

Pacific Lumber Co. and Britt Lumber Co. - 13 Week Cash Budget for July 5 - October 3, 2008

	Actual	Budget													Totals 7/5 - 10/3
	Week 0 Ending	1	2	3	4	5	6	7	8	9	10	11	12	13	
	7/4	7/11	7/18	7/25	8/1	8/8	8/15	8/22	8/29	9/5	9/12	9/19	9/26	10/3	
Operating Cash Receipts															
Lumber Sales	\$ 994	\$ 1,137	\$ 1,049	\$ 2,471	\$ 1,217	\$ 1,256	\$ 1,230	\$ 1,211	\$ 1,221	\$ 1,420	\$ 1,420	\$ 1,135	\$ 1,382	\$ 1,438	\$ 17,585
Log Sales	(86)	300	-	-	-	-	-	-	-	-	-	-	-	-	300
Chips	28	-	-	20	-	30	-	-	20	-	20	-	40	-	130
By-Products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Power Sales, Town and Other (6)	245	50	75	50	70	630	70	70	70	250	70	70	70	270	1,815
Cash Receipts	1,181	1,487	1,124	2,541	1,287	1,916	1,300	1,281	1,311	1,670	1,510	1,205	1,492	1,708	19,830
Payroll and Benefits (1)															
Palco Payroll	7	383	-	365	-	380	-	380	-	-	380	-	-	-	1,888
Palco Payroll Taxes/401K	6	230	-	230	-	230	-	230	-	-	230	-	-	-	1,150
Scopac Reimbursement	-	-	-	(65)	-	-	-	(65)	-	-	-	(65)	-	-	(195)
Medical, Workers Comp. and Pharmacy	62	135	135	135	135	135	135	135	125	125	125	125	125	125	1,695
Subtotal - Payroll and Benefits	76	748	135	665	135	745	135	680	125	125	735	60	125	125	4,538
Operating Expenses (1)															
Scopac Payments	-	-	-	4,733	-	-	-	4,463	-	-	-	-	4,463	-	13,658
Roads & Reforestation Reimbursement	-	-	-	(400)	-	-	-	(400)	-	-	-	(500)	-	-	(1,300)
Repayment of Scopac Arrears (Net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Scopac Other Reimbursements to Palco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Logging Contractors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Log Purchases	-	100	-	-	-	-	100	-	-	-	-	-	-	-	200
Roads, Reforestation and Environmental Compliance (2)	56	150	130	130	130	125	124	138	158	181	205	228	240	251	2,190
Insurance (Including Maxxam Reimbursement) (5)	185	-	-	-	106	-	-	-	-	106	-	-	-	-	213
Taxes	-	-	-	-	-	15	-	42	-	-	-	-	-	-	57
Other Palco Operating and Capex	211	230	240	240	241	235	230	235	221	223	219	220	220	220	2,974
Britt Expenses	14	12	13	13	14	14	14	13	14	14	15	15	15	15	181
Pension	-	-	160	-	-	-	-	-	-	-	-	410	-	-	570
Power Plant	46	135	130	121	120	134	141	149	141	154	158	170	170	170	1,893
Town	12	15	15	15	15	15	15	15	15	15	15	15	15	15	195
Subtotal - Operating Expenses	524	642	688	4,852	626	523	639	4,613	591	693	612	1,058	4,623	671	20,831
Cash Flow From Operations	581	97	301	(2,976)	525	648	526	(4,012)	595	851	163	87	(3,255)	912	(5,538)
Restructuring and Other (1) (3)															
DIP/Revolver/Term Interest and Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	467	467
DIP Lender Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Palco Legal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Palco Financial Advisory/Appraisal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Creditors' Committee Professionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Severance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Sales and Development Costs	-	5	5	5	5	5	5	5	5	5	5	5	5	5	65
Recovery from Asset Sales (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	8	10	10	10	10	10	10	10	10	10	10	10	10	10	130
Subtotal - Restructuring and Other	8	15	15	15	15	15	15	15	15	15	15	15	15	15	482
Total Outflows	608	1,405	838	5,532	776	1,283	789	5,308	731	833	1,362	1,133	4,763	1,278	26,031
Net Cash Flow	573	82	286	(2,991)	510	633	511	(4,027)	580	836	148	72	(3,270)	430	(6,200)
Timing "Reserve"															
Beginning Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Day Loan Balance	45,190	45,190	45,190	45,190	45,190	45,190	45,190	45,190	45,190	45,190	45,190	45,190	45,190	45,190	45,190
Revolver Borrowing (Payment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revolver Balance	29,810	29,810	29,810	29,810	29,810	29,810	29,810	29,810	29,810	29,810	29,810	29,810	29,810	29,810	29,810
Cumulative Cash Position	\$ 1,937	\$ 2,018	\$ 2,304	\$ (686)	\$ (176)	\$ 457	\$ 968	\$ (3,059)	\$ (2,479)	\$ (1,643)	\$ (1,495)	\$ (1,424)	\$ (4,694)	\$ (4,264)	\$ (4,264)
Marathon pik'd Interest															
Marathon pik'd Interest	-	934	3,351	3,351	3,818	3,818	3,818	3,818	4,285	4,285	4,285	4,285	4,285	4,285	4,285
DIP Lender Expenses	-	5,292	-	-	10	-	-	-	-	-	-	-	-	-	5,302
Palco Legal	-	2,732	917	140	-	-	917	-	-	-	279	-	-	-	4,984
Palco Financial Advisory/Appraisal	-	1,282	-	132	-	-	-	-	-	-	-	-	-	-	1,414
Creditors' Committee Professionals	-	739	-	140	-	-	-	-	-	-	-	-	-	-	879
Total weekly accrual of prof. fees & Interest	-	10,044	917	411	10	-	917	-	411	-	279	-	-	-	12,578
Cumulative Deferred Fees & Interest															
Cumulative Deferred Fees & Interest	-	10,978	14,312	14,723	15,200	15,200	16,117	16,117	16,584	16,584	16,863	16,863	16,863	16,863	16,396

(1) Pre-petition amounts may still be included within these categories and therefore are still subject to identification and reclassification. Such payments subject to Court order or written consent from Marathon.

(2) Includes normal funding for all resource management, environmental protection, remediation and mitigation measures for timber harvest, waste discharge and streambank modification planning.

(3) Marathon does not grant consent for legal/financial fees related to valuation litigation.

(4) All "out of the ordinary course" sales of collateral shall be subject to the consent of Marathon in its sole and absolute discretion.

(5) The premium payments reflected are per a signed premium financing agreement as of 06/18/08 subject to adjustment as final agreement on coverage and premium occurs.

(6) There is a \$300K accrual for additional power receivables over the period presented related to increased rates for an amendment to the power purchase agreement. This accrual is not reflected in the numbers presented above. Payment of the \$300K will occur when (and if) the amendment is approved by the California PUC.