

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]

DISCLOSURE STATEMENT FOR 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., PACIFIC TIME, ON MAY [DATE], 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.

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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

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1 **DISCLAIMER**

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

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

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

32 **NO REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS**
33 **AMENDED (THE “SECURITIES ACT”), OR ANY OTHER FEDERAL OR STATE**
34 **SECURITIES OR “BLUE SKY” LAWS HAS BEEN FILED WITH THE SEC OR ANY**
35 **OTHER AGENCY BY THE DEBTORS WITH RESPECT TO THE NEW COMMON STOCK**
36 **THAT WILL BE ISSUED ON THE EFFECTIVE DATE OF THE PLAN AND THAT MAY BE**
37 **DEEMED TO BE OFFERED BY VIRTUE OF THIS SOLICITATION. THE DEBTORS ARE**
38 **RELYING ON THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION**
39 **1145 OF THE BANKRUPTCY CODE TO EXEMPT FROM REGISTRATION UNDER THE**
40 **SECURITIES LAWS ANY OFFER OF THE NEW COMMON STOCK AND, IF**
41 **APPLICABLE, THE NOTEHOLDER TERM LLOAN DEBT THAT MAY BE DEEMED TO**
42 **BE MADE PURSUANT TO THE PLAN.**

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 (I) THE INFORMAL
13 COMMITTEE AND ITS ADVISORS NOR (II) THE AUDITORS OR OTHER ADVISORS
14 FOR THE DEBTORS HAS COMPILED OR EXAMINED THE PROJECTIONS AND,
15 ACCORDINGLY, NONE OF SUCH PARTIES EXPRESSES ANY OPINION OR PROVIDES
16 ANY OTHER FORM OF ASSURANCE WITH RESPECT TO, OR ASSUMES ANY
17 RESPONSIBILITY FOR, AND EACH SUCH PARTY EXPRESSLY DISCLAIMS ANY
18 RESPONSIBILITY FOR, THE PROJECTIONS.

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

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

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

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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 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 (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 or Interest 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 [] 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 (Exhibit C);
- d. Historical Financial Information (Exhibit D);
- e. Liquidation Analysis (Exhibit E); and
- f. Organization Chart of Debtors and Non-Debtor Affiliates (Exhibit F).

1 **B. PREPETITION RESTRUCTURING BACKGROUND**

2 Prior to the Filing Date, the Debtors and Non-Debtor Affiliates maintained a working capital
3 facility with The CIT Group/Business Credit, Inc. and CIT Business Credit Canada Inc., respectively
4 (the “Prepetition Lenders”) which provided access to loans and advances up to a maximum aggregate
5 amount of \$35 million (the “Prepetition Credit Facility”). Amounts owed under the Prepetition Credit
6 Facility were secured by liens on substantially all assets of the Debtors and Non-Debtor Affiliates and
7 the proceeds therefrom. The Debtors and Non-Debtor Affiliates also are obligors or guarantors with
8 respect to \$125.0 million of 11% Senior Secured Notes due 2011 (the “Secured Notes”) which are
9 secured by liens on substantially all assets of the Debtors and Non-Debtor Affiliates and the proceeds
10 therefrom. Interest payments of approximately \$6.9 million on the Secured Notes are payable semi-
11 annually on April 15th and October 15th of each year. The relative liens and collateral securing
12 repayment of the Debtors’ obligations under the Prepetition Credit Facility and the Secured Notes are
13 subject to that certain Amended and Restated Intercreditor Agreement, dated as of July 21, 2005, by
14 and between the Prepetition Lenders and the Indenture Trustee (the “Intercreditor Agreement”).

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

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

31 In connection with the commencement of the Bankruptcy Cases, the Debtors reached an
32 agreement in principle with the members of the Informal Committee and Northwest Capital regarding
33 the terms of a proposal to restructure the Debtors’ balance sheet. The agreement is contained in the
34 Restructuring Term Sheet, dated January 29, 2007 (the “Term Sheet”), which is attached as Exhibit B
35 to this Disclosure Statement. Under its terms, holders of the Secured Note claims will receive, in full
36 satisfaction of their Secured Notes Claims, their pro rata share of (i) 100% of the New Common Stock
37 subject to dilution on account of the Management Equity Plan and Equity Warrants, and (ii) 100% of
38 the Noteholder Term Loan Debt to be issued by the reorganized Debtors in an original principal
39 amount not to exceed \$75 million. Holders of PT Holdings’ existing common stock will receive their
40 pro rata share of Equity Warrants. The Plan implements the agreement represented by the Term
41 Sheet.

1 **C. SUMMARY OF THE PLAN**

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

5 The Plan is designed to achieve an equitable and early distribution to creditors of the Debtors,
6 preserve the value of the Debtors' business as a going concern, and preserve the jobs of employees.
7 The Plan Proponents believe that any alternative to confirmation of the Plan, such as liquidation or
8 attempts by another party in interest to file a plan, would result in significant delays, litigation and
9 costs, the loss of jobs by the employees and/or impaired recoveries. Moreover, the Plan Proponents
10 believe that the Debtors' creditors will receive greater and earlier recoveries under the Plan than those
11 that would be achieved in liquidation or under an alternative plan. **FOR THESE REASONS THE**
12 **PLAN PROPONENTS URGE YOU TO RETURN YOUR BALLOT "ACCEPTING" THE**
13 **PLAN.**

14 The Plan Proponents have prepared a valuation analysis of the Debtors using widely-accepted
15 valuation methodologies (as more fully set forth in Section V). This valuation has produced a range
16 of value for the Debtors, including interests in the Non-Debtor Affiliates, between \$_____ million
17 and \$_____ million, which is less than the total aggregate amount of the DIP Facility and Secured
18 Notes Claims, each of which are secured by substantially all of the assets of all of the Debtors,
19 including their Non-Debtor Affiliates, and which must be satisfied in full before any distribution may
20 be made to the Debtors' General Unsecured Creditors or the Debtors' common stockholders. Based
21 on the Debtors' estimate, the valuation required to provide a distribution to holders of General
22 Unsecured Creditors according to the absolute priority rule, and after taking into account the DIP
23 Facility Claims, Other Secured Claims, and Secured Notes Claims (inclusive of post-petition interest,
fees and charges under the Indenture) would need to be in excess of approximately \$_____ million.

Since the holders of the Secured Notes Claims and DIP Facility Claims have liens against
substantially all of the assets of the Debtors and such assets are worth less than the aggregate amount
of the DIP Facility Claims and the Secured Notes Claims, the holders of such claims are entitled to
receive the economic value of the Debtors. Despite the fact that the holders of Secured Notes Claims
in the aggregate are undersecured and entitled to the entire economic value of the Debtors after
payment of DIP Facility Claims, the Debtors and the members of 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 and PT Holdings' common stockholders. Specifically, if
Classes 3A-3C vote to accept the Plan, holders of Secured Notes Claims will transfer a portion of the
entire economic value of the Debtors which they are otherwise entitled to receive to (i) General
Unsecured Creditors through the Class 3 Contribution if each of Classes 4A-4C vote to accept the
Plan, and (ii) common stockholders of PT Holdings through the distribution of Equity Warrants if
Class 8A votes to accept the Plan. 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 \$[_____] million.

The following table summarizes the treatment of Claims and Interests under the Plan. This table identifies the Claims against and Interests in the Debtors in their respective Classes and summarizes the treatment for each Class under the Plan. The table also identifies which Classes are 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.

IRS CIRCULAR NOTICE: TO INSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF 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>	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Estimated Percentage Recovery</u>
1	Other Secured Claims	\$ _____	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	\$ _____	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 (i) 100% of the Noteholder Term Loan Debt and (ii) 100% of New Common Stock subject to dilution of Management Equity Plan and Equity Warrants.	Impaired	Entitled to vote	____%

<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount</u>	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Estimated Percentage Recovery</u>
4A-4C	General Unsecured Claims	\$ _____	Pro Rata Share of the Class 3 Contribution. If Class 4A, 4B or 4C votes to reject the Plan, Classes 4A-4C shall receive no distribution.	Impaired	Entitled to vote	____%
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	Pro Rata share of Equity Warrants. If Class 8A votes to reject the Plan, Class 8A shall receive no distribution.	Impaired	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 Lender 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.

1 **D. VOTING AND CONFIRMATION PROCEDURES**

2 Accompanying this Disclosure Statement are copies of the following documents: (1) the Plan,
3 which is annexed to this Disclosure Statement as Exhibit A; (2) a Notice to Voting Classes; and (3) an
4 applicable Ballot to be executed by Holders of Claims or Interests in Classes 3A-3C, 4A-4C, and 8A
5 to accept or reject the Plan. This Disclosure Statement, the form of Ballot, and the related materials
6 delivered together herewith (collectively, the "Solicitation Package"), are being furnished to Holders
7 of Claims or Interests in Classes 3A-3C, 4A-4C, and 8A for the purpose of soliciting votes on the
8 Plan.

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

12 **1. Who May Vote**

13 Pursuant to the provisions of the Bankruptcy Code, only classes of Claims or Interests that are
14 "impaired" and that are not deemed as a matter of law to have rejected a plan of reorganization under
15 section 1126(g) of the Bankruptcy Code are entitled to vote to accept or reject the Plan. Any class that
16 is "unimpaired" is not entitled to vote to accept or reject a plan of reorganization and is conclusively
17 presumed to have accepted the Plan. As set forth in section 1124 of the Bankruptcy Code, a class is
18 "impaired" if legal, equitable, or contractual rights attaching to the claims or equity interests of that
19 class are modified or altered. For purposes of the Plan only, Holders of Claims or Interests in Classes
20 3A-3C, 4A-4C, and 8A are impaired and are entitled to vote on the Plan.

21 A Claim must be "allowed" for purposes of voting in order for such creditor to have the right
22 to vote. Generally, for voting purposes a Claim is deemed "allowed" absent an objection to the Claim
23 if (i) a proof of claim was timely filed, or (ii) if no proof of claim was filed, the Claim is identified in
the Debtors' Schedules as other than "disputed," "contingent," or "unliquidated," and an amount of
the Claim is specified in the Schedules, in which case the Claim will be deemed allowed for the
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
_____, 2007, or you will not be entitled to vote to accept or reject the Plan.

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

2. Voting Instructions and Voting Deadline

All votes to accept or reject the Plan must be cast by using the Ballot enclosed with this
Disclosure Statement. No votes other than ones using such Ballots will be counted, except to the
extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has fixed _____ as the

1 date (the "Voting Record Date") for the determination of the Holders of Claims or Interests who are
2 entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote
3 to accept or 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 May [DATE], 2007 to:

4 BMC Group, Inc.
5 Re: Port Townsend Paper Corporation
6 720 Third Avenue
23rd Floor, Seattle
Washington 98104

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

11 **3. Specific Instructions For Holders Of Secured Notes Claims**

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

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

23 **a. Beneficial Owners**

20 A beneficial owner holding Secured Notes should vote on the Plan by completing and signing
21 the enclosed Ballot in accordance with the provisions of the Ballot and returning it directly to the
22 designated bank, broker, agent, nominee or other record holder holding your Secured Notes
23 ("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

1 acceptance or rejection of the Plan until such Nominee properly completes and timely delivers to the
2 Balloting Agent that Ballot and a master Ballot that reflects the vote of such beneficial owner.

3 **b. Nominees**

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

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

22 **c. Miscellaneous**

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

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

4. Whom to Contact for More Information

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

1 Bankruptcy Rule 3017(d), please contact the Balloting Agent at the address indicated above or by
2 telephone at (888) 909-0100.

3 **5. Acceptance or Rejection of the Plan**

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

15 **6. Time and Place of the Confirmation Hearing**

16 Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a
17 confirmation hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may
18 object to confirmation of the Plan. Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy
19 Rule 3017(c), the Bankruptcy Court has scheduled the Confirmation Hearing to commence on
20 _____ (Pacific Time), before the Honorable Samuel J. Steiner, of the United States
21 Bankruptcy Court for the Western District of Washington, UNITED STATES BANKRUPTCY
22 COURT, COURTROOM 8206 700 STEWART STREET, SEATTLE, WASHINGTON 98101. A
23 notice setting forth the time and date of the Confirmation Hearing has been included along with this
Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the
Bankruptcy Court without further notice, except for an announcement of such adjourned hearing date
by the Bankruptcy Court in open court at such hearing.

7. Objections to the Plan

Any objection to confirmation of the Plan must be in writing; must comply with the
Bankruptcy Code, Bankruptcy Rules, and the Local Rules of the Bankruptcy Court; and must be filed
with the United States Bankruptcy Court for the Western District of Washington at Seattle and served
upon the following parties, so as to be received no later than _____ at 4:00 p.m. (Pacific Time):
(i) Bush Strout & Kornfeld, Counsel for the Debtors, 601 Union Street, Seattle, Washington, 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, Washington 98101 (Attn: Jack Cullen, Esq.); and (iii) the Office of the U.S.
Trustee, 700 Stewart Street, Suite 5103, Seattle, WA 98101 (Attn: Martin L. Smith).

1 **II. BUSINESS DESCRIPTION AND REASONS FOR CHAPTER 11 FILINGS**

2 **A. BUSINESS OVERVIEW**

3 **1. Corporate History and Background**

4 The Company is a pulp, kraft paper, and lightweight containerboard producer headquartered in
5 Port Townsend, Washington. The Company has two reporting segments: (i) the paper division which
6 operates the Company’s kraft paper and containerboard division (the “U.S. Operations” or “paper”
7 division) and (ii) the corrugated products division, which operates in the Canadian provinces of
8 British Columbia and Alberta (the “Canadian Operations” or “corrugated” division). The corporate
9 structure of the Debtors and their Non-Debtor Affiliates, as of the Petition Date, is set forth in Exhibit
10 F hereto.

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

15 Based on preliminary, unaudited numbers, on a consolidated basis including Canadian
16 operations, for the year ended December 31, 2006, net sales were \$228.6 million; a 2.5% increase
17 compared to \$222.9 million for the year ended December 31, 2005. The net loss for the year ended
18 December 31, 2006 was approximately \$21.5 million compared to a net loss of \$19.3 million for the
19 same period of 2005. Adjusted EBITDA, as reconciled from the net loss, was \$13.7 million and \$16.7
20 million for the years ended December 31, 2006 and 2005, respectively. Adjusted EBITDA, as
21 reconciled from net loss, was \$___ million for the last twelve months ending _____, 2007.

22 The Company currently employs approximately 309 full-time employees and 2 part-time
23 employees in the United States. Additionally, the Company’s Canadian operations employ
24 approximately 459 employees. Of these employees, approximately 217 U.S. employees are covered
25 by a collective bargaining agreement with United Steel Workers Local 175. Approximately 232
26 Canadian Employees are covered by a collective bargaining agreement with The Communications,
27 Energy & Paperworkers Union of Canada (“CEP”) at the Company’s Richmond and Kelowna
28 corrugated product plants.

29 PT Holdings and Packaging are both holding companies with no operations. PTPC is the
30 operating company for the U.S. Operations. PTPC Corrugated Company and Crown Properties
31 Packaging Ltd. are Canadian affiliates of the U.S. companies and are not Debtors.

32 **2. U.S. Operations**

33 The Company’s U.S. Operations consist of the Port Townsend Mill. The Port Townsend Mill
34 has been in operation since 1927 and consists of two paper machines and a pulp and fiber supply
35 system. The Port Townsend Mill produces unbleached kraft pulp, lightweight linerboard, corrugating
36 medium and unbleached converting grades, all to customer specification.

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

8 During the year ended December 31, 2006, the Port Townsend Mill produced approximately
9 81,000 tons of unbleached kraft pulp, 48,000 tons of unbleached converting grades and 178,000 tons
10 of containerboard. The Company’s net sales for 2006 attributable to the U.S. Operations were
11 \$147,760,400.

12 **3. Canadian Operations**

13 The Company’s Canadian affiliates are not Debtors under these proceedings. The Canadian
14 Operations consist of five plants in Western Canada involved in the manufacture of corrugated
15 products. The Company owns and operates two corrugated products manufacturing plants located in
16 Richmond and Kelowna, British Columbia. It also operates two corrugated sheet converting plants
17 located in Burnaby and Kelowna, British Columbia and owns and operates a sheet plant in Calgary,
18 Alberta. The Company’s corrugated products are manufactured by combining corrugating medium
19 and linerboard into corrugated sheets, which are then converted into finished packaging products,
20 cartons and displays that help market products. The aggregate annual production capacity of these
21 five converting plants as of December 31, 2006 was approximately 2.0 billion square feet of
22 corrugated products.

23 During the year ended December 31, 2006, the Canadian converting plants consumed
approximately 45% of the containerboard manufactured at the Port Townsend Mill. Additional
containerboard is purchased from third-party sources.

The Company sells its Canadian corrugated products to a diverse group of customers,
including leading food and beverage companies and other well-known consumer products companies
under the industry-recognized Crown Packaging and BoxMaster brands. The Company also provides
graphic design services and engineering services for structural design to the majority of its corrugated
products consumers. The Company is often the sole provider of these services to its corrugated
products customers. The Company’s estimated annual sales for 2006 attributable to the Canadian
Operations were C\$126,447,300.

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.
Its 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 softwood

1 kraft pulp is sold to a third-party distributor who subsequently sells into Asia for use in the production
2 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
5 industry-recognized Crown Packaging and BoxMaster brands. The Company also provides graphic
6 design services and engineering services for structural design to the majority of its corrugated
7 products customers. Frequently, the Company is the sole provider of these services to its corrugated
8 products 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. While corrugated product prices fluctuate based on the price
12 of containerboard, they are significantly less volatile than the prices for commodity raw materials. In
13 addition, because finished corrugated products are value-added, they command higher margins than
14 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 and competes well on all of
these factors.

The Company's market pulp and containerboard 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 susceptible to price declines than the Company.

6. Seasonality

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

1 **7. Environmental Regulatory Factors**

2 Like its competitors, the Company employs processes in the manufacture of market pulp, kraft
3 paper and containerboard that result in various discharges, emissions and wastes. Therefore the
4 Company is subject to stringent general and industry-specific environmental laws and regulations
5 imposed by national, state, provincial and local authorities in the United States and Canada. Among
6 other things, these laws and regulations regulate discharges and emissions of pollutants, and the use,
7 disposal and remediation of hazardous substances and contaminants. The Company strives to be in
8 continual compliance and maintains a staff to monitor the Company's performance against the
9 Company's environmental requirements and permits. Nonetheless, it cannot assure that the Company
10 is or will continue to be in full compliance with environmental requirements. If the Company fails to
11 operate in compliance with such requirements, it could be subject to fines, penalties or orders
12 affecting the Company's ability to operate, or increasing its costs, each of which could have a material
13 adverse effect on its business, financial condition and operating results.

14 The Company is subject to the U.S. Environmental Protection Agency's Pulp and Paper
15 National Emission Standards for Hazardous Air Pollutants ("NESHAP"). The NESHAP regulations
16 require that the Company employ Maximum Achievable Control Technology ("MACT") for air
17 emissions from certain mill processes at the Company's Port Townsend mill. The Company has
18 attained compliance with the first stage of MACT ("MACT I phase 1"), which addressed odor gases,
19 and MACT II, which addressed emissions from the Company's recovery boiler, lime kiln, and smelt
20 tank. The Company has also installed a Clean Condensate Alternative to comply with
21 MACT I phase 2. The Company has begun initial studies for the next phase, which involves the
22 Company's waste wood boiler. The Company currently anticipates that the cost to comply with Boiler
23 MACT requirements will total approximately \$1.0 million, the majority of which it expects to incur in
24 2007 and 2008. Because other future environmental standards have not been finalized or even
25 enacted, it is difficult to predict with certainty the amount of expenditures over the long term that will
26 be required to comply with future standards. Nonetheless, environmental laws tend to become more
27 stringent over time and the Company expects to continue to make capital expenditures relating to
28 environmental compliance in the future.

29 Fresh water supply is an integral part of the papermaking process. To reduce the likelihood of
30 any curtailment due to the lack of water, the mill employs certain water conservation measures.
31 Although there can be no absolute assurance, the Company plans to aggressively mitigate possible
32 low water flows to avoid any curtailment of production. The Company is in the process of designing
33 and building a Steam Cycle Washer, which it expects will lower its fresh water usage and costs, while
34 also decreasing its energy and chemical costs. Through 2007, the Company expects to incur \$2.6
35 million in capital expenditures for the Steam Cycle Washer.

36 Certain environmental laws provide for strict, and in some circumstances, joint and several
37 liability, for investigation and remediation of spills and other releases of hazardous substances and for
38 liability for related damages to natural resources. The Company may face such liability for releases
39 that may have occurred at its current facilities or sites that the Company's predecessors or the
40 Company formerly owned or operated, or at sites where the Company's predecessors or the Company
41 disposed of, or arranged for the disposal of, certain wastes. Liability under these laws may be imposed

1 without regard to whether the Company knew of, or caused, the release of such substances. It is
2 possible that the Company could incur such liability that would have a material adverse effect on its
business, financial condition and operating results.

3 As of December 31, 2006, the Company was unable to estimate the range of settlement dates
4 and the related probabilities for certain asbestos remediation Asset Retirement Obligations (AROs).
5 These conditional AROs are primarily related to the encapsulated structural fireproofing that is not
6 subject to abatement unless the buildings are demolished and non-encapsulated asbestos that the
7 company would remediate only if it performed major renovations of certain existing buildings.
Because these conditional obligations have indeterminate settlement dates, the Company could not
develop a reasonable estimate of their fair values. The Company will continue to assess its ability to
estimate fair values at each future reporting date. The related liability will be recognized once
sufficient additional information becomes available.

8 **B. PREPETITION CAPITAL STRUCTURE**

9 **1. Prepetition Credit Facility**

10 On July 21, 2005, PTPC (the "US Borrower"), PTPC Corrugated Company, a Nova Scotia
11 unlimited liability company (the "Canadian Borrower" and together with the US Borrower, the
"Borrowers") and PT Holdings (the "Parent Guarantor") entered into a Loan and Security Agreement,
12 as amended and restated (the "Credit Agreement") with CIT (the "U.S. Lender"), with respect to the
loans and advances made by the U.S. Lender to the U.S. Borrower (the "U.S. Transaction") and CIT
13 Business Credit Canada Inc. (the "Canadian Lender" and together with the U.S. Lender, the
"Prepetition Lenders") with respect to the loans and advances made by the Canadian Lender to the
14 Canadian Borrower (the "Canadian Transaction" and together with the US Transaction, the
"Prepetition Credit Facility").

15 The Prepetition Credit Facility consists of (a) a five-year revolving loan up to a maximum
16 amount of \$12 million made by the US Lender to the US Borrower (the "U.S. Revolver") and (b) a
five-year revolving loan up to a maximum amount of \$23 million made by the Canadian Lender to the
17 Canadian Borrower (the "Canadian Revolver", together with the U.S. Revolver, the "Prepetition
Loans"). The maximum amount of the Prepetition Loans available to the Borrowers are subject to a
18 borrowing base (which is further limited by reserves and blocks imposed by the Prepetition Lenders
pursuant to the Credit Agreement). As of the Filing Date, the aggregate amount of loans drawn on (i)
19 the U.S. Revolver was approximately \$8,061,818.22 (ii) the Canadian Revolver was approximately
\$10,866,000. The obligations under the Prepetition Credit Facility is unconditionally and irrevocably
20 guaranteed on a joint and several basis by the Parent and each of the Company's existing and future
direct and indirect subsidiaries that are organized in the United States and Canada (the "CIT
21 Guarantors").

22 The Prepetition Loans are secured by (i) first priority liens, subject to permitted liens, on
substantially all assets of PTPC and the CIT Guarantors (other than the Senior Notes First Priority
23 Collateral), including, but not limited to, accounts receivable, inventory and the related assets and
amounts, if any, deposited in the excess cash flow collateral account, now owned or hereafter acquired

1 (collectively the "CIT First Priority Collateral") and (ii) second priority liens on the Senior Notes First
2 Priority Collateral (as defined below), as more fully described in the Intercreditor Agreement.

3 As indicated supra, during the Bankruptcy Case, the DIP Facility provides for the payment in
4 full of the Prepetition Loans owed to the US Lender.

5 **2. The Secured Notes**

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

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

20 **3. Equity**

21 As of February 28, 2007, there were 1,492,117 shares of common stock of PT Holdings issued
22 and outstanding. These shares are not listed for sale on a nationally recognized quotation system.
23 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.

As of the date hereof there are 125,000 issued and unexercised Old Warrants. The Old
Warrants have an exercise price of \$0.01 per share. Pursuant to the Plan, the Old Warrants will be
deemed exercised and the holders of Old Warrants will participate as Holders of Class 8A Interests.

C. DIRECTORS AND EXECUTIVE OFFICERS OF THE DEBTORS

The following table sets forth certain information regarding the Debtors' executive officers
and directors as of February 22, 2007.

<u>Name</u>	<u>Age</u>	<u>Position</u>
John P. Begley	60	President and Chief Executive Officer, Director - Debtors

<u>Name</u>	<u>Age</u>	<u>Position</u>
Timothy P. Leybold	49	Chief Financial Officer - Debtors
Bruce McComas	57	Vice President, Operations and General Manager, PTPC
Joseph M. Beers	39	Vice President, Crown Packaging
Ernest A. Conrads	44	Corporate Treasurer - Debtors
Carl W. Simpson	45	Corporate Controller and Principal Accounting Officer - Debtors
Donald L. Tisdell	72	Chairman of the Board of Directors - Debtors
E. Perot Bissell IV	47	Director - Debtors
Bradford N. Creswell	47	Director - Debtors
John H. Waechter	78	Director - Debtors
W. R. Greenwood	65	Director - Debtors
William Hall	76	Director - Debtors
Les Lederer	58	Director - Debtors
George Vojta	71	Director - Debtors

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.

Timothy P. Leybold has been the Debtors' Chief Financial Officer since December 2004. From February 2000 to December 2004, Mr. Leybold was the Chief Financial Officer of The Port Blakely Companies, a Washington-based forest products and residential development firm. Mr. Leybold was also Chief Financial Officer of Roseburg Forest Products from 1996 to 2000 and was previously a Manager with Arthur Andersen & Co.

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

1 Manager - Pulping, Recycling and Power & Recovery.

2 **Joseph M. Beers** has been Vice President of Crown Packaging since November 2005 and was
3 previously General Manager of Crown Packaging Richmond since rejoining the Company in August
4 2003. From 1988 to 2001, Mr. Beers held various positions of increasing responsibility with the
5 Company including Technical Director, Assistant Paper Machine and Finishing Manager, and
6 Portland Plant Manager and Vice President, Converting Operations.

7 **Ernest A. Conrads** has been the Debtors' Corporate Treasurer since April 2005. Before
8 joining the Company, Mr. Conrads was with G.B. Enterprises Inc., a part of the Alpha Group, a
9 Washington-based manufacturer of communication powering equipment from January 1999 to April
10 2005, where he most recently served as Vice President of Finance and Treasurer.

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

18 **Donald L. Tisdell** has been Chairman of the Board of Directors of the Debtors since October
19 2006 and a director since 1997. He is a Senior Operating Partner and co-founder of Northwest Capital
20 Appreciation, Inc. From 1985 to 1991, Mr. Tisdell served as Chief Executive Officer of Far West
21 Federal Bank, a savings and loan headquartered in Portland, Oregon. From 1972 to 1982, Mr. Tisdell
22 served as Chief Executive Officer of Orbanco Financial Services, a commercial bank holding
23 company. From 1967 to 1972, Mr. Tisdell was the Chief Financial Officer of Northwest Acceptance
Corporation and, prior to that, was a commercial banker with Security Pacific Corporation.

E. Perot Bissell IV has been a director of the Debtors since 1997, and is currently Managing
Partner of Northwest Capital Appreciation, Inc., an investment firm Mr. Bissell joined in 1996. From
1990 to 1995, Mr. Bissell was a Managing Director at BT 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.

Bradford N. Creswell has been a director of the Debtors since 1997, and is currently a Partner
of Northwest Capital Appreciation, Inc., 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 certification and worked in the audit department of Arthur Young & Company.

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
Weyerhaeuser, he was associated with Container Corp. of America and Willamette Industries.

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

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

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

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

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

D. EVENTS LEADING TO THE CHAPTER 11 CASES

1. Industry Factors

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

 Notwithstanding the increased profit generated by the increased sales prices, the Company's
gains have been largely offset by higher prices for transportation and energy. Further, the Company
has also faced an unforeseen increase in the price of wood chips used to create the Paper Products.
Indeed, in the last six months, the Pacific Northwest has been unable to meet the demand for wood

1 chips. The decrease in availability of wood chips is directly tied to the recent downturn of the real
2 estate housing market. When the housing market was strong, the amount of new home building was
3 high, which created plenty of residual wood to make wood chips (and at a reasonable cost). Due to
4 the recent housing market decline, the residual supply has diminished significantly causing an
5 attendant increase in price of wood chips. While the cost of wood chips is expected to recover once
6 the housing market rises again, to meet its wood chips requirements, the Company must either pay
7 higher prices for wood chips or seek alternate sources of supply. Both options have resulted in
8 additional costs to the Company which has reduced the Company's profitability.

9
10 In addition to the increased costs of wood chips, the Company has also experienced higher
11 prices for its Old Corrugated Container, or "OCC" fiber. The main driver increasing OCC pricing has
12 been increased demand in Asian markets, particularly in China due to the continuing emergence and
13 integration of China's economy into the global marketplace. Other factors that drive the OCC fiber
14 market are technological advances that have led to an increase in products that can be made in whole
15 or in part from recycled materials, seasonal changes in OCC generation, and changes in collection
16 rates of OCC. All of these factors have led to increases in the cost of OCC to the Company.

2. Operational Issues

17 In addition to the increased pricing on wood chips, the Company had unforeseen interruptions
18 in production due to severe weather in the Pacific Northwest and maintenance problems. Beginning
19 in mid-November 2006 and continuing through January 2007, the Pacific Northwest was hit with
20 severe storms, the result of which was that production at the Port Townsend Mill was either halted or
21 diminished for short periods of time. In order to meet its outstanding purchase orders, the Port
22 Townsend Mill typically runs twenty-four hours a day, seven days per week without interruption and
23 enjoys a 99% run time. However, during isolated instances, production was reduced to 70-80%. The
mill should run at capacity to ensure that the Company produces pulp and paper products sufficient to
fulfill all pending purchase orders. Because the Company produces paper goods to customer
specifications, it does not maintain reserve inventory to offset any unanticipated interruptions in
production. Thus, any unanticipated down time of the Port Townsend Mill reduces the Company's
production output, thereby decreasing the Company's cash flow.

The Port Townsend Mill also faced further production delays due to isolated machinery
malfunctions causing operations to be halted for intermittent periods of time, which contributed to
increase down time in January 2007.

Although operational issues as those described above occur occasionally in the Company's
day-to-day operations, the concurrence of the wood chip shortage, bad weather and unanticipated
equipment malfunctions, has had a negative effect on the Company's cash flow and production
output.

3. Liquidity Constraints

The Company is highly leveraged with almost \$20 million outstanding under its Credit
Agreement and \$125 million in principal amount of the Secured Notes outstanding. In general, the

1 Company has had to pay increased interest expenses on account of the Secured Notes and Prepetition
2 Credit Facility over the last year. The Company's interest expense increased approximately \$4.2
3 million or 33.9%, to \$16.6 million in 2005 compared to \$12.4 million in 2004. The increase in 2005
4 compared to 2004 was primarily due to the Company's payment of 1% in additional interest charges
5 on the Notes for substantially all of 2005 while not paying such interest in 2004. In addition, the
6 Company had higher interest expenses in 2005 due to increased levels of debt outstanding compared
7 to 2004 on its Prepetition Credit Facility. Interest on the Secured Notes is due and payable in cash on
8 April 15 and October 15 of each year.

9 The decrease in cash flow due to operational and industry factors described above has made it
10 difficult for the Company to keep current with its secured debt obligations. In order to make coupon
11 payments on the Secured Notes, the Company was required two amendments to the Credit Agreement
12 – one on April 10, 2006 and the other on October 13, 2006 – in order to obtain additional borrowing
13 capacity. As a result of these payments, however, the Company was in an over-advance situation by
14 as much as approximately \$1 million commencing on or about December 15, 2006 based on the
15 scheduled reinstatement of the lender blockages and an inability to reduce the loans below the
16 resulting levels that results in a failure to comply with the borrowing limitations in the Credit
17 Agreement.

18 **4. Financial Reporting/Registration Delinquencies**

19 The Debtors received a (i) notice of default, dated October 20, 2006 (the "Indenture Notice of
20 Default"), pursuant to section 6.1 of the Indenture, and (ii) notice of default and demand for specific
21 performance, dated October 20, 2006 (the "RRA Notice of Default"), in respect of the registration
22 rights agreement, dated April 13, 2004, by and among the Company and J.P. Morgan Securities Inc.,
23 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
Company's failure to deliver an Officer's Certificate (as defined in the Indenture) regarding the above
defaults as required by Section 3.20 of the Indenture and the last paragraph of Section 6.1 of the
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").

The RRA Notice of Default alleged the following defaults under the RRA: (i) the Company's
failure to file an exchange offer registration statement and complete the exchange offer pursuant to
Section 2(a) of the RRA; (ii) the Company's failure to file a shelf registration statement pursuant to
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").

On November 22, 2006, the Company provided the Trustee with its Annual Report to
Bondholders for the fiscal year ended December 31, 2005, and Quarterly Reports to Bondholders for

1 the quarterly periods ended June 30, 2006, March 31, 2006, September 30, 2005 and June 30, 2005
2 (the "Financial Reports"). The Debtors stated in their November 22, 2006 press release announcing,
3 among other things, the delivery of the Financial Reports to the Trustee, that it "believes it is in
4 compliance with all covenants and requirements of its 11% Senior Secured Note agreements" as a
5 result of providing the Trustee with the Financial Reports. The Informal Committee advised the
6 Company shortly thereafter that it did not believe the filing of the Financial Reports cured all
7 outstanding defaults and that the members of the Informal Committee reserved all rights with respect
8 to continuing and future defaults under the Indenture and RRA.

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

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

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

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

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Firm	Substance of Employment
Bush Strout & Kornfeld	Bankruptcy Counsel
Heller Ehrman, LLP	Special Counsel re: Certain Environmental Matters
Kirkland & Ellis LLP	Special Securities, Indenture and Financing Counsel
Karr Tuttle Campbell	Special Counsel re: General Corporate Matters
Graham & Dunn P.C.	Counsel for Creditors Committee
Turnaround Corporate Recovery Services	Financial Advisor to the Creditors Committee

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

The members of the Informal Committee as of the date of the Plan are: (i) GoldenTree Asset Management, L.P., (ii) Murray Capital Management, (iii) Credit Suisse, (iv) Delaware Investment Management, (v) Phoenix Investment Advisor, (vi) Thales Fund Management, L.P. (vii) Wells Capital Management, (viii) Muzinich & Co., and (ix) J.P. Morgan Securities, Inc. 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

As part of the "first day" hearing in the Bankruptcy Case the Debtors sought and obtained an interim order ("Interim DIP Order"), among other things, (1) authorizing them to enter into a DIP loan facility ("DIP Loan Facility") pursuant to which the U.S. Lender would provide secured postpetition priming financing up to an aggregate principal amount not to exceed the lesser of \$9.6 million or the Maximum Amount (as defined in the loan documentation), subject to the (the "DIP Loans") to Debtor Port Townsend Paper Corporation ("Borrower"); (2) authorizing each of the other Debtors and their

1 U.S. and Canadian subsidiaries, as guarantors, to guaranty the Borrower's obligations under the DIP
2 Credit Agreement, (3) granting security interests liens and superpriority claims (including a
3 superpriority administrative claim pursuant to section 364(c)(1) of the Bankruptcy Code) and liens
4 pursuant to sections 364(c)(2) and 364(c)(3) of the Bankruptcy Code to secure all of the Debtors'
5 obligations under and with respect to the postpetition financing; (4) authorizing the Debtors' limited
6 use of cash collateral; (5) granting adequate protection to the Debtors' prepetition lenders whose liens
7 and security interests would be primed by the postpetition financing in the form of a postpetition lien
8 in the same type of assets in which they held liens prepetition to secure the diminution of the value of
9 their interests in prepetition collateral; and (6) authorizing a carve-out for professional fees in an
10 aggregate amount not to exceed \$1,000,000 (the "Carve Out Amount"). Pursuant to an order of the
11 Bankruptcy Court, dated February 14, 2007, the Debtors were authorized to borrow on an interim
12 basis up to an aggregate principal amount not to exceed the lesser of \$10.6 million or the Maximum
13 Amount (as defined in the loan documentation).

8 **6. Adequate Assurance To Utilities**

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

14 **7. General Claims Bar Date**

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

Based on the Debtors' preliminary review of scheduled and asserted general unsecured claims,
the Debtors estimate currently that the aggregate Allowed amount of unsecured claims will be
between \$_____ and \$_____. The Plan Proponents, however, have not yet conducted an in-depth
analysis of the Claims to determine which claims may be invalid. Since the actual Allowed amount of
claims will not be known until all claims objections are resolved, the actual Allowed amount of
unsecured claims may be greater or less than the range contained in this Disclosure Statement.

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

On March __, 2007, the Bankruptcy Court entered an order ("Logger's Lien Claim Procedures
Order") fixing April 2, 2007 as the deadline by which all creditors holding lien claims pursuant to

1 RCW § 60.24.020 (“Logger’s Lien Claims”) must file proofs of claim in the Bankruptcy Cases. The
2 Logger’s Lien Claim Procedures Order established procedures (“Logger’s Lien Procedures”) for the
3 submission and administration of Logger’s Lien Claims, and approved the form and manner of notice
4 of the Logger’s Lien Procedures as well as the Logger’s Lien Claim form. On _____,
5 notice of the Logger’s Lien Procedures and the deadline for filing Logger’s Lien Claims was sent to
6 all known holders of such claims, as required by the Logger’s Lien Claim Procedures Order. The
7 Debtors estimate that the total amount of asserted Logger’s Lien Claims is \$_____.
8 The Logger’s Lien Procedures Order requires the Debtors to file a report within 21 days of the
9 Logger’s Lien Claim deadline listing the claims that the Debtors have determined are valid in whole
10 or in part, and those claims that the Debtors dispute. Disputed claims are to be resolved according to
11 the Logger’s Lien Procedures Order.

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

8 On March __, 2007, the Bankruptcy Court entered an order (“Section 503(b)(9) Procedures
9 Order”) fixing April 2, 2007 as the deadline by which all creditors holding claims pursuant to
10 11 U.S.C. § 503(b)(9) (“Section 503(b)(9) Claims”) must file proofs of claim in the Bankruptcy
11 Cases. The Section 503(b)(9) Procedures Order established procedures (“Section 503(b)(9)
12 Procedures”) for the submission and administration of Section 503(b)(9) Claims, and approved the
13 form and manner of notice of the Section 503(b)(9) Procedures. On _____, notice of the
14 Section 503(b)(9) Procedures and the deadline for filing Section 503(b)(9) Claims was sent to all
15 parties on the creditor matrix, all parties who filed a request for special notice, the Office of the United
16 States Trustee, and counsel for the Creditors’ Committee. The Debtors estimate that the total amount
17 of asserted Section 503(b)(9) Claims is \$_____. The Section 503(b)(9) Procedures Order
18 requires the Debtors to file a report within 21 days of the Section 503(b)(9) Claim deadline listing the
19 claims that the Debtors have determined are valid in whole or in part, and those claims that the
20 Debtors dispute. Disputed claims are to be resolved according to the Section 503(b)(9) Procedures
21 Order.

III. SUMMARY OF THE PLAN

A. INTRODUCTION

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

20 Pursuant to the transactions to be effectuated under the Plan on the Effective Date,
21 Reorganized PT Holdings shall retain its direct and indirect Interests in PTPC, Packaging, and the
22 Non-Debtor Affiliates. Reorganized PT Holdings will be a private, non-SEC reporting company and
23 issue the New Common Stock, none of which will be traded on any exchange. The Exit Facility and
24 Noteholder Term Loan Debt will be the Reorganized Debtors primary secured indebtedness, secured
25 by all of the assets of the Reorganized Debtors and Non-Debtor Affiliates, and guaranteed by each of
26 the Non-Debtor Affiliates.

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

2 The categories of Claims and Interests set forth below classify all Claims against, and Interests
3 in, the Debtors for all purposes of the Plan. A Claim or Interest shall be deemed classified in a
4 particular Class only to the extent the Claim or Interest qualifies within the description of that Class
5 and shall be deemed classified in a different Class to the extent that any remainder of such Claim or
6 Interest qualifies within the description of such different Class. A Claim or Interest is in a particular
7 Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or
8 otherwise settled prior to the Effective Date. The treatment with respect to each Class of Claims and
9 Interests provided for in the Plan shall be in full and complete satisfaction, release and discharge of
10 such Claims and Interests.

11 For purposes of classification and treatment under the Plan, Interests against PT Holdings,
12 PTPC and Packaging, respectively, are classified in three subclasses. The classification of Claims
13 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 Claims	Impaired	Yes
4C	Packaging General Unsecured Claims	Impaired	Yes
5	Intercompany Claims	Unimpaired	No
6	Workers' Compensation Claims	Unimpaired	No
7	Subordinated Claims	Impaired	No

14 The classification of Interests under the Plan is as follows:

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

15 **1. Class 1 -- Other Secured Claims**

16 Class 1 consists of all secured claims as defined in section 101(5) of the Bankruptcy Code
17 against any Debtor to the extent secured by a valid, perfected, enforceable and non-avoidable lien on
18 any property of any Debtor to the extent of the value of such Debtor's interests in said property as
19 provided in section 506(a) of the Bankruptcy Code ("Secured Claims") except for Secured Notes
20 Claims. The Plan Proponents currently estimate that the total amount of Allowed Other Secured
21 Claims is approximately \$[_____]. Unless the Holder of such Claim and the Plan Proponents agree
22 to a different treatment, each Holder of an Allowed Class 1 Other Secured Claim shall receive, in full
23

1 and final satisfaction of such Allowed Class 1 Other Secured Claim, one of the following alternative
2 treatments: (1) the legal, equitable and contractual rights to which such Claim entitles the Holder
3 thereof shall be reinstated and the Holder paid in accordance with such legal, equitable and contractual
4 rights; (2) the Debtors shall surrender all collateral securing such Claim to the Holder thereof, in full
5 satisfaction of such Holder's Allowed Class 1 Other Secured Claim, without representation or
6 warranty by or recourse against the Debtors or Reorganized Debtors; or (3) such Allowed Class 1
7 Other Secured Claim will be otherwise treated in a manner so that such Claim shall be rendered
8 Unimpaired pursuant to section 1124 of the Bankruptcy Code. The proposed treatment of each Class 1
9 Other Secured Claim shall be selected by the Plan Proponents. Any default with respect to any Class
10 1 Other Secured Claim that occurred before or after the commencement of the Chapter 11 Case shall
11 be deemed cured upon the Effective Date.

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

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

13 **2. Class 2 -- Priority Claims**

14 Class 2 consists of all Claims entitled to priority under section 507(a) of the Bankruptcy Code
15 other than an Administrative Expense Claim or a Priority Tax Claim. The legal, equitable and
16 contractual rights of the Holders of Class 2 Priority Claims, to the extent any such Claims exist, are
17 unaltered by the Plan. Unless the Holder of such Claim and the Plan Proponents agree to a different
18 treatment, each Holder of an Allowed Class 2 Priority Claim shall receive, in full and final satisfaction
19 of such Allowed Class 2 Priority Claim, one of the following alternative treatments: (a) to the extent
20 then due and owing on the Effective Date, such Claim will be paid in full in Cash by the Debtors or
21 the Reorganized Debtors on or soon as practicable after the Effective Date; (b) to the extent not due
22 and owing on the Effective Date, such Claim will be paid in full in Cash by the Debtors or the
23 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.

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

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

2 Classes 3A-3C consist of Secured Notes Claims asserted against PT Holdings, PTPC and
3 Packaging, respectively. The Secured Notes Claims are Allowed in full and shall not be subject to
4 any avoidance, reductions, set off, offset, recharacterization, subordination (whether equitable,
5 contractual, or otherwise), counterclaims, cross-claims, defenses, disallowance, impairment, or any
6 other challenges under any applicable law or regulation by any person or entity. The Secured Notes
7 Claims are Allowed in an amount not less than \$125,000,000, plus accrued but unpaid interest, and
8 unpaid fees, costs and expenses thereunder.

9 On the Effective Date, in exchange for their Allowed Secured Notes Claims against each of the
10 Debtors, Holders of Allowed Secured Notes Claims shall receive, on a Pro Rata basis: (i) the
11 Noteholder Term Loan Debt, and (ii) 100% of the New Common Stock, subject to dilution on account
12 of the Management Equity Plan and Equity Warrants, *provided, however*, that acceptance of the Plan
13 by Classes 3A-3C shall constitute an agreement by the Holders of all Allowed Secured Notes Claims
14 to, upon the Effective Date, (i) contribute, out of the aggregate distribution Holders of Allowed
15 Secured Notes Claims would otherwise be legally entitled to receive, (a) the Class 3 Contribution to
16 Holders of Allowed General Unsecured Claims in Classes 4A-4C on a Pro Rata basis if Holders of
17 General Unsecured Claims in Classes 4A-4C each vote as a Class to accept the Plan, and (b) the
18 Equity Warrants to Holders of Allowed Class 8A Interests on a Pro Rata basis if Holders of Class 8A
19 Interests vote as a Class to accept the Plan, and (ii) waive the Secured Notes Deficiency Claims.
20 While each holder of an Allowed Secured Notes Claim possesses an Allowed Secured Notes Claim
21 against each of the Debtors and the Non-Debtor Affiliates, each holder of an Allowed Secured Notes
22 Claim shall only receive one aggregate recovery on account of all Allowed Secured Notes Claims held
23 by such claimant, which recovery is specified in Section 3.3 of the Plan

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

4. Classes 4A-4C -- General Unsecured Claims

 Classes 4A-4C consist of General Unsecured Claims against PT Holdings, PTPC and
Packaging, respectively. Each Holder of an Allowed General Unsecured Claim shall receive, in full
and final satisfaction of such Holder's Allowed General Unsecured Claim, such Holder's Pro Rata
share of the Class 3 Contribution, *provided, however*, that if Class 4A, 4B or 4C votes to reject the
Plan, holders of General Unsecured Claims in Classes 4A-4C shall receive no distributions on account
of their respective Claims and all rights with respect thereto.

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

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

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

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

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

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

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

15 **7. Class 7 -- Subordinated Claims**

16 Class 7 consists of any Unsecured Claim that is subordinated in priority to Allowed General
17 Unsecured Claims pursuant to the provisions of section 510 of the Bankruptcy Code or other
18 applicable law, including, without limitation, Claims, if any, (a) arising from rescission of a purchase
19 or sale of Existing Securities, (b) for damages resulting from the purchase or sale of such securities, or
20 (c) for reimbursement or contribution on account of such Claims. The Debtors have not yet filed any
 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.

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

1 **8. Classes 8A-8C -- Interests**

2 Class 8 is divided into three subclasses. Class 8A consists of all Interests in PT Holdings.
3 Class 8B consists of all Interests in PTPC. Class 8C consists of all Interests in Packaging. Under the
4 Plan, Holders of Class 8A Interests shall receive in exchange for such Interests, on a Pro Rata basis,
5 Equity Warrants, provided, however, that if Class 8A votes to reject the Plan, holders of Class 8A
6 interests will receive no distributions on account of their respective Interests and all rights with respect
7 thereto. Pursuant to the Plan, Reorganized PT Holdings shall retain all of its Class 8B Interests and
8 Reorganized PTPC shall retain all of its Class 8C Interests.

9 *Voting:* Class 8A is Impaired. Pursuant to section 1126(g) of the Bankruptcy Code, each
10 Holder of Class 8A Interests is entitled to vote to accept or reject the Plan. Classes 8B and 8C are
11 Unimpaired, and each Holder of Class 8B and 8C Interests is conclusively deemed to have accepted
12 the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each Holder of Interests in
13 Classes 8B and 8C is not entitled to vote to accept or reject the Plan.

14 **C. TREATMENT OF UNCLASSIFIED CLAIMS**

15 **1. Administrative Expense Claims**

16 Administrative Expense Claims are Claims for payment of administrative expenses of a kind
17 specified in section 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code and entitled to priority
18 pursuant to section 507(a)(1) of the Bankruptcy Code. The Debtors currently estimate that the amount
19 of Administrative Expense Claims, including Cure Amounts to be paid for Assumed Contracts, will
20 total approximately \$[_____]. Such claims include the actual, necessary expenses of preserving the
21 Debtors' assets incurred after the Petition Date, including post-petition trade payables, equipment and
22 real estate leases, wages, salaries or commissions for services rendered after the Petition Date,
23 amounts necessary to cure defaults under Executory Contracts or Unexpired Leases to be assumed,
 and Claims for Professional Compensation. Subject to the provisions of sections 328, 330(a) and 331
 of the Bankruptcy Code that apply to Claims for Professional Compensation, the Plan provides that
 each Holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of such
 Allowed Administrative Expense Claim in Cash on the latest of (i) on, or as soon as reasonably
 practical after, the Effective Date, (ii) as soon as practicable after the date on which such Claim
 becomes an Allowed Administrative Expense Claim, (iii) upon such other terms as may be agreed
 upon by such Holder and the Plan Proponents, or (iv) as otherwise ordered by the Bankruptcy Court;
 provided, however, that Allowed Administrative Expense 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.

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

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

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

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

3 On the Effective Date, the Reorganized Debtors shall obtain the Exit Financing from the Exit
4 Financing Lenders. A term sheet and/or commitment letter relating to the Exit Financing shall be
5 contained in the Plan Supplement. The operative documents relating to the Exit Financing 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 Financing, as applicable, which Exit Financing shall be substantially in conformance with the term
9 sheet and/or commitment letter contained in the Plan Supplement. All Cash necessary for the
10 Reorganized Debtors to make payments required by the Plan shall be obtained from existing Cash
11 balances, the operations of the Debtors or Reorganized Debtors, the Exit Financing and/or any
12 proceeds from the Retained Causes of Action.

13 **2. Continued Corporate Existence**

14 Except as otherwise provided in the Plan, each of the Debtors will continue to exist after the
15 Effective Date as a separate corporate entity, with all the powers of a corporation under applicable law
16 in the jurisdiction in which each applicable Debtor is incorporated or otherwise formed and pursuant
17 to its certificate or articles of incorporation and by-laws or other organizational documents in effect
18 prior to the Effective Date, except to the extent such certificate or articles of incorporation and by-
19 laws or other organizational documents are amended by the Plan, without prejudice to any right to
20 terminate such existence (whether by merger or otherwise) under applicable law after the Effective
21 Date, provided, however, on the Effective Date, Reorganized PT Holdings may at the option of the
22 Plan Proponents redomesticate, by merger or other appropriate means, as a new corporation under the
23 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 Article 10.1 of the Plan, all of the Debtors' Interests and other property interests in such
 Non-Debtor Affiliates shall revert in the applicable Reorganized Debtor or its successor on the
 Effective Date.

3. 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 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.

1 **4. Directors and Officers of Reorganized Debtors**

2 The initial Board of Directors of Reorganized PT Holdings shall consist of five (5) directors
3 designated by the Informal Committee, the identity of whom shall be disclosed by the Plan
4 Proponents prior to the Confirmation Hearing. The members of the initial Boards of Directors or
5 equivalent governing bodies for the Reorganized Debtors, other than Reorganized PT Holdings, shall
6 be selected by the initial Board of Directors for Reorganized PT Holdings and shall consist of officers
7 or directors of Reorganized PT Holdings. To the extent any such Person is an Insider (as defined in
8 section 101(31) of the Bankruptcy Code), the nature of any compensation for such Person will also be
9 disclosed prior to the Confirmation Hearing. Each of the Persons on the initial Boards of Directors of
10 the respective Reorganized Debtors shall serve in accordance with the certificates of incorporation and
11 bylaws of the respective Reorganized Debtor, as the same may be amended from time to time.

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

18 **5. Cancellation of Existing Securities and Agreements of the Debtors/Discharge of
19 Indenture Trustee**

20 Except as set forth in this Plan, upon the Effective Date, the Existing Securities shall be
21 cancelled and the holders thereof shall have no further rights or entitlements in respect thereof against
22 the Debtors or Non-Debtor Affiliates except the rights to receive the distributions to be made to such
23 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 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 its 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 6.6 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.

24 **6. Informal Committee Fees and Expenses**

25 All 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

1 approval of, the Bankruptcy Court. To the extent that the Indenture Trustee in its capacity as trustee
2 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
3 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
4 Reorganized Debtors.

5 **7. Issuance of New Securities and Debt Instruments**

6 **a. New Common Stock**

7 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
8 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
9 Agreement described below.

10 **b. Equity Warrants**

11 On the Effective Date, Reorganized PT Holdings shall issue the Equity Warrants pursuant to
the Plan, a substantially similar form of which shall be contained in the Plan Supplement.

12 **c. Noteholder Term Loan Debt**

13 On the Effective Date, Reorganized Debtors, as co-borrowers, shall issue and distribute the
14 Noteholder Term Loan Debt to the Indenture Trustee, on behalf of all Noteholders, for ultimate
distribution, on a Pro Rata basis, to each Holder of an Allowed Secured Notes Claim. A term sheet
15 relating to the Noteholder Term Loan Debt and/or the form of Noteholder Term Loan Documentation
shall be contained in the Plan Supplement and shall provide, *inter alia*, that the Noteholder Term Loan
16 Debt shall be (i) guaranteed by the Non-Debtor Affiliates and (ii) secured by security interests in, and
Liens on, substantially all of the assets of the Reorganized Debtors and their Non-Debtor Affiliates,
17 subordinate only to the Liens securing the Exit Financing. The operative documents relating to the
Noteholder Term Loan Debt shall be satisfactory in form and substance to the Plan Proponents, each
18 in their sole discretion. The Reorganized Debtors shall execute on the Effective Date the operative
documents relating to the Noteholder Term Loan Debt, as applicable, which shall be substantially in
19 conformance with the term sheet or form of Noteholder Term Loan Documentation contained in the
Plan Supplement.

20 **8. Reinstatement of Interests of PT Holdings**

21 The Interests held directly and indirectly by PT Holdings in the other Debtors shall be
reinstated in accordance with the terms of the Plan.
22
23

1 **9. Registration Rights Agreement**

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

12 **10. Shareholder Agreement**

13 All Holders of New Common Stock will be subject to the Shareholder Agreement which will,
14 among other things, govern each Holder of New Common Stock's access to information with respect
15 to the Reorganized Debtors and the ability to transfer such Holder's New Common Stock. Each
16 certificate representing share(s) of New Common Stock shall bear a legend indicating that the New
17 Common Stock is subject to the Shareholder Agreement. The Shareholder Agreement will be
18 effective as of the Effective Date. The Shareholder Agreement shall be satisfactory in form and
19 substance to the Informal Committee in its sole discretion, a substantially similar form of which will
20 be contained in the Plan Supplement.

21 **11. Preservation Of Causes Of Action**

22 In accordance with section 1123(b)(3) of the Bankruptcy Code the Reorganized Debtors will
23 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 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 the
Reorganized Debtors of such claim, right of action, suit, proceeding or other Retained Action, and the
Reorganized Debtors will retain the right to pursue such claims, rights of action, suits, proceedings
and other Retained Actions in their sole discretion and, therefore, no preclusion doctrine, collateral
estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches will
apply to such claim, right of action, suit, proceeding or other Retained Action upon or after the
confirmation or consummation of the Plan.

1 **12. Further Authorization**

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

4 **13. Effectuating Documents/Further Transactions**

5 Each of the Debtors (subject to the consent of the Informal Committee) and Reorganized
6 Debtors, and their respective officers and designees, is authorized to execute, deliver, file, or record
7 such contracts, instruments, releases, indentures, and other agreements or documents, and take such
 actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions
 of this Plan or to otherwise comply with applicable law.

8 **14. Exemption from Certain Transfer Taxes and Recording Fees**

9 Pursuant to section 1146(c) of the Bankruptcy Code, any transfers from a Debtor to a
10 Reorganized Debtor or to any other Person or entity pursuant to this Plan, or any agreement regarding
11 the transfer of title to or ownership of any of the Debtors' real or personal property will not be subject
12 to any document recording tax, stamp tax, conveyance fee, sales tax, intangibles or similar tax,
13 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.

14 **15. Deemed Exercise Of Old Warrants**

15 On or prior to the Effective Date, each Holder of an Old Warrant shall be deemed, without
16 further action, to have fully exercised its Old Warrant and be entitled to such Holder's Pro Rata
 Distribution of the Equity Warrants as a Holder of Class 8A Interests.

17 **E. PROVISIONS REGARDING DISTRIBUTIONS**

18 **1. Disbursing Agent**

19 Unless otherwise provided for herein, all Distributions under the Plan will be made by the
20 Reorganized Debtors or their agent. Notwithstanding the foregoing, all Distributions of New
21 Common Stock, Equity Warrants, and Noteholder Term Loan Debt to the Holders of Allowed
22 Secured Notes Claims shall be made by the applicable Reorganized Debtor to such Holders through
23 the Indenture Trustee unless otherwise agreed by the 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 Debtor’s 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 Or Interests**

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 Debtor’s 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. Timing Of Distributions To Classes 4A-4C

 Distributions to Holders of Allowed General Unsecured Claims in Classes 4A-4C shall be
 made on each Distribution Date. Immediately prior to each Distribution Date, the Debtors or
 Reorganized Debtors shall make a recalculation of the Pro Rata shares of Holders of Allowed General
 Unsecured Claims in Classes 4A-4C. Excess assets (if any) in the Distribution Reserve shall be
 distributed to Holders of Allowed General Unsecured Claims in Classes 4A-4C on the Final
 Distribution Date.

1 **6. Distributions To Holders As Of The Record Date**

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

6 **7. De Minimis Distributions**

7 Neither the Reorganized Debtors nor the Indenture Trustee shall have an obligation to make a
8 Distribution if the amount to be distributed to the specific Holder of the Allowed Claim is or has a
9 value less than fifty dollars (\$50.00).

9 **8. Fractional Securities; Fractional Dollars**

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

13 **9. Withholding Taxes**

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

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

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

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

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

2. Claims for Rejection Damages

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

3. Cure Of Defaults For Executory Contracts And Unexpired Leases

15 The Debtors shall include on Schedule 5.1 the Cure Amount for any Assumed Contract. Any
16 party to an Assumed Contract shall have fifteen (15) days after service of Schedule 5.1 to file with the
17 Bankruptcy Court and serve on counsel for the Debtors and the Informal Committee an objection to
18 the Cure Amount listed on Schedule 5.1, an objection to the adequacy of assurance of future
19 performance by the Reorganized Debtors, or any other objection to the assumption of such Assumed
20 Contract. Any such objection shall be resolved by the Bankruptcy Court at the Confirmation Hearing
21 or at such other time as may be agreed to by the affected parties. If the Bankruptcy Court determines
22 that the Cure Amount with respect to an Assumed Contract is greater than the amount listed by the
23 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.

1 **4. Northwest Capital Agreements**

2 On the Effective Date, Northwest Capital shall be deemed to have waived any and all Claims it
3 may have as of the Effective Date against the Debtors. On the Effective Date, any and all agreements
4 between Northwest Capital and the Debtors shall be terminated and Northwest Capital shall have no
5 claims or rejection damages assertable against any of the Debtors as a result of such termination.
6 Northwest Capital shall receive no distribution or consideration pursuant to the Plan or otherwise
7 except the distributions described in section 3.8 of the Plan and the releases described in section 10.3
8 of the Plan.

9 **G. EMPLOYMENT AGREEMENTS AND OTHER BENEFITS**

10 **1. Employment Agreements**

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

23 **2. Employee Benefit Programs**

 Except as otherwise provided in the Plan, the Plan Proponents will disclose on Schedule 5.1 of
the Plan all employee compensation or benefit plans, policies or programs of the Debtors applicable
generally to their employees that will be assumed pursuant to the Plan. The Debtors and the
Reorganized Debtors, as the case may be, will (i) continue to make payment of all retiree benefits (if
any) as that term is defined in section 1114 of the Bankruptcy Code ("Section 1114") to the extent and
for the duration required by Section 1114, and (ii) continue to be the contributing sponsors of all
pension plans which are defined as benefit pension plans by the Pension Benefit Guaranty
Corporation (the "PBGC") under Title IV of the Employee Retirement Income Security Act of 1974
("ERISA"), 29 U.S.C. ss.1301-1461.

3. Management Equity Plan

On or soon as reasonably practicable after the Effective Date, the Board of Directors of
Reorganized PTPC shall implement a Management Equity Plan 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, an aggregate amount, up to 10% of the New Common Stock

1 issued and outstanding on the Effective Date. The Management Equity Plan will contain terms and
2 conditions that shall be determined by the Board of Directors of Reorganized PTPC.

3 **H. PROCEDURES FOR RESOLVING DISPUTED CLAIMS**

4 **1. Objections To Claims**

5 The Plan provides that the Reorganized Debtors shall be entitled to object to Claims, *provided,*
6 *however,* that the Debtors and Reorganized Debtors shall not be entitled to object to Claims (i) that
7 have been Allowed by a Final Order entered by the Bankruptcy Court prior to the Effective Date or
8 (ii) that are Allowed by the express terms of the Plan. Any objections to Claims must be filed by the
9 Claims Objection Deadline. The Plan defines the Claims Objection Deadline to be the later of the first
10 Business Day which is (i) sixty (60) days after the Effective Date, (ii) sixty (60) days after a specific
11 Proof of Claim was filed or (iii) such other time as may be ordered by the Bankruptcy Court, as such
12 dates may be from time to time extended by the Bankruptcy Court without further notice to parties in
13 interest.

14 **2. No Distributions Pending Allowance**

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

19 **3. Estimation Of Claims**

20 The Plan Proponents or the Reorganized Debtors, as the case may be, may, at any time, request
21 that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502 of
22 the Bankruptcy Code regardless of whether the Plan Proponents or the Reorganized Debtors have
23 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 Bankruptcy Court. If the estimated amount constitutes
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.

1 **5. Distribution Reserve**

2 When making distributions with respect to General Unsecured Claims in Classes 4A-4C, the
3 Reorganized Debtors shall reserve (the “Distribution Reserve”) for Disputed General Unsecured
4 Claims that would, if Allowed, be entitled to a Distribution. As to any Disputed General Unsecured
5 Claim, upon a request for estimation by the Plan Proponents or Reorganized Debtors as set forth in
6 section 9.3 of the Plan, the Bankruptcy Court will determine what amount is sufficient to withhold as
7 the Distribution Reserve. The Plan Proponents or Reorganized Debtors will request estimation for
8 every Disputed General Unsecured Claim that is unliquidated, and the Debtors will withhold the
9 Distribution Reserve based upon the estimated amount of each such Claim as set forth in a Final
10 Order. The Plan Proponents or Reorganized Debtors may also request estimation of a Disputed
11 General Unsecured Claim that is liquidated. If the Plan Proponents or Reorganized Debtors elect not
12 to request such estimation from the Court with respect to a Disputed General Unsecured Claim that is
13 liquidated, the Debtors will withhold as the Distribution Reserve based upon the asserted amount of
14 such Claim.

15 **6. Distributions After Allowance**

16 On the first Distribution Date after a Disputed General Unsecured Claim becomes an Allowed
17 General Unsecured Claim, the Holder of an Allowed General Unsecured Claim shall receive the
18 Distribution to which such Holder is then entitled plus any Distribution such Holder would have
19 received on a prior Distribution Date had such Holder’s Claim been Allowed on such prior
20 Distribution Date; *provided, however*, if the date such General Unsecured Claim becomes entitled to a
21 Distribution is less than twenty (20) Business Days prior to the next Distribution Date, the
22 Distribution with respect to such Claim will be made on the first Distribution Date that occurs more
23 than twenty (20) Business Days after the Claim becomes entitled to a Distribution. All Distributions
made under this Article 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.

I. CONFIRMATION AND CONSUMMATION OF THE PLAN

1. Conditions to Confirmation

As a condition precedent to confirmation of the Plan that may be satisfied or waived in
accordance with Article 11.3 of the Plan, the Confirmation Order shall have been signed by the
Bankruptcy Court and entered on the docket of the Bankruptcy Cases within one hundred and ten
(110) days of the Filing Date, which Confirmation Order is in form and substance acceptable to the
Plan Proponents, each in their sole discretion.

2. Conditions to the Effective Date

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

- 1 a. The Confirmation Order in form and substance acceptable to the Plan Proponents, each
2 in their sole discretion, shall have become a Final Order and shall not have been
3 vacated or modified;
- 4 b. Not more than one hundred and twenty-two (122) days shall have passed since the
5 Filing Date;
- 6 c. All documents and agreements to be executed on the Effective Date or otherwise
7 necessary to implement the Plan (including, without limitation, corporate governance
8 documents, the Noteholder Term Loan Documentation, the Registration Rights
9 Agreement, the Shareholder Agreement, and the Exit Financing) shall be in form and
10 substance satisfactory to the Informal Committee in its sole discretion (except if
11 otherwise expressly required by the Plan, in form and substance satisfactory to the Plan
12 Proponents, each in their sole discretion) and shall be effective on the Effective Date;
- 13 d. The Exit Financing shall have been closed and funded, subject to its terms;
- 14 e. The Debtors shall have received any authorization, consent, regulatory approval,
15 ruling, letter, opinion, or document that may be necessary to implement the Plan or that
16 is required by law, regulation, or order; and
- 17 f. The New Common Stock and Noteholder Term Loan Debt have been issued in
18 accordance with the Plan.

13 3. Waiver of Conditions to Confirmation or Consummation

14 The conditions set forth in Section 11.1 and Section 11.2 of the Plan may be waived, in whole
15 or in part, by the Informal Committee without any notice to any other parties in interest or the
16 Bankruptcy Court and without a hearing, other than notice shall be provided to the Debtors and the
17 Creditors' Committee, *provided, however*, the conditions in Section 11.1, 11.2(a), 11.2(d), 11.2(e) and
18 11.2(f) of the Plan may only be waived, in whole or in part, by consent of both Plan Proponents, each
19 in their sole discretion. The failure to satisfy or waive any condition to the Confirmation Date or the
20 Effective Date may be asserted by the Informal Committee or, as applicable, the Plan Proponents,
21 regardless of the circumstances giving rise to the failure of such condition to be satisfied (including
22 any action or inaction by the Informal Committee or the Debtors). The failure of the Informal
23 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.

20 J. CERTAIN EFFECTS OF CONFIRMATION

21 1. Revesting Of The Debtors' Assets

22 Except as otherwise explicitly provided in the Plan, on the Effective Date, all property
23 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

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

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

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

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

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

21 **4. Mutual Releases**

22 On the Effective Date, and to the greatest extent permissible by law, (i) the Debtors and
23 Reorganized Debtors, on behalf of themselves and their estates, (ii) all of the Debtors' respective
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
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
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
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
omission that constitutes willful misconduct or fraud.

24 **5. Setoffs**

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

1 Reorganized Debtors of any such claim that the Debtors or the Reorganized Debtors may have against
2 such Holder.

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

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

11 **7. Injunction**

12 Except as otherwise expressly provided in the Plan or in the Confirmation Order, all Persons
13 or entities who have held, hold, or may hold Claims against or Interests in the Debtors are
14 permanently enjoined, from and after the Effective Date, from: (i) commencing or continuing in any
15 manner any action or other proceeding of any kind on any such Claim or Interest against any of the
16 Reorganized Debtors or the Non-Debtor Affiliates on account of such Claims or Interests; (ii) the
17 enforcement, attachment, collection, or recovery by any manner or means of any judgment, award,
18 decree, or order against any Reorganized Debtor or Non-Debtor Affiliate with respect to such Claim
19 or Interest; (iii) creating, perfecting, or enforcing any encumbrance of any kind against any
20 Reorganized Debtor or Non-Debtor Affiliate or against the property or interests in property of any
21 Reorganized Debtor or Non-Debtor Affiliate with respect to such Claim or Interest; (iv) asserting any
22 right of setoff, subrogation, or recoupment of any kind against any obligation owed to any
23 Reorganized Debtor or Non-Debtor Affiliate or against the property or interest in property of any
24 Reorganized Debtor or Non-Debtor Affiliate with respect to such Claim or Interest; and (v) pursuing
25 any claim released pursuant to this section 11 of the Plan.

20 **K. MISCELLANEOUS PLAN PROVISIONS**

21 **1. Modification of the Plan**

22 The Plan Proponents may modify the Plan pursuant to section 1127 of the Bankruptcy Code
23 and as herein provided, to the extent applicable law permits. Subject to the limitations contained
24 herein, the Plan Proponents may modify the Plan in accordance with this paragraph, before or after
25 confirmation, without notice or hearing, or after such notice and hearing as the Bankruptcy Court

1 deems appropriate, if the Bankruptcy Court finds that the modification does not materially and
2 adversely affect the rights of any parties in interest which have not had notice and an opportunity to be
3 heard with regard thereto. In the event of any modification on or before confirmation, any votes to
4 accept or reject the Plan shall be deemed to be votes to accept or reject the Plan as modified, unless
5 the Bankruptcy Court finds that the modification materially and adversely affects the rights of parties
6 in interest which have cast said votes. The Plan Proponents reserve the right in accordance with
7 section 1127 of the Bankruptcy Code to modify the Plan at any time before the Confirmation Date.

8 **2. Securities Law Matters**

9 It is an integral and essential element of the Plan that the issuance of the New Common Stock,
10 Equity Warrants, and, if applicable, Noteholder Term Debt, pursuant to the Plan shall be exempt from
11 registration under the Securities Act, pursuant to Section 1145 of the Bankruptcy Code and from
12 registration under state securities laws. Any New Common Stock, Equity Warrants and, if applicable,
13 Noteholder Term Debt, issued to an “affiliate” of the Debtors within the meaning of the Securities Act
14 or any Person the Debtors reasonably determine to be an “underwriter,” and which does not agree to
15 resell such securities only in “ordinary trading transactions,” within the meaning of Section
16 1145(b)(1) of the Bankruptcy Code shall be subject to such transfer restrictions and bear such legends
17 as shall be appropriate to ensure compliance with the Securities Act. Nothing in the Plan is intended
18 to preclude the Securities and Exchange Commission from exercising its police and regulatory powers
19 relating to the Debtors or any other entity.

20 **3. Plan Supplement**

21 The Plan Supplement which will contain, among other things, the certificates of incorporation
22 and bylaws for each of the Reorganized Debtors, the Registration Rights Agreement, the Shareholder
23 Agreement, term sheet and/or commitment letter for Exit Financing, term sheet for the Noteholder
Term Loan Debt or form of Noteholder Term Loan Documentation, form of Equity Warrant, and
schedules of the directors and officers of the Reorganized Debtors, shall be filed with the Bankruptcy
Court no later than ten (10) days prior to the date set for the Confirmation Hearing. Notwithstanding
the foregoing, the Plan Proponents may amend the Plan Supplement and any attachments thereto,
through and including the Confirmation Date.

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

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

30 **5. Creditors' Committee**

31 On the Effective Date, the Creditors' Committee shall dissolve automatically, whereupon its
32 members, professionals, and agents shall be released from any further duties and responsibilities in the
33

1 Bankruptcy Cases and under the Bankruptcy Code, except for the limited purposes of filing
2 applications for Professional Compensation in accordance with Article 4.2(c) of the Plan.

3 **6. Retention of Jurisdiction**

4 The Plan provides that subsequent to the Effective Date, the Bankruptcy Court shall have or
5 retain jurisdiction for the following purposes: (a) to adjudicate objections concerning the allowance,
6 priority or classification of Claims or Interests and any subordination thereof, and to establish a date
7 or dates by which objections to Claims must be filed to the extent not established herein; (b) to
8 liquidate the amount of any Disputed, contingent or unliquidated claim, to estimate the amount of any
9 Disputed, contingent or unliquidated Claim, and to establish the amount of any reserve required to be
10 withheld from any Distribution under the Plan; (c) to resolve all matters related to the rejection, and
11 assumption and/or assignment of any Executory Contract or Unexpired Lease of the Debtors; (d) to
12 hear and rule upon all Retained Actions, Avoidance Actions and other Causes of Action commenced
13 and/or pursued by the Debtors and/or the Reorganized Debtors; (e) to hear and rule upon all
14 applications for Professional Compensation; (f) to remedy any defect or omission or reconcile any
15 inconsistency in the Plan, as may be necessary to carry out the intent and purpose of the Plan; (g) to
16 construe or interpret any provisions in the Plan and to issue such orders as may be necessary for the
17 implementation, execution and consummation of the Plan, to the extent authorized by the Bankruptcy
18 Code; (h) to adjudicate controversies arising out of the administration of the Estates or the
19 implementation of the Plan; (i) to make such determinations and enter such orders as may be
20 necessary to effectuate all the terms and conditions of the Plan, including the Distribution of funds
21 from the Estates and the payment of claims; (j) to determine any suit or proceeding brought by the
22 Debtors and/or the Reorganized Debtors to recover property under any provisions of the Bankruptcy
23 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.

16 **7. Alternative Jurisdiction**

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

20 **8. Final Decree**

21 The Plan provides that the Bankruptcy Court may, upon application of the Reorganized
22 Debtors, at any time on or after one hundred twenty (120) days after the Initial Distribution Date,
23 enter a final decree in these cases, notwithstanding the fact that additional funds may eventually be
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

1 provision of the Plan requiring the absence of an objection shall no longer be required, except as
2 otherwise ordered by the Bankruptcy Court; and (c) the Bankruptcy Court may from time to time
3 reopen the Bankruptcy Cases if appropriate for any of the following purposes: (1) administering
4 Assets; (2) entertaining any adversary proceedings, contested matters or applications the Debtors have
5 brought or bring with regard to the liquidation of Assets and the prosecution of Causes of Action; (3)
6 enforcing or interpreting the Plan or supervising its implementation; or (4) for other cause.

7 **IV. CONFIRMATION AND CONSUMMATION PROCEDURE**

8 **A. General Information**

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

21 **B. Solicitation Of Acceptances**

22 This Disclosure Statement has been approved by the Bankruptcy Court as containing
23 “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.

24 **C. Acceptances Necessary To Confirm The Plan**

25 At the Confirmation Hearing, the Court shall determine, among other things, whether the Plan
26 has been accepted by the Debtors’ creditors. Classes 3A-3C, 4A-4C and 8A will be deemed to accept
27 the Plan if at least two-thirds in amount and more than one-half in number of the Claims in each class
28 vote to accept the Plan. Furthermore, unless there is unanimous acceptance of the Plan by Classes
29 3A-3C, 4A-4C and 8A, the Bankruptcy Court must also determine that any non-accepting Class
30 members will receive property with a value, as of the Effective Date of the Plan, that is not less than
31 the amount that such Class member would receive or retain if the Debtors were liquidated as of the
32 Effective Date of the Plan under Chapter 7 of the Bankruptcy Code.

1 **D. Confirmation Hearing**

2 Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate
3 notice, to hold a hearing on confirmation of a plan of reorganization. As set forth in the Disclosure
4 Statement Approval Order, the Bankruptcy Court has scheduled the confirmation hearing for [DATE],
5 2007 at [TIME] (Pacific Time). The Confirmation Hearing may be adjourned from time-to-time by
6 the Bankruptcy Court without further notice except for an announcement of the adjourned date made
7 at the confirmation hearing or any subsequent adjourned confirmation hearing. Any objection to
8 confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the
9 name of the objector, the nature and amount of claims or interests held or asserted by the objector
10 against the Debtors' estate or property, the basis for the objection and the specific grounds therefore,
11 and must be filed with the Bankruptcy Court, with a copy to Chambers, together with proof of service
12 thereof, and served upon (i) Bush Strout & Kornfeld, Counsel for the Debtors, 601 Union Street,
13 Seattle, Washington, 98101-2373 (Attn: Gayle E. Bush, Esq.); (ii) (a) Akin Gump Strauss Hauer &
14 Feld LLP, Counsel for the Informal Committee, 1333 New Hampshire Avenue, N.W., Washington
15 DC 20036, (Attn: James R. Savin, Esq.) and (b) Foster Pepper PLLC, Counsel for the Informal
16 Committee, 1111 3rd Avenue, Suite 3400, Seattle, Washington 98101 (Attn: Jack Cullen, Esq.); and
17 (iii) the Office of the U.S. Trustee, 700 Stewart Street, Suite 5103, Seattle, WA 98101 (Attn: Martin
18 L. Smith) so as to be received no later than [DATE], 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. Class 7 is deemed to
17 reject the Plan. Accordingly, if any Impaired Class votes to accept the Plan, the Debtors will seek to
18 confirm the Plan under the "cramdown" provisions of section 1129(b) of the Bankruptcy Code.

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

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

20 **V. PROJECTIONS AND VALUATION ANALYSIS**

21 THE VALUATION INFORMATION CONTAINED IN THIS SECTION WITH REGARD TO THE
22 REORGANIZED DEBTORS IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL
23 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 its 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 “RISK FACTORS
11 AFFECTING THE DEBTORS” and with the assumptions, qualifications and footnotes to tables
12 containing the Projections (which include projected statements of operations, projected balance sheets,
13 and projected statements of cash flows) set forth in Exhibit C and the historical consolidated financial
14 information (including the notes and schedules thereto) set forth in Exhibit D.

15 **[TO BE SUPPLEMENTED PRIOR TO DISCLOSURE STATEMENT APPROVAL
16 HEARING]**

17 **B. Valuation**

18 **[TO BE PROVIDED PRIOR TO DISCLOSURE STATEMENT APPROVAL HEARING]**

19 **C. Valuation Methodologies**

20 **[TO BE PROVIDED PRIOR TO DISCLOSURE STATEMENT APPROVAL HEARING]**

21 **VI. FEASIBILITY OF THE PLAN AND BEST INTERESTS TEST**

22 **A. Feasibility Of The Plan**

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

1 **HOLDERS OF CLAIMS AND INTERESTS ARE ADVISED TO REVIEW CAREFULLY**
2 **THE RISK FACTORS INCLUDED IN SECTION VIII OF THIS DISCLOSURE**
3 **STATEMENT THAT MAY AFFECT THE FINANCIAL FEASIBILITY OF THE PLAN.**

4 **B. Best Interest Of Creditors Test**

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

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

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

After consideration of the effects that a chapter 7 liquidation would have on the ultimate
proceeds available for distribution to creditors in a chapter 11 case, including (i) the increased costs
and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and
professional advisors to such trustee, (ii) the erosion in value of assets in a chapter 7 case in the
context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that
would prevail, and (iii) substantial increases in claims which would be satisfied on a priority basis, the

1 Debtors have determined that confirmation of the Plan will provide each creditor and equity holder
2 with a recovery that is not less than it would receive pursuant to a liquidation of the Debtors under
chapter 7 of the Bankruptcy Code.

3 Moreover, the Debtors believe that the value of any distributions from the liquidation proceeds
4 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
5 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
6 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
7 further increased.

8 Attached as Exhibit E 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
9 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
10 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

11 **VII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

12 **A. Continuation of the Bankruptcy Cases**

13 If they 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
14 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
15 and the erosion of market confidence which may be caused if the Debtors remain Chapter 11 debtors
in possession.

16 **B. Liquidation Under Chapter 7**

17 If no chapter 11 plan can be confirmed, the Bankruptcy Cases may be converted to cases under
18 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
19 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
20 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
21 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
22 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
23 contracts in connection with a cessation of the Debtors’ operations.

1 **C. Alternative Plan of Reorganization**

2 If the Plan is not confirmed, the Debtors or, if the Debtors' exclusivity period will have
3 expired, any other party in interest could attempt to formulate a different plan of reorganization. Such
4 a plan might involve both a reorganization and continuation of the Debtors' business or an orderly
5 liquidation of the Debtors' assets under chapter 11. The Plan Proponents have concluded that the Plan
6 enables creditors and equity holders to realize the most value under the circumstances. In a
7 liquidation under chapter 11, the Debtors would still incur the expenses associated with closing or
8 transferring numerous facilities to new operators. The process would be carried out in a more orderly
9 fashion over a greater period of time. Further, if a trustee were not appointed, because such
10 appointment is not required in a chapter 11 case, the expenses for professional fees would most likely
11 be lower than those incurred in a chapter 7 case which would contribute an extra layer of chapter 7
12 administrative claims as well as the chapter 7 trustee's statutory fees. Although preferable to a
13 chapter 7 liquidation, the Plan Proponents believe that liquidation under chapter 11 is a much less
14 attractive alternative to creditors and equity holders than the Plan because of the greater return
15 provided by the Plan.

16 **VIII. CERTAIN RISK FACTORS TO CONSIDER**

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

21 **A. Certain Reorganization Considerations**

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

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

Although the Plan Proponents believe that the Plan satisfies the legal requirements for
confirmation, if the Bankruptcy Court were to rule otherwise, the Plan would not be confirmed and
any offending provisions in the Plan would need to be amended or modified, including with respect to

1 the allocation of value to the holders of Claims in Classes 3A-3C and 4A-4C and the holders of
2 Interests in Class 8A.

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

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

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

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

23 **2. Lack of Trading Market**

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

9 **3. Dividend Policy**

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

1 **4. Restrictions on Transfer**

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

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

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

23 **C. Liquidity and Capital Resources**

 Prior to the Petition Date, the Debtors faced increased pricing on wood chips 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
Financing. 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 Financing and the
Noteholder Term Loan Debt. 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.

1 **D. Risks Relating To Future Business Performance**

2 **1. Changes in Product Pricing and Demand**

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

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

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

14 The availability and price of fiber depend on a number of factors outside of the Debtors'
15 control, including general economic conditions, environmental and conservation regulations, natural
16 disasters and weather. For example, timber harvesting may be limited at any time by natural events,
17 such as fire, insect infestation, disease, ice storms, excessive rainfall and wind storms, or by regulatory
18 restrictions. The market for OCC fiber, in particular, is highly competitive. Increased domestic and
19 worldwide demand for products manufactured, in whole or in part, from recycled materials has
20 increased, and the Debtors believe will continue to increase, the prices that the Debtors pay for OCC
21 fiber. Fluctuations in Asian demand, seasonal changes in generation and changes in collection rates
22 further impact OCC fiber prices. The Debtors may be unable to adjust the prices for their products to
23 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.

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

21 The Debtors pulp and paper mill operations are located at the Port Townsend, Washington
22 facility. Since the Debtors do not have pulp or paper production elsewhere, a material disruption at the
23 mill would have a material adverse effect on the Debtors' business, financial condition and operating
results. Such a disruption could be caused by a number of different events, including: (i) maintenance
outages; (ii) prolonged power failures; (iii) a breakdown of the Debtors' pulping process, digesters,

1 recovery boiler, paper and containerboard machinery or other equipment failures; (iv) a chemical spill
2 or release; (v) the effect of a drought or reduced rainfall on the Debtors water supply; (vi) disruptions
3 in the transportation infrastructure, including roads, bridges, tunnels and railroad tracks; (vii) fires,
4 floods, earthquakes or other catastrophes; (viii) labor difficulties; or (ix) other operational problems.
Any material malfunction or prolonged disruption in the operations of the Port Townsend mill
generally, or the paper machines in particular, would adversely affect the Debtors' business, financial
condition and operating results.

5 **4. Other Risks**

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

20 **E. Additional Factors to Be Considered**

21 **1. The Plan Proponents Have No Duty to Update**

22 The statements contained in this Disclosure Statement are made by the Debtors as of the date
23 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.

24 **2. No Representations Outside This Disclosure Statement Are Authorized**

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

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

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

9 **4. Claims Could Be More Than Projected**

10 The Allowed amount of Claims in each class could be significantly more than projected, which
11 in turn, could cause the value of distributions and/or recoveries to be reduced substantially. If DIP
12 Lender Claims, Administrative Expense Claims, Other Secured Claims, Priority Tax Claims, Secured
13 Notes Claims, Priority Claims, and General Unsecured Claims exceed projections, it may impair the
14 value of the New Common Stock and/or recoveries being distributed to the holders of Allowed Claims
15 and Interests in Classes 3A-3C (Secured Notes Claims), Classes 4A-4C (General Unsecured Claims)
16 and Class 8A (PT Holdings Interests).

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

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

23 **6. No Admission Made**

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

IX. RESALE OF SECURITIES RECEIVED UNDER THE PLAN

 Section 1145(a) of the Bankruptcy Code generally exempts from registration under the
 Securities Act of 1933 (as amended, the “Securities Act”) the offer or sale of a debtor’s securities
 under a chapter 11 plan if such securities are offered or sold in exchange for a claim against, or an
 equity interest in, such debtor, and in the case of warrants so issued under a chapter 11 plan, also
 generally exempts the issuance of the securities issued upon exercise of such warrants. In reliance
 upon this exemption, the New Common Stock, Equity Warrants and, if applicable, the Noteholder
 Term Debt, will be issued on the Effective Date as provided in the Plan, and will be exempt from the
 registration requirements of the Securities Act, except to the extent described below. Accordingly,
 such securities may be resold without registration under the Securities Act or other federal securities
 laws pursuant to an exemption provided by section 4(1) of the Securities Act, unless the holder is an
 “underwriter” with respect to such securities, as that term is defined in the Bankruptcy Code. In

1 addition, such securities generally may be resold without registration under state securities laws
2 pursuant to various exemptions provided by the respective laws of the several states. However,
3 recipients of securities issued under the Plan are advised to consult with their own legal advisors as to
4 the availability of any such exemption from registration under state law in any given instance and as
5 to any applicable requirements or conditions to such availability.

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

15 Whether any particular person would be deemed to be an “underwriter” with respect to any
16 security issued under the Plan would depend upon the facts and circumstances applicable to that
17 person. Accordingly, the Plan Proponents express no view as to whether any particular person
18 receiving distributions under the Plan would be an “underwriter” within the meaning of section 1145
19 of the Bankruptcy Code with respect to any security issued under the Plan.

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

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

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

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X. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

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

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

This discussion is based on the Internal Revenue Code (“IRC”), as amended, Treasury Regulations in effect (or, in some cases, proposed) on the date of this Disclosure Statement, and administrative and judicial interpretations thereof available on or before such date. All of the foregoing are subject to change, including changes which could apply retroactively and could affect the federal income tax consequences described below. There can be no assurance that the IRS will not take a contrary view with respect to one or more of the issues discussed below. No ruling has been applied for or received from the IRS with respect to any of the tax aspects of the Plan and no opinion of counsel has been requested or received by the Debtors with respect thereto.

The following summary is for general information only and does not purport to address all of the U.S. federal income tax consequences that may be applicable to any particular Holder. The tax consequences to Holders may vary based upon the individual circumstances of each Holder. This summary does not address the special tax considerations that may apply to Holders that are subject to special rules, such as foreign companies, nonresident alien individuals, S corporations, banks, financial institutions, broker-dealers, dealers or traders in securities who are subject to mark-to-market 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

1 performance of services, certain expatriates and former long-term residents of the United States, pass-
2 through entities, or investors in pass-through entities. In addition, this discussion does not address any
3 aspect of state, local or foreign taxation, or any estate or gift tax consequences of the Plan.

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

9 THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND SUBJECT TO
10 SIGNIFICANT UNCERTAINTIES DUE TO THE LACK OF APPLICABLE LEGAL PRECEDENT
11 AND THE POSSIBILITY OF CHANGES IN THE LAW. THIS DISCUSSION DOES NOT
12 CONSTITUTE TAX ADVICE OR A TAX OPINION CONCERNING THE MATTERS
13 DESCRIBED. THERE CAN BE NO ASSURANCE THAT THE IRS WILL NOT CHALLENGE
14 ANY OR ALL OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A
15 CHALLENGE, IF ASSERTED, WOULD NOT BE SUSTAINED. EACH HOLDER OF A CLAIM
16 OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX
17 ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX
18 CONSEQUENCES OF HOLDING CLAIMS OR EQUITY INTERESTS AND OF THE PLAN.

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

20 The Debtors are members of an affiliated group of corporations (the “PTPC Tax Group”) that
21 join in the filing of consolidated federal income tax returns. The PTPC Tax Group has reported
22 substantial consolidated net operating loss (“NOL”) carry-forwards for federal income tax purposes as
23 of December 31, 2005, and expects to report tax losses for the taxable year that ended on December
31, 2006. Consequently, the Debtors expect the PTPC Tax Group to have NOL carry-forwards to the
year ended December 31, 2006 and, to the extent not used or eliminated in that year, to subsequent
years. The amount of such NOLs and NOL carry-forwards remains subject to review and adjustment
by the IRS and to limitations imposed by Sections 108 and 382 of the IRC, as discussed below.

24 **1. Cancellation Of Debt Income**

25 Although the Debtors should realize cancellation of debt (“COD”) income as a result of the
26 discharge of Allowed Claims under the Plan, they will qualify for an exception under which the
27 Debtors shall be permitted to exclude the COD income from taxable income if the discharge occurs
28 pursuant to a Court approved plan of reorganization. However, the Debtors will be required to reduce
29 certain of their tax attributes by the amount of the COD income so excluded. COD income is
30 generally the amount by which the adjusted issue price of indebtedness discharged exceeds the
31 amount of cash, the issue price of any debt instrument, and the fair market value of any other property
32 given in exchange for the debt instrument. However, certain statutory or judicial exceptions can apply
33 to limit the amount of COD (such as where the payment of the cancelled debt would have given rise to
a tax deduction or the cancellation of the debt is treated as a purchase price adjustment).

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

9 The impact of the COD income on the NOLs depends on the valuation of the New Common
10 Stock, which cannot be estimated with certainty at this time. Regardless, the amount and allocation of
11 tax attribute reduction remain subject to review and adjustment by the IRS.

12 **2. Limitation On Net Operating Loss Carry-Forwards And Other Tax Attributes**

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

In general, the amount of the Annual Limitation to which a corporation (or consolidated
group) that has undergone an ownership change is subject under IRC Sections 382 and 383 is equal to
the product of (a) the fair market value of stock of the corporation (or, in the case of a consolidated
group, the common parent) immediately before the ownership change (subject to various
adjustments), multiplied by (b) the then applicable federal rate (which is 4.13% for ownership changes
occurring in February). For any corporation (or consolidated group) in bankruptcy that undergoes an
ownership change pursuant to a confirmed bankruptcy plan, the stock value is generally determined
immediately after (rather than before) the ownership change by taking into account the increase in
stock value from the surrender or cancellation of any creditors' claims, with certain adjustments.

Section 382(1)(5) of the IRC provides an exception (the "382 Bankruptcy Exception") to the
Annual Limitation where the stockholders and "historic" creditors receive, in respect of their claims,
at least 50% of the vote and value of the stock of the reorganized debtor. Under this exception, a
debtor's pre-change losses are not limited on an annual basis but, instead, its NOL carry-forwards are
required to be reduced by the amount of the debtor's interest deductions during the three taxable years
preceding the taxable year in which the ownership change occurs and during the portion of the taxable

1 year prior to and including the reorganization with respect to debt being converted into New Common
2 Stock.

3 The Debtors will continue to evaluate whether the ownership change of PT Holdings on the
4 Effective Date that results from the issuance of New Common Stock pursuant to the Plan and the
5 cancellation of Interests in PT Holdings will qualify for the 382 Bankruptcy Exception.

6 **3. Alternative Minimum Tax**

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

14 If a corporation (or consolidated group) undergoes an “ownership change” within the meaning
15 of IRC Section 382, the Section 382 rules discussed above (i.e., the Annual Limitation with 382
16 Bankruptcy Exception) also apply to its NOL carry-forwards for AMT purposes. In addition, if the
17 corporation is in a net unrealized built-in loss position (as determined for AMT purposes) on the date
18 of the ownership change, the corporation's (or consolidated group's) tax basis in its assets must be
19 reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date.
20 Any AMT tax that a corporation pays is generally allowed as a nonrefundable credit against its regular
21 federal income tax liability in future taxable years to the extent the corporation is no longer subject to
22 AMT.

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

The U.S. federal income tax consequences to Holders of Claims or Interests arising from the
Distributions to be made under the Plan may vary depending upon, among other things, the type of
consideration received by the Holder in exchange for the indebtedness it holds, the nature of the
indebtedness owing to it, whether the Holder is a corporation, whether the Holder has previously
claimed a bad debt or worthless security deduction in respect of its Claim, whether such Claim
constitutes a "security" for purposes of the reorganization provisions or other provisions of the IRC,
whether the Holder is a resident of the United States for tax purposes, whether the Holder reports
income on the accrual or cash basis, and whether the Holder receives Distributions under the Plan in
more than one taxable year. In some cases, the modification of a Claim may represent for tax purposes
an exchange of the Claim for a modified Claim and/or Cash in exchange for their claims. In addition,
the tax consequences will depend on the actual implementation of the Plan as a taxable or tax-free
reorganization.

1. Recognition Of Gain Or Loss

A Holder who receives New Common Stock in an exchange qualifying as a reorganization
will not recognize loss on such exchange, but may recognize gain to the extent of any “boot” received

1 as part of the exchange or to the extent that income (or loss) may be reportable in respect of unpaid
2 interest that accrued during such Holder's holding period. The aggregate tax basis of New Common
3 Stock received by a Holder in an exchange treated as a reorganization for tax purposes will equal the
4 Holder's tax basis in his Claim, plus any gain recognized in the exchange, minus any Cash received.
The holding period of such New Common Stock will include the period for which the Holder held the
Claim surrendered in exchange therefore, except that the holding period for New Common Stock
received in exchange for accrued interest will begin on the day following the exchange.

5 There is no precise definition under the tax law of what constitutes a "security" for purposes of
6 determining whether the receipt of New Common Stock in exchange for Claims is a reorganization for
7 federal income tax purposes. All the facts and circumstances pertaining to the origin and character of
8 a Claim are relevant in determining its status. A prominent factor that courts have relied upon in
9 determining whether a debt instrument constitutes a "security" is the term of the instrument, *i.e.*, the
longer the term of the debt instrument, the more likely it is a "security." Each Holder of a Claim or
Interest should consult its own tax advisor to determine whether its Claim or Interest constitutes a
"security for federal income tax purpose and whether reorganization treatment may be applicable to it.

10 Each Holder of a Claim who receives New Common Stock in an exchange not qualifying as a
11 reorganization will recognize gain or loss equal to the difference between (i) such Holder's amount
12 realized in respect of its Claim, which is the amount of Cash or the fair market value of any property
13 (including New Common Stock) received by the Holder in satisfaction of its Claim (other than in
14 respect of any Claim for accrued but unpaid interest) and (ii) the Holder's adjusted tax basis in its
Claim (other than basis attributable to any Claim for accrued but unpaid interest). The tax basis of
New Common Stock received by a Holder who is required to report gain or loss under these rules will
be the fair market value of such New Common Stock on the Effective Date, and the holding period of
the New Common Stock will commence the day following the Effective Date.

15 Where gain or loss is recognized by a Holder of a Claim in respect of its Claim, the character
16 of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will
17 be determined by a number of factors, including the tax status of the Holder, whether the Claim
constitutes a capital asset in the hands of the Holder and how long it has been held, whether the Claim
was acquired at a market discount, and whether and to what extent the Holder can claim a bad debt
deduction.

18 Subject to certain limitations, IRC Section 166 and the regulations thereunder allow a
19 deduction for a debt which becomes worthless, or in some cases partially worthless, during the year.
20 The amount of the bad debt deduction is limited to the Creditor's tax basis in the indebtedness
21 underlying the Claim. No deduction is allowed under IRC Section 166 for a debt evidenced by a
22 "security" as defined in IRC Section 165(g)(2)(C). Instead, IRC Section 165(g) provides that if a
23 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.

1 A Holder who purchased its Claim from a prior Holder at a market discount may be subject to
2 the market discount rules of the IRC, under which gain from the disposition of the Claim may be
3 characterized as ordinary income to the extent of the market discount that is deemed to have accrued
4 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.

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

6 Pursuant to the Plan, all Distributions in respect of any Claim will be allocated first to the
7 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.

8 **C. U.S. Federal Income Tax Consequences To Holders Of New Common Stock**

9 **[TO BE PROVIDED PRIOR TO DISCLOSURE STATEMENT APPROVAL HEARING]**

10 **XI. RECOMMENDATION**

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

13 Dated February 28, 2007

14 Respectfully submitted,

15 PT HOLDINGS COMPANY, INC.

16 By: _____

17 Name: Timothy J. Leybold

18 Title: Chief Financial Officer

19 PORT TOWNSEND PAPER CORPORATION

20 By: _____

21 Name: Timothy J. Leybold

22 Title: Chief Financial Officer

23 PTPC PACKAGING CO., INC.

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By: _____
Name: Timothy J. Leybold
Title: Chief Financial Officer

**INFORMAL COMMITTEE OF SENIOR SECURED
NOTEHOLDERS**

By: _____
Name: [] on behalf of []
Title: In its capacity as Chair of the Informal
Committee of Senior Secured
Noteholders

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EXHIBIT A
(THE PLAN)

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EXHIBIT B
(RESTRUCTURING TERM SHEET)

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EXHIBIT C

(PROJECTIONS)

[TO BE SUBMITTED PRIOR TO DISCLOSURE STATEMENT APPROVAL HEARING]

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EXHIBIT D

(HISTORICAL FINANCIAL INFORMATION)

[TO BE SUBMITTED PRIOR TO DISCLOSURE STATEMENT APPROVAL HEARING]

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EXHIBIT E
(LIQUIDATION ANALYSIS)
[TO BE SUBMITTED PRIOR TO DISCLOSURE STATEMENT APPROVAL HEARING]

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EXHIBIT F

(ORGANIZATION CHART)

[TO BE SUBMITTED PRIOR TO DISCLOSURE STATEMENT APPROVAL HEARING]