

Scotia Pacific Company LLC
Weekly Cash Flow Budget Through March 21, 2008

	12/7/07	12/14/07	12/21/07	1/4/08	1/11/08	1/18/08	1/25/08	2/1/08	2/8/08	2/15/08	2/22/08	2/29/08	3/7/08	3/14/08	3/21/08
	Actual	Outlook	Outlook	2	3	4	5	6	7	8	9	10	11	12	13
Operating Cash Receipts (1)															
Payroll and Benefits															
Payroll, net (2)	88	-	-	105	105	-	105	-	105	-	105	-	105	-	-
Payroll Taxes/401k (2)	40	-	-	75	75	-	75	-	75	-	75	-	75	-	25
Medical and Pharmacy (Palco Reimbursement) (2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional Payroll-related Payments (Palco Reimbursement) (2)	-	-	-	-	-	-	50	-	-	-	50	-	-	-	-
Subtotal	128	150	180	180	180	-	330	-	180	-	330	-	155	-	175
Operating Expenses															
Roads, Reforestation, and Enviro. Compliance (Palco Reimb.) (1) (3)	-	1,035	-	-	-	-	985	-	-	-	1,370	-	-	-	1,000
Harvest Costs (4)	-	375	217	217	-	-	241	-	241	-	-	543	-	543	-
Insurance (MAXXAM Reimbursement)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Timber Yield and Use Taxes	-	-	-	-	-	191	-	-	-	-	-	-	-	-	-
Building Lease (Palco Reimbursement)	-	-	20	-	-	-	20	-	-	-	20	-	-	-	20
Other Operating Expenses Paid for by Palco (Palco Reimbursement) (5)	-	-	120	-	-	-	120	-	-	-	120	-	-	-	120
Other Operating Expenses (6)	64	50	370	50	50	50	50	50	50	50	50	50	50	50	50
Subtotal	64	425	587	50	267	241	1,416	241	291	50	1,560	593	50	733	1,050
Bank of America Interest	-	-	246	-	-	-	262	-	-	-	245	-	-	-	237
Restructuring Fees (Professional Fees)	14	14	1,603	70	102	-	1,862	-	193	40	1,377	-	18	-	2,106
Total Outflows	206	439	2,370	120	549	241	3,870	90	664	90	3,512	593	223	908	3,393
Net Cash Flow	(206)	(439)	(2,370)	(120)	(549)	(241)	(1,065)	(90)	(664)	(90)	1,178	(593)	(223)	(908)	377
Beginning Book Cash	1,978														
Ending Book Cash / (SAR Draw)	\$ 1,772	\$ 1,333	\$ 1,776	\$ (593)	\$ (1,262)	\$ (1,312)	\$ (2,377)	\$ (2,617)	\$ (3,281)	\$ (3,371)	\$ (2,192)	\$ (2,785)	\$ (3,006)	\$ (3,917)	\$ (3,540)
Total Available Cash	\$ 6,772	\$ 6,333	\$ 6,776	\$ 4,407	\$ 3,738	\$ 3,688	\$ 2,623	\$ 2,383	\$ 1,719	\$ 1,629	\$ 2,808	\$ 2,215	\$ 1,992	\$ 1,083	\$ 1,460

(1) Payment will be subject to netting of roads, reforestation, and environmental compliance expenses incurred by Palco on behalf of ScotPac; these expenses are shown below as part of Operating Expenses.

(2) A significant portion of Payroll expenditures by Scotpac is for specially trained employees engaged in resource management, environmental protection, remediation and mitigation measures for Timber Harvest, Water Quality and Wildlife Conservation planning, reporting and monitoring, pursuant to the Headwaters Habitat Conservation Plan (HCP), state and federal Endangered Species Act (ESA) Incidental Take Permits (ITPs), Timber Harvest Plans (THPs) and related plans, permits and approvals. In keeping with HCP Implementation Agreement (IA) provisions, these expenditures have been provided to the regulatory agencies in a working draft 2007 HCP Budget.

(3) Substantive environmental protection, aquatic conservation and mass wasting avoidance and mitigation measures are provided under the Headwaters HCP and related wildlife and resource agency ITPs and associated approvals, and/or consistent THPs prepared for and operated on Scotpac lands. Many of these efforts include forest road and landing operations, such as storm-proofing, upgrading, construction and maintenance. This activity is performed by PALCO personnel and equipment, for which Scotpac reimburses PALCO pursuant to an Additional Services Agreement. Similarly, reforestation, site preparation, silviculture and related forest management activities are also performed by PALCO, and reimbursement is made by Scotpac for these essential resource stewardship functions.

(4) These Harvest Costs include amounts associated with the Logging, Felling and Hauling of timber from the woods to the Scotia Pacific Company's log deck, as well as all decking expenses incurred.

(5) These Other Operating Expenses include various additional equipment lease and service provision fees, for which payment is initially made by PALCO, and Scotpac reimburses PALCO under agreement as described in notes above, including, by way of exemplar, vehicle lease payments, communications equipment fees, etc., designed and intended to facilitate completion and accomplishment of the environmental and resource protection goals and conditions of the HCP, ITPs and THPs.

(6) Scotpac must retain, commission and consult with a wide range of outside or "third-party" resource professionals and scientists, including but not limited to consulting Registered Professional Foresters (RPFs), engineering geologists, geoflora morphologists, hydrologists, botanists, and wildlife biologists to conduct field work and to timely prepare THPs, and/or to undertake and complete many of the required mitigation, monitoring, reporting or analysis requirements of the ITPs and the HCP and related permits and approvals. Much of this work is seasonally intensive and must be completed within shortened seasons or accelerated and obisely contained schedules. This item addresses expenditures for these NON-Scotpac professionals and experts. This budget does not include any provision for financial statement auditing costs. Included in the week ending 12/26/07 are \$305,000 for Property Taxes and \$115,000 for SWRCB Fees.

Scotia Pacific Company, LLC
Log Deck Assumptions

	2007		2008					
	November	December	January	February	March	April	May	June
Log Deck Build Up (MBF)								
Redwood								
Beginning Balance	6,369	6,048	4,355	1,813	614	754	(0)	(0)
+ Harvest	2,894	1,307	1,458	2,847	5,140	3,907	3,684	2,633
- Sales to Palco	3,216	3,000	4,000	4,046	5,000	4,661	3,684	2,633
Ending Balance (MBF)	6,048	4,355	1,813	614	754	(0)	(0)	(0)
Douglas Fir								
Beginning Balance	1,361	1,111	1,538	4	0	619	1,107	1,323
+ Harvest	740	427	466	775	1,619	1,488	1,216	653
- Sales to Palco	990	-	2,000	779	1,000	1,000	1,000	1,900
Ending Balance (MBF)	1,111	1,538	4	0	619	1,107	1,323	76
Total Ending Balance (MBF)	7,159	5,893	1,817	614	1,373	1,107	1,323	76

Log Deck Value

Redwood								
Ending Log Deck Balance (MBF)	6,048	4,355	1,813	614	754	(0)	(0)	(0)
SBE Value (per mbf)	710	710	730	680	690	690	730	730
Log & Haul (per mbf)	250	250	250	300	290	290	250	250
Total Log Value	960	960	980	980	980	980	980	980
Projected Inventory Value (\$million's)	\$ 5.81	\$ 4.18	\$ 1.78	\$ 0.60	\$ 0.74	\$ (0.00)	\$ (0.00)	\$ (0.00)
Douglas Fir								
Ending Log Deck Balance (MBF)	1,111	1,538	4	0	619	1,107	1,323	76
SBE Value (per mbf)	220	220	210	160	170	170	210	210
Log & Haul (per mbf)	250	250	250	300	290	290	250	250
Total Log Value	470	470	460	460	460	460	460	460
Projected Inventory Value (\$million's)	\$ 0.52	\$ 0.72	\$ 0.00	\$ 0.00	\$ 0.28	\$ 0.51	\$ 0.61	\$ 0.03
Total Projected Value of Log Deck Including Logging & Hauling Costs (\$million's)	\$ 6.33	\$ 4.90	\$ 1.78	\$ 0.60	\$ 1.02	\$ 0.51	\$ 0.61	\$ 0.03

Accumulated Log, Haul and Decking Costs (\$millions)

Beginning Balance	\$ 1.81	\$ 1.81	\$ 1.73	\$ 0.69	\$ 0.27	\$ 0.29	\$ 0.64	\$ 0.86
+ Monthly Cash Costs (Related to Prior Mo)	0.60	0.45	0.22	0.24	0.54	0.98	0.78	0.61
+ Monthly Cash Costs (Related to Current Mo)	0.45	0.22	0.24	0.54	0.98	0.78	0.61	0.41
Sub-Total Monthly Cost	1.05	0.67	0.46	0.78	1.52	1.76	1.39	1.02
- Reimbursement from Log Purchasers	1.05	0.75	1.50	1.21	1.50	1.42	1.17	1.13
Ending Balance	\$ 1.81	\$ 1.73	\$ 0.69	\$ 0.27	\$ 0.29	\$ 0.64	\$ 0.86	\$ 0.75