145 | 3,222 | 3,208 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 |
| Deferred Financing Cost | 2,246 | 2,225 | 2,305 | 2,269 | 2,235 | 3,179 | 10,120 | 10,274 | 6,739 | 6,734 | 6,601 | 6,405 | 6,078 | 5,851 | 5,625 | 5,399 | 5,171 | 4,943 | 4,715 | 4,487 | 4,259 | 4,031 | 3,803 | 3,575 |
| Deferred Tax Assets (MAXXAM) | 11,243 | 11,243 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 10,728 | 10,791 | 11,228 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 |
| **Total Assets** | **$ 149,467** | **$ 148,876** | **$ 136,332** | **$ 129,313** | **$ 127,758** | **$ 139,234** | **$ 187,216** | **$ 181,341** | **$ 181,148** | **$ 176,775** | **$ 173,227** | **$ 165,652** | **$ 161,732** | **$ 159,088** | **$ 162,123** | **$ 156,954** | **$ 153,346** | **$ 150,276** | **$ 142,404** | **$ 143,492** | **$ 142,861** | **$ 141,160** | **$ 135,657** | **$ 126,042** |
| **Liabilities & Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | |
| **Current Liabilities (Not Subject to Compromise)** | | | | | | | | | | | | | | | | | | | | | | | | |
| Accounts Payable (Trade) | $ 6,320 | $ 7,241 | $ 5,346 | $ 2,259 | $ 4,404 | $ 7,983 | $ 8,224 | $ 7,666 | $ 6,240 | $ 7,145 | $ 4,169 | $ 4,529 | $ 2,367 | $ 562 | $ 1,725 | $ 4,219 | $ 4,207 | $ 4,730 | $ 5,532 | $ 5,698 | $ 5,360 | $ 5,143 | $ 2,947 | $ 1,807 |
| Accounts Payable (ScoPac) | 2,624 | 5,987 | 620 | 1,188 | 3,628 | 9,064 | 4,825 | 6,105 | 7,750 | 7,443 | 3,190 | 3,366 | 2,669 | 1,844 | 6,177 | 4,662 | 4,502 | 5,146 | 4,035 | 3,666 | 2,909 | 1,745 | 519 | 2 |
| Accounts Payable (Affiliates) | 6,676 | 6,744 | 6,909 | 6,974 | 6,974 | 2,425 | 4,209 | 421 | 543 | 87 | 64 | 893 | - | - | - | - | - | - | - | - | - | - | - | - |
| Accrued Compensation and Benefits[2] | 13,801 | 13,206 | 12,879 | 11,321 | 11,337 | 11,478 | 10,400 | 10,959 | 5,683 | 5,847 | 5,790 | 9,598 | 250 | (0) | 71 | 142 | 212 | 283 | 354 | 425 | 496 | 567 | 637 | (71) |
| Accrued Chapter 11 Expenses | - | - | - | - | - | - | - | - | - | - | - | - | 558 | 1,372 | 2,530 | 2,783 | 3,100 | 3,416 | 3,629 | 3,834 | 3,609 | 3,213 | 3,327 | 3,411 |
| Other Accrued Liabilities | 2,802 | 2,775 | 2,760 | 2,393 | 2,388 | 2,790 | 2,482 | 2,252 | 2,659 | 2,428 | 1,721 | 2,559 | 18 | 324 | 48 | 161 | 207 | 381 | 554 | 727 | 901 | 1,074 | 1,248 | 821 |
| Accrued Interest | 220 | 580 | 895 | 242 | 475 | 804 | 427 | 1,447 | 2,430 | 368 | 1,144 | 2,448 | 304 | 517 | 752 | 980 | 1,208 | 1,436 | - | - | - | - | - | - |
| Term Loan, current portion | 872 | 872 | 34,752 | 34,752 | 34,698 | 87 | 76 | 64 | 64 | 41 | 41 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Liabilities | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 6,928 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Current Liabilities (Not Subject to Compromise)** | **$ 40,641** | **$ 44,731** | **$ 71,487** | **$ 66,455** | **$ 71,230** | **$ 41,957** | **$ 37,969** | **$ 36,240** | **$ 32,695** | **$ 30,685** | **$ 23,445** | **$ 30,321** | **$ 6,166** | **$ 4,619** | **$ 11,303** | **$ 12,946** | **$ 13,437** | **$ 15,392** | **$ 14,104** | **$ 14,350** | **$ 13,275** | **$ 11,742** | **$ 8,678** | **$ 5,970** |
| DIP Financing (New Revolver) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 12,539 | $ 18,186 | $ 22,899 | $ 30,163 | $ 31,122 | $ 27,260 |
| DIP Financing (Frozen Revolver) | 20,183 | 18,050 | 12,672 | 8,292 | 5,109 | - | - | - | 10,800 | 12,645 | 22,141 | 24,127 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 |
| Term Loan | 33,989 | 33,978 | - | (61) | 39 | 42,712 | 85,037 | 85,037 | 84,627 | 84,636 | 84,298 | 84,277 | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Liabilities (Incl. Pension) | 29,761 | 29,522 | 29,457 | 29,537 | 29,579 | 29,715 | 29,784 | 29,850 | 29,691 | 29,747 | 29,810 | 21,921 | - | - | - | 625 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 |
| Advances from Parent | 8,402 | 10,902 | 16,902 | 24,902 | 25,902 | 26,631 | 37,598 | 37,029 | 37,173 | 37,297 | 37,218 | 39,362 | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Liabilities (Not Subject to Compromise)** | **$ 132,976** | **$ 137,183** | **$ 130,518** | **$ 129,125** | **$ 131,859** | **$ 141,015** | **$ 190,388** | **$ 188,156** | **$ 194,986** | **$ 195,010** | **$ 196,912** | **$ 200,008** | **$ 32,393** | **$ 30,846** | **$ 37,530** | **$ 39,798** | **$ 40,323** | **$ 42,278** | **$ 53,529** | **$ 59,422** | **$ 63,060** | **$ 68,791** | **$ 66,686** | **$ 60,116** |
| **Liabilities Subject to Compromise (See Below)** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 170,657 | $ 173,314 | $ 173,358 | $ 172,364 | $ 172,999 | $ 174,076 | $ 165,150 | $ 166,206 | $ 166,676 | $ 164,015 | $ 165,148 | $ 166,242 |
| **Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment in Subsidiaries | $ 463,200 | $ 464,115 | $ 472,617 | $ 477,725 | $ 481,288 | $ 475,074 | $ 471,676 | $ 472,191 | $ 470,164 | $ 469,416 | $ 472,430 | $ 476,711 | $ 477,013 | $ 478,333 | $ 476,110 | $ 492,262 | $ 496,351 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 |
| Additional Paid-in Capital | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 |
| Accumulated Other Comprehensive/ (Loss) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) |
| Accumulated Surplus / (Deficit) | (653,464) | (659,177) | (673,558) | (684,292) | (692,144) | (683,610) | (681,603) | (685,761) | (690,757) | (694,406) | (702,870) | (723,471) | (730,736) | (735,809) | (737,279) | (759,874) | (768,730) | (771,809) | (782,006) | (787,867) | (792,605) | (797,377) | (801,908) | (806,048) |
| **Total Stockholders' Equity** | **$ 16,491** | **$ 11,693** | **$ 5,814** | **$ 188** | **$ (4,101)** | **$ (1,781)** | **$ (3,172)** | **$ (6,815)** | **$ (13,838)** | **$ (18,235)** | **$ (23,685)** | **$ (34,356)** | **$ (41,319)** | **$ (45,072)** | **$ (48,765)** | **$ (55,208)** | **$ (59,975)** | **$ (66,078)** | **$ (76,275)** | **$ (82,136)** | **$ (86,874)** | **$ (91,646)** | **$ (96,177)** | **$ (100,317)** |
| **Total Liabilities & Stockholders' Equity** | **149,467** | **148,876** | **136,332** | **129,313** | **127,758** | **139,234** | **187,216** | **181,341** | **181,148** | **176,775** | **173,227** | **165,652** | **161,732** | **159,088** | **162,123** | **156,954** | **153,346** | **150,276** | **142,404** | **143,492** | **142,861** | **141,160** | **135,657** | **126,042** |
| *Balance Check* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Memo: Liabilities Subject to Compromise* | | | | | | | | | | | | | | | | | | | | | | | | |
| *Pre-petition Accounts Payable (Trade)* | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,613 | $ 2,973 | $ 2,973 | $ 2,973 | $ 2,973 | $ 2,973 | $ 2,973 | $ 2,973 | $ 2,973 | $ 2,973 | $ 2,973 | $ 2,973 |
| *Pre-petition Accounts Payable (Subsidiaries)* | - | - | - | - | - | - | - | - | - | - | - | - | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 |
| *Pre-petition Accounts Payable (Affiliates)* | - | - | - | - | - | - | - | - | - | - | - | - | 893 | 1,325 | 673 | 563 | 451 | 341 | 231 | 121 | 11 | 11 | 11 | 11 |
| *Accrued Compensation and Benefits [2]* | - | - | - | - | - | - | - | - | - | - | - | - | 8,806 | 8,606 | 8,751 | 7,948 | 7,546 | 7,445 | 7,445 | 7,445 | 7,445 | 7,445 | 7,445 | 7,374 |
| *Other Accrued Liabilities* | - | - | - | - | - | - | - | - | - | - | - | - | 2,477 | 2,477 | 2,477 | 1,995 | 2,116 | 2,406 | 2,406 | 2,406 | 2,406 | 2,406 | 2,406 | 2,406 |
| *Deferred Tax Liabilities* | - | - | - | - | - | - | - | - | - | - | - | - | 6,928 | 7,326 | 6,928 | 6,928 | 6,928 | 6,928 | 6,928 | 6,928 | 6,928 | 6,928 | 6,928 | 6,928 |
| *Term Loan* | - | - | - | - | - | - | - | - | - | - | - | - | 84,277 | 84,277 | 84,277 | 84,277 | 84,277 | 84,277 | 84,277 | 84,277 | 84,277 | 84,277 | 84,277 | 84,277 |
| *Pre-Petition Term Loan Accrued Interest* | - | - | - | - | - | - | - | - | - | - | - | - | 2,977 | 2,977 | 2,977 | 2,977 | 2,977 | 2,977 | - | - | - | - | - | - |
| *Accr Int (Term and Default Int. on Term/Frozen Revolver)* | - | - | - | - | - | - | - | - | - | - | - | - | 319 | 1,356 | 2,381 | 3,373 | 4,398 | 5,390 | 140 | 1,306 | 2,438 | 562 | 1,694 | 2,860 |
| *Other Liabilities (Incl. Pension)* | - | - | - | - | - | - | - | - | - | - | - | - | 22,014 | 21,643 | 21,643 | 21,054 | 21,054 | 21,060 | 20,472 | 20,472 | 19,919 | 19,135 | 19,135 | 19,135 |
| *Advances from Parent* | - | - | - | - | - | - | - | - | - | - | - | - | 39,158 | 39,159 | 39,083 | 39,080 | 39,083 | 39,083 | 39,083 | 39,083 | 39,083 | 39,083 | 39,083 | 39,083 |
| *Total Liabilities Subject to Compromise* | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 170,657 | $ 173,314 | $ 173,358 | $ 172,364 | $ 172,999 | $ 174,076 | $ 165,150 | $ 166,206 | $ 166,676 | $ 164,015 | $ 165,148 | $ 166,242 |

(1) 2006 actuals through December. January through March 2007 represent preliminary actuals.

(2) Accrued compensation reflects January 2007 and December 2008 payment of incentive compensation, and monthly 07/08/09 accrual of current year's incentive compensation.

## Balance Sheet

*($ in 000's)*

| | 2008 | | | | | | | | | | | | 2009 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January | February | March | April | May | June | July | August | September | October | November | December | January | February | March | April | May | June | July | August | September | October | November | December |
| **Assets** | | | | | | | | | | | | | | | | | | | | | | | | |
| **Current Assets** | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Receivables | 6,580 | 7,159 | 7,038 | 7,498 | 7,312 | 7,089 | 6,506 | 6,357 | 6,389 | 6,338 | 6,108 | 6,020 | 8,353 | 8,921 | 10,456 | 12,112 | 12,637 | 12,359 | 12,228 | 12,142 | 12,602 | 12,102 | 11,322 | 11,130 |
| Receivables (ScoPac) | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 |
| Receivables (Affiliates) | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Inventories | 19,855 | 17,079 | 18,427 | 18,009 | 18,006 | 19,719 | 21,488 | 27,070 | 31,029 | 35,604 | 36,098 | 32,707 | 32,092 | 27,851 | 29,167 | 25,489 | 21,710 | 21,447 | 22,535 | 29,965 | 33,077 | 34,362 | 28,521 | 20,438 |
| Prepaid & Other Assets | 5,451 | 5,919 | 6,467 | 7,152 | 7,923 | 2,111 | 2,724 | 3,336 | 2,077 | 3,512 | 4,109 | 2,652 | 2,613 | 2,574 | 2,001 | 2,012 | 2,109 | 2,111 | 2,383 | 2,655 | 2,077 | 3,188 | 3,461 | 2,652 |
| **Total Current Assets** | **$ 33,318** | **$ 31,589** | **$ 33,365** | **$ 34,091** | **$ 34,673** | **$ 30,351** | **$ 32,150** | **$ 38,195** | **$ 40,927** | **$ 46,886** | **$ 47,746** | **$ 42,811** | **$ 44,490** | **$ 40,778** | **$ 43,056** | **$ 41,045** | **$ 37,888** | **$ 37,349** | **$ 38,577** | **$ 46,194** | **$ 49,189** | **$ 51,084** | **$ 44,735** | **$ 35,652** |
| PP&E | $ 70,614 | $ 69,932 | $ 69,250 | $ 68,576 | $ 68,414 | $ 68,208 | $ 67,941 | $ 67,383 | $ 66,868 | $ 66,292 | $ 65,520 | $ 64,623 | $ 63,926 | $ 63,228 | $ 62,529 | $ 61,838 | $ 61,659 | $ 61,436 | $ 61,153 | $ 60,578 | $ 60,047 | $ 59,454 | $ 58,665 | $ 57,752 |
| Timber and Timberland, net | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 |
| Note Receivable | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 |
| Deferred Financing Cost | 3,347 | 3,119 | 2,891 | 2,663 | 2,435 | 2,207 | 1,979 | 1,751 | 1,523 | 1,295 | 1,067 | 839 | 611 | 383 | 155 | - | - | - | - | - | - | - | - | - |
| Deferred Tax Assets (MAXXAM) | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 |
| **Total Assets** | **$ 124,175** | **$ 121,536** | **$ 122,402** | **$ 122,226** | **$ 122,418** | **$ 117,662** | **$ 118,966** | **$ 124,225** | **$ 126,214** | **$ 131,369** | **$ 131,229** | **$ 125,169** | **$ 125,923** | **$ 121,285** | **$ 122,636** | **$ 119,779** | **$ 116,443** | **$ 115,681** | **$ 116,626** | **$ 123,668** | **$ 126,131** | **$ 127,434** | **$ 120,296** | **$ 110,300** |
| **Liabilities & Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | |
| **Current Liabilities (Not Subject to Compromise)** | | | | | | | | | | | | | | | | | | | | | | | | |
| Accounts Payable (Trade) | $ 2,247 | $ 1,904 | $ 2,706 | $ 2,395 | $ 3,154 | $ 4,160 | $ 3,729 | $ 4,400 | $ 4,213 | $ 4,265 | $ 3,095 | $ 2,053 | $ 2,470 | $ 2,064 | $ 3,744 | $ 3,092 | $ 3,700 | $ 5,991 | $ 6,443 | $ 7,629 | $ 6,322 | $ 4,357 | $ 2,080 | $ 1,558 |
| Accounts Payable (ScoPac) | 3,402 | 1,538 | 4,768 | 3,854 | 3,367 | 3,794 | 3,932 | 6,975 | 5,670 | 6,058 | 3,063 | 321 | 3,802 | 1,709 | 6,763 | 4,209 | 3,615 | 4,187 | 5,047 | 10,379 | 8,197 | 8,221 | 2,490 | 329 |
| Accounts Payable (Affiliates) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accrued Compensation and Benefits[2] | (0) | 71 | 142 | 212 | 283 | 354 | 425 | 496 | 567 | 637 | 708 | (71) | (0) | 71 | 142 | 212 | 283 | 354 | 425 | 496 | 567 | 637 | 708 | (71) |
| Accrued Chapter 11 Expenses | 3,243 | 2,609 | 2,695 | 2,781 | 2,867 | 2,609 | 2,695 | 2,781 | 2,867 | 2,609 | 2,695 | 2,781 | 2,613 | 1,979 | 2,065 | 2,151 | 2,237 | 1,979 | 2,065 | 2,151 | 2,237 | 1,979 | 2,065 | 2,151 |
| Other Accrued Liabilities | (6) | 168 | 341 | 391 | 441 | 41 | 91 | 141 | 41 | 91 | 141 | 41 | 91 | 141 | 41 | 91 | 141 | 41 | 91 | 141 | 41 | 91 | 141 | 41 |
| Accrued Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Term Loan, current portion | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Current Liabilities (Not Subject to Compromise)** | **$ 8,887** | **$ 6,290** | **$ 10,652** | **$ 9,634** | **$ 10,112** | **$ 10,959** | **$ 10,872** | **$ 14,793** | **$ 13,358** | **$ 13,660** | **$ 9,702** | **$ 5,124** | **$ 8,976** | **$ 5,965** | **$ 12,755** | **$ 9,756** | **$ 9,976** | **$ 12,553** | **$ 14,071** | **$ 20,795** | **$ 17,363** | **$ 15,285** | **$ 7,484** | **$ 4,008** |
| DIP Financing (New Revolver) | $ 28,328 | $ 29,919 | $ 28,212 | $ 33,884 | $ 35,475 | $ 31,229 | $ 38,371 | $ 42,309 | $ 43,032 | $ 53,992 | $ 60,473 | $ 55,200 | $ 57,315 | $ 58,018 | $ 48,305 | $ 53,102 | $ 50,491 | $ 42,323 | $ 46,353 | $ 48,446 | $ 50,573 | $ 59,332 | $ 61,599 | $ 38,506 |
| DIP Financing (Frozen Revolver) | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 |
| Term Loan | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Liabilities (Incl. Pension) | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 |
| Advances from Parent | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Liabilities (Not Subject to Compromise)** | **$ 64,100** | **$ 63,095** | **$ 65,750** | **$ 70,404** | **$ 72,473** | **$ 69,074** | **$ 76,129** | **$ 83,988** | **$ 83,276** | **$ 94,539** | **$ 97,061** | **$ 87,211** | **$ 93,177** | **$ 90,868** | **$ 87,946** | **$ 89,744** | **$ 87,352** | **$ 81,761** | **$ 87,311** | **$ 96,127** | **$ 94,822** | **$ 101,503** | **$ 95,969** | **$ 69,400** |
| **Liabilities Subject to Compromise (See Below)** | $ 163,639 | $ 164,649 | $ 165,815 | $ 163,729 | $ 164,895 | $ 166,027 | $ 163,876 | $ 165,041 | $ 165,672 | $ 163,355 | $ 164,487 | $ 165,653 | $ 163,501 | $ 164,512 | $ 165,677 | $ 163,636 | $ 164,801 | $ 165,934 | $ 163,826 | $ 164,992 | $ 165,961 | $ 163,704 | $ 164,836 | $ 166,002 |
| **Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment in Subsidiaries | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 |
| Additional Paid-in Capital | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 |
| Accumulated Other Comprehensive/ (Loss) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) |
| Accumulated Surplus / (Deficit) | (809,296) | (811,939) | (814,895) | (817,638) | (820,682) | (823,171) | (826,770) | (830,535) | (828,464) | (832,256) | (836,051) | (833,426) | (836,487) | (839,826) | (836,718) | (839,332) | (841,441) | (837,745) | (840,242) | (843,182) | (840,383) | (843,504) | (846,240) | (830,833) |
| **Total Stockholders' Equity** | **$ (103,565)** | **$ (106,208)** | **$ (109,164)** | **$ (111,907)** | **$ (114,951)** | **$ (117,440)** | **$ (121,039)** | **$ (124,804)** | **$ (122,733)** | **$ (126,525)** | **$ (130,320)** | **$ (127,695)** | **$ (130,756)** | **$ (134,095)** | **$ (130,987)** | **$ (133,601)** | **$ (135,710)** | **$ (132,014)** | **$ (134,511)** | **$ (137,451)** | **$ (134,652)** | **$ (137,773)** | **$ (140,509)** | **$ (125,102)** |
| **Total Liabilities & Stockholders' Equity** | **124,174** | **121,536** | **122,401** | **122,226** | **122,418** | **117,662** | **118,966** | **124,224** | **126,214** | **131,369** | **131,229** | **125,169** | **125,923** | **121,285** | **122,636** | **119,779** | **116,443** | **115,681** | **116,626** | **123,668** | **126,131** | **127,434** | **120,296** | **110,299** |
| *Balance Check* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Memo: Liabilities Subject to Compromise* | | | | | | | | | | | | | | | | | | | | | | | | |
| *Pre-petition Accounts Payable (Trade)* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* |
| *Pre-petition Accounts Payable (Subsidiaries)* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* |
| *Pre-petition Accounts Payable (Affiliates)* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* |
| *Accrued Compensation and Benefits [2]* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* |
| *Other Accrued Liabilities* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* |
| *Deferred Tax Liabilities* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* |
| *Term Loan* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* |
| *Pre-Petition Term Loan Accrued Interest* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Accr Int (Term and Default Int. on Term/Frozen Revolver)* | *983* | *2,050* | *3,215* | *1,405* | *2,570* | *3,703* | *1,826* | *2,991* | *4,124* | *2,247* | *3,380* | *4,545* | *2,669* | *3,735* | *4,901* | *3,090* | *4,256* | *5,388* | *3,512* | *4,677* | *5,809* | *3,933* | *5,065* | *6,231* |
| *Other Liabilities (Incl. Pension)* | *18,408* | *18,352* | *18,352* | *18,077* | *18,077* | *18,077* | *17,802* | *17,802* | *17,300* | *16,860* | *16,860* | *16,860* | *16,585* | *16,529* | *16,529* | *16,298* | *16,298* | *16,298* | *16,067* | *16,067* | *15,904* | *15,523* | *15,523* | *15,523* |
| *Advances from Parent* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* |
| *Total Liabilities Subject to Compromise* | *$ 163,639* | *$ 164,649* | *$ 165,815* | *$ 163,729* | *$ 164,895* | *$ 166,027* | *$ 163,876* | *$ 165,041* | *$ 165,672* | *$ 163,355* | *$ 164,487* | *$ 165,653* | *$ 163,501* | *$ 164,512* | *$ 165,677* | *$ 163,636* | *$ 164,801* | *$ 165,934* | *$ 163,826* | *$ 164,992* | *$ 165,961* | *$ 163,704* | *$ 164,836* | *$ 166,002* |

(1) 2006 actuals through December. January 2007 projected.

(2) Accrued compensation reflects January 2007 and December 2008 payment of incentive compensation, and monthly 07/08/09 accrual of current year's incentive compensation.

## Cash Flow Statement

*($ in 000's)*

| | 2007 | | | | | | | | | | | | | 2008 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January | February | March | April | May | June | July | August | September | October | November | December | TOTAL | January | February | March | April | May | June | July | August | September | October | November | December | TOTAL |
| **Cash Flow from Operations** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Loss | $ (6,021) | $ (5,244) | $ (1,401) | $ (20,537) | $ (9,207) | $ (9,335) | $ (10,198) | $ (5,861) | $ (4,738) | $ (4,772) | $ (4,531) | $ (4,140) | $ (85,983) | $ (3,248) | $ (2,643) | $ (2,955) | $ (2,744) | $ (3,043) | $ (2,489) | $ (3,599) | $ (3,766) | $ 2,071 | $ (3,791) | $ (3,795) | $ 2,625 | $ (27,378) |
| Adjustments: | | | | | | | | | | | | | | | | | | | | | | | | | |
| Losses from Subsidiaries | 1,236 | 386 | (2,221) | 16,192 | 4,086 | 3,024 | - | - | - | - | - | - | 22,703 | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Taxes | (6,991) | (437) | 501 | - | - | - | - | - | - | - | - | - | (6,927) | - | - | - | - | - | - | - | - | - | - | - | - |
| Note Receivable | (160) | (152) | (170) | (77) | 14 | (20) | - | - | - | - | - | - | (565) | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | 953 | 940 | 584 | 942 | 867 | 868 | 870 | 872 | 875 | 878 | 880 | 880 | 10,407 | 881 | 882 | 882 | 883 | 886 | 889 | 892 | 893 | 895 | 896 | 897 | 897 | 10,671 |
| Amortization of Deferred Financing Costs | 327 | 227 | 226 | 226 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 2,830 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 2,736 |
| Change in Accrued Interes | (2,144) | 212 | 236 | 228 | 228 | 228 | (1,436) | - | - | - | - | - | (2,448) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gains on Sales of Assets | (28) | (34) | (852) | 57 | (29) | - | - | - | - | - | - | - | (886) | - | - | - | - | - | (700) | - | - | (5,881) | - | - | (6,456) | (13,036) |
| Changes in Operating Assets and Liabilities | | | | | | | | | | | | | | | | | | | | | | | | | |
| Receivables | 360 | (1,306) | 326 | 1,595 | (2,344) | 62 | 1,450 | (1,476) | 699 | 847 | 485 | 158 | 856 | 1,104 | (579) | 120 | (460) | 186 | 223 | 583 | 149 | (32) | 51 | 230 | 88 | 1,664 |
| Inventories | 4,281 | 5,444 | 272 | 819 | 4,463 | 1,121 | (1,541) | 179 | 115 | 1,527 | 4,579 | 5,898 | 27,157 | 323 | 2,776 | (1,349) | 418 | 4 | (1,714) | (1,769) | (5,581) | (3,959) | (4,575) | (494) | 3,390 | (12,529) |
| Prepaid Exp. and Other Current Assets (1) | 533 | 478 | 908 | 221 | 535 | 535 | (174) | (156) | (173) | (894) | (36) | 784 | 2,562 | 193 | 193 | 114 | 193 | 107 | (110) | (26) | (26) | 86 | (874) | (35) | 334 | 150 |
| Accounts Payable | (3,752) | (2,630) | 5,496 | 979 | (172) | 1,167 | (310) | (202) | (1,095) | (1,381) | (3,422) | (1,657) | (6,979) | 3,840 | (2,207) | 4,032 | (1,225) | 272 | 1,434 | (294) | 3,714 | (1,492) | 439 | (4,165) | (3,784) | 564 |
| Change in Accrued Compensation | (9,348) | (250) | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | (708) | (9,669) | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | (779) | - |
| Accrued Restructuring Expenses | 558 | 814 | 1,157 | 253 | 317 | 316 | 214 | 204 | (225) | (396) | 114 | 84 | 3,411 | (168) | (634) | 86 | 86 | 86 | (258) | 86 | 86 | 86 | (258) | 86 | 86 | (630) |
| Other Accrued Liabilities | (24,462) | 306 | (276) | 738 | 81 | 173 | 173 | 173 | 173 | 173 | 173 | (427) | (23,000) | (827) | 173 | 173 | 50 | 50 | (400) | 50 | 50 | (100) | 50 | 50 | (100) | (780) |
| Other | (1,840) | 753 | (222) | (2,020) | 297 | 208 | - | - | - | - | - | - | (2,823) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Cash from Operations** | **$ (46,497)** | **$ (493)** | **$ 4,635** | **$ (313)** | **$ (565)** | **$ (1,353)** | **$ (10,653)** | **$ (5,968)** | **$ (4,069)** | **$ (3,718)** | **$ (1,460)** | **$ 1,100** | **$ (69,354)** | **$ 2,398** | **$ (1,740)** | **$ 1,403** | **$ (2,499)** | **$ (1,154)** | **$ (2,825)** | **$ (3,779)** | **$ (4,182)** | **$ (8,027)** | **$ (7,763)** | **$ (6,928)** | **$ (3,471)** | **$ (38,567)** |
| **Cash Flow from Investing** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross Proceeds from Sale of Assets | $ - | $ - | $ 1,248 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,500 | $ 3,748 | $ - | $ - | $ - | $ - | $ - | $ 7,950 | $ - | $ - | $ 7,790 | $ - | $ - | $ 8,290 | $ 24,030 |
| Cost of Asset Sales | (200) | (100) | (150) | (142) | (142) | (142) | (304) | (304) | (304) | (187) | (187) | (787) | (2,950) | (662) | (662) | (662) | (878) | (878) | (1,328) | (587) | (587) | (737) | (562) | (562) | (712) | (8,814) |
| Capital Expenditures | (122) | (56) | (81) | (209) | (129) | (562) | (412) | (430) | (810) | (698) | (445) | (46) | (4,000) | (200) | (200) | (200) | (209) | (724) | (683) | (625) | (335) | (380) | (320) | (124) | - | (4,000) |
| **Cash from Investing** | **$ (322)** | **$ (156)** | **$ 1,017** | **$ (351)** | **$ (271)** | **$ (704)** | **$ (716)** | **$ (734)** | **$ (1,114)** | **$ (885)** | **$ (632)** | **$ 1,667** | **$ (3,202)** | **$ (862)** | **$ (862)** | **$ (862)** | **$ (1,087)** | **$ (1,602)** | **$ 5,939** | **$ (1,212)** | **$ (922)** | **$ 6,674** | **$ (882)** | **$ (686)** | **$ 7,579** | **$ 11,216** |
| **Change in Liabilities Subject to Compromise** | $ 170,657 | $ 2,657 | $ 44 | $ (995) | $ 635 | $ 1,077 | $ (8,925) | $ 1,055 | $ 470 | $ (2,660) | $ 1,132 | $ 1,095 | $ 166,242 | $ (2,604) | $ 1,010 | $ 1,165 | $ (2,085) | $ 1,165 | $ 1,132 | $ (2,152) | $ 1,165 | $ 630 | $ (2,317) | $ 1,132 | $ 1,165 | $ (589) |
| **Cash Flow from Financing** | | | | | | | | | | | | | | | | | | | | | | | | | |
| New Revolver (DIP Financing | $ - | $ - | $ - | $ - | $ - | $ - | $ 12,539 | $ 5,647 | $ 4,714 | $ 7,263 | $ 960 | $ (3,862) | $ 27,260 | $ 1,067 | $ 1,591 | $ (1,707) | $ 5,672 | $ 1,591 | $ (4,246) | $ 7,142 | $ 3,938 | $ 723 | $ 10,961 | $ 6,481 | $ (5,273) | $ 27,940 |
| Frozen Revolver | 2,100 | - | - | - | - | - | - | - | - | - | - | - | 2,100 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Term Loan | (84,277) | - | - | - | - | - | - | - | - | - | - | - | (84,277) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Advances from Parent | (39,362) | - | - | - | - | - | - | - | - | - | - | - | (39,362) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Cash from Financing** | **$ (121,539)** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 12,539** | **$ 5,647** | **$ 4,714** | **$ 7,263** | **$ 960** | **$ (3,862)** | **$ (94,279)** | **$ 1,067** | **$ 1,591** | **$ (1,707)** | **$ 5,672** | **$ 1,591** | **$ (4,246)** | **$ 7,142** | **$ 3,938** | **$ 723** | **$ 10,961** | **$ 6,481** | **$ (5,273)** | **$ 27,940** |
| Change in Cash | $ 2,299 | $ 2,008 | $ 5,696 | $ (1,659) | $ (201) | $ (980) | $ (7,755) | $ - | $ - | $ - | $ - | $ - | $ (592) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Beginning Cash | 592 | 2,891 | 4,899 | 10,595 | 8,936 | 8,735 | 7,755 | - | - | - | - | - | 592 | - | - | - | - | - | - | - | - | - | - | - | - | (0) |
| **Ending Cash** | **$ 2,891** | **$ 4,899** | **$ 10,595** | **$ 8,936** | **$ 8,735** | **$ 7,755** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ (0)** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ (0)** |
| **Memo: Asset Sale Cost Reimbursements** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross Proceeds | $ - | $ - | $ 1,248 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,500 | $ 3,748 | $ - | $ - | $ - | $ - | $ - | $ 7,950 | $ - | $ - | $ 7,790 | $ - | $ - | $ 8,290 | $ 24,030 |
| Reimbursement to Debtor | - | - | - | - | - | - | - | - | - | - | - | (1,900) | (1,900) | - | - | - | - | - | (6,800) | - | - | (1,760) | - | - | (1,685) | (10,244) |
| Net Proceeds to DIP Lender | - | - | 1,248 | - | - | - | - | - | - | - | - | 600 | 1,848 | - | - | - | - | - | 1,150 | - | - | 6,031 | - | - | 6,606 | 13,786 |
| Ending Capitalized Asset Sale Costs | $ 1,931 | $ 2,031 | $ 2,181 | $ 2,323 | $ 2,465 | $ 2,607 | $ 2,911 | $ 3,215 | $ 3,519 | $ 3,706 | $ 3,894 | $ 2,181 | $ 2,181 | $ 2,842 | $ 3,504 | $ 4,165 | $ 5,044 | $ 5,922 | $ - | $ 587 | $ 1,173 | $ - | $ 562 | $ 1,123 | $ - | $ - |

## Cash Flow Statement

*($ in 000's)*

| | 2009 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January | February | March | April | May | June | July | August | September | October | November | December | TOTAL |
| **Cash Flow from Operations** | | | | | | | | | | | | | |
| Net Loss | $ (3,061) | $ (3,340) | $ 3,108 | $ (2,614) | $ (2,109) | $ 3,696 | $ (2,497) | $ (2,940) | $ 2,799 | $ (3,121) | $ (2,736) | $ 15,407 | $ 2,592 |
| Adjustments: | | | | | | | | | | | | | |
| Losses from Subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Taxes | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Note Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | 897 | 898 | 899 | 900 | 903 | 906 | 908 | 910 | 911 | 913 | 913 | 913 | 10,871 |
| Amortization of Deferred Financing Costs | 228 | 228 | 228 | 155 | - | - | - | - | - | - | - | - | 839 |
| Change in Accrued Interes | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gains on Sales of Assets | - | - | (6,178) | - | - | (5,868) | - | - | (5,743) | - | - | (17,768) | (35,555) |
| Changes in Operating Assets and Liabilities | | | | | | | | | | | | | |
| Receivables | (2,333) | (568) | (1,535) | (1,657) | (525) | 278 | 131 | 86 | (460) | 500 | 780 | 191 | (5,110) |
| Inventories | 615 | 4,241 | (1,316) | 3,679 | 3,779 | 263 | (1,088) | (7,430) | (3,112) | (1,284) | 5,841 | 8,083 | 12,269 |
| Prepaid Exp. and Other Current Assets (1) | 193 | 193 | 264 | 193 | 107 | (410) | (26) | (26) | 86 | (874) | (35) | 334 | 0 |
| Accounts Payable | 3,899 | (2,499) | 6,733 | (3,206) | 13 | 2,864 | 1,312 | 6,517 | (3,489) | (1,941) | (8,008) | (2,683) | (486) |
| Change in Accrued Compensation | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | (779) | - |
| Accrued Restructuring Expenses | (168) | (634) | 86 | 86 | 86 | (258) | 86 | 86 | 86 | (258) | 86 | 86 | (630) |
| Other Accrued Liabilities | 50 | 50 | (100) | 50 | 50 | (100) | 50 | 50 | (100) | 50 | 50 | (100) | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Cash from Operations** | **$ 391** | **$ (1,359)** | **$ 2,261** | **$ (2,342)** | **$ 2,374** | **$ 1,443** | **$ (1,052)** | **$ (2,677)** | **$ (8,950)** | **$ (5,944)** | **$ (3,038)** | **$ 3,685** | **$ (15,209)** |
| **Cash Flow from Investing** | | | | | | | | | | | | | |
| Gross Proceeds from Sale of Assets | $ - | $ - | $ 6,790 | $ - | $ - | $ 6,630 | $ - | $ - | $ 6,630 | $ - | $ - | $ 18,630 | $ 38,680 |
| Cost of Asset Sales | (154) | (154) | (304) | (204) | (204) | (354) | (246) | (246) | (396) | (238) | (238) | (388) | (3,125) |
| Capital Expenditures | (200) | (200) | (200) | (209) | (724) | (683) | (625) | (335) | (380) | (320) | (124) | - | (4,000) |
| **Cash from Investing** | **$ (354)** | **$ (354)** | **$ 6,286** | **$ (413)** | **$ (928)** | **$ 5,593** | **$ (871)** | **$ (581)** | **$ 5,854** | **$ (558)** | **$ (362)** | **$ 18,243** | **$ 31,555** |
| **Change in Liabilities Subject to Compromise** | $ (2,152) | $ 1,010 | $ 1,165 | $ (2,041) | $ 1,165 | $ 1,132 | $ (2,108) | $ 1,165 | $ 969 | $ (2,258) | $ 1,132 | $ 1,165 | $ 349 |
| **Cash Flow from Financing** | | | | | | | | | | | | | |
| New Revolver (DIP Financing | $ 2,114 | $ 703 | $ (9,712) | $ 4,797 | $ (2,612) | $ (8,168) | $ 4,031 | $ 2,093 | $ 2,127 | $ 8,759 | $ 2,267 | $ (23,093) | $ (16,694) |
| Frozen Revolver | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Term Loan | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Advances from Parent | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Cash from Financing** | **$ 2,114** | **$ 703** | **$ (9,712)** | **$ 4,797** | **$ (2,612)** | **$ (8,168)** | **$ 4,031** | **$ 2,093** | **$ 2,127** | **$ 8,759** | **$ 2,267** | **$ (23,093)** | **$ (16,694)** |
| Change in Cash | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Beginning Cash | - | - | - | - | - | - | - | - | - | - | - | - | (0) |
| **Ending Cash** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ (0)** |
| **Memo: Asset Sale Cost Reimbursements** | | | | | | | | | | | | | |
| Gross Proceeds | $ - | $ - | $ 6,790 | $ - | $ - | $ 6,630 | $ - | $ - | $ 6,630 | $ - | $ - | $ 18,630 | $ 38,680 |
| Reimbursement to Debtor | - | - | (463) | - | - | (613) | - | - | (738) | - | - | (713) | (2,525) |
| Net Proceeds to DIP Lender | - | - | 6,328 | - | - | 6,018 | - | - | 5,893 | - | - | 17,918 | 36,155 |
| Ending Capitalized Asset Sale Costs | $ 154 | $ 308 | $ - | $ 204 | $ 408 | $ - | $ 246 | $ 492 | $ - | $ 238 | $ 475 | $ - | $ - |

# Project Benny

## 2007 - 2009 Monthly Financial Forecast (Chapter 11)

November 25, 2007

## P&L

*($ in 000's)*

| Palco/Britt Combined P&L | | 2006A[1] January | February | March | April | May | June | July | August | September | October | November | December | Total | 2007[1] January | February | March | April | May | June | July | August | September | October | November | December | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Est Actuals* | | | | | | | | |
| **Revenue** | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lumber | | $ 10,586 | $ 11,657 | $ 10,157 | $ 7,605 | $ 10,549 | $ 12,370 | $ 10,646 | $ 11,740 | $ 10,635 | $ 9,243 | $ 7,848 | $ 8,072 | $ 121,108 | $ 7,551 | $ 7,165 | $ 8,361 | $ 7,642 | $ 8,599 | $ 7,631 | $ 7,051 | $ 8,930 | $ 9,113 | $ 8,324 | $ 7,929 | $ 7,840 | $ 96,136 |
| Logs | | 1,056 | 387 | 495 | 2 | 14 | 8 | 20 | 122 | 113 | 144 | 412 | 1,265 | 4,038 | 1,980 | 1,369 | 1,839 | 1,081 | 2,553 | 1,293 | 1,065 | 1,171 | 207 | 224 | 71 | - | 12,851 |
| Woodchips | | 313 | 232 | 219 | 149 | 218 | 347 | 269 | 313 | 240 | 230 | 130 | 106 | 2,766 | 357 | 419 | 472 | 418 | 356 | 371 | 577 | 602 | 544 | 303 | 278 | 257 | 4,954 |
| Power Plant | (2) | 662 | 632 | 616 | 243 | 835 | 927 | 837 | 1,034 | 1,104 | 940 | 510 | 123 | 8,463 | 903 | 856 | 894 | 904 | 1,054 | 1,012 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 12,523 |
| Town | | 287 | 144 | 203 | 212 | 251 | 221 | 254 | 274 | 344 | 755 | 235 | 260 | 3,440 | 258 | 260 | 257 | 215 | 255 | 251 | 245 | 245 | 245 | 242 | 233 | 224 | 2,928 |
| Intercompany Power Plant Elim. | (2) | - | - | - | - | - | - | - | - | - | - | - | - | - | (286) | (307) | (342) | (319) | (384) | (328) | (250) | (250) | (250) | (250) | (250) | (250) | (3,466) |
| **Total Revenue** | | $ 12,904 | $ 13,052 | $ 11,690 | $ 8,211 | $ 11,867 | $ 13,873 | $ 12,026 | $ 13,483 | $ 12,436 | $ 11,312 | $ 9,135 | $ 9,826 | $ 139,815 | $ 10,763 | $ 9,762 | $ 11,481 | $ 9,941 | $ 12,433 | $ 10,230 | $ 9,838 | $ 11,848 | $ 11,008 | $ 9,992 | $ 9,410 | $ 9,221 | $ 125,927 |
| **Operating Expenses** | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Log Costs | (3) | $ 12,735 | $ 14,390 | $ 14,048 | $ 10,491 | $ 12,848 | $ 13,091 | $ 11,217 | $ 12,674 | $ 12,182 | $ 11,404 | $ 10,108 | $ 18,033 | $ 153,221 | $ 7,390 | $ 7,103 | $ 8,378 | $ 7,173 | $ 9,749 | $ 7,033 | $ 6,207 | $ 8,015 | $ 7,221 | $ 6,588 | $ 6,072 | $ 5,814 | $ 86,742 |
| Production Costs | (3) | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,096 | 2,880 | 2,606 | 2,348 | 2,586 | 4,284 | 4,118 | 3,802 | 2,618 | 2,207 | 2,038 | 1,920 | 34,504 |
| Power Plant | (2)(4) | 1,159 | 1,080 | 897 | 1,150 | 1,099 | 1,697 | 850 | 1,172 | 1,120 | 1,178 | 1,057 | 1,555 | 14,014 | 1,046 | 962 | 1,138 | 972 | 1,237 | 1,324 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 14,178 |
| Town | (4) | - | - | - | - | - | - | - | - | - | - | - | - | - | 177 | 139 | 176 | 164 | 182 | 189 | 203 | 203 | 203 | 185 | 185 | 185 | 2,192 |
| SG&A | | 957 | 883 | 997 | 713 | 870 | 824 | 937 | 701 | 1,160 | 1,123 | 1,217 | 555 | 10,937 | 1,036 | 753 | 768 | 573 | 807 | 622 | 902 | 902 | 902 | 902 | 902 | 902 | 9,969 |
| Headwaters Litigation Costs | | - | - | - | - | - | - | - | - | - | - | - | - | - | 18 | 24 | 35 | 63 | (3) | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 1,000 |
| Intercompany Power Plant Elim. | | - | - | - | - | - | - | - | - | - | - | - | - | - | (286) | (307) | (342) | (319) | (384) | (328) | (250) | (250) | (250) | (250) | (250) | (250) | (3,466) |
| **Total Operating Expenses** | | $ 14,851 | $ 16,353 | $ 15,942 | $ 12,354 | $ 14,817 | $ 15,612 | $ 13,004 | $ 14,547 | $ 14,462 | $ 13,705 | $ 12,382 | $ 20,143 | $ 178,172 | $ 12,477 | $ 11,553 | $ 12,759 | $ 10,974 | $ 14,174 | $ 13,247 | $ 12,554 | $ 14,045 | $ 12,067 | $ 11,005 | $ 10,320 | $ 9,945 | $ 145,120 |
| **EBITDAR** | | **$ (1,947)** | **$ (3,301)** | **$ (4,252)** | **$ (4,143)** | **$ (2,950)** | **$ (1,739)** | **$ (978)** | **$ (1,064)** | **$ (2,026)** | **$ (2,393)** | **$ (3,247)** | **$ (10,317)** | **$ (38,357)** | **$ (1,714)** | **$ (1,791)** | **$ (1,278)** | **$ (1,033)** | **$ (1,742)** | **$ (3,018)** | **$ (2,715)** | **$ (2,197)** | **$ (1,059)** | **$ (1,013)** | **$ (909)** | **$ (724)** | **$ (19,193)** |
| Restructuring | (5) | 56 | 35 | 15 | 1 | 10 | 94 | 51 | 762 | (108) | (18) | - | 2,495 | 3,393 | 578 | 824 | 1,287 | 746 | 1,176 | 1,018 | 3,342 | 1,025 | 1,025 | 1,016 | 998 | 961 | 13,997 |
| Depreciation | | 1,034 | 882 | 1,109 | 975 | 862 | 511 | 380 | 872 | 872 | 871 | 1,571 | (2) | 9,937 | 953 | 940 | 584 | 942 | 867 | 868 | 870 | 872 | 875 | 878 | 880 | 880 | 10,407 |
| Operating Income | | $ (3,037) | $ (4,218) | $ (5,376) | $ (5,119) | $ (3,822) | $ (2,344) | $ (1,409) | $ (2,698) | $ (2,790) | $ (3,246) | $ (4,818) | $ (12,810) | $ (51,687) | $ (3,245) | $ (3,555) | $ (3,149) | $ (2,721) | $ (3,785) | $ (4,903) | $ (6,927) | $ (4,094) | $ (2,959) | $ (2,907) | $ (2,787) | $ (2,565) | $ (43,598) |
| Gain on Sale of Assets | (6) | - | 2 | 5 | (4) | - | 991 | 900 | 7 | 209 | (15) | 272 | 59 | 2,426 | 28 | 34 | 852 | (57) | 29 | - | - | - | - | - | - | - | 886 |
| Interest Expense | (7) | (709) | (580) | (529) | (586) | (442) | (458) | (931) | (1,023) | (4,690) | (1,257) | (947) | (3,970) | (16,122) | (1,581) | (1,337) | (1,328) | (1,594) | (1,389) | (1,431) | (2,892) | (1,875) | (1,885) | (1,959) | (1,957) | (1,997) | (21,226) |
| Other Income & (Expense) | | 7 | (1) | 2 | 1 | 33 | (7) | 46 | 69 | 14 | 121 | 2 | 5 | 292 | 1 | - | 3 | 28 | 24 | 23 | - | - | - | - | - | - | 79 |
| Pre-Tax Income | | $ (3,739) | $ (4,797) | $ (5,898) | $ (5,708) | $ (4,231) | $ (1,818) | $ (1,394) | $ (3,645) | $ (7,257) | $ (4,397) | $ (5,491) | $ (16,716) | $ (65,091) | $ (4,797) | $ (4,858) | $ (3,622) | $ (4,344) | $ (5,121) | $ (6,311) | $ (9,819) | $ (5,969) | $ (4,845) | $ (4,866) | $ (4,745) | $ (4,563) | $ (63,859) |
| Taxes | (8) | 6 | - | 17 | - | - | 4,702 | - | - | 236 | - | - | 282 | 5,243 | 12 | - | - | (1) | - | - | - | - | - | - | - | - | 11 |
| Equity/(Loss) in Earnings of Subs | | (1,108) | (915) | (8,503) | (5,108) | (3,562) | 6,214 | 3,398 | (514) | 2,026 | 748 | (3,015) | (4,280) | (14,619) | (1,236) | (386) | 2,221 | (16,192) | (4,086) | (3,024) | - | - | - | - | - | - | (22,703) |
| **Net Income** | | **$ (4,841)** | **$ (5,712)** | **$ (14,384)** | **$ (10,816)** | **$ (7,793)** | **$ 9,098** | **$ 2,004** | **$ (4,159)** | **$ (4,995)** | **$ (3,649)** | **$ (8,506)** | **$ (20,714)** | **$ (74,467)** | **$ (6,021)** | **$ (5,244)** | **$ (1,401)** | **$ (20,537)** | **$ (9,207)** | **$ (9,335)** | **$ (9,819)** | **$ (5,969)** | **$ (4,845)** | **$ (4,866)** | **$ (4,745)** | **$ (4,563)** | **$ (86,551)** |

(1) 2006 actuals through December. 2007 June YTD reflects preliminary actuals.
(2) 2006 Power Revenue and Production Costs shown on a consolidated basis (no further elimination required).
(3) 2006 Production Costs and Finishing Costs are included in Log Costs and represent Total COGS. Includes a $5.3 million LCM inventory write-down in December 2006.
(4) 2006 Town costs are included in Power Plant costs.
(5) Includes $0.7 million and $1.3 million of severance charges in August and December 2006, respectively.
(6) Gain calculation assumes book value of $0.
(7) Includes the write-off of $3.5 million of deferred financing costs in September 2006.
(8) Assumes NOL's sufficient to offset any positive taxable income.

## P&L

*($ in 000's)*

| Palco/Britt Combined P&L | 2008 January | February | March | April | May | June | July | August | September | October | November | December | TOTAL | 2009 January | February | March | April | May | June | July | August | September | October | November | December | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lumber | $ 6,531 | $ 7,250 | $ 7,051 | $ 7,420 | $ 7,249 | $ 7,089 | $ 6,411 | $ 6,117 | $ 6,031 | $ 5,978 | $ 5,933 | $ 5,906 | $ 78,965 | $ 8,401 | $ 9,142 | $ 10,797 | $ 12,841 | $ 13,643 | $ 13,216 | $ 13,070 | $ 12,956 | $ 13,407 | $ 12,784 | $ 12,015 | $ 11,820 | $ 144,092 |
| Logs | - | 15 | 45 | 225 | 210 | 90 | 60 | 150 | 300 | 285 | 90 | - | 1,470 | - | 15 | 150 | 95 | 29 | 45 | 38 | 75 | 150 | 150 | 60 | - | 806 |
| Woodchips | 273 | 234 | 258 | 271 | 234 | 246 | 258 | 283 | 258 | 283 | 246 | 258 | 3,103 | 568 | 493 | 545 | 571 | 464 | 542 | 575 | 548 | 575 | 597 | 519 | 545 | 6,542 |
| Power Plant | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 13,800 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 13,800 |
| Town | 192 | 192 | 192 | 182 | 182 | 182 | 178 | 178 | 178 | 160 | 160 | 160 | 2,136 | 155 | 155 | 155 | 128 | 128 | 128 | 92 | 92 | 92 | 92 | 92 | 92 | 1,399 |
| Intercompany Power Plant Elim. | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (3,000) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (3,000) |
| **Total Revenue** | $ 7,896 | $ 8,590 | $ 8,446 | $ 8,998 | $ 8,775 | $ 8,507 | $ 7,808 | $ 7,629 | $ 7,667 | $ 7,606 | $ 7,329 | $ 7,224 | $ 96,474 | $ 10,024 | $ 10,705 | $ 12,547 | $ 14,535 | $ 15,164 | $ 14,831 | $ 14,674 | $ 14,571 | $ 15,123 | $ 14,522 | $ 13,586 | $ 13,356 | $ 163,638 |
| **Operating Expenses** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Log Costs | $ 4,823 | $ 5,341 | $ 5,281 | $ 5,664 | $ 5,486 | $ 5,254 | $ 4,836 | $ 4,880 | $ 5,020 | $ 4,866 | $ 4,580 | $ 4,434 | $ 60,464 | $ 6,442 | $ 7,070 | $ 8,222 | $ 9,668 | $ 9,963 | $ 9,590 | $ 9,783 | $ 10,298 | $ 10,477 | $ 10,051 | $ 9,122 | $ 8,523 | $ 109,210 |
| Production Costs | 1,495 | 1,501 | 1,487 | 1,444 | 1,383 | 1,418 | 1,334 | 1,288 | 1,220 | 1,214 | 1,177 | 1,214 | 16,176 | 1,662 | 1,723 | 2,045 | 2,270 | 2,211 | 2,351 | 2,196 | 2,081 | 2,254 | 2,100 | 1,885 | 2,005 | 24,785 |
| Power Plant | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 15,000 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 15,000 |
| Town | 140 | 140 | 140 | 125 | 125 | 125 | 115 | 115 | 115 | 100 | 100 | 100 | 1,440 | 75 | 75 | 75 | 67 | 67 | 67 | 33 | 33 | 33 | 33 | 33 | 33 | 625 |
| SG&A | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 8,120 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 677 | 8,120 |
| Headwaters Litigation Costs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intercompany Power Plant Elim. | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (3,000) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (250) | (3,000) |
| **Total Operating Expenses** | $ 8,135 | $ 8,658 | $ 8,585 | $ 8,910 | $ 8,670 | $ 8,474 | $ 7,962 | $ 7,960 | $ 8,032 | $ 7,857 | $ 7,534 | $ 7,424 | $ 98,200 | $ 9,856 | $ 10,545 | $ 12,019 | $ 13,682 | $ 13,917 | $ 13,685 | $ 13,689 | $ 14,089 | $ 14,441 | $ 13,862 | $ 12,718 | $ 12,238 | $ 154,740 |
| **EBITDAR** | **$ (239)** | **$ (68)** | **$ (139)** | **$ 88** | **$ 104** | **$ 33** | **$ (154)** | **$ (331)** | **$ (365)** | **$ (251)** | **$ (205)** | **$ (200)** | **$ (1,726)** | **$ 168** | **$ 161** | **$ 528** | **$ 853** | **$ 1,247** | **$ 1,146** | **$ 984** | **$ 482** | **$ 682** | **$ 661** | **$ 868** | **$ 1,119** | **$ 8,898** |
| Restructuring | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 7,139 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 595 | 7,139 |
| Depreciation | 881 | 882 | 882 | 883 | 886 | 889 | 892 | 893 | 895 | 896 | 897 | 897 | 10,671 | 897 | 898 | 899 | 900 | 903 | 906 | 908 | 910 | 911 | 913 | 913 | 913 | 10,871 |
| Operating Income | $ (1,715) | $ (1,544) | $ (1,616) | $ (1,390) | $ (1,377) | $ (1,451) | $ (1,641) | $ (1,819) | $ (1,854) | $ (1,742) | $ (1,696) | $ (1,692) | $ (19,536) | $ (1,324) | $ (1,332) | $ (966) | $ (641) | $ (250) | $ (355) | $ (519) | $ (1,023) | $ (824) | $ (847) | $ (640) | $ (389) | $ (9,112) |
| Gain on Sale of Assets (1) | - | - | - | - | - | - | - | - | - | - | - | 3,703 | 3,703 | - | - | 1,731 | - | - | 3,771 | - | - | 4,581 | - | - | 17,581 | 27,664 |
| Interest Expense | (1,998) | (1,909) | (2,008) | (1,980) | (2,033) | (2,018) | (2,195) | (2,145) | (2,166) | (2,286) | (2,333) | (2,367) | (25,439) | (2,351) | (2,270) | (2,349) | (2,241) | (2,134) | (2,062) | (2,185) | (2,113) | (2,100) | (2,184) | (2,205) | (2,148) | (26,341) |
| Other Income & (Expense) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pre-Tax Income | $ (3,713) | $ (3,453) | $ (3,623) | $ (3,370) | $ (3,410) | $ (3,469) | $ (3,836) | $ (3,964) | $ (4,021) | $ (4,028) | $ (4,029) | $ (356) | $ (41,273) | $ (3,675) | $ (3,602) | $ (1,584) | $ (2,882) | $ (2,384) | $ 1,354 | $ (2,704) | $ (3,136) | $ 1,657 | $ (3,031) | $ (2,845) | $ 15,044 | $ (7,789) |
| Taxes (2) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity/(Loss) in Earnings of Subs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net Income** | **$ (3,713)** | **$ (3,453)** | **$ (3,623)** | **$ (3,370)** | **$ (3,410)** | **$ (3,469)** | **$ (3,836)** | **$ (3,964)** | **$ (4,021)** | **$ (4,028)** | **$ (4,029)** | **$ (356)** | **$ (41,273)** | **$ (3,675)** | **$ (3,602)** | **$ (1,584)** | **$ (2,882)** | **$ (2,384)** | **$ 1,354** | **$ (2,704)** | **$ (3,136)** | **$ 1,657** | **$ (3,031)** | **$ (2,845)** | **$ 15,044** | **$ (7,789)** |

(1) Gain calculation assumes book value of $0.
(2) Assumes NOL's sufficient to offset any positive taxable income.

## Balance Sheet

*($ in 000's)*

| | 2006[1] | | | | | | | | | | | | 2007[1] | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January | February | March | April | May | June | July | August | September | October | November | December | January | February | March | April | May | June | July | August | September | October | November | December |
| **Assets** | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Actuals* | *Est Actuals* | *Est Actuals* | | | | | |
| **Current Assets** | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | $ 793 | $ 1,596 | $ 516 | $ 797 | $ 785 | $ 1,210 | $ 34,226 | $ 19,214 | $ 13,088 | $ 356 | $ (12) | $ 592 | $ 2,891 | $ 4,899 | $ 10,595 | $ 8,936 | $ 8,735 | $ 7,755 | $ - | $ - | $ - | $ - | $ - | $ - |
| Receivables | 8,845 | 9,061 | 8,132 | 6,422 | 8,204 | 11,814 | 8,991 | 9,838 | 10,629 | 9,511 | 9,061 | 8,132 | 8,819 | 9,445 | 9,160 | 7,638 | 9,909 | 8,758 | 8,199 | 9,873 | 9,174 | 8,327 | 7,842 | 7,684 |
| Receivables (ScoPac) | 918 | 1,074 | 326 | 563 | 841 | 1,065 | 1,346 | 1,257 | 1,502 | 1,466 | 1,255 | 1,812 | 765 | 1,445 | 1,404 | 1,331 | 1,404 | 2,493 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 |
| Receivables (Affiliates) | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Inventories | 32,040 | 31,052 | 22,046 | 16,971 | 14,168 | 21,990 | 30,676 | 39,183 | 47,961 | 57,961 | 55,849 | 47,335 | 43,053 | 37,610 | 37,338 | 36,519 | 32,056 | 30,935 | 32,476 | 32,297 | 33,043 | 32,807 | 29,397 | 23,186 |
| Prepaid & Other Assets | 6,112 | 6,134 | 6,058 | 6,042 | 5,652 | 5,792 | 7,884 | 7,600 | 7,789 | 6,622 | 6,616 | 7,095 | 6,762 | 6,384 | 5,626 | 5,547 | 5,154 | 4,761 | 20,865 | 21,076 | 21,303 | 19,118 | 19,208 | 19,078 |
| **Total Current Assets** | **$ 48,736** | **$ 48,945** | **$ 37,106** | **$ 30,823** | **$ 29,678** | **$ 41,899** | **$ 83,151** | **$ 77,120** | **$ 80,997** | **$ 75,944** | **$ 72,797** | **$ 64,994** | **$ 62,318** | **$ 59,811** | **$ 64,151** | **$ 59,999** | **$ 57,286** | **$ 54,730** | **$ 62,972** | **$ 64,678** | **$ 64,952** | **$ 61,684** | **$ 57,878** | **$ 51,381** |
| PP&E | $ 82,055 | $ 81,273 | $ 80,452 | $ 79,656 | $ 79,226 | $ 77,852 | $ 77,481 | $ 77,434 | $ 76,781 | $ 77,430 | $ 76,789 | $ 77,503 | $ 76,388 | $ 75,882 | $ 75,506 | $ 74,638 | $ 74,013 | $ 73,707 | $ 73,249 | $ 72,808 | $ 72,743 | $ 72,563 | $ 72,128 | $ 71,295 |
| Timber and Timberland, net | 3,709 | 3,709 | 3,709 | 3,709 | 3,709 | 3,438 | 3,534 | 3,506 | 3,445 | 3,398 | 3,343 | 3,359 | 3,333 | 3,341 | 2,969 | 2,969 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 |
| Note Receivable | 1,478 | 1,481 | 1,532 | 1,628 | 1,682 | 1,638 | 1,702 | 1,779 | 1,958 | 2,041 | 2,469 | 2,663 | 2,823 | 2,975 | 3,145 | 3,222 | 3,208 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 |
| Deferred Financing Cost | 2,246 | 2,225 | 2,305 | 2,269 | 2,235 | 3,179 | 10,120 | 10,274 | 6,739 | 6,734 | 6,601 | 6,405 | 6,078 | 5,851 | 5,625 | 5,399 | 5,171 | 4,943 | 4,715 | 4,487 | 4,259 | 4,031 | 3,803 | 3,575 |
| Deferred Tax Assets (MAXXAM) | 11,243 | 11,243 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 11,228 | 10,728 | 10,791 | 11,228 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 |
| **Total Assets** | **$ 149,467** | **$ 148,876** | **$ 136,332** | **$ 129,313** | **$ 127,758** | **$ 139,234** | **$ 187,216** | **$ 181,341** | **$ 181,148** | **$ 176,775** | **$ 173,227** | **$ 165,652** | **$ 161,732** | **$ 159,088** | **$ 162,123** | **$ 156,954** | **$ 153,346** | **$ 150,276** | **$ 157,832** | **$ 158,869** | **$ 158,850** | **$ 155,174** | **$ 150,706** | **$ 143,146** |
| **Liabilities & Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | |
| **Current Liabilities (Not Subject to Compromise)** | | | | | | | | | | | | | | | | | | | | | | | | |
| Accounts Payable (Trade) | $ 6,320 | $ 7,241 | $ 5,346 | $ 2,259 | $ 4,404 | $ 7,983 | $ 8,224 | $ 7,666 | $ 6,240 | $ 7,145 | $ 4,169 | $ 4,529 | $ 2,367 | $ 562 | $ 1,725 | $ 4,219 | $ 4,207 | $ 4,730 | $ 5,532 | $ 5,698 | $ 5,503 | $ 5,371 | $ 3,175 | $ 1,807 |
| Accounts Payable (ScoPac) | 2,624 | 5,987 | 620 | 1,188 | 3,628 | 9,064 | 4,825 | 6,105 | 7,750 | 7,443 | 3,190 | 3,366 | 2,669 | 1,844 | 6,177 | 4,662 | 4,502 | 5,146 | 4,035 | 3,666 | 3,597 | 2,760 | 1,534 | 2 |
| Accounts Payable (Affiliates) | 6,676 | 6,744 | 6,909 | 6,974 | 6,974 | 2,425 | 4,209 | 421 | 543 | 87 | 64 | 893 | - | - | - | - | - | - | - | - | - | - | - | - |
| Accrued Compensation and Benefits[2] | 13,801 | 13,206 | 12,879 | 11,321 | 11,337 | 11,478 | 10,400 | 10,959 | 5,683 | 5,847 | 5,790 | 9,598 | 250 | (0) | 71 | 142 | 212 | 283 | 354 | 425 | 496 | 567 | 637 | (71) |
| Accrued Chapter 11 Expenses | - | - | - | - | - | - | - | - | - | - | - | - | 558 | 1,372 | 2,530 | 2,783 | 3,100 | 3,416 | 3,629 | 3,834 | 3,609 | 3,213 | 3,327 | 3,411 |
| Other Accrued Liabilities | 2,802 | 2,775 | 2,760 | 2,393 | 2,388 | 2,790 | 2,482 | 2,252 | 2,659 | 2,428 | 1,721 | 2,559 | 18 | 324 | 48 | 161 | 207 | 381 | 554 | 727 | 901 | 1,074 | 1,248 | 1,421 |
| Accrued Interest | 220 | 580 | 895 | 242 | 475 | 804 | 427 | 1,447 | 2,430 | 368 | 1,144 | 2,448 | 304 | 517 | 752 | 980 | 1,208 | 1,436 | - | - | - | - | - | - |
| Term Loan, current portion | 872 | 872 | 34,752 | 34,752 | 34,698 | 87 | 76 | 64 | 64 | 41 | 41 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Liabilities | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 7,326 | 6,928 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Current Liabilities (Not Subject to Compromise)** | **$ 40,641** | **$ 44,731** | **$ 71,487** | **$ 66,455** | **$ 71,230** | **$ 41,957** | **$ 37,969** | **$ 36,240** | **$ 32,695** | **$ 30,685** | **$ 23,445** | **$ 30,321** | **$ 6,166** | **$ 4,619** | **$ 11,303** | **$ 12,946** | **$ 13,437** | **$ 15,392** | **$ 14,104** | **$ 14,350** | **$ 14,106** | **$ 12,985** | **$ 9,921** | **$ 6,570** |
| DIP Financing (New Revolver) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 8,625 | $ 14,212 | $ 18,813 | $ 23,784 | $ 25,992 | $ 25,252 |
| DIP Financing (Frozen Revolver) | 20,183 | 18,050 | 12,672 | 8,292 | 5,109 | - | - | - | 10,800 | 12,645 | 22,141 | 24,127 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 26,227 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 |
| Term Loan | 33,989 | 33,978 | - | (61) | 39 | 42,712 | 85,037 | 85,037 | 84,627 | 84,636 | 84,298 | 84,277 | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Liabilities (Incl. Pension) | 29,761 | 29,522 | 29,457 | 29,537 | 29,579 | 29,715 | 29,784 | 29,850 | 29,691 | 29,747 | 29,810 | 21,921 | - | - | - | 625 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 |
| Advances from Parent | 8,402 | 10,902 | 16,902 | 24,902 | 25,902 | 26,631 | 37,598 | 37,029 | 37,173 | 37,297 | 37,218 | 39,362 | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Liabilities (Not Subject to Compromise)** | **$ 132,976** | **$ 137,183** | **$ 130,518** | **$ 129,125** | **$ 131,859** | **$ 141,015** | **$ 190,388** | **$ 188,156** | **$ 194,986** | **$ 195,010** | **$ 196,912** | **$ 200,008** | **$ 32,393** | **$ 30,846** | **$ 37,530** | **$ 39,798** | **$ 40,323** | **$ 42,278** | **$ 68,578** | **$ 74,412** | **$ 78,768** | **$ 82,618** | **$ 81,763** | **$ 77,671** |
| **Liabilities Subject to Compromise (See Below)** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 170,657 | $ 173,314 | $ 173,358 | $ 172,364 | $ 172,999 | $ 174,076 | $ 165,150 | $ 166,206 | $ 166,676 | $ 164,015 | $ 165,148 | $ 166,242 |
| **Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment in Subsidiaries | $ 463,200 | $ 464,115 | $ 472,617 | $ 477,725 | $ 481,288 | $ 475,074 | $ 471,676 | $ 472,191 | $ 470,164 | $ 469,416 | $ 472,430 | $ 476,711 | $ 477,013 | $ 478,333 | $ 476,110 | $ 492,262 | $ 496,351 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 |
| Additional Paid-in Capital | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 |
| Accumulated Other Comprehensive/ (Loss) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (6,441) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) |
| Accumulated Surplus / (Deficit) | (653,464) | (659,177) | (673,558) | (684,292) | (692,144) | (683,610) | (681,603) | (685,761) | (690,757) | (694,406) | (702,870) | (723,471) | (730,736) | (735,809) | (737,279) | (759,873) | (768,730) | (771,809) | (781,628) | (787,480) | (792,324) | (797,191) | (801,936) | (806,498) |
| **Total Stockholders' Equity** | **$ 16,491** | **$ 11,693** | **$ 5,814** | **$ 188** | **$ (4,101)** | **$ (1,781)** | **$ (3,172)** | **$ (6,815)** | **$ (13,838)** | **$ (18,235)** | **$ (23,685)** | **$ (34,356)** | **$ (41,319)** | **$ (45,072)** | **$ (48,765)** | **$ (55,207)** | **$ (59,975)** | **$ (66,078)** | **$ (75,897)** | **$ (81,749)** | **$ (86,593)** | **$ (91,460)** | **$ (96,205)** | **$ (100,767)** |
| **Total Liabilities & Stockholders' Equity** | **149,467** | **148,876** | **136,332** | **129,313** | **127,758** | **139,234** | **187,216** | **181,341** | **181,148** | **176,775** | **173,227** | **165,652** | **161,732** | **159,088** | **162,123** | **156,954** | **153,346** | **150,276** | **157,832** | **158,869** | **158,850** | **155,174** | **150,706** | **143,146** |
| *Balance Check* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Memo: Liabilities Subject to Compromise* | | | | | | | | | | | | | | | | | | | | | | | | |
| *Pre-petition Accounts Payable (Trade)* | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | *$ 1,613* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* |
| *Pre-petition Accounts Payable (Subsidiaries)* | - | - | - | - | - | - | - | - | - | - | - | - | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* |
| *Pre-petition Accounts Payable (Affiliates)* | - | - | - | - | - | - | - | - | - | - | - | - | *893* | *1,325* | *673* | *563* | *451* | *341* | *231* | *121* | *11* | *11* | *11* | *11* |
| *Accrued Compensation and Benefits [2]* | - | - | - | - | - | - | - | - | - | - | - | - | *8,806* | *8,606* | *8,751* | *7,948* | *7,546* | *7,445* | *7,445* | *7,445* | *7,445* | *7,445* | *7,445* | *7,374* |
| *Other Accrued Liabilities* | - | - | - | - | - | - | - | - | - | - | - | - | *2,477* | *2,477* | *2,477* | *1,995* | *2,116* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* |
| *Deferred Tax Liabilities* | - | - | - | - | - | - | - | - | - | - | - | - | *6,928* | *7,326* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* |
| *Term Loan* | - | - | - | - | - | - | - | - | - | - | - | - | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* |
| *Pre-Petition Term Loan Accrued Interest* | - | - | - | - | - | - | - | - | - | - | - | - | *2,977* | *2,977* | *2,977* | *2,977* | *2,977* | *2,977* | - | - | - | - | - | - |
| *Accr Int (Term and Default Int. on Term/Frozen Revolver)* | - | - | - | - | - | - | - | - | - | - | - | - | *319* | *1,356* | *2,381* | *3,373* | *4,398* | *5,390* | *140* | *1,306* | *2,438* | *562* | *1,694* | *2,860* |
| *Other Liabilities (Incl. Pension)* | - | - | - | - | - | - | - | - | - | - | - | - | *22,014* | *21,643* | *21,643* | *21,054* | *21,054* | *21,060* | *20,472* | *20,472* | *19,919* | *19,135* | *19,135* | *19,135* |
| *Advances from Parent* | - | - | - | - | - | - | - | - | - | - | - | - | *39,158* | *39,159* | *39,083* | *39,080* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* |
| *Total Liabilities Subject to Compromise* | *$ -* | *$ -* | *$ -* | *$ -* | *$ -* | *$ -* | *$ -* | *$ -* | *$ -* | *$ -* | *$ -* | *$ -* | *$ 170,657* | *$ 173,314* | *$ 173,358* | *$ 172,364* | *$ 172,999* | *$ 174,076* | *$ 165,150* | *$ 166,206* | *$ 166,676* | *$ 164,015* | *$ 165,148* | *$ 166,242* |

(1) 2006 actuals through December. January through March 2007 represent preliminary actuals.

(2) Accrued compensation reflects January 2007 and December 2008 payment of incentive compensation, and monthly 07/08/09 accrual of current year's incentive compensation.

## Balance Sheet

*($ in 000's)*

| | 2008 | | | | | | | | | | | | 2009 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January | February | March | April | May | June | July | August | September | October | November | December | January | February | March | April | May | June | July | August | September | October | November | December |
| **Assets** | | | | | | | | | | | | | | | | | | | | | | | | |
| **Current Assets** | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Receivables | 6,580 | 7,159 | 7,038 | 7,498 | 7,312 | 7,089 | 6,506 | 6,357 | 6,389 | 6,338 | 6,108 | 6,020 | 8,353 | 8,921 | 10,456 | 12,112 | 12,637 | 12,359 | 12,228 | 12,142 | 12,602 | 12,102 | 11,322 | 11,130 |
| Receivables (ScoPac) | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 |
| Receivables (Affiliates) | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Inventories | 22,399 | 18,814 | 19,494 | 18,562 | 18,293 | 19,856 | 21,550 | 27,095 | 31,038 | 35,812 | 36,509 | 33,118 | 32,114 | 27,841 | 29,163 | 25,487 | 21,522 | 21,008 | 21,727 | 28,317 | 31,744 | 33,417 | 27,770 | 19,817 |
| Prepaid & Other Assets | 19,317 | 19,555 | 19,872 | 17,210 | 17,534 | 18,526 | 18,941 | 19,357 | 19,811 | 21,066 | 21,482 | 15,431 | 15,778 | 16,124 | 14,781 | 15,114 | 15,533 | 14,891 | 15,373 | 15,855 | 14,856 | 16,187 | 16,678 | 15,431 |
| **Total Current Assets** | **$ 49,728** | **$ 46,959** | **$ 47,836** | **$ 44,702** | **$ 44,572** | **$ 46,902** | **$ 48,430** | **$ 54,241** | **$ 58,670** | **$ 64,648** | **$ 65,531** | **$ 56,001** | **$ 57,677** | **$ 54,319** | **$ 55,832** | **$ 54,145** | **$ 51,125** | **$ 49,689** | **$ 50,760** | **$ 57,746** | **$ 60,635** | **$ 63,138** | **$ 57,202** | **$ 47,810** |
| PP&E | $ 70,614 | $ 69,932 | $ 69,250 | $ 68,576 | $ 68,414 | $ 68,208 | $ 67,941 | $ 67,383 | $ 66,868 | $ 66,292 | $ 65,520 | $ 64,623 | $ 63,926 | $ 63,228 | $ 62,529 | $ 61,838 | $ 61,659 | $ 61,436 | $ 61,153 | $ 60,578 | $ 60,047 | $ 59,454 | $ 58,665 | $ 57,752 |
| Timber and Timberland, net | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 | 2,941 |
| Note Receivable | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 | 3,228 |
| Deferred Financing Cost | 3,347 | 3,119 | 2,891 | 2,663 | 2,435 | 2,207 | 1,979 | 1,751 | 1,523 | 1,295 | 1,067 | 839 | 611 | 383 | 155 | - | - | - | - | - | - | - | - | - |
| Deferred Tax Assets (MAXXAM) | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 | 10,727 |
| **Total Assets** | **$ 140,585** | **$ 136,907** | **$ 136,873** | **$ 132,837** | **$ 132,316** | **$ 134,213** | **$ 135,246** | **$ 140,271** | **$ 143,958** | **$ 149,131** | **$ 149,014** | **$ 138,359** | **$ 139,110** | **$ 134,826** | **$ 135,411** | **$ 132,879** | **$ 129,680** | **$ 128,021** | **$ 128,809** | **$ 135,220** | **$ 137,578** | **$ 139,488** | **$ 132,763** | **$ 122,458** |
| **Liabilities & Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | |
| **Current Liabilities (Not Subject to Compromise)** | | | | | | | | | | | | | | | | | | | | | | | | |
| Accounts Payable (Trade) | $ 2,247 | $ 1,904 | $ 2,706 | $ 2,395 | $ 3,154 | $ 4,160 | $ 3,729 | $ 4,400 | $ 4,213 | $ 4,338 | $ 3,168 | $ 2,053 | $ 2,470 | $ 2,064 | $ 3,744 | $ 3,092 | $ 3,632 | $ 5,886 | $ 6,283 | $ 7,298 | $ 6,322 | $ 4,357 | $ 2,080 | $ 1,558 |
| Accounts Payable (ScoPac) | 3,402 | 1,538 | 4,768 | 3,854 | 3,367 | 3,794 | 3,932 | 6,975 | 5,670 | 6,175 | 3,180 | 321 | 3,802 | 1,709 | 6,763 | 4,209 | 3,509 | 4,021 | 4,784 | 9,836 | 8,197 | 8,221 | 2,490 | 329 |
| Accounts Payable (Affiliates) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accrued Compensation and Benefits[2] | (0) | 71 | 142 | 212 | 283 | 354 | 425 | 496 | 567 | 637 | 708 | (71) | (0) | 71 | 142 | 212 | 283 | 354 | 425 | 496 | 567 | 637 | 708 | (71) |
| Accrued Chapter 11 Expenses | 3,243 | 2,609 | 2,695 | 2,781 | 2,867 | 2,609 | 2,695 | 2,781 | 2,867 | 2,609 | 2,695 | 2,781 | 2,613 | 1,979 | 2,065 | 2,151 | 2,237 | 1,979 | 2,065 | 2,151 | 2,237 | 1,979 | 2,065 | 2,151 |
| Other Accrued Liabilities | 471 | 521 | 571 | (329) | (279) | (229) | (179) | (129) | (79) | (29) | 21 | (329) | (279) | (229) | (329) | (279) | (229) | (329) | (279) | (229) | (329) | (279) | (229) | (329) |
| Accrued Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Term Loan, current portion | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Current Liabilities (Not Subject to Compromise)** | **$ 9,363** | **$ 6,643** | **$ 10,882** | **$ 8,914** | **$ 9,392** | **$ 10,689** | **$ 10,602** | **$ 14,523** | **$ 13,238** | **$ 13,731** | **$ 9,773** | **$ 4,754** | **$ 8,606** | **$ 5,595** | **$ 12,384** | **$ 9,386** | **$ 9,432** | **$ 11,912** | **$ 13,278** | **$ 19,552** | **$ 16,993** | **$ 14,915** | **$ 7,114** | **$ 3,638** |
| DIP Financing (New Revolver) | $ 26,214 | $ 27,699 | $ 25,885 | $ 29,272 | $ 30,518 | $ 33,454 | $ 40,561 | $ 44,463 | $ 52,825 | $ 63,851 | $ 70,588 | $ 64,143 | $ 66,868 | $ 68,187 | $ 62,401 | $ 67,791 | $ 65,765 | $ 59,140 | $ 63,373 | $ 65,481 | $ 67,770 | $ 77,047 | $ 79,836 | $ 56,798 |
| DIP Financing (Frozen Revolver) | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 | 45,190 |
| Term Loan | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Liabilities (Incl. Pension) | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 | 659 |
| Advances from Parent | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Liabilities (Not Subject to Compromise)** | **$ 81,426** | **$ 80,191** | **$ 82,616** | **$ 84,035** | **$ 85,759** | **$ 89,992** | **$ 97,012** | **$ 104,835** | **$ 111,912** | **$ 123,431** | **$ 126,210** | **$ 114,746** | **$ 121,323** | **$ 119,630** | **$ 120,635** | **$ 123,026** | **$ 121,046** | **$ 116,901** | **$ 122,499** | **$ 130,882** | **$ 130,612** | **$ 137,811** | **$ 132,799** | **$ 106,285** |
| **Liabilities Subject to Compromise (See Below)** | $ 163,639 | $ 164,649 | $ 165,815 | $ 163,729 | $ 164,895 | $ 166,027 | $ 163,876 | $ 165,041 | $ 165,672 | $ 163,355 | $ 164,487 | $ 165,653 | $ 163,501 | $ 164,512 | $ 165,677 | $ 163,636 | $ 164,801 | $ 165,934 | $ 163,826 | $ 164,992 | $ 165,961 | $ 163,704 | $ 164,836 | $ 166,002 |
| **Stockholders' Equity** | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment in Subsidiaries | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 | $ 493,327 |
| Additional Paid-in Capital | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 | 213,196 |
| Accumulated Other Comprehensive/ (Loss) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) | (792) |
| Accumulated Surplus / (Deficit) | (810,211) | (813,665) | (817,288) | (820,658) | (824,068) | (827,537) | (831,373) | (835,337) | (839,357) | (843,386) | (847,415) | (847,771) | (851,446) | (855,047) | (856,631) | (859,514) | (861,898) | (860,544) | (863,248) | (866,384) | (864,727) | (867,758) | (870,603) | (855,560) |
| **Total Stockholders' Equity** | **$ (104,480)** | **$ (107,934)** | **$ (111,557)** | **$ (114,927)** | **$ (118,337)** | **$ (121,806)** | **$ (125,642)** | **$ (129,606)** | **$ (133,626)** | **$ (137,655)** | **$ (141,684)** | **$ (142,040)** | **$ (145,715)** | **$ (149,316)** | **$ (150,900)** | **$ (153,783)** | **$ (156,167)** | **$ (154,813)** | **$ (157,517)** | **$ (160,653)** | **$ (158,996)** | **$ (162,027)** | **$ (164,872)** | **$ (149,829)** |
| **Total Liabilities & Stockholders' Equity** | **140,585** | **136,907** | **136,873** | **132,837** | **132,316** | **134,213** | **135,246** | **140,271** | **143,958** | **149,131** | **149,014** | **138,359** | **139,110** | **134,826** | **135,411** | **132,879** | **129,680** | **128,021** | **128,809** | **135,220** | **137,578** | **139,488** | **132,763** | **122,458** |
| *Balance Check* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Memo: Liabilities Subject to Compromise* | | | | | | | | | | | | | | | | | | | | | | | | |
| *Pre-petition Accounts Payable (Trade)* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* | *$ 2,973* |
| *Pre-petition Accounts Payable (Subsidiaries)* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* | *1,195* |
| *Pre-petition Accounts Payable (Affiliates)* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* | *11* |
| *Accrued Compensation and Benefits [2]* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* | *7,374* |
| *Other Accrued Liabilities* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* | *2,406* |
| *Deferred Tax Liabilities* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* | *6,928* |
| *Term Loan* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* | *84,277* |
| *Pre-Petition Term Loan Accrued Interest* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Accr Int (Term and Default Int. on Term/Frozen Revolver)* | *983* | *2,050* | *3,215* | *1,405* | *2,570* | *3,703* | *1,826* | *2,991* | *4,124* | *2,247* | *3,380* | *4,545* | *2,669* | *3,735* | *4,901* | *3,090* | *4,256* | *5,388* | *3,512* | *4,677* | *5,809* | *3,933* | *5,065* | *6,231* |
| *Other Liabilities (Incl. Pension)* | *18,408* | *18,352* | *18,352* | *18,077* | *18,077* | *18,077* | *17,802* | *17,802* | *17,300* | *16,860* | *16,860* | *16,860* | *16,585* | *16,529* | *16,529* | *16,298* | *16,298* | *16,298* | *16,067* | *16,067* | *15,904* | *15,523* | *15,523* | *15,523* |
| *Advances from Parent* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* | *39,083* |
| *Total Liabilities Subject to Compromise* | *$ 163,639* | *$ 164,649* | *$ 165,815* | *$ 163,729* | *$ 164,895* | *$ 166,027* | *$ 163,876* | *$ 165,041* | *$ 165,672* | *$ 163,355* | *$ 164,487* | *$ 165,653* | *$ 163,501* | *$ 164,512* | *$ 165,677* | *$ 163,636* | *$ 164,801* | *$ 165,934* | *$ 163,826* | *$ 164,992* | *$ 165,961* | *$ 163,704* | *$ 164,836* | *$ 166,002* |

(1) 2006 actuals through December. January 2007 projected.

(2) Accrued compensation reflects January 2007 and December 2008 payment of incentive compensation, and monthly 07/08/09 accrual of current year's incentive compensation.

## Cash Flow Statement

*($ in 000's)*

| | 2007 | | | | | | | | | | | | | 2008 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January | February | March | April | May | June | July | August | September | October | November | December | TOTAL | January | February | March | April | May | June | July | August | September | October | November | December | TOTAL |
| **Cash Flow from Operations** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Loss | $ (6,021) | $ (5,244) | $ (1,401) | $ (20,537) | $ (9,207) | $ (9,335) | $ (9,819) | $ (5,969) | $ (4,845) | $ (4,866) | $ (4,745) | $ (4,563) | $ (86,551) | $ (3,713) | $ (3,453) | $ (3,623) | $ (3,370) | $ (3,410) | $ (3,469) | $ (3,836) | $ (3,964) | $ (4,021) | $ (4,028) | $ (4,029) | $ (356) | $ (41,273) |
| Adjustments: | | | | | | | | | | | | | | | | | | | | | | | | | |
| Losses from Subsidiaries | 1,236 | 386 | (2,221) | 16,192 | 4,086 | 3,024 | - | - | - | - | - | - | 22,703 | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Taxes | (6,991) | (437) | 501 | - | - | - | - | - | - | - | - | - | (6,927) | - | - | - | - | - | - | - | - | - | - | - | - |
| Note Receivable | (160) | (152) | (170) | (77) | 14 | (20) | - | - | - | - | - | - | (565) | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | 953 | 940 | 584 | 942 | 867 | 868 | 870 | 872 | 875 | 878 | 880 | 880 | 10,407 | 881 | 882 | 882 | 883 | 886 | 889 | 892 | 893 | 895 | 896 | 897 | 897 | 10,671 |
| Amortization of Deferred Financing Costs | 327 | 227 | 226 | 226 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 2,830 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 228 | 2,736 |
| Change in Accrued Interes | (2,144) | 212 | 236 | 228 | 228 | 228 | (1,436) | - | - | - | - | - | (2,448) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gains on Sales of Assets | (28) | (34) | (852) | 57 | (29) | - | - | - | - | - | - | - | (886) | - | - | - | - | - | - | - | - | - | - | - | (3,703) | (3,703) |
| Changes in Operating Assets and Liabilities | | | | | | | | | | | | | | | | | | | | | | | | | |
| Receivables | 360 | (1,306) | 326 | 1,595 | (2,344) | 62 | 1,648 | (1,675) | 699 | 847 | 485 | 158 | 856 | 1,104 | (579) | 120 | (460) | 186 | 223 | 583 | 149 | (32) | 51 | 230 | 88 | 1,664 |
| Inventories | 4,281 | 5,444 | 272 | 819 | 4,463 | 1,121 | (1,541) | 179 | (746) | 236 | 3,411 | 6,210 | 24,148 | 787 | 3,586 | (680) | 932 | 269 | (1,563) | (1,694) | (5,545) | (3,943) | (4,774) | (697) | 3,391 | (9,931) |
| Prepaid Exp. and Other Current Assets (1) | 533 | 484 | 864 | 221 | 535 | 535 | (16,050) | (156) | (173) | 2,240 | (36) | 184 | (10,817) | 193 | 193 | 114 | 1,143 | 107 | (560) | (26) | (26) | (64) | (874) | (35) | 584 | 750 |
| Accounts Payable | (3,752) | (2,630) | 5,496 | 979 | (172) | 1,167 | (310) | (202) | (264) | (969) | (3,421) | (2,901) | (6,979) | 3,840 | (2,207) | 4,032 | (1,225) | 272 | 1,434 | (294) | 3,714 | (1,492) | 630 | (4,165) | (3,975) | 564 |
| Change in Accrued Compensation | (9,348) | (250) | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | (708) | (9,669) | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | (779) | - |
| Accrued Restructuring Expenses | 558 | 814 | 1,157 | 253 | 317 | 316 | 214 | 204 | (225) | (396) | 114 | 84 | 3,411 | (168) | (634) | 86 | 86 | 86 | (258) | 86 | 86 | 86 | (258) | 86 | 86 | (630) |
| Other Accrued Liabilities | (24,462) | 306 | (276) | 738 | 81 | 173 | 173 | 173 | 173 | 173 | 173 | 173 | (22,400) | (950) | 50 | 50 | (900) | 50 | 50 | 50 | 50 | 50 | 50 | 50 | (350) | (1,750) |
| Other | (1,840) | 753 | (224) | (2,020) | 297 | 208 | - | 117 | - | - | - | - | (2,708) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Cash from Operations** | **$ (46,497)** | **$ (487)** | **$ 4,589** | **$ (313)** | **$ (565)** | **$ (1,353)** | **$ (25,951)** | **$ (6,158)** | **$ (4,206)** | **$ (1,558)** | **$ (2,841)** | **$ (254)** | **$ (85,595)** | **$ 2,273** | **$ (1,864)** | **$ 1,280** | **$ (2,612)** | **$ (1,256)** | **$ (2,954)** | **$ (3,941)** | **$ (4,343)** | **$ (8,223)** | **$ (8,007)** | **$ (7,365)** | **$ (3,890)** | **$ (40,901)** |
| **Cash Flow from Investing** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross Proceeds from Sale of Assets | $ - | $ - | $ 1,250 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,250 | $ - | $ - | $ - | $ 2,900 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 9,950 | $ 12,850 |
| Cost of Asset Sales | (200) | (106) | (106) | (142) | (142) | (142) | (55) | (55) | (55) | (55) | (55) | (55) | (1,166) | (431) | (431) | (431) | (1,381) | (431) | (431) | (390) | (390) | (390) | (381) | (381) | (780) | (6,250) |
| Capital Expenditures | (122) | (56) | (81) | (209) | (129) | (562) | (412) | (430) | (810) | (698) | (445) | (46) | (4,000) | (200) | (200) | (200) | (209) | (724) | (683) | (625) | (335) | (380) | (320) | (124) | - | (4,000) |
| **Cash from Investing** | **$ (322)** | **$ (162)** | **$ 1,063** | **$ (351)** | **$ (271)** | **$ (704)** | **$ (467)** | **$ (485)** | **$ (865)** | **$ (753)** | **$ (500)** | **$ (101)** | **$ (3,916)** | **$ (631)** | **$ (631)** | **$ (631)** | **$ 1,310** | **$ (1,155)** | **$ (1,114)** | **$ (1,015)** | **$ (725)** | **$ (770)** | **$ (701)** | **$ (505)** | **$ 9,170** | **$ 2,600** |
| **Change in Liabilities Subject to Compromise** | $ 170,657 | $ 2,657 | $ 44 | $ (995) | $ 635 | $ 1,077 | $ (8,925) | $ 1,055 | $ 470 | $ (2,660) | $ 1,132 | $ 1,095 | $ 166,242 | $ (2,604) | $ 1,010 | $ 1,165 | $ (2,085) | $ 1,165 | $ 1,132 | $ (2,152) | $ 1,165 | $ 630 | $ (2,317) | $ 1,132 | $ 1,165 | $ (589) |
| **Cash Flow from Financing** | | | | | | | | | | | | | | | | | | | | | | | | | |
| New Revolver (DIP Financing | $ - | $ - | $ - | $ - | $ - | $ - | $ 8,625 | $ 5,587 | $ 4,601 | $ 4,971 | $ 2,208 | $ (740) | $ 25,252 | $ 962 | $ 1,485 | $ (1,814) | $ 3,388 | $ 1,245 | $ 2,936 | $ 7,107 | $ 3,903 | $ 8,362 | $ 11,025 | $ 6,738 | $ (6,446) | $ 38,891 |
| Frozen Revolver | 2,100 | - | - | - | - | - | 18,963 | - | - | - | - | - | 21,063 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Term Loan | (84,277) | - | - | - | - | - | - | - | - | - | - | - | (84,277) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Advances from Parent | (39,362) | - | - | - | - | - | - | - | - | - | - | - | (39,362) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Cash from Financing** | **$ (121,539)** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 27,588** | **$ 5,587** | **$ 4,601** | **$ 4,971** | **$ 2,208** | **$ (740)** | **$ (77,324)** | **$ 962** | **$ 1,485** | **$ (1,814)** | **$ 3,388** | **$ 1,245** | **$ 2,936** | **$ 7,107** | **$ 3,903** | **$ 8,362** | **$ 11,025** | **$ 6,738** | **$ (6,446)** | **$ 38,891** |
| Change in Cash | $ 2,299 | $ 2,008 | $ 5,696 | $ (1,659) | $ (201) | $ (980) | $ (7,755) | $ - | $ - | $ - | $ - | $ - | $ (592) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Beginning Cash | 592 | 2,891 | 4,899 | 10,595 | 8,936 | 8,735 | 7,755 | - | - | - | - | - | 592 | - | - | - | - | - | - | - | - | - | - | - | - | 0 |
| **Ending Cash** | **$ 2,891** | **$ 4,899** | **$ 10,595** | **$ 8,936** | **$ 8,735** | **$ 7,755** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 0** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 0** |
| **Memo: Asset Sale Cost Reimbursements** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross Proceeds | $ - | $ - | $ 1,250 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,250 | $ - | $ - | $ - | $ 2,900 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 9,950 | $ 12,850 |
| Reimbursement to Debtor | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,950) | - | - | - | - | - | - | - | (5,847) | (7,797) |
| Net Proceeds to DIP Lender | - | - | 1,250 | - | - | - | - | - | - | - | - | - | 1,250 | - | - | - | 950 | - | - | - | - | - | - | - | 4,103 | 5,053 |
| Ending Capitalized Asset Sale Costs | $ 1,931 | $ 2,037 | $ 2,143 | $ 2,285 | $ 2,427 | $ 2,569 | $ 2,624 | $ 2,679 | $ 2,733 | $ 2,788 | $ 2,843 | $ 2,897 | $ 2,897 | $ 3,329 | $ 3,760 | $ 4,191 | $ 2,673 | $ 3,104 | $ 3,535 | $ 3,925 | $ 4,315 | $ 4,704 | $ 5,086 | $ 5,467 | $ - | $ - |

## Cash Flow Statement

*($ in 000's)*

| | 2009 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **January** | **February** | **March** | **April** | **May** | **June** | **July** | **August** | **September** | **October** | **November** | **December** | **TOTAL** |
| **Cash Flow from Operations** | | | | | | | | | | | | | |
| Net Loss | $ (3,675) | $ (3,602) | $ (1,584) | $ (2,882) | $ (2,384) | $ 1,354 | $ (2,704) | $ (3,136) | $ 1,657 | $ (3,031) | $ (2,845) | $ 15,044 | $ (7,789) |
| Adjustments: | | | | | | | | | | | | | |
| Losses from Subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Taxes | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Note Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | 897 | 898 | 899 | 900 | 903 | 906 | 908 | 910 | 911 | 913 | 913 | 913 | 10,871 |
| Amortization of Deferred Financing Costs | 228 | 228 | 228 | 155 | - | - | - | - | - | - | - | - | 839 |
| Change in Accrued Interes | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gains on Sales of Assets | - | - | (1,731) | - | - | (3,771) | - | - | (4,581) | - | - | (17,581) | (27,664) |
| Changes in Operating Assets and Liabilities | | | | | | | | | | | | | |
| Receivables | (2,333) | (568) | (1,535) | (1,657) | (525) | 278 | 131 | 86 | (460) | 500 | 780 | 191 | (5,110) |
| Inventories | 1,004 | 4,273 | (1,322) | 3,676 | 3,964 | 515 | (719) | (6,590) | (3,427) | (1,673) | 5,647 | 7,953 | 13,301 |
| Prepaid Exp. and Other Current Assets (1) | 193 | 193 | 264 | 193 | 107 | (410) | (26) | (26) | 86 | (874) | (35) | 334 | 0 |
| Accounts Payable | 3,899 | (2,499) | 6,733 | (3,206) | (160) | 2,766 | 1,159 | 6,067 | (2,615) | (1,941) | (8,008) | (2,683) | (486) |
| Change in Accrued Compensation | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | 71 | (779) | - |
| Accrued Restructuring Expenses | (168) | (634) | 86 | 86 | 86 | (258) | 86 | 86 | 86 | (258) | 86 | 86 | (630) |
| Other Accrued Liabilities | 50 | 50 | (100) | 50 | 50 | (100) | 50 | 50 | (100) | 50 | 50 | (100) | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Cash from Operations** | **$ 166** | **$ (1,590)** | **$ 2,010** | **$ (2,613)** | **$ 2,111** | **$ 1,351** | **$ (1,043)** | **$ (2,482)** | **$ (8,373)** | **$ (6,243)** | **$ (3,341)** | **$ 3,379** | **$ (16,668)** |
| **Cash Flow from Investing** | | | | | | | | | | | | | |
| Gross Proceeds from Sale of Assets | $ - | $ - | $ 3,500 | $ - | $ - | $ 5,500 | $ - | $ - | $ 6,100 | $ - | $ - | $ 19,100 | $ 34,200 |
| Cost of Asset Sales | (540) | (540) | (690) | (526) | (526) | (676) | (456) | (456) | (606) | (456) | (456) | (606) | (6,536) |
| Capital Expenditures | (200) | (200) | (200) | (209) | (724) | (683) | (625) | (335) | (380) | (320) | (124) | - | (4,000) |
| **Cash from Investing** | **$ (740)** | **$ (740)** | **$ 2,610** | **$ (735)** | **$ (1,250)** | **$ 4,141** | **$ (1,081)** | **$ (791)** | **$ 5,114** | **$ (776)** | **$ (580)** | **$ 18,494** | **$ 23,664** |
| **Change in Liabilities Subject to Compromise** | $ (2,152) | $ 1,010 | $ 1,165 | $ (2,041) | $ 1,165 | $ 1,132 | $ (2,108) | $ 1,165 | $ 969 | $ (2,258) | $ 1,132 | $ 1,165 | $ 349 |
| **Cash Flow from Financing** | | | | | | | | | | | | | |
| New Revolver (DIP Financing | $ 2,725 | $ 1,319 | $ (5,786) | $ 5,390 | $ (2,027) | $ (6,624) | $ 4,232 | $ 2,108 | $ 2,290 | $ 9,277 | $ 2,789 | $ (23,038) | $ (7,345) |
| Frozen Revolver | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Term Loan | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Advances from Parent | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Cash from Financing** | **$ 2,725** | **$ 1,319** | **$ (5,786)** | **$ 5,390** | **$ (2,027)** | **$ (6,624)** | **$ 4,232** | **$ 2,108** | **$ 2,290** | **$ 9,277** | **$ 2,789** | **$ (23,038)** | **$ (7,345)** |
| Change in Cash | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Beginning Cash | - | - | - | - | - | - | - | - | - | - | - | - | 0 |
| **Ending Cash** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 0** |
| **Memo: Asset Sale Cost Reimbursements** | | | | | | | | | | | | | |
| Gross Proceeds | $ - | $ - | $ 3,500 | $ - | $ - | $ 5,500 | $ - | $ - | $ 6,100 | $ - | $ - | $ 19,100 | $ 34,200 |
| Reimbursement to Debtor | - | - | (1,619) | - | - | (1,579) | - | - | (1,369) | - | - | (1,369) | (5,936) |
| Net Proceeds to DIP Lender | - | - | 1,881 | - | - | 3,921 | - | - | 4,731 | - | - | 17,731 | 28,264 |
| Ending Capitalized Asset Sale Costs | $ 540 | $ 1,079 | $ - | $ 526 | $ 1,053 | $ - | $ 456 | $ 913 | $ - | $ 456 | $ 913 | $ - | $ - |