

## **Exhibit D**

Pro Forma Financial Projections

**EXHIBIT D**  
**Responsibility for and Purpose of the Projections**

For purpose of demonstrating the feasibility of the 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. 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 and strategies or forward looking projections of the results of operations and cash flows and of 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 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 Plan will be implemented in accordance with its stated terms and that consummation of the Plan occurs on December 31, 2007. Consistent with the Plan, the projected financial results reflect the consolidation of Palco and Scopac the elimination of all intercompany accounts and the termination of all of the Intercompany Contracts.

The Projections present, to the best of the Debtors' knowledge and belief, Reorganized Palco's results of operations, cash flows and financial position for the five years ended on December 31, 2012 and reflect the Debtors' judgment as of September 30, 2007, 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 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 8 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 THE COMPANY'S 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 DETERMINATIONS OF WHETHER TO ACCEPT OR REJECT THE PLAN.**

1. *Pro Forma Post Effective Date Consolidated Balance Sheet (Unaudited)  
(As of December 31, 2007)*

The following table provides a reconciliation of the Debtors' projected December 31, 2007 pre-emergence balance sheet to the projected December 31, 2007 post-emergence balance sheet of Reorganized Palco.

**Reorganized Palco Balance Sheet**  
(\$'s in 000s)

	Pre-Emergence <sup>(a)</sup>				Post Emergence <sup>(b)</sup>			Pro Forma 12/31/2007
	Palco	Scopac	Eliminations	Consolidated	Exit Financing <sup>(c)</sup>	Cash Payments <sup>(d)</sup>	Reclass LSTC	
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ -	\$ 2,657	\$ -	\$ 2,657	\$ 21,709	\$ (19,366)	\$ -	\$ 5,000
Accounts Receivable	9,116	7,581	(3,748)	12,949	-	-	-	12,949
Inventories	32,934	-	-	32,934	-	-	-	32,934
SAR Account	-	39,214	-	39,214	-	(39,214)	-	-
Other Current Assets	19,078	5,941	-	25,020	-	-	-	25,020
Total Current Assets	61,129	55,394	(3,748)	112,775	21,709	(58,581)	-	75,903
PP&E and Timberlands	74,236	242,660	-	316,896	-	-	-	316,896
Other Non-Current Assets	13,955	1,066	-	15,021	4,000	-	-	19,021
Total Non-Current Assets	88,191	243,725	-	331,916	4,000	-	-	335,916
<b>Total Assets</b>	<b>\$ 149,319</b>	<b>\$ 299,120</b>	<b>\$ (3,748)</b>	<b>\$ 444,691</b>	<b>\$ 25,709</b>	<b>\$ (58,581)</b>	<b>\$ -</b>	<b>\$ 411,819</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>								
Accounts Payable and Accrued Expenses	\$ 8,730	\$ 11,094	\$ (248)	\$ 19,576	\$ -	\$ (15,500)	\$ 6,540 <sup>(e)</sup>	\$ 10,616
Scopac Line of Credit	-	37,567	-	37,567	-	(37,567)	-	-
Total Current Liabilities	8,730	48,660	(248)	57,142	-	(53,067)	6,540	10,616
DIP Financing	75,300	-	-	75,300	(75,300)	-	-	-
Exit Financing - Revolver	-	-	-	-	38,146	-	-	38,146
Exit Financing - Term Loan	-	-	-	-	150,000	-	-	150,000
Timber Cash Pay and Timber PIK Notes	-	-	-	-	-	-	788,078 <sup>(f)</sup>	788,078
Unsecured Notes	-	-	-	-	-	-	4,159 <sup>(g)</sup>	4,159
Other Liabilities	659	-	-	659	-	-	26,515 <sup>(h)</sup>	27,174
Total Non-Current Liabilities	75,959	-	-	75,959	112,846	-	818,752	1,007,557
<b>Total Liabilities Subject to Compromise</b>	<b>171,742</b>	<b>780,452</b>	<b>(3,500)</b>	<b>948,694</b>	<b>(87,137)</b>	<b>(5,514)</b>	<b>(856,043)</b>	<b>-</b>
<b>Stockholders' Equity</b>	<b>(107,112)</b>	<b>(529,992)</b>	<b>-</b>	<b>(637,104)</b>	<b>-</b>	<b>-</b>	<b>30,751<sup>(i)</sup></b>	<b>(606,353)</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 149,319</b>	<b>\$ 299,120</b>	<b>\$ (3,748)</b>	<b>\$ 444,691</b>	<b>\$ 25,709</b>	<b>\$ (58,581)</b>	<b>\$ -</b>	<b>\$ 411,819</b>

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

## NOTES TO PRO FORMA PROJECTED CONSOLIDATED BALANCE SHEET

- a. The pre-emergence balance sheet reflects actual results through July 31, 2007 and forecasted results for the five months ending December 31, 2007. 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 Exit Financing, the cash payments required pursuant to the Plan and the reclassification of the remaining Liabilities Subject to Compromise not otherwise paid in cash consistent with the Debtors' proposed treatment of such claims under the Plan. Further, the implementation of fresh start accounting pursuant to Statement of Position 90-7 as issued by the AICPA is assumed not required; however, this assumption is still under review by the Debtors' accountants. The implementation of SOP 90-7, should it be required, is not anticipated to have a meaningful impact on the underlying economics of the Plan.
- c. Proceeds of the anticipated \$250.0 - \$275.0 million Exit Financing to be used to repay, among other things, the existing DIP facility and the Palco Term Loan and to provide cash to fund other cash payments required under the Plan as described in (d) below. Accrued default interest on the Palco Term Loan in the estimated amount of \$1.7 million is assumed not paid.
- d. Reflects the following payments to be made pursuant to the Plan: (i) the Scopac Line of Credit and accrued interest thereon (\$37.6 million), (ii) accrued chapter 11 professional fees (\$15.5 million), (iii) and trade, current employee claims, and priority claims (\$5.5 million).
- e. Represents reclassification of the current portion of pension, OPEB, and workers' compensation obligations from Liabilities Subject To Compromise.
- f. Represents the restructuring of the existing Prepetition Timber Notes (including accrued interest through the effective date) into Reorganized Timber Notes, as proposed under the Plan.
- g. Unsecured notes issued to each holder of a General Unsecured Claim, other than trade and current employee claims, which are paid in cash pursuant to the Plan.
- h. Reflects the reclassification of the long-term portion of pension, OPEB, workers' compensation obligations, and all deferred tax liabilities from Liabilities Subject to Compromise.
- i. Reflects the conversion to equity of amounts due to MAXXAM, offset by the write-off of the Prepetition Timber Note discount.

j. *Projected Consolidated Financial Statements (Unaudited)*

**Reorganized Palco Balance Sheet**

(\$'s in 000s)

Year Ended December 31,	Pro Forma 12/31/2007	Projected				
		2008	2009	2010	2011	2012
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Accounts Receivable	12,949	6,285	11,396	11,730	12,075	12,430
Inventories	32,934	33,118	19,817	20,411	21,024	21,654
Other Current Assets	25,020	23,962	27,041	49,178	71,313	58,952
Total Current Assets	75,903	68,365	63,253	86,320	109,412	98,036
PP&E and Timberlands	316,896	310,066	303,591	295,366	287,554	280,108
Other Non-Current Assets	19,021	17,307	16,355	15,555	14,755	13,955
Total Non-Current Assets	335,916	327,373	319,946	310,921	302,309	294,063
<b>Total Assets</b>	<b>\$ 411,819</b>	<b>\$ 395,738</b>	<b>\$ 383,199</b>	<b>\$ 397,241</b>	<b>\$ 411,721</b>	<b>\$ 392,099</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Accounts Payable and Accrued Expenses	\$ 10,616	\$ 10,442	\$ 9,895	\$ 9,903	\$ 9,912	\$ 9,922
Total Current Liabilities	10,616	10,442	9,895	9,903	9,912	9,922
Exit Financing - Revolver	38,146	59,384	16,737	33,883	60,526	64,020
Exit Financing - Term Loan	150,000	150,000	148,500	147,000	145,500	144,000
Timber Cash Pay and Timber PIK Notes	788,078	829,896	494,437	499,694	495,938	400,891
Unsecured Notes	4,159	2,772	1,386	-	-	-
Other Liabilities	27,174	25,174	24,074	24,074	24,074	24,074
Total Non-Current Liabilities	1,007,557	1,067,227	685,135	704,651	726,038	632,985
<b>Stockholders' Equity</b>	<b>(606,353)</b>	<b>(681,932)</b>	<b>(311,831)</b>	<b>(317,314)</b>	<b>(324,230)</b>	<b>(250,808)</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 411,819</b>	<b>\$ 395,738</b>	<b>\$ 383,199</b>	<b>\$ 397,241</b>	<b>\$ 411,721</b>	<b>\$ 392,099</b>

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

**Reorganized Palco Income Statement**

(\$'s in 000s)

Year ended December 31,	Projected				
	2008	2009	2010	2011	2012
<b>REVENUES</b>					
Wood Products	\$ 83,538	\$ 151,439	\$ 157,959	\$ 164,773	\$ 171,893
Power Plant	10,800	10,800	12,000	12,000	12,000
Town	2,136	1,399	-	-	-
<b>Total Sales</b>	<b>96,474</b>	<b>163,638</b>	<b>169,959</b>	<b>176,773</b>	<b>183,893</b>
<b>COSTS AND OPERATING EXPENSES</b>					
Cost of Goods Sold	37,348	101,067	103,378	108,730	112,718
Power Plant	12,000	12,000	12,000	12,000	12,000
Town	1,440	625	-	-	-
Selling, General & Administrative	10,876	10,959	11,044	11,132	11,222
<b>Total Operating Expenses</b>	<b>61,664</b>	<b>124,651</b>	<b>126,422</b>	<b>131,862</b>	<b>135,940</b>
<b>EBITDAR</b>	<b>34,810</b>	<b>38,988</b>	<b>43,537</b>	<b>44,911</b>	<b>47,953</b>
Restructuring Expense	(2,750)	-	-	-	-
Depletion, Depreciation & Amortization	(18,964)	(18,042)	(17,905)	(17,826)	(17,806)
<b>EBIT</b>	<b>13,095</b>	<b>20,945</b>	<b>25,633</b>	<b>27,086</b>	<b>30,147</b>
Gain on Asset Sales	3,703	427,492	27,499	26,419	106,321
Interest Expense	(92,377)	(76,996)	(58,615)	(60,421)	(56,045)
<b>Pre-Tax Income</b>	<b>(75,578)</b>	<b>371,442</b>	<b>(5,483)</b>	<b>(6,916)</b>	<b>80,423</b>
Income Taxes	-	(1,341)	-	-	(7,001)
<b>Net Income</b>	<b>\$ (75,578)</b>	<b>\$ 370,101</b>	<b>\$ (5,483)</b>	<b>\$ (6,916)</b>	<b>\$ 73,422</b>

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

## Reorganized Palco Cash Flow Statement

(\$'s in 000s)

Year Ended December 31,	Projected				
	2008	2009	2010	2011	2012
<b>OPERATING ACTIVITIES</b>					
Net Income / (Loss)	\$ (75,578)	\$ 370,101	\$ (5,483)	\$ (6,916)	\$ 73,422
Depreciation	18,964	18,042	17,905	17,826	17,806
Other	38,915	(399,412)	(16,769)	(25,619)	(105,521)
<i>Changes in Operating Assets and Liabilities</i>					
Accounts Receivables	6,664	(5,110)	(335)	(345)	(355)
Inventories	(184)	13,301	(595)	(612)	(631)
Accounts Payable	585	(542)	9	9	9
Other	(1,597)	(1,185)	(137)	(135)	(139)
<b>Cash Flow from Operating Activities</b>	<b>(12,231)</b>	<b>(4,805)</b>	<b>(5,405)</b>	<b>(15,792)</b>	<b>(15,408)</b>
<b>INVESTING ACTIVITIES</b>					
Gross Proceeds from Asset Sales	12,850	450,688	35,027	25,099	156,409
Cost of Asset Sales	(9,250)	(26,196)	(29,528)	(20,680)	(37,588)
Capital Expenditures	(11,221)	(11,415)	(9,680)	(10,013)	(10,360)
<b>Cash from Investing Activities</b>	<b>(7,621)</b>	<b>413,077</b>	<b>(4,181)</b>	<b>(5,594)</b>	<b>108,461</b>
<b>FINANCING ACTIVITIES</b>					
Exit Financing - Revolver Draw / (Paydown)	21,238	(42,648)	17,146	26,643	3,494
Principle Amortization	(1,386)	(365,625)	(7,561)	(5,256)	(96,547)
<b>Cash Flow from Financing Activities</b>	<b>19,852</b>	<b>(408,272)</b>	<b>9,586</b>	<b>21,386</b>	<b>(93,053)</b>
Beginning Cash Balance	5,000	5,000	5,000	5,000	5,000
Net Change in Cash	-	-	-	-	-
<b>Ending Cash Balance</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>

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

## **Summary of Significant Projection Assumptions and Accounting Policies**

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' expected financial position, results of operations, and cash flows for the five years ended December 31, 2012 and reflect the Debtors' judgment as of September 30, 2007, the date that the Projections were published.

### **Accounting Policies**

The Projections have been prepared using accounting policies that are materially consistent with those applied in the Debtors' historical financial statements. Further, the implementation of fresh start accounting pursuant to Statement of Position 90-7 as issued by the AICPA is assumed not required; however, this assumption is still under review by the Debtors' accountants. The implementation of SOP 90-7, should it be required, is not anticipated to have a meaningful impact on the underlying economics of the Plan.

### **General Assumptions**

- a. *Methodology* – The Projections were separately prepared for each of the Debtors' operations, including timber operations, milling operations (including non-core town operations) and power plant operations. Consistent with the merger described in Section 4.3 of the Plan, the operations have been combined into one enterprise; consequently, all intercompany accounts and transactions have been eliminated and all Intercompany Contracts between Palco and Scopac are assumed terminated.
- b. *Plan Consummation and Effective Date* – The Projections assume the Plan will be consummated on December 31, 2007. The Debtors believe that delays in the consummation of the Plan will not materially impact the post-confirmation capital structure except for, among other things, the level of chapter 11 professional fees that will be incurred during the extended chapter 11.
- c. *Harvest Projections* – The Projections are based upon a fifty (50) 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 Ranch Development project (as defined and described below) have been excluded from the timber harvest plan. With respect to the remaining timberlands, the projection of harvest volumes are based upon levels that are intended to maximize the value of the timberlands over the long-term and accordingly, are at below legally permissible levels.

### *Asset Sales*

- i. Town Assets – Consistent with the Debtors' pre-petition efforts, beginning in 2008, the Projections include approximately \$62.0 million of net proceeds (net of \$16.0 million of related costs) received from the sale of Palco town assets such as the town of Scotia residential homes, school and other commercial

property and real estate. The assumed proceeds are based on a recent Cushman & Wakefield appraisal of such properties.

- ii. Marbled Murrette Conservation Areas (Ancient Redwood Groves) – The Projections assume the sale, in 2009, of the approximately 6,600 acres of the non-harvestable Ancient Redwood Groves for net proceeds of approximately \$398.0 million (net of \$17.0 million of related costs). The estimate of proceeds are based on the appraisal work performed by the Debtors’ valuation consultant, Greenfield, and reflects Greenfield’s view of the third-party interest in such timberlands. The Debtors are in the process of completing a more detailed marketing strategy for the sale of the Ancient Redwood Groves. This plan is intended to be commenced during the fourth quarter of 2007, subject to confirmation of the Debtors’ Plan.
  - iii. Redwood Ranch Development – The Projections assume sales during 2012 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-six (136) one hundred and sixty (160) acre ranches for sale to the general public. Proceeds, net of developer commissions, from the sale of the ranches are expected to be approximately \$680.0 million. The Projections also include the related development, construction, and marketing costs in the aggregate amount of \$130.0 million. The estimated proceeds from the Redwood Ranch Development project are based upon detailed appraisals performed by Greenfield.
  - iv. Other Timber Sales – \$36.0 million in net proceeds is assumed to be received from 2009 through 2012 from the sale of the 1,393 acres known as Hole in the Headwaters.
- d. *Tax Attributes* – At January 1, 2007, Palco had approximately \$200.0 million of federal net operating losses and approximately \$170.0 million of state net operating losses. In order to shelter the significant gains that are likely to result from the implementation of the asset sale programs described in d. above, MAXXAM has made available to Reorganized Palco an additional \$285.0 million of capital loss carry-forwards (the “Contributed Tax Assets”) that will be used to offset gains generated on the asset sales described above. The Projections assume that the Contributed Tax Assets are used to shelter the gains from the sale of the Ancient Redwood Groves. The remaining Palco net operating losses, including additional net operating losses generated by taxable losses incurred during the Projection period, are used to offset both gains on future asset sales and shield future income from taxation.

## **Projected Consolidated Statement of Operations**

- a. *Lumber Revenues* – Projected lumber revenues are based upon management’s forecast for lumber volumes and pricing by species and grade through 2009 and are then trended thereafter. The Projections assume lumber sales are forecasted to increase from approximately \$79.0 million in 2008 to approximately \$144.0 million in 2009 due to the reintroduction of a second shift of production. Underlying the revenue forecast is the assumption that housing markets stabilize in 2008 and 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 be held constant.

*Power Plant Revenues* – Power plant revenues are assumed to grow from \$12.5 million in 2007 to \$15.0 million per year by 2010 and then remain constant thereafter. The growth in power plant revenues is consistent with the return to a more normalized level of production assumed in the mill operations.

*Town Revenues* – Town revenues consist of rental income (based upon existing rent rolls) received on residential and commercial property. These amounts are projected to decline as town assets are sold pursuant to the asset sale program described above.

- b. *Cost of Goods Sold* – Cost of Goods Sold (COGS) includes costs related to the logging and milling operation as well as the cost of timber purchased by third parties. Based upon the harvest projection, Reorganized Palco is assumed to purchase 20.0% to 30.0% of required logs from third parties beginning in 2009. COGS is expected to grow from 39.0% of revenue in 2008 to 62.0% of revenue in 2009 and thereafter remain constant. This rise relates to an increase in purchases of third party logs.
- c. *Selling, General and Administrative Expenses* – Selling, General and Administrative (SG&A) expenses include accounting, legal, finance, and executive and administrative staff, and related costs associated with managing the integrated 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 expected to be completed in 2008. SG&A is expected to decline from 11.0% of sales in 2008 to 6.0% of sales in 2012 due to efficiencies resulting from the growth in lumber revenue. Inflation has been assumed to be 3.0%.
- d. *Power Plant and Town Expenses* – Represents costs of fuel, labor, and maintenance at the power plant, and costs of service and administration of the town. Town costs decline over time as the town assets are sold.

## **Projected Consolidated Balance Sheets and Statements of Cash flow**

- a. *Working Capital* – Consistent with past trends, the Projections assume working capital fluctuates with sales and production volumes during the Projection period, reflecting the long-term growth in the timber business over time. Current liabilities also include approximately \$10.0 million of short-term pension and workers’ compensation.

- b. *Capital Expenditures* – Capital expenditures represent mill improvement and maintenance projects and road construction, and other capitalized timberland-related costs, and are expected to remain relatively constant at approximately \$12.0 million annually 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.
- c. *Debt* - Long-term debt consists of the following:
- i. Exit Financing – Exit Financing will consist of a \$100.0 - \$125.0 million revolving line of credit (or such lesser amount as the Debtors may elect prior to the closing date) and a \$150.0 million term loan facility which are assumed to both have market rates of interest, minimum amortization requirements and other provisions for loans of this type. The Debtors will raise up to an additional \$75.0 million of financing under the Exit Financing to repurchase the Prepetition Timber Notes.
  - ii. Timberland Notes – \$400.0 million of 8.50%, seven-year Timberland Notes are issued to former Prepetition Timber Note holders pursuant to the Plan.
  - iii. Development Notes – \$388.0 million of 10.50%, seven-year maturity Development Notes are issued to former Prepetition Timber Note holders pursuant to the Plan. The notes will accrue PIK interest during the first three years becoming cash pay beginning in 2011, consistent with the anticipated receipt of Redwood Ranch Development sale proceeds. The notes will also have mandatory amortization of \$50.0 million per year beginning in 2012 and mandatory prepayment requirements equal to 85.0% of the net proceeds from Redwood Ranch Development sales, after payment of all related costs, including taxes. Additionally, should a prepayment upon the notes in the amount of \$300.0 million not occur within two years of issuance, the interest rate on the notes shall increase to 12.50%.
  - iv. Unsecured Notes – \$4.2 million of 8.25% three year notes are assumed issued to holders of General Unsecured Claims.
- d. *Other Liabilities* – Other liabilities represent primarily the long-term component of pension and workers’ compensation accruals (approximately \$16.0 million) and deferred tax liabilities (approximately \$7.0 million).
- e. *Shareholders’ Equity* – No dividends or other adjustments are assumed.