

**EXHIBIT C-6**

**PRO FORMA FINANCIAL PROJECTIONS FOR DEBTORS PLAN AND ALTERNATIVE PLANS**

**EXHIBIT C-6-a**

**Pro Forma Financial Projections for Debtors Plan**

## **DS EXHIBIT F (JOINT)**

### **PRO FORMA FINANCIAL PROJECTIONS**

#### **RESPONSIBILITY FOR AND PURPOSE OF THE PROJECTIONS**

For the purpose of demonstrating the feasibility of the Joint Plan, the following financial projections for the five years ending on December 31, 2012 (the "Projections") were prepared by the Debtors with the assistance of their retained professionals. The Projections reflect the Debtors' most recent estimates of the results of operations, cash flows, and financial position of Reorganized Palco and Reorganized Scopac. Consequently, the Projections reflect the Debtors' judgment as to expectations of market and business conditions, expected future operating performance, and the occurrence or nonoccurrence of certain future events, all of which are subject to change.

The Debtors do not, as a matter of course, publish their business plans, strategies, or forward-looking projections of the results of operations, cash flows, and financial position. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to the holders of Claims or Equity Interests after the date of this Disclosure Statement, or to include such information in documents required to be filed with the SEC or to otherwise make such information public. The assumptions disclosed herein are those that the Debtors believe to be significant to the Projections and are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

In connection with the development of the Joint Plan, management prepared the Projections with assistance from various professionals, however, the Projections have not been audited or reviewed by independent accountants. The Projections assume the Joint Plan will be implemented in accordance with its stated terms and that consummation of the Joint Plan will occur on June 30, 2008. Consistent with the Joint Plan, the projected financial results separately reflect the operations of Reorganized Palco and Reorganized Scopac assuming the continuation of the Intercompany Contracts in all material respects.

The Projections present, to the best of the Debtors' knowledge and belief, Reorganized Palco's and Reorganized Scopac's projected results of operations, cash flows, and financial position for the five years ended December 31, 2012 and reflect the Debtors' judgment as of January 30, 2008, the date that the Projections were published. Although the Debtors are of the opinion that these assumptions are reasonable under current circumstances, such assumptions are subject to inherent uncertainties, including but not limited to, the change in timber harvest levels, commodity and material pricing (especially in terms of the market price for lumber), weather and other environmental factors, laws and regulations, housing market fluctuations, general economic conditions, and other factors affecting the Debtors' businesses. The likelihood, and related financial impact, of a change in any of these factors cannot be predicted with certainty. Consequently, actual financial results could differ materially from the Projections.

The Projections should be read in conjunction with the assumptions and qualifications contained herein, the risk factors described in Section 7 of the Disclosure Statement, and MAXXAM's December 31, 2006 Form 10-K as filed with the SEC.

**THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (THE "AICPA"), THE FINANCIAL ACCOUNTING STANDARDS BOARD (THE "FASB"), OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") REGARDING PROJECTIONS. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY A REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM.**

**THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH MAY NOT BE REALIZED AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, AS TO THE ACCURACY OF THE PROJECTIONS OR THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PRESENTED IN THESE PROJECTIONS. HOLDERS OF CLAIMS OR EQUITY INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS IN MAKING THEIR DETERMINATION OF WHETHER TO ACCEPT OR REJECT THE PLAN.**

1. *Reorganized Palco – Pro Forma Post Effective Date Balance Sheet  
(Unaudited) (As of June 30, 2008)*

The following table provides a reconciliation of Palco's projected June 30, 2008 pre-emergence balance sheet to the projected June 30, 2008 post-emergence balance sheet of Reorganized Palco.

| <b>Reorganized Palco Balance Sheet</b>            |   |   |   |   |  |  |
|---|---|---|---|---|--|--|
| <i>(\$'s in 000s)</i>                             |   |   |   |   |  |  |
|   | <b>Pre-Emergence<br/>6/30/08 <sup>(a)</sup></b> | <b>Emergence Adjustments <sup>(b)</sup></b> |   |   |  | <b>Post-<br/>Emergence<br/>6/30/08</b> |
|   |   | <b>Exit<br/>Financing <sup>(c)</sup></b>    | <b>Cash<br/>Settlement <sup>(d)</sup></b> | <b>Non-Cash<br/>Settlement <sup>(e)</sup></b> | <b>Reclass<br/>LSTC <sup>(f)</sup></b> |  |
| <b>ASSETS</b>                                     |   |   |   |   |  |  |
| Cash and Cash Equivalents                         | \$ -  | \$ 11,714                                   | \$ (9,214)                                | \$ -  | \$ -                                   | \$ 2,500                               |
| Accounts Receivable                               | 14,044  | -   | -   | -   | -                                      | 14,044                                 |
| Inventories                                       | 895   | 17,500                                      | -   | -   | -                                      | 18,395                                 |
| Other Current Assets                              | 14,435  | -   | -   | -   | -                                      | 14,435                                 |
| <b>Total Current Assets</b>                       | <b>29,373</b>                                   | <b>29,214</b>                               | <b>(9,214)</b>                            | <b>-</b>                                      | <b>-</b>                               | <b>49,373</b>                          |
| PP&E and Timberlands                              | 70,741  | -   | -   | (30,000)                                      | -                                      | 40,741                                 |
| Other Non-Current Assets                          | 14,101  | 2,000                                       | -   | -   | -                                      | 16,101                                 |
| <b>Total Non-Current Assets</b>                   | <b>84,842</b>                                   | <b>2,000</b>                                | <b>-</b>                                  | <b>(30,000)</b>                               | <b>-</b>                               | <b>56,842</b>                          |
| <b>Total Assets</b>                               | <b>\$ 114,216</b>                               | <b>\$ 31,214</b>                            | <b>\$ (9,214)</b>                         | <b>\$ (30,000)</b>                            | <b>\$ -</b>                            | <b>\$ 106,216</b>                      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |   |   |   |   |  |  |
| Accounts Payable and Accrued Expenses             | \$ 14,971                                       | \$ -  | \$ (8,000)                                | \$ -  | \$ 6,540                               | \$ 13,511                              |
| Other Current Liabilities                         | -   | -   | -   | -   | 6,800                                  | 6,800                                  |
| <b>Total Current Liabilities</b>                  | <b>14,971</b>                                   | <b>-</b>                                    | <b>(8,000)</b>                            | <b>-</b>                                      | <b>13,340</b>                          | <b>20,311</b>                          |
| DIP Financing                                     | 75,300  | -   | -   | (75,300)                                      | -                                      | -                                      |
| Exit Financing - Revolver                         | -   | 21,214                                      | -   | -   | -                                      | 21,214                                 |
| Unsecured Obligations                             | -   | -   | -   | 10,100  | -                                      | 10,100                                 |
| Other Liabilities                                 | 659   | -   | -   | -   | 19,620                                 | 20,279                                 |
| <b>Total Non-Current Liabilities</b>              | <b>75,959</b>                                   | <b>21,214</b>                               | <b>-</b>                                  | <b>(65,200)</b>                               | <b>19,620</b>                          | <b>51,593</b>                          |
| <b>Total Liabilities Subject to Compromise</b>    | <b>174,161</b>                                  | <b>-</b>                                    | <b>(1,214)</b>                            | <b>(139,987)</b>                              | <b>(32,960)</b>                        | <b>-</b>                               |
| <b>Stockholders' Equity</b>                       | <b>(150,875)</b>                                | <b>10,000</b>                               | <b>-</b>                                  | <b>175,187</b>                                | <b>-</b>                               | <b>34,312</b>                          |
| <b>Total Liabilities and Stockholders' Equity</b> | <b>\$ 114,216</b>                               | <b>\$ 31,214</b>                            | <b>\$ (9,214)</b>                         | <b>\$ (30,000)</b>                            | <b>\$ -</b>                            | <b>\$ 106,216</b>                      |

*See accompanying notes to pro forma Projected Balance Sheet.*

**REORGANIZED PALCO**  
**NOTES TO PRO FORMA PROJECTED BALANCE SHEET**

- a. The pre-emergence balance sheet reflects actual results through November 30, 2007 and forecasted results for the seven months ending June 30, 2008. The balance sheet has been further adjusted to reflect, among other things, Palco's most recent estimates for prepetition claims.
- b. Adjustments to reflect proceeds from the Palco Exit Financing, the cash payments required pursuant to the Plan, conversion of certain claims to equity, issuance of new obligations in respect of the Palco General Unsecured Claims, and the reclassification of the remaining Liabilities Subject to Compromise not otherwise paid in cash or with new obligations, consistent with the Debtors' proposed treatment of such claims under the Joint Plan.

The Projections do not reflect the implementation of fresh start accounting pursuant to Statement of Position 90-7 as issued by the AICPA. The Debtors' accountants are reviewing whether treatment under SOP 90-7 would be required. The implementation of SOP 90-7, should it be required, is not anticipated to have a material impact on the underlying economics of the Joint Plan.

- c. Reflects \$21.2 million drawn on the \$40.0 million Reorganized Palco Exit Financing facility, in addition to the \$10.0 million equity contribution from MAXXAM, to be used to pay, among other things, the acquisition of log and lumber inventory, and to provide cash to fund cash payments required under the Plan as described in (d) below. Additionally, reflects \$2.0 million in assumed costs associated with the raising of such financing.
- d. Reflects the following payments to be made pursuant to the Plan: (i) accrued chapter 11 professional fees and other administrative claims (\$8.0 million), and (ii) priority and convenience class claims (\$1.2 million).
- e. Reflects the following non-cash settlements to be made pursuant to the Plan: (i) conversion of the DIP into equity in Reorganized Palco, (ii) exchange of the Palco town assets in partial satisfaction of the Palco Term Loan, with the remainder of the Palco Term Loan converted into additional equity of Reorganized Palco, (iii) issuance of Palco unsecured obligations in settlement of the Palco General Unsecured Claims, and (iv) conversion of the MAXXAM subordinated debt into equity of reorganized Palco.
- f. Represents reclassification of the current portion of pension, OPEB, and workers' compensation obligations (\$6.5 million) from Liabilities Subject to Compromise. Additionally, reflects the reclassification of the long-term portion of pension, OPEB, workers' compensation obligations (\$19.6 million), and all deferred tax liabilities (\$6.8 million) from Liabilities Subject to Compromise.

2. *Reorganized Scopac – Pro Forma Post Effective Date Balance Sheet  
(Unaudited) (As of June 30, 2008)*

The following table provides a reconciliation of Scopac's projected June 30, 2008 pre-emergence balance sheet to the projected June 30, 2008 post-emergence balance sheet of Reorganized Scopac.

| <b>Reorganized ScoPac Balance Sheet</b>           |   |                                      |                                   |                                       |                                |                               |
|---|---|--------------------------------------|-----------------------------------|---------------------------------------|--------------------------------|-------------------------------|
| <i>(\$'s in 000s)</i>                             |   |                                      |                                   |                                       |                                |                               |
|   | Pre-Emergence<br>6/30/08 <sup>(a)</sup> | Emergence Adjustments <sup>(b)</sup> |                                   |                                       |                                | Post-<br>Emergence<br>6/30/08 |
|   |   | Exit<br>Financing <sup>(c)</sup>     | Cash<br>Settlement <sup>(d)</sup> | Non-Cash<br>Settlement <sup>(e)</sup> | Reclass<br>LSTC <sup>(f)</sup> |                               |
| <b>ASSETS</b>                                     |   |                                      |                                   |                                       |                                |                               |
| Cash and Cash Equivalents                         | \$ 2,500                                | \$ 14,877                            | \$ (14,877)                       | \$ -                                  | \$ -                           | \$ 2,500                      |
| Accounts Receivable                               | 5,061                                   | -                                    | -                                 | -                                     | -                              | 5,061                         |
| SAR Account                                       | 33,603                                  | -                                    | (33,603)                          | -                                     | -                              | -                             |
| Prepaid Assets                                    | 8,373                                   | -                                    | -                                 | -                                     | -                              | 8,373                         |
| Other Current Assets                              | 240                                     | -                                    | -                                 | -                                     | -                              | 240                           |
| Total Current Assets                              | 49,777                                  | 14,877                               | (48,480)                          | -                                     | -                              | 16,174                        |
| PP&E and Timberlands                              | 241,411                                 | -                                    | -                                 | -                                     | -                              | 241,411                       |
| Other Non-Current Assets                          | 609                                     | 3,000                                | -                                 | -                                     | -                              | 3,609                         |
| Total Non-Current Assets                          | 242,020                                 | 3,000                                | -                                 | -                                     | -                              | 245,020                       |
| <b>Total Assets</b>                               | <b>\$ 291,797</b>                       | <b>\$ 17,877</b>                     | <b>\$ (48,480)</b>                | <b>\$ -</b>                           | <b>\$ -</b>                    | <b>\$ 261,194</b>             |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |   |                                      |                                   |                                       |                                |                               |
| Accounts Payable and Accrued Expenses             | \$ 11,989                               | \$ -                                 | \$ (10,000)                       | \$ -                                  | \$ -                           | \$ 1,989                      |
| Scopac Line of Credit                             | 37,877                                  | -                                    | (37,877)                          | -                                     | -                              | -                             |
| Total Current Liabilities                         | 49,866                                  | -                                    | (47,877)                          | -                                     | -                              | 1,989                         |
| Exit Financing - Revolver                         | -                                       | 17,877                               | -                                 | -                                     | -                              | 17,877                        |
| New Timber Notes                                  | -                                       | -                                    | -                                 | -                                     | 225,000                        | 225,000                       |
| Unsecured Obligations                             | -                                       | -                                    | -                                 | 400                                   | -                              | 400                           |
| Total Non-Current Liabilities                     | -                                       | 17,877                               | -                                 | 400                                   | 225,000                        | 243,277                       |
| <b>Total Liabilities Subject to Compromise</b>    | <b>807,706</b>                          | <b>-</b>                             | <b>(603)</b>                      | <b>(582,103)</b>                      | <b>(225,000)</b>               | <b>-</b>                      |
| <b>Stockholders' Equity</b>                       | <b>(565,775)</b>                        | <b>-</b>                             | <b>-</b>                          | <b>581,703</b>                        | <b>-</b>                       | <b>15,928</b>                 |
| <b>Total Liabilities and Stockholders' Equity</b> | <b>\$ 291,797</b>                       | <b>\$ 17,877</b>                     | <b>\$ (48,480)</b>                | <b>\$ -</b>                           | <b>\$ -</b>                    | <b>\$ 261,194</b>             |

*See accompanying notes to pro forma Projected Balance Sheet.*

**REORGANIZED SCOPAC**  
**NOTES TO PRO FORMA PROJECTED BALANCE SHEET**

- a. The pre-emergence balance sheet reflects actual results through November 30, 2007 and forecasted results for the seven months ending June 30, 2008. The balance sheet has been further adjusted to reflect, among other things, the Debtors' most recent estimates for prepetition claims.
- b. Adjustments to reflect proceeds from the Scopac Exit Financing, the cash payments required pursuant to the Joint Plan, conversion of certain claims to equity, issuance of new obligations in respect of the Scopac General Unsecured Claims, and the reclassification of the remaining Liabilities Subject to Compromise not otherwise paid in cash or with new obligations, consistent with the Scopac's proposed treatment of such claims under the Joint Plan.

The Projections do not reflect the implementation of fresh start accounting pursuant to Statement of Position 90-7 as issued by the AICPA. The Debtors' accountants are reviewing whether treatment under SOP 90-7 would be required. The implementation of SOP 90-7, should it be required, is not anticipated to have a material impact on the underlying economics of the Joint Plan.

- c. Reflects \$17.9 million drawn on the \$50.0 million Scopac Exit Financing to be used to fund cash payments required under the Plan, as described in (d) below. Additionally, reflects \$3.0 million in assumed costs associated with raising of such financing.
- d. Reflects the following payments to be made pursuant to the Joint Plan: (i) the Scopac Line of Credit and accrued interest thereon (\$37.9 million), (ii) Administrative Claims (\$10.0 million), (iii) and priority and convenience class claims (\$0.6 million).
- e. Reflects the following non-cash settlements to be made pursuant to the Plan: (i) conversion of \$589.8 million of Timber Note principle and accrued interest through June 30, 2008 into equity in Reorganized Scopac and the write-off of the A-2 discount carried on the balance sheet (\$10.2 million), (ii) issuance of \$0.4 million in obligations to General Unsecured Claims in respect of their allowed claims, and (iii) the contribution of the \$1.2 million Palco Debtor Claims and the \$0.8 million of Allowed Scopac Non-Debtor Affiliate Claims into equity.
- f. Reflects the exchange of the remaining Timber Notes of \$225.0 million (classified in LSTC) into New Timber Notes.



3. Reorganized Palco and Reorganized Scopac Projected Financial Statements (Unaudited)

| <b>Reorganized Palco Balance Sheet</b>            |                   |                  |                  |                  |                  |
|---|-------------------|------------------|------------------|------------------|------------------|
| (\$'s in 000s)                                    |                   |                  |                  |                  |                  |
|   |                   | <b>Projected</b> |                  |                  |                  |
| December 31,                                      | <b>2008</b>       | <b>2009</b>      | <b>2010</b>      | <b>2011</b>      | <b>2012</b>      |
| <b>ASSETS</b>                                     |                   |                  |                  |                  |                  |
| Cash and Cash Equivalents                         | \$ 2,500          | \$ 2,500         | \$ 2,500         | \$ 2,500         | \$ 2,500         |
| Accounts Receivable                               | 8,019             | 8,545            | 8,545            | 8,545            | 8,545            |
| Inventories                                       | 24,485            | 24,908           | 24,908           | 24,908           | 24,908           |
| Other Current Assets                              | 13,934            | 12,902           | 12,903           | 12,903           | 12,903           |
| Total Current Assets                              | 48,937            | 48,855           | 48,856           | 48,856           | 48,856           |
| PP&E and Timberlands                              | 36,668            | 29,443           | 22,737           | 16,554           | 10,899           |
| Other Non-Current Assets                          | 15,901            | 15,501           | 15,102           | 14,701           | 14,302           |
| Total Non-Current Assets                          | 52,569            | 44,944           | 37,839           | 31,255           | 25,201           |
| <b>Total Assets</b>                               | <b>\$ 101,506</b> | <b>\$ 93,800</b> | <b>\$ 86,695</b> | <b>\$ 80,112</b> | <b>\$ 74,057</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |                   |                  |                  |                  |                  |
| Accounts Payable and Accrued Expenses             | \$ 10,249         | \$ 8,141         | \$ 8,141         | \$ 8,141         | \$ 8,141         |
| Other Current Liabilities                         | 6,800             | 6,800            | 6,800            | 6,800            | 6,800            |
| Total Current Liabilities                         | 17,049            | 14,941           | 14,941           | 14,941           | 14,941           |
| Exit Financing - Revolver                         | 29,482            | 29,435           | -                | -                | -                |
| Unsecured Notes                                   | 10,100            | 10,100           | 10,100           | 10,100           | 10,100           |
| Other Liabilities                                 | 18,279            | 17,179           | 16,479           | 16,079           | 15,879           |
| Total Non-Current Liabilities                     | 57,861            | 56,714           | 26,579           | 26,179           | 25,979           |
| <b>Stockholders' Equity</b>                       | <b>26,596</b>     | <b>22,145</b>    | <b>45,175</b>    | <b>38,992</b>    | <b>33,137</b>    |
| <b>Total Liabilities and Stockholders' Equity</b> | <b>\$ 101,506</b> | <b>\$ 93,800</b> | <b>\$ 86,695</b> | <b>\$ 80,112</b> | <b>\$ 74,057</b> |

*See accompanying summary of significant projection assumptions and accounting policies.*

| <b>Reorganized Palco Income Statement</b> |                    |                   |                   |                 |                |
|---|--------------------|-------------------|-------------------|-----------------|----------------|
| <i>(\$'s in 000s)</i>                     |                    |                   |                   |                 |                |
|   |                    | <b>Projected</b>  |                   |                 |                |
| Year Ended December 31,                   | <b>2008</b>        | <b>2009</b>       | <b>2010</b>       | <b>2011</b>     | <b>2012</b>    |
| <b>REVENUES</b>                           |                    |                   |                   |                 |                |
| Wood Products                             | \$ 95,553          | \$ 91,309         | \$ 95,302         | \$ 99,474       | \$ 103,834     |
| Power Plant                               | 12,278             | 12,833            | 12,833            | 12,833          | 12,833         |
| Town                                      | 1,121              | -                 | -                 | -               | -              |
| Intercompany Power Plant Elimination      | (3,000)            | (3,000)           | (3,000)           | (3,000)         | (3,000)        |
| <b>Total Sales</b>                        | <b>105,952</b>     | <b>101,142</b>    | <b>105,134</b>    | <b>109,307</b>  | <b>113,667</b> |
| <b>COSTS AND OPERATING EXPENSES</b>       |                    |                   |                   |                 |                |
| Cost of Goods Sold                        | 96,297             | 76,212            | 79,425            | 82,775          | 86,270         |
| Power Plant                               | 13,308             | 13,231            | 13,231            | 13,231          | 13,231         |
| Town                                      | 795                | -                 | -                 | -               | -              |
| Selling, General & Administrative         | 5,950              | 4,900             | 4,900             | 4,900           | 4,900          |
| Headwaters Litigation Costs               | 2,400              | -                 | -                 | -               | -              |
| Intercompany Power Plant Elimination      | (3,000)            | (3,000)           | (3,000)           | (3,000)         | (3,000)        |
| <b>Total Operating Expenses</b>           | <b>115,750</b>     | <b>91,343</b>     | <b>94,555</b>     | <b>97,906</b>   | <b>101,401</b> |
| <b>EBITDAR</b>                            | <b>(9,798)</b>     | <b>9,799</b>      | <b>10,579</b>     | <b>11,401</b>   | <b>12,266</b>  |
| Restructuring Expense                     | (6,347)            | -                 | -                 | -               | -              |
| Depletion, Depreciation & Amortization    | (10,830)           | (11,226)          | (10,826)          | (10,426)        | (10,026)       |
| <b>EBIT</b>                               | <b>(26,976)</b>    | <b>(1,427)</b>    | <b>(247)</b>      | <b>975</b>      | <b>2,240</b>   |
| Interest Expense                          | (14,358)           | (3,024)           | (2,228)           | (1,433)         | (1,433)        |
| Other Income / (Expense)                  | -                  | -                 | -                 | -               | -              |
| <b>Pre-Tax Income</b>                     | <b>(41,334)</b>    | <b>(4,451)</b>    | <b>(2,475)</b>    | <b>(459)</b>    | <b>807</b>     |
| <b>Net Income</b>                         | <b>\$ (41,334)</b> | <b>\$ (4,451)</b> | <b>\$ (2,475)</b> | <b>\$ (459)</b> | <b>\$ 807</b>  |

*See accompanying summary of significant projection assumptions and accounting policies.*

| <b>Reorganized Palco Cash Flow Statement</b>       |                 |                  |                 |                 |                 |  |
|--|-----------------|------------------|-----------------|-----------------|-----------------|--|
| <i>(\$'s in 000s)</i>                              |                 |                  |                 |                 |                 |  |
|  |                 | <b>Projected</b> |                 |                 |                 |  |
| Year Ended December 31,                            | <b>2H 2008</b>  | <b>2009</b>      | <b>2010</b>     | <b>2011</b>     | <b>2012</b>     |  |
| <b>OPERATING ACTIVITIES</b>                        |                 |                  |                 |                 |                 |  |
| Net Income / (Loss)                                | \$ (7,716)      | \$ (4,451)       | \$ (2,475)      | \$ (459)        | \$ 807          |  |
| Depreciation                                       | 5,548           | 11,226           | 10,826          | 10,426          | 10,026          |  |
| Other  | 200             | 400              | 400             | 400             | 400             |  |
| <i>Changes in Operating Assets and Liabilities</i> |                 |                  |                 |                 |                 |  |
| Accounts Receivables                               | 6,025           | (527)            | -               | -               | -               |  |
| Inventories  | (6,090)         | (423)            | -               | -               | -               |  |
| Accounts Payable                                   | (3,412)         | (1,008)          | -               | -               | -               |  |
| Other  | (1,349)         | (1,170)          | (700)           | (400)           | (200)           |  |
| <b>Cash Flow from Operating Activities</b>         | <b>(6,793)</b>  | <b>4,047</b>     | <b>8,051</b>    | <b>9,968</b>    | <b>11,033</b>   |  |
| <b>INVESTING ACTIVITIES</b>                        |                 |                  |                 |                 |                 |  |
| Capital Expenditures                               | (1,475)         | (4,000)          | (4,120)         | (4,244)         | (4,371)         |  |
| Dividends Paid to Shareholders                     | -               | -                | (11,499)        | (40,537)        | (54,003)        |  |
| Dividends Received From Scopac                     | -               | -                | 37,003          | 34,814          | 47,341          |  |
| <b>Cash from Investing Activities</b>              | <b>(1,475)</b>  | <b>(4,000)</b>   | <b>21,384</b>   | <b>(9,967)</b>  | <b>(11,033)</b> |  |
| <b>FINANCING ACTIVITIES</b>                        |                 |                  |                 |                 |                 |  |
| New Revolver Draw / (Paydown)                      | 8,268           | (47)             | (29,435)        | -               | -               |  |
| <b>Cash Flow from Financing Activities</b>         | <b>8,268</b>    | <b>(47)</b>      | <b>(29,435)</b> | <b>-</b>        | <b>-</b>        |  |
| Beginning Cash Balance                             | 2,500           | 2,500            | 2,500           | 2,500           | 2,500           |  |
| Net Change in Cash                                 | -               | -                | -               | -               | -               |  |
| <b>Ending Cash Balance</b>                         | <b>\$ 2,500</b> | <b>\$ 2,500</b>  | <b>\$ 2,500</b> | <b>\$ 2,500</b> | <b>\$ 2,500</b> |  |

*See accompanying summary of significant projection assumptions and accounting policies.*

| <b>Reorganized ScoPac Balance Sheet</b>           |              |                   |                   |                   |                   |                   |
|---|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <i>(\$'s in 000s)</i>                             |              |                   |                   |                   |                   |                   |
|   |              | <b>Projected</b>  |                   |                   |                   |                   |
|   | December 31, | <b>2008</b>       | <b>2009</b>       | <b>2010</b>       | <b>2011</b>       | <b>2012</b>       |
| <b>ASSETS</b>                                     |              |                   |                   |                   |                   |                   |
| Cash and Cash Equivalents                         |              | \$ 2,500          | \$ 2,500          | \$ 2,500          | \$ 2,500          | \$ 2,500          |
| Accounts Receivable                               |              | 5,061             | 5,061             | 5,061             | 5,061             | 5,061             |
| Prepaid Assets                                    |              | 8,887             | 9,907             | 27,121            | 44,125            | 36,919            |
| Other Current Assets                              |              | 240               | 240               | 240               | 240               | 240               |
| Total Current Assets                              |              | 16,688            | 17,708            | 34,922            | 51,926            | 44,720            |
| PP&E and Timberlands                              |              | 242,481           | 244,299           | 244,320           | 244,693           | 245,375           |
| Other Non-Current Assets                          |              | 2,852             | 2,102             | 1,502             | 902               | 302               |
| Total Non-Current Assets                          |              | 245,333           | 246,401           | 245,822           | 245,595           | 245,677           |
| <b>Total Assets</b>                               |              | <b>\$ 262,021</b> | <b>\$ 264,109</b> | <b>\$ 280,744</b> | <b>\$ 297,521</b> | <b>\$ 290,397</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |              |                   |                   |                   |                   |                   |
| Accounts Payable and Accrued Expenses             |              | \$ 2,021          | \$ 1,999          | \$ 2,011          | \$ 2,024          | \$ 2,037          |
| Total Current Liabilities                         |              | 2,021             | 1,999             | 2,011             | 2,024             | 2,037             |
| Exit Financing - Revolver                         |              | 13,534            | 12,260            | -                 | -                 | -                 |
| New Timber Notes                                  |              | 225,000           | 225,000           | 225,000           | 225,000           | 225,000           |
| Unsecured Notes                                   |              | 400               | 400               | 400               | 400               | 400               |
| Total Non-Current Liabilities                     |              | 238,934           | 237,660           | 225,400           | 225,400           | 225,400           |
| <b>Stockholders' Equity</b>                       |              | <b>21,067</b>     | <b>24,451</b>     | <b>53,333</b>     | <b>70,097</b>     | <b>62,960</b>     |
| <b>Total Liabilities and Stockholders' Equity</b> |              | <b>\$ 262,021</b> | <b>\$ 264,109</b> | <b>\$ 280,744</b> | <b>\$ 297,521</b> | <b>\$ 290,397</b> |

*See accompanying summary of significant projection assumptions and accounting policies.*

| <b>Reorganized ScoPac Income Statement</b> |                    |                 |                   |                  |                  |
|--|--------------------|-----------------|-------------------|------------------|------------------|
| (\$'s in 000s)                             |                    |                 |                   |                  |                  |
| Year Ended December 31,                    | Projected          |                 |                   |                  |                  |
|  | 2008               | 2009            | 2010              | 2011             | 2012             |
| <b>REVENUES</b>                            | \$ 47,944          | \$ 45,614       | \$ 48,243         | \$ 49,158        | \$ 51,747        |
| <b>COSTS AND OPERATING EXPENSES</b>        |                    |                 |                   |                  |                  |
| THP Related                                | 4,086              | 4,239           | 4,354             | 4,491            | 4,626            |
| Labor                                      | 1,426              | 1,469           | 1,517             | 1,563            | 1,609            |
| Timber Yield Taxes                         | 1,390              | 1,323           | 1,399             | 1,426            | 1,501            |
| Roads                                      | 2,895              | 2,992           | 1,945             | 2,014            | 2,084            |
| Other Expenses                             | 4,314              | 4,083           | 4,205             | 4,332            | 4,461            |
| Selling, General & Administrative          | 2,806              | 2,890           | 2,977             | 3,066            | 3,158            |
| <b>Total Operating Expenses</b>            | <b>16,917</b>      | <b>16,995</b>   | <b>16,397</b>     | <b>16,890</b>    | <b>17,440</b>    |
| <b>EBITDAR</b>                             | <b>31,027</b>      | <b>28,619</b>   | <b>31,846</b>     | <b>32,268</b>    | <b>34,307</b>    |
| Restructuring Expense                      | (10,205)           | -               | -                 | -                | -                |
| Depletion, Depreciation & Amortization     | (8,323)            | (6,999)         | (6,861)           | (6,782)          | (6,762)          |
| EBIT                                       | 12,499             | 21,620          | 24,985            | 25,486           | 27,545           |
| Gain on Asset Sales                        | -                  | -               | 469,293           | 77,015           | 75,617           |
| Interest Expense                           | (37,361)           | (18,236)        | (17,837)          | (17,475)         | (17,475)         |
| Pre-Tax Income                             | (24,862)           | 3,384           | 476,441           | 85,026           | 85,688           |
| Income Taxes                               | -                  | -               | -                 | -                | -                |
| <b>Net Income</b>                          | <b>\$ (24,862)</b> | <b>\$ 3,384</b> | <b>\$ 476,441</b> | <b>\$ 85,026</b> | <b>\$ 85,688</b> |

*See accompanying summary of significant projection assumptions and accounting policies.*

**Reorganized ScoPac Cash Flow Statement**

(\$'s in 000s)

| Year Ended December 31,                            | Projected       |                 |                  |                 |                 |
|--|-----------------|-----------------|------------------|-----------------|-----------------|
|  | 2H 2008         | 2009            | 2010             | 2011            | 2012            |
| <b>OPERATING ACTIVITIES</b>                        |                 |                 |                  |                 |                 |
| Net Income / (Loss)                                | \$ 5,138        | \$ 3,384        | \$ 476,441       | \$ 85,026       | \$ 85,688       |
| Depreciation                                       | 4,540           | 6,999           | 6,861            | 6,782           | 6,762           |
| Other  | 300             | 600             | (468,693)        | (76,415)        | (75,017)        |
| <i>Changes in Operating Assets and Liabilities</i> |                 |                 |                  |                 |                 |
| Prepaid Assets                                     | 486             | (20)            | (137)            | (135)           | (139)           |
| Accounts Payable and Accrued Liabilities           | 31              | (22)            | 12               | 13              | 13              |
| <b>Cash Flow from Operating Activities</b>         | <b>10,495</b>   | <b>10,941</b>   | <b>14,485</b>    | <b>15,271</b>   | <b>17,307</b>   |
| <b>INVESTING ACTIVITIES</b>                        |                 |                 |                  |                 |                 |
| Gross Proceeds from Asset Sales                    | -               | -               | 498,400          | 103,000         | 106,090         |
| Cost of Asset Sales                                | (1,000)         | (1,000)         | (46,184)         | (42,854)        | (23,128)        |
| Capital Expenditures                               | (5,153)         | (8,665)         | (6,882)          | (7,155)         | (7,444)         |
| <b>Cash from Investing Activities</b>              | <b>(6,153)</b>  | <b>(9,665)</b>  | <b>445,334</b>   | <b>52,991</b>   | <b>75,519</b>   |
| <b>FINANCING ACTIVITIES</b>                        |                 |                 |                  |                 |                 |
| Exit Financing - Revolver Draw / (Paydown)         | (4,342)         | (1,276)         | (12,260)         | -               | -               |
| Paydown of Preferred Equity                        | -               | -               | (375,000)        | -               | -               |
| Dividends Paid to Common Equity                    | -               | -               | (72,558)         | (68,262)        | (92,825)        |
| <b>Cash Flow from Financing Activities</b>         | <b>(4,342)</b>  | <b>(1,276)</b>  | <b>(459,818)</b> | <b>(68,262)</b> | <b>(92,825)</b> |
| Beginning Cash Balance                             | 2,500           | 2,500           | 2,500            | 2,500           | 2,500           |
| Net Change in Cash                                 | -               | -               | -                | -               | -               |
| <b>Ending Cash Balance</b>                         | <b>\$ 2,500</b> | <b>\$ 2,500</b> | <b>\$ 2,500</b>  | <b>\$ 2,500</b> | <b>\$ 2,500</b> |

*See accompanying summary of significant projection assumptions  
and accounting policies*

**REORGANIZED PALCO AND REORGANIZED SCOPAC**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROJECTION ASSUMPTIONS**

The Debtors, with the assistance of their retained professionals, prepared the Projections. The Projections represent, to the best of the Debtors' knowledge and belief, the Debtors' projected financial position, results of operations, and cash flows for the five years ended December 31, 2012 and reflect the Debtors' judgment as of January 30, 2008, the date that the Projections were published.

**Accounting Policies**

Palco and Scopac - The Projections have been prepared using accounting policies that are materially consistent with those applied in the Debtors' historical financial statements. The Projections do not reflect the implementation of fresh start accounting pursuant to Statement of Position 90-7 as issued by the AICPA. The Debtors' accountants are reviewing whether treatment under SOP 90-7 would be required. The implementation of SOP 90-7, should it be required, is not anticipated to have a material impact on the underlying economics of the Joint Plan.

**Pending Items**

On February 20, 2008, the Maxxam board determined that it would not acquire logs or lumber from Palco this month. Maxxam had previously acquired logs and lumber at cost from Palco to provide liquidity to Palco during this chapter 11. As such, Palco will be required to seek alternate sources of liquidity for to fund the approximately \$3.5 million in liquidity required to pay Scopac in February for January log sales to Palco that have occurred. As of February 21, 2008, Palco is engaged in discussions with Scopac regarding a resolution.

As the ultimate resolution is uncertain at the time of the preparation of these projections, no adjustment has been made to these projections related to impacts that may result. It is not anticipated that alternate methods of financing the log purchases will have a material impact on the underlying economics of the Joint Plan.

**General Assumptions**

*Methodology*

Palco and Scopac - The Projections were separately prepared and presented for each of the pro forma reorganized entities, Reorganized Palco and Reorganized Scopac.

*Tax Structure*

Palco and Scopac - As discussed more fully in Section 10 of the Disclosure Statement, "Certain Federal Income Tax Consequences Of The Plan," the Consensual Plan contemplates establishing Reorganized Palco and Reorganized ScoPac as entities that are taxable as partnerships for U.S. federal income tax purposes. As such, the Projections for

Reorganized Palco and Reorganized ScoPac do not include any impact of federal or state taxes arising from operating earnings or asset dispositions.

#### *Plan Consummation Date*

Palco and Scopac - The Projections assume the Joint Plan will be consummated on June 30, 2008. The Debtors do not believe a change in the assumed date of the consummation of the Plan by a couple of months will materially impact the post-confirmation capital structure or the underlying economics of the Joint Plan.

#### *Harvest Projections*

Scopac - The Projections are based upon a fifty-year timber harvest plan developed with the assistance of KPMG and the other timber consultants retained by the Debtors. For purposes of estimating the harvest levels, approximately 22,000 acres of lands that are now being dedicated to the Redwood Village Development project have been excluded from the timber harvest plan. With respect to the remaining timberlands, the projection of harvest volumes is based upon levels that are intended to maximize the value of the timberlands over the long-term and, accordingly, are below legally permissible levels.

#### *Asset Sales*

Palco – No remaining asset sales contemplated as the non-core town assets of Palco are transferred to Marathon in respect of the Palco Term Loan.

Scopac - the Reorganized Scopac business plan includes the sale of higher-and-better-use properties, as follows:

- i. Ancient Redwood Groves – The Projections assume the sale, in 2010, of the approximately 6,600 acres of Ancient Redwood Groves for net proceeds of approximately \$394.4 million (net of \$4.0 million of related costs). The estimate of proceeds is based on the appraisal work performed by the Debtors' valuation consultant, Greenfield Advisors, and reflects Greenfield's view of the third-party interest in such timberlands.
- ii. Redwood Village Development – The Projections assume sales during 2010 through 2015 of approximately 22,000 acres of timberlands pursuant to a development strategy prepared with the assistance of Greenfield. Consistent with similar redevelopments implemented throughout the United States, the Debtors intend to commence the process of the design, development, and marketing of the approximately 22,000 acres of timberlands (subject to, among other things, regulatory approvals) into one hundred and thirty-three parcels for sale to the general public. Each purchaser of a parcel will also receive an undivided common area interest ownership in the remaining preserved acreage. Gross proceeds from the sale of the parcels are expected to be approximately \$722.0 million. The Projections also include the related development, marketing, and developer profit costs in the aggregate amount of \$200.0 million. The estimated proceeds from the



Redwood Village Development project are based upon detailed appraisals and analysis performed by Greenfield.

The Debtors remain committed to working hand-in-hand with local, state, and federal constituents to ensure that the development project not only complies with all applicable laws and regulations, but also is supported at every level of government. The Debtors continue to evaluate alternative project configurations which address the needs and concerns of regulatory agencies while at the same time maximizing the success of the project. The development project may ultimately vary in design and configuration, and consequently the projected timing and amounts of cash flows may be adjusted. However, the Debtors do not believe that any such adjustments will materially impact the underlying economics of the Plan or its feasibility.

**REORGANIZED PALCO AND REORGANIZED SCOPAC**  
**PROJECTED STATEMENT OF OPERATIONS**

a. *Wood Products Revenues*

Palco - Projected lumber and log revenues are based upon management's forecast for lumber volumes and pricing by species and grade through 2009 and are then trended thereafter. Sales volumes in 2008 and beyond reflect the lower sales levels associated with running the mill at a leaner one-shift of production. Log sales during 2008 are forecasted to generate \$22.0 million of revenue, reduced to \$4.0 million of log sales in 2009 and beyond, driving the overall reduction in 2009 revenues. Underlying the revenue forecast is the assumption that housing markets will begin to recover in 2009. After 2009, long-term pricing growth is assumed to be 4.5%, consistent with a return to long-term trend rates, and volume is assumed to remain constant.

*Log Harvest Revenues*

Scopac - Projected log revenues are based upon a fifty-year timber harvest plan developed with the assistance of KPMG and the other timber consultants retained by the Debtors. The Projections forecast log sales to decrease from approximately \$48.0 million in 2008 to approximately \$45.6 million in 2009 primarily due to the annual variations in harvest levels legally available to Scopac under its various restrictions. Logs harvested by Scopac are assumed to be purchased by Palco and processed into lumber in accordance with the pre-existing intercompany purchase agreements. The SBE pricing at which such sales are transacted is assumed to grow at 4.5% per annum, which is consistent with the long-term pricing trends.

*Power Plant Revenues*

Palco - Power plant revenues are assumed to grow from \$12.3 million in 2008 to \$12.8 million per year in 2009 and then remain constant thereafter. The growth in power plant revenues is consistent with the return to a more normalized level of production that is assumed in the mill operations.

*Town Revenues*

Palco - As the town assets are transferred to Marathon in respect of the Palco Term Loan, no further town revenue has been forecasted beyond June 30, 2008.

b. *Cost of Goods Sold*

Palco - Cost of Goods Sold (COGS) includes the cost of Scopac-sourced logs and logs purchased on the open market, as well as costs associated with the milling operations. Based upon the harvest projections, Reorganized Palco is assumed to purchase approximately 90.0% of its logs from Scopac beginning in 2009. COGS is expected to approximate 83.5% of Wood Products revenue in 2009 and is assumed to remain at approximately this level thereafter.

Scopac – Costs and Operating Expenses (excluding SG&A) includes THP-related expenditures, including labor, supplies, leases, outside consultants, and other costs related to the harvesting of timber. Based upon management’s expectation, COGS is expected to approximate 30.9% of revenue in 2009 and is assumed to remain relatively constant as a percent of revenue thereafter.

c. *Selling, General and Administrative Expenses*

Palco - Selling, General and Administrative (SG&A) expenses include accounting, legal, finance, executive, and administrative staff, and related costs associated with managing the milling operations. The Projections for 2008 reflect a reduction from 2007 levels due to the full-year impact of cost saving initiatives completed in 2007 and additional cost reductions are planned for 2008.

Scopac - Selling, General and Administrative (SG&A) expenses include accounting, legal, finance, executive and administrative staff, and related costs associated with managing the integrated harvest operations.

d. *Power Plant and Town Expenses*

Palco – Power Plant expenses represent costs of fuel, labor, and maintenance at the power plant and are expected to remain constant at approximately \$13.2 million per year.

As the town assets are transferred to Marathon pursuant to the Plan, no further town expenses have been forecasted beyond June 30, 2008.

**REORGANIZED PALCO AND REORGANIZED SCOPAC –  
PROJECTED BALANCE SHEETS AND STATEMENTS OF CASH FLOW**

a. *Working Capital*

Palco - Consistent with past trends, the Projections assume working capital remains relatively constant from year-to-year. Current liabilities, in addition to accounts payable and accrued interest, include approximately \$6.5 million of pension, OPEB and workers' compensation obligations, assumed to be paid in the ordinary course of business. Other Current Liabilities reflects \$6.8 million of deferred tax liabilities.

Scopac - Consistent with past trends, the Projections assume working capital remains relatively constant from year-to-year.

b. *Capital Expenditures*

Palco - Capital expenditures represent mill improvement and maintenance projects and other capitalized costs. They are expected to remain relatively constant at approximately \$4.0 million annually (adjusted for inflation) for the projection period. Management believes this amount is adequate to support the projected sales volume. Capital expenditures incurred are capitalized and depreciated over an assumed 20-year straight-line basis.

Scopac - Capital expenditures represent road construction, reforestation, and other capitalized timberland-related costs. They are expected to be \$8.7 million in 2009, reduced by \$1.8 million in 2010 and beyond due to completion of a multi-year road upgrade project as required by regulatory agencies. Management believes this amount is adequate to support the projected harvest volume. Capital expenditures incurred are capitalized and depreciated over an assumed 15-year straight-line basis.

c. *Debt*

Palco – The Palco Exit Financing will consist of up to a \$40.0 million revolving line of credit with an assumed market rate of interest. Palco projects to draw approximately \$21.2 million to fund payments pursuant to the plan and the purchase of inventory.

Palco is assumed to issue \$10.1 million of 8.25% seven-year obligations to holders of General Unsecured Claims.

Scopac - The Scopac Exit Financing will consist of a \$50.0 million revolving line of credit assuming a market rate of interest. Scopac projects to draw approximately \$17.9 million to fund the emergence from chapter 11.

New Timber Notes of \$225.0 million are issued to former Pre-petition Timber Note holders pursuant to the Plan. These notes will carry an interest rate of 7.50% payable in cash semi-annually and will have a ten-year bullet maturity.

Scopac is assumed to issue \$0.4 million of 8.25% seven-year obligations to holders of General Unsecured Claims.

d. *Other Liabilities*

Palco - Other liabilities represent primarily the long-term component of pension, OPEB, and workers' compensation accruals (assumed to be paid in the ordinary course of business).

e. *Shareholders' Equity*

Palco – Pursuant to the Plan, Existing equity will receive 36.6% of Reorganized Palco's equity. Marathon to receive the remaining 63.4% of Reorganized Palco's equity in respect of its \$75.3 million DIP facility and the \$29.0 million deficiency claim arising from the exchange of its \$88.3 million term loan for town assets.

Scopac – In addition to receiving \$225.0 million of New Timber Notes, holders of the Prepetition Timber Notes will receive (i) \$375 million in preferred stock and (ii) 49% of the equity of reorganized Scopac. Reorganized Palco will receive the remaining 51% of equity.

Eighty-five percent (85.0%) of the expected proceeds from the sale of the Ancient Redwood Groves and the Redwood Village Development will be used first to redeem the outstanding preferred stock at par value. Upon complete redemption of the preferred stock, Reorganized Scopac will have the right to declare and pay dividends for the amount of any cash additional cash generated from asset sales and operations exceeding minimum liquidity needs, assumed to be \$2.5 million for the purposes of the Projections, so long as sufficient revolver availability exists to fund seasonal working capital needs.

**EXHIBIT C-6-b**

**Pro Forma Financial Projections for Alternative Plans**

**DS EXHIBIT F (ALTERNATIVE)**

**ALTERNATIVE PLAN OF REORGANIZATION –  
PRO FORMA FINANCIAL PROJECTIONS**

**RESPONSIBILITY FOR AND PURPOSE OF THE PROJECTIONS**

For the purpose of demonstrating the feasibility of the Alternative Plan, the following financial projections for the five years ending on December 31, 2015 (the “Alternative Projections”) were prepared by the Debtors with the assistance of their retained professionals. The Alternative Projections reflect the Debtors’ most recent estimates of the consolidated cash flows of Reorganized Development Company (formerly Palco) and Reorganized Scopac. Consequently, the Alternative Projections reflect the Debtors’ judgment as to expectations of market and business conditions and the occurrence or nonoccurrence of certain future events, all of which are subject to change.

The Debtors do not, as a matter of course, publish their business plans, strategies, or forward-looking projections of cash flows. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to the holders of Claims or Equity Interests after the date of this Disclosure Statement, or to include such information in documents required to be filed with the SEC or to otherwise make such information public. The assumptions disclosed herein are those that the Debtors believe to be significant to the Projections and are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995.

In connection with the development of the Alternative Plan, management prepared the Alternative Projections with assistance from various professionals; however, the Alternative Projections have not been audited or reviewed by independent accountants. The Alternative Projections assume the Alternative Plan will be implemented in accordance with its stated terms and that consummation of the Alternative Plan will occur on June 30, 2008.

The Alternative Projections present, to the best of the Debtors’ knowledge and belief, Reorganized Development Company’s and Reorganized Scopac’s projected cash flows for the seven years ended December 31, 2015 and reflect the Debtors’ judgment as of February 21, 2008, the date that the Projections were published. Although the Debtors are of the opinion that these assumptions are reasonable under current circumstances, such assumptions are subject to inherent uncertainties, including but not limited to, the change in commodity and material pricing, environmental factors, laws and regulations, housing market fluctuations, general economic conditions, and other factors affecting the Debtors’ businesses. The likelihood, and related financial impact, of a change in any of these factors cannot be predicted with certainty. Consequently, actual financial results could differ materially from the Alternative Projections.

The Alternative Projections should be read in conjunction with the assumptions and qualifications contained herein, the risk factors described in Section 7 of the Disclosure Statement, and MAXXAM’s December 31, 2006 Form 10-K as filed with the SEC.

**THE ALTERNATIVE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (THE "AICPA"), THE FINANCIAL ACCOUNTING STANDARDS BOARD (THE "FASB"), OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") REGARDING PROJECTIONS. FURTHERMORE, THE ALTERNATIVE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY A REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM.**

**THE ALTERNATIVE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH MAY NOT BE REALIZED AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE ALTERNATIVE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, AS TO THE ACCURACY OF THE PROJECTIONS OR THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PRESENTED IN THESE ALTERNATIVE PROJECTIONS. HOLDERS OF CLAIMS OR EQUITY INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE ALTERNATIVE PROJECTIONS IN MAKING THEIR DETERMINATION OF WHETHER TO ACCEPT OR REJECT THE ALTERNATIVE PLAN.**



1. *Reorganized Development Company – Pro Forma Post Effective Date Balance Sheet (Unaudited) (As of June 30, 2008)*

The following table provides a reconciliation of Palco's projected June 30, 2008 pre-emergence balance sheet to the projected June 30, 2008 post-emergence balance sheet of Reorganized Development Company.

| <b>Reorganized Development Company (formerly Palco) Balance Sheet</b> |   |                                      |                                   |                                       |  |                               |
|---|---|--------------------------------------|-----------------------------------|---------------------------------------|--|-------------------------------|
| <i>(\$'s in 000s)</i>   |   |                                      |                                   |                                       |  |                               |
|   | Pre-Emergence<br>6/30/08 <sup>(a)</sup> | Emergence Adjustments <sup>(b)</sup> |                                   |                                       |  | Post-<br>Emergence<br>6/30/08 |
|   |   | Exit<br>Financing <sup>(c)</sup>     | Cash<br>Settlement <sup>(d)</sup> | Non-Cash<br>Settlement <sup>(e)</sup> | Write-Offs and<br>Reclass <sup>(f)</sup> |                               |
| <b>ASSETS</b>   |   |                                      |                                   |                                       |  |                               |
| Cash and Cash Equivalents   | \$ -                                    | \$ 88,135                            | \$ (88,135)                       | \$ -                                  | \$ -                                     | \$ -                          |
| Accounts Receivable   | 14,044                                  | -                                    | -                                 | (11,523)                              | (2,521)                                  | -                             |
| Inventories   | 895                                     | -                                    | -                                 | (895)                                 | -  | -                             |
| Other Current Assets  | 14,435                                  | -                                    | -                                 | -                                     | (3,833)                                  | 10,602                        |
| Total Current Assets  | 29,373                                  | 88,135                               | (88,135)                          | (12,418)                              | (6,354)                                  | 10,602                        |
| PP&E and Timberlands  | 70,741                                  | -                                    | -                                 | (70,741)                              | -  | -                             |
| Other Non-Current Assets  | 14,101                                  | -                                    | -                                 | -                                     | (14,101)                                 | -                             |
| Total Non-Current Assets  | 84,842                                  | -                                    | -                                 | (70,741)                              | (14,101)                                 | -                             |
| <b>Total Assets</b>   | <b>\$ 114,216</b>                       | <b>\$ 88,135</b>                     | <b>\$ (88,135)</b>                | <b>\$ (83,159)</b>                    | <b>\$ (20,455)</b>                       | <b>\$ 10,602</b>              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                           |   |                                      |                                   |                                       |  |                               |
| Accounts Payable and Accrued Expenses                                 | \$ 14,971                               | \$ -                                 | \$ (11,947)                       | \$ (639)                              | \$ 6,218                                 | \$ 8,602                      |
| Other Current Liabilities   | -                                       | -                                    | -                                 | -                                     | -  | -                             |
| Total Current Liabilities   | 14,971                                  | -                                    | (11,947)                          | (639)                                 | 6,218                                    | 8,602                         |
| DIP Financing   | 75,300                                  | -                                    | (75,300)                          | -                                     | -  | -                             |
| Exit Financing - Revolver   | -                                       | -                                    | -                                 | -                                     | -  | -                             |
| Unsecured Obligations   | -                                       | -                                    | -                                 | 10,100                                | -  | 10,100                        |
| Other Liabilities   | 659                                     | -                                    | -                                 | -                                     | 12,341                                   | 13,000                        |
| Total Non-Current Liabilities   | 75,959                                  | -                                    | (75,300)                          | 10,100                                | 12,341                                   | 23,100                        |
| <b>Total Liabilities Subject to Compromise</b>                        | <b>175,014</b>                          | <b>-</b>                             | <b>(888)</b>                      | <b>(139,987)</b>                      | <b>(34,140)</b>                          | <b>-</b>                      |
| <b>Stockholders' Equity</b>   | <b>(151,728)</b>                        | <b>88,135</b>                        | <b>-</b>                          | <b>47,367</b>                         | <b>(4,874)</b>                           | <b>(21,100)</b>               |
| <b>Total Liabilities and Stockholders' Equity</b>                     | <b>\$ 114,216</b>                       | <b>\$ 88,135</b>                     | <b>\$ (88,135)</b>                | <b>\$ (83,159)</b>                    | <b>\$ (20,455)</b>                       | <b>\$ 10,602</b>              |

*See accompanying notes to pro forma Projected Balance Sheet.*

**REORGANIZED PALCO**  
**NOTES TO PRO FORMA PROJECTED BALANCE SHEET**

- a. The pre-emergence balance sheet reflects actual results through November 30, 2007 and forecasted results for the seven months ending June 30, 2008. The balance sheet has been further adjusted to reflect, among other things, Palco's most recent estimates for prepetition claims.
- b. Adjustments to reflect proceeds from the Palco Exit Financing, the cash payments required pursuant to the Alternative Plan, exchange of certain claims for claimants collateral, issuance of new obligations in respect of the Palco General Unsecured Claims, the write-off of certain claims, and the reclassification of the remaining Liabilities Subject to Compromise that are reinstated (pension and workers compensation obligations), consistent with the Debtors' proposed treatment of such claims under the Plan.

The Projections do not reflect the implementation of fresh start accounting pursuant to Statement of Position 90-7 as issued by the AICPA. The Debtors' accountants are reviewing whether treatment under SOP 90-7 would be required. The implementation of SOP 90-7, should it be required, is not anticipated to have a material impact on the underlying economics of the Alternative Plan.

- c. Reflects the intercompany transfer of \$88.1 million from ScoPac to Palco.
- d. Reflects the following payments to be made pursuant to the Alternative Plan: (i) accrued chapter 11 professional fees, post-petition accounts payable, post-petition accrued expenses and administrative claims (\$11.9 million), (ii) the debtor-in-possession financing (\$75.3 million) and (iii) priority and convenience class claims (\$0.9 million).
- e. Reflects the following non-cash settlements to be made pursuant to the Plan, including transfer of town assets and mill assets to Marathon in respect of its term loan: (i) transfer of non-intercompany accounts receivable (\$11.5 million), (ii) transfer of inventory (\$0.9 million), (iii) transfer of the Palco town assets and timberlands (\$70.7 million), (iv) settlement of accrued interest (\$0.6 million), (v) issuance of Palco unsecured obligations in settlement of the Palco General Unsecured Claims (\$10.1 million), (vi) settlement of the pre-petition term loan, accrued term loan and default interest within Liabilities Subject To Compromise (\$88.3 million), and (vii) conversion of the advances from Parent subordinated debt into equity of reorganized Palco (\$41.6 million).
- f. Represents the following reclassifications and write-offs: (i) write-off of intercompany receivables (\$2.5 million), (ii) write-off of other current assets (\$3.8 million) excluding deposits with the State of California related to Palco's workers' compensation obligation (\$8.6 million) and the deposits with Old Republic Insurance related to Palco's general liability insurance (\$2.0 million), (iii) write-off of the investment in Britt, note receivable and deferred tax assets included in Other Non-Current Assets (\$14.1 million), (iv) write-off of intercompany accounts payable (\$2.4 million) and reclassification of Palco's surviving Workers' Compensation obligation (\$8.6 million), (v) reclassification of surviving pension obligations (\$12.3 million adjustment, total \$13.0 million), and (vi) write-off of the remaining Liabilities Subject to Compromise, including deferred tax liabilities (\$15.6 million).

2. *Reorganized Scopac – Pro Forma Post Effective Date Balance Sheet  
(Unaudited) (As of June 30, 2008)*

The following table provides a reconciliation of Scopac’s projected June 30, 2008 pre-emergence balance sheet to the projected June 30, 2008 post-emergence balance sheet of Reorganized Scopac.

| <b>Reorganized ScoPac Balance Sheet</b>           |   |   |   |   |  |  |
|---|---|---|---|---|--|--|
| <i>(\$'s in 000s)</i>                             |   |   |   |   |  |  |
|   | <b>Pre-Emergence<br/>6/30/08 <sup>(a)</sup></b> | <b>Emergence Adjustments <sup>(b)</sup></b> |   |   |  | <b>Post-<br/>Emergence<br/>6/30/08</b> |
|   |   | <b>Exit<br/>Financing <sup>(c)</sup></b>    | <b>Cash<br/>Settlement <sup>(d)</sup></b> | <b>Non-Cash<br/>Settlement <sup>(e)</sup></b> | <b>Write-Offs and<br/>Reclass <sup>(f)</sup></b> |  |
| <b>ASSETS</b>                                     |   |   |   |   |  |  |
| Cash and Cash Equivalents                         | \$ -  | \$ 13,553                                   | \$ (13,553)                               | \$ -  | \$ -   | \$ -                                   |
| Accounts Receivable                               | 5,061   | -   | -   | -   | (5,061)  | -                                      |
| SAR Account                                       | 36,103  | -   | (36,103)                                  | -   | -  | -                                      |
| Prepaid Assets                                    | 8,373   | -   | -   | -   | (8,373)  | -                                      |
| Other Current Assets                              | 240   | -   | -   | -   | (240)  | -                                      |
| <b>Total Current Assets</b>                       | <b>49,777</b>                                   | <b>13,553</b>                               | <b>(49,656)</b>                           | <b>-</b>                                      | <b>(13,674)</b>                                  | <b>-</b>                               |
| PP&E and Timberlands                              | 241,411   | -   | -   | (180,435)                                     | (30,976)   | 30,000                                 |
| Other Non-Current Assets                          | 609   | -   | -   | -   | (609)  | -                                      |
| <b>Total Non-Current Assets</b>                   | <b>242,020</b>                                  | <b>-</b>                                    | <b>-</b>                                  | <b>(180,435)</b>                              | <b>(31,585)</b>                                  | <b>30,000</b>                          |
| <b>Total Assets</b>                               | <b>\$ 291,797</b>                               | <b>\$ 13,553</b>                            | <b>\$ (49,656)</b>                        | <b>\$ (180,435)</b>                           | <b>\$ (45,259)</b>                               | <b>\$ 30,000</b>                       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |   |   |   |   |  |  |
| Accounts Payable and Accrued Expenses             | \$ 11,989                                       | \$ -  | \$ (10,777)                               | \$ -  | \$ (1,213)                                       | \$ -                                   |
| Scopac Line of Credit                             | 37,877  | -   | (37,877)                                  | -   | -  | -                                      |
| <b>Total Current Liabilities</b>                  | <b>49,866</b>                                   | <b>-</b>                                    | <b>(48,654)</b>                           | <b>-</b>                                      | <b>(1,213)</b>                                   | <b>-</b>                               |
| Exit Financing - Revolver                         | -   | 101,689                                     | -   | -   | -  | 101,689                                |
| New Timber Notes                                  | -   | -   | -   | -   | -  | -                                      |
| Unsecured Obligations                             | -   | -   | -   | -   | -  | -                                      |
| <b>Total Non-Current Liabilities</b>              | <b>-</b>  | <b>101,689</b>                              | <b>-</b>                                  | <b>-</b>                                      | <b>-</b>   | <b>101,689</b>                         |
| <b>Total Liabilities Subject to Compromise</b>    | <b>807,706</b>                                  | <b>-</b>                                    | <b>(1,003)</b>                            | <b>(804,703)</b>                              | <b>(2,000)</b>                                   | <b>-</b>                               |
| <b>Stockholders' Equity</b>                       | <b>(565,775)</b>                                | <b>(88,135)</b>                             | <b>0</b>                                  | <b>624,268</b>                                | <b>(42,047)</b>                                  | <b>(71,689)</b>                        |
| <b>Total Liabilities and Stockholders' Equity</b> | <b>\$ 291,797</b>                               | <b>\$ 13,553</b>                            | <b>\$ (49,656)</b>                        | <b>\$ (180,435)</b>                           | <b>\$ (45,259)</b>                               | <b>\$ 30,000</b>                       |

*See accompanying notes to pro forma Projected Balance Sheet.*

**REORGANIZED SCOPAC**  
**NOTES TO PRO FORMA PROJECTED BALANCE SHEET**

- a. The pre-emergence balance sheet reflects actual results through November 30, 2007 and forecasted results for the seven months ending June 30, 2008. The balance sheet has been further adjusted to reflect, among other things, the Debtors' most recent estimates for prepetition claims.
- b. Adjustments to reflect proceeds from the Scopac Exit Financing, the cash payments required pursuant to the Plan, conversion of certain claims to equity, issuance of new obligations in respect of the Scopac General Unsecured Claims, and the write-off of the remaining Liabilities Subject to Compromise not otherwise paid in cash or with new obligations, consistent with the Scopac's proposed treatment of such claims under the Plan.

The Projections do not reflect the implementation of fresh start accounting pursuant to Statement of Position 90-7 as issued by the AICPA. The Debtors' accountants are reviewing whether treatment under SOP 90-7 would be required. The implementation of SOP 90-7, should it be required, is not anticipated to have a material impact on the underlying economics of the Plan.

- c. Reflects \$101.7 million drawn on the \$135.0 million Scopac Exit Financing to be used to fund an intercompany transfer of \$88.1 million to Palco and cash payments required under the Alternative Plan, as described in (d) below.
- d. Reflects the following payments to be made pursuant to the Plan: (i) the Scopac Line of Credit and accrued interest thereon (\$37.9 million), (ii) Administrative Claims (\$10.0 million), (iii) and priority and convenience class claims (\$0.7 million).
- e. Reflects the exchange of \$814.8 million of Timber Note principle and accrued interest through June 30, 2008 for the Commercial Timberlands and the write-off of the A-2 discount carried on the balance sheet (\$10.2 million).
- f. Reflects the write-off of the book value of remaining Scopac operating assets remaining after the transfer of the Commercial Timberlands, and the write-off of intercompany receivables and payables.

3. *Reorganized Development (formerly Palco) and Reorganized Scopac – Consolidated Projections of Cash Flows and Liabilities(Unaudited) (As of June 30, 2008)*

| <b>Consolidated Cash Flows and Capital Structure</b> |                  |                |             |             |             |             |             |             |             |
|--|------------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>(\$'s in 000s)</i>                                |                  |                |             |             |             |             |             |             |             |
|  | <u>Emergence</u> | <u>2H 2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| <u>Preserve Project Gross Proceeds</u>               |                  |                |             |             |             |             |             |             |             |
| Ancient Redwood Groves                               | \$               | -              | \$ -        | \$ 398,400  | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Redwood Preserve Development                         |                  | -              | -           | 100,000     | 103,000     | 106,090     | 109,273     | 112,551     | 191,280     |
| Total Gross Proceeds                                 |                  | -              | -           | 498,400     | 103,000     | 106,090     | 109,273     | 112,551     | 191,280     |
| <u>Preserve Project Costs</u>                        |                  |                |             |             |             |             |             |             |             |
| Ancient Redwood Groves                               |                  | -              | -           | (3,984)     | -           | -           | -           | -           | -           |
| Redwood Preserve Development                         |                  |                |             |             |             |             |             |             |             |
| Marketing (8%)                                       |                  | -              | -           | (8,000)     | (8,240)     | (8,487)     | (8,742)     | (9,004)     | (15,302)    |
| Construction / Development Costs                     |                  | (1,000)        | (1,000)     | (24,000)    | (24,000)    | -           | -           | -           | -           |
| Developer Profit (15%)                               |                  | -              | -           | (10,200)    | (10,614)    | (14,640)    | (15,080)    | (15,532)    | (26,397)    |
| Total Costs  |                  | (1,000)        | (1,000)     | (46,184)    | (42,854)    | (23,128)    | (23,821)    | (24,536)    | (41,699)    |
| Net Pre-Tax Proceeds Before Financing                |                  | (1,000)        | (1,000)     | 452,216     | 60,146      | 82,962      | 85,451      | 88,015      | 149,581     |
| <u>Other Cash Flows</u>                              |                  |                |             |             |             |             |             |             |             |
| Pension Payments                                     |                  | (1,349)        | (1,170)     | (10,481)    | -           | -           | -           | -           | -           |
| Interest - Unsecured Obligations                     |                  | (417)          | (833)       | (417)       | -           | -           | -           | -           | -           |
| Unsecured Obligation Repayments                      |                  | -              | -           | (10,100)    | -           | -           | -           | -           | -           |
| Interest - Revolver                                  |                  | (3,640)        | (7,749)     | (4,028)     | -           | -           | -           | -           | -           |
| Revolver Borrowings / (Repayments)                   |                  | 4,640          | 8,749       | (115,080)   | -           | -           | -           | -           | -           |
| Net Cash Flow  |                  | (1,766)        | (2,003)     | 312,111     | 60,146      | 82,962      | 85,451      | 88,015      | 149,581     |
| Ending Cash Balance                                  | -                | (1,766)        | (3,769)     | 308,342     | 368,488     | 451,450     | 536,902     | 624,917     | 774,498     |
| <u>Pro Forma Liabilities Balance</u>                 |                  |                |             |             |             |             |             |             |             |
| New Revolver / Other Financing                       | 101,690          | 106,330        | 115,080     | -           | -           | -           | -           | -           | -           |
| Pension Obligation                                   | 13,000           | 11,651         | 10,481      | -           | -           | -           | -           | -           | -           |
| General Unsecured Obligation                         | \$ 10,100        | \$ 10,100      | \$ 10,100   | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |

*See accompanying notes to pro forma Projected Balance Sheet.*

**REORGANIZED DEVELOPMENT COMPANY (OLD PALCO)  
AND REORGANIZED SCOPAC**

**SIGNIFICANT PROJECTION ASSUMPTIONS**

The Debtors, with the assistance of their retained professionals, prepared the Alternative Projections. The Alternative Projections represent, to the best of the Debtors' knowledge and belief, the Debtors' projected cash flows for the five years ended December 31, 2015 and reflect the Debtors' judgment as of February 21, 2008, the date that the Alternative Projections were published.

On February 20, 2008, Palco informed Scopac that it would not have sufficient liquidity to pay for the logs delivered during January 2008. Palco is engaged in discussions with Scopac regarding a resolution. As the ultimate resolution is uncertain at the time of the preparation of these projections, no adjustment has been made to these projections related to impacts that may result. It is not anticipated that alternate means by which Palco may finance its log purchases from Scopac will have a material impact on the underlying economics of the Alternative Plan.

**General Assumptions**

*a. Methodology*

In the Alternative Plan of Reorganization, upon emergence, Reorganized Development Company (formerly Palco) has no operating assets and the following liabilities: (i) the unsecured obligations of \$10.1 million issued to general unsecured claimants, (ii) the pension obligation of approximately \$13.0 million, and (iii) the workers' compensation obligation of \$8.6 million (for which it has an \$8.6 million deposit held in respect of). Reorganized Scopac's remaining assets include the two components of the Preserve Project, the Ancient Redwood Groves and the Redwood Village Development. Both Reorganized Development Company and Reorganized Scopac continue to hold and pursue the Headwaters Litigation. Given the difficulty to predict the ultimate outcome of such litigation, no estimate is included within the projections for recovery amounts that may be realized. Given Reorganized Development Company is simply a holding company for Reorganized Scopac, the Projections for Reorganized Development Company and Reorganized Scopac have been presented on a consolidated basis.

*b. Accounting Policies*

The Projections do not reflect the implementation of fresh start accounting pursuant to Statement of Position 90-7 as issued by the AICPA. The Debtors' accountants are reviewing whether treatment under SOP 90-7 would be required. The implementation of SOP 90-7, should it be required, is not anticipated to have a material impact on the underlying economics of the Plan.

*c. Tax Structure*

The Debtors are still evaluating the tax implications under the Alternative Plans. As such, the Alternative Projections for Reorganized Development Company and Reorganized ScoPac do not reflect any impact of federal or state taxes arising from asset dispositions. The Debtors do not believe that the choice of tax structure will have impact on the underlying economics of the plan for creditors.

d. *Plan Consummation Date*

The Projections assume the Plan will be consummated on June 30, 2008. The Debtors do not believe a change in the assumed date of the consummation of the Plan by a couple of months will materially impact the post-confirmation capital structure or the underlying economics of the Plan.

e. *Asset Sales*

The Reorganized Scopac business plan includes the sale of higher-and-better-use properties as follows:

- i. Ancient Redwood Groves – The Projections assume the sale, in 2010, of the approximately 6,600 acres of Ancient Redwood Groves for net proceeds of approximately \$394.4 million (net of \$4.0 million of related costs). The estimate of proceeds is based on the appraisal work performed by the Debtors' valuation consultant, Greenfield Advisors, and reflects Greenfield's view of the third-party interest in such timberlands.
- ii. Redwood Village Development – The Projections assume sales during 2010 through 2015 of approximately 22,000 acres of timberlands pursuant to a development strategy prepared with the assistance of Greenfield. Consistent with similar redevelopments implemented throughout the United States, the Debtors intend to commence the process of the design, development, and marketing of the approximately 22,000 acres of timberlands (subject to, among other things, regulatory approvals) into one hundred and thirty-three parcels for sale to the general public. Each purchaser of a parcel will also receive an undivided common area interest ownership in the remaining preserved acreage. Gross proceeds from the sale of the parcels are expected to be approximately \$722.0 million. The Projections also include the related development, marketing, and developer profit costs in the aggregate amount of \$200.0 million. The estimated proceeds from the Redwood Village Development project are based upon detailed appraisals and analysis performed by Greenfield.

The Debtors remain committed to working hand-in-hand with local, state, and federal constituents to ensure that the development project not only complies with all applicable laws and regulations, but also is supported at every level of government. The Debtors continue to evaluate alternative project configurations which address the needs and concerns of regulatory agencies while at the same time maximizing the success of the project. The development project may ultimately vary in design and configuration, and consequently the projected timing and amounts of cash flows may be adjusted. However, the Debtors do not believe that

any such adjustments will materially impact the underlying economics of the Plan or its feasibility.

*f. Debt*

Reorganized Palco is assumed to issue \$10.1 million of 8.25% seven-year obligations to holders of General Unsecured Claims. For purposes of the Alternative Projections, Reorganized Scopac's Exit Financing will consist of an estimated \$135.0 million revolving line of credit assuming a market rate of interest. Scopac projects to draw approximately \$101.7 million to fund the emergence from chapter 11. The Debtors will be seeking both debt and equity exit financing, and to the extent new equity financing is raised, it will reduce the level of debt financing required.

*g. Other Liabilities*

Other liabilities at Reorganized Development Company (formerly Palco) represent surviving pension and workers' compensation obligations.

*h. Shareholders' Equity*

Pursuant to the Alternative Plan, existing equity of Palco and Scopac will revert in the new successor entities, Reorganized Development Company and Reorganized Scopac, respectively.