

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN OF REORGANIZATION. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE. THE PLAN PROONENTS ARE CONTINUING TO REVIEW THIS DISCLOSURE STATEMENT AND ANTICIPATE MAKING MODIFICATIONS AND ADDITIONAL DISCLOSURES PRIOR TO THE DISCLOSURE STATEMENT APPROVAL HEARING.

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In re

PT HOLDINGS COMPANY, INC., *et al.*¹
100 PAPER MILL HILL ROAD
PORT TOWNSEND, WA 98368
Debtors' Tax ID No. 91-1872662,

Debtors.

No. 07-10340 [Lead Case]

**AMENDED DISCLOSURE STATEMENT
FOR AMENDED PLAN OF
REORGANIZATION UNDER CHAPTER 11
OF THE BANKRUPTCY CODE JOINTLY
PROPOSED BY THE DEBTORS AND THE
INFORMAL COMMITTEE OF SENIOR
SECURED NOTEHOLDERS**

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 4:00 P.M., PREVAILING PACIFIC TIME, ON AUGUST 6, 2007 (THE "VOTING DEADLINE"), UNLESS EXTENDED BY THE PLAN PROONENTS. IN ORDER TO BE COUNTED, BALLOTS MUST BE RECEIVED BY SUCH TIME. HOLDERS OF SECURED NOTES MUST RETURN THEIR BALLOTS EARLIER THAN THE VOTING DEADLINE TO A "NOMINEE."

¹ The Debtors are PT Holdings Company, Inc., Port Townsend Paper Corporation and PTPC Packaging Co., Inc.

BUSH STROUT & KORNFIELD

Gayle E. Bush, Esq.
Christine M. Tobin, Esq.
Katriana L. Samiljan, Esq.
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone: 206.292.2110

Counsel for the Debtors

AKIN GUMP STRAUSS HAUER & FELD LLP

Michael S. Stamer, Esq.
590 Madison Avenue
New York, New York 10022
Telephone: 212.872.1000

James R. Savin, Esq.
Scott L. Alberino, Esq.
Joanna F. Newdeck, Esq.
1333 New Hampshire Avenue, N.W.
Washington D.C. 20036
Telephone: 202.887.4000

and

FOSTER PEPPER PLLC

Jack Cullen, Esq.
1111 3rd Avenue, Suite 3400
Seattle, WA 98101
Telephone: 206.447.4400

Counsel for the Informal Committee
of Senior Secured Noteholders

TABLE OF CONTENTS

I. INTRODUCTION	1
A. OVERVIEW	1
B. RESTRUCTURING BACKGROUND	3
1. Restructuring Term Sheet and Initial Plan.....	3
2. Amendments to Initial Plan and Restructuring Term Sheet	4
C. SUMMARY OF THE PLAN	4
D. VOTING AND CONFIRMATION PROCEDURES	8
1. Who May Vote.....	9
2. Voting Instructions and Voting Deadline	9
3. Specific Instructions For Holders Of Secured Notes Claims.....	10
4. Whom to Contact for More Information.....	11
5. Acceptance or Rejection of the Plan.....	12
6. Time and Place of the Confirmation Hearing	12
7. Objections to the Plan	12
II. BUSINESS DESCRIPTION AND REASONS FOR CHAPTER 11 FILINGS.....	13
A. BUSINESS OVERVIEW	13
1. Corporate History and Background	13
2. U.S. Operations	14
3. Canadian Operations	14
4. Marketing, Distribution and Customers.....	14
5. Competition.....	15
6. Seasonality	15
7. Environmental Regulatory Factors	16
8. Post-Petition Performance	17
B. PREPETITION CAPITAL STRUCTURE	17
1. Prepetition Credit Facility.....	17
2. The Secured Notes	17
3. Equity	18
C. DIRECTORS AND EXECUTIVE OFFICERS OF THE DEBTORS	18
D. EVENTS LEADING TO THE CHAPTER 11 CASES.....	21
1. Industry Factors	21
2. Operational Issues.....	21
3. Liquidity Constraints	22
4. Financial Reporting/Registration Delinquencies	22
E. SIGNIFICANT DEVELOPMENTS DURING THE CHAPTER 11 CASES.....	23

1	1. "First Day" Orders And Retention Of Professionals	23
	2. Employment Of Professionals	24
2	3. Appointment Of Creditors' Committee	25
	4. The Informal Committee Of Senior Secured Noteholders	25
3	5. Postpetition Financing	25
	6. Adequate Assurance To Utilities	26
4	7. General Claims Bar Date	26
	8. Loggers' Lien Claims Bar Date and Procedures	27
5	9. 503(b)(9) Claims Bar Date and Procedures	27
	10. Avoidance Actions	27
6	III. SUMMARY OF THE PLAN	28
7	A. INTRODUCTION	28
8	B. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS	28
9	1. Class 1 -- Other Secured Claims	29
	2. Class 2 -- Priority Claims	30
10	3. Classes 3A-3C -- Secured Notes Claims	30
	4. Classes 4A-4D -- General Unsecured Claims and Convenience Claims	31
11	5. Class 5 -- Intercompany Claims	31
	6. Class 6 -- Workers' Compensation Claims	32
12	7. Class 7 -- Subordinated Claims	32
	8. Classes 8A-8C -- Interests	32
13	C. TREATMENT OF UNCLASSIFIED CLAIMS	33
14	1. Administrative Expense Claims	33
	2. Priority Tax Claims	34
15	3. DIP Lender Claims	34
16	D. MEANS FOR IMPLEMENTATION OF THE PLAN	34
	1. Sources Of Funding For Distributions Under The Plan	34
17	2. Exit Financing Participation	38
	3. Potential Sale/Leaseback of Richmond Lease	40
18	4. Continued Corporate Existence	40
	5. Certificates of Incorporation and Bylaws	40
19	6. Directors and Officers of Reorganized Debtors	41
	7. Cancellation of Existing Securities and Agreements of the Debtors/Discharge of Indenture Trustee	41
20	8. Informal Committee Fees and Expenses	42
	9. Issuance of New Securities and Debt Instruments	42
21	10. Reinstatement of Interests of PT Holdings	43
	11. Registration Rights Agreement	43
22	12. Shareholder Agreement	43
	13. Preservation Of Causes Of Action	43
23	14. Further Authorization	44

1	15. Effectuating Documents/Further Transactions	44
2	16. Exemption from Certain Transfer Taxes and Recording Fees.....	44
3	E. PROVISIONS REGARDING DISTRIBUTIONS	44
4	1. Disbursing Agent	44
5	2. Distributions Of Cash	45
6	3. No Interest On Claims	45
7	4. Delivery Of Distributions	45
8	5. Distributions To Holders As Of The Record Date.....	45
9	6. Fractional Securities; Fractional Dollars	46
10	7. Withholding Taxes.....	46
11	F. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES	46
12	1. Assumption And Rejection Of Contracts And Leases.....	46
13	2. Claims for Rejection Damages	47
14	3. Cure Of Defaults For Executory Contracts And Unexpired Leases	47
15	4. Northwest Capital Agreements	47
16	G. EMPLOYMENT AGREEMENTS AND OTHER BENEFITS	47
17	1. Employment Agreements.....	47
18	2. Employee Benefit Programs	48
19	3. Management Equity Plan.....	48
20	H. PROCEDURES FOR RESOLVING DISPUTED CLAIMS.....	48
21	1. Objections To Claims	48
22	2. No Distributions Pending Allowance	49
23	3. Estimation Of Claims.....	49
	4. Resolution Of Claims Objections	49
	5. Distribution Reserve	49
	6. Timing of Distributions to Classes 4A-4C.....	50
	7. Distributions After Allowance.....	50
	I. CONFIRMATION AND CONSUMMATION OF THE PLAN.....	50
	1. Conditions to Confirmation	50
	2. Conditions to the Effective Date.....	50
	3. Waiver of Conditions to Confirmation or Consummation	51
	J. CERTAIN EFFECTS OF CONFIRMATION.....	51
	1. Revesting Of The Debtors' Assets.....	51
	2. Release and Discharge Of The Debtors	52
	3. Release and Discharge of Non-Debtor Affiliates	52
	4. Mutual Releases	52
	5. Setoffs	52
	6. Exculpation And Limitation Of Liability	53
	7. Injunction	53

1	K. MISCELLANEOUS PLAN PROVISIONS	53
2	1. Modification of the Plan	53
3	2. Securities Law Matters	54
4	3. Plan Supplement	54
5	4. Allocation of Plan Distributions Between Principal and Interest	54
6	5. Creditors' Committee	54
7	6. Retention of Jurisdiction	55
8	7. Alternative Jurisdiction	55
9	8. Final Decree	55
10	IV. CONFIRMATION AND CONSUMMATION PROCEDURE	56
11	A. General Information	56
12	B. Solicitation Of Acceptances	56
13	C. Acceptances Necessary To Confirm The Plan	56
14	D. Confirmation Hearing	56
15	E. Confirmation Of Plan Pursuant To Section 1129(B)	57
16	F. Considerations Relevant To Acceptance Of The Plan	57
17	V. PROJECTIONS AND VALUATION ANALYSIS	57
18	A. Projected Financial Statements	58
19	B. Valuation	59
20	C. Valuation Methodologies	62
21	VI. FEASIBILITY OF THE PLAN AND BEST INTERESTS TEST	65
22	A. Feasibility Of The Plan	65
23	B. Best Interest Of Creditors Test	65
	VII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN	67
	A. Continuation of the Bankruptcy Cases	67
	B. Liquidation Under Chapter 7	67
	C. Alternative Plan of Reorganization	67
	VIII. CERTAIN RISK FACTORS TO CONSIDER	67

1	A. Certain Reorganization Considerations	68
2	B. Risks Relating to the New Common Stock.....	68
3	1. Variances from Projected Financial Information.....	68
4	2. Lack of Trading Market	69
5	3. Dividend Policy	69
6	4. Restrictions on Transfer	69
7	C. Liquidity and Capital Resources.....	70
8	D. Risks Relating To Future Business Performance.....	70
9	1. Changes in Product Pricing and Demand	70
10	2. Changes in Prices of Wood Chips, Recycled Fiber and Other Raw Materials.....	70
11	3. Reliance on Single Manufacturing Facility	71
12	4. Other Risks.....	71
13	E. Additional Factors to Be Considered.....	72
14	1. The Plan Proponents Have No Duty to Update	72
15	2. No Representations Outside This Disclosure Statement Are Authorized	72
16	3. Projections and Other Forward Looking Statements Are Not Assured, and Actual Results	
17	Will Vary	72
18	4. Claims Could Be More Than Projected	72
19	5. No Legal or Tax Advice Is Provided to You By This Disclosure Statement	72
20	6. No Admission Made	73
21	IX. RESALE OF SECURITIES RECEIVED UNDER THE PLAN.....	73
22	X. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES	74
23	A. U.S. Federal Income Tax Consequences To The Debtors	76
	1. Cancellation Of Debt Income	76
	2. Limitation On NOL Carryovers And Other Tax Attributes.....	77
	3. Worthless Stock Deduction.....	78
	4. Reincorporation and Recapitalization.....	78
	5. Alternative Minimum Tax	79
	B. U.S. Federal Income Tax Consequences To Holders Of Certain Claims.....	79
	1. Recognition Of Gain Or Loss	79
	2. Distributions In Discharge Of Accrued But Unpaid Interest.....	80
	C. Canadian Income Tax Consequences To The Debtors.....	80
	XI. RECOMMENDATION	82

LIST OF EXHIBITS

EXHIBIT A	Plan
EXHIBIT B	Restructuring Term Sheet
EXHIBIT C	Projections and Historical Financial Information
EXHIBIT D	Liquidation Analysis
EXHIBIT E	Organization Chart of Debtors and Non-Debtor Affiliates
EXHIBIT F	Commitment Letter for Exit Facilities

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

DISCLAIMER

NO PERSON (AS DEFINED IN THE PLAN) IS AUTHORIZED IN CONNECTION WITH THE PLAN, OR THE SOLICITATION OF BALLOTS WITH RESPECT TO THE PLAN, TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, ITS EXHIBITS AND ANY OTHER BANKRUPTCY COURT-APPROVED SOLICITATION MATERIALS. IF ANY SUCH REPRESENTATIONS OR INFORMATION ARE GIVEN OR MADE, THEY SHOULD NOT BE RELIED UPON. THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT ALL THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THE PLAN PROPONENTS URGE YOU TO STUDY THE PLAN IN FULL AND TO CONSULT WITH YOUR LEGAL COUNSEL AND TAX ADVISORS ABOUT THE PLAN AND ITS IMPACT UPON YOUR LEGAL RIGHTS, INCLUDING POSSIBLE TAX CONSEQUENCES.

THE PLAN AND THIS DISCLOSURE STATEMENT ARE NOT REQUIRED TO BE PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING "ADEQUATE INFORMATION"; HOWEVER, SUCH APPROVAL DOES NOT CONSTITUTE ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR DISCLOSURE STATEMENT AND NONE OF THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), ANY STATE SECURITIES COMMISSION OR ANY SIMILAR PUBLIC, GOVERNMENTAL OR REGULATORY AUTHORITIES HAVE APPROVED THIS DISCLOSURE STATEMENT, THE PLAN, THE NEW COMMON STOCK (AS DEFINED IN THE PLAN) OFFERED UNDER THE PLAN, OR HAVE PASSED ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE. PERSONS TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OF THE DEBTORS SHOULD EVALUATE THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH IT WAS PREPARED.

NO REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER FEDERAL OR STATE SECURITIES OR "BLUE SKY" LAWS HAS BEEN FILED WITH THE SEC OR ANY OTHER AGENCY BY THE DEBTORS WITH RESPECT TO THE NEW COMMON STOCK THAT WILL BE ISSUED ON THE EFFECTIVE DATE OF THE PLAN AND THAT MAY BE DEEMED TO BE OFFERED BY VIRTUE OF THIS SOLICITATION. THE DEBTORS ARE RELYING ON THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 1145 OF THE BANKRUPTCY CODE TO EXEMPT FROM REGISTRATION UNDER THE SECURITIES LAWS ANY OFFER OF THE NEW COMMON STOCK.

1 EXCEPT AS OTHERWISE SPECIFICALLY AND EXPRESSLY STATED HEREIN, THIS
2 DISCLOSURE STATEMENT DOES NOT REFLECT ANY EVENTS THAT MAY OCCUR
3 SUBSEQUENT TO THE DATE HEREOF. SUCH EVENTS MAY HAVE A MATERIAL
4 IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.
5 THE PLAN PROPONENTS DO NOT INTEND TO UPDATE THE PROJECTIONS. THE
6 PROJECTIONS ARE QUALIFIED BY, AND ARE SUBJECT TO, THE ASSUMPTIONS SET
7 FORTH HEREIN AND THE OTHER INFORMATION CONTAINED IN THIS
8 DISCLOSURE STATEMENT. THE PROJECTIONS WERE NOT PREPARED WITH A
9 VIEW TOWARD COMPLIANCE WITH PUBLISHED GUIDELINES OF THE SEC, THE
10 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR ANY OTHER
11 REGULATORY OR PROFESSIONAL AGENCY OR BODY OR GENERALLY ACCEPTED
12 ACCOUNTING PRINCIPLES ("GAAP"). IN ADDITION, NEITHER THE INFORMAL
13 COMMITTEE NOR ITS ADVISORS EXPRESSES ANY OPINION OR PROVIDES ANY
14 OTHER FORM OF ASSURANCE WITH RESPECT TO, OR ASSUMES ANY
15 RESPONSIBILITY FOR, AND EACH SUCH PARTY EXPRESSLY DISCLAIMS ANY
16 RESPONSIBILITY FOR, THE PROJECTIONS.

17 THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE
18 OTHER THAN TO DETERMINE WHETHER TO VOTE IN FAVOR OF OR AGAINST THE
19 PLAN. NOTHING CONTAINED HEREIN WILL CONSTITUTE AN ADMISSION OF ANY
20 FACT OR OF LIABILITY BY ANY PARTY WITH REGARD TO ANY CLAIM OR
21 LITIGATION. NO STATEMENT OF FACT WILL BE ADMISSIBLE IN ANY
22 PROCEEDING INVOLVING THE DEBTORS, INFORMAL COMMITTEE OR ANY OTHER
23 PARTY, OR IN ANY PROCEEDING WITH RESPECT TO ANY LEGAL EFFECT OF THE
REORGANIZATION OF THE DEBTORS OR THE TRANSACTIONS CONTEMPLATED
BY THE PLAN AND THIS DISCLOSURE STATEMENT.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT,
BY ITS NATURE, IS IN THE MANNER OF PROJECTIONS, WHICH MAY PROVE TO BE
DIFFERENT FROM ACTUAL RESULTS AND MAY BE SUBJECT TO CHANGE FROM
TIME TO TIME.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE OR INCLUDE LEGAL,
BUSINESS, FINANCIAL OR TAX ADVICE. ANY PERSONS DESIRING ANY SUCH
ADVICE SHOULD CONSULT THEIR OWN ATTORNEYS OR ADVISORS.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN
SUBMITTED BY MANAGEMENT OF THE DEBTORS, EXCEPT WHERE OTHER
SOURCES ARE IDENTIFIED. THE PLAN PROPONENTS AUTHORIZE NO
REPRESENTATIONS CONCERNING THE DEBTORS OR THE PLAN OTHER THAN
THOSE IN THIS DISCLOSURE STATEMENT AND ACCOMPANYING DOCUMENTS.
YOU SHOULD NOT RELY ON ANY REPRESENTATIONS OR INDUCEMENTS MADE BY
ANY PARTY TO SECURE YOUR VOTE OTHER THAN THOSE CONTAINED IN THIS
DISCLOSURE STATEMENT. THE INFORMAL COMMITTEE DOES NOT EXPRESS ANY
OPINION OR PROVIDE ANY OTHER FORM OF ASSURANCE WITH RESPECT TO, OR

1 ASSUME ANY RESPONSIBILITY FOR, AND EXPRESSLY DISCLAIMS ANY
2 RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DISCLOSURE
3 STATEMENT. NO ONE IS AUTHORIZED TO MAKE ANY REPRESENTATIONS ON
4 BEHALF OF THE PLAN PROPONENTS. THE PLAN PROPONENTS HAVE BEEN
5 CAREFUL TO BE ACCURATE IN THIS DISCLOSURE STATEMENT IN ALL MATERIAL
6 RESPECTS, AND THEY BELIEVE THAT THE CONTENTS OF THIS DISCLOSURE
7 STATEMENT ARE COMPLETE AND ACCURATE IN ALL MATERIAL RESPECTS.
8 HOWEVER, THE PLAN PROPONENTS CANNOT AND DO NOT WARRANT OR
9 REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT
10 INACCURACY. IN PARTICULAR, EVENTS AND FORCES BEYOND THE CONTROL OF
11 THE PLAN PROPONENTS MAY ALTER THE ASSUMPTIONS UPON WHICH THE
12 FEASIBILITY OF THE PLAN IS SUBJECT.

13 THIS DISCLOSURE STATEMENT MAY CONTAIN STATEMENTS THAT ARE, OR MAY
14 BE DEEMED TO BE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF
15 THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD
16 LOOKING STATEMENTS INCLUDE THOSE REGARDING CONSUMMATION OF THE
17 TRANSACTIONS CONTEMPLATED BY THE PLAN. ALTHOUGH THE DEBTORS
18 BELIEVE THAT SUCH FORWARD-LOOKING STATEMENTS ARE REASONABLE, NO
19 ASSURANCE CAN BE GIVEN THAT SUCH EXPECTATIONS WILL PROVE TO HAVE
20 BEEN CORRECT. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND
21 UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS THAT MAY CAUSE THE
22 ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE DEBTORS TO BE
23 DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS
EXPRESSED OR IMPLIED BY THESE STATEMENTS.

I. INTRODUCTION

A. OVERVIEW

PT Holdings Company, Inc. ("PT Holdings"), Port Townsend Paper Corporation ("PTPC") and PTPC Packaging Co., Inc. ("Packaging"), debtors and debtors in possession in the above-captioned cases (the "Debtors" or the "Company") and the Informal Committee of Senior Secured Noteholders (the "Informal Committee") (together, the "Plan Proponents"), hereby submit this Disclosure Statement pursuant to section 1125(b) of Title 11, United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), and Rule 3017 of the Federal Rules of Bankruptcy Procedure, in connection with the Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Jointly Proposed by the Debtors and the Informal Committee of Senior Secured Noteholders, dated June 26, 2007 (the "Plan"). A copy of the Plan is attached hereto as Exhibit A. All capitalized terms used but not defined in the Disclosure Statement shall have the respective meanings ascribed to such terms in the Plan, unless otherwise noted. In the event of any inconsistency between the Disclosure Statement and the Plan, the terms of the Plan shall govern and such inconsistency shall be resolved in favor of the Plan.

The purpose of this Disclosure Statement is to enable you, as a holder of an Impaired Claim entitled to vote to accept or reject the Plan, to make an informed decision in exercising your right to accept or reject the Plan. By order dated June 27, 2007 (the "Disclosure Statement Approval Order"), the United States Bankruptcy Court for the Western District of Washington (the "Bankruptcy Court") has found that this Disclosure Statement provides adequate information to enable holders of Claims that are impaired under the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan.

Attached as exhibits to this Disclosure Statement (the "Exhibits") are copies of the following documents:

- a. The Plan (Exhibit A);
- b. Restructuring Term Sheet, dated January 29, 2007 (Exhibit B);
- c. Projections and Historical Financial Information (Exhibit C);
- d. Liquidation Analysis (Exhibit D);
- e. Organization Chart of Debtors and Non-Debtor Affiliates (Exhibit E); and
- f. Commitment Letter for Exit Facilities (Exhibit F).

The Plan Proponents encourage all creditors to vote to accept this Plan for a number of reasons. First, the Plan preserves the Port Townsend Paper Mill as an operating business on the

1 northern Olympic Peninsula, and ensures that it will remain a vital economic engine for suppliers,
2 employees, governmental entities, and secondarily-impacted businesses. The Reorganized Debtors
3 will emerge from bankruptcy with a healthier balance sheet, enhanced liquidity, and adequate
4 financial resources to implement capital improvements. Consequently, the Reorganized Debtors' believe that their competitive position in the kraft paper, container board and pulp markets will be significantly improved as a result of the financial restructuring to be accomplished under the Plan.

5 Second, the Plan Proponents believe that the Plan presents the best restructuring alternative
6 available for the Debtors and maximizes value for secured and unsecured creditors. Pursuant to the
7 Plan, the holders of the Debtors' Secured Notes will convert approximately \$125 million in notes
8 secured by substantially all of the Debtors' U.S. and Canadian assets into 100% of the New Common
9 Stock issued by Reorganized PT Holdings, the parent company of the Reorganized Debtors. As the
10 New Common Stock has an implied equity value of approximately \$78,000,000, the estimated
11 recovery percentage for holders of Secured Notes is approximately 62.5%.

12 Pursuant to the Plan which incorporates an agreement reached with the Creditors'
13 Committee, (i) holders of 503(b)(9) Claims (*i.e.* claims of trade creditors for goods delivered to the
14 Debtors in the 20 period preceding the bankruptcy filing) will be paid in full, (ii) holders of loggers'
15 and lumbermens' liens will be paid in full, (iii) holders of general unsecured claims are expected to
16 receive cash distributions in an amount equal to approximately 5% of their allowed claims, and (iv) in
17 the event Classes 4A and 4D each vote to accept the Plan, additional value will be made available to
18 fund the creation of a "convenience class" for holders of General Unsecured Claims in the Allowed
19 amount of Two Thousand Dollars (\$2,000.00) or less, and for holders of General Unsecured Claims
20 asserted in an aggregate principal amount greater than Two Thousand Dollars (\$2,000.00) and less
21 than Forty Thousand Dollars (\$40,000.00) who affirmatively make a Ballot election to reduce their
22 claim to the amount of Two Thousand Dollars (\$2,000.00). In addition, approximately \$2 million will
23 be paid to counterparties to executory contracts and unexpired leases being assumed by the Debtors.
The treatment provided for general unsecured creditors under the Plan is far superior to projected recoveries under any alternative restructuring scenario such as a shut-down and liquidation of the Debtors. As the Secured Notes are secured by substantially all of the Debtors' U.S. and Canadian assets, in the event of a shut-down and discontinuance of mill operations, general unsecured creditors likely would receive no distribution on account of their claims. Accordingly, the Plan Proponents believe that the Plan provides unsecured creditors with treatment that is fair, reasonable, and equitable in light of the Debtors inability to satisfy obligations owed to all secured creditors.

Third, the Plan Proponents and Creditors' Committee submit that the Plan fairly balances the interests of all parties in relation to their respective rights and status as secured and unsecured creditors. In this case, holders of the Debtors' Secured Notes will convert their debt into equity valued significantly less than the face amount of the Secured Notes. Notwithstanding that holders of Secured Notes will recover *less* than 100% of their secured claims, the aggregate body of unsecured creditors, including 503(b)(9) claimants, parties to executory contracts and general unsecured creditors, will receive, on average, recoveries approximating 37% of their allowed claims.

1 **FOR THESE REASONS, THE PLAN PROPONENTS AND CREDITORS'**
2 **COMMITTEE URGE ALL CREDITORS TO COMPLETE AND RETURN A BALLOT**
3 **VOTING IN FAVOR OF THE PLAN.**

4 **B. RESTRUCTURING BACKGROUND**

5 Prior to the Filing Date, the Debtors and Non-Debtor Affiliates maintained a working capital
6 facility with The CIT Group/Business Credit, Inc. ("CIT") and CIT Business Credit Canada Inc.
7 (together with CIT, the "Prepetition Lenders") which provided access to loans and advances up to a
8 maximum aggregate amount of \$35 million (the "Prepetition Credit Facility"). Amounts owed under
9 the Prepetition Credit Facility were secured by liens on substantially all assets of the Debtors and
10 Non-Debtor Affiliates and the proceeds therefrom. The Debtors and Non-Debtor Affiliates also are
11 obligors or guarantors with respect to \$125.0 million of 11% Senior Secured Notes due 2011 (the
12 "Secured Notes") which are secured by liens on substantially all assets of the Debtors and Non-Debtor
13 Affiliates and the proceeds therefrom. The relative liens and collateral securing repayment of the
14 Debtors' obligations under the Prepetition Credit Facility and the Secured Notes are subject to that
15 certain Amended and Restated Intercreditor Agreement, dated as of July 21, 2005, by and between the
16 Prepetition Lenders and the Indenture Trustee (the "Intercreditor Agreement").

17 Prior to the Filing Date, the Debtors experienced a decrease in cash flow due to operational
18 and industry factors described below which made it difficult for the Debtors to keep current with their
19 secured debt obligations. The Debtors required two amendments to the Prepetition Credit Facility –
20 one on April 10, 2006 and the other on October 13, 2006 – in order to make regularly scheduled
21 interest payments with respect to the Secured Notes. As a result of these payments, among other
22 factors, the Debtors were in an over-advance situation under the Prepetition Credit Facility by as much
23 as approximately \$1 million.

24 **1. Restructuring Term Sheet and Initial Plan**

25 As a result of the Debtors' ongoing liquidity difficulties, in September 2006, with the
26 assistance of their legal and financial advisors, the Debtors began analyzing and evaluating possible
27 transactions for the principal purpose of restructuring the Debtors' balance sheet. Since that time,
28 certain holders of the Secured Notes, holding more than 66 2/3% of the Secured Notes, formed the
29 Informal Committee to discuss the terms of a proposed restructuring with the Debtors. During the
30 fourth calendar quarter of 2006, the Debtors participated in extensive discussions with both the
31 Informal Committee and Northwest Capital Appreciation Inc. ("Northwest Capital"), a private equity
32 firm which controls approximately 98% of PT Holdings' existing common stock, in an effort to
33 develop the terms of a consensual restructuring proposal.

34 In connection with the commencement of the Bankruptcy Cases, the Debtors reached an
35 agreement in principle with the members of the Informal Committee and Northwest Capital regarding
36 the terms of a proposal to restructure the Debtors' balance sheet. The agreement is contained in the
37 Restructuring Term Sheet, dated January 29, 2007 (the "Restructuring Term Sheet"), which is
38 attached as Exhibit B to this Disclosure Statement.

1 On February 28, 2007, the Plan Proponents filed the Plan of Reorganization Under Chapter 11
2 of the Bankruptcy Code Jointly Proposed by the Debtors and the Informal Committee of Senior
3 Secured Noteholders, (the "Initial Plan") which implemented the Restructuring Term Sheet as
4 originally conceived.

2. Amendments to Initial Plan and Restructuring Term Sheet

5 After the Filing Date, the Debtors' operations suffered substantial financial setbacks in the
6 months of February and March 2007. By mid-March 2007, it was apparent that the Debtors' post-
7 petition financing facility with CIT would be inadequate to meet their short-term and long-term cash
8 needs. The Debtors shifted their focus from confirming their Initial Plan to performing a company-
9 wide financial analysis and intensively evaluated their restructuring options. The Debtors also
10 increased the post-petition financing by replacing the CIT financing with the current DIP Facility,
11 which increased the amount of the post-petition financing available to Debtors to \$50 million. One of
12 the required terms of the new DIP Facility imposed upon the Debtors was the retention of Alvarez &
13 Marsal North America, LLC ("Alvarez & Marsal") to provide various services to the Debtors.
14 Emmett Bergman of Alvarez & Marsal was appointed Chief Restructuring Officer and has
15 temporarily assumed the former duties of Timothy Leybold as Chief Financial Officer. In cooperation
16 with Alvarez & Marsal, the Debtors have prepared financial forecasts and have obtained valuations of
17 assets.

18 Since the filing of the Initial Plan, the Plan Proponents have made certain modifications to the
19 Plan in response to, among other things, the Debtors' updated long range projections, debt capacity
20 estimates, and exit financing requirements. The first material modification is that the Plan will not
21 provide for the issuance of Noteholder Term Loan Debt to holders of Allowed Secured Notes Claims.
22 The second material modification is that pursuant to the Commitment Letter, the Reorganized Debtors
23 shall issue \$25 million of Series A Preferred, the Preferred Dividend Warrants, and \$35 million in
New Senior Secured Notes, with an additional amount of up to \$10 million in connection with the
partial redemption of the Series A Preferred (as set for in the Commitment Letter) to the Exit
Financing Participants. The Plan has also been modified to eliminate the issuance of warrants to
holders of PT Holdings' common stock.

Finally, the Plan has been modified in several respects to incorporate an agreement between
the Plan Proponents and the Creditors' Committee regarding the treatment of General Unsecured
Claims and Convenience Claims.

C. SUMMARY OF THE PLAN

*The following summary is a general overview only, which is qualified in its entirety by, and
should be read in conjunction with, the more detailed discussions, information and financial
statements and notes thereto appearing elsewhere in this Disclosure Statement and the Plan.*

The Plan is designed to achieve an equitable and early distribution to creditors of the Debtors,
preserve the value of the Debtors' business as a going concern, and preserve the jobs of employees.
The Plan Proponents believe that any alternative to confirmation of the Plan, such as liquidation or
attempts by another party in interest to file a plan, would result in significant delays, litigation and

1 costs, the loss of jobs by the employees and/or impaired recoveries. Moreover, the Plan Proponents
2 believe that the Debtors' creditors will receive greater and earlier recoveries under the Plan than those
that would be achieved in liquidation or under an alternative plan.

3 A valuation analysis of the Debtors has been prepared using widely-accepted valuation
4 methodologies (as more fully set forth in Section V). This valuation has produced a range of values
5 for the Debtors, including interests in the Non-Debtor Affiliates, between \$124 million and \$154
6 million, which is less than the total aggregate amount of the projected obligations owed under the DIP
7 Facility and Secured Notes Claims, each of which are secured by substantially all of the assets of all
8 of the Debtors, including their Non-Debtor Affiliates, and which must be satisfied in full before any
distribution may be made to the Debtors' General Unsecured Creditors or the Debtors' common
9 stockholders. Based on the Debtors' estimate, the valuation required to provide a distribution to
holders of General Unsecured Creditors according to the absolute priority rule, and after taking into
account the DIP Facility Claims, Other Secured Claims, Secured Notes Claims (inclusive of post-
petition interest, fees and charges under the Indenture), Administrative Expense Claims and Priority
Tax Claims would need to be in excess of approximately \$190 million.

10 Since the holders of the Secured Notes Claims and DIP Facility Claims have liens against
11 substantially all of the assets of the Debtors and such assets are worth less than the aggregate amount
12 of the projected obligations owed under the DIP Facility Claims and the Secured Notes Claims, the
13 holders of such claims are entitled to receive the economic value of the Debtors. Despite the fact that
14 the holders of Secured Notes Claims in the aggregate are undersecured and entitled to the entire
15 economic value of the Debtors after payment of DIP Facility Claims, the Debtors and the members of
16 Informal Committee, the holders of more than 66 2/3 % of the Secured Notes Claims, have agreed to
support the Plan, which provides recoveries to General Unsecured Creditors. Specifically, if Classes
3A-3C vote to accept the Plan, holders of Secured Notes Claims will contribute, out of the aggregate
distribution Holders of Allowed Secured Notes Claims would otherwise be legally entitled to receive,
the Class 3 Contribution to Holders of Allowed General Unsecured Claims and Convenience Claims,
as applicable, in Classes 4A, 4B, 4C and 4D. Moreover, subject to voting conditions, the holders of
the Secured Notes Claims have agreed to waive their Secured Notes Deficiency Claim which Secured
Notes Deficiency Claim is estimated to be at least \$47 million.

17 The following table summarizes the treatment of Claims and Interests under the Plan. This
18 table identifies the Claims against, and Interests in, the Debtors in their respective Classes and
19 summarizes the treatment for each Class under the Plan. The table also identifies which Classes are
20 entitled to vote on the Plan, based on rules set forth in the Bankruptcy Code. Finally, the table
provides an estimated recovery for each Class. For a complete explanation, please refer to the
discussion in Section III below, entitled "SUMMARY OF PLAN," and to the Plan itself.

21 ***IRS CIRCULAR NOTICE:*** TO INSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS
22 OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF
23 FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE
STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY
HOLDERS OF CLAIMS OR INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES
THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (II) SUCH

DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (III) HOLDERS OF CLAIMS AND INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount</u> ²	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Estimated Percentage Recovery</u>
1	Other Secured Claims	\$760,000	At the election of the Plan Proponents, (i) paid in full in Cash, (ii) legal and contractual rights reinstated, or (iii) collateral returned.	Unimpaired	Deemed to accept Plan; not entitled to vote	100%
2	Priority Claims	\$0	At the election of the Plan Proponents, (i) paid in full in Cash to the extent any such claims exist, or (ii) paid in the ordinary course as such obligations become due and owing.	Unimpaired	Deemed to accept Plan; not entitled to vote	100%
3A-3C	Secured Notes Claims	\$125 million, plus fees, charges, costs and interest accrued but unpaid as of the Filing Date.	Pro Rata share of 100% of New Common Stock subject to dilution by the Management Equity Plan and Preferred Dividend Warrants.	Impaired	Entitled to vote	62%

² The Estimated Aggregate Allowed Amounts set forth in this Disclosure Statement are only approximate amounts and, thus, are subject to change. Moreover, all such amounts exclude postpetition interest, if any.

<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount²</u>	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Estimated Percentage Recovery</u>
4A-4C	General Unsecured Claims	\$12.2 million	If (a) Classes 4A and 4D each vote as a Class to accept the Plan, each Holder of an Allowed General Unsecured Claim in Classes 4A-4C shall receive, in full and final satisfaction of such Holder's Allowed General Unsecured Claim, such Holder's Pro Rata share of the Class 4A-4C Allocation, or, alternatively, (b) either Class 4A or Class 4D votes as a Class to reject the Plan, each Holder of an Allowed General Unsecured Claim in Classes 4A-4C shall receive, in full and final satisfaction of such Holder's Allowed General Unsecured Claim, such Holders' Pro Rata share of the Class 3 Contribution.	Impaired	Entitled to vote	5%
4D	Convenience Claims	\$780,000	If (a) Classes 4A and 4D each vote as a Class to accept the Plan, each Holder of an Allowed Convenience Claim shall be paid, in Cash, on the Initial Distribution Date, in full and final satisfaction of such Holder's Convenience Claim, the lesser of (x) \$2,000.00 or the Allowed amount of such Holder's Convenience Claim, if such Convenience Claim is less than \$2,000.00 and (y) such Holder's Pro Rata share (as calculated by reference to the Allowed amount of such Holder's Convenience Claim) of the Class 4D Allocation, or, alternatively, (b) either Class 4A or Class 4D votes as a Class to reject the Plan, each Holder of an Allowed Convenience Claim shall receive, in full and final satisfaction of such Holder's Convenience Claim, such Holders' Pro Rata share of the Class 3 Contribution.	Impaired	Entitled to vote	100%

<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount²</u>	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Estimated Percentage Recovery</u>
5	Intercompany Claims	N/A	Intercompany Claims will be adjusted, continued, or discharged to the extent determined appropriate by the Reorganized Debtors, in their discretion.	Unimpaired	Deemed to accept Plan; not entitled to vote	N/A
6	Workers' Compensation Claims	N/A	Workers' Compensation Claims are unaltered by the Plan.	Unimpaired	Deemed to accept Plan; not entitled to vote	100%
7	Subordinated Claims	N/A	No distribution.	Impaired	Deemed to reject Plan; not entitled to vote	N/A
8A	PT Holdings Interests	N/A	No distribution.	Impaired	Deemed to reject Plan; not entitled to vote	N/A
8B	PTPC Interests	N/A	Interests will be retained.	Unimpaired	Deemed to accept Plan; not entitled to vote	N/A
8C	Packaging Interests	N/A	Interests will be retained.	Unimpaired	Deemed to accept Plan; not entitled to vote	N/A

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims against the Debtors are not classified for purposes of voting on, or receiving Distributions under, the Plan. Similarly, Claims of the DIP Lenders under the DIP Facility are not classified for purposes of voting on, or receiving Distributions under, the Plan. Holders of such Claims are not entitled to vote on the Plan. All such Claims are instead treated separately in accordance with Article IV of the Plan and in accordance with the requirements set forth in section 1129(a)(9)(A) of the Bankruptcy Code. A more complete description of the treatment of Administrative Expense Claims and Priority Tax Claims is provided in Article IV of the Plan and Section III of the Disclosure Statement.

D. VOTING AND CONFIRMATION PROCEDURES

Accompanying this Disclosure Statement are copies of the following documents: (1) the Plan, which is annexed to this Disclosure Statement as Exhibit A; (2) a Notice to Voting Classes; and (3) an applicable Ballot to be executed by Holders of Claims in Classes 3A-3C and 4A-4D to accept or reject the Plan. This Disclosure Statement, the form of Ballot, and the related materials delivered together herewith (collectively, the "Solicitation Package"), are being furnished to Holders of Claims in Classes 3A-3C and 4A-4D for the purpose of soliciting votes on the Plan.

1 If you did not receive a Ballot in your Solicitation Package, and believe that you should have
2 received a Ballot, please contact the balloting agent (the "Balloting Agent"), BMC Group, Inc., 720
3 Third Avenue, 23rd Floor, Seattle, Washington 98104; or by telephone at (888) 909-0100.

4 **1. Who May Vote**

5 Pursuant to the provisions of the Bankruptcy Code, only classes of claims or interests that are
6 "impaired" and that are not deemed as a matter of law to have rejected a plan of reorganization under
7 section 1126(g) of the Bankruptcy Code are entitled to vote to accept or reject the Plan. Any class that
8 is "unimpaired" is not entitled to vote to accept or reject a plan of reorganization and is conclusively
presumed to have accepted the Plan. As set forth in section 1124 of the Bankruptcy Code, a class is
"impaired" if legal, equitable, or contractual rights attaching to the claims or equity interests of that
class are modified or altered. For purposes of the Plan only, Holders of Claims in Classes 3A-3C and
4A-4D are impaired and entitled to vote on the Plan.

9 A Claim must be "allowed" for purposes of voting in order for such creditor to have the right
10 to vote. Generally, for voting purposes a Claim is deemed "allowed" absent an objection to the Claim
11 if (i) a proof of claim was timely filed, or (ii) if no proof of claim was filed, the Claim is identified in
12 the Debtors' Schedules as other than "disputed," "contingent," or "unliquidated," and an amount of
13 the Claim is specified in the Schedules, in which case the Claim will be deemed allowed for the
14 specified amount. In either case, when an objection to a Claim is filed, the creditor holding the Claim
cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules the objection, or
allows the Claim for voting purposes. Accordingly, if you did not receive a Ballot and believe that
you are entitled to vote on the Plan, you must file a Motion pursuant to Federal Bankruptcy Rule 3018
with the Bankruptcy Court for the temporary allowance of your Claim for voting purposes by July 25,
2007, or you will not be entitled to vote to accept or reject the Plan.

15 THE PLAN PROPONENTS IN ALL EVENTS RESERVE THE RIGHT THROUGH THE
16 CLAIM RECONCILIATION PROCESS TO OBJECT TO OR SEEK TO DISALLOW ANY CLAIM
FOR DISTRIBUTION PURPOSES UNDER THE PLAN.

17 **2. Voting Instructions and Voting Deadline**

18 All votes to accept or reject the Plan must be cast by using the Ballot enclosed with this
19 Disclosure Statement. No votes other than ones using such Ballots will be counted, except to the
20 extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has fixed June 27, 2007 as the
21 date (the "Voting Record Date") for the determination of the Holders of Claims who are entitled to
22 (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote to accept or
23 reject the Plan. After carefully reviewing the Plan and this Disclosure Statement, including the
annexed exhibits, please indicate your acceptance or rejection of the Plan on the Ballot and return
such Ballot in the enclosed envelope by no later than August 6, 2007 to:

1 BMC Group, Inc.
2 Re: Port Townsend Paper Corporation
3 720 Third Avenue
4 23rd Floor
5 Seattle, Washington 98104

6 BALLOTS MUST BE COMPLETED AND RECEIVED NO LATER THAN 4:00 P.M.
7 (PREVAILING PACIFIC TIME) ON AUGUST 6, 2007 (THE "VOTING DEADLINE"). ANY
8 BALLOT THAT IS NOT EXECUTED BY A DULY AUTHORIZED PERSON SHALL NOT BE
9 COUNTED. ANY BALLOT THAT IS EXECUTED BY THE HOLDER OF AN ALLOWED
10 CLAIM BUT THAT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN
11 WILL BE DEEMED TO BE AN ACCEPTANCE. ANY BALLOT THAT IS FAXED SHALL NOT
12 BE COUNTED IN THE VOTING TO ACCEPT OR REJECT THE PLAN, UNLESS THAT
13 BALLOT IS ACCEPTED IN THE PLAN PROPONENTS' DISCRETION.

14 3. Specific Instructions For Holders Of Secured Notes Claims

15 IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE
16 PROPERLY COMPLETED AS DESCRIBED IN THIS DISCLOSURE STATEMENT AND IN
17 ACCORDANCE WITH THE BALLOT AND THE VOTING INSTRUCTIONS ON THE BALLOT.
18 THE INDENTURE TRUSTEE WILL NOT VOTE ON BEHALF OF THE HOLDERS OF SUCH
19 SECURED NOTES CLAIMS. HOLDERS MUST SUBMIT THEIR OWN BALLOTS IN
20 ACCORDANCE WITH THE BALLOT AND THE INSTRUCTIONS ON THE BALLOT.

21 If a Ballot is damaged, lost, or missing, a replacement Ballot may be obtained by sending a
22 written request to the Balloting Agent. If you have any questions about (1) the procedure for voting
23 your Claim or with respect to the packet of materials that you have received or (2) if you wish to
obtain an additional copy of the Plan, this Disclosure Statement or any appendices or exhibits to such
documents, please contact the Balloting Agent.

24 a. Beneficial Owners

25 A beneficial owner holding Secured Notes should vote on the Plan by completing and signing
the enclosed Ballot in accordance with the provisions of the Ballot and returning it directly to the
designated bank, broker, agent, nominee or other record holder holding your Secured Notes
("Nominee") as promptly as possible and in sufficient time to allow such Nominee to process the
Ballot and return it to the Balloting Agent in the enclosed pre-paid envelope by the Voting Deadline.
Any Ballot returned to a Nominee by a beneficial owner will not be counted for purposes of
acceptance or rejection of the Plan until such Nominee properly completes and timely delivers to the
Balloting Agent that Ballot and a master Ballot that reflects the vote of such beneficial owner.

1 **b. Nominees**

2 A Nominee that on the Voting Record Date is the registered holder of Secured Notes for a
3 beneficial owner will obtain the votes of the beneficial owners of such Secured Notes, consistent with
4 customary practices for obtaining the votes of such securities, as follows:

5 The Nominee will obtain the votes of beneficial owners by forwarding to the beneficial owners
6 the unsigned Ballots, together with the Disclosure Statement, a return envelope provided by, and
7 addressed to, the Nominee, and other materials requested to be forwarded, no later than five (5)
8 business days after receipt by such Nominee of such materials. Each such beneficial owner must then
9 indicate his/her or its vote on the Ballot, complete the information requested in the Ballot, review the
10 certifications contained in the Ballot, execute the Ballot, and return the Ballot to the Nominee. After
11 collecting the Ballots, the Nominee will, in turn, complete a master Ballot compiling the votes and
12 other information from the Ballot, execute the master Ballot, and deliver the master Ballot to the
13 Balloting Agent so that it is RECEIVED by the Agent before the Voting Deadline. Copies of all
14 Ballots returned by beneficial owners must be retained by Nominees for inspection for at least one
15 year from the Voting Deadline. EACH NOMINEE SHOULD ADVISE ITS BENEFICIAL
16 OWNERS TO RETURN THEIR BALLOTS TO THE NOMINEE BY A DATE CALCULATED BY
17 THE NOMINEE TO ALLOW IT TO PREPARE AND RETURN THE MASTER BALLOT TO THE
18 BALLOTING AGENT SO THAT IT IS RECEIVED BY THE BALLOTING AGENT BEFORE THE
19 VOTING DEADLINE.

20 **c. Miscellaneous**

21 For purposes of voting to accept or reject the Plan, the beneficial owners of Secured Notes will
22 be deemed to be the "Holders" of the Claims represented by such Secured Notes. The Plan
23 Proponents, in their sole discretion, may request that the Balloting Agent attempt to contact voters
24 who have submitted defective Ballots to cure any such defects in the Ballots or master Ballots.

25 Except as provided below, unless the Ballot or master Ballot is timely submitted to the
26 Balloting Agent before the Voting Deadline together with any other documents required by such
27 Ballot or master Ballot, the Plan Proponents may, in their sole discretion, reject such Ballot or master
28 Ballot as invalid, and therefore decline to utilize it in connection with seeking confirmation of the
29 Plan.

30 **4. Whom to Contact for More Information**

31 If you have any questions about the procedure for voting your Claim or the packet of materials
32 you received, please contact the Balloting Agent at the address indicated above or by telephone at
33 (888) 909-0100. If you wish to obtain additional copies of the Plan, this Disclosure Statement, or the
34 exhibits to those documents, at your own expense, unless otherwise specifically required by
35 Bankruptcy Rule 3017(d), please contact the Balloting Agent at the address indicated above or by
36 telephone at (888) 909-0100.

1 If you have any questions concerning the Exit Financing Participation, please contact Joseph
2 H. Clark of Wells Fargo Bank, National Association (i) by mail, at Wells Fargo Bank, National
3 Association, Customized Fiduciary Services, 45 Broadway, 14th Floor, New York, NY, 10006, (ii) by
4 telephone, at (212) 515-1563, or (iii) by email, at joseph.h.clark@wellsfargo.com.

5. Acceptance or Rejection of the Plan

5 The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by
6 Holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed
7 claims in that class that cast ballots for acceptance or rejection of the plan and "acceptance" of a plan
8 by a class of interests as acceptance by Holders of at least two-thirds in dollar amount of the Allowed
9 interests in that class that cast ballots for acceptance or rejection of the plan. Assuming that at least
10 one Impaired Class votes to accept the Plan, the Plan Proponents will seek to confirm the Plan under
11 section 1129(b) of the Bankruptcy Code, which permits the confirmation of a plan notwithstanding the
12 non-acceptance by one or more Impaired classes of claims or interests. Under section 1129(b) of the
13 Bankruptcy Code, a plan may be confirmed if (a) the plan has been accepted by at least one Impaired
14 class of claims or interests and (b) the Bankruptcy Court determines that the plan does not
15 discriminate unfairly and is "fair and equitable" with respect to the non-accepting classes. A more
16 detailed discussion of these requirements is provided in Section IV of this Disclosure Statement.

6. Time and Place of the Confirmation Hearing

12 Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a
13 confirmation hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may
14 object to confirmation of the Plan. Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy
15 Rule 3017(c), the Bankruptcy Court has scheduled the Confirmation Hearing to commence on August
16 15, 2007 at 9:30 a.m. (prevailing Pacific Time), before the Honorable Samuel J. Steiner, of the United
17 States Bankruptcy Court for the Western District of Washington, United States Bankruptcy Court,
18 Courtroom 8206, 700 Stewart Street, Seattle, Washington 98101. A notice setting forth the time and
19 date of the Confirmation Hearing has been included along with this Disclosure Statement. The
20 Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court or Plan
21 Proponents without further notice.

7. Objections to the Plan

18 Any objection to confirmation of the Plan must be in writing; must comply with the
19 Bankruptcy Code, Bankruptcy Rules, and the Local Rules of the Bankruptcy Court; and must be filed
20 with the United States Bankruptcy Court for the Western District of Washington at Seattle and served
21 upon the following parties, so as to be received no later than August 6, 2007 at 4:00 p.m. (prevailing
22 Pacific Time): (i) Bush Strout & Kornfeld, counsel for the Debtors, 601 Union Street, Seattle, WA,
23 98101-2373 (Attn: Gayle E. Bush, Esq.); (ii) (a) Akin Gump Strauss Hauer & Feld LLP, counsel for
the Informal Committee, 1333 New Hampshire Avenue, N.W., Washington DC 20036 (Attn: James
R. Savin, Esq.) and (b) Foster Pepper PLLC, counsel for the Informal Committee, 1111 3rd Avenue,
Suite 3400, Seattle, WA 98101 (Attn: Jack Cullen, Esq.); (iii) Graham & Dunn PC, counsel for the
Creditors' Committee, Pier 70, 2801 Alaskan Way, Suite 300, Seattle, WA 98121 (Attn: Mark D.
Northrup, Esq.); (iv) (a) Ropes & Gray, LLP, counsel for the DIP Lenders, 1211 Avenue of the

Americas, New York, NY 10036-8704 (Attn: Mark Somerstein, Esq.) and (b) Riddell Williams, P.S., counsel for the DIP Lenders, 1001 Fourth Avenue, Suite 4500, Seattle, WA 98154 (Attn: Joseph E. Shickich, Jr., Esq.); and (v) the Office of the U.S. Trustee, 700 Stewart Street, Suite 5103, Seattle, WA 98101 (Attn: Martin L. Smith, Esq.).

II. BUSINESS DESCRIPTION AND REASONS FOR CHAPTER 11 FILINGS

A. BUSINESS OVERVIEW

1. Corporate History and Background

The Company is a pulp, paper, and packaging producer headquartered in Port Townsend, Washington. The Company has two reporting segments: (i) the paper division which operates the Company's paper, pulp and containerboard businesses (the "U.S. Operations" or "paper" business) and (ii) the corrugated products business, which operates in the Canadian provinces of British Columbia and Alberta (the "Canadian Operations" or "corrugated" business). PT Holdings and Packaging are both holding companies with no operations. PTPC is the operating company for the U.S. Operations. PTPC Corrugated Company and Crown Properties Packaging Ltd., both operating companies, are Canadian affiliates of the U.S. companies and are not Debtors. The corporate structure of the Debtors and their Non-Debtor Affiliates, as of the Filing Date, is set forth in Exhibit E hereto.

The Company was established by Northwest Capital in December 1997 to acquire the paper mill located in Port Townsend, Washington (the "Port Townsend Mill") from Haindl Papier GmbH, a privately held German paper producer. The Company began doing business as Port Townsend Paper Corporation in 1997 and remains privately held.

Based on preliminary, unaudited numbers, on a consolidated basis including Canadian operations, for the year ended December 31, 2006, net sales were \$228.6 million; a 2.5% increase compared to \$222.9 million for the year ended December 31, 2005. The net loss for the year ended December 31, 2006 was approximately \$21.5 million compared to a net loss of \$19.3 million for the same period of 2005. Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) was \$13.7 million and \$17.3 million for the years ended December 31, 2006 and 2005, respectively. Adjusted EBITDA (after excluding restructuring costs) was \$5.4 million for the last twelve months ending April 30, 2007.

The Company experienced both operating interruptions due to weather and fiber pricing and availability in January and February 2007 at the U.S. paper division operations. In addition, the impact of bankruptcy resulted in some vendors expressing an unwillingness to continue doing business with the Company. Currently, fiber availability appears sufficient, but fiber pricing is still high compared to previous years.

The Company currently employs approximately 302 full-time employees in the United States. Additionally, the Company's Canadian operations employ approximately 471 employees. Of these employees, approximately 207 U.S. employees are covered by a collective bargaining agreement with United Steel Workers Local 175. Approximately 246 Canadian Employees at the Company's

1 Richmond and Kelowna corrugated product plants are covered by a collective bargaining agreement
2 with The Communications, Energy & Paperworkers Union of Canada ("CEP").

3 **2. U.S. Operations**

4 The Company's U.S. Operations consist of the Port Townsend Mill. The Port Townsend Mill
5 has been in operation since 1927 and consists of two paper machines and a fiber supply system. The
6 Port Townsend Mill produces unbleached kraft pulp, lightweight linerboard, corrugating medium and
7 kraft paper, all to customer specification.

8 The paper produced by the Port Townsend Mill has multiple uses, including: containerboard
9 and corrugating medium for boxes, paper bags, paper moving pads, gumming kraft for paper tape,
10 paper trash bags, laminated roll wrap for fine paper, polycoated products for lumberwrap, protective
11 papers for construction and painting, envelopes, raisin trays and padding for industrial packaging.
12 The U.S. Operations require a supply of wood chips, sawdust and recycled or Old Corrugated
13 Containers ("OCC"), fiber to produce pulp. The Company does not own any timberlands or chip
14 mills and must buy its fiber from third-party suppliers.

15 During the year ended December 31, 2006, the Port Townsend Mill produced approximately
16 82,000 tons of unbleached kraft pulp, 48,500 tons of unbleached converting grades and 179,000 tons
17 of containerboard. The Company's net sales for 2006 attributable to the U.S. Operations were
18 \$147,760,400, including sales to the Canadian affiliates.

19 **3. Canadian Operations**

20 The Company's Canadian affiliates are not Debtors under these proceedings. The Canadian
21 Operations consist of five plants in Western Canada involved in the manufacture of corrugated
22 products. The Company owns and operates two corrugated products manufacturing plants located in
23 Richmond and Kelowna, British Columbia. It also operates two corrugated sheet converting plants
located in Burnaby and Kelowna, British Columbia and owns and operates a sheet plant in Calgary,
Alberta. The Company's corrugated products are manufactured by combining corrugating medium
and linerboard into corrugated sheets, which are then converted into finished packaging products,
cartons and displays. The aggregate annual production capacity of these five converting plants as of
December 31, 2006 was approximately 2.0 billion square feet of corrugated products. The Company's
estimated annual sales for 2006 attributable to the Canadian Operations were C\$126,447,300.

During the year ended December 31, 2006, the Canadian converting plants consumed
approximately 45% of the containerboard manufactured at the Port Townsend Mill.

4. Marketing, Distribution and Customers

The Company's containerboard production is sold through a third-party broker to other
industrial box producers along the U.S. West Coast or used in the Company's converting operations.
The Company's kraft paper products are sold to specialty kraft paper converters for the production of
adhesive tapes, laminate barrier applications and other specialty products. The Company's unbleached

1 softwood kraft pulp is sold to a third-party distributor who subsequently sells into Asia for use in the
2 production of containerboard.

3 The Company sells its corrugated products to a diverse group of customers, including leading
4 food and beverage companies and other well known consumer products companies under the industry-
5 recognized Crown Packaging and BoxMaster brands. The Company also provides graphic design
6 services and engineering services for structural design to the majority of its corrugated products
7 customers. Frequently, the Company is the sole provider of these services to its corrugated products
8 customers.

9 Corrugated products are generally sold within close proximity of where they are manufactured,
10 due to high shipping costs resulting from a higher volume-to-weight ratio following the conversion of
11 containerboard into corrugated products and the service intensity of the customers' demands. While
12 corrugated product prices fluctuate based on the price of containerboard, they are significantly less
13 volatile than the prices for commodity raw materials. In addition, because finished corrugated
14 products are value-added, they command higher margins than unconverted containerboard.

15 **5. Competition**

16 The containerboard and packaging products industries are highly competitive, and no single
17 company enjoys a dominant position. The Company's primary competitors include Longview Fibre
18 Company, International Paper Corporation and Canfor Corporation in the kraft paper market, Georgia-
19 Pacific Corporation, Smurfit-Stone Container Corporation and Weyerhaeuser Company in the
20 containerboard sector, and Norampac Inc. and Smurfit/MBI in the packaging products market. Most
21 of these competitors are large, vertically integrated containerboard and packaging products companies
22 that have significantly greater financial and other resources than the Company has and, thus, can
23 better withstand adverse economic or market conditions.

The Company's kraft paper and corrugated products compete on the basis of product quality
and performance, price, product development, service and distribution.

The Company's pulp and containerboard products are largely commodities that compete on the
basis of price. Some of the Company's competitors in these markets have lower costs than the
Company does and may be less vulnerable to price declines or cost increases than the Company.

19 **6. Seasonality**

20 Many of the Company's corrugated product customers are in the agricultural industry, which is
21 highly seasonal. The Company's sales volumes for these customers are materially higher during the
22 spring and summer growing seasons. The Company compensates for this seasonality by selling a
23 higher percentage of containerboard produced at its mill to third parties during the fall and winter
seasons as opposed to utilizing this production for its corrugating operations.

7. Environmental Regulatory Factors

Like its competitors, the Company employs processes in the manufacture of market pulp, kraft paper and containerboard that result in various discharges, emissions and wastes. Therefore the Company is subject to stringent general and industry-specific environmental laws and regulations imposed by national, state, provincial and local authorities in the United States and Canada. Among other things, these laws and regulations regulate discharges and emissions of pollutants, and the use, disposal and remediation of hazardous substances and contaminants. The Company strives to be in continual compliance and maintains a staff to monitor the Company's performance against the Company's environmental requirements and permits. If the Company fails to operate in compliance with such requirements, it could be subject to fines, penalties or orders affecting the Company's ability to operate, or increasing its costs, each of which could have a material adverse effect on its business, financial condition and operating results.

The Company is subject to the U.S. Environmental Protection Agency's Pulp and Paper National Emission Standards for Hazardous Air Pollutants ("NESHAP"). The NESHAP regulations require that the Company employ Maximum Achievable Control Technology ("MACT") for air emissions from certain mill processes at the Company's Port Townsend mill. The Company has attained compliance with the first stage of MACT ("MACT I phase 1"), which addressed odor gases, and MACT II, which addressed emissions from the Company's recovery boiler, lime kiln, and smelt tank. The Company has also installed a Clean Condensate Alternative to comply with MACT I phase 2. The Company has begun initial studies for the next phase, which involves the Company's waste wood boiler. The Company currently anticipates that the cost to comply with Boiler MACT requirements will total approximately \$1.0 million, the majority of which it expects to incur in 2007. Because other future environmental standards have not been finalized or even enacted, it is difficult to predict with certainty the amount of expenditures over the long term that will be required to comply with future standards. Nonetheless, environmental laws tend to become more stringent over time and the Company expects to continue to make capital expenditures relating to environmental compliance in the future.

Certain environmental laws provide for strict, and in some circumstances, joint and several liability, for investigation and remediation of spills and other releases of hazardous substances and for liability for related damages to natural resources. The Company may face such liability for releases that may have occurred at its current facilities or sites that the Company's predecessors or the Company formerly owned or operated, or at sites where the Company's predecessors or the Company disposed of, or arranged for the disposal of, certain wastes. Liability under these laws may be imposed without regard to whether the Company knew of, or caused, the release of such substances. It is possible that the Company could incur such liability that would have a material adverse effect on its business, financial condition and operating results.

As of December 31, 2006, the Company was unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation Asset Retirement Obligations (AROs). These conditional AROs are primarily related to the encapsulated structural fireproofing that is not subject to abatement unless the buildings are demolished and non-encapsulated asbestos that the company would remediate only if it performed major renovations of certain existing buildings.

1 Because these conditional obligations have indeterminate settlement dates, the Company could not
2 develop a reasonable estimate of their fair values.

3 **8. Post-Petition Performance**

4 The Company's operating performance has improved steadily since the Filing Date. After the
5 initial impact of the filing, operations have run at planned levels. The major cost factors of fiber and
6 energy have remained significantly above historical levels although they have abated somewhat
7 recently. The Company's Canadian business is 5% ahead of a year ago sales volume with market
8 share increasing 3% in Western Canada over 2006.

9 **B. PREPETITION CAPITAL STRUCTURE**

10 **1. Prepetition Credit Facility**

11 Prior to the Filing Date, the Debtors and Non-Debtor Affiliates were parties to a prepetition
12 credit facility with CIT and CIT Business Credit Canada Inc. dated as of July 25, 2005. The credit
13 facility consisted of a revolving loan to PTPC (the "U.S. Revolver") and a revolving loan to PTPC
14 Corrugated Company (the "Canadian Revolver", and together with the U.S. Revolver, the "Prepetition
15 Loans"). As of the Filing Date, the aggregate amount of loans drawn on the U.S. Revolver was
16 approximately \$8,061,818.22, and on the Canadian Revolver was approximately \$9,900,000. The
17 Prepetition Loans were secured by (i) first priority liens, subject to permitted liens, on substantially all
18 assets of PTPC including, without limitation, accounts receivables, inventory and intercompany
19 claims (other than the Senior Notes First Priority Collateral) (the "CIT First Priority Collateral") and
20 (ii) second priority liens on the Senior Notes First Priority Collateral (as defined below), as more fully
21 described in the Intercreditor Agreement. As indicated supra, during the Bankruptcy Case, the DIP
22 Facility provided for the payment in full of the Prepetition Loans.

23 **2. The Secured Notes**

16 On April 13, 2004, PTPC issued and sold 125,000 units, each consisting of (i) one 11% senior
17 secured note due April 15, 2011 with a principal amount of \$1,000 (collectively, the "Secured
18 Notes"), pursuant to an Indenture (the "Indenture"), dated as of April 13, 2004, by and among the
19 Company, the Parent and U.S. Bank National Association, as Indenture Trustee and (ii) one warrant to
20 purchase 0.69016 shares of PT Holdings' common stock, at the exercise price of \$0.01 per share
21 (collectively, the "Old Warrants"), pursuant to a Warrant Agreement, dated as of April 13, 2004, by
22 and between PT Holdings and the Indenture Trustee. The Secured Notes are guaranteed on a senior
23 basis by the remaining Debtors and Non-Debtor Affiliates (collectively, the "Note Guarantors").

21 The Secured Notes and the guarantees are secured by (i) first priority liens, subject to
22 permitted liens, on PTPC's and the Note Guarantors' property, plant and equipment (including all fees
23 and material leasehold interests relating thereto) and intellectual property now owned or hereafter
acquired (collectively, the "Secured Notes First Priority Collateral") and (ii) second priority liens on
the CIT First Priority Collateral, all of which as more fully described in the Indenture and Intercreditor
Agreement.

3. Equity

As of February 28, 2007, there were 1,492,117 shares of common stock of PT Holdings issued and outstanding. These shares are not listed for sale on a nationally recognized quotation system. Northwest Capital is the controlling shareholder of Port Townsend Holdings LLC which owns approximately 98% of the common stock of PT Holdings. PT Holdings owns 100% of the common stock of PTPC, and PTPC, in turn, owns 100% of the common stock of Packaging.

C. DIRECTORS AND EXECUTIVE OFFICERS OF THE DEBTORS

The following table sets forth certain information regarding the Debtors' executive officers and directors as of June 18, 2007.

<u>Name</u>	<u>Position</u>
John P. Begley	President and Chief Executive Officer, Director - Debtors
Bruce McComas	Vice President, Operations and General Manager, PTPC
Emmett Bergman	Chief Restructuring Officer
Joseph M. Beers	Vice President, Strategic Initiatives
Ernest A. Conrads	Corporate Treasurer - Debtors
Carl W. Simpson	Corporate Controller and Principal Accounting Officer - Debtors
Donald L. Tisdell	Chairman of the Board of Directors - Debtors
E. Perot Bissell IV	Director - Debtors
Bradford N. Creswell	Director - Debtors
John H. Waechter	Director - Debtors
W. R. Greenwood	Director - Debtors
William Hall	Director - Debtors
Les Lederer	Director - Debtors
George Vojta	Director - Debtors

Name

Position

John P. Begley has been the Debtors' President and Chief Executive Officer since 1997. Before joining the Company, Mr. Begley was associated with Weyerhaeuser Company from July 1973 to December 1997, most recently as a Director of Strategic Planning.

Bruce McComas has been PTPC's Vice President of Operations and General Manager since June 2003. From September 2002 to June 2003, Mr. McComas was PTPC's Vice President and Mill Manager. From January 2001 to September 2002, Mr. McComas was PTPC's Vice President and Assistant Mill Manager. From January 1998 to January 2001, Mr. McComas was PTPC's Area Manager - Pulping, Recycling and Power & Recovery.

Emmett Bergman is a Senior Director with Alvarez & Marsal, a performance improvement, turnaround management and corporate advisory services firm that is providing financial advisory services to the Company in connection with its efforts to improve financial and operating performance. Mr. Bergman was appointed as Chief Restructuring Officer ("CRO") of the Company pursuant to interim and final orders authorizing the Company's employment of Alvarez & Marsal as financial advisor and CRO entered on March 29, 2007 and April 18, 2007, respectively. Mr. Bergman has also temporarily assumed the former duties of Timothy Leybold as Chief Financial Officer.

Joseph M. Beers has been Vice President of Strategic Initiatives since October 2006 and was previously General Manager of Crown Packaging Richmond since rejoining the Company in August 2003. From 1988 to 2001, Mr. Beers held various positions of increasing responsibility with the Company including Technical Director, Assistant Paper Machine and Finishing Manager, and Portland Plant Manager and Vice President, Converting Operations.

Ernest A. Conrads has been the Debtors' Corporate Treasurer since April 2005. Before joining the Company, Mr. Conrads was with G.B. Enterprises Inc., a part of the Alpha Group, a Washington-based manufacturer of communication powering equipment from January 1999 to April 2005, where he most recently served as Vice President of Finance and Treasurer.

Carl W. Simpson has been Corporate Controller and PTPC's Principal Accounting Officer since September 2004. Mr. Simpson was a Key Supplier Manager at Weyerhaeuser Company from September 2000 to October 2001, subsequently in controllership and other financial management roles at several manufacturing companies prior to joining the Company in September 2004. Mr. Simpson also spent over 14 years starting with Boise Cascade Corporation and ending with Abitibi Consolidated, holding positions of increasing responsibility including Corporate Manager of Recycle Procurement, Finance and Procurement Manager, and Fiber and Transportation Manager.

Donald L. Tisdell has been Chairman of the Board of Directors of the Debtors since October 2006 and a director since 1997. He is a Senior Operating Partner and co-founder of Northwest Capital. From 1985 to 1991, Mr. Tisdell served as Chief Executive Officer of Far West Federal Bank, a savings and loan headquartered in Portland, Oregon. From 1972 to 1982, Mr. Tisdell served as Chief

1 Executive Officer of Orbanco Financial Services, a commercial bank holding company. From 1967 to
2 1972, Mr. Tisdell was the Chief Financial Officer of Northwest Acceptance Corporation and, prior to
that, was a commercial banker with Security Pacific Corporation.

3 **E. Perot Bissell IV** has been a director of the Debtors since 1997, and was previously a
4 Partner of Northwest Capital. From 1990 to 1995, Mr. Bissell was a Managing Director at BT
5 Securities Corporation, an investment banking firm, serving as co-head of the Transportation and
Aerospace Group and head of the Structured Products Group. Previously, he was a Vice President in
the corporate finance departments of Drexel Burnham Lambert and Paine Webber.

6 **Bradford N. Creswell** has been a director of the Debtors since 1997, and is currently a Partner
7 of Northwest Capital, a firm Mr. Creswell co-founded in 1992. From 1987 to 1992, Mr. Creswell was
a Vice President at BT Securities Corporation. From 1982 to 1985, Mr. Creswell earned his CPA
8 certification and worked in the audit department of Arthur Young & Company.

9 **John H. Waechter** has been a director of the Debtors since 2000. Mr. Waechter was
Executive Vice President of Weyerhaeuser Company prior to his retirement in 1993. Prior to
10 Weyerhaeuser, he was associated with Container Corp. of America and Willamette Industries.

11 **W. R. Greenwood** has been a director of the Debtors since 1997, and the President and CEO
of Windswept Capital, LLC, a Seattle-based investment banking firm focused on mergers,
12 acquisitions and recapitalizations for companies in the middle market, since 1996. From 1986 to 1993,
Mr. Greenwood was Chairman, President and CEO of Spider Staging Corporation, a Seattle-based
13 manufacturer of powered scaffolding equipment with 16 U.S. branch offices serving a worldwide
customer base. Between 1968 and 1986, Mr. Greenwood served in various senior positions at Smith
14 Barney, Foster & Marshall, and Dain Bosworth.

15 **William Hall** has been a director of the Debtors since 2001, and is President of William Hall
& Associates, a consulting firm to the paper industry. From 1999 to 2000, Mr. Hall was Vice
16 President of Sales and Marketing of PTPC. From 1998 to 1999, Mr. Hall was a consultant to the
Debtors. Previously, Mr. Hall worked as a General Sales Manager with Weyerhaeuser Company.

17 **Les Lederer** has been a director of the Debtors since November 2004, and is Vice President,
18 General Counsel and Corporate Secretary of IPSCO Inc., a publicly traded steel manufacturer. He
previously held senior management positions at Smurfit-Stone Container Corporation, a
19 containerboard and packaging products company, including Vice President-Strategic Investments and
Vice President, Secretary and General Counsel.

20 **George Vojta** has been a director of the Debtors since November 2004. Mr. Vojta is also the
21 Founder and Chairman of eStandards Forum, a financial services information company, as well as the
Director of the Financial Services Forum, an organization focuses on regulatory, legislative and public
22 policy issues relative to the global financial system. Mr. Vojta is a former Vice Chairman, Director,
and Member of the Management Committee of Bankers Trust Company and its parent, Bankers Trust
23 New York Corporation.

1 There are no family relationships between any of the Debtors' executive officers or directors,
2 except that Mr. Tisdell is Mr. Creswell's father-in-law.

3 **D. EVENTS LEADING TO THE CHAPTER 11 CASES**

4 **1. Industry Factors**

5 The market for containerboard and packaging products, including corrugated products
6 (collectively, the "Paper Products") is highly competitive. Prices for Paper Products have historically
7 tended to be cyclical due to imbalances in supply and demand. Until fifteen months ago, industry
8 prices on Paper Products were depressed -- with a sales price nearly equaling cost. However, since
9 October 2005, the market reversed and prices have increased significantly for the first time since the
10 early 1990's and continue to increase.

11 Notwithstanding the increased sales prices, the Company's gains have been largely offset by
12 higher prices for transportation, raw materials and energy. Indeed, in recent months, the Pacific
13 Northwest has been unable to meet the demand for wood chips. The decrease in availability of wood
14 chips is directly tied to the recent downturn of the housing market. When the housing market was
15 strong, the amount of new home building was high, which created residual wood to make wood chips
16 at a reasonable cost. Due to the recent housing market decline, the residual wood supply has
17 diminished significantly causing an attendant increase in price of wood chips. While the cost of wood
18 chips is expected to recover once the housing market rises again, to meet its wood chips requirements,
19 the Company must either pay higher prices for wood chips or seek alternate sources of supply. Both
20 options have resulted in additional costs to the Company which has reduced the Company's
21 profitability.

22 In addition to the increased costs of wood chips, the Company has also experienced higher
23 prices for its Old Corrugated Container, or "OCC" fiber. The main driver increasing OCC pricing has
24 been increased demand in Asian markets, particularly in China due to the continuing growth and
25 integration of China's economy into the global marketplace. Other factors that drive the OCC fiber
26 market are technological advances that have led to an increase in products that can be made in whole
27 or in part from recycled materials, seasonal changes in OCC generation, and changes in collection
28 rates of OCC. All of these factors have led to increases in the cost of OCC to the Company.

29 **2. Operational Issues**

30 The Company has also had unforeseen interruptions in production due to severe weather in the
31 Pacific Northwest and maintenance problems. Beginning in mid-November 2006 and continuing
32 through January 2007, the Pacific Northwest was hit with severe storms, the result of which was that
33 production at the Port Townsend Mill was either halted or diminished for short periods of time. The
34 Port Townsend Mill also faced further production delays due to isolated machinery malfunctions
35 causing operations to be halted for intermittent periods of time, which contributed to increased down
36 time in January 2007. In order to meet its outstanding purchase orders, the Port Townsend Mill
37 typically runs twenty-four hours a day, seven days per week without interruption and historically
38 enjoyed a 99% run time. However, production was reduced to 70-80% at times during this period.

1 The mill should run at capacity to ensure that the Company produces pulp and paper products
2 sufficient to fulfill all pending purchase orders. Because the Company produces paper goods to
3 customer specifications, it does not maintain significant reserve inventory to offset any unanticipated
4 interruptions in production. Thus, any unanticipated down time of the Port Townsend Mill reduces
5 the Company's production output and its sales, thereby decreasing the Company's cash flow. The
6 Port Townsend mill has been adversely affected by lack of adequate capitalization and inadequate
7 maintenance and equipment replacement policies. These conditions are pervasive in a number of
8 operational areas of the mill and will require the infusion of capital expenditures to address the
9 condition of the plant and equipment. These increased expenditures extend throughout the cash flow
10 projection period.

11 Although operational issues as those described above occur occasionally in the Company's
12 day-to-day operations, the combination of the wood chip shortage, cost increases, bad weather and
13 unanticipated equipment malfunctions, had a significant negative effect on the Company's cash flow
14 and production output.

15 **3. Liquidity Constraints**

16 Historically the Company has been highly leveraged. Since 2004, its debt included
17 approximately \$20 million outstanding under its CIT credit agreement and \$125 million in principal
18 amount of the Secured Notes outstanding. The Company's interest expense increased approximately
19 \$4.2 million or 33.9%, to \$16.6 million in 2005 compared to \$12.4 million in 2004. The increase in
20 2005 compared to 2004 was primarily due to the Company's payment of 1% in additional interest
21 charges on the Notes for substantially all of 2005 while not paying such interest in 2004. In addition,
22 the Company had higher interest expenses in 2005 due to increased levels of debt outstanding
23 compared to 2004 on its Prepetition Credit Facility. Interest on the Secured Notes is due and payable
in cash on April 15 and October 15 of each year.

The decrease in cash flow due to operational and industry factors described above made it
difficult for the Company to keep current with its secured debt obligations. In order to make coupon
payments on the Secured Notes, the Company required two amendments to the CIT prepetition credit
agreement – one on April 10, 2006 and the other on October 13, 2006 – in order to obtain additional
borrowing capacity. As a result of these payments, however, the Company was in an over-advance
situation by as much as approximately \$1 million commencing on or about December 15, 2006.

4. Financial Reporting/Registration Delinquencies

The Debtors received a (i) notice of default, dated October 20, 2006 (the "Indenture Notice of
Default"), pursuant to section 6.1 of the Indenture, and (ii) notice of default and demand for specific
performance, dated October 20, 2006 (the "RRA Notice of Default"), in respect of the registration
rights agreement, dated April 13, 2004, by and among the Company and J.P. Morgan Securities Inc.,
on behalf of itself and the initial purchasers (the "RRA"). The Indenture Notice of Default alleged the
following defaults: (i) the Company's failure to file with the Securities and Exchange Commission
and failure to furnish to the Trustee and to holders of the Secured Notes all quarterly and annual
financial information and other information required by Section 3.11 of the Indenture; (ii) the

1 Company's failure to deliver an Officer's Certificate (as defined in the Indenture) regarding the above
2 defaults as required by Section 3.20 of the Indenture and the last paragraph of Section 6.1 of the
3 Indenture and (iii) the Company's failure, on October 16, 2006, to make a \$5.00 payment of
Additional Interest per \$1,000.00 principal amount of Secured Notes as required by section 3.1 of the
Indenture (collectively, the "Specified Indenture Defaults").

4 The RRA Notice of Default alleged the following defaults under the RRA: (i) the Company's
5 failure to file an exchange offer registration statement and complete the exchange offer pursuant to
6 Section 2(a) of the RRA; (ii) the Company's failure to file a shelf registration statement pursuant to
7 Section 2(b) of the RRA; (iii) the Company's failure to comply with the registration procedures set
forth in Section 3 of the RRA, including, without limitation, qualifying the Indenture under the Trust
Indenture Act; and (iv) the Company's failure to pay additional interest under Section 2(d) of the
RRA (collectively, the "Specified RRA Defaults").

8 On November 22, 2006, the Company provided the Trustee with its Annual Report to
9 Bondholders for the fiscal year ended December 31, 2005, and Quarterly Reports to Bondholders for
10 the quarterly periods ended June 30, 2006, March 31, 2006, September 30, 2005 and June 30, 2005
(the "Financial Reports"). The Debtors stated in their November 22, 2006 press release announcing,
11 among other things, the delivery of the Financial Reports to the Trustee, that it "believes it is in
12 compliance with all covenants and requirements of its 11% Senior Secured Note agreements" as a
13 result of providing the Trustee with the Financial Reports. The Informal Committee advised the
Company shortly thereafter that it did not believe the filing of the Financial Reports cured all
outstanding defaults and that the members of the Informal Committee reserved all rights with respect
to continuing and future defaults under the Indenture and RRA.

14 **E. SIGNIFICANT DEVELOPMENTS DURING THE CHAPTER 11 CASES**

15 **1. "First Day" Orders And Retention Of Professionals**

16 On the Filing Date, the Debtors filed "first day" motions and applications with the Bankruptcy
Court seeking certain relief to aid in the efficient administration of the Bankruptcy Cases and to
17 facilitate the Debtors' transition to debtor-in-possession status. These motions and applications were
18 granted at the "first day" hearing held on January 31, 2007. As part of the "first day" motions, the
Debtors sought and obtained several orders from the Bankruptcy Court that were intended to enable
the Debtors to operate to the extent possible in the normal course of business during the Chapter 11
process. Among other things, these orders:

- 19 • allowed for the joint administration of the Debtors' bankruptcy cases;
- 20 • authorized the Debtors to continue to utilize prepetition bank accounts on an interim
21 basis, subject to final hearing;
- 22 • authorized the Debtors to operate their consolidated cash management system during the
23 Chapter 11 cases in substantially the same manner as it was operated prior to the
commencement of the Chapter 11 cases;

- authorized the Debtors to continue to perform under certain historical practices and relationships with their Canadian affiliates;
- authorized payment of certain prepetition employee salaries, wages, and benefits and reimbursement of prepetition employee business expenses; and
- authorized payment of prepetition sales, payroll, and use taxes owed by the Debtors.

In addition, at the “first day” hearing, the Debtors obtained interim approval to enter into the DIP Facility.

2. Employment Of Professionals

The Bankruptcy Court has authorized, on an interim or final basis, the employment of the following professionals in the case:

Firm	Substance of Employment
Bush Strout & Kornfeld	Bankruptcy Counsel
Heller Ehrman, LLP	Special Counsel for Certain Environmental Matters
Kirkland & Ellis LLP	Special Securities, Indenture and Financing Counsel
Karr Tuttle Campbell	Special Counsel for General Corporate Matters
Smith Bunday Berman Britton, P.S.	Accountants for Debtors
Graham & Dunn P.C.	Counsel for Creditors Committee
Turnaround Corporate Recovery Services	Financial Advisor to the Creditors’ Committee
Alvarez & Marsal North America, LLC	Financial Advisor and Chief Restructuring Officer to Debtors
Alvarez & Marsal Securities, LLC	Investment Banker to Debtors for valuation services
AccuVal Associates, Inc.	Appraiser to Debtors

Firm	Substance of Employment
CB Richard Ellis ³	Appraiser to Debtors

3. Appointment Of Creditors' Committee

On February 2, 2007, the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Creditors' Committee") pursuant to section 1102(a) of the Bankruptcy Code. The members appointed to the Creditors' Committee are: Mary's River Lumber Company, Metro Waste Paper Recovery Inc., Allen Logging Co., Merrill & Ring, and Hermann Brothers Logging & Construction. The Creditors' Committee is represented by the law firm of Graham & Dunn P.C. and the financial advisory firm of Turnaround Corporate Recovery Services.

4. The Informal Committee Of Senior Secured Noteholders

As of the date of this Disclosure Statement, the members of the Informal Committee as of the date of the Plan are: (i) Catalyst Investment Management, (ii) Delaware Investment Management, (iii) GoldenTree Asset Management, L.P., (iv) J.P. Morgan Securities, Inc., (v) Muzinich & Co., (vi) Radcliffe SPC, Ltd., (vii) Thales Fund Management, L.P., and (viii) Wells Capital Management. The Informal Committee is represented by the law firms of Akin Gump Strauss Hauer & Feld LLP, Foster Pepper PLLC, and Bennett Jones LLP (Canadian counsel) and the financial advisory firm of Jefferies & Co.

5. Postpetition Financing

On January 31, 2007, the Court entered the Interim Order Under 11 U.S.C. §§ 361, 362, 363, and 364, Fed. R. Bankr. P. 4001 and Bankr. L.R. 4001-2, (A) Authorizing Debtors to Incur Postpetition Indebtedness, (B) Granting Security Interests and Superpriority Expense Claims, (C) Authorizing Use of Cash Collateral and (D) Granting Other Relief (the "CIT Interim Order"), pursuant to which the Debtors were authorized to borrow up to \$9.6 million from The CIT Group/Business Credit, Inc. and CIT Business Credit Canada Inc. (collectively, "CIT"). On February 14, 2007, the Court entered a stipulation and order thereon ("Stipulation") modifying the CIT Interim Order. Pursuant to the Stipulation, the parties consented to a modification of the CIT Interim Order to increase the borrowing limitation and allow the Debtors to borrow up to the principal amount of \$10.6 million from the Pre-Petition Lender (the "CIT DIP Financing Obligations," and, together with the Debtors' pre-petition obligations to CIT, the "Existing Debt"). On March 1, 2007, the Court entered the Final Order Under 11 U.S.C. §§ 361, 362, 363, and 364, Fed. R. Bankr. P. 4001 and Bankr. L.R. 4001-2, (A) Authorizing Debtors to Incur Postpetition Indebtedness, (B) Granting Security Interests and Superpriority Expense Claims, (C) Authorizing Use of Cash Collateral and (D) Granting Other Relief (the "CIT Final Order").

³ The Debtors expect to file an application on or before June 22, 2007 seeking authorization to employ CB Richard Ellis as appraisers of the real property at the mill site in Port Townsend, Washington.

1 Following entry of the CIT Final Order, the Debtors determined that additional postpetition
2 financing would be necessary to meet the Debtors' anticipated capital needs. To meet these needs, the
3 Company obtained a commitment from certain holders of the Debtors' Secured Notes to purchase up
4 to \$50 million in post-petition notes issued by the Debtors (as defined in the Plan, the "DIP Facility").
5 On March 29, 2007, the Court entered an Interim Order Under 11 U.S.C. §§ 361, 362, 363 and
6 364 and Fed. R. Bankr. P. 4001 and Bankr. L.R. 4001-2, (A) Authorizing Debtors to Incur
7 Postpetition Indebtedness, (B) Granting Priming Security Interests and Superpriority Expense Claims,
8 (C) Modifying Automatic Stay, (D) Authorizing Use of Cash Collateral, (E) Granting Adequate
9 Protection, and (F) Granting Other Relief (the "Interim Noteholder DIP Order"). Pursuant to the
10 Interim Noteholder DIP Order, the Debtors obtained postpetition financing for up to \$38 million
11 through the sale of certain secured notes. A final order approving the DIP Facility was entered on
12 April 18, 2007 which, among other things, authorized the Debtors to borrow up to \$50 million.
13 Borrowings under the DIP Facility were used to pay in full approximately \$23.5 million in CIT DIP
14 Financing Obligations and to provide the Debtors with additional working capital. The Debtors
15 estimate that obligations owed under the DIP Facility as of the Effective Date will be approximately
16 \$50 million. The obligations under the DIP Facility are secured by valid and properly perfected first
17 priority liens on substantially all property of the Debtors. In addition, the obligations under the DIP
18 Facility are secured by liens on substantially all assets of the Non-Debtor Affiliates.

11 **6. Adequate Assurance To Utilities**

12 On February 14, 2007, the Bankruptcy Court entered an order ("Adequate Assurance Order")
13 approving adequate assurance in favor of most utilities pursuant to § 366 in the form of a deposit to be
14 provided by the Debtors in an amount equal to two-weeks of utility service unless a utility provider
15 demanded additional adequate assurance pursuant to a procedure approved by the Bankruptcy Court
16 in the Adequate Assurance Order.

15 **7. General Claims Bar Date**

16 On, February 16, 2007, the Bankruptcy Court entered an amended order (the "Bar Date
17 Order") fixing April 2, 2007 as the deadline by which all creditors other than governmental units must
18 file proofs of claim in the Bankruptcy Cases. The Bar Date Order established July 30, 2007 as the
19 deadline by which governmental units must file proofs of claim in the Bankruptcy Cases. The Bar
20 Date Order also approved the form and manner of notice of the Bar Date. On February 16, 2007,
21 notice of the Bar Date Order was sent to all known holders of claims against the Debtors, all
22 counterparties to executory contracts or unexpired leases with the Debtors, and other parties in interest
23 as required by the Bar Date Order. Notice of the Bar Date Order was also published in the Seattle
24 Times or the Seattle Post-Intelligencer, the Puget Sound Business Journal, and the Port Townsend &
25 Jefferson County Leader.

26 Based on the Debtors' preliminary review of scheduled and asserted general unsecured claims,
27 the Debtors estimate currently that the aggregate Allowed amount of unsecured claims will be
28 between \$15 million and \$16.1 million. The Plan Proponents, however, have not yet conducted an in-
29 depth analysis of the Claims to determine which claims may be invalid. Since the actual Allowed
30 amount of claims will not be known until all claims objections are resolved, the actual Allowed

1 amount of unsecured claims may be greater or less than the range contained in this Disclosure
2 Statement.

3 **8. Loggers' Lien Claims Bar Date and Procedures**

4 On March 8, 2007, the Bankruptcy Court entered an order ("Logger's Lien Claim Procedures
5 Order") fixing April 2, 2007 as the deadline by which all creditors holding lien claims pursuant to
6 RCW § 60.24.020 ("Logger's Lien Claims") must file proofs of claim in the Bankruptcy Cases. The
7 Logger's Lien Claim Procedures Order established procedures ("Logger's Lien Procedures") for the
8 submission and administration of Logger's Lien Claims, and approved the form and manner of notice
9 of the Logger's Lien Procedures as well as the Logger's Lien Claim form. On March 12, 2007, notice
10 of the Logger's Lien Procedures and the deadline for filing Logger's Lien Claims was sent to all
11 known holders of such claims, as required by the Logger's Lien Claim Procedures Order. On April
12 23, 2007 and as required by the Logger's Lien Procedures Order, the Debtors filed a report listing the
13 claims that the Debtors have determined are valid in whole or in part, and those claims that the
14 Debtors dispute. The Debtors estimate that the total amount of valid Logger's Lien Claims is
15 \$559,505.24. The Debtors believe that they have resolved all disputed Logger's Lien Claims except
16 for a claim by Ryfield Properties in the asserted amount of approximately \$23,234.

17 **9. 503(b)(9) Claims Bar Date and Procedures**

18 On March 15, 2007, the Bankruptcy Court entered an order ("Section 503(b)(9) Procedures
19 Order") fixing April 16, 2007 as the deadline by which all creditors holding claims pursuant to
20 11 U.S.C. § 503(b)(9) ("Section 503(b)(9) Claims") must file proofs of claim in the Bankruptcy
21 Cases. The Section 503(b)(9) Procedures Order established procedures ("Section 503(b)(9)
22 Procedures") for the submission and administration of Section 503(b)(9) Claims, and approved the
23 form and manner of notice of the Section 503(b)(9) Procedures. On March 19, 2007, notice of the
Section 503(b)(9) Procedures and the deadline for filing Section 503(b)(9) Claims was sent to all
parties on the creditor matrix, all parties who filed a request for special notice, the Office of the United
States Trustee, and counsel for the Creditors' Committee. On May 8, 2007 the Debtors filed the
amended report listing the claims that the Debtors have determined are valid in whole or in part, and
those claims that the Debtors dispute. Disputed claims are to be resolved according to the Section
503(b)(9) Procedures Order. The Debtors estimate that the total amount of valid Section 503(b)(9)
Claims is approximately \$4 million, though the amount actually paid on such claims may be less to
account for overlap with Logger's Lien Claims. The Debtors believe that they have resolved all
disputed Section 503(b)(9) Claims except for a claim by Weyerhaeuser in the asserted amount of
approximately \$157,346.

24 **10. Avoidance Actions**

25 The Debtors retained Alvarez and Marsal (A&M) to perform an initial preference analysis.
26 For purposes of estimating the preference recoveries, the Debtors provided information to A&M to
27 analyze the forty vendors who had received the largest payments during the 90-day pre-petition
28 period. Those vendors received collectively in excess of \$22,500,000 in payments. After analysis, it
29 appears that the maximum recovery from those forty vendors is slightly less than \$2,000,000 in

1 avoidance actions, however, there may be substantial defenses which have not been asserted which
2 would operate to reduce the \$2,000,000 calculation.

3 For purposes of its liquidation analysis, the debtor discounted the \$2,000,000 calculation by
4 50% to account for the potential of additional defenses, the costs of collection, and discounting for
5 settlements which is customary in bankruptcy proceedings of this type. As set forth in the liquidation
6 analysis, there is no recovery for unsecured creditors from avoidance action recoveries.

7 Even if the avoidance recoveries in actuality reach \$5,000,000 (which is highly unlikely), in
8 the event of a chapter 7 liquidation, the recoveries likely would be distributed to holders of chapter 7
9 and chapter 11 administrative expense claims, including, without limitation, those based upon 11
10 U.S.C. 503(b)(9), and would not be distributed to holders of General Unsecured Claims in Classes
11 4A-C or holders of Convenience Claims in Class 4D.

12 **III. SUMMARY OF THE PLAN**

13 **A. INTRODUCTION**

14 The Plan provides for a restructuring of the Debtors' financial obligations which will result in
15 a significant deleveraging of the Debtors. The Debtors believe that the proposed restructuring will
16 provide them with the necessary financial flexibility to compete effectively in today's business
17 environment.

18 Pursuant to the transactions to be effectuated under the Plan on the Effective Date,
19 Reorganized PT Holdings shall retain its direct and indirect Interests in PTPC, Packaging, and the
20 Non-Debtor Affiliates. Reorganized PT Holdings will be a private, non-SEC reporting company and
21 issue the New Common Stock and Series A Preferred, none of which will be traded on any exchange.
22 The Exit Working Capital Facility and New Senior Secured Notes will be the Reorganized Debtors
23 primary secured indebtedness, each of which will be secured by all of the assets of the Reorganized
Debtors and Non-Debtor Affiliates, and guaranteed by each of the Non-Debtor Affiliates.

24 **B. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

25 The categories of Claims and Interests set forth below classify all Claims against, and Interests
26 in, the Debtors for all purposes of the Plan. A Claim or Interest shall be deemed classified in a
27 particular Class only to the extent the Claim or Interest qualifies within the description of that Class
28 and shall be deemed classified in a different Class to the extent that any remainder of such Claim or
29 Interest qualifies within the description of such different Class. A Claim or Interest is in a particular
30 Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or
31 otherwise settled prior to the Effective Date. The treatment with respect to each Class of Claims and
32 Interests provided for in the Plan shall be in full and complete satisfaction, release and discharge of
33 such Claims and Interests.

34 The classification of Claims under the Plan is as follows:

<u>Class</u>	<u>Designation</u>	<u>Impairment</u>	<u>Entitled To Vote</u>
1	Other Secured Claims	Unimpaired	No
2	Priority Claims	Unimpaired	No
3A	PTPC Secured Notes Claims	Impaired	Yes
3B	PT Holdings Secured Notes Claims	Impaired	Yes
3C	Packaging Secured Notes Claims	Impaired	Yes
4A	PTPC General Unsecured Claims	Impaired	Yes
4B	PT Holdings General Unsecured	Impaired	Yes
5	Claims		
4C	Packaging General Unsecured Claims	Impaired	Yes
6	4D Convenience Claims	Impaired	Yes
5	Intercompany Claims	Unimpaired	No
7	6 Workers' Compensation Claims	Unimpaired	No
7	Subordinated Claims	Impaired	No

For purposes of classification and treatment under the Plan, Interests against PT Holdings, PTPC and Packaging, respectively, are classified in three subclasses. The classification of Interests under the Plan is as follows:

8A	PT Holdings Interests	Impaired	No
8B	PTPC Interests	Unimpaired	No
8C	Packaging Interests	Unimpaired	No

1. Class 1 -- Other Secured Claims

Class 1 consists of all secured claims as defined in section 101(5) of the Bankruptcy Code against any Debtor to the extent secured by a valid, perfected, enforceable and non-avoidable lien on any property of any Debtor to the extent of the value of such Debtor's interests in said property as provided in section 506(a) of the Bankruptcy Code ("Secured Claims") except for Secured Notes Claims. The Debtors currently estimate that the total amount of Allowed Other Secured Claims is approximately \$760,000. Unless the Holder of such Claim and the Plan Proponents agree to a different treatment, each Holder of an Allowed Class 1 Other Secured Claim shall receive, in full and final satisfaction of such Allowed Class 1 Other Secured Claim, one of the following alternative treatments: (1) the legal, equitable and contractual rights to which such Claim entitles the Holder thereof shall be reinstated and the Holder paid in accordance with such legal, equitable and contractual rights; (2) the Debtors shall surrender all collateral securing such Claim to the Holder thereof, in full satisfaction of such Holder's Allowed Class 1 Other Secured Claim, without representation or warranty by or recourse against the Debtors or Reorganized Debtors; or (3) such Allowed Class 1 Other Secured Claim will be otherwise treated in a manner so that such Claim shall be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code. The proposed treatment of each Class 1 Other Secured Claim shall be selected by the Plan Proponents. Any default with respect to any Class 1 Other Secured Claim that occurred before or after the commencement of the Chapter 11 Case shall be deemed cured upon the Effective Date.

1 The Plan provisions with respect to Class 1 provide treatment for statutory lien claimants who
2 successfully establish a secured claim against the Company, including but not limited to Logger's
3 Lien Claims which are treated in the Logger's Lien Claim Procedures Order. The Plan also provides
treatment for other statutory liens including but not limited to lumber liens, stumpage liens, towage
liens, maritime liens, etc. and further provides treatment for holders of secured consensual liens.

4 *Voting:* Class 1 is an Unimpaired Class, and the Holders of Allowed Class 1 Other Secured
5 Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the
6 Bankruptcy Code. Therefore, the Holders of Claims in Class 1 are not entitled to vote to accept or
reject the Plan.

7 **2. Class 2 -- Priority Claims**

8 Class 2 consists of all Claims entitled to priority under section 507(a) of the Bankruptcy Code
9 other than an Administrative Expense Claim or a Priority Tax Claim. The legal, equitable and
10 contractual rights of the Holders of Class 2 Priority Claims, to the extent any such Claims exist, are
11 unaltered by the Plan. Unless the Holder of such Claim and the Plan Proponents agree to a different
12 treatment, each Holder of an Allowed Class 2 Priority Claim shall receive, in full and final satisfaction
13 of such Allowed Class 2 Priority Claim, one of the following alternative treatments: (a) to the extent
14 then due and owing on the Effective Date, such Claim will be paid in full in Cash by the Debtors or
the Reorganized Debtors on or as soon as practicable after the Effective Date; (b) to the extent not due
and owing on the Effective Date, such Claim will be paid in full in Cash by the Debtors or the
Reorganized Debtors when and as such Claim becomes due and owing in the ordinary course of
business; or (c) such Claim will be otherwise treated in a manner so that such Claims shall be
rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code. The proposed treatment of
each Class 2 Priority Claim shall be selected by the Plan Proponents.

15 *Voting:* Class 2 is Unimpaired, and the Holders of Class 2 Priority Claims are conclusively
16 deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the
Holders of Claims in Class 2 are not entitled to vote to accept or reject the Plan.

17 **3. Classes 3A-3C -- Secured Notes Claims**

18 Classes 3A-3C consist of Secured Notes Claims asserted against PT Holdings, PTPC and
19 Packaging, respectively. The Secured Notes Claims are Allowed in full and shall not be subject to
20 any avoidance, reductions, set off, offset, recharacterization, subordination (whether equitable,
21 contractual, or otherwise), counterclaims, cross-claims, defenses, disallowance, impairment, or any
other challenges under any applicable law or regulation by any person or entity. The Secured Notes
Claims are Allowed in an amount not less than \$125 million, plus accrued but unpaid interest, and
unpaid fees, costs and expenses thereunder.

22 On the Effective Date, in exchange for their Allowed Secured Notes Claims against each of the
23 Debtors, Holders of Allowed Secured Notes Claims shall receive, on a Pro Rata basis, 100% of the
New Common Stock, subject to dilution on account of the Management Equity Plan and Preferred
Dividend Warrants, *provided, however*, that acceptance of the Plan by Classes 3A-3C shall constitute

1 an agreement by the Holders of all Allowed Secured Notes Claims to, upon the Effective Date, (i)
2 contribute, out of the aggregate distribution Holders of Allowed Secured Notes Claims would
3 otherwise be legally entitled to receive, the Class 3 Contribution to Holders of Allowed General
4 Unsecured Claims and Convenience Claims, as applicable, in Classes 4A, 4B, 4C and 4D, and (ii)
5 waive the Secured Notes Deficiency Claims. While each holder of an Allowed Secured Notes Claim
6 possesses an Allowed Secured Notes Claim against each of the Debtors and the Non-Debtor
7 Affiliates, each holder of an Allowed Secured Notes Claim shall only receive one aggregate recovery
8 on account of all Allowed Secured Notes Claims held by such claimant, which recovery is specified in
9 Section 3.3 of the Plan. In addition, any eligible Holder of an Allowed Secured Notes Claim who is
10 an Eligible Holder shall have the ability to participate in the Exit Facilities as described in Section 6.3
11 of the Plan.

12 *Voting:* Classes 3A-3C are Impaired. Pursuant to section 1126 of the Bankruptcy Code, each
13 Holder of an Allowed Secured Notes Claim in Classes 3A-3C is entitled to vote to accept or reject the
14 Plan.

15 **4. Classes 4A-4D -- General Unsecured Claims and Convenience Claims**

16 Classes 4A-4C consist of General Unsecured Claims against PT Holdings, PTPC and
17 Packaging, respectively. Class 4D consists of all Convenience Claims. As a result of the Class 3
18 Contribution (a) if Classes 4A and 4D each vote as a Class to accept the Plan (i) each Holder of an
19 Allowed General Unsecured Claim in Classes 4A-4C shall receive, in full and final satisfaction of
20 such Holder's Allowed General Unsecured Claim, such Holder's Pro Rata share of the Class 4A-4C
21 Allocation, and (ii) each Holder of an Allowed Convenience Claim shall be paid, in Cash, on the
22 Initial Distribution Date, in full and final satisfaction of such Holder's Convenience Claim, the lesser
23 of (x) \$2,000.00 or the Allowed amount of such Holder's Convenience Claim, if such Convenience
24 Claim is less than \$2,000.00 and (y) such Holder's Pro Rata share (as calculated by reference to the
25 Allowed amount of such Holder's Convenience Claim) of the Class 4D Allocation, or, alternatively,
26 (b) if either Class 4A or Class 4D votes as a Class to reject the Plan, each Holder of an Allowed
27 General Unsecured Claim in Classes 4A-4D shall receive, in full and final satisfaction of such
28 Holder's Allowed General Unsecured Claim or Convenience Claim, as applicable, such Holders' Pro
29 Rata share of the Class 3 Contribution.

30 *Voting:* Classes 4A-4D are Impaired. Pursuant to section 1126 of the Bankruptcy Code, each
31 Holder of an Allowed General Unsecured Claim in Classes 4A-4D is entitled to vote to accept or
32 reject the Plan.

33 **5. Class 5 -- Intercompany Claims**

34 Class 5 Intercompany Claims consist of (i) any Claim against any Debtor held by another
35 Debtor or Non-Debtor Affiliate, or (ii) any Claim against any Non-Debtor Affiliate held by another
36 Non-Debtor Affiliate or any Debtor. Under the Plan, on or after the Effective Date, all Intercompany
37 Claims will be adjusted, continued, or discharged to the extent determined appropriate by the
38 Reorganized Debtors, in their discretion.

1 *Voting:* Class 5 is Unimpaired. Holders of Class 5 Intercompany Claims are conclusively
2 deemed to have accepted the Plan and, therefore, are not entitled to vote to accept or reject the Plan.

3 **6. Class 6 -- Workers' Compensation Claims**

4 Class 6 Workers' Compensation Claims consist of all claims by employees of any Debtor
5 arising from or related to their employment with any Debtor for which the applicable Debtor is
6 required by state statute to maintain workers' compensation insurance coverage through a program of
7 third-party insurance, self-insurance, or state-sponsored insurance. Any Holder of a Workers'
8 Compensation Claim will be allowed to proceed with such Claim before the appropriate state workers'
9 compensation board subject to the right of the Debtors to defend any such Claim. To the extent any
10 such Claim is determined to be valid by the appropriate state workers' compensation board, or other
11 court having jurisdiction over such Claim, such Claim shall be paid from proceeds of the applicable
12 insurance (or self-insurance) program that is maintained by the Debtors pursuant to their existing
13 workers' compensation programs.

14 *Voting:* Class 6 is Unimpaired, and the Holders of Class 6 Workers' Compensation Claims are
15 conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.
16 Therefore, the Holders of Claims in Class 6 are not entitled to vote to accept or reject the Plan.

17 **7. Class 7 -- Subordinated Claims**

18 Class 7 consists of any Unsecured Claim that is subordinated in priority to Allowed General
19 Unsecured Claims pursuant to the provisions of section 510 of the Bankruptcy Code or other
20 applicable law, including, without limitation, Claims, if any, (a) arising from rescission of a purchase
21 or sale of Existing Securities, (b) for damages resulting from the purchase or sale of such securities, or
22 (c) for reimbursement or contribution on account of such Claims. The Debtors have not yet filed any
23 proceedings to subordinate any Claims, but the Plan makes provision for Subordinated Claims in the
event that any Unsecured Claims are ultimately found to be Subordinated Claims. Under the Plan, the
Holders of Subordinated Claims will receive no distributions on account of their respective Claims
and all rights with respect thereto will be cancelled and fully extinguished pursuant to, and on the
Effective Date of, the Plan.

Voting: Class 7 is Impaired. Pursuant to section 1126(g) of the Bankruptcy Code, Holders of
Class 7 Subordinated Claims are conclusively deemed to reject the Plan and are not entitled to vote to
accept or reject the Plan.

8. Classes 8A-8C -- Interests

 Class 8 is divided into three subclasses. Class 8A consists of all Interests in PT Holdings.
Class 8B consists of all Interests in PTPC. Class 8C consists of all Interests in Packaging. Under the
Plan, Holders of Class 8A Interests will receive no distributions on account of their respective
Interests and all rights with respect thereto will be cancelled and fully extinguished pursuant to, and
on the Effective Date of, the Plan. Pursuant to the Plan, Reorganized PT Holdings shall retain all of
its Class 8B Interests and Reorganized PTPC shall retain all of its Class 8C Interests.

1 *Voting:* Class 8A is Impaired. Pursuant to section 1126(g) of the Bankruptcy Code, Holders
2 of Class 8A are conclusively deemed to reject the Plan and are not entitled to vote to accept or reject
3 the Plan. Classes 8B and 8C are Unimpaired, and each Holder of Class 8B and 8C Interests is
4 conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.
5 Therefore, each Holder of Interests in Classes 8B and 8C is not entitled to vote to accept or reject the
6 Plan.

7 **C. TREATMENT OF UNCLASSIFIED CLAIMS**

8 **1. Administrative Expense Claims**

9 Administrative Expense Claims are Claims for payment of administrative expenses of a kind
10 specified in section 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code and entitled to priority
11 pursuant to section 507(a)(1) of the Bankruptcy Code. The Debtors currently estimate that the amount
12 of Administrative Expense Claims, including Cure Amounts to be paid for Assumed Contracts, will
13 total approximately \$5 million. Such claims include the actual, necessary expenses of preserving the
14 Debtors' assets incurred after the Filing Date, including amounts necessary to cure defaults under
15 Executory Contracts or Unexpired Leases to be assumed, and Claims for Professional Compensation.
16 Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code that apply to Claims
17 for Professional Compensation, the Plan provides that each Holder of an Allowed Administrative
18 Expense Claim will be paid the full unpaid amount of such Allowed Administrative Expense Claim in
19 Cash on the latest of (i) on, or as soon as reasonably practical after, the Effective Date, (ii) as soon as
20 practicable after the date on which such Claim becomes an Allowed Administrative Expense Claim,
21 (iii) upon such other terms as may be agreed upon by such Holder and the Plan Proponents, or (iv) as
22 otherwise ordered by the Bankruptcy Court; *provided, however*, that Allowed Administrative Expense
23 Claims representing obligations incurred by the Debtors in the ordinary course of business, or
otherwise assumed by the Debtors on the Effective Date pursuant to the Plan, including any tax
obligations arising after the Filing Date, will be paid or performed by Reorganized Debtors when due
in accordance with the terms and conditions of the particular agreements or governing non-bankruptcy
law governing such obligations.

24 **a. Treatment of Allowed 503(b)(9) Claims**

25 Holders of Allowed 503(b)(9) Claims will be treated as, and receive the same treatment
26 afforded to, Allowed Administrative Expense Claims pursuant to the Plan.

27 **b. Bar Date for Filing Administrative Expense Claims**

28 Except as otherwise provided in the Plan, any Person holding an Administrative Expense
29 Claim, other than an Administrative Expense Claim (i) previously asserted in connection with the
30 503(b)(9) Procedures Order, (ii) arising from the operation by the Debtors of their business in the
31 ordinary course of business or (iii) with respect to the fees and expenses of the Informal Committee
32 and its professionals, and the fees and expenses of the Indenture Trustee and its counsel, shall file a
33 proof of such Administrative Expense Claim with the clerk of the Bankruptcy Court within thirty (30)
days after the Reorganized Debtors provide notice by mail or by publication, in a form and manner
approved by the Bankruptcy Court, of the occurrence of the Effective Date. At the same time any

1 Person files an Administrative Expense Claim, such Person shall also serve a copy of the
2 Administrative Expense Claim upon counsel for the Reorganized Debtors. Any Person who fails to
3 timely file and serve a proof of such Administrative Expense Claim shall be forever barred from
seeking payment of such Administrative Expense Claim by the Debtors, the Estates, or the
Reorganized Debtors.

4 Any Person seeking an award by the Bankruptcy Court of Professional Compensation shall file
5 a final application with the Bankruptcy Court for allowance of Professional Compensation for services
6 rendered and reimbursement of expenses incurred through the Effective Date within thirty (30) days
after the Effective Date.

7 **2. Priority Tax Claims**

8 Priority Tax Claims means Claims against the Debtors that is of a kind specified in section
9 502(i) and 507(a)(8) of the Bankruptcy Code. The Debtors currently estimate that the amount of
10 Priority Tax Claims will be no more than \$35,000. With respect to any Allowed Priority Tax Claims
11 not paid pursuant to prior Bankruptcy Court order, except to the extent that a holder of an Allowed
12 Priority Tax Claim agrees to different treatment, each holder of an Allowed Priority Tax Claim will
13 receive, at the option of the Plan Proponents, (i) on the Effective Date, Cash in an amount equal to
14 such Allowed Priority Tax Claim, or (ii) commencing on the first anniversary of the Effective Date
15 and continuing on each anniversary thereafter over a period not exceeding five (5) years after the
Filing Date, equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax
Claim, together with interest at the applicable rate under non-bankruptcy law, subject to the option of
the Plan Proponents, to prepay the entire remaining amount of the Allowed Priority Tax Claim at any
time, or (iii) upon such other terms determined by the Bankruptcy Court to provide the Holder of such
Allowed Priority Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to
such Allowed Priority Tax Claim. All Allowed Priority Tax Claims which are not due and payable on
or before the Effective Date will be paid in the ordinary course of business as such obligations become
due.

16 **3. DIP Lender Claims**

17 All amounts owed to the DIP Lenders under the DIP Facility shall be paid in full and in Cash
18 on the occurrence of the Effective Date unless otherwise agreed to in writing by and between the DIP
Lenders and Plan Proponents.

19 **D. MEANS FOR IMPLEMENTATION OF THE PLAN**

20 **1. Sources Of Funding For Distributions Under The Plan**

21 On the Effective Date, the Reorganized Debtors shall obtain (i) the Exit Working Capital
22 Facility from the Exit Working Capital Lenders and (ii) the Exit Facilities from the Exit Financing
23 Participants. All Cash necessary for the Reorganized Debtors to make payments required by the Plan
shall be obtained from existing Cash balances, the operations of the Debtors or Reorganized Debtors,
the Exit Facilities, and/or the Exit Working Capital Facility.

1 **a. Exit Working Capital Facility**

2 On the Effective Date, the Reorganized Debtors shall obtain the Exit Working Capital Facility
3 from the Exit Working Capital Lenders. A term sheet and/or commitment letter relating to the Exit
4 Working Capital Facility shall be contained in the Plan Supplement. The operative documents
5 relating to the Exit Working Capital Facility shall be satisfactory in form and substance to the Plan
6 Proponents, each in their sole discretion. The Reorganized Debtors shall execute on the Effective
7 Date the operative documents relating to the Exit Working Capital Facility, as applicable, which shall
8 be substantially in conformance with the term sheet and/or commitment letter contained in the Plan
9 Supplement.

10 **b. Exit Facilities⁴**

11 On the Effective Date, the Reorganized Debtors shall obtain the exit financing consistent with
12 the terms and conditions set forth in the Commitment Letter from the Exit Financing Participants.
13 The Exit Facilities will consist of a (i) \$35 million term loan issued by Reorganized PTPC (the "Initial
14 Term Loan"), (ii) \$10 million additional term loan issued by Reorganized PTPC (the "Additional
15 Term Loan, collectively referred to with the Initial Term Loan as the "Term Loan Facilities") and (iii)
16 \$25 million preferred equity investment (the "New Preferred Equity Investment") in Reorganized PT
17 Holdings. Under the Term Loan Facility, the Reorganized Debtors will issue secured notes in the
18 aggregate principal amount of \$35 million (the "New Senior Secured Notes") that will pay interest at a
19 rate of 7.0% over LIBOR and will be secured by both a fully perfected, first priority first lien on the
20 plants, property and equipment of the Reorganized Debtors a fully perfected, second priority lien on
21 the Reorganized Debtors' working capital assets; *provided, however*, the Richmond Facility lease is
22 specifically excluded from this collateral package. Under the New Preferred Equity Investment,
23 shares of preferred stock ("Series A Preferred") will be issued by Reorganized PT Holdings and will
accrue payments in kind at 20% compounded semi-annually. Reorganized PT Holdings shall also
issue to holders of the Series A Preferred warrants to purchase up to 15% of the New Common Stock
at a strike price equivalent to a \$40 million common equity value for Reorganized PT Holdings (the
"Preferred Dividend Warrants"), *provided, however*, the warrants shall vest in 5% increments on the
6, 18 and 30 month anniversaries of the Effective Date, and only if the Series A Preferred is
outstanding at such time. Both the Term Loan Facilities and the New Preferred Equity Investment
will have terms of 5 years.

21 ⁴ This section does not provide a complete summary of the Exit Facilities. For a full summary, please
22 refer to the Commitment Letter and Exit Financing Term Sheet, which are attached to this Disclosure Statement
23 as Exhibit F. All descriptions of the terms and provisions of the Commitment Letter and Exit Financing Term
Sheet contained in this Disclosure Statement are qualified in their entirety by reference to the Commitment
Letter and Exit Financing Term Sheet. Any discrepancies between the descriptions contained in this Motion
and the terms and conditions of the Commitment Letter and/or Exit Financing Term Sheet shall be resolved in
favor of the Commitment Letter and/or Exit Financing Term Sheet.

The following is an overview of the Exit Facilities:

Term Loan Facilities

Borrowers

Reorganized Port Townsend Paper Corporation, Reorganized PT Holdings Company, Inc. and all of their direct and indirect domestic subsidiaries, on a joint and several basis. The obligations will be guaranteed by all foreign subsidiaries of the Borrowers.

Term Loan Commitment:

(i) \$35 million on the Closing Date and (ii) an additional amount of up to \$10 million in connection with the partial redemption of the Series A Preferred.

Interest:

Cash interest of L+700 bps, paid quarterly in arrears, calculated on an actual/360 day basis.

Standby Commitment Fee:

1.5% of the Initial Term Loan Commitment which shall be either (i) paid in cash as an allowed administrative expense claim upon the termination of the Backstop Commitment, subject to the terms of the Commitment Letter, or (ii) applied as a further discount to the notes acquired by the Backstop Parties under the Term Loans. The Standby Commitment Fee, once paid or applied, shall not be refundable.

Funding Discount:

The Financing Participants shall acquire the notes under the Term Loan Facilities at a discount equal to 1.0% of Term Loan Commitment.

Prepayment Price:

2.0% of the Term Loan Commitment upon acceleration or prepayment (optional or mandatory).

Term:

5 Years.

Security:

The Term Loans will be secured by (i) a fully perfected, first priority lien on the PP&E of the Borrowers and (ii) a fully perfected, second priority lien on the working capital assets of the Borrowers; *provided, however*, the Richmond Facility lease will be specifically excluded from the collateral package.

New Preferred Equity Investment

Issuer Reorganized PT Holdings

Type of Security: Series A Preferred Stock ("Series A Preferred"). Series A Preferred will, with respect to dividend rights and rights on liquidation, rank senior to the common stock of the Issuer.

Issue Price: \$25 million.

Accruals: PIK accruals of 20.0%, compounding semi-annually, commencing December 31, 2007.

Liquidation Preference: Upon any liquidation, dissolution or winding up of the Issuer, whether voluntary or involuntary (a "Liquidation Event"), the holder of Series A Preferred shall be entitled to receive, on a preferred basis prior to any distribution to the holders of common stock of the Issuer, an amount of cash per share equal to the original issue price, plus accruals.

Unless the holders of a majority of the shares of Series A Preferred determine otherwise, a Change of Control (to be defined) shall be deemed a Liquidation Event.

Standby Commitment Fee: 1.5% of the Preferred Equity Commitment which shall be either (i) paid in cash as an allowed administrative expense claim upon the termination of the Backstop Commitment, subject to the terms of the Commitment Letter, or (ii) applied as a further discount to the Series A Preferred acquired by the Backstop Parties pursuant to the Preferred Equity Commitment. The Standby Commitment Fee, once paid or applied, shall not be refundable.

Funding Discount: The Financing Participants shall acquire the Series A Preferred at a discount equal to 1.0% of the Preferred Equity Commitment.

Term: 5 years.

Mandatory Redemption:

On the fifth anniversary of the Effective Date, the Issuer shall redeem for cash all the then outstanding shares of the Series A Preferred in an amount of cash per share equal to the original issue price, plus accruals.

In addition, subject to the restrictions imposed under the Term Loan documentation described in the Commitment Letter, the Company shall use the net proceeds from any sale-leaseback transaction of the Richmond Facility and, to the extent available, simultaneously with such application, the proceeds of any Additional Term Loans, to redeem Series A Preferred at the Redemption Price.

Optional Redemption:

At any time, the Issuer may redeem the Series A Preferred for cash in an amount equal to 104% of the original issue price, plus accruals (the "Redemption Price"); provided, however, no optional redemption shall be permitted unless the Initial Term Loan is paid in full on or before the date of such optional redemption.

Preferred Dividend Warrants:

On the Closing Date, Reorganized PT Holdings shall issue warrants (the "Preferred Dividend Warrants") to holders of Series A Preferred. The Preferred Dividend Warrants will entitle their holders, in the event that the Series A Preferred remains outstanding, to purchase, at a strike price equivalent to a \$40 million common equity value of Reorganized PT Holdings:

- 5% of New Common Stock on the 6-month anniversary of the Closing;
- an additional 5% of New Common Stock on the 18-month anniversary of the Closing; and
- an additional 5% of New Common Stock on the 30-month anniversary of the Closing.

Such Preferred Dividend Warrants shall be subject to customary anti-dilution protections.

The operative documents relating to the Exit Facilities shall be satisfactory in form and substance to the Backstop Parties and Plan Proponents, each in their sole discretion. The Reorganized Debtors shall execute on the Effective Date the operative documents relating to the Exit Facilities.

2. Exit Financing Participation

a. Participation By Eligible Holders

Any Holder of a Secured Notes Claims that is an Eligible Holder will have the opportunity to participate in the Exit Facilities (the "Exit Financing Participation") to the extent described in the form

1 issued by the Participation Agent (the "Participation Form") to such Eligible Holders. To become an
2 Exit Financing Participant each electing Eligible Holder must deliver, expressly in accordance with
3 the instructions provided in the Participation Form and in a manner so as to be received by no later
4 than the Voting Deadline (the "Participation Deadline"): (i) an executed Participation Form; (ii)
5 immediately available funds in an amount calculated in accordance with the Participation Form (the
6 "Participation Amount"); and (iii) evidence reasonably satisfactory to the Debtors that the offer,
7 purchase and sale of the Series A Preferred and New Senior Secured Notes are exempt from any
8 securities law registration.

9
10
11 **b. Payments By Exit Financing Participants**

12 Payments made in accordance with the Exit Financing Participation shall be deposited and
13 held by the Participation Agent in a trust account, or similarly segregated account or accounts which
14 shall be separate and apart from the Participation Agent's general operating funds and any other funds
15 subject to any Lien or any cash collateral arrangements and which segregated account or accounts will
16 be maintained for the purpose of holding the money for administration of the Exit Facilities on or
17 prior to the Effective Date. The Participation Agent shall not use such funds for any other purpose
18 prior to such date and shall not encumber or permit such funds to be encumbered with any Lien or
19 other encumbrance.

20
21 **c. Exit Financing Participation Procedures**

22 The Debtors in consultation with the Informal Committee and the Backstop Parties may adopt
23 such detailed procedures consistent with the provisions of this Plan to more efficiently administer the
Exit Financing Participation. The participation of an Eligible Holder in the Exit Facilities shall be
limited to a percentage resulting from (x) the total principal allowed amount of Secured Notes held by
such Eligible Holder (without duplication where more than one person is deemed the Holder thereof)
as of the Record Date divided by (y) the aggregate principal amount of the Secured Notes outstanding
as of the Record Date.

24
25 **d. Validity of Participation**

26 If an Eligible Holder properly and timely completes a Participation Form, and makes timely
27 payment of the Participation Amount, such Eligible Holder will automatically be deemed to have
28 accepted the offer to become an Exit Financing Participant without further action. All questions
29 concerning the timeliness, viability, form and eligibility of any exercise of such right to become an
30 Exit Financing Participant shall be determined by the Debtors in consultation with the Informal
31 Committee and Backstop Parties whose determination shall be final and binding. The Debtors will
32 have the right to waive non-material errors in the Participation Form or in the calculation or payment
33 of the Participation Amount, but may not waive the failure to deliver the Participation Form timely or
the failure to pay the Participation Amount timely. Unless waived by the Debtors in consultation with
the Informal Committee in accordance with the preceding sentence, any improperly completed
Participation Form or any Participation Amount not fully paid will be rejected and will be returned to
the Eligible Holder, without interest, at the address provided in the Participation Form as promptly as
practicable after the Participation Deadline. Neither the Participation Agent nor the Plan Proponents

will have any obligation to notify any Eligible Holder of any defect in its Participation Form or in the amount of any payment of the Participation Amount.

3. Potential Sale/Leaseback of Richmond Lease

The Debtors and their Non-Debtor Affiliates currently are evaluating a potential transaction involving a sale/leaseback of a long-term below-market ground lease located in Richmond, British Columbia (the "Richmond Lease Transaction"). In the event the Debtors and Non-Debtor Affiliates pursue the Richmond Lease Transaction and it can be consummated on or prior to the Effective Date, the Debtors may use the net sale proceeds or a portion thereof in lieu of or in partial satisfaction of a portion of the proposed exit financing, or retain the proceeds for working capital purposes. In the event the Richmond Lease Transaction is consummated subsequent to the Effective Date, the Debtors shall use the net proceeds from the Richmond Lease Transaction to prepay the Initial Term Loan; including the Prepayment Premium; *provided, however*, that such net proceeds shall be applied first to the redemption of the Series A Preferred (rather than the prepayment of the Initial Term Loan) unless there is a default or event of default pending at the time of the receipt of such net proceeds, including after giving pro forma effect to such receipt and application, except to the extent the majority holders of the Initial Term Loan consent to such application.

4. Continued Corporate Existence

Except as otherwise provided in the Plan, each of the Debtors will continue to exist after the Effective Date as a separate corporate entity, with all the powers of a corporation under applicable law in the jurisdiction in which each applicable Debtor is incorporated or otherwise formed and pursuant to its certificate or articles of incorporation and by-laws or other organizational documents in effect prior to the Effective Date, except to the extent such certificate or articles of incorporation and by-laws or other organizational documents are amended by the Plan, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date, *provided, however*, on the Effective Date, Reorganized PT Holdings may at the option of the Plan Proponents redomesticate, by merger or other appropriate means, as a new corporation under the laws of the State of Delaware with a new certificate of incorporation and bylaws. The Debtors directly or indirectly own the Non-Debtor Affiliates and the continued existence, operation and ownership of such Non-Debtor Affiliates is a material component of the Debtors' businesses, and, as set forth in Section 10.1 of the Plan, all of the Debtors' Interests and other property interests in such Non-Debtor Affiliates shall revest in the applicable Reorganized Debtor or its successor on the Effective Date.

5. Certificates of Incorporation and Bylaws

The certificates of incorporation and bylaws of each of the Reorganized Debtors shall be in form and substance determined by the Informal Committee and shall be adopted as may be required in order to be consistent with the provisions of the Plan and the Bankruptcy Code. The certificate of incorporation of PT Holdings shall, among other things (a) authorize the issuance of New Common Stock and Series A Preferred pursuant to Section 7.3 of the Plan, and (b) provide, pursuant to section 1123(a)(6) of the Bankruptcy Code, for a provision prohibiting the issuance of non-voting common

equity securities. The certificates of incorporation and bylaws of the Reorganized Debtors shall be substantially in the form contained in the Plan Supplement.

6. Directors and Officers of Reorganized Debtors

The initial Board of Directors of Reorganized PT Holdings shall consist of five (5) directors designated by the Informal Committee, the identity of whom shall be disclosed by the Plan Proponents prior to the Confirmation Hearing. The members of the initial Boards of Directors or equivalent governing bodies for the Reorganized Debtors, other than Reorganized PT Holdings, shall be selected by the initial Board of Directors for Reorganized PT Holdings and shall consist of officers or directors of the Reorganized Debtors. To the extent any such Person is an Insider (as defined in section 101(31) of the Bankruptcy Code), the nature of any compensation for such Person will also be disclosed prior to the Confirmation Hearing. Each of the Persons on the initial Boards of Directors of the respective Reorganized Debtors shall serve in accordance with the certificates of incorporation and bylaws of the respective Reorganized Debtor, as the same may be amended from time to time. Pursuant to the Exit Financing Term Sheet, holders of a majority of the Series A Preferred shall be entitled to elect one of the five directors of Reorganized PT Holdings' Board of Directors subsequent to the appointment of the initial board of directors.

The initial officers of each of the Reorganized Debtors shall be designated by the Informal Committee and disclosed by the Plan Proponents prior to the Confirmation Hearing. To the extent any such Person is an Insider (as defined in section 101(31) of the Bankruptcy Code), the nature of any compensation for such Person will also be disclosed at such time. The initial officers shall serve in accordance with the certificates of incorporation and bylaws of the applicable Reorganized Debtor, as the same may be amended from time to time.

7. Cancellation of Existing Securities and Agreements of the Debtors/Discharge of Indenture Trustee

Except as set forth in the Plan, upon the Effective Date, the Existing Securities shall be cancelled and the holders thereof shall have no further rights or entitlements in respect thereof against the Debtors or Non-Debtor Affiliates except the rights to receive the distributions to be made to such holders under the Plan and all Liens against Non-Debtor Affiliates shall be automatically released. To the extent possible, distributions to be made under the Plan to the beneficial owners of the Secured Notes shall be made through the Depository Trust Company and its participants. The Confirmation Order shall authorize and direct the Indenture Trustee to take whatever action may be necessary or appropriate, in its reasonable discretion, to deliver the distributions, including, without limitation, obtaining an order of the Bankruptcy Court. On the Effective Date, the Indenture Trustee and its agents shall be discharged of all their obligations associated (i) with the Secured Notes, (ii) the Indenture, and (iii) any related documents, and released from all Claims arising in the Bankruptcy Cases. As of the Effective Date, the Indenture shall be deemed fully satisfied and cancelled, except that such cancellation shall not impair the rights of the holders of the Secured Notes to receive distributions under the Plan, or the rights of the Indenture Trustee under the Indenture Trustee Charging Lien, to the extent that the Indenture Trustee has not received payment as provided for in Section 6.7 of the Plan. On the Effective date, all Liens in favor of the Indenture Trustee for the

benefit of the holders of the Secured Notes or otherwise arising under the Indenture shall be deemed released.

8. Informal Committee Fees and Expenses

All outstanding fees and expenses of (i) the Indenture Trustee and its counsel and (ii) the Informal Committee and its professionals shall be paid in Cash on the Effective Date by the Debtors or Reorganized Debtors as an Administrative Expense Claim, without the need for application to, or approval of, the Bankruptcy Court. To the extent that the Indenture Trustee in its capacity as trustee under the Indenture provides services related to the Distributions pursuant to the Plan, the Indenture Trustee will be paid by the Reorganized Debtors, without Bankruptcy Court approval, the reasonable compensation for such services and reimbursement of reasonable expenses incurred in connection therewith, with such payments to be made on terms agreed to between the Indenture Trustee and the Reorganized Debtors.

9. Issuance of New Securities and Debt Instruments

a. New Common Stock

On the Effective Date, the Reorganized PT Holdings shall issue shares of New Common Stock pursuant to the Plan. The certificate of incorporation for Reorganized PT Holdings, a substantially similar form of which shall be contained in the Plan Supplement, sets forth the rights and preferences of the New Common Stock. The New Common Stock shall be issued subject to the Shareholder Agreement described below.

b. Series A Preferred

On the Effective Date, Reorganized PT Holdings shall issue shares of Series A Preferred in the aggregate amount of \$25 million, payment in kind accruals of 20.0% compounding semi-annually, and which incorporate such other terms and conditions as more particularly set forth in the Commitment Letter.

c. Preferred Dividend Warrants

On the Effective Date, Reorganized PT Holdings shall be authorized to issue the Preferred Dividend Warrants.

d. New Senior Secured Notes

On the Effective Date, the Reorganized Debtors, as co-borrowers, shall issue \$35 million in principal amount of New Senior Secured Notes which incorporate the terms and conditions set forth in the Commitment Letter. Substantially similar forms of the operative credit documents shall be contained in the Plan Supplement.

1 **10. Reinstatement of Interests of PT Holdings**

2 The Interests held directly and indirectly by PT Holdings in the other Debtors and the Non-
3 Debtor Affiliates shall be reinstated in accordance with the terms of the Plan.

4 **11. Registration Rights Agreement**

5 In the event the Board of Directors of Reorganized PT Holdings determines in its discretion to
6 register any of the New Common Stock or Preferred Dividend Warrants with the Securities and
7 Exchange Commission, or if Reorganized PT Holdings is required under the Shareholder Agreement
8 or applicable securities laws to register any of the New Common Stock or Preferred Dividend
9 Warrants with the Securities and Exchange Commission, any Person receiving Distributions of the
10 New Common Stock or Preferred Dividend Warrants issued on the Effective Date that is not entitled
11 to an exemption from registration under applicable securities laws pursuant to section 1145(a) of the
12 Bankruptcy Code, or whose resale of the New Common Stock or Preferred Dividend Warrants is
13 otherwise restricted under the securities laws, shall be entitled to become a party to the Registration
14 Rights Agreement. The Registration Rights Agreement shall be satisfactory in form and substance to
15 the Informal Committee in its sole discretion, a substantially similar form of which will be contained
16 in the Plan Supplement.

17 **12. Shareholder Agreement**

18 All Holders of New Common Stock, Preferred Dividend Warrants and, as appropriate, Series
19 A Preferred, will be subject to the Shareholder Agreement which will, among other things, govern
20 each Holder of New Common Stock's, Preferred Dividend Warrants' and, as appropriate, Series A
21 Preferred's, access to information with respect to the Reorganized Debtors and the ability to transfer
22 such Holder's New Common Stock, Preferred Dividend Warrants or, as appropriate, Series A
23 Preferred. Each certificate representing share(s) of New Common Stock, Preferred Dividend
Warrants or Series A Preferred shall bear a legend indicating that the New Common Stock, Preferred
Dividend Warrants or Series A Preferred is subject to the Shareholder Agreement. The Shareholder
Agreement will be effective as of the Effective Date. The Shareholder Agreement shall be
satisfactory in form and substance to the Informal Committee and, with respect to the Series A
Preferred, the Exit Financing Participants, each in their sole discretion, a substantially similar form of
which will be contained in the Plan Supplement.

13. Preservation Of Causes Of Action

 In accordance with section 1123(b)(3) of the Bankruptcy Code the Reorganized Debtors will
retain and may (but are not required to) enforce all Retained Actions. After the Effective Date, the
Reorganized Debtors, in their sole and absolute discretion, shall have the right to bring, settle, release,
compromise, or enforce such Retained Actions (or decline to do any of the foregoing), without further
approval of the Bankruptcy Court. The Reorganized Debtors or any successors, in the exercise of their
sole discretion, may pursue such Retained Actions so long as it is in the best interests of the
Reorganized Debtors or any successors holding such rights of action. The failure of the Debtors to
specifically list any claim, right of action, suit, proceeding or other Retained Action in the Plan or the
Plan Supplement does not, and will not be deemed to, constitute a waiver or release by the Debtors or

1 the Reorganized Debtors of such claim, right of action, suit, proceeding or other Retained Action, and
2 the Reorganized Debtors will retain the right to pursue such claims, rights of action, suits, proceedings
3 and other Retained Actions in their sole discretion and, therefore, no preclusion doctrine, collateral
4 estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches will
5 apply to such claim, right of action, suit, proceeding or other Retained Action upon or after the
6 confirmation or consummation of the Plan.

7 **14. Further Authorization**

8 The Reorganized Debtors shall be entitled to seek such orders, judgments, injunctions and
9 rulings as they deem necessary to carry out the intentions and purposes, and to give full effect to the
10 provisions, of the Plan.

11 **15. Effectuating Documents/Further Transactions**

12 Each of the Debtors (subject to the consent of the Informal Committee) and Reorganized
13 Debtors, and their respective officers and designees, is authorized to execute, deliver, file, or record
14 such contracts, instruments, releases, indentures, and other agreements or documents, and take such
15 actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions
16 of the Plan, the Exit Working Capital Facility, the Exit Facilities, the Commitment Letter or to
17 otherwise comply with applicable law.

18 **16. Exemption from Certain Transfer Taxes and Recording Fees**

19 Pursuant to section 1146(c) of the Bankruptcy Code, any transfers from a Debtor to a
20 Reorganized Debtor or to any other Person or entity pursuant to the Plan, or any agreement regarding
21 the transfer of title to or ownership of any of the Debtors' real or personal property will not be subject
22 to any document recording tax, stamp tax, conveyance fee, sales tax, intangibles or similar tax,
23 mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code
filing or recording fee, or other similar tax or governmental assessment, and the Confirmation Order
will direct the appropriate state or local governmental officials or agents to forego the collection of
any such tax or governmental assessment and to accept for filing and recordation any of the foregoing
instruments or other documents without the payment of any such tax or governmental assessment.

24 **E. PROVISIONS REGARDING DISTRIBUTIONS**

25 **1. Disbursing Agent**

26 Unless otherwise provided for herein, all Distributions under the Plan will be made by the
27 Reorganized Debtors or their agent. Notwithstanding the foregoing, all Distributions of New
28 Common Stock to the Holders of Allowed Secured Notes Claims shall be made by the applicable
29 Reorganized Debtor to such Holders through the Indenture Trustee unless otherwise agreed by the
30 Plan Proponents and the Indenture Trustee.

1 **2. Distributions Of Cash**

2 Any Distribution of Cash made by the Reorganized Debtors pursuant to the Plan shall, at the
3 Reorganized Debtors' option, be made by check drawn on a domestic bank or by wire transfer from a
4 domestic bank.

5 **3. No Interest On Claims**

6 Unless otherwise specifically provided for in the Plan, the Confirmation Order, or a
7 postpetition agreement in writing between the Debtors and a Holder, postpetition interest shall not
8 accrue or be paid on Claims, and no Holder shall be entitled to interest accruing on or after the Filing
9 Date on any Claim. Additionally, and without limiting the foregoing, interest shall not accrue or be
10 paid on any Disputed Claim in respect of the period from the Effective Date to the date a Final
11 Distribution is made when and if such Disputed Claim becomes an Allowed Claim.

12 **4. Delivery Of Distributions**

13 The Distribution to a Holder of an Allowed Claim shall be made by the Reorganized Debtors
14 (a) at the address set forth on the proof of claim filed by such Holder, (b) at the address set forth in
15 any written notices of address change delivered to the Debtors or Reorganized Debtors after the date
16 of any related proof of claim, (c) at the addresses reflected in the Schedules if no proof of claim has
17 been filed and the Debtors or Reorganized Debtors have not received a written notice of a change of
18 address, (d) if the Holder's address is not listed in the Schedules, at the last known address of such
19 Holder according to the Debtors' books and records, or (e) in the case of Secured Notes Claims, to the
20 Indenture Trustee for ultimate distribution to the Record Holders of such Secured Notes Claims. If
21 any Holder's Distribution is returned as undeliverable, no further Distributions to such Holder shall be
22 made unless and until the Reorganized Debtors are notified of such Holder's then-current address, at
23 which time all missed Distributions shall be made to such Holder without interest. All Distributions
 returned to the Reorganized Debtors and not claimed within six (6) months of return shall be
 irrevocably retained by the Reorganized Debtors notwithstanding any federal or state escheat laws to
 the contrary. Upon such reversion, the claim of any Holder or their successors with respect to such
 property shall be discharged and forever barred notwithstanding any federal or state escheat laws to
 the contrary.

5. Distributions To Holders As Of The Record Date

 All Distributions on Allowed Claims shall be made to the Record Holders of such Claims. As
 of the close of business on the Record Date, the Claims register maintained by the Bankruptcy Court
 shall be closed, and there shall be no further changes in the Record Holder of any Claim. The Record
 Date shall be established in the Disclosure Statement Approval Order or other order entered by the
 Bankruptcy Court. The Reorganized Debtors shall have no obligation to recognize any transfer of any
 Claim occurring after the Record Date. The Reorganized Debtors shall instead be entitled to
 recognize and deal for all purposes under the Plan with the Record Holders as of the Record Date.

1 **6. Fractional Securities; Fractional Dollars**

2 Payments of fractions of shares of New Common Stock will not be made and shall be deemed
3 to be zero. The Reorganized Debtors shall not be required to make Distributions or payments of
4 fractions of dollars. Whenever any payment of a fraction of a dollar under the Plan would otherwise
5 be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar
6 (up or down), with half dollars or less being rounded down.

7 **7. Withholding Taxes**

8 The Debtors or the Reorganized Debtors, as the case may be, shall comply with all
9 withholding and reporting requirements imposed by any federal, state, local, or foreign taxing
10 authority, and all Distributions under the Plan shall be subject to any such withholding and reporting
11 requirements.

12 **F. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

13 **1. Assumption And Rejection Of Contracts And Leases**

14 On the Effective Date, all Executory Contracts of any of the Debtors will be deemed rejected
15 in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code,
16 except those Executory Contracts that (1) have been previously assumed or rejected by any Debtor
17 (with the consent of the Informal Committee) pursuant to an order of the Bankruptcy Court, (2)
18 previously expired or terminated pursuant to their own terms, (3) are the subject of a motion to
19 assume or reject filed by any Debtor (with the consent of the Informal Committee) which is pending
20 on the Effective Date, (4) are identified as being Assumed Contracts on Schedule 5.1 to the Plan, or
21 (5) are assumed or rejected pursuant to the terms of the Plan. An Executory Contract that is deemed
22 to be assumed pursuant to the foregoing sentence and the Confirmation Order shall be referred to as
23 an "Assumed Contract." The Plan Proponents shall file Schedule 5.1 (the contents of which shall be
 acceptable to the Plan Proponents, each in their sole discretion) with the Bankruptcy Court and serve
 Schedule 5.1 on the non-Debtor parties under the agreements listed thereon no later than fifteen (15)
 days prior to the last date for filing objections to confirmation of the Plan, *provided, however*, that the
 Plan Proponents may amend Schedule 5.1 at any time prior to the Confirmation Hearing. Entry of the
 Confirmation Order by the Bankruptcy Court shall constitute approval, as of the Effective Date, of the
 assumption of the Assumed Contracts and the rejection of the Rejected Contracts pursuant to sections
 365(a) and 1123 of the Bankruptcy Code; *provided, however*, if the non-Debtor party to an Assumed
 Contract objects to the assumption of an Assumed Contract pursuant to the procedures set forth in
 Article 5.3 of the Plan, and such objection has not been resolved prior to the Effective Date, such
 Assumed Contract will be deemed to be assumed (if at all) only upon the resolution of such objection
 pursuant to Article 5.3 of the Plan. Each Executory Contract or Unexpired Lease that is assumed by
 any Debtor (with the consent of the Informal Committee) under the Plan and pursuant to the
 Confirmation Order or pursuant to any other Final Order entered by the Bankruptcy Court shall be
 deemed to be assigned to the Reorganized Debtors on the later of (i) the Effective Date or (ii) the date
 of assumption.

2. Claims for Rejection Damages

All proofs of claim with respect to Claims arising from the rejection pursuant to the Plan of the Rejected Contracts, if any, must be filed with the clerk of the Bankruptcy Court and served upon counsel for the Reorganized Debtors within thirty (30) days after the date of entry of the Confirmation Order. Any Claims arising from the rejection of Executory Contracts or Unexpired Leases that become Allowed Claims are classified and shall be treated as a Class 4A, 4B or 4C General Unsecured Claim, as applicable. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not filed within the time required by Section 5.2 of the Plan will be forever barred from assertion against the Debtors or the Reorganized Debtors, the Estate and property of the Debtors or Reorganized Debtors.

3. Cure Of Defaults For Executory Contracts And Unexpired Leases

The Debtors shall include on Schedule 5.1 the Cure Amount for any Assumed Contract. Any party to an Assumed Contract shall have fifteen (15) days after service of Schedule 5.1 to file with the Bankruptcy Court and serve on counsel for the Debtors and the Informal Committee an objection to the Cure Amount listed on Schedule 5.1, an objection to the adequacy of assurance of future performance by the Reorganized Debtors, or any other objection to the assumption of such Assumed Contract. Any such objection shall be resolved by the Bankruptcy Court at the Confirmation Hearing or at such other time as may be agreed to by the affected parties. If the Bankruptcy Court determines that the Cure Amount with respect to an Assumed Contract is greater than the amount listed by the Debtors on Schedule 5.1, the Plan Proponents may elect to reject the Assumed Contract at issue, in which event, the non-Debtor party to such contract shall be required to file a proof of claim for any damages resulting from such rejection within thirty (30) days after the effective date of such rejection. For each Executory Contract or Unexpired Lease assumed by the Debtors and assigned to the Reorganized Debtors, the Reorganized Debtors will pay the Cure Amount as set forth on Schedule 5.1, or as determined by the Bankruptcy Court, on the Initial Distribution Date, or if the Cure Amount has not been determined on the Initial Distribution Date, within thirty (30) days after the Cure Amount has been determined by a Final Order of the Bankruptcy Court.

4. Northwest Capital Agreements

On the Effective Date, Northwest Capital shall be deemed to have waived any and all Claims it may have as of the Effective Date against the Debtors. On the Effective Date, any and all agreements between Northwest Capital and the Debtors shall be terminated and Northwest Capital shall have no claims or rejection damages assertable against any of the Debtors as a result of such termination. Northwest Capital shall receive no distribution or consideration pursuant to the Plan or otherwise except the releases described in Section 10.3 of the Plan.

G. EMPLOYMENT AGREEMENTS AND OTHER BENEFITS

1. Employment Agreements

Except as otherwise provided in the Plan, to the extent the Debtors had employment agreements with any of their executives and key employees as of the Filing Date, the Plan Proponents

1 will disclose on Schedule 5.1 whether they intend to assume or reject such contracts. Notwithstanding
2 anything to the contrary in the Plan, the Reorganized Debtors shall maintain all of their existing rights,
3 including, but not limited to, any rights that they may have to amend, modify, or terminate, the
4 employment agreements assumed pursuant to Article V of the Plan, subject to the existing contractual
5 rights, if any, of the directors, officers or employees affected thereby. Any Holder of a Claim arising
6 from the rejection of an employment agreement must file a proof of claim with the Bankruptcy Court
7 within thirty (30) days of the deemed rejection. Any Claims arising from the rejection of an
8 employment agreement not filed within the time required by Section 5.4 of the Plan will be forever
9 barred from assertion against the Debtors or the Reorganized Debtors, the Estate and property of the
10 Debtors or Reorganized Debtors.

2. Employee Benefit Programs

11 Except as otherwise provided in the Plan, the Plan Proponents will disclose on Schedule 5.1 of
12 the Plan all employee compensation or benefit plans, policies or programs of the Debtors applicable
13 generally to their employees that will be assumed pursuant to the Plan. The Debtors and the
14 Reorganized Debtors, as the case may be, will (i) continue to make payment of all retiree benefits (if
15 any) as that term is defined in section 1114 of the Bankruptcy Code ("Section 1114") to the extent and
16 for the duration required by Section 1114, (ii) continue to be the contributing sponsors of all pension
17 plans which are defined as benefit pension plans ("Pension Plans") by the Pension Benefit Guaranty
18 Corporation (the "PBGC") under Title IV of the Employee Retirement Income Security Act of 1974
19 ("ERISA"), 29 U.S.C. ss.1301-1461, and (iii) continue to fund and maintain the Pension Plans in
20 accordance with the minimum funding requirements of ERISA and § 412 of the Internal Revenue
21 Code.

22 No provision of the Plan, the Confirmation Order, or § 1141 of the Bankruptcy Code, shall, or
23 shall be construed to, discharge, release, or relieve the Debtor or any other party, in any capacity, from
any liability with respect to the Pension Plans under any law, governmental policy, or regulatory
provision. Neither the PBGC nor the Pension Plans shall be enjoined from enforcing such liability as
a result of the Plan's provisions for satisfaction, release and discharge of claims

3. Management Equity Plan

On or as soon as reasonably practicable after the Effective Date, the Board of Directors of
Reorganized PT Holdings shall implement a Management Equity Plan to provide designated members
of senior management of the Debtors with New Common Stock and/or options to purchase shares of
New Common Stock representing, an aggregate amount, up to 10% of the New Common Stock issued
and outstanding on the Effective Date. The Management Equity Plan will contain terms and
conditions that shall be determined by the Board of Directors of Reorganized PT Holdings.

H. PROCEDURES FOR RESOLVING DISPUTED CLAIMS

1. Objections To Claims

The Plan provides that the Reorganized Debtors shall be entitled to object to Claims, *provided*,
however, that the Debtors and Reorganized Debtors shall not be entitled to object to Claims (i) that

1 have been Allowed by a Final Order entered by the Bankruptcy Court prior to the Effective Date or
2 (ii) that are Allowed by the express terms of the Plan. Any objections to Claims must be filed by the
3 Claims Objection Deadline. The Plan defines the Claims Objection Deadline to be the later of the first
4 Business Day which is (i) sixty (60) days after the Effective Date, (ii) sixty (60) days after a specific
5 Proof of Claim was filed or (iii) such other time as may be ordered by the Bankruptcy Court, as such
6 dates may be from time to time extended by the Bankruptcy Court without further notice to parties in
7 interest.

8 **2. No Distributions Pending Allowance**

9 Except as otherwise provided in the Plan, no Distributions will be made with respect to any
10 portion of a Claim unless and until (i) the Claims Objection Deadline has passed and no objection to
11 such Claim has been filed, or (ii) any objection to such Claim has been settled, withdrawn or
12 overruled pursuant to a Final Order of the Bankruptcy Court.

13 **3. Estimation Of Claims**

14 The Plan Proponents or the Reorganized Debtors, as the case may be, may, at any time, request
15 that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502 of
16 the Bankruptcy Code regardless of whether the Plan Proponents or the Reorganized Debtors have
17 previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection,
18 and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation
19 concerning any objection to any Claim, including during the pendency of any appeal relating to any
20 such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated
21 Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum
22 limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes
23 a maximum limitation on such Claim, the Plan Proponents (and after the Effective Date, the
Reorganized Debtors) may elect to pursue any supplemental proceedings to object to any ultimate
payment on such Claim. All of the aforementioned Claims objection, estimation and resolution
procedures are cumulative and are not necessarily exclusive of one another.

4. Resolution Of Claims Objections

On and after the Effective Date, the Reorganized Debtors shall have the authority to
compromise, settle, otherwise resolve, or withdraw any objections to Claims without approval of the
Bankruptcy Court.

5. Distribution Reserve

When making distributions with respect to General Unsecured Claims in Classes 4A-4C, the
Reorganized Debtors shall reserve sufficient funds (the "Distribution Reserve") for Disputed General
Unsecured Claims that would, if Allowed, be entitled to a Distribution. As to any Disputed General
Unsecured Claim, upon a request for estimation by the Plan Proponents or Reorganized Debtors as set
forth in Section 9.3 of the Plan, the Bankruptcy Court will determine what amount is sufficient to
withhold as the Distribution Reserve. The Plan Proponents or Reorganized Debtors will request

1 estimation for every Disputed General Unsecured Claim that is unliquidated, and the Debtors will
2 withhold the Distribution Reserve based upon the estimated amount of each such Claim as set forth in
3 a Final Order. The Plan Proponents or Reorganized Debtors may also request estimation of a
4 Disputed General Unsecured Claim that is liquidated. If the Plan Proponents or Reorganized Debtors
elect not to request such estimation from the Court with respect to a Disputed General Unsecured
Claim that is liquidated, the Debtors will withhold as the Distribution Reserve based upon the asserted
amount of such Claim.

5 **6. Timing of Distributions to Classes 4A-4C**

6 Distributions to Holders of Allowed General Unsecured Claims in Classes 4A-4C shall be
7 made on each Distribution Date. Immediately prior to each Distribution Date, the Debtors or
8 Reorganized Debtors shall make a recalculation of the Pro Rata shares of Holders of Allowed General
Unsecured Claims in Classes 4A-4C.

9 **7. Distributions After Allowance**

10 On the first Distribution Date after a Disputed General Unsecured Claim becomes an Allowed
11 General Unsecured Claim, the Holder of an Allowed General Unsecured Claim shall receive the
12 Distribution to which such Holder is then entitled plus any Distribution such Holder would have
13 received on a prior Distribution Date had such Holder's Claim been Allowed on such prior
14 Distribution Date; provided, however, if the date such General Unsecured Claim becomes entitled to a
15 Distribution is less than twenty (20) Business Days prior to the next Distribution Date, the
Distribution with respect to such Claim will be made on the first Distribution Date that occurs more
than twenty (20) Business Days after the Claim becomes entitled to a Distribution. All Distributions
made under Article IX of the Plan will be made together with any dividends, payments, or other
Distributions made on account of, as well as any obligations arising from, the distributed property as
if such Claim had been an Allowed Claim on the dates Distributions were previously made to
Allowed Holders included in the applicable Class.

16 **I. CONFIRMATION AND CONSUMMATION OF THE PLAN**

17 **1. Conditions to Confirmation**

18 As a condition precedent to confirmation of the Plan that may be satisfied or waived in
19 accordance with Section 11.3 of the Plan, the Confirmation Order shall have been signed by the
20 Bankruptcy Court and entered on the docket of the Bankruptcy Cases by September 4, 2007, which
Confirmation Order is in form and substance acceptable to the Plan Proponents, each in their sole
discretion.

21 **2. Conditions to the Effective Date**

22 The following are conditions precedent to the occurrence of the Effective Date, each of which
23 may be satisfied or waived in accordance with Section 11.3 of the Plan:

- a. The Confirmation Order in form and substance acceptable to the Plan Proponents, each

1 in their sole discretion, shall have become a Final Order and shall not have been
2 vacated or modified;

3 b. It shall be no later than September 15, 2007;

4 c. All documents and agreements to be executed on the Effective Date or otherwise
5 necessary to implement the Plan (including, without limitation, corporate governance
6 documents, the Registration Rights Agreement, the Shareholder Agreement, the Exit
7 Working Capital Facility and the Exit Facilities) shall be in form and substance
8 satisfactory to the Informal Committee in its sole discretion (except if otherwise
9 expressly required by the Plan, in form and substance satisfactory to the Plan
10 Proponents, each in their sole discretion) and shall be effective on the Effective Date;

11 d. The Exit Working Capital Facility and Exit Facilities shall have been closed and
12 funded, subject to their terms;

13 e. The Debtors shall have received any authorization, consent, regulatory approval,
14 ruling, letter, opinion, or document that may be necessary to implement the Plan or that
15 is required by law, regulation, or order; and

16 f. The New Common Stock, Series A Preferred and New Senior Secured Notes have
17 been issued in accordance with the Plan.

18 3. Waiver of Conditions to Confirmation or Consummation

19 The conditions set forth in Section 11.1 and Section 11.2 of the Plan may be waived, in whole
20 or in part, by the Informal Committee without any notice to any other parties in interest or the
21 Bankruptcy Court and without a hearing, other than notice shall be provided to the Debtors and the
22 Creditors' Committee, *provided, however*, the conditions in Sections 11.1, 11.2(a), 11.2(d), 11.2(e)
23 and 11.2(f) of the Plan may only be waived, in whole or in part, by consent of both Plan Proponents,
each in their sole discretion. The failure to satisfy or waive any condition to the Confirmation Date or
the Effective Date may be asserted by the Informal Committee or, as applicable, the Plan Proponents,
regardless of the circumstances giving rise to the failure of such condition to be satisfied (including
any action or inaction by the Informal Committee or the Debtors). The failure of the Informal
Committee or, as applicable, the Plan Proponents, to exercise any of the foregoing rights shall not be
deemed a waiver of any other rights, and each such right shall be deemed an ongoing right, which may
be asserted at any time.

24 J. CERTAIN EFFECTS OF CONFIRMATION

25 1. Revesting Of The Debtors' Assets

26 Except as otherwise explicitly provided in the Plan, on the Effective Date, all property
27 comprising the Estates (including Retained Actions, but excluding property that has been abandoned
pursuant to an order of the Bankruptcy Court) shall revert in each of the Debtors that owned such
property or interest in property as of the Filing Date, free and clear of all Claims, Liens, charges,

1 encumbrances, rights and Interests of creditors and equity security holders, except as specifically
2 provided in the Plan. As of the Effective Date, the Reorganized Debtors may operate their businesses
3 and use, acquire, and dispose of property and settle and compromise Claims or Interests without
supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy
Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order.

4 **2. Release and Discharge Of The Debtors**

5 Pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided
6 in the Plan or in the Confirmation Order, the Distributions and rights that are provided in the Plan
7 shall be in complete satisfaction, discharge, and release of all Claims and Causes of Action, whether
known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in the
Debtors, the Reorganized Debtors or their Estates that arose prior to the Effective Date.

8 **3. Release and Discharge of Non-Debtor Affiliates**

9 Each holder of a Secured Notes Claim and the Indenture Trustee shall be deemed to have
10 forever waived, released, and discharged the Non-Debtor Affiliates of any Liens, Claims, claims,
11 causes of action, rights, or liabilities arising from the Guarantees granted to the holders of the Secured
Notes Claims under the Indenture as well as any Secured Notes Deficiency Claims. In addition, the
Confirmation Order shall authorize and direct the Indenture Trustee to take whatever action may be
12 necessary or appropriate, in its reasonable discretion, to effectuate the foregoing, including, without
limitation, providing a release of the Liens.

13 **4. Mutual Releases**

14 On the Effective Date, and to the greatest extent permissible by law, (i) the Debtors and
Reorganized Debtors, on behalf of themselves and their estates, (ii) all of the Debtors' respective
15 officers, directors, employees, legal and financial advisors, and other representatives of the Debtors
who served in such capacity on or subsequent to the Filing Date, in their capacity as such; (iii) all
16 shareholders of the Debtors as of the Filing Date, including, without limitation, Northwest Capital, in
its capacity as such; and (iv) the members of the Informal Committee including their legal and
17 financial advisors, in their capacity as such (collectively clauses (i) through (iv) being the "Released
Parties", and each a "Released Party"), shall be deemed to and hereby unconditionally and irrevocably
18 release each other from any and all claims or Causes of Action, known or unknown, relating to any
pre-Filing Date acts or omissions, except that no Released Party shall be released from any act or
19 omission that constitutes willful misconduct or fraud.

20 **5. Setoffs**

21 The Debtors may, but shall not be required to, set off against any Claim, and the payments or
other Distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature
22 whatsoever that the Debtors may have against such Holder; but neither the failure to do so nor the
allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the
23 Reorganized Debtors of any such claim that the Debtors or the Reorganized Debtors may have against
such Holder.

1 **6. Exculpation And Limitation Of Liability**

2 Under the Plan, the Debtors, the Reorganized Debtors, the Non-Debtor Affiliates, Northwest
3 Capital, in its capacity as a shareholder of PT Holdings, the Informal Committee, the members of the
4 Informal Committee in their capacities as such, the Indenture Trustee, in its capacity as such, and the
5 DIP Lenders, the Backstop Parties and the Exit Financing Participants, and any of such parties'
6 respective current and/or post-Filing Date and pre-Effective Date members, officers, directors,
7 employees, advisors, attorneys, representatives, financial advisors, investment bankers, or agents and
8 any of such parties' successors and assigns, shall not have or incur, and are hereby released from, any
9 claim, obligation, cause of action, or liability to one another or to any Holder of any Claim or Interest,
10 or any other party-in-interest, or any of their respective agents, employees, representatives, financial
11 advisors, attorneys, or Affiliates, or any of their successors or assigns, for any act or omission in
12 connection with, relating to, or arising out of the Bankruptcy Cases, the negotiation and filing of the
13 Plan, the filing of the Bankruptcy Cases, the pursuit of confirmation of the Plan, the consummation of
14 the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for
15 their willful misconduct or fraud, and in all respects shall be entitled to reasonably rely upon the
16 advice of counsel with respect to their duties and responsibilities under the Plan.

17 **7. Injunction**

18 **Except as otherwise expressly provided in the Plan or in the Confirmation Order, all**
19 **Persons or entities who have held, hold, or may hold Claims against or Interests in the Debtors**
20 **are permanently enjoined, from and after the Effective Date, from: (i) commencing or**
21 **continuing in any manner any action or other proceeding of any kind on any such Claim or**
22 **Interest against any of the Reorganized Debtors or the Non-Debtor Affiliates on account of such**
23 **Claims or Interests; (ii) the enforcement, attachment, collection, or recovery by any manner or**
24 **means of any judgment, award, decree, or order against any Reorganized Debtor or Non-**
25 **Debtor Affiliate with respect to such Claim or Interest; (iii) creating, perfecting, or enforcing**
26 **any encumbrance of any kind against any Reorganized Debtor or Non-Debtor Affiliate or**
27 **against the property or interests in property of any Reorganized Debtor or Non-Debtor Affiliate**
28 **with respect to such Claim or Interest; (iv) asserting any right of setoff, subrogation, or**
29 **recoupment of any kind against any obligation owed to any Reorganized Debtor or Non-Debtor**
30 **Affiliate or against the property or interest in property of any Reorganized Debtor or Non-**
31 **Debtor Affiliate with respect to such Claim or Interest; and (v) pursuing any claim released**
32 **pursuant to Article X of the Plan.**

33 **K. MISCELLANEOUS PLAN PROVISIONS**

34 **1. Modification of the Plan**

35 The Plan Proponents may modify the Plan pursuant to section 1127 of the Bankruptcy Code
36 and as herein provided, to the extent applicable law permits. Subject to the limitations contained
37 herein, the Plan Proponents may modify the Plan in accordance with this paragraph, before or after
38 confirmation, without notice or hearing, or after such notice and hearing as the Bankruptcy Court
39 deems appropriate, if the Bankruptcy Court finds that the modification does not materially and
40 adversely affect the rights of any parties in interest which have not had notice and an opportunity to be

1 heard with regard thereto. In the event of any modification on or before confirmation, any votes to
2 accept or reject the Plan shall be deemed to be votes to accept or reject the Plan as modified, unless
3 the Bankruptcy Court finds that the modification materially and adversely affects the rights of parties
in interest which have cast said votes. The Plan Proponents reserve the right in accordance with
section 1127 of the Bankruptcy Code to modify the Plan at any time before the Confirmation Date.

4 **2. Securities Law Matters**

5 It is an integral and essential element of the Plan that the issuance of the New Common Stock
6 pursuant to the Plan shall be exempt from registration under the Securities Act, pursuant to Section
1145 of the Bankruptcy Code and from registration under state securities laws. Any New Common
7 Stock issued to an "affiliate" of the Debtors within the meaning of the Securities Act or any Person
the Debtors reasonably determine to be an "underwriter," and which does not agree to resell such
8 securities only in "ordinary trading transactions," within the meaning of Section 1145(b)(1) of the
Bankruptcy Code shall be subject to such transfer restrictions and bear such legends as shall be
9 appropriate to ensure compliance with the Securities Act. Nothing in the Plan is intended to preclude
the Securities and Exchange Commission from exercising its police and regulatory powers relating to
the Debtors or any other entity.

10 **3. Plan Supplement**

11 The Plan Supplement which will contain, among other things, the certificates of incorporation
12 and bylaws for each of the Reorganized Debtors, the Registration Rights Agreement, the Shareholder
Agreement, term sheet and/or commitment letter for Exit Working Capital Facility, operative
13 documents for Exit Facilities, and schedules of the directors and officers of the Reorganized Debtors,
shall be filed with the Bankruptcy Court no later than five (5) days prior to the deadline set forth in the
14 Disclosure Statement Approval Order for creditors to vote whether to accept or reject the Plan.
Notwithstanding the foregoing, the Plan Proponents may amend the Plan Supplement and any
15 attachments thereto, through and including the Confirmation Date.

16 **4. Allocation of Plan Distributions Between Principal and Interest**

17 To the extent that any Allowed Claim entitled to a Distribution under the Plan is composed of
indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted
18 by applicable law, be allocated for United States federal income tax purposes to the principal amount
of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim,
19 to the portion of the Claim representing accrued but unpaid interest.

20 **5. Creditors' Committee**

21 On the Effective Date, the Creditors' Committee shall dissolve automatically, whereupon its
members, professionals, and agents shall be released from any further duties and responsibilities in the
22 Bankruptcy Cases and under the Bankruptcy Code, except for the limited purposes of filing
applications for Professional Compensation in accordance with Section 4.2(c) of the Plan.

1 **6. Retention of Jurisdiction**

2 The Plan provides that subsequent to the Effective Date, the Bankruptcy Court shall have or
3 retain jurisdiction for the following purposes: (a) to adjudicate objections concerning the allowance,
4 priority or classification of Claims or Interests and any subordination thereof, and to establish a date
5 or dates by which objections to Claims must be filed to the extent not established herein; (b) to
6 liquidate the amount of any Disputed, contingent or unliquidated claim, to estimate the amount of any
7 Disputed, contingent or unliquidated Claim, and to establish the amount of any reserve required to be
8 withheld from any Distribution under the Plan; (c) to resolve all matters related to the rejection, and
9 assumption and/or assignment of any Executory Contract or Unexpired Lease of the Debtors; (d) to
10 hear and rule upon all Retained Actions, Avoidance Actions and other Causes of Action commenced
11 and/or pursued by the Debtors and/or the Reorganized Debtors; (e) to hear and rule upon all
12 applications for Professional Compensation; (f) to remedy any defect or omission or reconcile any
13 inconsistency in the Plan, as may be necessary to carry out the intent and purpose of the Plan; (g) to
14 construe or interpret any provisions in the Plan and to issue such orders as may be necessary for the
implementation, execution and consummation of the Plan, to the extent authorized by the Bankruptcy
Code; (h) to adjudicate controversies arising out of the administration of the Estates or the
implementation of the Plan; (i) to make such determinations and enter such orders as may be
necessary to effectuate all the terms and conditions of the Plan, including the Distribution of funds
from the Estates and the payment of claims; (j) to determine any suit or proceeding brought by the
Debtors and/or the Reorganized Debtors to recover property under any provisions of the Bankruptcy
Code; (k) to hear and determine any tax disputes concerning the Debtors and to determine and declare
any tax effects under the Plan; (l) to determine such other matters as may be provided for in the Plan
or the Confirmation Order or as may be authorized by or under the provisions of the Bankruptcy
Code; (m) to determine any controversies, actions or disputes that may arise under the provisions of
the Plan, or the rights, duties or obligations of any Person under the provisions of the Plan; and (n) to
enter a final decree.

15 **7. Alternative Jurisdiction**

16 The Plan provides that in the event that the Bankruptcy Court is found to lack jurisdiction to
17 resolve any matter, then the District Court shall hear and determine such matter. If the District Court
18 does not have jurisdiction, then the matter may be brought before any court having jurisdiction with
regard thereto.

19 **8. Final Decree**

20 The Plan provides that the Bankruptcy Court may, upon application of the Reorganized
21 Debtors, at any time on or after one hundred twenty (120) days after the Initial Distribution Date,
22 enter a final decree in these cases, notwithstanding the fact that additional funds may eventually be
23 distributed to parties in interest. In such event, the Bankruptcy Court may enter an Order closing
these cases pursuant to section 350 of the Bankruptcy Code, *provided, however*, that: (a) the
Reorganized Debtors shall continue to have the rights, powers, and duties set forth in the Plan; (b) any
provision of the Plan requiring the absence of an objection shall no longer be required, except as
otherwise ordered by the Bankruptcy Court; and (c) the Bankruptcy Court may from time to time
reopen the Bankruptcy Cases if appropriate for any of the following purposes: (1) administering

Assets; (2) entertaining any adversary proceedings, contested matters or applications the Debtors have brought or bring with regard to the liquidation of Assets and the prosecution of Causes of Action; (3) enforcing or interpreting the Plan or supervising its implementation; or (4) for other cause.

IV. CONFIRMATION AND CONSUMMATION PROCEDURE

A. General Information

All creditors whose Claims are Impaired by the Plan (except those creditors holding Class 7 Subordinated Claims and Class 8A PT Holdings Interests which are deemed to have rejected the Plan) may cast their votes for or against the Plan. As a condition to confirmation of the Plan, the Bankruptcy Code requires that one Class of Impaired Claims votes to accept the Plan. Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a Class of Impaired Claims as acceptance by holders of at least two-thirds of the dollar amount of the class and by more than one-half in number of Claims. Holders of Claims who fail to vote are not counted as either accepting or rejecting a plan. Voting is accomplished by completing, dating, signing and returning the Ballot by the Voting Deadline. Ballots will be distributed to all creditors entitled to vote on the Plan and is part of the Solicitation Package accompanying the Disclosure Statement. The Ballot indicates (i) where the Ballot is to be filed and (ii) the deadline by which creditors must return their Ballots. See Section I of this Disclosure Statement for a more detailed explanation of who will receive Ballots and voting procedures.

B. Solicitation Of Acceptances

This Disclosure Statement has been approved by the Bankruptcy Court as containing "adequate information" to permit creditors and equity interest holders to make an informed decision whether to accept or reject the Plan. Under the Bankruptcy Code, your acceptance of the Plan may not be solicited unless you receive a copy of this Disclosure Statement prior to, or concurrently with, such solicitation.

C. Acceptances Necessary To Confirm The Plan

At the Confirmation Hearing, the Court shall determine, among other things, whether the Plan has been accepted by the Debtors' creditors. Classes 3A-3C and 4A-4D will be deemed to accept the Plan if at least two-thirds in amount and more than one-half in number of the Claims in each class vote to accept the Plan. Furthermore, unless there is unanimous acceptance of the Plan by Classes 3A-3C and 4A-4D, the Bankruptcy Court must also determine that any non-accepting Class members will receive property with a value, as of the Effective Date of the Plan, that is not less than the amount that such Class member would receive or retain if the Debtors were liquidated as of the Effective Date of the Plan under Chapter 7 of the Bankruptcy Code.

D. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a plan of reorganization. As set forth in the Disclosure Statement Approval Order, the Bankruptcy Court has scheduled the confirmation hearing for August

1 15, 2007 at 9:30 a.m. (prevailing Pacific Time). The Confirmation Hearing may be adjourned from
2 time to time by the Bankruptcy Court or Plan Proponents without further notice. Any objection to
3 confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the
4 name of the objector, the nature and amount of Claims or Interests held or asserted by the objector
5 against the Debtors' estate or property, the basis for the objection and the specific grounds therefore,
6 and must be filed with the Bankruptcy Court, with a copy to Chambers, together with proof of service
7 thereof, and served upon: (i) Bush Strout & Kornfeld, counsel for the Debtors, 601 Union Street,
8 Seattle, WA, 98101-2373 (Attn: Gayle E. Bush, Esq.); (ii) (a) Akin Gump Strauss Hauer & Feld LLP,
9 counsel for the Informal Committee, 1333 New Hampshire Avenue, N.W., Washington DC 20036
10 (Attn: James R. Savin, Esq.) and (b) Foster Pepper PLLC, counsel for the Informal Committee, 1111
11 3rd Avenue, Suite 3400, Seattle, WA 98101 (Attn: Jack Cullen, Esq.); (iii) Graham & Dunn PC,
12 counsel for the Creditors' Committee, Pier 70, 2801 Alaskan Way, Suite 300, Seattle, WA 98121
13 (Attn: Mark D. Northrup, Esq.); (iv) (a) Ropes & Gray, LLP, counsel for the DIP Lenders, 1211
14 Avenue of the Americas, New York, NY 10036-8704 (Attn: Mark Somerstein, Esq.) and (b) Riddell
15 Williams, P.S., counsel for the DIP Lenders, 1001 Fourth Avenue, Suite 4500, Seattle, WA 98154
16 (Attn: Joseph E. Shickich, Jr., Esq.); and (v) the Office of the U.S. Trustee, 700 Stewart Street, Suite
17 5103, Seattle, WA 98101 (Attn: Martin L. Smith, Esq.) so as to be received no later than August 6,
18 2007.

11 **E. Confirmation Of Plan Pursuant To Section 1129(B)**

12 The Bankruptcy Code provides that the Plan may be confirmed even if it is not accepted by all
13 impaired classes. To confirm the Plan without the requisite number of acceptances of each Impaired
14 Class, the Bankruptcy Court must find that at least one Impaired Class has accepted the Plan without
15 regard to the acceptances of insiders, and the Plan does not discriminate unfairly against, and is
16 otherwise fair and equitable, to any Impaired Class that does not accept the Plan. Classes 7 and 8A
17 are deemed to reject the Plan. Accordingly, if any Impaired Class votes to accept the Plan, the
18 Debtors will seek to confirm the Plan under the "cramdown" provisions of section 1129(b) of the
19 Bankruptcy Code.

16 **F. Considerations Relevant To Acceptance Of The Plan**

17 The Plan Proponents' recommendation that all Holders of Claims should vote to accept the
18 Plan is premised upon the Plan Proponents' view that the Plan is preferable to other alternatives,
19 including liquidation of the Debtors' Estates. It appears unlikely to the Plan Proponents that an
20 alternate plan of reorganization or liquidation can be proposed that would provide for payments in an
21 amount equal or greater than the amounts proposed under the Plan. If the Plan is not accepted, it is
22 likely that the interests of all creditors will be further diminished.

21 **V. PROJECTIONS AND VALUATION ANALYSIS**

22 THE VALUATION INFORMATION CONTAINED IN THIS SECTION WITH REGARD TO THE
23 REORGANIZED DEBTORS IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL
MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES
TO BE ISSUED PURSUANT TO THE PLAN.

1 **A. Projected Financial Statements**

2 As a condition to confirmation of a plan, the Bankruptcy Code requires, among other things,
3 that the Bankruptcy Court determine that confirmation is not likely to be followed by the liquidation
4 or the need for further financial reorganization of the debtor. This standard is referred to as
5 “feasibility.” In connection with the development of the Plan, and for purposes of determining
6 whether the Plan satisfies this feasibility standard, the Debtors’ management has analyzed the ability
7 of the Debtors to meet their obligations under the Plan and retain sufficient liquidity and capital
8 resources to conduct business.

9 The projections, which are set forth in Exhibit C to this Disclosure Statement (the
10 “Projections”), should be read in conjunction with Section VIII below, entitled “CERTAIN RISK
11 FACTORS TO CONSIDER” and with the assumptions, qualifications and footnotes to tables
12 containing the Projections (which include projected income statements, projected balance sheets, and
13 projected statements of cash flows).

14 The Projections assume an Effective Date of August 31, 2007 with Allowed Claims and
15 Allowed Interests treated as described in the Plan. Claims allowed as of the Effective Date will be
16 paid within five days of the Effective Date. Except as otherwise provided in the Plan, expenses
17 incurred as a result of the Bankruptcy Cases are assumed to be paid on the Effective Date. If the
18 Debtors do not emerge from chapter 11 as currently scheduled, additional Administrative Expense
19 Claims will be incurred until such time as a plan of reorganization is confirmed and becomes
20 effective. These additional Administrative Expense Claims could significantly impact the Debtors’
21 cash flows if the Effective Date is materially later than the Effective Date assumed in these
22 Projections.

23 It is important to note that the Projections and estimates of common stock equity values for the
24 Reorganized Debtors may differ from the actual realized performance and are highly dependent on
25 significant assumptions concerning the future operations of the Reorganized Debtors. These
26 assumptions include pricing for the Debtor’s products, volume, raw material prices, mill operating
27 performance, growth of the business, labor and other operating costs, regulatory environment,
28 inflation, foreign exchange rates, and the level of investment required for capital expenditures and
29 working capital. Please refer to *Section IX*, below, for a discussion of many of the factors that could
30 have a material effect on the information provided in this section.

31 The estimate of common stock equity value for the Reorganized Debtors is not intended to
32 reflect the values that may be attainable in public or private markets. They also are not intended to be
33 appraisals or reflect the value that may be realized if assets are sold.

34 **THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARDS COMPLYING**
35 **WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED**
36 **BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE**
37 **DEBTORS’ INDEPENDENT ACCOUNTANT HAS NOT REVIEWED THE**
38 **ACCOMPANYING PROJECTIONS TO DETERMINE THE REASONABLENESS**
39 **THEREOF AND, ACCORDINGLY, HAS NOT EXPRESSED AN OPINION OR ANY OTHER**

1 FORM OF ASSURANCE WITH RESPECT THERETO. THE DEBTORS DO NOT, AS A
2 MATTER OF COURSE, PUBLISH PROJECTIONS OF THEIR ANTICIPATED FINANCIAL
3 POSITION, RESULTS OF OPERATIONS OR CASH FLOWS. ACCORDINGLY, EXCEPT
4 AS MAY OTHERWISE BE REQUIRED IN THE SHAREHOLDER AGREEMENT, THE
5 PLAN PROPONENTS DO NOT INTEND TO, AND DISCLAIM ANY OBLIGATION TO, (I)
6 FURNISH UPDATED PROJECTIONS TO HOLDERS OF CLAIMS OR INTERESTS PRIOR
TO THE EFFECTIVE DATE OR TO HOLDERS OF REORGANIZED PT HOLDING'S NEW
COMMON STOCK, AND PREFERRED DIVIDEND WARRANTS, OR ANY OTHER PARTY
AFTER THE EFFECTIVE DATE, (II) INCLUDE SUCH UPDATED INFORMATION IN
ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE SEC, OR (III)
OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE.

7 THE PROJECTIONS PROVIDED IN CONNECTION WITH THIS DISCLOSURE
8 STATEMENT HAVE BEEN PREPARED EXCLUSIVELY BY THE DEBTORS' INTERNAL
9 ACCOUNTING STAFF, AND DEBTOR'S MANAGEMENT. THESE PROJECTIONS,
10 WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED
11 ON A VARIETY OF ESTIMATES AND ASSUMPTIONS, WHICH, THOUGH CONSIDERED
12 REASONABLE BY MANAGEMENT, AFTER CONSULTATION WITH THE INFORMAL
13 COMMITTEE'S FINANCIAL ADVISORS, MAY NOT BE REALIZED, AND ARE
14 INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND
15 COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE
16 BEYOND THE DEBTORS' CONTROL. THE PLAN PROPONENTS CAUTION THAT NO
17 REPRESENTATIONS CAN BE MADE AS TO THE MATERIAL ACCURACY OF THESE
18 FINANCIAL PROJECTIONS OR TO THE DEBTORS' ABILITY TO ACHIEVE THE
PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT
MATERIALIZE. FURTHER, EVENTS AND CIRCUMSTANCES OCCURRING
SUBSEQUENT TO THE DATE ON WHICH THESE PROJECTIONS WERE PREPARED
MAY BE DIFFERENT FROM THOSE ASSUMED OR, ALTERNATIVELY, MAY HAVE
BEEN UNANTICIPATED AND, THUS, THE OCCURRENCE OF THESE EVENTS MAY
AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER.
THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR
OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. FINALLY, THE
PROJECTIONS INCLUDE ASSUMPTIONS AS TO THE ENTERPRISE VALUE OF THE
DEBTORS, THE FAIR VALUE OF THEIR ASSETS, AND THEIR ACTUAL LIABILITIES
AS OF THE EFFECTIVE DATE.

19 **B. Valuation**

20 THE VALUATIONS SET FORTH HEREIN REPRESENT ESTIMATED
21 REORGANIZATION VALUES AND DO NOT NECESSARILY REFLECT VALUES THAT
22 COULD BE ATTAINABLE IN THE PUBLIC OR PRIVATE MARKETS. THE COMMON
23 STOCK EQUITY VALUE ASCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE
AN ESTIMATE OF THE POST-REORGANIZATION MARKET OR TRADING VALUE.
SUCH MARKET OR TRADING VALUE, IF ANY MAY BE MATERIALLY DIFFERENT

1 **FROM THE REORGANIZATION VALUE RANGE ASSOCIATED WITH THE**
2 **VALUATION ANALYSIS.**

3 A&M Securities LLC has advised the Plan Proponents with respect to the reorganization value
4 of the Reorganized Debtors (including Non-Debtor Affiliates, as described below) on a going concern
5 basis. Solely for purposes of the Plan and subject to the qualifications herein, the estimated range of
6 reorganization value of the Reorganized Debtors (including Non-Debtor Affiliates, as described
below) was assumed to be \$124 million to \$154 million (with a midpoint value of \$139 million) as of
an assumed Effective Date of August 31, 2007. A&M Securities LLC's estimate of a range of
enterprise values does not constitute an opinion as to fairness from a financial point of view of the
consideration to be received under the Plan or of the terms and provisions of the Plan.

7 **THE ESTIMATED RANGE OF THE REORGANIZATION VALUE, AS OF AN ASSUMED**
8 **EFFECTIVE DATE OF AUGUST 31, 2007 REFLECTS WORK PERFORMED BY A&M**
9 **SECURITIES LLC ON THE BASIS OF INFORMATION IN RESPECT OF THE BUSINESS**
10 **AND ASSETS OF DEBTORS AVAILABLE TO A&M SECURITIES LLC AS OF JUNE 14,**
11 **2007. IT SHOULD BE UNDERSTOOD THAT, ALTHOUGH SUBSEQUENT**
12 **DEVELOPMENTS MAY AFFECT A&M SECURITIES LLC'S CONCLUSIONS, A&M**
13 **SECURITIES LLC DOES NOT HAVE ANY OBLIGATION TO UPDATE, REVISE, OR**
14 **REAFFIRM ITS ESTIMATE.**

15 Based upon the estimated range of the reorganization value of Reorganized Debtors of
16 between \$124 million and \$154 million and assumed total debt (including, for this purpose, preferred
17 stock) of \$61 million (including \$35 million of term debt, \$25 million of preferred stock, and a largely
18 unfunded asset based revolver loan). A&M Securities LLC has estimated the range of common stock
equity value for the Reorganized Debtors (including Non-Debtor Affiliates, as described below)
between approximately \$63 million and \$93 million, with a mid-point common stock equity value of
\$78 million.

19 The foregoing estimate of the reorganization value of the Reorganized Debtors is based on a
20 number of assumptions, including a successful reorganization of the Debtors' businesses and finances
21 in a timely manner, the implementation of Reorganized Debtors' business plan, the achievement of the
22 forecasts reflected in the Projections, access to the Exit Financing, and the Plan becoming effective in
23 accordance with the estimates and other assumptions discussed herein.

A&M Securities LLC's estimate of a range of reorganization values assumes that Debtors'
Projections will be achieved by the Reorganized Debtors in all material respects, including revenue
growth, and improvements in operating margins, earnings and cash flow. Certain of the results
forecasted by the management of Debtors are significantly better than the recent historical results of
operations of Debtors. As a result, to the extent that the estimate of enterprise values is dependent
upon the Reorganized Debtors performing at the levels set forth in the Projections, such analysis must
be considered speculative. If the business performs at levels below those set forth in the Projected
Financial Information, such performance may have a material impact on the Projections and on the
estimated range of values derived therefrom.

1 IN ESTIMATING THE RANGE OF THE REORGANIZATION VALUE AND COMMON
2 STOCK EQUITY VALUE OF THE REORGANIZED DEBTORS, A&M SECURITIES LLC:

- 3 • REVIEWED CERTAIN HISTORICAL FINANCIAL INFORMATION
4 OF DEBTORS FOR RECENT YEARS AND INTERIM PERIODS;
- 5 • REVIEWED CERTAIN INTERNAL FINANCIAL AND OPERATING
6 DATA OF DEBTORS, INCLUDING THE PROJECTIONS, WHICH
7 WERE PREPARED AND PROVIDED TO A&M SECURITIES LLC
8 BY DEBTORS' MANAGEMENT AND WHICH RELATE TO
9 DEBTORS' BUSINESS AND ITS PROSPECTS;
- 10 • MET WITH CERTAIN MEMBERS OF SENIOR MANAGEMENT OF
11 DEBTORS TO DISCUSS DEBTORS OPERATIONS AND FUTURE
12 PROSPECTS;
- 13 • REVIEWED PUBLICLY AVAILABLE FINANCIAL DATA AND
14 CONSIDERED THE MARKET VALUE OF PUBLIC COMPANIES
15 THAT A&M SECURITIES LLC DEEMED GENERALLY
16 COMPARABLE TO THE OPERATING BUSINESS OF DEBTORS;
- 17 • CONSIDERED RELEVANT PRECEDENT TRANSACTIONS IN
18 THE DEBTORS' INDUSTRY;
- 19 • CONSIDERED CERTAIN ECONOMIC AND INDUSTRY
20 INFORMATION RELEVANT TO THE OPERATING BUSINESS;
21 AND
- 22 • CONDUCTED SUCH OTHER STUDIES, ANALYSIS, INQUIRIES,
23 AND INVESTIGATIONS AS IT DEEMED APPROPRIATE.

17 ALTHOUGH A&M SECURITIES LLC CONDUCTED A REVIEW AND ANALYSIS OF THE
18 DEBTORS' BUSINESS, OPERATING ASSETS AND LIABILITIES AND THE REORGANIZED
19 DEBTORS' BUSINESS PLAN, IT ASSUMED AND RELIED ON THE ACCURACY AND
20 COMPLETENESS OF ALL FINANCIAL AND OTHER INFORMATION FURNISHED TO IT BY
21 DEBTORS, AS WELL AS PUBLICLY AVAILABLE INFORMATION. IN ADDITION, A&M
22 SECURITIES LLC DID NOT INDEPENDENTLY VERIFY MANAGEMENT'S PROJECTIONS IN
23 CONNECTION WITH SUCH ESTIMATES OF THE REORGANIZATION VALUE AND
COMMON STOCK EQUITY VALUE, AND NO INDEPENDENT VALUATIONS OR
APPRAISALS OF DEBTORS WERE SOUGHT OR OBTAINED IN CONNECTION HEREWITH.

ESTIMATES OF THE REORGANIZATION VALUE AND COMMON STOCK EQUITY VALUE
DO NOT PURPORT TO BE APPRAISALS OR NECESSARILY REFLECT THE VALUES THAT

1 MAY BE REALIZED IF ASSETS ARE SOLD AS A GOING CONCERN, IN LIQUIDATION, OR
2 OTHERWISE.

3 IN THE CASE OF THE REORGANIZED DEBTORS, THE ESTIMATES OF THE
4 REORGANIZATION VALUE PREPARED BY A&M SECURITIES LLC REPRESENT THE
5 HYPOTHETICAL REORGANIZATION VALUE OF THE REORGANIZED DEBTORS. SUCH
6 ESTIMATES WERE DEVELOPED SOLELY FOR PURPOSES OF THE FORMULATION AND
7 NEGOTIATION OF THE PLAN AND THE ANALYSIS OF IMPLIED RELATIVE RECOVERIES
8 TO CREDITORS THEREUNDER. SUCH ESTIMATES REFLECT COMPUTATIONS OF THE
9 RANGE OF THE ESTIMATED REORGANIZATION ENTERPRISE VALUE OF THE
10 REORGANIZED DEBTORS THROUGH THE APPLICATION OF VARIOUS VALUATION
11 TECHNIQUES AND DO NOT PURPORT TO REFLECT OR CONSTITUTE APPRAISALS,
12 LIQUIDATION VALUES OR ESTIMATES OF THE ACTUAL MARKET VALUE THAT MAY
13 BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO
14 THE PLAN, WHICH MAY BE SIGNIFICANTLY DIFFERENT THAN THE AMOUNTS SET
15 FORTH HEREIN.

16 THE VALUE OF AN OPERATING BUSINESS IS SUBJECT TO NUMEROUS
17 UNCERTAINTIES AND CONTINGENCIES WHICH ARE DIFFICULT TO PREDICT AND WILL
18 FLUCTUATE WITH CHANGES IN FACTORS AFFECTING THE FINANCIAL CONDITION
19 AND PROSPECTS OF SUCH A BUSINESS. AS A RESULT, THE ESTIMATE OF THE RANGE
20 OF THE REORGANIZATION ENTERPRISE VALUE OF THE REORGANIZED DEBTORS SET
21 FORTH HEREIN IS NOT NECESSARILY INDICATIVE OF ACTUAL OUTCOMES, WHICH
22 MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE SET FORTH
23 HEREIN. SUCH ESTIMATES ARE INHERENTLY SUBJECT TO UNCERTAINTIES AND
ACTUAL OUTCOMES AND RESULTS MAY DIFFER MATERIALLY FROM THOSE SET
FORTH HEREIN. IN ADDITION, THE VALUATION OF NEWLY ISSUED SECURITIES IS
SUBJECT TO ADDITIONAL UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE
DIFFICULT TO PREDICT. ACTUAL MARKET PRICES OF SUCH SECURITIES AT
ISSUANCE WILL DEPEND UPON, AMONG OTHER THINGS, PREVAILING INTEREST
RATES, CONDITIONS IN THE FINANCIAL MARKETS, THE ANTICIPATED INITIAL
SECURITIES HOLDINGS OF PREPETITION CREDITORS, SOME OF WHICH MAY PREFER
TO LIQUIDATE THEIR INVESTMENT RATHER THAN HOLD IT ON A LONG-TERM BASIS,
AND OTHER FACTORS WHICH GENERALLY INFLUENCE THE PRICES OF SECURITIES.

19 C. Valuation Methodologies

20 A&M Securities LLC performed a variety of analyses and considered a variety of factors in
21 preparing the valuation of Debtors (including the Non-Debtor Affiliates, as described). Several
22 generally accepted valuation techniques for estimating Debtors' enterprise value were used. A&M
23 Securities LLC primarily relied on three methodologies: comparable public company analysis,
discounted cash flow analysis, and comparable acquisitions analysis. A&M Securities LLC made
judgments as to the significance of each analysis in determining Debtors' indicated enterprise value
range and relied primarily on comparable public company analysis and discounted cash flow analysis.
A&M Securities LLC's valuation must be considered as a whole, and selecting just one methodology

1 or portions of the analyses, without considering the analyses as a whole, could create a misleading or
2 incomplete conclusion as to Debtors' enterprise value.

3 In preparing its valuation estimate, A&M Securities LLC performed a variety of analyses and
4 considered a variety of factors, some of which are described herein. The following summary does not
5 purport to be a complete description of the analyses and factors undertaken to support A&M
6 Securities LLC's conclusions. The preparation of a valuation is a complex process involving various
7 determinations as to the most appropriate analyses and factors to consider, as well as the application
8 of those analyses and factors under the particular circumstances. As a result, the process involved in
9 preparing a valuation is not readily summarized.

10 **1. Comparable Public Company Analysis**

11 A comparable public company analysis estimates value based on a comparison of the target
12 company's financial statistics with the financial statistics of public companies that are similar to the
13 target company. It establishes a benchmark for asset valuation by deriving the value of "comparable"
14 assets, standardized using a common variable such as revenues, earnings, and cash flows. The
15 analysis includes a detailed multi-year financial comparison of each company's income statement,
16 balance sheet, and cash flow statement. In addition, each company's performance, profitability,
17 margins, leverage and business trends are examined. Based on these analyses, a number of financial
18 multiples and ratios are calculated to gauge each company's relative performance and valuation.

19 A key factor to this approach is the selection of companies with relatively similar business and
20 operational characteristics to the target company. Criteria for selecting comparable companies
21 include, among other relevant characteristics, similar lines of businesses (in this case, production of
22 containerboard, kraft paper, pulp and cardboard boxes), business risks, target market segments,
23 location of markets, network affiliation, growth prospects, market presence, size, and scale of
operations. The selection of truly comparable companies is often difficult and subject to
interpretation. However, the underlying concept is to develop a premise for relative value, which,
when coupled with other approaches, presents a foundation for determining fair value.

24 **2. Precedent Transactions Analysis**

25 Precedent transactions analysis estimates value by examining publicly announced merger and
26 acquisition transactions. An analysis of the disclosed purchase price as a multiple of various
27 operating statistics reveals industry acquisition multiples for companies in similar lines of businesses
28 to the Debtors. These transaction multiples are calculated based on the purchase price (including any
29 debt assumed) paid to acquire companies that are comparable to the Debtors. Unlike the comparable
30 public company analysis, the valuation in this methodology includes a "control" premium,
31 representing the purchase of a majority or controlling position in a company's assets. Thus, this
32 methodology generally produces higher valuations than the comparable public company analysis.
33 Other aspects of value that manifest themselves in precedent transactions analysis include the
following:

- Circumstances surrounding a sale transaction may introduce “diffusive quantitative results” into the analysis (e.g., an additional premium may be extracted from a buyer in the case of a competitive bidding contest).
- The market environment is not identical for transactions occurring at different periods of time.
- Circumstances pertaining to the financial position of a company may have an impact on the resulting purchase price (e.g., a company in financial distress may receive a lower price due to perceived weakness in its bargaining leverage).

As with the comparable company analysis, because no acquisition used in any analysis is identical to a target transaction, valuation conclusions cannot be based solely on quantitative results. The reasons for and circumstances surrounding each acquisition transaction are specific to such transaction, and there are inherent differences between the businesses, operations and prospects of each. Therefore, qualitative judgments must be made concerning the differences between the characteristics of these transactions and other factors and issues that could affect the price an acquirer is willing to pay in an acquisition. The number of completed transactions for which public data is available also limits this analysis.

3. Discounted Cash Flow Approach

The discounted cash flow (“DCF”) valuation methodology relates the value of an asset or business to the present value of expected future cash flows to be generated by that asset or business. The DCF methodology is a “forward looking” approach that discounts the expected future cash flows by a theoretical or observed discount rate determined by calculating the average cost of debt and equity for publicly traded companies that are similar to the Debtors. The expected future cash flows have two components: the present value of the projected unlevered after-tax free cash flows for a determined period and the present value of the terminal value of cash flows (representing value beyond the time horizon of the Projections).

This approach relies on the company’s ability to project future cash flows with some degree of accuracy. Because the Debtors’ Projections reflect significant assumptions made by the Debtors’ management concerning anticipated results, the assumptions and judgments used in the Projections may or may not prove correct and, therefore, no assurance can be provided that projected results are attainable or will be realized. A&M Securities LLC cannot and does not make any representations or warranties as to the accuracy or completeness of the Debtors’ Projections.

THE ESTIMATES OF THE REORGANIZATION VALUE AND COMMON STOCK EQUITY VALUE DETERMINED BY A&M SECURITIES LLC REPRESENT ESTIMATED REORGANIZATION VALUES AND DO NOT REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE IMPUTED ESTIMATE OF THE RANGE OF THE REORGANIZATION EQUITY VALUE OF THE REORGANIZED DEBTORS ASCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF THE POST-

1 REORGANIZATION MARKET VALUE. ANY SUCH VALUE MAY BE MATERIALLY
2 DIFFERENT FROM THE IMPUTED ESTIMATE OF THE REORGANIZATION EQUITY VALUE
3 RANGE FOR THE REORGANIZED DEBTORS ASSOCIATED WITH A&M SECURITIES LLC'S
4 VALUATION ANALYSIS.

5 VI. FEASIBILITY OF THE PLAN AND BEST INTERESTS TEST

6 A. Feasibility Of The Plan

7 The Bankruptcy Code requires that, for the Plan to be confirmed, the Plan Proponents must
8 demonstrate that consummation of the Plan is not likely to be followed by liquidation or the need for
9 further financial reorganization of the Debtors. The Plan Proponents believe that the Debtors will be
10 able to timely perform all obligations described in the Plan and, therefore, that the Plan is feasible.
11 To demonstrate the feasibility of the Plan, the Debtors have prepared pro forma financial Projections
12 for the years 2007 through 2011, as set forth in Exhibit C to this Disclosure Statement. The
13 Projections indicate that the Debtors should have sufficient cash flow to pay and service their debt
14 obligations, including the Exit Facilities, all payments required to be made pursuant to the Plan, and to
15 fund their operations. Accordingly, the Plan Proponents believe that the Plan satisfies the feasibility
16 requirement of section 1129(a)(11) of the Bankruptcy Code.

17 **HOLDERS OF CLAIMS ARE ADVISED TO REVIEW CAREFULLY THE RISK FACTORS
18 INCLUDED IN SECTION VIII OF THIS DISCLOSURE STATEMENT THAT MAY
19 AFFECT THE FINANCIAL FEASIBILITY OF THE PLAN.**

20 B. Best Interest Of Creditors Test

21 The Bankruptcy Code requires that each holder of an impaired claim or equity interest either
22 (i) accepts the Plan or (ii) receives or retains under the Plan property of a value, as of the Effective
23 Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated
under chapter 7 of the Bankruptcy Code on the Effective Date.

24 The first step in meeting this test is to determine the dollar amount that would be generated
25 from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case.
26 The gross amount of cash available would be the sum of the proceeds from the disposition of the
27 Debtors' assets and the cash held by the Debtors at the time of the commencement of the chapter 7
28 case. The next step is to reduce that total by the amount of any claims secured by such assets, the
29 costs and expenses of the liquidation, and such additional administrative expenses and priority claims
30 that may result from the termination of the Debtors' business and the use of chapter 7 for the purposes
31 of liquidation. Any remaining net cash would be allocated to creditors and shareholders in strict
32 priority in accordance with section 726 of the Bankruptcy Code. Finally, the present value of such
33 allocations (taking into account the time necessary to accomplish the liquidation) are compared to the
34 value of the property that is proposed to be distributed under the Plan on the Effective Date.

35 The Debtors' costs of liquidation under chapter 7 would include the fees payable to a chapter 7
36 trustee in bankruptcy, as well as those that might be payable to attorneys and other professionals that
37 such a trustee may engage, plus any unpaid expenses incurred by the Debtors during the chapter 11

1 case and allowed in the chapter 7 case, such as compensation for attorneys, financial advisors,
2 appraisers, accountants and other professionals, and costs and expenses of members of any statutory
3 committee of unsecured creditors appointed by the United States Trustee pursuant to section 1102 of
4 the Bankruptcy Code and any other committee so appointed. Moreover, additional claims would arise
5 by reason of the breach or rejection of obligations incurred and executory contracts or leases entered
6 into by the Debtors both prior to, and during the pendency of, the chapter 11 cases. The foregoing
7 types of claims, costs, expenses, fees and such other claims that may arise in a liquidation case would
8 be paid in full from the liquidation proceeds before the balance of those proceeds would be made
9 available to pay pre-chapter 11 priority and unsecured claims. Under the absolute priority rule, no
10 junior creditor would receive any distribution until all senior creditors are paid in full, with interest,
11 and no equity holder receives any distribution until all creditors are paid in full, with interest. The
12 Debtors believe the Plan satisfies the rule of absolute priority.

13 After consideration of the effects that a chapter 7 liquidation would have on the ultimate
14 proceeds available for distribution to creditors in a chapter 11 case, including (i) the increased costs
15 and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and
16 professional advisors to such trustee; (ii) the erosion in value of assets in a chapter 7 case in the
17 context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that
18 would prevail; and (iii) substantial increases in claims which would be satisfied on a priority basis, the
19 Debtors have determined that confirmation of the Plan will provide each creditor and equity holder
20 with a recovery that is not less than it would receive pursuant to a liquidation of the Debtors under
21 chapter 7 of the Bankruptcy Code.

22 Moreover, the Debtors believe that the value of any distributions from the liquidation proceeds
23 to each class of allowed claims and interests in a chapter 7 case would be less than the value of
distributions under the Plan because such distributions in a chapter 7 case may not occur for a
substantial period of time. In this regard, it is possible that distribution of the proceeds of the
liquidation could be delayed for a year or more after the completion of such liquidation in order to
resolve the claims and prepare for distributions. In the event litigation were necessary to resolve
claims asserted in the chapter 7 case, the delay could be further prolonged and administrative expenses
further increased.

Attached as Exhibit D to the Disclosure Statement is a hypothetical analysis (the "Liquidation
Analysis") that shows the hypothetical distribution creditors would receive in the event the Plan is not
confirmed and the Bankruptcy Cases are converted to Chapter 7 liquidations. The analysis is based
upon a number of significant assumptions which are described. The liquidation analysis does not
purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may
be realized in an actual liquidation.

VII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Continuation of the Bankruptcy Cases

If the Debtors remain in Chapter 11, the Debtors could continue to operate their businesses and manage their properties as debtors-in-possession, but they would remain subject to the restrictions imposed by the Bankruptcy Code. It is not clear whether the Debtors could survive as a going concern in protracted Chapter 11 Cases. The Debtors could have difficulty sustaining the high costs and the erosion of market confidence which may be caused if the Debtors remain Chapter 11 debtors in possession.

B. Liquidation Under Chapter 7

If no chapter 11 plan can be confirmed, the Bankruptcy Cases may be converted to cases under chapter 7 of the Bankruptcy Code in which a chapter 7 trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of holders of Claims is set forth in Section VI of this Disclosure Statement. The Plan Proponents believe that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan because of (i) the likelihood that the assets of the Debtors would have to be sold or otherwise disposed of in a less orderly fashion, (ii) additional administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals and (iii) additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations.

C. Alternative Plan of Reorganization

If the Plan is not confirmed, the Debtors or, if the Debtors' exclusivity period will have expired, any other party in interest could attempt to formulate a different plan of reorganization. Such a plan might involve both a reorganization and continuation of the Debtors' business or an orderly liquidation of the Debtors' assets under chapter 11. The Plan Proponents have concluded that the Plan enables creditors and equity holders to realize the most value under the circumstances. In a liquidation under chapter 11, the Debtors would still incur the expenses associated with closing or transferring numerous facilities to new operators.

VIII. CERTAIN RISK FACTORS TO CONSIDER

The following disclosures are not intended to be inclusive and should be read in connection with the other disclosures contained in this Disclosure Statement and the Exhibits hereto. You should consult your legal, financial, and tax advisors regarding the risks associated with the Plan and the distributions you may receive thereunder.

1 **A. Certain Reorganization Considerations**

2 Although the Plan Proponents believe that the Plan will satisfy all requirements necessary for
3 confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach
4 the same conclusion. Moreover, there can be no assurance that modifications of or amendments to the
5 Plan will not be required for confirmation or that any amendments would not necessitate the
6 resolicitation of votes. In addition, although the Plan Proponents believe that the Effective Date will
7 occur soon after the Confirmation Date, there can be no assurance as to such timing.

8 The Plan provides for certain conditions that must be satisfied or waived prior to confirmation
9 of the Plan and the occurrence of the Effective Date. As of the date of this Disclosure Statement,
10 there can be no assurance that any or all of the conditions in the Plan will be met (or waived) or that
11 the other conditions to consummation, if any, will be satisfied. Accordingly, even if the Plan is
12 confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and
13 the restructuring completed. If a liquidation or protracted reorganization were to occur, there is a
14 substantial risk that the value of the Debtors' enterprise would be substantially eroded to the
15 detriment of all stakeholders.

16 Although the Plan Proponents believe that the Plan satisfies the legal requirements for
17 confirmation, if the Bankruptcy Court were to rule otherwise, the Plan would not be confirmed and
18 any offending provisions in the Plan would need to be amended or modified, including with respect to
19 the allocation of value to the holders of Claims in Classes 3A-3C and 4A-4D.

20 **B. Risks Relating to the New Common Stock**

21 **1. Variances from Projected Financial Information**

22 The Projections included in this Disclosure Statement are dependent upon the successful
23 implementation of the Debtors' business plan and the validity of the other assumptions contained
therein. These Projections reflect numerous assumptions, including confirmation and consummation
of the Plan in accordance with its terms, the anticipated future performance of the Reorganized
Debtors, industry performance, and certain assumptions with respect to competitors of the
Reorganized Debtors, general business and economic conditions and other matters, many of which are
beyond the control of the Reorganized Debtors. In addition, unanticipated events and circumstances
occurring subsequent to the preparation of the projections may affect the actual financial results of the
Reorganized Debtors. Although the Debtors believe that the projections are reasonably attainable,
variations between the actual financial results and those projected may occur and be material.

Although the Debtors have made every effort to be accurate, except as otherwise indicated, the
financial information included herein, including the Debtors' financial results for 2006, has not been
the subject of an audit or other review by an accounting firm. As a result, the Debtors cannot provide
creditors with a financial statement prepared or reviewed by outside auditors with which the financial
projections in this Disclosure Statement can be compared. In the event of any conflict, inconsistency,
or discrepancy between the terms and provisions in the Plan, this Disclosure Statement, the exhibits

annexed to the Disclosure Statement, or the financial information incorporated herein or therein by reference, the Plan shall govern for all purposes.

2. Lack of Trading Market

The New Common Stock issued under the Plan will not be listed on any exchange and Reorganized PT Holdings will not be a public reporting company. Except as set forth in the Shareholder Agreement, there will not be current financial information regarding the Reorganized Debtors and their business available to holders of New Common Stock. Moreover, the Shareholder Agreement, which will be effective on the Effective Date, will impose significant restrictions with regard to the sale or transfer of the New Common Stock. Accordingly, no assurance can be given that a holder of New Common Stock will be able to sell such securities in the future or as to the price at which any such sale may occur.

3. Dividend Policy

The Plan Proponents do not anticipate that Reorganized PT Holdings will pay dividends on the New Common Stock in the near future.

4. Restrictions on Transfer

The New Common Stock will be distributed pursuant to the Plan without registration under the Securities Act and without qualification or registration under state securities laws, pursuant to exemptions from such registration and qualification contained in section 1145 of the Bankruptcy Code and section 4(2) of the Securities Act. With respect to certain persons who receive such securities pursuant to the Plan, the Bankruptcy Code exemptions apply only to the distribution of such securities under the Plan and not to any subsequent sale, exchange, transfer or other disposition of such securities or any interest therein by such persons. Therefore, subsequent sales, exchanges, transfers, or other dispositions of such securities or any interest therein by "underwriters" or "issuers" would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or state securities laws.

Holders of New Common Stock who are deemed to be "underwriters" as defined in section 1145(b) of the Bankruptcy Code, including holders who are deemed to be "affiliates" or "control persons" within the meaning of the Securities Act, will be unable to transfer or to sell their securities freely except pursuant to (i) "ordinary trading transactions" by a holder that is not an "issuer" within the meaning of section 1145(b), (ii) an effective registration of such securities under the Securities Act and under equivalent state securities or "blue sky" laws or (iii) pursuant to the provisions of Rule 144 under the Securities Act or another available exemption from registration requirements.

The Shareholder Agreement also imparts significant restrictions with regard to the sale or transfer of the New Common Stock. Accordingly, from and after the Effective Date, the transferability of the New Common Stock will be severely limited.

C. Liquidity and Capital Resources

Prior to the Filing Date, the Debtors faced increased pricing on raw materials after operating costs and had unforeseen interruptions in production. In addition to Cash generated by operations, the Reorganized Debtors' principal sources of liquidity following their emergence from bankruptcy will be the Exit Working Capital Facility and the Exit Facilities. There can be no assurance, however, that such resources will be sufficient for anticipated or unanticipated working capital and capital expenditure requirements, or that the Reorganized Debtors will achieve or sustain profitability or positive cash flow in the future. After the Effective Date, the Reorganized Debtors will face liquidity requirements, including working capital requirements and repayment of the Reorganized Debtors' obligations under the Exit Working Capital Facility and the Exit Facilities. While the Debtors believe that they will have adequate liquidity to meet requirements following the Effective Date, no assurance can be made in this regard. Furthermore, the ability of the Reorganized Debtors to gain access to additional capital, if needed, whether through equity offerings or debt financing, cannot be assured. Any inability of the Reorganized Debtors to service their indebtedness, obtain additional financing, as needed, or comply with the financial covenants contained in the debt instrument issued pursuant to the Plan could have a material adverse effect on the Reorganized Debtors.

D. Risks Relating To Future Business Performance

1. Changes in Product Pricing and Demand

The market for fiber-based products is highly cyclical and sensitive to changes in general business conditions, industry capacity, consumer preferences and other factors. In addition, market pulp and containerboard products are commodities and thus are readily substitutable and subject to extreme price competition. Although certain of the Debtors competitors have temporarily closed or reduced production at their facilities, they can reopen these facilities and/or increase their production capacity at any time. Increased production by the Debtors' competitors would depress prices for the Debtors' products and could have a material adverse effect on the Debtors' business, financial condition and operating results. The Debtors' sales and profitability have historically been more sensitive to changes in price than changes in volume. Future decreases in prices of, or demand for, the Debtors products would adversely affect the Debtors operating results.

2. Changes in Prices of Wood Chips, Recycled Fiber and Other Raw Materials

The Debtors' operations consume substantial amounts of wood chips, sawdust and recycled, or OCC, fiber. Any substantial increase in their costs could adversely affect the Debtors financial condition and operating results. The Debtors own no timberlands or chip mills, and must buy wood chips and other fiber either through supply agreements or in the open market. If any of the Debtors existing supply agreements terminate or are not renewed upon expiration, or one or more of the Debtors' major suppliers of fiber stops selling to the Debtors, the Debtors may not be able to find alternative comparable suppliers and the Debtors financial condition and operating results could be adversely affected.

The availability and price of fiber depend on a number of factors outside of the Debtors' control, including general economic conditions, environmental and conservation regulations, natural

1 disasters and weather. For example, timber harvesting may be limited at any time by natural events,
2 such as fire, insect infestation, disease, ice storms, excessive rainfall and wind storms, or by regulatory
3 restrictions. The demand for new housing starts has a great impact on the availability of lumber mill
4 residual wood fiber. The market for OCC fiber, in particular, is highly competitive. Increased
5 domestic and worldwide demand for products manufactured, in whole or in part, from recycled
6 materials has increased, and the Debtors believe will continue to increase, the prices that the Debtors
pay for OCC fiber. Fluctuations in Asian demand, seasonal changes in generation and changes in
collection rates further impact OCC fiber prices. The Debtors may be unable to adjust the prices for
their products to recover increases in fiber prices. If fiber prices were to increase significantly without
a commensurate increase in the price for containerboard and related products, the Debtors financial
condition and operating results would be adversely affected.

7 **3. Reliance on Single Manufacturing Facility**

8 The Debtors pulp and paper mill operations are located at the Port Townsend, Washington
9 facility. Since the Debtors do not have pulp or paper production elsewhere, a material disruption at the
10 mill would have a material adverse effect on the Debtors' business, financial condition and operating
11 results. Such a disruption could be caused by a number of different events, including: (i) maintenance
12 outages; (ii) prolonged power failures; (iii) a breakdown of the Debtors' pulping process, digesters,
13 recovery boiler, paper and containerboard machinery or other equipment failures; (iv) a chemical spill
14 or release; (v) the effect of a drought or reduced rainfall on the Debtors' water supply; (vi) disruptions
15 in the transportation infrastructure, including roads, bridges, tunnels and railroad tracks; (vii) fires,
16 floods, earthquakes or other catastrophes; (viii) labor difficulties; or (ix) other operational problems.
17 Any material malfunction or prolonged disruption in the operations of the Port Townsend mill
18 generally, or the paper machines in particular, would adversely affect the Debtors' business, financial
19 condition and operating results.

20 **4. Other Risks**

21 In addition to the risks outlined above, the Debtors' future business performance is subject to
22 business, economic, legislative, and competitive risks and uncertainties. Such uncertainties and other
23 factors include approval by the Bankruptcy Court of the Plan and potential objections of third parties.
Uncertainties also include, but are not limited to: (i) competitive conditions in the pulp and paper
products industry, including industry capacity; (ii) the Debtors' ability to implement manufacturing
cost reductions, efficiencies and other improvements; (iii) fluctuations in the cost of fuel, gasoline,
energy and other commodity based inputs to the pulp and papermaking process; (iv) the Debtors'
ability to fund capital expenditure requirements needed to maintain competitive position and improve
their return on assets; (v) compliance with environmental, health and safety laws and regulations; (vi)
changes in relationships with large customers and vendors; (vii) business-related difficulties of the
Debtors' customers; (viii) the effect of relative strength of the Canadian dollar and other foreign
currencies to the U.S. dollar on the Debtors' competitive position and profitability; (ix) the effect of
labor disruptions or increased labor costs; and (x) the effects of the Chapter 11 process on the
Debtors' ability to attract and retain key management personnel.

E. Additional Factors to Be Considered

1. The Plan Proponents Have No Duty to Update

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Plan Proponents have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

2. No Representations Outside This Disclosure Statement Are Authorized

No representations concerning or related to the Debtors, the Reorganization Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

3. Projections and Other Forward Looking Statements Are Not Assured, and Actual Results Will Vary

Certain of the information contained in this Disclosure Statement is, by nature, forward looking, and contains estimates and assumptions which might ultimately prove to be incorrect, and contains projections which may be materially different from actual future experiences. There are uncertainties associated with any projections and estimates, and they should not be considered assurances or guarantees of the amount of funds or the amount of Claims in the various classes that might be Allowed.

4. Claims Could Be More Than Projected

The Allowed amount of Claims in each class could be significantly more than projected, which in turn, could cause the value of distributions and/or recoveries to be reduced substantially. If DIP Lender Claims, Administrative Expense Claims, Other Secured Claims, Priority Tax Claims, Secured Notes Claims, Priority Claims, and General Unsecured Claims exceed projections, it may impair the value of the New Common Stock and/or recoveries being distributed to the holders of Allowed Claims in Classes 3A-3C (Secured Notes Claims) and Classes 4A-4D (General Unsecured Claims and Convenience Claims).

5. No Legal or Tax Advice Is Provided to You By This Disclosure Statement

The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each creditor or Interest holder should consult his, her, or its own legal counsel and accountant as to legal, tax, and other matters concerning his, her, or its Claim or Interest. This Disclosure Statement is not legal advice to you and may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

1 **6. No Admission Made**

2 Nothing contained herein shall constitute an admission of, or be deemed evidence of, the tax or
3 other legal effects of the Plan on the Debtors or on holders of Claims or Interests.

4 **IX. RESALE OF SECURITIES RECEIVED UNDER THE PLAN**

5 Section 1145(a) of the Bankruptcy Code generally exempts from registration under the
6 Securities Act of 1933 (as amended, the "Securities Act") the offer or sale of a debtor's securities
7 under a chapter 11 plan if such securities are offered or sold in exchange for a claim against, or an
8 equity interest in, such debtor, and in the case of warrants so issued under a chapter 11 plan, also
9 generally exempts the issuance of the securities issued upon exercise of such warrants. In reliance
10 upon this exemption, the New Common Stock will be issued on the Effective Date as provided in the
11 Plan, and will be exempt from the registration requirements of the Securities Act, except to the extent
12 described below. Accordingly, such securities may be resold without registration under the Securities
13 Act or other federal securities laws pursuant to an exemption provided by section 4(1) of the
14 Securities Act, unless the holder is an "underwriter" with respect to such securities, as that term is
15 defined in the Bankruptcy Code. In addition, such securities generally may be resold without
16 registration under state securities laws pursuant to various exemptions provided by the respective laws
17 of the several states. However, recipients of securities issued under the Plan are advised to consult
18 with their own legal advisors as to the availability of any such exemption from registration under state
19 law in any given instance and as to any applicable requirements or conditions to such availability.

20 Section 1145(b) of the Bankruptcy Code defines "underwriter" for purposes of the Securities
21 Act as one who (i) purchases an administrative claim with a view to distribution of any security to be
22 received in exchange for the claim other than in ordinary trading transactions, or (ii) offers to sell
23 securities issued under a plan for the holders of such securities, or (iii) offers to buy securities issued
24 under a plan from persons receiving such securities, if the offer to buy is made with a view to
25 distribution of such securities, or (iv) is a control person of the issuer of the securities or other issuer
26 of the securities within the meaning of section 2(11) of the Securities Act. The legislative history of
27 section 1145 of the Bankruptcy Code suggests that a creditor who owns at least ten percent (10%) of
28 the securities of a reorganized debtor may be presumed to be a "control person."

29 Whether any particular person would be deemed to be an "underwriter" with respect to any
30 security issued under the Plan would depend upon the facts and circumstances applicable to that
31 person. Accordingly, the Plan Proponents express no view as to whether any particular person
32 receiving distributions under the Plan would be an "underwriter" within the meaning of section 1145
33 of the Bankruptcy Code with respect to any security issued under the Plan.

34 Notwithstanding the foregoing, statutory underwriters may be able to sell their securities
35 pursuant to the provisions of Rule 144 promulgated under the Securities Act or another applicable
36 exemption from registration. Rule 144 permits the resale of securities received by statutory
37 underwriters pursuant to a chapter 11 plan, subject to certain holding period and volume limitations,
38 notice and manner of sale requirements, and certain other conditions. Parties who believe they may be
39 statutory underwriters as defined in section 1145 of the Bankruptcy Code are advised to consult with

1 their own legal advisors as to the availability of the exemption provided by Rule 144 or any other
2 applicable exemption from registration.

3 As set forth herein and in the Plan, the New Common Stock, including New Common Stock or
4 options issued pursuant to the Management Equity Plan will be exempt from registration under the
5 Securities Act by virtue of section 4(2) thereof and Regulation D promulgated thereunder (although
6 one or more other exemptions from registration also may apply to the New Common Stock issued
7 pursuant to the Management Equity Plan).

8 In view of the complex, subjective nature of the question of whether a particular person may
9 be an underwriter or an affiliate of the reorganizing Debtors and the fact specific nature of the
10 availability of Rule 144 or any other exemption from registration, the Plan Proponents make no
11 representations concerning the right of any person to trade in the New Common Stock to be
12 distributed pursuant to the Plan. Accordingly, the Plan Proponents recommend that potential
13 recipients consult their own counsel concerning whether they may freely trade such securities.

14 **X. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

15 **THE PLAN PROPONENTS HAVE NOT SOUGHT OR OBTAINED ANY RULING**
16 **FROM THE INTERNAL REVENUE SERVICE OR FROM ANY OTHER TAXING**
17 **AUTHORITY WITH RESPECT TO ANY OF THE TAX CONSEQUENCES OF THE PLAN,**
18 **NOR HAVE THE PLAN PROPONENTS SOUGHT OR OBTAINED AN OPINION OF**
19 **COUNSEL WITH RESPECT TO ANY SUCH TAX CONSEQUENCES. NO**
20 **REPRESENTATIONS OR ASSURANCES ARE MADE WITH RESPECT TO THE**
21 **FEDERAL INCOME TAX CONSEQUENCES AS SUMMARIZED HEREIN. CERTAIN**
22 **TYPES OF CREDITORS MAY BE SUBJECT TO SPECIAL RULES NOT ADDRESSED IN**
23 **THIS SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES. FURTHER,**
24 **CREDITORS MAY BE SUBJECT TO STATE, LOCAL, OR FOREIGN TAX**
25 **CONSEQUENCES THAT ARE NOT ADDRESSED HEREIN. BECAUSE THE TAX**
26 **CONSEQUENCES OF THE PLAN ARE COMPLEX AND MAY VARY BASED ON**
27 **INDIVIDUAL CIRCUMSTANCES, EACH CREDITOR SHOULD CONSULT WITH ITS**
28 **OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF ANY**
29 **ASPECT OF THE PLAN WITH RESPECT TO SUCH CREDITOR.**

30 The following is a summary of certain U.S. federal income tax consequences to the Debtors
31 and to certain Holders of Claims and Interests that are expected to result from implementation of the
32 Plan. This discussion does not address the federal income tax consequences to Holders of Claims who
33 are deemed to have rejected the Plan in accordance with the provisions of Section 1126 of the
34 Bankruptcy Code or the consequences of the Plan to Holders who are deemed to have accepted the
35 Plan.

36 This discussion is based on the Internal Revenue Code ("IRC"), as amended, Treasury
37 Regulations in effect (or, in some cases, proposed) on the date of this Disclosure Statement, and
38 administrative and judicial interpretations thereof available on or before such date. The foregoing
39 authority and interpretations are subject to change, including changes that could apply retroactively

1 and could affect the federal income tax consequences described below. There can be no assurance
2 that the Internal Revenue Service ("IRS") will not take a contrary view with respect to one or more of
the issues discussed below.

3 The following summary is for general information only and does not purport to address all of
4 the U.S. federal income tax consequences that may be applicable to any particular Holder. The tax
5 consequences to Holders may vary based upon the individual circumstances of each Holder. This
6 summary does not address the special tax considerations that may apply to Holders that are subject to
7 special rules, such as foreign companies, nonresident alien individuals, S corporations, banks,
8 financial institutions, broker-dealers, dealers or traders in securities who are subject to mark-to-market
9 taxation, mutual funds, small business investment companies, regulated investment companies,
insurance companies, tax-exempt organizations, Persons holding Claims as part of a hedging or
conversion transaction, straddle, or other integrated transaction, Persons who have a "functional
currency" other than the U.S. dollar, Persons who acquired an Interest in connection with the
performance of services, certain expatriates and former long-term residents of the United States, pass-
through entities, or investors in pass-through entities. In addition, this discussion does not address any
aspect of state, local, or foreign taxation, or any estate or gift tax consequences of the Plan.

10 The following discussion assumes that the Plan will be implemented as described herein, and
11 does not address the tax consequences if the Plan is not carried out. This discussion further assumes
12 that the various debt and other arrangements to which the Debtors are parties and any Distributions
and allocations provided for under the Plan will be respected for federal income tax purposes in
accordance with their form or as described below.

13 ***IRS CIRCULAR NOTICE:*** TO INSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS
14 OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF
FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE
15 STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY
HOLDERS OF CLAIMS OR INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES
16 THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (II) SUCH
DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OF THE TRANSACTIONS
17 ADDRESSED IN THIS DISCLOSURE STATEMENT; AND (III) HOLDERS OF CLAIMS AND
INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES
FROM AN INDEPENDENT TAX ADVISOR.

18 THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND SUBJECT TO
19 SIGNIFICANT UNCERTAINTIES DUE TO THE LACK OF APPLICABLE LEGAL PRECEDENT
AND THE POSSIBILITY OF CHANGES IN THE LAW. EACH HOLDER OF A CLAIM OR
20 EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR
REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX CONSEQUENCES
21 OF HOLDING CLAIMS OR EQUITY INTERESTS AND OF THE PLAN.

1 **A. U.S. Federal Income Tax Consequences To The Debtors**

2 The Debtors are members of an affiliated group of corporations (the "PTPC Tax Group") that
3 join in the filing of consolidated federal income tax returns. The PTPC Tax Group has reported
4 substantial consolidated net operating loss ("NOL") carryovers for federal income tax purposes as of
5 December 31, 2005, and expects to report tax losses for the taxable years ending on December 31,
6 2006 and December 31, 2007. At this time, the Debtors expect to have approximately \$121 million of
7 NOL carryovers through December 31, 2007 (the "NOL Carryovers").

8 However, the NOL Carryovers may be subject to reduction or elimination, based on the
9 amount of cancellation of debt ("COD") income resulting from the Plan, as discussed more fully in
10 the next section. Moreover, following the COD-reduction, any remaining NOL Carryovers may be
11 subject to further reduction and/or limitation under Section 382 of the IRC, as discussed below.

12 **1. Cancellation Of Debt Income**

13 Although the Debtors should realize COD income as a result of the discharge of Allowed
14 Claims under the Plan, they will qualify for an exception under which the Debtors shall be permitted
15 to exclude the COD income from taxable income if the discharge occurs pursuant to a Court approved
16 plan of reorganization. However, as a cost of the exclusion, the Debtors will be required to reduce
17 certain of their tax attributes by the amount of the COD income so excluded. COD income is
18 generally the amount by which the adjusted issue price of indebtedness discharged exceeds the
19 amount of cash, the issue price of any debt instrument, and the fair market value of any other property
20 given in exchange for the debt instrument. However, certain statutory or judicial exceptions can apply
21 to limit the amount of COD (such as where the payment of the cancelled debt would have given rise to
22 a tax deduction).

23 Under the general rules of Section 108 of the IRC, the excluded COD income must generally
be applied to reduce the Debtors' current year NOLs and NOL Carryovers, general business credits,
minimum tax credits, capital loss carryovers, and the tax basis of their property, in that order.
However, the Debtors can elect under Section 108(b)(5) of the IRC to apply the tax attribute reduction
first to reduce the tax basis of the Debtors' depreciable property and then to reduce NOLs and certain
other tax attributes. A reduction in tax attributes under the foregoing rules does not occur until the
end of the taxable year or, in the case of an asset basis reduction, the first day of the taxable year
following the taxable year in which the COD income is realized.

 The impact of the COD income on the NOLs depends on the valuation of the New Common
Stock. Based on the Disclosure Statement enterprise valuation of \$139 million, the New Common
Stock should have a value of approximately \$78 million, accounting for post-Effective Date debt of
\$36 million and Series A Preferred of \$25 million. The Debtors expect COD income to be
approximately \$69 million, including the write-down of Secured Note claims and unsecured claims,
based on expected value to be received under the Plan. Based on these estimations the NOL
Carryovers could be reduced to approximately \$52 million. Regardless, the amount and allocation of
tax attribute reduction remain subject to review and adjustment by the IRS.

1 In the context of a consolidated group of corporations, current law generally provides for a
2 complex ordering mechanism for determining how the tax attributes of one member can be reduced by
3 the COD income of another member. However, as the majority of the impaired claims (and resulting
4 COD income) and NOLs are both at the PTPC level, the bulk of the attribute reduction also will take
5 place at the PTPC level and these ordering rules should have relatively little impact.

6 **2. Limitation On NOL Carryovers And Other Tax Attributes**

7 Under Section 382 of the IRC, if a corporation (or consolidated group) undergoes an
8 “ownership change” pursuant to a Bankruptcy Court-approved plan of reorganization, and the
9 corporation does not qualify for (or elects out of) a special bankruptcy exception described below, the
10 amount of pre-change losses (NOL carryovers from periods before the ownership change and certain
11 “built-in” losses and deductions that are economically accrued but unrecognized as of the date of the
12 ownership change) that may be utilized to offset future taxable income is subject to an annual
13 limitation under Section 382(l)(6) of the IRC (the “L6 Limitation”). Section 383 of the IRC extends
14 and applies the L6 Limitation to carryovers of general business credits, minimum tax credits, capital
15 losses, and foreign tax credits, so that the total reduction in tax in a post-change year from the
16 carryover of such additional items, along with the NOLs and recognized built-in losses, from pre-
17 change periods is, in the aggregate, limited by the L6 Limitation. The issuance of New Common
18 Stock to Holders of certain Claims pursuant to the Plan, and the cancellation of Interests in PT
19 Holdings will constitute an ownership change of the PTPC Tax Group for purposes of IRC Section
20 382.

21 In general, the amount of the L6 Limitation is equal to the product of (a) the fair market value
22 of stock of the corporation (or, in the case of a consolidated group, the common parent) immediately
23 after the ownership change (subject to various adjustments), multiplied by (b) the then applicable
federal rate (which, for example, is 4.32% for ownership changes occurring in July 2007). As noted
above, the Disclosure Statement valuation for equity (New Common Stock and Series A Preferred) is
\$103 million. So, for example, the L6 Limitation would be \$4.45 million if the ownership change was
in June 2007.

Section 382(1)(5) of the IRC provides an exception to the L6 Limitation, where the
stockholders and “qualified creditors” receive, in respect of their claims, at least 50% of the vote and
value of the stock of the reorganized debtor (the “L5 Exception”). Under the L5 Exception, a debtor’s
pre-change losses are not limited on an annual basis. To be a “qualified creditor” a Holder must (i) be
the beneficial owner of the Claim since at least 18 months prior to the Filing Date, or (ii) be the
Person who at all times owned a Claim that qualifies as an “ordinary course” claim. The Debtors are
presently determining whether enough “qualified creditors” will be treated as receiving 50% or more
(by vote and value) of the PT Holdings equity so as to qualify the Debtors for the L5 Exception.

While there is no limitation on the use of NOL Carryovers under the L5 Exception, there are
costs associated with the L5 Exception. Specifically, a debtor is required to reduce its NOL
carryovers by the amount of the debtor’s interest deductions on debt converted into New Common
Stock for the portion of its taxable year preceding the Effective Date plus its three prior taxable years
(the “Interest Chargeback”). Moreover, if a debtor qualifies for, and does not elect out of, the L5

Exception, a second ownership change within two years following its effective date will result in all of its NOL carryovers remaining at the beginning of the taxable year of the second ownership change becoming worthless.

At this time, it is expected that the Interest Chargeback may be \$45 million or more, meaning that utilization of the L5 Exception could result in all or a substantial amount of NOL Carryovers being eliminated. The Debtors will continue to evaluate whether the ownership change of PT Holdings on the Effective Date will qualify for the L5 Exception and the impact of the Interest Chargeback.

As part of the Debtors' determination of whether the L6 Limitation or the L5 Exception will be more beneficial, the Debtors will consider the impact of Notice 2003-65, issued by the IRS in 2003 (the "Notice"). The Notice provides that a loss corporation with an aggregate fair market value of assets greater than their aggregate tax basis (a "net unrealized built-in gain") is permitted to increase its annual L6 Limitation during the five years immediately after the ownership change by an amount determined with reference to the depreciation deductions that a purchaser of the Debtors' assets would have been permitted to claim if it had acquired the Debtors' assets in a taxable transaction. While the Debtors have not completed a review of their assets, the Debtors expect that they in fact will have a net unrealized built-in gain on assets and that the resulting allowable increase to the otherwise applicable L6 Limitation may be approximately \$8.7 million per year during the five year gain recognition period, resulting in an overall L6 Limitation of approximately \$13.15 million during this period. Under these circumstances, the ability of the Debtors to utilize pre-change losses that survive consummation of the Plan (after taking into account attribute reduction for COD income) to offset their taxable income under the L6 Limitation may be significantly enhanced. Therefore, although a final decision between the L6 Limitation and the L5 Exception may not occur until September 2008, it is possible that the L6 Limitation will be more beneficial to the Debtors.

3. Worthless Stock Deduction

Section 382 of the IRC provides another limitation on NOLs and NOL carryovers where a Person owning 50% or more of the stock of a loss corporation takes a worthless stock deduction with respect to such stock, pursuant to Section 165 of the IRC. Port Townsend Holdings LLC, an entity controlled by Northwest Capital, owns approximately 98% of the outstanding stock of PT Holdings. Under Section 382 of the IRC, if Port Townsend Holdings LLC takes a worthless stock deduction with respect to any of the Interests in PT Holdings for any tax year ending prior to the tax year of the Effective Date (e.g., 2006), then Section 382 of the IRC would require that a limitation be placed on the NOL Carryovers based on the equity value of PT Holdings at that time. The Debtors believe that their Interests should not be treated as worthless for federal income tax purposes in 2006 and therefore the rules discussed in this paragraph should not limit or eliminate their NOL Carryovers.

4. Reincorporation and Recapitalization

As part of the Plan the Debtors may cause PT Holdings to reincorporate in Delaware. This reorganization is intended to qualify as a tax free "F" reorganization for federal income tax purposes, under Section 368(a)(1)(F) of the IRC. In the event the reincorporation is pursued, this "F"

1 reorganization will take place immediately prior to the exchange of Claims against PTPC and PT
2 Holdings for New Common Stock (the "Exchange").

3 **5. Alternative Minimum Tax**

4 A federal alternative minimum tax ("AMT") is imposed on a corporation's alternative
5 minimum taxable income at a 20% tax rate to the extent such tax exceeds the corporation's regular
6 federal income tax. For purposes of computing alternative minimum taxable income, certain tax
7 deductions and other beneficial allowances are modified or eliminated. In particular, even though for
8 regular tax purposes a corporation might otherwise be able to offset all of its taxable income by NOL
9 carryovers from prior years, it is generally not allowed to offset more than 90% of its taxable income
10 for federal AMT purposes by available NOL carryovers (as computed for AMT purposes).

11 If a corporation (or consolidated group) undergoes an "ownership change" within the meaning
12 of IRC Section 382, such section may also apply limitations to NOL carryovers for AMT purposes. In
13 addition, if the corporation is in a net unrealized built-in loss position (as determined for AMT
14 purposes) on the date of the ownership change, the corporation's (or consolidated group's) tax basis in
15 its assets must be reduced for certain AMT purposes to reflect the fair market value of such assets as
16 of the change date. Any AMT tax that a corporation pays is generally allowed as a nonrefundable
17 credit against its regular federal income tax liability in future taxable years to the extent the
18 corporation is no longer subject to AMT.

19 **B. U.S. Federal Income Tax Consequences To Holders Of Certain Claims**

20 The U.S. federal income tax consequences to Holders of Claims or Interests arising from the
21 Distributions to be made under the Plan may vary depending upon, among other things, the type of
22 consideration received by the Holder in exchange for the indebtedness it holds, the nature of the
23 indebtedness owing to it, whether the Holder is a corporation, whether the Holder has previously
24 claimed a bad debt or worthless security deduction in respect of its Claim, whether such Claim
25 constitutes a "security" for purposes of the reorganization provisions or other provisions of the IRC,
26 whether the Holder is a resident of the United States for tax purposes, whether the Holder reports
27 income on the accrual or cash basis, and whether the Holder receives Distributions under the Plan in
28 more than one taxable year.

29 **1. Recognition Of Gain Or Loss**

30 Holders will exchange their Claims against PTPC for New Common Stock. The Exchange
31 should be taxable because the issuer (PTPC) is not a "party to the reorganization" as required by
32 Section 368(a)(1)(E) of the IRC. The Debtors intend to take the position that the exchange of New
33 Common Stock for Secured Notes Claims is taxable for federal income tax purposes. However, this
34 result is not free from doubt and therefore Holders should consult their tax advisors concerning
35 whether some or all of the Exchange is taxable or tax-free.

36 Where gain or loss is recognized by a Holder of a Claim or Interest, the character of such gain
37 or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined
38 by a number of factors, including the tax status of the Holder, whether the Claim or Interest

1 constitutes a capital asset in the hands of the Holder and how long it has been held, whether the Claim
2 or Interest was acquired at a market discount, and whether and to what extent the Holder can claim a
bad debt deduction.

3 Subject to certain limitations, IRC Section 166 and the regulations thereunder allow a
4 deduction for a debt which becomes worthless, or in some cases partially worthless, during the year.
5 The amount of the bad debt deduction is limited to the Creditor's tax basis in the indebtedness
6 underlying the Claim. No deduction is allowed under IRC Section 166 for a debt evidenced by a
7 "security" as defined in IRC Section 165(g)(2)(C). Instead, IRC Section 165(g) provides that if a
8 security which is a capital asset becomes worthless during a year, the loss resulting therefrom is
treated as a loss from the sale or exchange, on the last day of the taxable year, of a capital asset. For
this purpose, the term "security" is defined in IRC Section 165(g)(2)(C) as a bond, debenture, note, or
certificate, or other evidence of indebtedness, issued by a corporation, with interest coupons or in
registered form. Holders of Claims are urged to consult their tax advisors with respect to their ability
to take a bad debt deduction.

9 A Holder who purchased its Claim from a prior Holder at a market discount may be subject to
10 the market discount rules of the IRC, under which gain from the disposition of the Claim may be
11 characterized as ordinary income to the extent of the market discount that is deemed to have accrued
12 under those rules. Holders of Claims are urged to consult their tax advisors in order to determine the
application of these market discount rules, as well as to determine the character of any gain or loss
recognized in connection with the implementation of the Plan.

13 **2. Distributions In Discharge Of Accrued But Unpaid Interest**

14 Pursuant to the Plan, all Distributions in respect of any Claim will be allocated first to the
15 principal amount of such Claim and thereafter, to accrued but unpaid interest, if any. However, there
is no assurance that such allocation will be respected by the IRS for federal income tax purposes.

16 **C. Canadian Income Tax Consequences To The Debtors**

17 The following is a general summary of the principal Canadian federal income tax restrictions
18 generally applicable under the *Income Tax Act* (Canada) ("Tax Act") to the application of Debtors'
19 non-capital losses that are expected to result from implementation of the Plan. This summary is based
on the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), counsel's
understanding of the current administrative policies and assessing practices of the Canada Revenue
Agency (the "CRA") publicly available prior to the date hereof.

20 This summary also takes into account all specific proposals to amend the Tax Act and
21 Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date
22 hereof (collectively, the "Proposed Tax Amendments"). No assurances can be given that the Proposed
23 Tax Amendments will be enacted or will be enacted as proposed. Other than the Proposed Tax
Amendments, this summary does not take into account or anticipate any changes in law or the
administration policies or assessing practice of CRA, whether by judicial, legislative, governmental or

1 administrative decision or action, nor does it take into account provincial, territorial or foreign income
2 tax legislation or considerations, which may differ significantly from those discussed herein.

3 This summary is of a general nature only and is not intended to be, nor should it be construed
4 to be, legal or tax advice to any particular person and no representations with respect to the income tax
consequences to any particular person are made. This summary is not exhaustive of all Canadian
federal income tax considerations.

5 PTPC Corrugated Company is a Nova Scotia unlimited liability company ("Corrugated").
6 Corrugated qualifies as a "taxable Canadian corporation" for purposes of the Tax Act. However, for
US income tax purposes, Corrugated is a disregarded entity due to its status as a Nova Scotia
unlimited liability company. Accordingly, Canadian income taxes paid by Corrugated on its income
7 could, subject to applicable limitations, be eligible to be claimed as a foreign tax credit by PTPC
Packaging Co., Inc.

8 Corrugated has non-capital losses of approximately USD\$29.4 million as at December 31,
9 2006, that are available within certain time limitations to reduce Corrugated's income for Canadian
purposes ("Corrugated Canadian NOLs"). The Corrugated Canadian NOLs are subject to review and
10 audit by the CRA and the amount as finally determined could be greater or less than the amount
indicated.

11 The Exchange will result in an "acquisition of control" for Canadian income tax purposes. As
12 a result, following the Exchange the Corrugated Canadian NOLs will be subject to certain rules which
limit and, in some situations, prevent the use of the Corrugated Canadian NOLs. One such rule
13 provides that if the Corrugated Canadian NOLs relate to losses from property (rather than business),
then to such extent the Corrugated Canadian NOLs would not be available for use following the
14 Exchange.

15 Following the Exchange the Corrugated Canadian NOLs could be applied by Corrugated only
if Corrugated continues to carry on the business that gave rise to the losses. The Corrugated Canadian
16 NOLs could then only be applied to offset income from that business or income from any other
business, where substantially all the income was from the sale of similar product. Following the
17 Exchange, the Corrugated Canadian NOLs could not be applied to offset income from property or
income that is capital gains.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

XI. RECOMMENDATION

Based on the foregoing analysis of the Plan, the Plan Proponents believe that the best interests of all parties would be served through confirmation of the Plan. **FOR THESE REASONS, THE PLAN PROPONENTS AND THE CREDITORS' COMMITTEE URGE ALL CREDITORS TO VOTE TO "ACCEPT" THE PLAN.**

Dated: June 26, 2007

Respectfully submitted,

PT HOLDINGS COMPANY, INC.

By: /s/ John P. Begley

Name: John P. Begley

Title: President and Chief Executive Officer

PORT TOWNSEND PAPER CORPORATION

By: /s/ John P. Begley

Name: John P. Begley

Title: President and Chief Executive Officer

PTPC PACKAGING CO., INC.

By: /s/ John P. Begley

Name: John P. Begley

Title: President and Chief Executive Officer

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS

By: /s/ Barry Ritholz

Name: Barry Ritholz

Title: Authorized representative of
GoldenTree Asset Management, L.P. ,
not in its individual or principal
capacity, but solely in its capacity as
Chair of the Informal Committee of
Senior Secured Noteholders

THE HONORABLE SAMUEL J. STEINER
CHAPTER 11

BUSH STROUT & KORNFELD

Gayle E. Bush, Esq.
Christine M. Tobin, Esq.
Katriana L. Samiljan, Esq.
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone: 206.292.2110

Counsel for the Debtors

AKIN GUMP STRAUSS HAUER & FELD LLP

Michael S. Stamer, Esq.
590 Madison Avenue
New York, New York 10022
Telephone: 212.872.1000

James R. Savin, Esq.
Scott L. Alberino, Esq.
Joanna F. Newdeck, Esq.
1333 New Hampshire Avenue, N.W.
Washington D.C. 20036
Telephone: 202.887.4000

and

FOSTER PEPPER PLLC

Jack Cullen, Esq.
1111 3rd Avenue, Suite 3400
Seattle, WA 98101
Telephone: 206.447.4400

Counsel for the Informal Committee
of Senior Secured Noteholders

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE**

In re:

07-10340 [Lead Case]

PT HOLDINGS COMPANY, INC., et al.,

Chapter 11

Debtors.

**AMENDED PLAN OF
REORGANIZATION UNDER CHAPTER
11 OF THE BANKRUPTCY CODE
JOINTLY PROPOSED BY THE
DEBTORS AND THE INFORMAL
COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

**BUSH STROUT & KORNFELD
LAW OFFICES**

5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

EXHIBIT A

TABLE OF CONTENTS

Article I	Definitions And General Provisions	1
Section 1.1	Definitions.....	1
Section 1.2	Time.	20
Article II	Classification of Claims and Interests; Impairment.....	20
Section 2.1	Summary.	20
Section 2.2	Deemed Acceptance of Plan.	21
Section 2.3	Deemed Rejection of Plan.	21
Section 2.4	Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code.	22
Article III	Treatment of Claims and Interests	22
Section 3.1	Class 1 -- Other Secured Claims.....	22
Section 3.2	Class 2 -- Priority Claims.....	23
Section 3.3	Classes 3A-3C -- Secured Notes Claims.	24
Section 3.4	Classes 4A-4D -- General Unsecured Claims.....	26
Section 3.5	Class 5 -- Intercompany Claims.....	27
Section 3.6	Class 6 -- Workers' Compensation Claims.	27
Section 3.7	Class 7 -- Subordinated Claims.....	28
Section 3.8	Class 8A -- PT Holdings Interests.....	28
Section 3.9	Classes 8B-8C -- Other Interests.....	29
Section 3.10	Special Provision Governing Unimpaired Claims.....	29
Article IV	Treatment of Unclassified Claims.....	29
Section 4.1	Summary.	29
Section 4.2	Administrative Expense Claims.....	30
Section 4.3	Priority Tax Claims.	31
Section 4.4	DIP Lender Claims.....	32
Article V	Treatment of Executory Contracts and Unexpired Leases.....	32
Section 5.1	Assumption and Rejection of Executory Contracts and Unexpired Leases.	32
Section 5.2	Rejection Damages Claims.	33
Section 5.3	Cure of Defaults for Executory Contracts and Unexpired Leases.....	34
Section 5.4	Employment Agreements and Other Benefits.....	35
Section 5.5	Management Equity Plan.....	36
Section 5.6	Northwest Capital Agreements.	36
Article VI	Means for Implementation of Plan	37
Section 6.1	Continued Corporate Existence.	37
Section 6.2	Exit Financing.	38
Section 6.3	Exit Financing Participation.	38
Section 6.4	Sources of Cash for Distribution.....	40

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1	Section 6.5	Reinstatement of Interests of PT Holdings.	41
2	Section 6.6	Cancellation of Existing Securities and Agreements/Discharge of Indenture Trustee.	41
3	Section 6.7	Indenture Trustee and Informal Committee Expenses.	42
4	Section 6.8	Corporate Action.	42
5	Section 6.9	Preservation of Causes of Action.	42
6	Section 6.10	Effectuating Documents; Further Transactions.	43
7	Section 6.11	Exemption From Certain Transfer Taxes and Recording Fees.	44
8	Section 6.12	Further Authorization.	44
9	Article VII	Provisions Regarding Corporate Governance of Reorganized Debtors.	44
10	Section 7.1	Certificates of Incorporation and Bylaws.	44
11	Section 7.2	Directors and Officers of Reorganized Debtors.	45
12	Section 7.3	Issuance of New Securities and Debt Instruments.	46
13	Section 7.4	Registration Rights Agreement.	47
14	Section 7.5	Shareholder Agreement.	47
15	Article VIII	Distributions Under The Plan	48
16	Section 8.1	Disbursing Agent.	48
17	Section 8.2	Distributions of Cash.	48
18	Section 8.3	No Interest on Claims or Interests.	48
19	Section 8.4	Delivery of Distributions.	49
20	Section 8.5	Distributions to Holders as of the Record Date.	50
21	Section 8.6	Fractional Securities; Fractional Dollars.	50
22	Section 8.7	Withholding Taxes.	50
23	Article IX	Procedures for Treating and Resolving Disputed Claims	51
24	Section 9.1	Objections to Claims.	51
25	Section 9.2	No Distributions Pending Allowance.	51
26	Section 9.3	Estimation of Claims.	51
27	Section 9.4	Resolution of Claims Objections.	52
28	Section 9.5	Distribution Reserve.	52
29	Section 9.6	Timing of Distributions to Classes 4A-4D.	53
30	Section 9.7	Distributions After Allowance.	53
31	Article X	Effect of Plan on Claims and Interests.	54
32	Section 10.1	Revesting of Assets.	54
33	Section 10.2	Release and Discharge of the Debtors.	54
34	Section 10.3	Release and Discharge of Non-Debtor Affiliates.	54
35	Section 10.4	Mutual Releases.	55
36	Section 10.5	Setoffs.	55
37	Section 10.6	Exculpation and Limitation of Liability.	56
38	Section 10.7	Injunction.	56
39	Section 10.8	Effect of Effective Date.	57

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1	Article XI	Conditions Precedent	58
2	Section 11.1	Conditions to Confirmation.	58
3	Section 11.2	Conditions to the Effective Date.	58
4	Section 11.3	Waiver of Conditions to Confirmation or Consummation.	59
5	Article XII	Retention and Scope of Jurisdiction of the Bankruptcy Court	60
6	Section 12.1	Retention of Jurisdiction.	60
7	Section 12.2	Alternative Jurisdiction.	62
8	Section 12.3	Final Decree.	62
9	Article XIII	Miscellaneous Provisions.....	62
10	Section 13.1	Modification of the Plan.	62
11	Section 13.2	Securities Law Matters.	63
12	Section 13.3	Plan Supplement.	64
13	Section 13.4	Allocation of Plan Distributions Between Principal and Interest.	64
14	Section 13.5	Creditors' Committee.	64
15	Section 13.6	Applicable Law.	65
16	Section 13.7	Preparation of Estates' Returns and Resolution of Tax Claims.	65
17	Section 13.8	Headings.	65
18	Section 13.9	Revocation of Plan.	65
19	Section 13.10	Severability of Plan Provisions.	65
20	Section 13.11	Confirmation of Plans for Separate Debtors.	66
21	Section 13.12	No Admissions; Objection to Claims.	66
22	Section 13.13	No Bar to Suits.	66
23	Section 13.14	Exhibits/Schedules.	67
24	Section 13.15	Conflicts.	67

AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
 THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
 AND THE INFORMAL COMMITTEE OF SENIOR SECURED
 NOTEHOLDERS

BUSH STROUT & KORNFIELD
 LAW OFFICES
 5500 Two Union Square
 601 Union Street
 Seattle, Washington 98101-2373
 Telephone (206) 292-2110
 Facsimile (206) 292-2104

1 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY**
2 **CODE JOINTLY PROPOSED BY THE DEBTORS AND THE**
3 **INFORMAL COMMITTEE OF SENIOR SECURED NOTEHOLDERS**

4 **INTRODUCTION**

5 PT Holdings Company, Inc., Port Townsend Paper Corporation, and PTPC Packaging Co., Inc.,
6 debtors and debtors in possession in the above-captioned cases, jointly with the Informal Committee of
7 Senior Secured Noteholders, propose this amended plan of reorganization for the resolution of the
8 outstanding Claims against and Interests in the Debtors. The Debtors and Informal Committee of
9 Senior Secured Noteholders are the proponents of this plan of reorganization within the meaning of
10 section 1129 of the Bankruptcy Code.
11

12 **ARTICLE I**
13 **DEFINITIONS AND GENERAL PROVISIONS**

14 For the purposes of this Plan, except as otherwise expressly provided or unless the context
15 otherwise requires, all capitalized terms not otherwise defined shall have the meanings ascribed to
16 them in Section 1.1 of this Plan. Any term used in this Plan that is not defined herein, but is defined in
17 the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the
18 Bankruptcy Code or the Bankruptcy Rules.
19

20 **Section 1.1** *Definitions.* The following terms shall have the following meanings when used
21 in this Plan.
22
23
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 (a) "503(b)(9) Procedures Order" means that certain order of the Bankruptcy Court,
2 dated March 15, 2007, Approving Procedures For Administering Claims Under Bankruptcy Code
3 Section 503(b)(9).

4 (b) "Administrative Expense Claim" means a Claim (other than a claim under the
5 DIP Facility) for payment of an administrative expense of a kind specified in section 503(b), 507(b) or
6 1114(e)(2) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(1) of the
7 Bankruptcy Code, including, but not limited to, the actual, necessary costs and expenses, incurred on
8 or after the Filing Date, of preserving the Estates and operating the business of the Debtors, including
9 wages, salaries or commissions for services rendered after the commencement of the Bankruptcy
10 Cases, Professional Compensation, fees and expenses of the Indenture Trustee and its counsel, fees and
11 expenses of the Informal Committee and its professionals, and all fees and charges assessed against the
12 Estates under 28 U.S.C. § 1930.

13 (c) "Affiliates" has the meaning given such term by section 101(2) of the
14 Bankruptcy Code.

15 (d) "Allowed" means, with respect to any Claim, such Claim or any portion thereof
16 that (i) has been allowed by a Final Order of the Bankruptcy Court; (ii) is listed in any of the Debtors'
17 respective Schedules and for which no contrary proof of claim has been filed, other than a Claim that is
18 listed in any of the Debtors' Schedules at zero or as disputed, contingent, or unliquidated; (iii) is
19 evidenced by a proof of claim that has been timely filed with the Bankruptcy Court on or before the
20 Bar Date or deemed to be timely filed pursuant to any Final Order of the Bankruptcy Court or under
21 applicable law, and as to which (A) no objection to its allowance has been filed on or before the Claims
22

23
24
25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 Objection Deadline, or (B) any objection to its allowance has been settled or withdrawn, or has been
2 overruled by a Final Order; or (iv) is allowed pursuant to the terms of this Plan (regardless of whether
3 such claim has been listed by the Debtors in their Schedules and regardless of whether a proof of claim
4 has been filed in respect thereof); *provided, however*, that Claims allowed solely for the purpose of
5 voting to accept or reject this Plan pursuant to an order of the Bankruptcy Court shall not be considered
6 Allowed Claims for the purposes of distribution under this Plan.

8 (e) "Asserted Amount" means the total amount of a Claim asserted by a Holder
9 against any Debtor.

10 (f) "Assets" means, collectively, all of the property, as defined in section 541 of the
11 Bankruptcy Code of the Estates of the Debtors (including, without limitation, all of the assets, property,
12 interests (including equity interests) and effects, real and personal, tangible and intangible, including
13 all Avoidance Actions), wherever situated as such properties exist on the Effective Date or thereafter.

15 (g) "Assumed Contracts" shall have the meaning given such term in Article 5.1 of
16 this Plan.

17 (h) "Avoidance Action" means any claim or cause of action of an Estate arising out
18 of or maintainable pursuant to sections 502, 510, 541, 542, 543, 544, 545, 547, 548, 549, 550, 551, or
19 553 of the Bankruptcy Code or under any other similar applicable law, regardless of whether or not
20 such action has been commenced prior to the Effective Date.

22 (i) "Backstop Parties" means GoldenTree Asset Management, L.P., not in its
23 individual and principal capacity, but as investment advisor on behalf of one or more managed clients,
24 and Thales Holdings, Ltd., and one or more of its related entities or Affiliates.

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 (j) "Ballot" means each of the ballot forms that are distributed with the Disclosure
2 Statement to Holders of Claims and Interests included in Classes that are Impaired under this Plan and
3 are entitled to vote under Article II of this Plan to accept or reject this Plan.

4 (k) "Bankruptcy Case" means, with respect to each Debtor, the chapter 11 case
5 initiated by such Debtor's filing on the Filing Date of a voluntary petition for relief in the Bankruptcy
6 Court under chapter 11 of the Bankruptcy Code. The Bankruptcy Cases are being jointly administered
7 in the Bankruptcy Court as Bankruptcy Case No. 07-10340-SJS pursuant to the Order Directing Joint
8 Administration of Cases entered by the Bankruptcy Court on January 31, 2007.

9 (l) "Bankruptcy Code" means title 11 of the United States Code, as applicable to
10 the Bankruptcy Cases.

11 (m) "Bankruptcy Court" means the United States Bankruptcy Court for the Western
12 District of Washington, at Seattle or, in the event such court ceases to exercise jurisdiction over any
13 Bankruptcy Case, such court or adjunct thereof that exercises jurisdiction over such Bankruptcy Case
14 in lieu of the United States Bankruptcy Court for the Western District of Washington, at Seattle.

15 (n) "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy
16 Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as
17 applicable to the Bankruptcy Cases or proceedings therein, and the Local Rules of the Bankruptcy
18 Court, as applied to the Bankruptcy Cases or proceedings therein, as the case may be.

19 (o) "Bar Date" means April 2, 2007, which is the date designated by the Bankruptcy
20 Court as the last date(s) for filing proofs of Claim against the Debtors pursuant to that certain Amended
21 Order, dated February 16, 2007, Fixing Deadline for Filing Proofs of Claim.

22
23
24
25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 (p) "Board of Directors" means the applicable board of directors of each of the
2 Reorganized Debtors.

3 (q) "Business Day" means any day on which commercial banks are required to be
4 open for business in Seattle, Washington.

5 (r) "Cash" means legal tender of the United States of America and equivalents
6 thereof.

7 (s) "Causes of Action" means all Avoidance Actions and any and all of a Debtor's
8 or a Reorganized Debtor's actions, causes of action, suits, accounts, agreements, promises, rights to
9 payment and claims, whether known or unknown, reduced to judgment, not reduced to judgment,
10 liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured,
11 unsecured, and whether asserted or assertable directly or derivatively, in law, equity, or otherwise.
12

13 (t) "Certificate" means any instrument, including, without limitation, any note,
14 bond, indenture, or other document evidencing or creating any indebtedness or obligation of the
15 Debtors evidencing a Claim.
16

17 (u) "Claim" means a claim against one of the Debtors (or all or some of them)
18 whether or not asserted, as defined in section 101(5) of the Bankruptcy Code.

19 (v) "Claims Objection Deadline" means the later of the first Business Day which is
20 (i) sixty (60) days after the Effective Date, (ii) sixty (60) days after a specific Proof of Claim was filed
21 or (iii) such other time as may be ordered by the Bankruptcy Court, as such dates may be from time to
22 time extended by the Bankruptcy Court without further notice to parties in interest.
23
24
25

(w) "Class" means a category of Claims or Interests described in Article III of this Plan.

(x) "Class 3 Contribution" means a contribution of value, out of the aggregate distribution Holders of Allowed Secured Notes Claims would otherwise legally be entitled to receive, from Holders of Allowed Secured Notes Claims to Holders of Allowed General Unsecured Claims in the amount of (i) One Million, Three Hundred and Fifty Thousand Dollars (\$1,350,000.00) if Holders of General Unsecured Claims in Classes 4A and 4D each vote as a Class to accept the Plan, or, alternatively, (ii) Eight Hundred Thousand Dollars (\$800,000.00) if either Class 4A or 4D votes as a Class to reject the Plan.

(y) "Class 4A-4C Allocation" means, subject to Classes 4A and 4D each voting as a Class to accept the Plan, One Million, Three Hundred and Fifty Thousand Dollars (\$1,350,000.00) less the aggregate amount paid pursuant to this Plan to Holders of Allowed Convenience Claims. The Class 4A-4C Allocation shall not be less than Five Hundred and Seventy Thousand Dollars (\$570,000.00).

(z) "Class 4D Allocation" means, subject to Classes 4A and 4D each voting as a Class to accept the Plan, the lesser of (i) Seven Hundred and Eighty Thousand Dollars (\$780,000.00) and (ii) all amounts paid to Holders of Allowed Convenience Claims. The Class 4D Allocation shall not exceed Seven Hundred and Eighty Thousand Dollars (\$780,000.00).

(aa) "Commitment Letter" means that certain agreement by and between the Backstop Parties and the Debtors, dated June 20, 2007, a copy of which is attached as Exhibit F to the Disclosure Statement.

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

(bb) "Creditors' Committee" means the Official Committee of Unsecured Creditors appointed in the Debtors' Bankruptcy Cases pursuant to section 1102(a) of the Bankruptcy Code.

(cc) "Confirmation Date" means the date on which the Bankruptcy Court enters the Confirmation Order.

(dd) "Confirmation Hearing" means the hearing before the Bankruptcy Court held to consider confirmation of this Plan and related matters under section 1128 of the Bankruptcy Code, as such hearing may be continued from time to time.

(ee) "Confirmation Order" means the order entered by the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code, which shall be acceptable in form and substance to the Plan Proponents, each in their sole discretion.

(ff) "Convenience Claim" means any (i) General Unsecured Claim in the Allowed amount of Two Thousand Dollars (\$2,000.00) or less, and (ii) General Unsecured Claim asserted in an aggregate principal amount greater than Two Thousand Dollars (\$2,000.00) and less than Forty Thousand Dollars (\$40,000.00) the Allowed amount of which has been reduced to Two Thousand Dollars (\$2,000.00) by the affirmative election by the Holder thereof, as provided in the Ballot.

(gg) "Cure Amount" means the amount required to satisfy the Debtors' obligations under section 365(b) of the Bankruptcy Code with respect to the Debtors' assumption of any Executory Contract or Unexpired Lease which amount will be determined in accordance with the procedures set forth in Article 5.3 of this Plan.

(hh) "Debtor" or "Debtors" means, individually, PT Holdings Company, Inc., Port Townsend Paper Corporation, and PTPC Packaging Co., Inc. and, collectively, all of PT Holdings

1 Company, Inc., Port Townsend Paper Corporation, and PTPC Packaging Co., each of which is a Debtor
2 in its Bankruptcy Case.

3 (ii) "DIP Lenders" means the Purchasers as defined by the DIP Facility.

4 (jj) "DIP Facility" means that certain post-petition debtor in possession note
5 purchase agreement, as amended from time to time, provided to the Debtors pursuant to the terms of
6 that certain Final Order Under 11 U.S.C. §§ 361, 362, 363 and 364, Fed. R. Bankr. P. 4001, and Bankr.
7 L.R. 4001-2, (A) Authorizing Debtors To Incur Postpetition Indebtedness, (B) Granting Security
8 Interests and Superpriority Expense Claims, (C) Modifying Automatic Stay, (D) Authorizing Use of
9 Cash Collateral, (E) Granting Adequate Protection, and (F) Granting Other Relief, dated April 18,
10 2007.

11
12 (kk) "Disallowed Claim" means a Claim or any portion thereof that (i) has been
13 disallowed by a Final Order, (ii) is listed in any of the Debtors' respective Schedules at zero or as
14 contingent, disputed, or unliquidated and as to which a proof of claim Bar Date has been established
15 but no proof of claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant
16 to the Bankruptcy Code or any Final Order of the Bankruptcy Court, or (iii) is not listed in any of the
17 Debtors' respective Schedules and as to which a proof of claim Bar Date has been established but no
18 proof of claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to the
19 Bankruptcy Code or any Final Order of the Bankruptcy Court.
20

21
22 (ll) "Disclosure Statement Approval Order" means that certain order of the
23 Bankruptcy Court entered on June 27, 2007, approving the adequacy of the Disclosure Statement
24

25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 pursuant to section 1125 of the Bankruptcy Code, as may be amended, modified or supplemented from
2 time to time.

3 (mm) "Disclosure Statement" means the written disclosure statement that relates to
4 this Plan, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code and
5 Bankruptcy Rule 3017, as such disclosure statement may be amended, modified or supplemented from
6 time to time.

7
8 (nn) "Disputed" means, with reference to any Claim, a Claim or any portion thereof,
9 that is the subject of an objection timely filed in the Bankruptcy Court and which objection has not
10 been withdrawn, settled or overruled by a Final Order of the Bankruptcy Court.

11 (oo) "Distribution" means any distribution by the Debtors or Reorganized Debtors to
12 a Holder of an Allowed Claim or Interest.

13
14 (pp) "Distribution Date" means (i) the Initial Distribution Date, and (ii) the first
15 Business Day after the end of the months of March, June, September, and December, commencing
16 with the first such date to occur more than ninety (90) days after the Initial Distribution Date and
17 continuing until the Final Distribution Date; *provided, however*, that, subject to section 9.5 of this Plan,
18 a Distribution Date (other than the Initial Distribution Date and Final Distribution Date) shall not occur
19 if the aggregate value of the consideration to be distributed on account of all Allowed Claims on any
20 Distribution Date is less than Twenty-Five Thousand and 00/100 Dollars (\$25,000.00), in which case
21 the amount to be distributed shall be retained and added to the amount to be distributed on the next
22 Distribution Date.
23
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 (qq) "District Court" means the United States District Court for the Western District
2 of Washington, at Seattle.

3 (rr) "Effective Date" means the day that is the first Business Day after all conditions
4 to the Effective Date have been satisfied or waived pursuant to Sections 11.2 and 11.3 of the Plan.

5 (ss) "Eligible Holder" means a Holder of an Allowed Secured Notes Claim who also
6
7 (i) is an "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act and
8 (ii) has a substantive preexisting relationship with the Debtors for purposes of Rule 502(c) of
9 Regulation D under the Securities Act.

10 (tt) "ERISA" means the Employee Retirement Income Security Act of 1974, as
11 amended, and any successor statute thereto.

12 (uu) "Estate" means, with regard to each Debtor, the estate that was created by the
13 commencement by a Debtor of a Bankruptcy Case pursuant to section 541 of the Bankruptcy Code.

14 (vv) "Executory Contract or Unexpired Lease" means all executory contracts and
15 unexpired leases to which any of the Debtors is a party.

16 (ww) "Existing Securities" means, collectively, the Secured Notes and Interests.

17 (xx) "Exit Financing Participant" means an Eligible Holder who participates in the
18 Exit Facilities in accordance with the terms and procedures set forth in Section 6.3 of this Plan. The
19 Backstop Parties are Exit Financing Participants.

20 (yy) "Exit Facilities" means the financing to be provided by the Exit Financing
21 Participants which financing shall be consistent with the Commitment Letter.

22
23
24
25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

(zz) "Exit Working Capital Facility" means the secured financing to be provided by the Exit Working Capital Lenders, as described in more detail in Section 6.2 of this Plan.

(aaa) "Exit Working Capital Lenders" means the lenders to be identified by the Debtors in the Plan Supplement that will provide the financing contemplated by the Exit Working Capital Facility.

(bbb) "Filing Date" means January 29, 2007.

(ccc) "Final Distribution" means the Distribution by the Debtors or Reorganized Debtors that satisfies all Allowed Claims and Interests to the extent provided in accordance with this Plan.

(ddd) "Final Distribution Date" means the date on which the Final Distribution is made.

(eee) "Final Order" means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket in the chapter 11 cases or the docket of any other court of competent jurisdiction, which has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari has expired, and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

(fff) "General Unsecured Claim" means any Unsecured Claim other than an Administrative Expense Claim, a Priority Tax Claim, a Priority Claim, a Workers' Compensation Claim, an Intercompany Claim or a Subordinated Claim.

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

(ggg) "Guarantees" means each guarantee of the Secured Notes as defined in the Indenture.

(hhh) "Guarantors" shall have the meaning given in the Indenture.

(iii) "Holder" means a holder of a Claim or Interest, as applicable.

(jjj) "Impaired" shall have the meaning ascribed thereto in section 1124 of the Bankruptcy Code.

(kkk) "Indenture" means that certain indenture dated as of April 13, 2004 by and among PTPC and the Guarantors and U.S. Bank National Association, as Indenture Trustee, as such indenture may have been amended, supplemented, or otherwise modified from time to time, and all related agreements and documents.

(lll) "Indenture Trustee" means U.S. Bank National Association, as trustee, or any successor trustee, under the Indenture.

(mmm) "Indenture Trustee Charging Lien" means a lien that secures repayment of the Indenture Trustee's fees and expenses, to the extent provided for in the Indenture.

(nnn) "Informal Committee" means the informal committee of holders of Secured Notes. The members of the Informal Committee as of the date of this Plan are: (i) GoldenTree Asset Management, L.P., (ii) Delaware Investment Management, (iii) Radcliffe SPC, Ltd., (iv) Thales Fund Management, L.P., (v) Wells Capital Management, (vi) Muzinich & Co., (vii) J.P. Morgan Securities, Inc., and (viii) Catalyst Investment Management, Inc.

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

(ooo) "Initial Distribution Date" means the Effective Date or as soon as reasonably practical thereafter; *provided, however*, that in no event shall the Initial Distribution Date be more than five (5) business days after the Effective Date unless otherwise ordered by the Bankruptcy Court.

(ppp) "Intercompany Claim" means either (i) any Claim against any Debtor held by another Debtor or Non-Debtor Affiliate, or (ii) any Claim against any Non-Debtor Affiliate held by any Debtor.

(qqq) "Interests" means the equity interests issued by each of the Debtors, including, but not limited to, the common stock of PT Holdings, PTPC and Packaging and any options, warrants, puts, calls, subscriptions or other similar rights or other agreements, commitments, or outstanding securities obligating any of the Debtors to issue, transfer, purchase, redeem, or sell any shares of capital stock or other securities, any claims arising out of any appraisal or dissenter's rights, any claims arising from rescission of a purchase, sale or other acquisition of any common stock or other equity security (or any right, claim, or interest in and to any common stock or equity security) of any of the Debtors, and any claims for damages or any other relief arising from any such purchase, sale, or other acquisition of such common stock or other equity security.

(rrr) "Lien" has the meaning set forth in section 101(37) of the Bankruptcy Code.

(sss) "Management Equity Plan" means a management equity plan that shall be implemented on or as soon as reasonably practicable after the Effective Date to provide designated members of senior management of the Debtors with New Common Stock and/or options to purchase shares of New Common Stock representing up to an aggregate amount equal to 10% of the New Common Stock issued and outstanding on the Effective Date. The Management Equity Plan will

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 contain terms and conditions that shall be determined by the Board of Directors of Reorganized PT
2 Holdings after the Effective Date.

3 (ttt) "New Common Stock" means newly issued shares of common stock of
4 Reorganized PT Holdings, par value \$0.01 per share, to be issued on the Effective Date. Holders of
5 Allowed Secured Notes Claims will receive in the aggregate an amount equal to 100% of the New
6 Common Stock issued and outstanding on the Effective Date, subject to dilution on account of the
7 Management Equity Plan and Preferred Dividend Warrants.

8 (uuu) "New Senior Secured Notes" means secured notes in the aggregate principal
9 amount of \$35 million, to be issued on the Effective Date in connection with the Exit Facilities.

10 (vvv) "Non-Debtor Affiliates" means PTPC Corrugated Company and Crown
11 Properties Packaging, Ltd.

12 (www) "Northwest Capital" means Northwest Capital Appreciation, Inc. and all of its
13 Affiliates, related entities, successors and assigns.

14 (xxx) "Noteholder" or "Noteholders" means, individually, a holder of a Secured Note
15 and, collectively, all of the holders of the Secured Notes.

16 (yyy) "Other Secured Claim" means a Secured Claim other than a Secured Notes
17 Claim.

18 (zzz) "Packaging" means PTPC Packaging Co., Inc.

19 (aaaa) "Participation Agent" means Wells Fargo Bank, N.A.

20 (bbbb) "Person" means an individual, corporation, partnership, joint venture,
21 association, joint stock company, limited liability company, limited liability partnership, trust, estate,
22

23
24
25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

unincorporated organization, governmental unit (as defined in section 101(27) of the Bankruptcy Code) or other entity.

(cccc) "Plan" means this joint amended plan of reorganization as the same may hereafter be amended, modified or supplemented.

(dddd) "Plan Proponents" mean the Debtors and the Informal Committee.

(eeee) "Plan Supplement" means the document containing the forms of documents specified in Section 13.3 of this Plan.

(ffff) "Preferred Dividend Warrants" means warrants issued to holders of Series A Preferred that will entitle their holders, in the event that the Series A Preferred remains outstanding, to purchase, at a strike price equivalent to a \$40 million common equity value of Reorganized PT Holdings, (i) 5% of the New Common Stock on the 6-month anniversary of the Effective Date; (ii) an additional 5% of the New Common Stock on the 18-month anniversary of the Effective Date; and (iii) an additional 5% of the New Common Stock on the 30-month anniversary of the Effective Date. Such warrants shall be subject to customary anti-dilution protections.

(gggg) "Priority Claim" means a Claim entitled to priority under the provisions of section 507(a) of the Bankruptcy Code other than an Administrative Expense Claim or a Priority Tax Claim.

(hhhh) "Priority Tax Claim" means a Claim against the Debtors that is of a kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

(iiii) "Professional Compensation" means (i) any amounts that the Bankruptcy Court allows pursuant to section 330 of the Bankruptcy Code as compensation earned, and reimbursement of

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 expenses incurred, by professionals employed by the Debtors and the Creditors' Committee and (ii)
2 any amounts the Bankruptcy Court allows pursuant to sections 503(b)(3) and (4) of the Bankruptcy
3 Code in connection with the making of a substantial contribution to the Bankruptcy Cases.

4 (jjjj) "Pro Rata" means with respect to any Claim or Interest, at any time, the
5 proportion that the amount of the Claim or Interest in a particular Class bears to the aggregate amount
6 of all Claims or Interests (including Disputed Claims or Interests) in such Class, or, as appropriate,
7 other Classes, unless in each case the Plan provides otherwise.

8 (kkkk) "PTPC" means Port Townsend Paper Corporation.

9 (llll) "PT Holdings" means PT Holdings Company, Inc.

10 (mmmm) "Record Date" means the date established in the Disclosure Statement
11 Approval Order or any other Final Order of the Bankruptcy Court for determining the identity of
12 holders of Allowed Claims or Interests entitled to vote or accept or reject this Plan and receive
13 Distributions under this Plan. If no Record Date is established in the Disclosure Statement Approval
14 Order or any other order of the Bankruptcy Court, then the Record Date shall be the date of the entry
15 of the Disclosure Statement Approval Order.

16 (nnnn) "Record Holder" means the Holder of a Claim or Interest as of the Record Date.

17 (oooo) "Registration Rights Agreement" means the agreement described in Section 7.4
18 of the Plan.

19 (pppp) "Rejected Contracts" means all Executory Contracts and Unexpired Leases,
20 other than the Executory Contracts and Unexpired Leases identified on Schedule 5.1 as Executory
21

22
23
24
25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 Contracts or Unexpired Leases to be assumed on the Effective Date or contracts otherwise assumed
2 pursuant to an order of the Bankruptcy Court.

3 (qqqq) "Reorganized Debtor" or "Reorganized Debtors" means, individually, any
4 Debtor and, collectively, all of the Debtors, in each case on and after the Effective Date.

5 (rrrr) "Reorganized PT Holdings" means PT Holdings on and after the Effective Date.

6 (ssss) "Reorganized PTPC" means PTPC on and after the Effective Date.

7 (tttt) "Retained Actions" means all claims, Causes of Action, rights of action, suits
8 and proceedings, whether in law or in equity, whether known or unknown, which any Debtor or any
9 Debtors' Estate may hold against any Person, including, without limitation, (i) claims and Causes of
10 Action brought prior to the Effective Date, (ii) claims and Causes of Action against any Persons for
11 failure to pay for products or services provided or rendered by any of the Debtors, (iii) claims and
12 Causes of Action relating to strict enforcement of any of the Debtors' intellectual property rights,
13 including patents, copyrights and trademarks, (iv) claims and Causes of Action seeking the recovery of
14 any of the Debtors' or the Reorganized Debtors' accounts receivable or other receivables or rights to
15 payment created or arising in the ordinary course of any of the Debtors' or the Reorganized Debtors'
16 businesses, including, without limitation, claim overpayments and tax refunds, and (v) all Avoidance
17 Actions.

18 (uuuu) "Schedule 5.1" means the schedule to be provided in accordance with Section
19 5.1 of this Plan (the contents of which shall be acceptable to the Plan Proponents, each in their sole
20 discretion), which shall contain a list of (i) all Executory Contracts and Unexpired Leases to be
21
22
23
24

25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 assumed under this Plan, and (ii) the Cure Amount (if any) for any Executory Contract or Unexpired
2 Lease to be assumed under this Plan.

3 (vvvv) "Schedules" means, with respect to any Debtor, the Schedules of Assets and
4 Liabilities such Debtor filed in its Bankruptcy Case, as such Schedules may be amended from time to
5 time in accordance with Bankruptcy Rule 1009.

6 (www) "Secured Claim" means a claim (as defined in section 101(5) of the
7 Bankruptcy Code) that is secured by a valid, perfected and non-avoidable lien on collateral against any
8 obligor or guarantor to such indebtedness (including any Lien on collateral) to the extent of the value
9 of the holder of the Claim's interest in such collateral as provided in section 506(a) of the Bankruptcy
10 Code.
11

12 (xxxx) "Secured Notes" means the 11% Senior Secured Notes due 2011 issued pursuant
13 to the Indenture.
14

15 (yyyy) "Secured Notes Claim" means the Secured Claims against the Debtors arising
16 under the Secured Notes and Indenture, plus applicable fees, charges, costs and interest accrued but
17 unpaid as of the Filing Date.

18 (zzzz) "Secured Notes Deficiency Claim" means the portion, if any, of the Secured
19 Notes Claim that exceeds the value of any Lien securing such indebtedness, including any Lien on
20 collateral. Solely for the purposes of this Plan and assuming Classes 3A-3C vote to accept this Plan,
21 the holders of the Secured Notes Deficiency Claims, if any, have agreed to waive such Claims. In the
22 event this Plan is not confirmed by the Bankruptcy Court, the holders of the Secured Notes Deficiency
23

24
25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 Claims, if any, shall retain all rights to assert such Claims with respect to any other proposed plan of
2 reorganization.

3 (aaaaa) "Securities Act" means the Securities Act of 1933, as amended.

4 (bbbbb) "Securities and Exchange Commission" means the United States Securities and
5 Exchange Commission.
6

7 (ccccc) "Series A Preferred" means newly issued shares of preferred stock of
8 Reorganized PT Holdings to be issued on the Effective Date in connection with the Exit Facilities.

9 (ddddd) "Shareholder Agreement" means the agreement described in Section 7.5
10 of this Plan.

11 (eeee) "Subordinated Claim" means any Unsecured Claim that is subordinated in
12 priority to all other Allowed Unsecured Claims pursuant to the provisions of section 510 of the
13 Bankruptcy Code or other applicable law, including, without limitation, Claims, if any, (a) arising from
14 rescission of a purchase or sale of Existing Securities, (b) for damages resulting from the purchase or
15 sale of Existing Securities, or (c) for reimbursement or contribution on account of such Claims.
16

17 (fffff) "Unimpaired" means, with respect to a Class of Claims or Interests, any Class
18 that is not Impaired.

19 (ggggg) "Unsecured Claim" means any Claim other than an Other Secured
20 Claim, a Secured Notes Claim, a DIP Facility Claim, a Workers Compensation Claim, an
21 Administrative Expense Claim, a Priority Tax Claim or a Priority Claim.
22

23 (hhhhh) "Workers' Compensation Claim" means a claim by an employee of the Debtors
24 arising from or related to their employment with the Debtors for which the Debtors are required by
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 state statute to maintain workers' compensation insurance coverage through a program of third party
2 insurance, self-insurance, or state-sponsored insurance.

3
4 **Section 1.2** *Time.* Whenever the time for the occurrence or happening of an event as set
5 forth in this Plan falls on a day which is a Saturday, Sunday, or legal holiday under the laws of the
6 United States of America or the State of Washington, then the time for the next occurrence or
7 happening of said event shall be extended to the next day following which is not a Saturday, Sunday, or
8 legal holiday.

9
10 **ARTICLE II**
11 **CLASSIFICATION OF CLAIMS AND INTERESTS; IMPAIRMENT**

12 **Section 2.1** *Summary.* The categories of Claims and Interests set forth below classify all
13 Claims against and Interests in the Debtors for all purposes of this Plan. A Claim or Interest shall be
14 deemed classified in a particular Class only to the extent the Claim or Interest qualifies within the
15 description of that Class and shall be deemed classified in a different Class to the extent that any
16 remainder of such Claim or Interest qualifies within the description of such different Class. The
17 treatment with respect to each Class of Claims and Interests provided for in this Article II shall be in
18 full and complete satisfaction, release and discharge of such Claims and Interests.

19
20 The classification of Claims under this Plan is as follows:

<u>Class</u>	<u>Designation</u>	<u>Impairment</u>	<u>Entitled to Vote</u>
1	Other Secured Claims	Unimpaired	No
2	Priority Claims	Unimpaired	No

21
22
23
24
25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1	3A	PTPC Secured Notes Claims	Impaired	Yes
2	3B	PT Holdings Secured Notes Claims	Impaired	Yes
3	3C	Packaging Secured Notes Claims	Impaired	Yes
4	4A	PTPC General Unsecured Claims	Impaired	Yes
5	4B	PT Holdings General Unsecured Claims	Impaired	Yes
6	4C	Packaging General Unsecured Claims	Impaired	Yes
7	4D	Convenience Claims	Impaired	Yes
8	5	Intercompany Claims	Unimpaired	No
9	6	Workers' Compensation Claims	Unimpaired	No
10	7	Subordinated Claims	Impaired	No

12 The classification of Interests under this Plan is as follows:

13	8A	PT Holdings Interests	Impaired	No
14	8B	PTPC Interests	Unimpaired	No
15	8C	Packaging Interests	Unimpaired	No

17 **Section 2.2** *Deemed Acceptance of Plan.* Classes 1, 2, 5, 6, 8B and 8C are Unimpaired
18 under this Plan. Accordingly, pursuant to section 1126(f) of the Bankruptcy Code, Classes 1, 2, 5, 6,
19 8B and 8C are deemed to accept this Plan and are not entitled to vote to accept or reject this Plan.

21 **Section 2.3** *Deemed Rejection of Plan.* The Holders of Subordinated Claims in Class 7 and
22 PT Holding Interests in Class 8A will not receive or retain any property under this Plan and, thus,

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 pursuant to section 1126(g) of the Bankruptcy Code, are deemed to reject this Plan, and, therefore, are
2 not entitled to vote to accept or to reject this Plan.

3
4 **Section 2.4** *Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code.* The Plan
5 Proponents will request confirmation of this Plan, as it may be modified from time to time, under
6 section 1129(b) of the Bankruptcy Code with respect to any Class which rejects, or is deemed to have
7 rejected, this Plan.

8
9 **ARTICLE III**
10 **TREATMENT OF CLAIMS AND INTERESTS**

11 **Section 3.1** *Class 1 -- Other Secured Claims.*

12 (a) Classification: Class 1 consists of all Other Secured Claims.

13 (b) Treatment: The legal, equitable and contractual rights of the Holders of Class 1
14 Other Secured Claims are unaltered by this Plan. Unless the Holder of such Claim and the Plan
15 Proponents agree to a different treatment, each Holder of an Allowed Class 1 Other Secured Claim
16 shall receive, in full and final satisfaction of such Allowed Class 1 Other Secured Claim, one of the
17 following alternative treatments:

- 18 1. the legal, equitable and contractual rights to which such Claim entitles the Holder
19 thereof shall be reinstated and the Holder paid in accordance with such legal, equitable
20 and contractual rights;
21
22 2. the Debtors shall surrender all collateral securing such Claim to the Holder thereof, in
23 full satisfaction of such Holder's Allowed Class 1 Other Secured Claim, without
24

25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

representation or warranty by or recourse against the Debtors or Reorganized Debtors;
or

3. such Allowed Class 1 Other Secured Claim will be otherwise treated in a manner so that such Claim shall be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

The proposed treatment of each Class 1 Other Secured Claim shall be selected by the Plan Proponents. Any default with respect to any Class 1 Other Secured Claim that occurred prior to the Effective Date shall be deemed cured upon the Effective Date.

(c) Voting: Class 1 is an Unimpaired Class, and the Holders of Allowed Class 1 Other Secured Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 1 are not entitled to vote to accept or reject this Plan.

Section 3.2 *Class 2 -- Priority Claims.*

(a) Classification: Class 2 consists of all Priority Claims.

(b) Treatment: The legal, equitable and contractual rights of the Holders of Class 2 Priority Claims are unaltered by this Plan. Unless the Holder of such Claim and the Plan Proponents agree to a different treatment, each Holder of an Allowed Class 2 Priority Claim shall receive, in full and final satisfaction of such Allowed Class 2 Priority Claim, one of the following alternative treatments:

1. to the extent then due and owing on the Effective Date, such Allowed Class 2 Priority Claim will be paid in full in Cash by the Debtors or the Reorganized Debtors on, or as soon as practical after, the Effective Date;
2. to the extent not due and owing on the Effective Date, such Allowed Class 2 Priority Claim will be paid in full in Cash by the Debtors or the Reorganized Debtors when and as such Allowed Class 2 Priority Claim becomes due and owing in the ordinary course of business; or
3. such Allowed Class 2 Priority Claim will be otherwise treated in a manner so that such Allowed Class 2 Priority Claim shall be rendered Unimpaired pursuant to section 1124 of the Bankruptcy Code.

The proposed treatment of each Class 2 Priority Claim shall be selected by the Plan Proponents.

(c) Voting: Class 2 is an Unimpaired Class, and the Holders of Class 2 Priority Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Allowed Class 2 Priority Claims are not entitled to vote to accept or reject this Plan.

Section 3.3 *Classes 3A-3C -- Secured Notes Claims.*

(a) Classification: Classes 3A-3C consist of all Secured Notes Claims asserted against PT Holdings, PTPC and Packaging, respectively. The Secured Notes Claims are Allowed in full and shall not be subject to any avoidance, reductions, set off, offset, recharacterization, subordination (whether equitable, contractual, or otherwise), counterclaims, cross-claims, defenses, disallowance, impairment, or any other challenges under any applicable law or regulation by any

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 person or entity. The Secured Notes Claims are Allowed in an amount not less than \$125 million plus
2 applicable fees, charges, costs and interest accrued but unpaid as of the Filing Date.

3 (b) Treatment: On the Effective Date, in exchange for their Allowed Secured Notes
4 Claims against each of the Debtors, Holders of Allowed Secured Notes Claims shall receive, on a Pro
5 Rata basis, 100% of the New Common Stock, subject to dilution on account of the Management Equity
6 Plan and Preferred Dividend Warrants, *provided, however*, that acceptance of the Plan by Classes 3A-
7 3C shall constitute an agreement by the Holders of all Allowed Secured Notes Claims to, upon the
8 Effective Date, (i) contribute, out of the aggregate distribution Holders of Allowed Secured Notes
9 Claims would otherwise be legally entitled to receive, the Class 3 Contribution to Holders of Allowed
10 General Unsecured Claims and Convenience Claims in Classes 4A, 4B, 4C and 4D, and (ii) waive the
11 Secured Notes Deficiency Claims. While each Holder of an Allowed Secured Notes Claim possesses
12 an Allowed Secured Notes Claim against each of the Debtors and the Non-Debtor Affiliates, each
13 holder of an Allowed Secured Notes Claim shall only receive one aggregate recovery on account of all
14 Allowed Secured Notes Claims held by such claimant, which recovery is specified in Section 3.3 of
15 this Plan. In addition, any Holder of an Allowed Secured Notes Claim who is an Eligible Holder shall
16 have the ability to participate in the Exit Facilities as described in Section 6.3 of this Plan.

17 (c) Voting: Classes 3A-3C are Impaired. Pursuant to section 1126 of the
18 Bankruptcy Code, each Holder of Allowed Secured Notes Claims in Classes 3A-3C is entitled to vote
19 to accept or reject this Plan.
20
21
22
23
24
25

1 **Section 3.4** *Classes 4A-4D -- General Unsecured Claims.*

2 (a) Classification: Classes 4A-4C consists of all General Unsecured Claims against
3 PT Holdings, PTPC and Packaging, respectively. Class 4D consists of all Convenience Claims.

4 (b) Treatment: As a result of the Class 3 Contribution (a) if Classes 4A and 4D each
5 vote as a Class to accept the Plan (i) each Holder of an Allowed General Unsecured Claim in Classes
6 4A-4C shall receive, in full and final satisfaction of such Holder's Allowed General Unsecured Claim,
7 such Holder's Pro Rata share of the Class 4A-4C Allocation, and (ii) each Holder of an Allowed
8 Convenience Claim shall be paid, in Cash, on the Initial Distribution Date, in full and final satisfaction
9 of such Holder's Convenience Claim, the lesser of (x) \$2,000.00 or the Allowed amount of such
10 Holder's Convenience Claim, if such Convenience Claim is less than \$2,000.00 and (y) such Holder's
11 Pro Rata share (as calculated by reference to the Allowed amount of such Holder's Convenience
12 Claim) of the Class 4D Allocation, or, alternatively, (b) if either Class 4A or Class 4D votes as a Class
13 to reject the Plan, each Holder of an Allowed General Unsecured Claim in Classes 4A-4D shall
14 receive, in full and final satisfaction of such Holder's Allowed General Unsecured Claim or
15 Convenience Claim, as applicable, such Holders' Pro Rata share of the Class 3 Contribution.

16 (c) Voting: Classes 4A-4D are Impaired. Pursuant to section 1126 of the
17 Bankruptcy Code each Holder of an Allowed General Unsecured Claim or Convenience Claim, as
18 applicable, in Classes 4A -4D is entitled to vote to accept or reject this Plan.
19
20
21
22
23
24
25

1 **Section 3.5** *Class 5 -- Intercompany Claims.*

2 (a) Classification: Class 5 consists of all Intercompany Claims.

3 (b) Treatment: On or after the Effective Date, all Intercompany Claims will be
4 adjusted, continued, or discharged to the extent determined appropriate by the Reorganized Debtors, in
5 their discretion. Any such transaction may be effected on or subsequent to the Effective Date without
6 any further action by the stockholders of any of the Reorganized Debtors.

7
8 (c) Voting: Class 5 is an Unimpaired Class. Holders of Class 5 Intercompany
9 Claims are conclusively deemed to have accepted this Plan and, therefore, are not entitled to vote to
10 accept or reject this Plan.

11
12 **Section 3.6** *Class 6 -- Workers' Compensation Claims.*

13 (a) Classification: Class 6 consists of all Workers' Compensation Claims.

14 (b) Treatment: The Debtors will continue all of their workers' compensation
15 programs that were in effect on the Filing Date such that Workers' Compensation Claims are unaltered
16 by this Plan. Any Holder of a Workers' Compensation Claim may proceed with such Claim before the
17 appropriate state workers' compensation board subject to the right of the Debtors to defend any such
18 Claim. To the extent any such Claim is determined to be valid by the appropriate state workers'
19 compensation board, or other court having jurisdiction over such Claim, such Claim shall be paid from
20 proceeds of the applicable insurance (or self-insurance) program that is maintained by the Debtors
21 pursuant to their existing workers' compensation programs.

1 (c) Voting: Class 6 is an Unimpaired Class. Holders of Class 6 Workers'
2 Compensation Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f)
3 of the Bankruptcy Code, and, therefore, are not entitled to vote to accept or reject this Plan.
4

5 **Section 3.7** *Class 7 -- Subordinated Claims.*

6 (a) Classification: Class 7 consists of all Subordinated Claims.

7 (b) Treatment: The Holders of Subordinated Claims will receive no distributions on
8 account of their respective Claims and all rights with respect thereto will be cancelled and fully
9 extinguished pursuant to, and on the Effective Date of, this Plan.
10

11 (c) Voting: Class 7 is an Impaired Class. Pursuant to section 1126(g) of the
12 Bankruptcy Code, Holders of Class 7 Subordinated Claims are conclusively deemed to reject this Plan
13 and are not entitled to vote to accept or reject this Plan.
14

15 **Section 3.8** *Class 8A -- PT Holdings Interests.*

16 (a) Classification: Class 8A consists of all Interests in PT Holdings.

17 (b) Treatment: The Holders of Interests in PT Holdings will receive no distributions
18 on account of their respective Interests and all rights with respect thereto will be cancelled and fully
19 extinguished pursuant to, and on the Effective Date of, this Plan.
20

21 (c) Voting: Class 8A is an Impaired Class. Pursuant to section 1126(g) of the
22 Bankruptcy Code, Holders of Class 8A Interests are conclusively deemed to reject this Plan and are not
23 entitled to vote to accept or reject this Plan.
24
25

1 **Section 3.9** *Classes 8B-8C -- Other Interests.*

2 (a) Classification: Class 8B consists of all Interests in PTPC. Class 8C consists of
3 all Interests in Packaging.

4 (b) Treatment: Reorganized PT Holdings shall retain all of its Class 8B Interests.
5 Reorganized PTPC shall retain all of its Class 8C Interests.

6 (c) Voting: Classes 8B and 8C are Unimpaired. Holders of Class 8B and 8C
7 Interests are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the
8 Bankruptcy Code and, therefore, are not entitled to vote to accept or reject this Plan.
9

10 **Section 3.10** *Special Provision Governing Unimpaired Claims.* Except as otherwise provided
11 in this Plan, nothing under this Plan is intended to or shall affect the Debtors' or Reorganized Debtors'
12 rights and defenses in respect of any Claim that is Unimpaired under this Plan, including, but not
13 limited to, all rights in respect of legal and equitable defenses to or setoffs or recoupment against or
14 counter-claims with respect to such Unimpaired Claims.
15

16
17 **ARTICLE IV**
18 **TREATMENT OF UNCLASSIFIED CLAIMS**

19 **Section 4.1** *Summary.* Pursuant to section 1123(a)(1) of the Bankruptcy Code,
20 Administrative Expense Claims and Priority Tax Claims against the Debtors are not classified for
21 purposes of voting on, or receiving Distributions under, this Plan. Similarly, Claims of the DIP
22 Lenders under the DIP Facility are not classified for purposes of voting on, or receiving Distributions
23 under, this Plan. Holders of such Claims are not entitled to vote on this Plan. All such Claims are
24

25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 instead treated separately in accordance with this Article IV and in accordance with the requirements
2 set forth in section 1129(a)(9)(A) of the Bankruptcy Code.

3
4 **Section 4.2** *Administrative Expense Claims.*

5 (a) Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy
6 Code, each Holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of
7 such Allowed Administrative Expense Claim in Cash on the latest of (i) on, or as soon as reasonably
8 practical after, the Effective Date, (ii) as soon as practicable after the date on which such Claim
9 becomes an Allowed Administrative Expense Claim, (iii) upon such other terms as may be agreed upon
10 by such Holder and the Informal Committee or the Reorganized Debtors, or (iv) as otherwise ordered
11 by the Bankruptcy Court; *provided, however,* that Allowed Administrative Expense Claims
12 representing obligations incurred by the Debtors in the ordinary course of business, or otherwise
13 assumed by the Debtors on the Effective Date pursuant to this Plan, including any tax obligations
14 arising after the Filing Date, will be paid or performed by the Reorganized Debtors when due in
15 accordance with the terms and conditions of the particular agreements or non-bankruptcy law
16 governing such obligations.
17

18 (b) Except as otherwise provided in this Plan, any Person asserting an
19 Administrative Expense Claim, other than an Administrative Expense Claim (i) previously asserted in
20 connection with the 503(b)(9) Procedures Order, (ii) arising from the operation by the Debtors of their
21 business in the ordinary course of business, or (iii) with respect to the fees and expenses of the
22 Informal Committee and its professionals, and the fees and expenses of the Indenture Trustee and its
23 counsel, shall file a proof of such Administrative Expense Claim with the clerk of the Bankruptcy
24
25

1 Court within thirty (30) days after the Reorganized Debtors provide notice by mail or by publication, in
2 a form and manner approved by the Bankruptcy Court, of the occurrence of the Effective Date. At the
3 same time any Person files an Administrative Expense Claim, such Person shall also serve a copy of
4 the Administrative Expense Claim upon counsel for the Reorganized Debtors. Any Person who fails to
5 timely file and serve a proof of such Administrative Expense Claim shall be forever barred from
6 seeking payment of such Administrative Expense Claim by the Debtors, the Estates, or the
7 Reorganized Debtors.
8

9 (c) Any Person seeking an award by the Bankruptcy Court of Professional
10 Compensation shall file a final application with the Bankruptcy Court for allowance of Professional
11 Compensation for services rendered and reimbursement of expenses incurred through the Effective
12 Date within thirty (30) days after the Effective Date.
13

14 **Section 4.3** *Priority Tax Claims.* With respect to any Allowed Priority Tax Claims not paid
15 pursuant to prior Bankruptcy Court order, except to the extent that a holder of an Allowed Priority Tax
16 Claim agrees to different treatment, each holder of an Allowed Priority Tax Claim will receive, at the
17 option of the Plan Proponents, (i) on the Effective Date, Cash in an amount equal to such Allowed
18 Priority Tax Claim, or (ii) commencing on the first anniversary of the Effective Date and continuing on
19 each anniversary thereafter over a period not exceeding five (5) years after the Filing Date, equal
20 annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with
21 interest at the applicable rate under non-bankruptcy law, subject to the option of the Plan Proponents,
22 to prepay the entire remaining amount of the Allowed Priority Tax Claim at any time, or (iii) upon such
23 other terms determined by the Bankruptcy Court to provide the Holder of such Allowed Priority Tax
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority
2 Tax Claim. All Allowed Priority Tax Claims which are not due and payable on or before the Effective
3 Date will be paid in the ordinary course of business as such obligations become due.
4

5 **Section 4.4** *DIP Lender Claims.* All amounts owed to the DIP Lenders under the DIP
6 Facility shall be paid in full and in Cash on the Effective Date unless otherwise agreed to in writing by
7 and between the DIP Lenders and Plan Proponents.
8

9 **ARTICLE V**
10 **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

11 **Section 5.1** *Assumption and Rejection of Executory Contracts and Unexpired Leases.* On
12 the Effective Date, all Executory Contracts or Unexpired Leases of any of the Debtors will be deemed
13 rejected in accordance with the provisions and requirements of sections 365 and 1123 of the
14 Bankruptcy Code, except those Executory Contracts or Unexpired Leases that (1) have been previously
15 assumed or rejected by any Debtor (with the consent of the Informal Committee) pursuant to an order
16 of the Bankruptcy Court, (2) previously expired or terminated pursuant to its own terms, (3) are the
17 subject of a motion to assume or reject filed by any Debtor (with the consent of the Informal
18 Committee) which is pending on the Effective Date, (4) are identified as being Assumed Contracts on
19 Schedule 5.1 to this Plan, or (5) are assumed or rejected pursuant to the terms of this Plan. An
20 Executory Contract or Unexpired Lease that is deemed to be assumed pursuant to the foregoing
21 sentence and the Confirmation Order shall be referred to as an "Assumed Contract." The Plan
22 Proponents shall file Schedule 5.1 (the contents of which shall be acceptable to the Plan Proponents
23 each in their sole discretion) with the Bankruptcy Court and serve Schedule 5.1 on the non-Debtor
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 parties under the agreements listed thereon no later than fifteen (15) days prior to the last date for filing
2 objections to confirmation of this Plan, *provided, however*, that the Plan Proponents may amend
3 Schedule 5.1 at any time prior to the Confirmation Hearing. Entry of the Confirmation Order by the
4 Bankruptcy Court shall constitute approval, as of the Effective Date, of the assumption of the Assumed
5 Contracts and the rejection of the Rejected Contracts pursuant to sections 365(a) and 1123 of the
6 Bankruptcy Code; *provided, however*, if the non-Debtor party to an Assumed Contract objects to the
7 assumption of an Assumed Contract pursuant to the procedures set forth in Section 5.3 of this Plan, and
8 such objection has not been resolved prior to the Effective Date, such Assumed Contract will be
9 deemed to be assumed (if at all) only upon the resolution of such objection pursuant to Section 5.3 of
10 this Plan. Each Executory Contract or Unexpired Lease that is assumed by any Debtor (with the
11 consent of the Informal Committee) under this Plan and pursuant to the Confirmation Order or
12 pursuant to any other Final Order entered by the Bankruptcy Court shall be deemed to be assigned to
13 the Reorganized Debtors on the later of (i) the Effective Date or (ii) the date of assumption.

16 **Section 5.2** *Rejection Damages Claims.* All proofs of claim with respect to Claims arising
17 from the rejection pursuant to this Plan of the Rejected Contracts, if any, must be filed with the clerk of
18 the Bankruptcy Court and served upon counsel for the Reorganized Debtors within thirty (30) days
19 after the date of entry of the Confirmation Order. Any Claims arising from the rejection of Executory
20 Contracts or Unexpired Leases that become Allowed Claims are classified and shall be treated as a
21 Class 4A, 4B or 4C General Unsecured Claim, as applicable. Any Claims arising from the rejection of
22 an Executory Contract or Unexpired Lease not filed within the time required by this section will be
23

1 forever barred from assertion against the Debtors or the Reorganized Debtors, the Estate and property
2 of the Debtors or Reorganized Debtors.

3
4 **Section 5.3** *Cure of Defaults for Executory Contracts and Unexpired Leases.* The Debtors
5 shall include on Schedule 5.1 the Cure Amount for any Assumed Contract. Any party to an Assumed
6 Contract shall have fifteen (15) days after service of Schedule 5.1 to file with the Court and serve on
7 counsel for the Debtors and the Informal Committee an objection to the Cure Amount listed on
8 Schedule 5.1, an objection to the adequacy of assurance of future performance by the Reorganized
9 Debtors, or any other objection to the assumption of such Assumed Contract. Any such objection shall
10 be resolved by the Bankruptcy Court at the Confirmation Hearing or at such other time as may be
11 agreed to by the affected parties. If the Bankruptcy Court determines that the Cure Amount with
12 respect to an Assumed Contract is greater than the amount listed by the Debtors on Schedule 5.1, the
13 Plan Proponents may elect to reject the Assumed Contract at issue, in which event, the non-Debtor
14 party to such contract shall be required to file a proof of claim for any damages resulting from such
15 rejection within thirty (30) days after the effective date of such rejection. For each Executory Contract
16 or Unexpired Lease assumed by the Debtors and assigned to the Reorganized Debtors, the Debtors or
17 Reorganized Debtors will pay the Cure Amount as set forth on Schedule 5.1, or as determined by the
18 Bankruptcy Court, on the Initial Distribution Date, or if the Cure Amount has not been determined on
19 the Initial Distribution Date, within thirty (30) days after the Cure Amount has been determined by a
20 Final Order of the Bankruptcy Court.
21
22
23
24
25

1 **Section 5.4** *Employment Agreements and Other Benefits.*

2 (a) Employment Agreements. Except as otherwise provided in this Plan, to the
3 extent the Debtors had employment agreements with any of their executives and key employees as of
4 the Filing Date, the Plan Proponents will disclose on Schedule 5.1 whether they intend to assume or
5 reject such contracts. Notwithstanding anything to the contrary in this Plan, the Reorganized Debtors
6 shall maintain all of their existing rights, including, but not limited to, any rights that they may have to
7 amend, modify, or terminate, the employment agreements assumed pursuant to this Article, subject to
8 the existing contractual rights, if any, of the directors, officers or employees affected thereby. Any
9 Holder of a Claim arising from the rejection of an employment agreement must file a proof of claim
10 with the Bankruptcy Court within thirty (30) days of the deemed rejection. Any Claims arising from
11 the rejection of an employment agreement not filed within the time required by this section will be
12 forever barred from assertion against the Debtors or the Reorganized Debtors, the Estate and property
13 of the Debtors or Reorganized Debtors.
14

15 (b) Employee Benefit Programs. Except as otherwise provided in this Plan, the Plan
16 Proponents will disclose on Schedule 5.1 of the Plan all employee compensation or benefit plans,
17 policies or programs of the Debtors applicable generally to their employees that will be assumed
18 pursuant to the Plan. The Debtors and the Reorganized Debtors, as the case may be, will (i) continue to
19 make payment of all retiree benefits (if any) as that term is defined in section 1114 of the Bankruptcy
20 Code ("Section 1114") to the extent and for the duration required by Section 1114, (ii) continue to be
21 the contributing sponsors of all pension plans which are defined as benefit pension plans ("Pension
22 Plans") by the Pension Benefit Guaranty Corporation (the "PBGC") under Title IV of the Employee
23
24
25

1 Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. ss.1301-1461, and (iii) continue to
2 fund and maintain the Pension Plans in accordance with the minimum funding requirements of ERISA
3 and Section 412 of the Internal Revenue Code. No provision of the this Plan, the Confirmation Order,
4 or Section 1141 of the Bankruptcy Code, shall, or shall be construed to, discharge, release, or relieve
5 the Debtor or any other party, in any capacity, from any liability with respect to the Pension Plans
6 under any law, governmental policy, or regulatory provision. Neither the PBGC nor the Pension Plans
7 shall be enjoined from enforcing such liability as a result of the Plan's provisions for satisfaction,
8 release and discharge of claims.
9

10
11 **Section 5.5** *Management Equity Plan.* On or as soon as reasonably practicable after the
12 Effective Date, the Board of Directors of Reorganized PT Holdings shall implement a Management
13 Equity Plan to provide designated members of senior management of the Debtors with New Common
14 Stock and/or options to purchase shares of New Common Stock representing, an aggregate amount, up
15 to 10% of the New Common Stock issued and outstanding on the Effective Date. The Management
16 Equity Plan will contain terms and conditions that shall be determined by the Board of Directors of
17 Reorganized PT Holdings.
18

19 **Section 5.6** *Northwest Capital Agreements.* On the Effective Date, Northwest Capital shall
20 be deemed to have waived any and all Claims it may have as of the Effective Date against the Debtors.
21 On the Effective Date, any and all agreements between Northwest Capital and the Debtors shall be
22 terminated and Northwest Capital shall have no claims or rejection damages assertable against any of
23 the Debtors as a result of such termination. Northwest Capital shall receive no distribution or
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 consideration pursuant to the Plan or otherwise except the releases described in section 10.3 of the
2 Plan.

3
4 **ARTICLE VI**
5 **MEANS FOR IMPLEMENTATION OF PLAN**

6 **Section 6.1** *Continued Corporate Existence.* Except as otherwise provided in this Plan, each
7 of the Debtors will continue to exist after the Effective Date as a separate corporate entity, with all the
8 powers of a corporation under applicable law in the jurisdiction in which each applicable Debtor is
9 incorporated or otherwise formed and pursuant to its certificate or articles of incorporation and by-laws
10 or other organizational documents in effect prior to the Effective Date, except to the extent such
11 certificate or articles of incorporation and by-laws or other organizational documents are amended by
12 this Plan, without prejudice to any right to terminate such existence (whether by merger or otherwise)
13 under applicable law after the Effective Date, provided, however, on the Effective Date, Reorganized
14 PT Holdings may, at the option of the Plan Proponents, redomesticate, by merger or other appropriate
15 means, as a new corporation under the laws of the State of Delaware with a new certificate of
16 incorporation and bylaws. The Debtors directly or indirectly own the Non-Debtor Affiliates and the
17 continued existence, operation and ownership of such Non-Debtor Affiliates is a material component
18 of the Debtors' businesses, and, as set forth in Section 10.1 of this Plan, all of the Debtors' Interests
19 and other property interests in such Non-Debtor Affiliates shall revert in the applicable Reorganized
20 Debtor or its successor on the Effective Date.
21
22
23
24
25

1 **Section 6.2** *Exit Financing.*

2 (a) Exit Working Capital Facility. On the Effective Date, the Reorganized Debtors
3 shall obtain the Exit Working Capital Facility from the Exit Working Capital Lenders. A term sheet
4 and/or commitment letter relating to the Exit Working Capital Facility shall be contained in the Plan
5 Supplement. The operative documents relating to the Exit Working Capital Facility shall be
6 satisfactory in form and substance to the Plan Proponents, each in their sole discretion. The
7 Reorganized Debtors shall execute on the Effective Date the operative documents relating to the Exit
8 Working Capital Facility, as applicable, which shall be substantially in conformance with the term
9 sheet and/or commitment letter contained in the Plan Supplement.
10

11 (b) Exit Facilities. On the Effective Date, the Reorganized Debtors shall obtain exit
12 financing under the Exit Facilities consistent with the terms and conditions set forth in the
13 Commitment Letter from the Exit Financing Participants. The operative documents relating to the Exit
14 Facilities shall be satisfactory in form and substance to the Plan Proponents, each in their sole
15 discretion. The Reorganized Debtors shall execute on the Effective Date the operative documents
16 relating to the Exit Facilities.
17

18 **Section 6.3** *Exit Financing Participation.*

19 (a) Participation By Eligible Holder. Any holder of a Secured Notes Claims that is
20 an Eligible Holder will have the opportunity to participate in the Exit Facilities (the “Exit Financing
21 Participation”) to the extent described in the form issued by the Participation Agent (the “Participation
22 Form”) to such Eligible Holders. To become an Exit Financing Participant each electing Eligible
23 Holder must deliver, expressly in accordance with the instructions provided in the Participation Form
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 and in a manner so as to be received by no later than the deadline to vote to accept or reject the Plan
2 established in the Disclosure Statement Approval Order (the "Participation Deadline"): (i) an executed
3 Participation Form; (ii) immediately available funds in an amount calculated in accordance with the
4 Participation Form (the "Participation Amount"); and (iii) evidence reasonably satisfactory to the
5 Debtors that the offer, purchase and sale of the Series A Preferred and New Senior Secured Notes are
6 exempt from any securities law registration.

7
8 (b) Payments By Exit Financing Participants. Payments made in accordance with
9 the Exit Financing Participation shall be deposited and held by the Participation Agent in a trust
10 account, or similarly segregated account or accounts which shall be separate and apart from the
11 Participation Agent's general operating funds and any other funds subject to any Lien or any cash
12 collateral arrangements and which segregated account or accounts will be maintained for the purpose
13 of holding the money for administration of the Exit Facilities on or prior to the Effective Date. The
14 Participation Agent shall not use such funds for any other purpose prior to such date and shall not
15 encumber or permit such funds to be encumbered with any Lien or other encumbrance.

16
17 (c) Exit Facilities Participation Procedures. The Debtors in consultation with the
18 Informal Committee and the Backstop Parties may adopt such detailed procedures consistent with the
19 provisions of this Plan to more efficiently administer the Exit Financing Participation. The
20 participation of an Eligible Holder in the Exit Facilities shall be limited to a percentage resulting from
21 (x) the total principal allowed amount of Secured Notes held by such Eligible Holder (without
22 duplication where more than one person is deemed the Holder thereof) as of the Record Date divided
23 by (y) the aggregate principal amount of the Secured Notes outstanding as of the Record Date.

1 (d) Validity of Participation. If an Eligible Holder properly and timely completes a
2 Participation Form, and makes timely payment of the Participation Amount, such Eligible Holder will
3 automatically be deemed to have accepted the offer to become an Exit Financing Participant without
4 further action. All questions concerning the timeliness, viability, form and eligibility of any exercise of
5 such right to become an Exit Financing Participant shall be determined by the Debtors in consultation
6 with the Informal Committee and Backstop Parties whose determination shall be final and binding.
7 The Debtors will have the right to waive non-material errors in the Participation Form or in the
8 calculation or payment of the Participation Amount, but may not waive the failure to deliver the
9 Participation Form timely or the failure to pay the Participation Amount timely. Unless waived by the
10 Debtors in consultation with the Informal Committee in accordance with the preceding sentence, any
11 improperly completed Participation Form or any Participation Amount not fully paid will be rejected
12 and will be returned to the Eligible Holder, without interest, at the address provided in the Participation
13 Form as promptly as practicable after the Participation Deadline. Neither the Participation Agent nor
14 the Plan Proponents will have any obligation to notify any Eligible Holder of any defect in its
15 Participation Form or in the amount of any payment of the Participation Amount.

16 **Section 6.4** *Sources of Cash for Distribution*. All Cash necessary for the Reorganized
17 Debtors to make payments required by this Plan shall be obtained from existing Cash balances, the
18 operations of the Debtors or Reorganized Debtors, the Exit Facilities, and the Exit Working Capital
19 Facility.
20
21
22
23
24
25

1 **Section 6.5** *Reinstatement of Interests of PT Holdings.* The Interests held directly and
2 indirectly by PT Holdings in the other Debtors and Non-Debtor Affiliates shall be reinstated in
3 accordance with the terms of this Plan.
4

5 **Section 6.6** *Cancellation of Existing Securities and Agreements/Discharge of Indenture*
6 *Trustee.* Except as set forth in this Plan, upon the Effective Date, the Existing Securities shall be
7 cancelled and the holders thereof shall have no further rights or entitlements in respect thereof against
8 the Debtors or Non-Debtor Affiliates except the rights to receive the distributions to be made to such
9 holders under the Plan and all Liens against Non-Debtor Affiliates shall be automatically released. To
10 the extent possible, distributions to be made under the Plan to the beneficial owners of the Secured
11 Notes shall be made through the Depository Trust Company and its participants. The Confirmation
12 Order shall authorize and direct the Indenture Trustee to take whatever action may be necessary or
13 appropriate, in its reasonable discretion, to deliver the distributions, including, without limitation,
14 obtaining an order of the Bankruptcy Court. On the Effective Date, the Indenture Trustee and its
15 agents shall be discharged of all its obligations associated (i) with the Secured Notes, (ii) the Indenture,
16 and (iii) any related documents, and released from all Claims arising in the Bankruptcy Cases. As of
17 the Effective Date, the Indenture shall be deemed fully satisfied and cancelled, except that such
18 cancellation shall not impair the rights of the holders of the Secured Notes to receive distributions
19 under the Plan, or the rights of the Indenture Trustee under the Indenture Trustee Charging Lien, to the
20 extent that the Indenture Trustee has not received payment as provided for in Section 6.7 of the Plan.
21 On the Effective date, all Liens in favor of the Indenture Trustee for the benefit of the holders of the
22 Secured Notes or otherwise arising under the Indenture shall be deemed released.
23
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 **Section 6.7** *Indenture Trustee and Informal Committee Expenses.* All outstanding fees and
2 expenses of (i) the Indenture Trustee and its counsel and (ii) the Informal Committee and its
3 professionals shall be paid in Cash on the Effective Date by the Debtors or Reorganized Debtors as an
4 Administrative Expense Claim, without the need for application to, or approval of, the Bankruptcy
5 Court. To the extent that the Indenture Trustee in its capacity as trustee under the Indenture provides
6 services related to the Distributions pursuant to this Plan, the Indenture Trustee will be paid by the
7 Reorganized Debtors, without Bankruptcy Court approval, the reasonable compensation for such
8 services and reimbursement of reasonable expenses incurred in connection therewith, with such
9 payments to be made on terms agreed to between the Indenture Trustee and the Reorganized Debtors.
10

11
12 **Section 6.8** *Corporate Action.* Each of the matters provided for under this Plan involving
13 the corporate structure of any Debtor or Reorganized Debtor or any corporate action to be taken by or
14 required of any Debtor or Reorganized Debtor, including without limitation the adoption of the
15 certificates of incorporation and bylaws of each of the Reorganized Debtors as provided for in Article
16 7.1 of this Plan, shall be deemed to have occurred and be effective as provided herein, and shall be
17 authorized, approved and, to the extent taken prior to the Effective Date, ratified in all respects without
18 any requirement of further action by stockholders, members, creditors, directors, or managers of any of
19 the Debtors or the Reorganized Debtors.
20

21 **Section 6.9** *Preservation of Causes of Action.* In accordance with section 1123(b)(3) of the
22 Bankruptcy Code the Reorganized Debtors will retain and may (but are not required to) enforce all
23 Retained Actions. After the Effective Date, the Reorganized Debtors, in their sole and absolute
24

25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 discretion, shall have the right to bring, settle, release, compromise, or enforce such Retained Actions
2 (or decline to do any of the foregoing), without further approval of the Bankruptcy Court. The
3 Reorganized Debtors or any successors, in the exercise of their sole discretion, may pursue such
4 Retained Actions so long as it is in the best interests of the Reorganized Debtors or any successors
5 holding such rights of action. The failure of the Debtors to specifically list any claim, right of action,
6 suit, proceeding or other Retained Action in this Plan or the Plan Supplement does not, and will not be
7 deemed to, constitute a waiver or release by the Debtors or the Reorganized Debtors of such claim,
8 right of action, suit, proceeding or other Retained Action, and the Reorganized Debtors will retain the
9 right to pursue such claims, rights of action, suits, proceedings and other Retained Actions in their sole
10 discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion,
11 estoppel (judicial, equitable or otherwise) or laches will apply to such claim, right of action, suit,
12 proceeding or other Retained Action upon or after the confirmation or consummation of this Plan.
13
14

15 **Section 6.10** *Effectuating Documents; Further Transactions.* Each of the Debtors (subject to
16 the consent of the Informal Committee) and Reorganized Debtors, and their respective officers and
17 designees, is authorized to execute, deliver, file, or record such contracts, instruments, releases,
18 indentures, and other agreements or documents, and take such actions as may be necessary or
19 appropriate to effectuate and further evidence the terms and conditions of this Plan, the Exit Working
20 Capital Facility, the Exit Facilities, the Commitment Letter, or to otherwise comply with applicable
21 law.
22
23
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 **Section 6.11** *Exemption From Certain Transfer Taxes and Recording Fees.* Pursuant to
2 section 1146(c) of the Bankruptcy Code, any transfers from a Debtor to a Reorganized Debtor or to any
3 other Person or entity pursuant to this Plan, or any agreement regarding the transfer of title to or
4 ownership of any of the Debtors' real or personal property will not be subject to any document
5 recording tax, stamp tax, conveyance fee, sales tax, intangibles or similar tax, mortgage tax, stamp act,
6 real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or
7 other similar tax or governmental assessment, and the Confirmation Order will direct the appropriate
8 state or local governmental officials or agents to forego the collection of any such tax or governmental
9 assessment and to accept for filing and recordation any of the foregoing instruments or other
10 documents without the payment of any such tax or governmental assessment.
11

12
13 **Section 6.12** *Further Authorization.* The Reorganized Debtors shall be entitled to seek such
14 orders, judgments, injunctions and rulings as they deem necessary to carry out the intentions and
15 purposes, and to give full effect to the provisions, of this Plan.
16

17 **ARTICLE VII**
18 **PROVISIONS REGARDING CORPORATE GOVERNANCE OF REORGANIZED DEBTORS**

19 **Section 7.1** *Certificates of Incorporation and Bylaws.* The certificates of incorporation and
20 bylaws of each of the Reorganized Debtors shall be in form and substance determined by the Informal
21 Committee and shall be adopted as may be required in order to be consistent with the provisions of this
22 Plan and the Bankruptcy Code. The certificate of incorporation of PT Holdings shall, among other
23 things (a) authorize the issuance of New Common Stock and Series A Preferred pursuant to Section 7.3
24 of this Plan, and (b) provide, pursuant to section 1123(a)(6) of the Bankruptcy Code, for a provision
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 prohibiting the issuance of non-voting common equity securities. The certificates of incorporation and
2 bylaws of the Reorganized Debtors shall be substantially in the form contained in the Plan Supplement.
3

4 **Section 7.2** *Directors and Officers of Reorganized Debtors.*

5 (a) Directors. The initial Board of Directors of Reorganized PT Holdings shall
6 consist of five (5) directors designated by the Informal Committee, the identity of whom shall be
7 disclosed by the Plan Proponents prior to the Confirmation Hearing. The members of the initial
8 Boards of Directors or equivalent governing bodies for the Reorganized Debtors, other than
9 Reorganized PT Holdings, shall be selected by the initial Board of Directors for Reorganized PT
10 Holdings and shall consist of officers or directors of the Reorganized Debtors. To the extent any such
11 Person is an Insider (as defined in section 101(31) of the Bankruptcy Code), the nature of any
12 compensation for such Person will also be disclosed prior to the Confirmation Hearing. Each of the
13 Persons on the initial Boards of Directors of the respective Reorganized Debtors shall serve in
14 accordance with the certificates of incorporation and bylaws of the respective Reorganized Debtor, as
15 the same may be amended from time to time. Pursuant to the Exit Financing Term Sheet, holders of a
16 majority of the Series A Preferred shall be entitled to elect one of the five directors of Reorganized PT
17 Holdings' Board of Directors subsequent to the appointment of the initial Board of Directors. The
18 initial officers of each of the Reorganized Debtors shall be designated by the Informal Committee and
19 disclosed by the Plan Proponents prior to the Confirmation Hearing. To the extent any such Person is
20 an Insider (as defined in section 101(31) of the Bankruptcy Code), the nature of any compensation for
21 such Person will also be disclosed at such time. The initial officers shall serve in accordance with the
22
23
24
25

1 certificates of incorporation and bylaws of the applicable Reorganized Debtor, as the same may be
2 amended from time to time.

3
4 (b) Officers. The initial officers of each of the Reorganized Debtors shall be
5 designated by the Informal Committee and disclosed by the Plan Proponents prior to the Confirmation
6 Hearing. To the extent any such Person is an Insider (as defined in section 101(31) of the Bankruptcy
7 Code), the nature of any compensation for such Person will also be disclosed at such time. The initial
8 officers shall serve in accordance with the certificates of incorporation and bylaws of the applicable
9 Reorganized Debtor, as the same may be amended from time to time.

10
11 **Section 7.3** *Issuance of New Securities and Debt Instruments*

12 (a) New Common Stock. On the Effective Date, Reorganized PT Holdings shall
13 issue shares of New Common Stock pursuant to this Plan. The certificate of incorporation for
14 Reorganized PT Holdings, a substantially similar form of which shall be contained in the Plan
15 Supplement, sets forth the rights and preferences of the New Common Stock. The New Common
16 Stock shall be issued subject to the Shareholder Agreement described in Section 7.5 below.

17
18 (b) Series A Preferred. On the Effective Date, Reorganized PT Holdings shall issue
19 shares of Series A Preferred in the aggregate amount of \$25 million, payment in kind accruals of
20 20.0%, compounding semi-annually, and which incorporate such other terms and conditions as more
21 particularly set forth in the Commitment Letter.

22
23 (c) Preferred Dividend Warrants. On the Effective Date, Reorganized PT Holdings
24 shall be authorized to issue the Preferred Dividend Warrants.

25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 (d) New Senior Secured Notes. On the Effective Date, the Reorganized Debtors, as
2 co-borrowers, shall issue \$35 million in principal amount of New Senior Secured Notes which
3 incorporate the terms and conditions set forth in the Commitment Letter. Substantially similar forms
4 of the operative credit documents shall be contained in the Plan Supplement.
5

6 **Section 7.4** *Registration Rights Agreement*. In the event the Board of Directors of
7 Reorganized PT Holdings determines in its discretion to register any of the New Common Stock or
8 Preferred Dividend Warrants with the Securities and Exchange Commission, or if Reorganized PT
9 Holdings is required under the Shareholder Agreement or applicable securities laws to register any of
10 the New Common Stock or Preferred Dividend Warrants with the Securities and Exchange
11 Commission, any Person receiving Distributions of the New Common Stock or Preferred Dividend
12 Warrants issued on the Effective Date that is not entitled to an exemption from registration under
13 applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code, or whose resale of the
14 New Common Stock or Preferred Dividend Warrants is otherwise restricted under the securities laws,
15 shall be entitled to become a party to the Registration Rights Agreement. The Registration Rights
16 Agreement shall be satisfactory in form and substance to the Informal Committee in its sole discretion,
17 a substantially similar form of which will be contained in the Plan Supplement.
18
19

20 **Section 7.5** *Shareholder Agreement*. All Holders of New Common Stock, Preferred
21 Dividend Warrants and, as appropriate, Series A Preferred will be subject to the Shareholder
22 Agreement which will, among other things, govern each Holder of New Common Stock's, Preferred
23 Dividend Warrants' and, as appropriate, Series A Preferred's access to information with respect to the
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 Reorganized Debtors and the ability to transfer such Holder's New Common Stock, Preferred Dividend
2 Warrants or, as appropriate, Series A Preferred. Each certificate representing share(s) of New Common
3 Stock, Preferred Dividend Warrants or Series A Preferred shall bear a legend indicating that the New
4 Common Stock, Preferred Dividend Warrants or Series A Preferred is subject to the Shareholder
5 Agreement. The Shareholder Agreement will be effective as of the Effective Date. The Shareholder
6 Agreement shall be satisfactory in form and substance to the Informal Committee and, with respect to
7 the Series A Preferred, the Exit Financing Participants, each in their sole discretion, a substantially
8 similar form of which will be contained in the Plan Supplement.

11 **ARTICLE VIII** 12 **DISTRIBUTIONS UNDER THE PLAN**

13 **Section 8.1** *Disbursing Agent.* Unless otherwise provided for herein, all Distributions under
14 this Plan shall be made by the Reorganized Debtors or their agent. Notwithstanding the foregoing, all
15 Distributions of New Common Stock to the Holders of Allowed Secured Notes Claims shall be made
16 by the applicable Reorganized Debtor to such Holders through the Indenture Trustee.

17 **Section 8.2** *Distributions of Cash.* Any Distribution of Cash made by the Reorganized
18 Debtors pursuant to this Plan shall, at the Reorganized Debtor's option, be made by check drawn on a
19 domestic bank or by wire transfer from a domestic bank.

20 **Section 8.3** *No Interest on Claims or Interests.* Unless otherwise specifically provided for in
21 this Plan, the Confirmation Order, or a postpetition agreement in writing between the Debtors and a
22 Holder, postpetition interest shall not accrue or be paid on Claims, and no Holder shall be entitled to
23

24
25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 interest accruing on or after the Filing Date on any Claim. Additionally, and without limiting the
2 foregoing, interest shall not accrue or be paid on any Disputed Claim in respect of the period from the
3 Effective Date to the date a Final Distribution is made when and if such Disputed Claim becomes an
4 Allowed Claim.

5
6 **Section 8.4** *Delivery of Distributions.* The Distribution to a Holder of an Allowed Claim
7 shall be made by the Reorganized Debtors (a) at the address set forth on the proof of claim filed by
8 such Holder, (b) at the address set forth in any written notices of address change delivered to the
9 Debtors or Reorganized Debtors after the date of any related proof of claim, (c) at the addresses
10 reflected in the Schedules if no proof of claim has been filed and the Debtors or Reorganized Debtors
11 have not received a written notice of a change of address, (d) if the Holder's address is not listed in the
12 Schedules, at the last known address of such Holder according to the Debtor's books and records, or
13 (e) in the case of Secured Notes Claims, to the Indenture Trustee for ultimate distribution to the Record
14 Holders of such Secured Notes Claims. If any Holder's Distribution is returned as undeliverable, no
15 further Distributions to such Holder shall be made unless and until the Reorganized Debtors are
16 notified of such Holder's then-current address, at which time all missed Distributions shall be made to
17 such Holder without interest. All Distributions returned to the Reorganized Debtors and not claimed
18 within six (6) months of return shall be irrevocably retained by the Reorganized Debtors
19 notwithstanding any federal or state escheat laws to the contrary. Upon such reversion, the claim of
20 any Holder or their successors with respect to such property shall be discharged and forever barred
21 notwithstanding any federal or state escheat laws to the contrary.
22
23
24
25

1 **Section 8.5** *Distributions to Holders as of the Record Date.* All Distributions on Allowed
2 Claims shall be made to the Record Holders of such Claims. As of the close of business on the Record
3 Date, the Claims register maintained by the Bankruptcy Court shall be closed, and there shall be no
4 further changes in the Record Holder of any Claim. The Reorganized Debtors shall have no obligation
5 to recognize any transfer of any Claim occurring after the Record Date. The Reorganized Debtors
6 shall instead be entitled to recognize and deal for all purposes under this Plan with the Record Holders
7 as of the Record Date.
8

9 **Section 8.6** *Fractional Securities; Fractional Dollars.* Any other provision of this Plan
10 notwithstanding, payments of fractions of shares of New Common Stock will not be made and shall be
11 deemed to be zero. Any other provision of this Plan notwithstanding, the Reorganized Debtors shall
12 not be required to make Distributions or payments of fractions of dollars. Whenever any payment of a
13 fraction of a dollar under this Plan would otherwise be called for, the actual payment shall reflect a
14 rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being
15 rounded down.
16
17

18 **Section 8.7** *Withholding Taxes.* The Debtors or the Reorganized Debtors, as the case may
19 be, shall comply with all withholding and reporting requirements imposed by any federal, state, local,
20 or foreign taxing authority, and all Distributions under this Plan shall be subject to any such
21 withholding and reporting requirements.
22
23
24
25

ARTICLE IX
PROCEDURES FOR TREATING AND RESOLVING DISPUTED CLAIMS

Section 9.1 *Objections to Claims.* The Reorganized Debtors shall be entitled to object to Claims, provided, however, that the Debtors and Reorganized Debtors shall not be entitled to object to Claims (i) that have been Allowed by a Final Order entered by the Bankruptcy Court prior to the Effective Date or (ii) that are Allowed by the express terms of this Plan. Any objections to Claims must be filed by the Claims Objection Deadline.

Section 9.2 *No Distributions Pending Allowance.* Except as otherwise provided herein, no Distributions will be made with respect to any portion of a Claim unless and until (i) the Claims Objection Deadline has passed and no objection to such Claim has been filed, or (ii) any objection to such Claim has been settled, withdrawn or overruled pursuant to a Final Order of the Bankruptcy Court.

Section 9.3 *Estimation of Claims.* The Plan Proponents or the Reorganized Debtors, as the case may be, may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502 of the Bankruptcy Code regardless of whether the Plan Proponents or the Reorganized Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the

1 Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Plan
2 Proponents (and after the Effective Date, the Reorganized Debtors) may elect to pursue any
3 supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned
4 Claims objection, estimation and resolution procedures are cumulative and are not necessarily
5 exclusive of one another.
6

7 **Section 9.4** *Resolution of Claims Objections.* On and after the Effective Date, the
8 Reorganized Debtors shall have the authority to compromise, settle, otherwise resolve, or withdraw
9 any objections to Claims without approval of the Bankruptcy Court.
10

11 **Section 9.5** *Distribution Reserve.* With respect to General Unsecured Claims in Classes 4A-
12 4C, the Reorganized Debtors shall reserve sufficient funds (the "Distribution Reserve") for Disputed
13 General Unsecured Claims that would, if Allowed, be entitled to a Distribution. As to any Disputed
14 General Unsecured Claim, upon a request for estimation by the Plan Proponents or Reorganized
15 Debtors as set forth in Section 9.3 of this Plan, the Bankruptcy Court will determine what amount is
16 sufficient to withhold as the Distribution Reserve. The Plan Proponents or Reorganized Debtors will
17 request estimation for every Disputed General Unsecured Claim that is unliquidated, and the Debtors
18 will withhold the Distribution Reserve based upon the estimated amount of each such Claim as set
19 forth in a Final Order. The Plan Proponents or Reorganized Debtors may also request estimation of a
20 Disputed General Unsecured Claim that is liquidated. If the Plan Proponents or Reorganized Debtors
21 elect not to request such estimation from the Court with respect to a Disputed General Unsecured
22
23
24
25

1 Claim that is liquidated, the Debtors will withhold as the Distribution Reserve based upon the asserted
2 amount of such Claim.

3
4 **Section 9.6** *Timing of Distributions to Classes 4A-4C.* Distributions to Holders of Allowed
5 General Unsecured Claims in Classes 4A-4C shall be made on each Distribution Date. Immediately
6 prior to each Distribution Date, the Debtors or Reorganized Debtors shall make a recalculation of the
7 Pro Rata shares of Holders of Allowed General Unsecured Claims in Classes 4A-4C.

8
9 **Section 9.7** *Distributions After Allowance.* On the first Distribution Date after a Disputed
10 General Unsecured Claim becomes an Allowed General Unsecured Claim, the Holder of an Allowed
11 General Unsecured Claim shall receive the Distribution to which such Holder is then entitled plus any
12 Distribution such Holder would have received on a prior Distribution Date had such Holder's Claim
13 been Allowed on such prior Distribution Date; *provided, however,* if the date such General Unsecured
14 Claim becomes entitled to a Distribution is less than twenty (20) Business Days prior to the next
15 Distribution Date, the Distribution with respect to such Claim will be made on the first Distribution
16 Date that occurs more than twenty (20) Business Days after the Claim becomes entitled to a
17 Distribution. All Distributions made under this Article of this Plan will be made together with any
18 dividends, payments, or other Distributions made on account of, as well as any obligations arising
19 from, the distributed property as if such Claim had been an Allowed Claim on the dates Distributions
20 were previously made to Allowed Holders included in the applicable Class.
21
22
23
24
25

ARTICLE X
EFFECT OF PLAN ON CLAIMS AND INTERESTS

Section 10.1 *Revesting of Assets.* Except as otherwise explicitly provided in this Plan, on the Effective Date, all property comprising the Estates (including Retained Actions, but excluding property that has been abandoned pursuant to an order of the Bankruptcy Court) shall revest in each of the Debtors that owned such property or interest in property as of the Filing Date, free and clear of all Claims, Liens, charges, encumbrances, rights and Interests of creditors and equity security holders, except as specifically provided in this Plan. As of the Effective Date, the Reorganized Debtors may operate their businesses and use, acquire, and dispose of property and settle and compromise Claims or Interests without supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by this Plan or the Confirmation Order.

Section 10.2 *Release and Discharge of the Debtors.* Pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided in this Plan or in the Confirmation Order, the Distributions and rights that are provided in this Plan shall be in complete satisfaction, discharge, and release of all Claims, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in the Debtors, the Reorganized Debtors or their Estates that arose prior to the Effective Date.

Section 10.3 *Release and Discharge of Non-Debtor Affiliates.* In addition to the terms of Section 10.2 above, each Holder of a Secured Notes Claim and the Indenture Trustee shall be deemed to have forever waived, released, and discharged the Non-Debtor Affiliates of any Liens, Claims,

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 claims, causes of action, rights, or liabilities arising from the Guarantees granted to the Holders of the
2 Secured Notes Claims under the Indenture as well as any Secured Notes Deficiency Claims. In
3 addition, the Confirmation Order shall authorize and direct the Indenture Trustee to take whatever
4 action may be necessary or appropriate, in its reasonable discretion, to effectuate the foregoing,
5 including, without limitation, providing a release of the Liens.
6

7 **Section 10.4 Mutual Releases.** On the Effective Date, and to the greatest extent permissible
8 by law, (i) the Debtors and Reorganized Debtors, on behalf of themselves and their estates, (ii) all of
9 the Debtors' respective officers, directors, employees, legal and financial advisors, and other
10 representatives of the Debtors who served in such capacity on or subsequent to the Filing Date, in their
11 capacity as such, (iii) all shareholders of the Debtors as of the Filing Date, including, without
12 limitation, Northwest Capital, in its capacity as such and (iv) the members of the Informal Committee
13 including their legal and financial advisors, in their capacity as such (collectively clauses (i) through
14 (iv) being the "Released Parties", and each a "Released Party"), shall be deemed to and hereby
15 unconditionally and irrevocably release each other from any and all claims or Causes of Action, known
16 or unknown, relating to any pre-Filing Date acts or omissions, except that no Released Party shall be
17 released from any act or omission that constitutes willful misconduct or fraud.
18
19

20 **Section 10.5 Setoffs.** The Debtors may, but shall not be required to, set off against any Claim,
21 and the payments or other Distributions to be made pursuant to this Plan in respect of such Claim,
22 claims of any nature whatsoever that the Debtors may have against such Holder; but neither the failure
23 to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 or the Reorganized Debtors of any such claim that the Debtors or the Reorganized Debtors may have
2 against such Holder.

3
4 **Section 10.6** *Exculpation and Limitation of Liability.* The Debtors, the Reorganized Debtors,
5 the Non-Debtor Affiliates, Northwest Capital, in its capacity as a shareholder of PT Holdings, the
6 Informal Committee, the members of the Informal Committee in their capacities as such, the Indenture
7 Trustee, in its capacity as such, the DIP Lenders, the Backstop Parties and the Exit Financing
8 Participants, and any of such parties' respective current and/or post-Filing Date and pre-Effective Date
9 members, officers, directors, employees, advisors, attorneys, representatives, financial advisors,
10 investment bankers, or agents and any of such parties' successors and assigns, shall not have or incur,
11 and are hereby released from, any claim, obligation, cause of action, or liability to one another or to
12 any Holder of any Claim or Interest, or any other party-in-interest, or any of their respective agents,
13 employees, representatives, financial advisors, attorneys, or Affiliates, or any of their successors or
14 assigns, for any act or omission in connection with, relating to, or arising out of the Bankruptcy Cases,
15 the negotiation and filing of this Plan, the filing of the Bankruptcy Cases, the pursuit of confirmation
16 of this Plan, the consummation of this Plan, or the administration of this Plan or the property to be
17 distributed under this Plan, except for their willful misconduct or fraud, and in all respects shall be
18 entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities
19 under this Plan.

20
21
22
23 **Section 10.7** *Injunction.* Except as otherwise expressly provided herein or in the
24 Confirmation Order, all Persons or entities who have held, hold, or may hold Claims against or

25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 Interests in the Debtors are permanently enjoined, from and after the Effective Date, from: (i)
2 commencing or continuing in any manner any action or other proceeding of any kind on any
3 such Claim or Interest against any of the Reorganized Debtors or the Non-Debtor Affiliates on
4 account of such Claims or Interests; (ii) the enforcement, attachment, collection, or recovery by
5 any manner or means of any judgment, award, decree, or order against any Reorganized Debtor
6 or Non-Debtor Affiliate with respect to such Claim or Interest; (iii) creating, perfecting, or
7 enforcing any encumbrance of any kind against any Reorganized Debtor or Non-Debtor Affiliate
8 or against the property or interests in property of any Reorganized Debtor or Non-Debtor
9 Affiliate with respect to such Claim or Interest; (iv) asserting any right of setoff, subrogation, or
10 recoupment of any kind against any obligation owed to any Reorganized Debtor or Non-Debtor
11 Affiliate or against the property or interest in property of any Reorganized Debtor or Non-
12 Debtor Affiliate with respect to such Claim or Interest; and (v) pursuing any claim released
13 pursuant to Article X of this Plan.
14
15

16 **Section 10.8** *Effect of Effective Date.*

17 (a) Binding Effect. On the Effective Date, the provisions of this Plan shall be
18 binding on the Debtors, the Estates, all Holders of Claims against or Interests in the Debtors, and all
19 other parties-in-interest whether or not such Holders are Impaired and whether or not such Holders
20 have accepted this Plan.
21

22 (b) Effect of Effective Date on Automatic Stay. Except as provided otherwise in
23 this Plan, from and after the Effective Date, the automatic stay of section 362(a) of the Bankruptcy
24 Code shall terminate.
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 (c) Filing of Reports. The Reorganized Debtors shall file all reports and pay all fees
2 required by the Bankruptcy Code, Bankruptcy Rules, U.S. Trustee guidelines, and the rules and orders
3 of the Bankruptcy Court.

4 (d) Post-Effective Date Retention of Professionals. Upon the Effective Date, any
5 requirement that professionals comply with sections 327 through 331 of the Bankruptcy Code in
6 seeking retention or compensation for services rendered after such date will terminate, and the
7 Reorganized Debtors will employ and pay professionals in the ordinary course of business.
8

9
10 **ARTICLE XI**
11 **CONDITIONS PRECEDENT**

12 **Section 11.1** *Conditions to Confirmation*. As a condition precedent to confirmation of this
13 Plan that may be satisfied or waived in accordance with Section 11.3 of this Plan, the Confirmation
14 Order shall have been signed by the Bankruptcy Court and entered on the docket of the Bankruptcy
15 Cases by September 4, 2007, which Confirmation Order is in form and substance acceptable to the
16 Plan Proponents each in their sole discretion.
17

18 **Section 11.2** *Conditions to the Effective Date*. The following are conditions precedent to the
19 occurrence of the Effective Date, each of which may be satisfied or waived in accordance with Article
20 11.3 of this Plan:
21

22 (a) The Confirmation Order in form and substance acceptable to the Plan
23 Proponents each in their sole discretion shall have become a Final Order and shall not have been
24 vacated or modified;
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 (b) It shall be no later than September 15, 2007;

2 (c) All documents and agreements to be executed on the Effective Date or otherwise
3 necessary to implement this Plan (including, without limitation, corporate governance documents, the
4 Registration Rights Agreement, the Shareholder Agreement, the Exit Working Capital Facility and the
5 Exit Facilities) shall be in form and substance satisfactory to the Informal Committee in its sole
6 discretion (except if otherwise expressly required by the Plan, in form and substance satisfactory to the
7 Plan Proponents, each in their sole discretion) and shall be effective on the Effective Date;

8 (d) The Exit Working Capital Facility and Exit Facilities shall have been closed and
9 funded, subject to their terms;

10 (e) The Debtors shall have received any authorization, consent, regulatory approval,
11 ruling, letter, opinion, or document that may be necessary to implement this Plan or that is required by
12 law, regulation, or order; and
13

14 (f) The New Common Stock, Series A Preferred, Preferred Dividend Warrants, and
15 New Senior Secured Notes have been issued in accordance with this Plan.
16

17 **Section 11.3** *Waiver of Conditions to Confirmation or Consummation.* The conditions set
18 forth in Section 11.1 and Section 11.2 of this Plan may be waived, in whole or in part, by the Informal
19 Committee without any notice to any other parties in interest or the Bankruptcy Court and without a
20 hearing, other than notice shall be provided to the Debtors and the Creditors' Committee, *provided,*
21 *however,* the conditions in Section 11.1, 11.2(a), 11.2(d), 11.2(e) and 11.2(f) of the Plan may only be
22 waived, in whole or in part, by consent of both Plan Proponents, each in their sole discretion. The
23 failure to satisfy or waive any condition to the Confirmation Date or the Effective Date may be
24

25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 asserted by the Informal Committee or, as applicable, the Plan Proponents, regardless of the
2 circumstances giving rise to the failure of such condition to be satisfied (including any action or
3 inaction by the Informal Committee or the Debtors). The failure of the Informal Committee or, as
4 applicable, the Plan Proponents, to exercise any of the foregoing rights shall not be deemed a waiver of
5 any other rights, and each such right shall be deemed an ongoing right, which may be asserted at any
6 time.
7

8
9 **ARTICLE XII**
RETENTION AND SCOPE OF JURISDICTION OF THE BANKRUPTCY COURT

10 **Section 12.1** *Retention of Jurisdiction.* Subsequent to the Effective Date, the Bankruptcy
11 Court shall have or retain jurisdiction for the following purposes:
12

13 (a) To adjudicate objections concerning the allowance, priority or classification of
14 Claims or Interests and any subordination thereof, and to establish a date or dates by which objections
15 to Claims must be filed to the extent not established herein;

16 (b) To liquidate the amount of any disputed, contingent or unliquidated claim, to
17 estimate the amount of any Disputed, contingent or unliquidated Claim, and to establish the amount of
18 any reserve required to be withheld from any Distribution under this Plan.
19

20 (c) To resolve all matters related to the rejection, and assumption and/or assignment
21 of any Executory Contract or Unexpired Lease of the Debtors;

22 (d) To hear and rule upon all Retained Actions, Avoidance Actions and other Causes
23 of Action commenced and/or pursued by the Debtors and/or the Reorganized Debtors;

24 (e) To hear and rule upon all applications for Professional Compensation;
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 (f) To remedy any defect or omission or reconcile any inconsistency in this Plan, as
2 may be necessary to carry out the intent and purpose of this Plan;

3 (g) To construe or interpret any provisions in this Plan and to issue such orders as
4 may be necessary for the implementation, execution and consummation of this Plan, to the extent
5 authorized by the Bankruptcy Code;

6 (h) To adjudicate controversies arising out of the administration of the Estates or the
7 implementation of this Plan;

8 (i) To make such determinations and enter such orders as may be necessary to
9 effectuate all the terms and conditions of this Plan, including the Distribution of funds from the Estates
10 and the payment of claims;

11 (j) To determine any suit or proceeding brought by the Debtors and/or the
12 Reorganized Debtors to recover property under any provisions of the Bankruptcy Code;

13 (k) To hear and determine any tax disputes concerning the Debtors and to determine
14 and declare any tax effects under this Plan;

15 (l) To determine such other matters as may be provided for in this Plan or the
16 Confirmation Order or as may be authorized by or under the provisions of the Bankruptcy Code;

17 (m) To determine any controversies, actions or disputes that may arise under the
18 provisions of this Plan, or the rights, duties or obligations of any Person under the provisions of this
19 Plan; and
20
21

22 (n) To enter a final decree.
23
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 **Section 12.2** *Alternative Jurisdiction.* In the event that the Bankruptcy Court is found to lack
2 jurisdiction to resolve any matter, then the District Court shall hear and determine such matter. If the
3 District Court does not have jurisdiction, then the matter may be brought before any court having
4 jurisdiction with regard thereto.
5

6 **Section 12.3** *Final Decree.* The Bankruptcy Court may, upon application of the Reorganized
7 Debtors, at any time on or after one hundred twenty (120) days after the Initial Distribution Date, enter
8 a final decree in these cases, notwithstanding the fact that additional funds may eventually be
9 distributed to parties in interest. In such event, the Bankruptcy Court may enter an Order closing these
10 cases pursuant to section 350 of the Bankruptcy Code, provided, however, that: (a) the Reorganized
11 Debtors shall continue to have the rights, powers, and duties set forth in this Plan; (b) any provision of
12 this Plan requiring the absence of an objection shall no longer be required, except as otherwise ordered
13 by the Bankruptcy Court; and (c) the Bankruptcy Court may from time to time reopen the Bankruptcy
14 Cases if appropriate for any of the following purposes: (1) administering Assets; (2) entertaining any
15 adversary proceedings, contested matters or applications the Debtors have brought or bring with regard
16 to the liquidation of Assets and the prosecution of Causes of Action; (3) enforcing or interpreting this
17 Plan or supervising its implementation; or (4) for other cause.
18
19

20
21 **ARTICLE XIII**
 MISCELLANEOUS PROVISIONS

22 **Section 13.1** *Modification of the Plan.* The Plan Proponents may modify this Plan pursuant
23 to section 1127 of the Bankruptcy Code and as herein provided, to the extent applicable law permits.
24 Subject to the limitations contained herein, the Plan Proponents may modify this Plan in accordance
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 with this paragraph, before or after confirmation, without notice or hearing, or after such notice and
2 hearing as the Bankruptcy Court deems appropriate, if the Bankruptcy Court finds that the
3 modification does not materially and adversely affect the rights of any parties in interest which have
4 not had notice and an opportunity to be heard with regard thereto. In the event of any modification on
5 or before confirmation, any votes to accept or reject this Plan shall be deemed to be votes to accept or
6 reject this Plan as modified, unless the Bankruptcy Court finds that the modification materially and
7 adversely affects the rights of parties in interest which have cast said votes. The Plan Proponents
8 reserve the right in accordance with section 1127 of the Bankruptcy Code to modify this Plan at any
9 time before the Confirmation Date.
10

11
12 **Section 13.2** *Securities Law Matters.* It is an integral and essential element of the Plan that
13 the issuance of the New Common Stock pursuant to the Plan shall be exempt from registration under
14 the Securities Act, pursuant to Section 1145 of the Bankruptcy Code and from registration under state
15 securities laws. Any New Common Stock issued to an "affiliate" of the Debtors within the meaning of
16 the Securities Act or any Person the Debtors reasonably determine to be an "underwriter," and which
17 does not agree to resell such securities only in "ordinary trading transactions," within the meaning of
18 Section 1145(b)(1) of the Bankruptcy Code shall be subject to such transfer restrictions and bear such
19 legends as shall be appropriate to ensure compliance with the Securities Act. Nothing in the Plan is
20 intended to preclude the Securities and Exchange Commission from exercising its police and
21 regulatory powers relating to the Debtors or any other entity.
22
23
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 **Section 13.3** *Plan Supplement.* The Plan Supplement which will contain, among other things,
2 the certificates of incorporation and bylaws for each of the Reorganized Debtors, the Registration
3 Rights Agreement, the Shareholder Agreement, term sheet and/or commitment letter for the Exit
4 Working Capital Facility, operative documents for the Exit Facilities, and schedules of the directors
5 and officers of the Reorganized Debtors, shall be filed with the Bankruptcy Court no later than five (5)
6 days prior to the deadline set forth in the Disclosure Statement Approval Order for creditors to vote
7 whether to accept or reject this Plan. Notwithstanding the foregoing, the Plan Proponents may amend
8 the Plan Supplement and any attachments thereto, through and including the Confirmation Date.
9

10 **Section 13.4** *Allocation of Plan Distributions Between Principal and Interest.* To the extent
11 that any Allowed Claim entitled to a Distribution under this Plan is composed of indebtedness and
12 accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law,
13 be allocated for United States federal income tax purposes to the principal amount of the Claim first
14 and then, to the extent the consideration exceeds the principal amount of the Claim, to the portion of
15 the Claim representing accrued but unpaid interest.
16
17

18 **Section 13.5** *Creditors' Committee.* On the Effective Date, the Creditors' Committee shall
19 dissolve automatically, whereupon its members, professionals, and agents shall be released from any
20 further duties and responsibilities in the Bankruptcy Cases and under the Bankruptcy Code, except for
21 the limited purposes of filing applications for Professional Compensation in accordance with Section
22 4.2(c) of this Plan.
23
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 **Section 13.6** *Applicable Law.* Except to the extent that the Bankruptcy Code or the
2 Bankruptcy Rules are applicable, the rights and obligations arising under this Plan shall be governed
3 by the laws of the State of Washington.
4

5 **Section 13.7** *Preparation of Estates' Returns and Resolution of Tax Claims.* The Debtors or
6 Reorganized Debtors shall file all tax returns and other filings with governmental authorities and may
7 file determination requests under section 505(b) of the Bankruptcy Code to resolve any Disputed
8 Claim relating to taxes with a governmental authority.
9

10 **Section 13.8** *Headings.* The headings of the Articles and the sections of this Plan have been
11 used for convenience only and shall not limit or otherwise affect the meaning thereof.
12

13 **Section 13.9** *Revocation of Plan.* The Plan Proponents reserve the right, unilaterally and
14 unconditionally, to revoke and/or withdraw this Plan at any time prior to entry of the Confirmation
15 Order, and upon such revocation and/or withdrawal this Plan shall be deemed null and void and of no
16 force and effect.
17

18 **Section 13.10** *Severability of Plan Provisions.* If, prior to entry of the Confirmation Order, any
19 term or provision of the Plan is held by the Bankruptcy Court to be illegal, unenforceable,
20 impermissible, invalid, or void, or otherwise constitute grounds for denying confirmation of the Plan,
21 the Bankruptcy Court shall, with the consent of the Plan Proponents, have the power to interpret,
22 modify or delete such term or provision (or portions thereof) to make it valid and enforceable to the
23 maximum extent practicable, consistent with the original purpose of the term or provision held to be
24

1 illegal, unenforceable, impermissible, invalid, or void, and such term shall then be operative as
2 interpreted, modified or deleted. Notwithstanding any such interpretation, modification or deletion, the
3 remainder of the terms and provisions of the Plan shall in no way be affected, impaired, or invalidated
4 by such interpretation, modification, or deletion.
5

6 **Section 13.11** *Confirmation of Plans for Separate Debtors.* In the event the Plan Proponents
7 are unable to confirm this Plan with respect to all Debtors, the Plan Proponents reserve the right,
8 unilaterally and unconditionally, to proceed with this Plan with respect to any Debtor for which the
9 confirmation requirements of the Bankruptcy Code are met.
10

11 **Section 13.12** *No Admissions; Objection to Claims.* Nothing in this Plan shall be deemed to
12 constitute an admission that any individual, corporation, partnership, trust, venture, governmental unit,
13 or any other form of legal entity as being the Holder of a Claim is the Holder of an Allowed Claim,
14 except as expressly provided in this Plan. The failure of the Plan Proponents to object to or examine
15 any Claim for purposes of voting shall not be deemed a waiver of the Plan Proponents rights to object
16 to or reexamine such Claim in whole or in part.
17

18 **Section 13.13** *No Bar to Suits.* Except as otherwise provided in Article X of this Plan, neither
19 this Plan nor confirmation hereof shall operate to bar or estop the Debtors or Reorganized Debtors
20 from commencing any Cause of Action, or any other legal action against any Holder of a Claim or any
21 individual, corporation, partnership, trust, venture, governmental unit, or any other form of legal entity,
22 whether such Cause of Action, or any other legal action arose prior to or after the Confirmation Date
23 and whether or not the existence of such Cause of Action, or any other legal action was disclosed in
24
25

26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 any disclosure statement filed by the Debtors in connection with this Plan or whether or not any
2 payment was made or is made on account of any Claim.

3
4 **Section 13.14 Exhibits/Schedules.** All exhibits and schedules to this Plan and Disclosure
5 Statement, including the Plan Supplement, and all attachments thereto, are incorporated into and are a
6 part of this Plan as if set forth in full herein.

7
8 **Section 13.15 Conflicts.** In the event that provisions of the Disclosure Statement and
9 provisions of this Plan conflict, the terms of this Plan shall govern.

10 Dated: June 26, 2007

11
12 Respectfully submitted,

13 PT HOLDINGS COMPANY, INC.

14 By: /s/ John P. Begley

15 Name: John P. Begley

16 Title: President and Chief Executive Officer

17
18
19
20
21
22
23
24
25
26 **AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF**
27 **THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS**
28 **AND THE INFORMAL COMMITTEE OF SENIOR SECURED**
NOTEHOLDERS

BUSH STROUT & KORNFELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

PORT TOWNSEND PAPER CORPORATION

By: /s/ John P. Begley

Name: John P. Begley

Title: President and Chief Executive Officer

PTPC PACKAGING CO., INC.

By: /s/ John P. Begley

Name: John P. Begley

Title: President and Chief Executive Officer

INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS

By: /s/ Barry Ritholz

Name: Barry Ritholz

Title: Authorized representative of
GoldenTree Asset Management, L.P. ,
not in its individual or principal
capacity, but solely in its capacity as
Chair of the Informal Committee of
Senior Secured Noteholders

**AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE BANKRUPTCY CODE JOINTLY PROPOSED BY THE DEBTORS
AND THE INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

BUSH STROUT & KORNFIELD
LAW OFFICES
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

EXHIBIT B

RESTRUCTURING TERM SHEET

PORT TOWNSEND PAPER CORPORATION

RESTRUCTURING TERM SHEET

JANUARY 29, 2007

The terms and conditions described herein are part of a comprehensive compromise, each element of which is consideration for the other elements and an integral aspect of the proposed restructuring. This term sheet does not constitute an offer or a legally binding obligation of the Company (as defined below), or any other party in interest, nor does it constitute an offer of securities or a solicitation of the acceptance or rejection of a chapter 11 plan for the Company. The transactions contemplated by this term sheet are subject to conditions to be set forth in definitive documents. This term sheet is proffered in the nature of a settlement proposal in furtherance of settlement discussions and is entitled to protection from any use or disclosure to any party or person pursuant to Federal Rule of Evidence 408 and any other rule of similar import.

Until publicly disclosed by PTPC, with the prior written consent of the Participating Noteholders (as defined below), this term sheet and the information contained herein is strictly confidential and may not be shared with any person.

Transaction Overview

Proposed Parties

Port Townsend Paper Corporation ("PTPC" or the "Company") and all of its direct and indirect foreign and domestic subsidiaries and affiliates (collectively, the "Companies"), and certain holders (the "Participating Noteholders") of the 11% Senior Notes due 2011 issued by Port Townsend Paper Corporation and guaranteed by all of its affiliates and subsidiaries (collectively, the "Secured Notes").

Transaction Summary

Subject to the terms of this Term Sheet, PTPC shall restructure its capital structure (the "Restructuring") through a pre-negotiated chapter 11 plan of reorganization (the "Plan") filed with the United States Bankruptcy Court for the Western District of Washington (the "Bankruptcy Court"), in cases commenced by PTPC and such other Companies as the parties may agree upon no later than January 29, 2007 under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases"), the material terms and conditions of which are set forth in this Term Sheet.

Proposed DIP Financing

PTPC will obtain authority to enter into a debtor in possession credit facility (the "DIP Credit Facility") in form and substance acceptable to the Company and the Participating Noteholders in their sole discretion.

Incentive Plan

The Company will seek approval from the Bankruptcy Court, with the support of the Participating Noteholders, of its existing incentive plan solely as it relates to the \$240,000 of aggregate payments to designated members of senior management, which payments are contingent upon the occurrence of the Effective Date.

Restructuring Timeline

The obligation of Participating Noteholders under the this term sheet to support the Plan shall terminate upon the occurrence of, among other things, any of the following events, each of which may be waived by the Participating Noteholders in their sole discretion:

(i) failure to commence the Chapter 11 Cases and coordinated Canadian proceedings, if applicable, on or before January 29, 2007 (the "Petition Date");

(ii) the Company's failure to file a Plan and related disclosure statement (the "Disclosure Statement") with the Bankruptcy Court within thirty (30) days of the Petition Date, each in form and substance acceptable to the Participating Noteholders in their sole discretion;

(iii) a hearing to approve the Disclosure Statement shall not have been held within sixty (60) days of the Petition Date;

(iv) the Disclosure Statement, including all exhibits, appendices and related documents, or a version thereof that is not inconsistent with the terms set forth in this Term Sheet and acceptable to the Participating Noteholders in their sole discretion shall not have been approved by a final non-appealable order of the Bankruptcy Court within seventy-two (72) days of the Petition Date;

(v) the order confirming the Plan (the "Confirmation Order"), which Plan, including all exhibits, appendices and related documents, and Confirmation Order, including all exhibits, appendices and related documents, shall each be acceptable to the Participating Noteholders in their sole discretion, shall not have been entered by the Bankruptcy Court within one hundred and ten (110) days of the Petition Date;

(vi) the effective date of the Plan (the "Effective Date") shall not have occurred within one hundred and twenty-two (122) days of the Petition Date;

(vii) the conversion of one or more of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code, unless such conversion is made with the prior written consent of the Participating Noteholders;

(viii) the appointment of a trustee, receiver or examiner with expanded powers in one or more of the Chapter 11 Cases unless such appointment is made with the prior written consent of the Participating Noteholders; and

(ix) the amendment, modification or filing of a pleading seeking to amend or modify the DIP Credit Facility, Plan, Disclosure Statement or any documents related to the foregoing, including motions, notices, exhibits, appendices and orders, in a manner not acceptable to the Participating Noteholders in their sole discretion.

Classification and Treatment of Claims and Interests

Administrative, Priority Tax, and Other Priority Claims:	On or as soon as practicable after the Effective Date, each holder of an administrative, priority tax or other priority claim shall receive cash equal to the full allowed amount of its claim or otherwise be left unimpaired, unless otherwise agreed to by such holder.
DIP Credit Facility:	On or as soon as practicable after the Effective Date, all obligations under the DIP Credit Facility shall be paid in full in cash.
CIT Secured Claims:	On or as soon as practicable after the Effective Date, all outstanding obligations owed to The CIT Group/Business Credit, Inc., and CIT Business Credit Canada, Inc. under that certain loan and security agreement, dated July 21, 2005, shall be paid in full in cash.
Noteholder Claims:	On or as soon as reasonably practicable after the Effective Date, in exchange for their allowed Secured Notes claims against the Company (inclusive of principal and interest accrued through the petition date of the Chapter 11 Cases) (the "<u>Noteholder Claims</u>"), the Noteholders shall receive, on a pro rata basis: (i) newly issued notes in a principal amount not to exceed \$75 million (the "<u>Noteholder Term Loan</u>") and (ii) 100% of the newly issued shares of common stock of reorganized PTPC (the "<u>New Common Stock</u>"), subject to dilution on account of the Management Equity Plan (as defined below) and Equity Warrants (as defined below). The Noteholder Term Loan shall be secured by security interests in, and liens on, substantially all of the Borrowers' assets, subordinate only to the liens securing the Exit Facility. The terms and conditions of the Noteholder Term Loan, including the principal amount, shall be satisfactory in form and substance to the Company and Participating Noteholders in their sole discretion.
General Unsecured Claims:	On or as soon as reasonably practicable after the Effective Date, in exchange for their allowed unsecured claims against the Company (the " <u>Allowed Unsecured Claims</u> "), each of the holders thereof shall receive treatment in a manner acceptable to the Company and the Participating Noteholders in their sole discretion.
Existing Equity:	On or as soon as reasonably practicable after the Effective Date, the holders of the existing PTPC common stock and the holders of any options, warrants or rights to acquire any equity securities of PTPC will receive, on a pro rata basis, warrants to purchase 5.25% of the New Common Stock with a strike price equivalent to a \$170 million total enterprise value (the " <u>Equity Warrants</u> "). The Equity Warrants will expire on the

three (3) year anniversary of the Effective Date.

All warrants issued in connection with the issuance by PTPC of the Secured Notes shall be deemed exercised and holders thereof will receive a pro rata share of the Equity Warrants.

Releases and Exculpation

To the greatest extent permissible by law, the Plan shall provide for the Company's release of any and all claims or causes of action, known or unknown, relating to any pre-Petition Date acts or omissions, except for willful misconduct or fraud, committed by any of the following: (i) all officers, directors, employees, legal and financial advisors, and other representatives of the Debtors who served in such capacity on or subsequent to the Filing Date, in their capacity as such; (ii) all shareholders of the Debtors as of the Petition Date, in their capacity as such; (iii) the Participating Noteholders including their legal and financial advisors, in their capacity as such; and (iv) the DIP Lenders including their legal and financial advisors, in their capacity as such (collectively, the "Released Parties"). Further, the Plan shall provide for the granting of mutual releases between and among all of the Released Parties except for claims resulting from willful misconduct or fraud. To the greatest extent permitted under applicable law, the Released Parties shall also not have or incur any liability for any act or omission in connection with, related to, or arising out of, the Restructuring, the Chapter 11 Cases, the pursuit of confirmation of this Plan, the consummation of this Plan or the administration of the Plan or the property to be distributed under this Plan except for claims resulting from willful misconduct or fraud.

Other Principal Plan Terms

Management Equity Plan:

On or as soon as reasonably practicable after the Effective Date, a management equity plan (the "Management Equity Plan") shall be implemented to provide designated members of senior management of reorganized PTPC with New Common Stock and/or options to purchase shares of New Common Stock representing, in the aggregate, up to 10% of the New Common Stock issued on the Effective Date. The Management Equity Plan will contain terms and conditions that shall be determined by the Board of Directors of reorganized PTPC.

Exit Financing

On the Effective Date, reorganized PTPC shall enter into a credit facility with a commercial lender (the "Exit Facility"). The terms and conditions of the Exit Facility shall be acceptable in form and substance to the Company and the Participating Noteholders in their sole discretion.

Restructuring Expenses:

The Company shall pay all fees and expenses incurred by the Participating Noteholders, including, without limitation, the fees and expenses of their legal and financial advisors in connection with the Restructuring (collectively, the "Restructuring Expenses").

Corporate Governance:

To be determined by the Participating Noteholders in their sole discretion.

Northwest Capital Agreements and Claims

On the Effective Date, Northwest Capital, including its affiliates and related entities, shall waive any and all claims it may have against the Company. On the Effective Date, any and all agreements between Northwest Capital, including its related and affiliated entities, and the Company shall be terminated and Northwest shall have no claims or rejection damages assertable against the Company as a result of such termination. Northwest Capital, including its affiliates and related entities, shall receive no distribution or consideration pursuant to the Plan or otherwise except the releases described herein and a pro rata share of the Equity Warrants.

EXHIBIT C

PROJECTED FINANCIAL INFORMATION PORT TOWNSEND PAPER COMPANY ("PTPC")

For purposes of developing the Plan and evaluating its feasibility, PTPC prepared the following financial projections reflecting its estimate of its expected consolidated income statements, balance sheets, and cash flows for the years 2007 – 2011. These consolidated financial projections include the operations of the Debtors and its non-Debtor affiliates. Accordingly, the projections reflect PTPC's judgment, as of the date of this Disclosure Statement, of expected future operating and business conditions, which are subject to change.

All estimates and assumptions shown in the projections were developed by PTPC. The assumptions disclosed herein are those that PTPC believes to be significant to the projections. Although PTPC is of the opinion that these assumptions are reasonable under the circumstances, such assumptions are subject to significant uncertainties, such as (i) costs of acquiring raw materials for production (ii) the demand in the marketplace for its various paper products; (iii) the pricing of its products in the market place; (iv) the efficiencies of its operations (v) the costs required to run its operations and liquidity to meet capital expenditure requirements. Despite PTPC's efforts to foresee and plan for these uncertainties, PTPC cannot predict their impact with certainty. Consequently, actual financial results could vary significantly from projected results.

THE PROJECTED FINANCIAL INFORMATION SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY PTPC OR ANY OTHER PERSON AS TO THE ACCURACY OF THE PROJECTED FINANCIAL INFORMATION OR THAT ANY PROJECTIONS SET FORTH HEREIN WILL BE REALIZED.

THE PROJECTED FINANCIAL INFORMATION, INCLUDING THE UNDERLYING ASSUMPTIONS, SHOULD BE CAREFULLY REVIEWED IN EVALUATING THE PLAN.

THE PROJECTED FINANCIAL INFORMATION WAS PREPARED BY PTPC; IT HAS NOT BEEN AUDITED OR REVIEWED BY INDEPENDENT ACCOUNTANTS. CERTAIN OF THE SIGNIFICANT ASSUMPTIONS USED IN THE PREPARATION OF THE PROJECTED FINANCIAL INFORMATION ARE STATED BELOW.

PTPC has assumed, for the purpose of the Projected Financial Information that the Plan will be confirmed and that Effective Date and the initial distributions will take place on or about August 31, 2007.

Please note that the reorganization may not be wholly accounted for in accordance with "fresh start" accounting rules as per the American Institute of Certified Public Accountant's Statement of Position 90-7 therefore the Projected Financial Information does not reflect all "fresh start" adjustments.

The following Financial Information is included herein:

- Actual and Projected Consolidated Statements of Income of Reorganized PTPC for each of the fiscal years ending December 31 for the period from 2004 through 2011.

- Actual and Projected Consolidated Balance Sheets of Reorganized PTPC as of December 31 for each of the fiscal years from 2004 through 2011.
- Actual and Projected Consolidated Statements of Cash Flow of Reorganized PTPC for each of the fiscal years ending December 31 for the period from 2004 through 2011.
- Historical Consolidated Statements of Income of PTPC for month end May 2007 and year to date May 2007.

The projections should be read in conjunction with the significant assumptions, qualifications and notes set forth below and with the historical consolidated financial statements for the fiscal years ended December 31, 2004, 2005 and 2006 contained herein.

WHILE PTPC BELIEVES THE ASSUMPTIONS UNDERLYING THE PROJECTED FINANCIAL INFORMATION, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES AND EXPECTATIONS, NO ASSURANCE CAN BE GIVEN THAT ANY PROJECTIONS WILL BE REALIZED.

FYE 2007 – 2011 PLAN PROJECTIONS - MAJOR ASSUMPTIONS

The Business Plan assumes specific economic and business conditions for the 2007 – 2011 period, with assumptions based upon future industry supply/demand indicators, estimated future performance and directions of markets based on currently available information. Independent third party industry forecasts from Resource Information Systems Inc. (“RISI”) are used to forecast virgin fiber costs, OCC costs, linerboard prices and kraft paper prices. RISI is the leading industry information provider for forecast virgin fiber costs, OCC costs, linerboard prices and kraft paper prices.

Volume and Product Mix

- Mill volumes recover from approximately 311,000 tons in 2007 to 330,000 tons in 2008, reflecting exit from bankruptcy, stabilization of fiber supply and capital investment. Mill volumes increase slightly through 2011 due to additional capital expenditure programs.
- Output from corrugated plants increases by approximately 4% in 2008 while increasing at an average rate of approximately 2.5% from 2009 to 2011. This increase is based on the British Columbia Business Council’s forecast of non-durable manufacturing growth.
- Mill paper product mix remains stable.
- Canadian Corrugated product mix remains stable representing management’s best estimate of the future product portfolio considering customer demand.

Product Pricing

- Linerboard and kraft paper prices are based on third party forecasted benchmarks which assume peak pricing for linerboard of \$578/ton in 2009 declining to \$479/ton in 2011 and \$724/ton for kraft paper in 2009 declining to \$646/ton in 2011 (pricing for specific mill products is based on current relationships to benchmark linerboard, kraft paper and NBSK prices).
- Box pricing is based on Management estimates and tracks linerboard pricing trends

(discussed above) peaking at approximately \$91.16/msf in 2010 and declining to approximately \$90.90/msf in 2011.

- Kraft pulp prices are based on Management estimates and expectations of continued increase in Asian demand.

Fiber Costs

- Virgin fiber costs are based on third party forecasted benchmarks for Coastal Douglas Fir woodchips and assume peak prices are reached in 2007 \$117.45/bdu declining to \$96.05/bdu in 2011.
- Stabilization of fiber costs allows the mill to utilize a mix of fiber resources consistent with historical usage by the end of 2008.
- Old Corrugated Container (“OCC”) prices, also based on third party forecasted benchmarks, are assumed to average \$100.58 in 2007. OCC prices are assumed to peak at \$106.15/bdu in 2009 and then decline to \$99.20/bdu in 2011.
- Sawdust availability is expected to increase modestly in late 2007 and into the future as saw mills return to moderate production in accordance with the stabilization of the housing industry. This allows for a shift away from the use of virgin fiber in place of saw dust.

Foreign Exchange

- US to Canadian foreign exchange rate is forecasted to remain stable at current levels through the forecast period.

Other Costs

- Other cash costs of production and SG&A costs are based on Management estimates.
- No restructuring costs are assumed beyond 2007.

Taxes

- Zero tax expenses and cash tax payments based on sufficient NOLs. See Article X of the Disclosure Statement for further detail.

Working Capital

- Accounts receivable and inventory based on historical relationships to sales and cost of goods sold.
- Accounts payable and accrued liabilities increase from August 31, 2007 (assumed emergence date) to normalized levels by 2010.

Capital Expenditures

- Maintenance capital expenditure ranges from \$5.9 million to \$7.6 million per year and includes costs to continue running currently existing equipment at optimal levels.
- The Company’s \$17m performance improvement plan contains a number of capital expenditure projects at both the mill and the corrugated plants. The cost of near term projects, and the associated EBITDA benefits, were reviewed by independent third party industry consultants and are included in the forecast.

Balance Sheet and Other Assumptions

- A full and complete analysis of the effects of fresh start accounting per SOP 90-7 has not been completed but major components have been reflected in the pro forma balance sheet information. An enterprise value of \$139m and a new common stock equity value of approximately \$78m have been assumed, given long term funded debt/preferred financing of approximately \$61m at exit.
- Other effects of fresh start accounting that are assumed, include additional Goodwill of \$30m, write off of capitalized financing costs, forgiveness of certain liabilities and adjustment of deferred liabilities.
- Bondholder notes payable and accrued interest are converted to equity at exit and unsecured claims are paid at exit along with liens, contract cures, 503(b)(9) payments and other administrative expenses, resulting in a combined COD income of approximately \$69m.
- The Exit Revolver is assumed to be necessary to enable Reorganized PTPC to fund part of the distributions under the Plan and, if necessary, working capital and operating needs.
- A detailed description of the exit financing package is available in Section III. D of the Disclosure Statement.

PTPC Consolidated Income Statements
US Dollars in Thousands

	2004 ACTUAL	2005 ACTUAL	2006 PRELIM UNAUDITED	2007 FORECAST	2007 ADI FORECAST	2007 PRO FORMA FORECAST	2008 FORECAST	2009 FORECAST	2010 FORECAST	2011 FORECAST
Net sales	204,228	222,859	228,603	242,673	-	242,673	263,767	280,397	277,692	266,345
Cost of sales	189,817	214,097	219,969	236,431	-	236,431	238,501	255,261	253,422	248,219
Gross margin	<u>14,411</u> 7.1%	<u>8,762</u> 3.9%	<u>8,634</u> 3.8%	<u>6,242</u> 2.6%	-	<u>6,242</u> 2.6%	<u>25,266</u> 9.6%	<u>25,136</u> 9.0%	<u>24,270</u> 8.7%	<u>18,126</u> 6.8%
Selling Expense	-	-	670	6,155	-	6,155	6,631	6,731	6,832	6,934
Related party expenses	500	500	523	28	-	28	-	-	-	-
Corporate G&A	7,433	5,926	10,763	17,053	-	17,053	4,371	4,437	4,504	4,571
Other	(11)	639	(19)	-	-	-	-	-	-	-
Earnings (Loss) from operations	<u>6,489</u> 3.2%	<u>1,697</u> 0.8%	<u>(3,303)</u> -1.4%	<u>(16,995)</u> -7.0%	-	<u>(16,995)</u> -7.0%	<u>14,264</u> 5.4%	<u>13,968</u> 5.0%	<u>12,935</u> 4.7%	<u>6,621</u> 2.5%
Gain (Loss) on Currency Translation	(398)	(209)	92	(129)	-	(129)	-	-	-	-
Interest and dividend income	103	272	392	53	-	53	-	-	-	-
Loss on early extinguishment of debt	(4,641)	(582)	(65)	118,403	118,633	(230)	(6,650)	(4,039)	(3,899)	(3,899)
Interest and Amortization expense	(14,106)	(18,698)	(18,156)	(19,806)	(4,597)	(15,009)	(6,650)	(4,039)	(3,899)	(3,899)
General expense, net	<u>(19,042)</u>	<u>(19,217)</u>	<u>(17,737)</u>	<u>98,721</u>	<u>114,036</u>	<u>(15,315)</u>	<u>(6,650)</u>	<u>(4,039)</u>	<u>(3,899)</u>	<u>(3,899)</u>
Earnings (loss) before income taxes	(12,553)	(17,520)	(21,040)	81,726	114,036	(32,310)	7,613	9,929	9,036	2,722
Income tax expense (benefit)	<u>(860)</u>	<u>1,755</u>	<u>500</u>	<u>467</u>	-	<u>467</u>	-	-	-	-
Net earnings	<u>(11,693)</u> -5.7%	<u>(19,275)</u> -8.6%	<u>(21,540)</u> -9.4%	<u>81,259</u> 33.5%	<u>114,036</u>	<u>(32,777)</u> -13.5%	<u>7,613</u> 2.9%	<u>9,929</u> 3.5%	<u>9,036</u> 3.3%	<u>2,722</u> 1.0%
Net income (loss)	<u>(11,693)</u>	<u>(19,275)</u>	<u>(21,540)</u>	<u>81,259</u>	<u>114,036</u>	<u>(32,777)</u>	<u>7,613</u>	<u>9,929</u>	<u>9,036</u>	<u>2,722</u>
Interest and Amortization expense (net)	12,311	16,308	15,837	19,553	4,597	14,956	6,650	4,039	3,899	3,899
Depreciation and Intangible Asset Amortization	12,241	13,028	14,015	8,482	-	8,482	9,228	10,841	11,897	12,976
Loss on early extinguishment of debt	4,641	582	65	(118,403)	(118,633)	230	-	-	-	-
Taxes (benefit)/expense	(860)	1,755	500	467	-	467	-	-	-	-
EBITDA	<u>16,640</u> 8.1%	<u>12,398</u> 5.6%	<u>8,877</u> 3.9%	<u>(8,642)</u> -3.6%	-	<u>(8,642)</u> -3.6%	<u>23,491</u> 8.9%	<u>24,809</u> 8.8%	<u>24,831</u> 8.9%	<u>19,597</u> 7.4%
Restructuring Costs / Non Recurring Costs	7,673	4,878	4,869	11,445	-	11,445	-	-	-	-
EBITDAR	<u>24,313</u> 11.9%	<u>17,276</u> 7.8%	<u>13,746</u> 6.0%	<u>2,803</u> 1.2%	-	<u>2,803</u> 1.2%	<u>23,491</u> 8.9%	<u>24,809</u> 8.8%	<u>24,831</u> 8.9%	<u>19,597</u> 7.4%

PTPC Consolidated Balance Sheets
US Dollars in Thousands

	2004 Dec ACTUAL	2005 Dec ACTUAL	2006 PRELIM UNAUDITED	2007 Dec FORECAST	2008 Dec FORECAST	2009 Dec FORECAST	2010 Dec FORECAST	2011 Dec FORECAST
Assets								
Current assets:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Accounts receivable:	23,390	24,670	21,265	23,849	23,831	26,496	26,244	25,187
Inventories	22,519	17,868	18,934	20,127	20,177	22,379	21,762	21,762
Prepaid expenses	721	642	1,857	5,197	4,918	5,374	5,322	5,105
Total current assets	46,630	43,180	42,056	49,673	49,426	54,749	54,285	52,554
Property, plant and equipment (net):	71,280	71,125	63,960	67,631	70,118	70,571	66,065	60,644
Other assets:								
Debt financing costs, net of amortization	8,704	7,874	6,206	-	-	-	-	-
Goodwill	6,771	6,551	6,841	36,943	36,943	36,943	36,943	36,943
Intangible Asset	15,912	14,949	13,321	13,230	13,230	13,230	13,230	13,230
Other	8,385	9,823	2,485	1,792	1,792	1,792	1,792	1,792
Total assets	\$ 157,682	\$ 153,502	\$ 134,869	\$ 169,269	\$ 171,509	\$ 177,286	\$ 172,314	\$ 165,163
Liabilities and Shareholders' Equity (Deficit)								
Current liabilities:								
Checks outstanding in excess of bank balances	2,725	2,132	1,205	-	-	-	-	-
Accounts payable pre-petition	22,732	25,627	32,537	-	-	-	-	-
Accounts payable post-petition	-	-	-	12,579	18,916	22,379	24,301	25,842
Accrued liabilities	5,527	6,967	11,074	7,097	6,333	6,927	6,860	6,576
Other current liabilities	4,290	6,323	1,899	87	87	87	87	87
Revolving credit facility / Revolver Exit Facility	8,830	13,871	17,436	-	-	-	-	-
Exit Facility	-	-	-	573	16,713	15,496	16,528	16,180
Total current liabilities	44,104	54,920	64,151	20,335	42,048	44,890	47,776	48,685
Long term lease liability	835	1,631	1,242	1,241	1,241	1,241	1,241	1,241
Long term health care liabilities	7,148	8,011	8,747	9,147	10,062	11,068	12,175	13,392
Long term pension liabilities	296	545	1,692	1,589	1,589	1,589	1,589	1,589
Notes payable / Term Loan	126,094	126,812	120,401	35,000	7,000	-	-	-
Other liabilities	182	526	1,532	907	907	907	907	907
Total liabilities	178,659	192,445	197,765	68,219	62,847	59,694	63,687	65,814
Minority Interest	495	491	-	-	-	-	-	-
Shareholders' equity (deficit):								
New Equity	9,427	9,359	9,359	78,089	78,089	78,089	78,089	78,089
Common stock	(403)	(403)	(403)	-	-	-	-	-
Notes Receivable	(130)	(94)	(58)	(403)	(403)	(403)	(403)	(403)
Additional paid in capital	(29,096)	(40,789)	(61,354)	25,000	30,250	35,603	25,079	18,346
Unearned stock-based compensation	(11,693)	(19,275)	(21,542)	(82,896)	(1,637)	726	-	-
Beginning retained earnings	-	-	-	81,259	7,613	9,929	4,303	5,862
Net Income	112	(116)	(984)	-	(5,250)	(6,353)	(7,477)	(5,267)
Preferred Dividend	10,311	11,884	12,086	-	-	-	-	-
Other Comprehensive - Min. Pension	(21,472)	(39,434)	6(62,896)	-	-	-	-	-
Cumulative foreign currency income	-	-	-	-	-	-	-	-
Total shareholder's equity (deficit)	(21,472)	(39,434)	6(62,896)	101,049	108,662	117,591	108,627	99,349
Total liabilities and shareholders' equity (deficit)	\$ 157,682	\$ 153,502	\$ 134,869	\$ 169,269	\$ 171,509	\$ 177,286	\$ 172,314	\$ 165,163

PTPC Consolidated Statements of Cash Flows

US Dollars in Thousands

	2004	2005	2006	2007	2007	2007	2008	2009	2010	2011
	ACTUAL	ACTUAL	PRELIM UNAUDITED	FORECAST	ADJ FORECAST	PRO FORMA FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
CASH FLOWS FROM OPERATING ACTIVITIES										
Net (loss) Income	(11,693)	(19,275)	(21,540)	81,259	114,036	(32,777)	7,613	9,929	9,036	2,722
Adjustments to reconcile net loss to Cash Provided										
Depreciation	9,094	9,624	9,912	8,482	-	8,482	9,228	10,841	11,897	12,976
Accounts receivable	(4,112)	(787)	3,446	(2,584)	-	(2,584)	18	(2,665)	1,057	1,057
Inventories	1,405	5,072	(1,338)	(1,193)	-	(1,193)	(50)	(2,202)	161	456
Prepaid expenses	(657)	8	(1,493)	(3,340)	-	(3,340)	279	(456)	52	217
Other Assets	(5,643)	1,293	8,206	693	-	693	-	-	-	-
Amortization of Debt financing costs	1,245	1,111	1,636	6,206	5,345	861	-	-	-	-
Amortization of intangibles	1,460	1,575	1,678	(30,011)	(30,036)	25	-	-	-	-
Checks outstanding in excess of bank balances	462	(641)	(908)	(1,205)	-	(1,205)	-	-	-	-
Accounts payable pre-petition	4,349	2,553	6,906	(32,537)	(22,003)	(10,534)	-	-	-	-
Accounts payable post-petition	-	-	-	12,579	-	12,579	6,336	3,463	1,922	1,541
Accrued liabilities	466	2,722	311	(3,977)	(12,955)	8,978	(764)	595	(68)	(284)
Other current liabilities	(1,541)	216	(260)	(1,812)	(1,812)	0	-	-	-	-
Other liabilities	-	-	820	(329)	(757)	428	915	1,006	1,107	1,217
Cumulative foreign currency income and other	398	209	(1,361)	(11,143)	(13,292)	2,149	-	-	-	-
Net cash provided by operating activities	(4,767)	3,680	6,015	21,089	38,526	(17,438)	23,575	20,511	24,358	19,903
CASH FLOWS FROM INVESTING ACTIVITIES										
Purchase of property, plant, and equipment	(8,492)	(7,534)	(2,803)	(12,882)	-	(12,882)	(11,715)	(11,294)	(7,390)	(7,555)
Net cash used in investing activities	(8,492)	(7,534)	(2,803)	(12,882)	-	(12,882)	(11,715)	(11,294)	(7,390)	(7,555)
CASH FLOWS FROM FINANCING ACTIVITIES										
Net (repayments) borrowings credit facility	(770)	4,778	3,651	(17,436)	(48,915)	31,479	-	-	-	-
Revolver Exit Facility (repayments) borrowings	-	-	-	573	911	(338)	16,140	(1,217)	1,032	(348)
Principal payment of LT debt	(71,744)	-	-	-	-	-	-	-	-	-
Redemption of preferred stock	(24,743)	-	-	-	-	-	-	-	-	-
Senior secured notes / Term loan	110,615	(481)	789	(85,401)	(86,326)	925	(28,000)	(7,000)	-	-
Redemption of IRB	-	-	(7,200)	-	-	-	-	-	-	-
New Equity	-	-	-	78,089	78,089	-	-	-	-	-
Preferred Equity - Series A	-	-	-	25,000	25,000	-	5,250	5,353	(10,523)	(6,733)
Cap Lease	(101)	(450)	(481)	(8,326)	(8,286)	(40)	-	-	-	-
Net cash provided by financing activities	13,257	3,847	(3,241)	(7,501)	(39,527)	32,025	(6,610)	(2,864)	(9,492)	(7,082)
Intercompany Activity	-	-	-	(212)	-	(212)	-	-	-	-
Preferred Equity Dividend Activity	-	-	-	-	-	-	(5,250)	(6,353)	(7,477)	(5,267)
INCREASE (DECREASE) IN CASH	(2)	(7)	(29)	493	(1,000)	1,493	-	-	-	(0)
EXCHANGE RATE EFFECT ON CASH	2	7	29	7	-	7	-	-	-	-
CASH, beginning of period	-	-	-	-	1,000	-	500	500	500	500
CASH, end of period	-	-	-	500	(0)	1,500	500	500	500	500

PTPC Consolidated Income Statements

US Dollars in Thousands

	2007	
	May Month End	YTD
Net sales	\$ 20,483	\$ 89,986
Cost of sales	20,251	\$ 94,214
Gross margin	233	(4,228)
Selling Expense	481	2,309
Related party fees	-	28
Corporate G&A	2,424	11,129
Earnings (loss) from operations	(2,672)	(17,694)
Gain (loss) on Currency Translation	237	80
Interest and dividend income	30	83
Loss on early extinguishment of debt	-	(468)
Interest and amortization expense	(1,743)	(8,183)
General expense, net	(1,476)	(8,488)
Earnings (Loss) Before Income Taxes	(4,148)	(26,182)
Income tax expense (benefit)	45	213
Net earnings	(4,193)	(26,395)
Net Income to EBITDA Reconciliation:		
Net income (loss)	\$ (4,192.63)	\$ (26,395)
Interest expense (net)	1,713	8,100
Depreciation and intangible asset amortization	863	4,200
Taxes (benefit)/expense	45	213
Loss on early extinguishment of debt	-	468
EBITDA	\$ (1,572)	\$ (13,414)
Reaudit Related Fees	-	-
Restructuring Costs	1,925	8,941
EBITDAR	\$ 353	\$ (4,473)

EXHIBIT D
PORT TOWNSEND PAPER COMPANY
LIQUIDATION ANALYSIS

As described in the Plan, the Plan Proponents believe that the Plan as proposed, whereby the Debtors are reorganized under Chapter 11 of the Bankruptcy Code as a going concern with continuing operations, yields the best result for the Debtors, their customers, employees and creditors. Based upon the following hypothetical analysis (the "Liquidation Analysis"), the Plan Proponents have concluded that the Plan meets the "best interest of creditors" test set forth in section 1129(a)(7) of the Bankruptcy Code (described in Section VI of the Disclosure Statement), and that each Holder of an impaired claim will receive under the Plan value on the Effective Date that is not less than the value such holder would receive if the Debtors were to be liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date. The Debtors believe the Liquidation Analysis and the conclusions set forth herein are fair and accurate, and represent management's best judgment with regard to the results of a liquidation of the Debtors under Chapter 7. The analysis was prepared for this purpose alone to assist the Bankruptcy Court in making this determination, and should not be used for any other purpose.

The hypothetical Liquidation Analysis is shown on a consolidated basis for the Debtors and Non-Debtor Affiliates. The Liquidation Analysis reflects the estimated cash proceeds, net of liquidation-related costs that would be realized if the Debtors were to be liquidated under Chapter 7 of the Bankruptcy Code. Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by management of the Debtors and by the professionals, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and management, and are also based upon assumptions with respect to certain liquidation decisions which could be subject to change. The Liquidation Analysis has not been examined or reviewed by independent accountants in accordance with standards promulgated by the American Institute of Certified Public Accountants. THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

Management of the Debtors prepared this Liquidation Analysis with the assistance of Alvarez and Marsal North America, LLC. The Liquidation Analysis is based on PTPC's business plan as of June 15, 2007 and the projected claims as of August 31, 2007, and is predicated on the assumption that the Debtors would commence liquidation under Chapter 7 on or about August 31, 2007. It is assumed that the liquidation of the Debtors' estate would be substantially completed within a four month period. If the implementation of the liquidation plan were to be delayed, there is

a possibility that the Debtors would sustain additional administrative costs during the delay period, thus adversely impacting the net liquidation value of the estates.

The Liquidation Analysis is based, *inter alia*, upon the assumptions discussed below.

1. The liquidation of the Debtors would commence under the direction of a Chapter 7 trustee and would continue for a period of four months, during which time all of the Debtors' assets would be sold in one or a series of sales as a going concern to a third party buyer with the cash proceeds, net of liquidation-related costs, being distributed to creditors. Two factors are expected to have a significant influence over the sales price as compared to the estimated fair market value: 1) the short marketing period and 2) the bankruptcy of the seller as a result it is estimated that a discount of at least 20%, and maybe much more would be incurred in a Chapter 7 liquidation.
2. Liquidation proceeds would be distributed in accordance with Bankruptcy Code section 726. In any liquidation there is a general risk of unanticipated events, which could have a significant impact on the projected cash receipts and disbursements. These events include changes in the general economic condition, changes in consumer preferences, and changes in the market value of the Debtors' assets.
3. In order for a sale of the operations to occur on a timely basis, the sales price is assumed to be at a discount to the enterprise value of the business that might be attainable under more favorable conditions. The liquidation analysis assumes a twenty percent discount to enterprise value although a likely discount may be significantly higher. It is implicit in this assumption that unless the operations were sold on an expedited basis, the business may generate insufficient liquidity and cash flow to fund operations and the administrative costs of liquidating the estate. Given the nature and amount of the existing secured debt currently on the balance sheets of the Debtors, it would be difficult to obtain additional liquidity from other sources.
4. Due to the nature of the Debtors' assets, plants, and property, it is assumed that a sale of the ongoing operations of the Debtors' would yield a substantially greater recovery to the Estate than would a sale of the Debtors' individual, machinery, plant, equipment, accounts receivable, inventory, land and other assets.
5. It is assumed that the buyer(s) of the operating assets would elect to cure the same contracts which are being assumed and assigned under the POR.
6. It is assumed that the 503(b)(9) claims would not be paid from the proceeds until all secured claims have been paid in full unless the secured claims consent to payment of 503(b)(9) claims. In a Chapter 7 liquidation, potential preference recoveries would be available for payment of 503(b)(9) claims.

7. The Liquidation Analysis assumes that there are \$1m of net recoveries from the pursuit of any potential preferences, fraudulent conveyances, or other causes of action.
8. The Liquidation Analysis considers the liquidation of the Debtors' and its non-Debtor operations.

In addition to these assumptions and the specific assumptions listed in the notes to the Liquidation Analysis, there are significant areas of uncertainty that exist with respect to this Liquidation Analysis, they include:

1. The Liquidation Analysis necessarily contains an estimate of the amount of Claims that will ultimately become Allowed Claims. Such Claims have not been evaluated or determined by the Bankruptcy Court and, accordingly, the final amount of Allowed Claims against the Estates may differ from the Claims amounts used to complete this analysis. The Claims estimated in the Liquidation Analysis are consistent with the estimated Claims reflected in the Plan with certain modifications as described herein.
2. The liquidation itself could trigger certain priority payments that otherwise would not be due in the ordinary course of business. These priority payments would be made in full before any distribution of proceeds to pay general unsecured claims. Such events could create a larger number of unsecured creditors and would subject the Chapter 7 estates to considerable additional claims. No attempt has been made to estimate additional General Unsecured Claims that may result from liquidation under Chapter 7.
3. The Liquidation Analysis assumes that the contingent litigation claims against the Debtors are de minimis. However, due to general uncertainties with respect to the outcome of contingent litigation matters, the actual value of such claims remains uncertain. Accordingly, the estimated recovery percentages could be impacted by the outcome of such contingent litigation matters.

This Liquidation Analysis is also based upon assumptions with regard to liquidation decisions that are subject to change. Accordingly, there can be no assurances that the values reflected in this Liquidation Analysis would be realized if the Debtors were, in fact, to undergo such a liquidation.

Liquidation Analysis
8/31/2007

Amounts in Thousands USD

	FMV	CH 11 POR	CH 11 Recovery	CH 7 Liquidation Sale of Ops	CH 7 Recovery
Enterprise Value	139,000	139,000	100%	111,200	80%
Preference Recoveries	1,000	-		1,000	
Total Proceeds	140,000	139,000		112,200	
Administrative Claims:					
Professional Fees and Estimated Liquidation Costs		4,000	100%	7,000	100%
Contract Cures	2,000	2,000	100%	2,000	100%
Total Administrative Claims	2,000	6,000		9,000	
Excess / (deficiency) for DIP Claim	138,000	133,000		103,200	
DIP Claim:					
DIP Facility	48,915	48,915	100%	48,915	100%
Excess / (deficiency) for Other Secured Claims	89,085	84,085		54,285	
Other Secured Claims:					
Logger/Lumberman	760	760	100%	760	100%
Senior Notes	121,326	71,718	59%	47,960	40%
Senior Note Interest	11,550	6,827	59%	4,566	40%
Total Other Secured Claims	133,636	79,305		53,285	
Excess / (deficiency) for Unsecured Priority Claims	(44,551)	4,780		1,000	
Unsecured Priority Claims:					
303 b 9	4,000	4,000	100%	1,000	25%
Excess / (deficiency) for Unsecured Non-Priority Claims	(48,551)	780		-	
Unsecured Non-Priority Claims:					
VP Trade	15,600	780	5%	-	0%
Total Unsecured Non-Priority Claims	15,600	780		-	
Net Excess (deficiency) for Unsecured Non-Priority	(64,151)	-		-	

PROCEEDS NOTES

Note 1 – Enterprise Value

The enterprise value is based on the mid range valuation provided by A&M Securities LLC. Under Chapter 7 liquidation, the sales price is reduced by approximately 20% due to an assumed expedited sales process under a Chapter 7 liquidation scenario. The discount assumed could be substantially higher.

CLAIMS CLASSIFICATION AND NOTES

Note 1 – Administrative Claims

In a conversion to a Chapter 7 case, it is estimated that the delay resulting from a conversion of the case and the change in professionals would result in an increase of \$1m in professional fees and the payment of a 2% fee to the Chapter 7 trustee on total distribution to creditors. It is assumed that these costs would be paid in full from the proceeds of the sale. Contract cure amounts of \$2.0m are based on management's estimate of which contracts are to be assumed. In a Chapter 7 case, it is assumed that a buyer of the operating assets would require the same contracts and claims to be assumed or cured as assumed in the Plan of Reorganization.

Note 2 – DIP Claim

The Debtors' obligations under the post-petition Debtor-In-Possession Financing (the "DIP Obligations") are estimated to be \$49 million at August 31, 2007 (the estimated date of the start of the liquidation). The Liquidation Analysis assumes that the DIP Obligations are paid in their entirety.

Note 3 – Other Secured Claims

Secured Notes Claims, (the "Prepetition Secured Claims") are assumed to be paid on a pro rata basis from the net liquidation proceeds. Logger and Lumberman liens are also included in Other Secured Claims and are assumed to be paid in full. Total Prepetition Secured Claims are estimated to be approximately \$134 million (including prepetition accrued and unpaid interest and including logger/lumberman liens). Of the Prepetition Secured Claims, under a Chapter 7 liquidation, approximately \$53 million are secured under the Liquidation Analysis and the resulting deficiency would be treated as an Unsecured Non-Priority Claim.

Note 4 – Unsecured Priority Claims

Unsecured priority claims include 503(b) (9) payments.

Note 5 – Unsecured Non-Priority Claims

For purposes of the Liquidation Analysis, management has assumed that Unsecured Non-Priority Claims will consist of prepetition unpaid, unsecured obligations owed to vendors, employees and litigation parties. The Liquidation Analysis does not attempt to estimate any additional Unsecured Non-Priority Claims that would arise as a result of the rejection of executory contracts (including programming contracts) and leases that would otherwise be assumed under the Debtors' Plan, and the failure of the Debtors to perform under existing contracts. The amount of such additional claims could be substantial in amount. General Unsecured Claims are assumed to be paid on a pro rata basis from the net liquidation proceeds available, if any, after the payment of all other Claims. In this analysis, the consideration for Unsecured Non-Priority claims in a Chapter 7 liquidation is zero. For purposes of this Liquidation Analysis, under a Chapter 7 liquidation, Unsecured Non-Priority Claims in the aggregate (including the secured deficiency) are estimated to be \$97m.

EXHIBIT E

**ORGANIZATION CHART OF DEBTORS
AND NON-DEBTORS AFFILIATES**

Corporate Structure

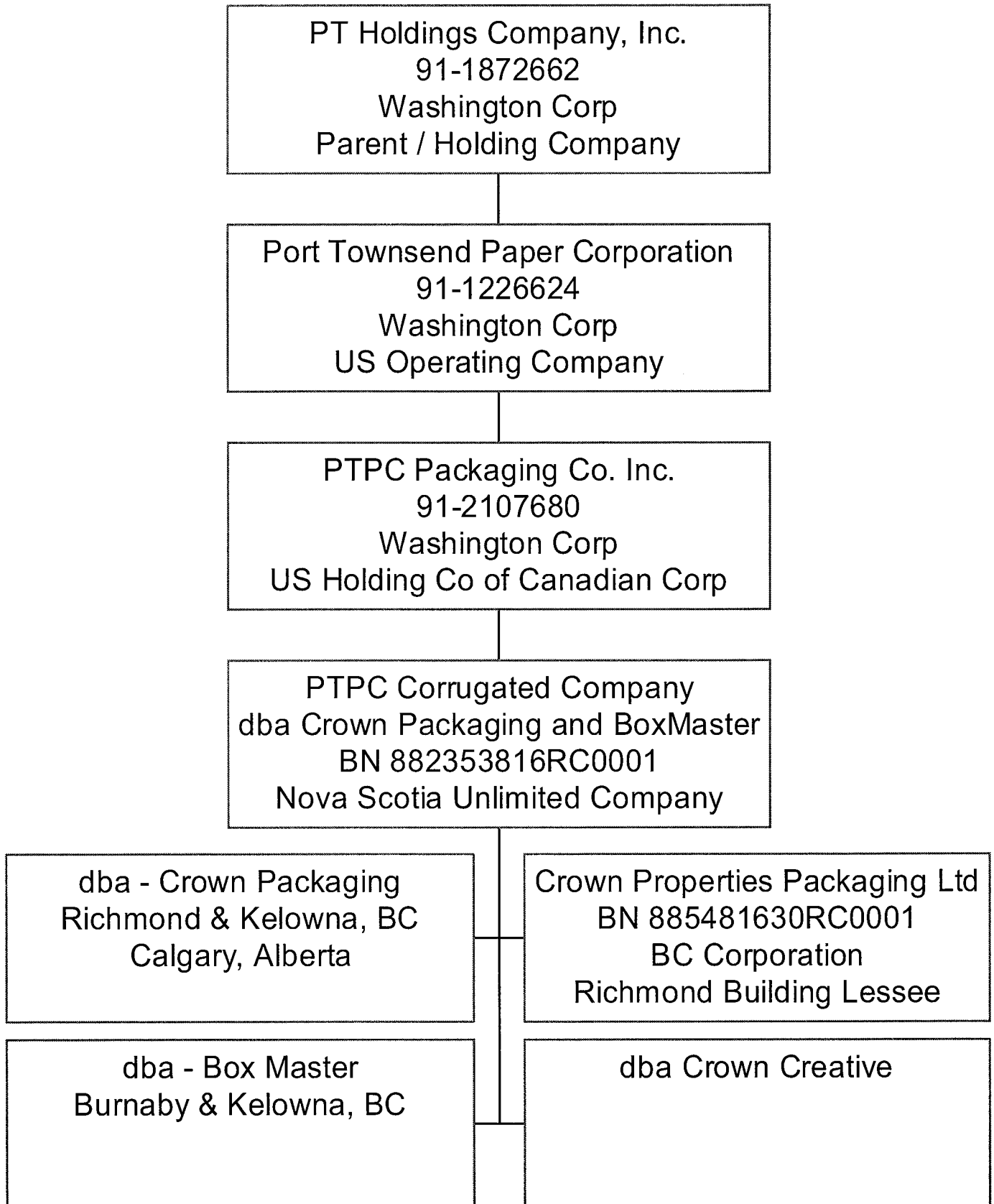


EXHIBIT F

COMMITMENT LETTER FOR EXIT FACILITIES

THALES HOLDINGS, LTD.
GOLDENTREE ASSET MANAGEMENT, LP

June 20, 2007

PT Holdings Company, Inc.
100 Paper Mill Hill Road
Port Townsend, WA 98368

Re: Exit Financing

Ladies and Gentlemen:

Reference is made to the chapter 11 bankruptcy cases, lead case no. 07-10340 (the "Bankruptcy Cases"), currently pending before the United States Bankruptcy Court for the Western District of Washington (the "Bankruptcy Court"), in which PT Holdings Company, Inc. and certain of its affiliates are debtors and debtors in possession (collectively, the "Debtors"). Reference is further made to (i) the Disclosure Statement for the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Jointly Proposed by the Debtors and the Informal Committee of Senior Secured Noteholders (the "Disclosure Statement") and (ii) the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Jointly Proposed by the Debtors and the Informal Committee of the Senior Secured Noteholders (as it may be modified or amended from time to time, the "Plan"). Capitalized terms used in this letter agreement (the "Commitment Letter") and not otherwise defined shall have the meanings provided in the Plan or the term sheet annexed hereto as Exhibit A (the "Term Sheet").

We understand that the Debtors propose to obtain exit financing required for the emergence of the Debtors from chapter 11 by offering (the "Offering") to eligible holders of Secured Note Claims (the "Offerees") a right to participate in a \$35 million term loan facility and a \$25 million preferred equity and warrant investment (together, the "Exit Facilities") as described in the Term Sheet. Pursuant to the Plan, each Offeree will receive an offer to participate in the Offering up to their respective *pro rata* holdings and will be required to accept such offer by the voting deadline to accept or reject the Plan in accordance with the procedures established in the Disclosure Statement (the "Offer Deadline"). For purposes of this Commitment Letter, the term "*pro rata*" means (x) the total principal amount of Secured Notes held by such Offeree divided by (y) the aggregate principal amount of Secured Notes outstanding.

To provide assurance that the Offering will be fully subscribed, the undersigned (collectively, the "Backstop Parties") hereby commit, severally and not jointly, to backstop the

Exit Facilities (the "Backstop Commitment") in the respective percentages set forth on Exhibit B, and on the terms described herein and the Term Sheet.

In consideration for the Backstop Commitment, the Company will pay to the Backstop Parties, an amount in cash equal to 1.5% of the Initial Term Loan Commitment and 1.5% of the Equity Commitment (together, the "Standby Commitment Fee"). Subject to the provisions below, the Standby Commitment Fee shall be deemed fully earned on the date of the entry of the Approval Order, regardless of whether the Offering is fully subscribed by eligible holders of the Senior Note Claims and regardless of whether the Exit Facilities are consummated. The Standby Commitment Fee shall be either (i) paid in cash as an allowed administrative expense claim upon the termination of this agreement; provided, that the Standby Commitment Fee shall not be payable in the event that this agreement is terminated by the Backstop Parties other than on account of a material breach by the Debtors of their obligations hereunder, or (ii) applied as a discount to the securities acquired by the Backstop Parties under the Exit Facilities. The Standby Commitment Fee shall be paid or applied as a discount to each Backstop Party in proportion to the percentages specified on Exhibit B annexed hereto. The Debtors agree that the Standby Commitment Fee shall be nonrefundable and that the Standby Commitment Fee and any other payments hereunder shall be paid without setoff or recoupment and shall not be subject to defense or offset on account of any claim, defense or counterclaim. All Standby Commitment Fee and other amounts payable hereunder shall be paid in immediately available funds.

Various terms essential to the Exit Facilities must still be developed and agreed upon, and we specifically reserve the right to approve all terms and conditions and to propose additional terms. In particular, the Term Sheet does not purport to include all of the conditions, covenants, closing conditions, representations, warranties, defaults, definitions and other terms that would be contained in the definitive documents for the Exit Facilities. This Backstop Commitment is subject to the negotiation, execution and delivery of definitive documentation satisfactory in form and substance to the Backstop Parties and their counsel. Furthermore, all matters relating to the confirmation and consummation of the Plan, including, without limitation, the form of the Plan as ultimately confirmed by the Bankruptcy Court and the terms of the Exit Facilities and of any guarantees and intercreditor arrangements relating to other indebtedness of Debtors must be in form and substance satisfactory to the Backstop Parties and their counsel.

The agreement of the Backstop Parties hereunder is conditioned upon the entry of an order of the Bankruptcy Court on or before June 28, 2007, in form and substance satisfactory to the Backstop Parties and their counsel, approving the Commitment Letter and Term Sheet, including the Standby Commitment Fee and the payment of expenses pursuant to the expense reimbursement provisions provided in this Commitment Letter, which order shall become a final order not subject to stay, appeal or modification on or before July 9, 2007 (the "Approval Order").

The obligation of the Backstop Parties hereunder is further conditioned on the terms and conditions set forth in the Term Sheet, as well as the entry by the Bankruptcy Court of an order (which has become final) confirming the Plan (with such changes as are satisfactory to the Backstop Parties and their counsel) (the Plan in the form confirmed by the Bankruptcy Court, the "Confirmed Plan"), and the effectiveness of such Confirmed Plan, on or before September 15, 2007.

The obligation of the Backstop Parties is further conditioned upon the absence, at Closing, of: (a) any material adverse change in the business, assets, financial condition, income or prospects of the Debtors and its subsidiaries, taken as a whole, since the Petition Date, excluding any such material adverse change of which the Backstop Parties have actual knowledge as of the date hereof (it being understood and agreed that the failure of the Debtors and their subsidiaries to operate, or the likelihood that the Debtors and their subsidiaries will fail to continue to operate, in accordance with the projections previously provided to the Backstop Parties and dated as of June 15, 2007, shall be deemed to be a material adverse change under this clause (a)), and (b) any material misstatements in or omissions from the materials that have previously been, or may hereafter be, furnished by the Debtors to the Backstop Parties for their review.

Whether or not (a) the transactions contemplated hereby are consummated or (b) the Standby Commitment Fee is payable, the Debtors agree to: (y) pay within 10 days of demand the reasonable and documented fees, expenses, disbursements and charges of the Backstop Parties incurred previously or in the future relating to the exploration and discussion of alternative financing structures to the Backstop Commitment or to the preparation and negotiation of this Commitment Letter, the Term Sheet and the proposed documentation and the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and expenses of counsel to the Backstop Parties, and (z) indemnify and hold harmless the Backstop Parties and their respective general partners and the respective officers, employees, affiliates, advisors, agents, attorneys, accountants, consultants of each such entity and to hold the Backstop Parties and such other persons and entities (each an "Indemnified Person") harmless from and against any and all losses, claims, damages, liabilities and expenses, joint or several, which any such person or entity may incur, have asserted against it or be involved in as a result of or arising out of or in any way related to this letter, the matters referred to herein, the Term Sheet, the proposed Backstop Commitment contemplated hereby, the use of proceeds thereunder or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any of such indemnified persons is a party thereto, and to reimburse each of such indemnified persons upon 10 days of demand for any legal or other expenses incurred in connection with any of the foregoing; provided, however, that the foregoing indemnity will not, as to any indemnified person, apply to losses, claims, damages, liabilities or related expenses to the extent they have resulted from the bad faith, willful misconduct or gross negligence of such indemnified person. Notwithstanding any other provision of this letter, no Indemnified Person will be liable for any special, indirect, consequential or punitive damages in connection with its activities related to the Backstop Commitment and the Exit Facilities. The terms set forth in this paragraph survive termination of this Commitment Letter and shall remain in full force and effect regardless of whether the documentation for the Exit Facilities is executed and delivered.

This letter (a) is not assignable by the Debtors without the prior written consent of the Backstop Parties (and any purported assignment without such consent shall be null and void), and (b) is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto. Notwithstanding the foregoing, the Backstop Parties may assign all or any portion of their obligations hereunder to one or more financial institutions reasonably acceptable to the Debtors (provided, that no Debtors consent shall be required for such an assignment to a fund affiliated with the Backstop Parties). Upon any such assignment (other than an assignment without the

Debtors' consent), the obligations of the Backstop Parties in respect of the portion of their obligations so assigned shall terminate.

This Commitment Letter sets forth the agreement of the Backstop Parties to fund the Backstop Commitment on the terms described herein and shall be considered withdrawn if the Backstop Parties have not received from the Debtors a fully executed counterpart to this Commitment Letter on or before 5:00 p.m. on June 21, 2007.

This Commitment Letter will be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

This Commitment Letter may not be amended or waived except in writing signed by the Debtors and the Backstop Parties. This Commitment Letter may be executed in any number of counterparts, each of which will be an original, and all of which, when taken together, will constitute one agreement. Delivery of an executed counterpart of this Commitment Letter by facsimile will be effective as delivery of a manually executed counterpart of this letter.

This Commitment Letter constitutes the entire understanding among the parties hereto with respect to the subject matter hereof and replaces and supersedes all prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof and shall become effective and binding upon (i) the mutual exchange of fully executed counterparts and (ii) the entry of the Approval Order.

If the foregoing is in accordance with your understanding of our agreement,
please sign this letter in the space indicated below and return it to us.

Very truly yours,

THALES HOLDINGS, LTD.

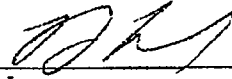


Name: Adel Shaban

Title: Portfolio Manager

[Signatures continue on following pages]

GOLDENTREE ASSET MANAGEMENT, LP
not in its individual and principal capacity, but as
Investment Advisor on behalf of one or more managed
clients



Name: Barry Ritzholz
Title: General Counsel

[Signatures continue on following page]

SIGNATURE PAGE TO COMMITMENT LETTER

The foregoing is hereby
agreed to and accepted:

PORT TOWNSEND PAPER CORPORATION

By: _____
Name:
Title:

PT HOLDINGS COMPANY, INC.

By: _____
Name:
Title:

PTPC PACKAGING CO., INC.

By: _____
Name:
Title:

Dated: June __, 2007

EXHIBIT A

PORT TOWNSEND PAPER CORPORATION

EXIT FINANCING TERM SHEET

JUNE 20, 2007

The Exit Financing Term Sheet (the "Term Sheet") is not a binding agreement. The contemplated financing, including all terms and conditions related thereto, described in the Term Sheet is subject to, among other things, definitive documentation. Accordingly, the terms and conditions set forth herein may change.

Exit Financing Proposal Overview

- Borrower:** Reorganized Port Townsend Paper Corporation, Reorganized PT Holdings Company, Inc. and all of their direct and indirect domestic subsidiaries (each a "Borrower" and collectively, the "Borrowers") on a joint and several basis.
- Facilities:** (i) an initial \$35 million term loan (the "Initial Term Loan"), (ii) an additional term loan up to \$10 million (the "Additional Term Loan" together with the Initial Term Loan, the "Term Loans"), and (iii) a \$25 million preferred equity investment (the "Preferred Equity Investment" and together with the Term Loans, the "Facilities").
- Use of Proceeds:** Proceeds from the Initial Term Loan and the Preferred Equity Investment shall be used to (i) refinance the Company's debtor-in-possession credit facility, (ii) provide funding for payments required under and in connection with the Plan (defined below), and (iii) provide working capital and for other general corporate purposes. Proceeds from the Additional Term Loan shall be used to redeem the Series A Preferred as described more fully herein.
- Backstop Parties:** Certain holders identified in Appendix A (each a "Backstop Party" and collectively, the "Backstop Parties") of the 11% Senior Notes due 2011 issued by Port Townsend Paper Corporation and guaranteed by all of its affiliates and subsidiaries (collectively, the "Secured Notes").
- Backstop Commitment:** The Backstop Parties commit to fully fund (i) the \$35 million Initial Term Loan (the "Initial Term Loan Commitment"), (ii) the \$10 million Additional Term Loan (the "Additional Term Loan Commitment" and together with the Initial Term Loan Commitment, the "Term Loan Commitment"), and (iii) the \$25 million Preferred Equity Investment (the "Preferred Equity Commitment") on a several, and not joint, basis.

Standby Commitment Fee:

1.5% on the Initial Term Loan Commitment and 1.5% on the Preferred Equity Commitment (together, the "Standby Commitment Fee") which shall be fully earned upon approval by the U.S. Bankruptcy Court for the Western District of Washington (the "Bankruptcy Court"). The Standby Commitment Fee shall be either (i) paid in cash as an allowed administrative expense claim upon the termination of the Backstop Commitment, subject to the terms of the Commitment Letter, or (ii) applied as a discount to the securities acquired by the Backstop Parties under the Facilities.

Closing Date:

The Effective Date of the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Jointly Proposed by the Debtors and the Informal Committee of Senior Secured Noteholders, dated February 28, 2007 (as it may be modified or amended from time to time, the "Plan").

Participation:

Any eligible holder of the Senior Notes may elect to participate, up to its respective pro rata holdings, in the Facilities (the "Financing Participants"). Such right will be subject to appropriate investor representations to establish the availability of an exemption from any securities law registration requirements and will be exercisable until the voting deadline to accept or reject the Plan.

Conditions Precedent:

On the Closing Date, the following conditions precedent, without limitation, shall have been satisfied or waived in writing by the Financing Participants:

- the Debtors shall have amended the Plan and Disclosure Statement in a manner consistent with this Term Sheet, which Plan and Disclosure Statement, as amended, shall be in form and substance satisfactory to the Backstop Parties in their sole discretion;
- all documentation relating to the Facilities including, without limitation, a loan and security agreement, stock purchase agreement, and any otherwise customary or appropriate agreement or document shall be executed and delivered in form and substance satisfactory to the Backstop Parties in their sole discretion;
- the Bankruptcy Court shall have entered an order, in form and substance satisfactory to the Backstop Parties in their sole discretion (the "Approval Order"), authorizing the Company to execute the Commitment Letter and approving, without limitation, the Standby Commitment Fee, the fees and expenses of the Backstop Parties, and the indemnification provisions set forth therein and authorizing and approving this Term Sheet and the transactions contemplated herein, including, without limitation, the granting of the security interests and liens and the payment of all consideration and fees referred to herein, which order shall be in full force and effect and shall not have been reversed, vacated or stayed and shall not have been amended, supplemented or otherwise modified without the prior written consent of the Backstop Parties (which consent may be withheld in their sole discretion);

- all motions and other documents to be filed with and submitted to the Bankruptcy Court in connection with the Facilities (including, without limitation, the Approval Order) shall be in form and substance satisfactory to the Backstop Parties in their sole discretion;
- except for the filing of the Cases, there shall have occurred no material adverse effect on any of (i) business, assets, financial condition, income or prospects of the Debtors and its subsidiaries, taken as a whole, since the Petition Date, excluding any such material adverse effect of which the Backstop Parties have actual knowledge of as of the date hereof (it being understood and agreed that the failure of the Debtors and their subsidiaries to operate, or the likelihood that the Debtors and their subsidiaries will fail to continue to operate, in accordance with the projections previously provided to the Backstop Parties and dated as of June 15, 2007, shall be deemed to be a material adverse change under this clause (i)), (ii) the ability of any Debtors to perform its obligations under the operative documents, or (iii) the ability of the Agent and the Financing Participants to enforce the operative documents (any of the foregoing being a "Material Adverse Change");
- governmental and third party consents and approvals necessary in connection with the Facilities and the transactions contemplated thereby shall have been obtained and shall remain in effect;
- all fees and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Agent and/or the Financing Participants shall have been paid; and
- the making of the Term Loans and Preferred Equity Investment shall not violate any requirement of applicable law and shall not be enjoined, temporarily, preliminarily or permanently.

Termination of Commitments:

The Term Loan Commitment and Preferred Equity Commitment shall terminate and all of the obligations of the parties thereto (other than the obligations of the Debtors to pay the reimbursable expenses and to satisfy its indemnification obligations) shall be of no further force or effect, upon the giving of written notice of termination by the Financing Participants, in the event that any of the following occurs, each of which may be waived in writing by the Financing Participants:

- the Bankruptcy Court fails to enter the Approval Order on or before June 28, 2007;
- the Approval Order does not become final on or before July 9, 2007;
- the Debtors and the Financing Participants shall fail to agree upon the form of definitive documentation on or before September 5, 2007;
- the Plan shall not have become effective on or before September 15, 2007;

- there is a modification to any provision of the Plan or the Disclosure Statement that is inconsistent with the terms and conditions set forth in the Term Sheet, without the prior written consent of the Financing Participants, or the Debtors shall withdraw, or file a motion to withdraw, the Plan, on terms not acceptable to the Financing Participants;
- the conversion of one or more of the chapter 11 cases to a case under chapter 7 of the Bankruptcy Code;
- the appointment of a trustee, receiver, examiner with expanded powers, or similar fiduciary in one or more of the chapter 11 cases;
- one or more of the Conditions Precedent is not satisfied (unless waived by the Financing Participants) or becomes impossible to satisfy on or before the Effective Date;
- 10 days after the receipt of written notice of termination by the Debtors from the Financing Participants, if the Debtors fail to perform in any material respect any obligations hereunder and such failure remains uncured at the conclusion of such ten-day period; and
- at any time after the occurrence of a Material Adverse Change.

Term Loan Facility

Borrower:	Reorganized Port Townsend Paper Corporation, Reorganized PT Holdings Company, Inc. and all of their direct and indirect domestic subsidiaries, on a joint and several basis.
Lenders:	The Financing Participants.
Administrative Agent:	Wells Fargo, N.A.
Collateral Agent:	Wells Fargo, N.A.
Term Loan Commitment:	(i) \$35 million on the Closing Date and (ii) an additional amount of up to \$10 million in connection with the partial redemption of the Series A Preferred as set forth below.
Interest:	Cash interest of L+700 bps, paid quarterly in arrears, calculated on an actual/360 day basis.
Default Interest:	Cash interest at an additional 2.0% per annum, calculated on an actual/360 day basis.
Funding Discount:	The Financing Participants shall acquire the notes under the Term Loan facility at a discount equal to 1.0% of the Term Loan Commitment.
Standby Commitment Fee:	As consideration for the Backstop Commitment, the Backstop Parties shall receive, in their respective pro rata shares, 1.5% of the Initial Term Loan Commitment which shall be either (i) paid in cash as an allowed administrative expense claim upon the termination of the Backstop Commitment, subject to the terms of

the Commitment Letter, or (ii) applied as a further discount to the notes acquired by the Backstop Parties under the Term Loans. The Standby Commitment Fee, once paid or applied, shall not be refundable.

Prepayment Premium: 2.0% of the Term Loan Commitment (the “Prepayment Premium”) upon acceleration or prepayment (optional or mandatory).

Optional Prepayment: At any time in increments of \$500,000.

Mandatory Prepayment: Customary and appropriate mandatory prepayment events, including in the event of a “Change of Control” (to be defined) and, out of net proceeds of debt and equity issuances (with mutually agreed upon exceptions), asset sales and casualty events (subject to mutually agreed reinvestment rights).

In addition, the Company shall use the net proceeds from any sale-leaseback transaction of the Richmond Facility that are not used to redeem the Series A Preferred to prepay the Initial Term Loan; including the Prepayment Premium; provided, that such net proceeds shall be applied first to the redemption of the Series A Preferred (rather than the prepayment of the Initial Term Loan) unless there is a default or event of default pending at the time of the receipt of such net proceeds, including after giving pro forma effect to such receipt and application, except to the extent the majority holders of the Initial Term Loan consent to such application. In the event that the proceeds of such sale leaseback transaction are applied to redeem Series A Preferred and the net proceeds from such sale-leaseback transaction is not sufficient to fully redeem the Series A Preferred, subject to the consent of the majority holders of the Initial Term Loan, the Company may draw the Additional Term Loan to the extent required to fully redeem the Series A Preferred.

Guarantees: All foreign subsidiaries of the Borrowers.¹

Term: 5 Years.

Security: The Term Loans will be secured by (i) a fully perfected, first priority lien on the PP&E of the Borrowers and (ii) a fully perfected, second priority lien on the working capital assets of the Borrowers; provided, however, the Richmond Facility lease will be specifically excluded from the collateral package.

Covenants: The definitive documentation shall contain covenants customarily included in agreements for similar financings.

Representations and Warranties: The definitive documentation shall contain representations and warranties customarily included in agreements for similar financings.

¹ The Debtors and the Backstop Parties may agree to eliminate the guarantees and may amend the Term Sheet to provide for a stock pledge of the foreign subsidiaries.

Transferability: The Term Loans will be freely assignable, in whole or in part, subject only to compliance with applicable law.

New Preferred Equity Investment

Issuer: Reorganized PT Holdings, Inc.

Type of Security: Series A Preferred Stock ("Series A Preferred"). Series A Preferred will, with respect to dividend rights and rights on liquidation, rank senior to the common stock of the Issuer.

Issue Amount: \$25 million.

Purchasers: The Financing Participants.

Accruals: PIK accruals of 20.0%, compounding semi-annually, commencing December 31, 2007.

Liquidation Preference: Upon any liquidation, dissolution or winding up of the Issuer, whether voluntary or involuntary (a "Liquidation Event"), the holder of Series A Preferred shall be entitled to receive, on a preferred basis prior to any distribution to the holders of common stock of the Issuer, an amount of cash per share equal to the original issue price, plus accruals.

Unless the holders of a majority of the shares of Series A Preferred determine otherwise, a Change of Control (to be defined) shall be deemed a Liquidation Event.

Funding Discount: The Financing Participants shall acquire the Series A Preferred at a discount equal to 1.0% of the Preferred Equity Commitment.

Standby Commitment Fee: As consideration for the Backstop Commitment, the Backstop Parties shall receive, in their respective pro rata shares, 1.5% of the Preferred Equity Commitment which shall be either (i) paid in cash as an allowed administrative expense claim upon the termination of the Backstop Commitment, subject to the terms of the Commitment Letter, or (ii) applied as a further discount to the Series A Preferred acquired by the Backstop Parties pursuant to the Preferred Equity Commitment. The Standby Commitment Fee, once paid or applied, shall not be refundable.

Term: 5 years.

Mandatory Redemption: On the fifth anniversary of the Closing Date, the Issuer shall redeem for cash all the then outstanding shares of the Series A Preferred in an amount of cash per share equal to the original issue price, plus accruals.

In addition, subject to the restrictions imposed under the Term Loan documentation described above, the Company shall use the net proceeds from any sale-leaseback transaction of the Richmond Facility and, to the extent available, simultaneously with such application, the proceeds of any Additional Term Loan, to redeem Series A Preferred at the Redemption Price.

Optional Redemption:

At any time, the Issuer may redeem the Series A Preferred for cash in an amount equal to 104% of the original issue price, plus accruals (the "Redemption Price"); provided, however, no optional redemption shall be permitted unless the Initial Term Loan is paid in full on or before the date of such optional redemption.

Board Representation:

The Issuer's board of directors shall consist of five directors. The holders of a majority of the Series A Preferred shall be entitled to elect one representative to the Issuer's board of directors.

Protective Covenants:

The Series A Preferred will have consent rights over fundamental transactions and other non-ordinary course events, including without limitation:

- creation or issuance (by reclassification, merger, consolidation, reorganization or otherwise) of equity securities;
- any alteration, amendment or waiver of the Issuer's charter or by-laws (including an amendment effected by merger, consolidation or other reorganization) that alters or changes the rights, preferences or privileges of the Series A Preferred or otherwise adversely affects the holders of Series A Preferred as a class;
- any increase or decrease in the number of authorized shares of Series A Preferred;
- the declaration or payment of any dividends on common stock;
- issuance of debt securities;
- merger or consolidation;
- acquisition or investment;
- sale, transfer or other disposition of a material asset;
- affiliate transaction; and
- any change in board size.

In addition, pursuant to the organizational documents for the Issuer and the shareholders agreement, if the Series A Preferred remain outstanding on the fifth anniversary of the Closing, the holders of the Series A Preferred will have the right to appoint a number of directors to the Board, in an amount to be determined, which directors shall serve as the sole members of a special committee with the power to conduct a sale of the Company. At such time, the Series A Preferred shall have, pursuant to the charter, sufficient votes to approve any sale of the Company without the consent of any other class of capital stock of the Company and, pursuant to the shareholders agreement, each other holder of common stock of the Company shall be requested to vote in favor of, and to consent to, any such sale approved by such special committee and by the Series A Preferred.

Transferability:

Each holder of Series A Preferred will have the right to transfer shares to any of its affiliates or funds managed by it or its affiliates so long as such persons are bound by the same restrictions as the transferring holder. Transfers to third parties will be subject to a right of first offer by each non-transferring holder.

Closing Conditions:

Customary closing conditions for transactions of this type.

Warrants:

On the Closing Date, the Company shall issue warrants (the “Warrants”) to holders of Series A Preferred. The Warrants will entitle their holders, in the event that the Series A Preferred remains outstanding, to purchase, at a strike price equivalent to a \$40 million common equity value of the Company:

- 5% of the Company’s common stock on the 6-month anniversary of the Closing;
- an additional 5% of the Company’s common stock on the 18-month anniversary of the Closing; and
- an additional 5% of the Company’s common stock on the 30-month anniversary of the Closing.

Such warrants shall be subject to customary anti-dilution protections.

Appendix A

<u>Backstop Party</u>	<u>Commitment</u>
Thales Holdings, Ltd.	16.67%
GoldenTree Asset Management, LP (not in its individual and principal capacity, but as Investment Advisor on behalf of one or more managed clients)	83.33%

EXHIBIT B

<u>Backstop Party</u>	<u>Standby Commitment Fee</u>
Thales Holdings, Ltd.	16.67%
GoldenTree Asset Management, LP (not in its individual and principal capacity, but as Investment Advisor on behalf of one or more managed clients)	83.33%