

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
R.S.C. 1985, c. C-36, AS AMENDED**

AND

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
POPE & TALBOT LTD., POPE & TALBOT, INC.,
MACKENZIE PULP LAND LTD., P&T FUNDING LTD., PENN TIMBER, INC.
POPE & TALBOT LUMBER SALES, INC., POPE & TALBOT PULP SALES U.S., INC.
POPE & TALBOT RELOCATION SERVICES, INC., P&T POWER COMPANY, AND
P&T FINANCE THREE LLC
(Collectively referred to as "P&T" or the "Company")**

**MONITOR'S FOURTEENTH REPORT TO COURT
[Prepared for the May 5, 2008 Court Hearing]**

MAY 4, 2008

**POPE & TALBOT LTD. et al
MONITOR'S FOURTEENTH REPORT TO COURT**

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1 INTRODUCTION

- 1.1 This is the Monitor's Fourteenth Report to this Court with respect to the Company's filing under the *Companies' Creditors Arrangement Act* (the "CCAA"). This report is prepared in anticipation of the scheduled May 5, 2008 hearing to inform this Court of the following:
- 1.1.1 An update on the status of the various sales processes;
 - 1.1.2 An update on the current operations of P&T, including the actual receipts and disbursements of the Company for the period from April 18, 2008 to April 25, 2008 (the "Period");
 - 1.1.3 An update on the Company's post-filing creditor obligations;
 - 1.1.4 The Company's updated cash flow forecast for the period from May 1, 2008 to May 9, 2008 (the "Fourth Revised Forecast"); and
 - 1.1.5 The Company's request for an extension of the Stay of Proceedings to May 12, 2008.

2 BACKGROUND

- 2.1 On October 29, 2007, P&T made an application under the CCAA and an initial order (the "Initial Order") was granted by the Ontario Superior Court of Justice (Commercial List). Under the Initial Order, PricewaterhouseCoopers Inc. was appointed Monitor. The proceedings commenced by the Company under the CCAA are referred to herein as the "CCAA Proceedings".
- 2.2 On November 21, 2007, an application was made by the Company to the Supreme Court of British Columbia (this "Court" or where appropriate the "Canadian Court") to have the CCAA Proceedings transferred from the Ontario Court and for this Court to assume primary jurisdiction of the CCAA Proceedings. This Court granted such order.

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- 2.3 On November 21, 2007, this Court made an order amending, restating, and confirming the Initial Order. Pursuant to this order, the stay of proceedings was extended to January 16, 2008.
- 2.4 On January 15, 2008, this Court made and order extending the stay of proceedings until February 15, 2008.
- 2.5 On February 12, 2008, this Court made and order extending the stay of proceedings until April 4, 2008.
- 2.6 On March 28, 2008, this Court made and order extending the stay of proceedings until April 25, 2008.
- 2.7 On April 22, 2008, this Court made and order extending the stay of proceedings until April 28, 2008.
- 2.8 On April 28, 2008, this Court made and order extending the stay of proceedings until May 2, 2008.
- 2.9 On November 19, 2007, P&T together with its U.S. Parent company and several U.S. affiliates filed a voluntary petition in the United States Bankruptcy Court (the "U.S. Court") for relief under Chapter 11 of the U.S. Bankruptcy code.
- 2.10 As a result of the cross-border nature of this restructuring, on December 14, 2007, this Court and the U.S. Court each approved a Cross-Border Insolvency Protocol that was intended to assist with the administration.
- 2.11 The Monitor has previously filed thirteenth reports with respect to these CCAA proceedings. The most recent report was dated April 25, 2008.
- 2.12 Capitalized terms not defined in this Fourteenth Report are as defined in the Initial Order and the Monitor's previous reports.
- 2.13 The Monitor has established a website at www.pwc.com/car-poptal where all materials filed with this Court by P&T and the Monitor, as well as any Orders granted by this Court, are made available in electronic form to creditors and other interested parties.

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2.14 Materials filed and Orders granted by the U.S. Court in respect of the Chapter 11 proceedings are maintained on the website of Kurtzman Carson Consultants ("KCC") at <http://www.kccllc.net/popetalbot>.

3 UPDATE ON THE VARIOUS SALES PROCESSES

3.1 A summary of the status of the four major asset sale transactions are listed in the table below:

Asset Sale	Transaction Status	Date of Close / Expected Date of Close
Sale to Fox Lumber (Midway Sawmill)	CLOSED	April 23, 2008
Sale to Interfor (Wood Division)	CLOSED	April 30, 2008
Sale to PT Pindo Deli (Pulp Division)	APA Terminated by PT Pindo Deli	Unknown
Sale to PT Pindo Deli (FSJ Sawmill)	Ongoing	May 6, 2008

3.2 Sale to Interfor (Wood Division)

3.2.1 The Sale to Interfor closed on April 30, 2008 as anticipated in the Monitor's previous report. A final accounting of the transaction net proceeds will not be completed for a few weeks given the need to resolve certain post-closing matters, including final inventory counts. The Monitor will report on same once the analysis has been prepared by the Company.

3.2.2 The Company issued a payment to its Lenders on May 1, 2008 in the amount of US\$7.9 million relating to net proceeds from inventory. All other net proceeds are being held in escrow pending the final accounting as noted above.

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3.3 Sale to PT Pindo Deli (Pulp Division)

- 3.3.1 This sale transaction was to be completed by April 30, 2008 pursuant to the APA. The transaction did not close and on May 1, 2008. PT Pindo Deli provided the Company with written notice of termination of the APA on the grounds that the Company was unable to cure certain terms and conditions under the APA.
- 3.3.2 The Company believes that it had met all of terms and conditions of the APA by April 30, 2008 and is currently assessing how to proceed further with respect to the PT Pindo Deli termination of the APA. A US\$10 million deposit was provided by PT Pindo Deli for the pulp transaction.
- 3.3.3 In its termination letter, PT Pindo Deli suggested that it was willing to engage in discussions with the Company to resolve the outstanding issues, including mutually acceptable alternative transactions.
- 3.3.4 At the date of this report, there was no indication as to whether meaningful discussions were underway between PT Pindo Deli and the Company with respect to either reviving the sale or discussing a new sale transaction.

3.4 Sale to PT Pindo Deli (FSJ Sawmill)

- 3.4.1 The APA for the sale of the Fort St. James sawmill ("FSJ") expired on April 30, 2008 and the sale transaction was not completed. Unlike the Pulp Division, PT Pindo Deli did not issue a notice of termination.
- 3.4.2 The Monitor has been independently advised by both the Company and PT Pindo Deli that each party is desirous of completing the transaction and is continuing to work towards resolving the outstanding issues.
- 3.4.3 The Monitor understands that all regulatory approvals required to complete the transaction have been obtained. The major outstanding issue relate to completing the transaction is with respect to the assumption of liabilities.

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3.4.4 The Monitor has been advised by both parties that they are hopeful of resolving the outstanding issues and moving to a completion of the transaction during the week of May 5, 2008.

3.5 Surplus Land Sales

3.5.1 A schedule of Surplus Land sales is set out in Appendix C.

3.5.2 Since the Monitor's Eleventh Report to Court dated March 28, 2008, the Company had executed seven additional purchase agreements with aggregate net sale proceeds totalling Cdn\$3.6 million.

3.5.3 The Monitor has confirmed that all seven transactions have now closed and that Cdn\$2.4 million has been paid to the Secured Lenders, pursuant to their first ranking security. The remaining net proceeds of Cdn\$1.2 million relate to sales that closed on April 30, 2008 and the net proceeds will be paid to the Lenders shortly.

3.5.4 Eagle Bay (Property # 10 – Appendix C)

3.5.4.1 The Company is seeking the Court's approval for the sale of the Eagle Bay property to Sage Investments Ltd. for gross proceeds of Cdn\$5.9 million.

3.5.4.2 The Monitor has reviewed this sale and supports the proposed transaction. The Monitor has provided the US Unsecured Creditors Committee with its assessment and recommendation of the sales transaction as required by Court Order.

3.5.4.3 The Monitor has provided the Company with its written approval of the sales transaction, acknowledging that the sale is subject to the approval from the MoFR for the removal of the property from the Tree Farm License.

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3.5.5 US Surplus Land Sales

3.5.5.1 There are four properties within the US Surplus Lands Sales process. A listing of these properties is also set out in Appendix C.

3.5.5.2 While offers have been received on each of the properties, no offers have been accepted by the Company as it is waiting for the US Bankruptcy Court to approve the Deminimus Value Property Sale Procedure, which will be dealt with by the US Court during the week of May 5, 2008.

4 COMPANY OPERATIONS

4.1 The Company continues to operate its three Pulp mills at Nanaimo (Harmac), Mackenzie, and Halsey.

4.2 During April 2008, the Company sold its sawmills in Midway, Grand Forks, Castlegar, and Spearfish. The Company's remaining sawmill in Fort St. James continues to be operational dormant due to market conditions. There are no immediate plans to start-up the sawmill.

4.3 There have been no significant changes in management.

4.4 Cash Receipts & Disbursements to April 25, 2008

4.4.1 The following is a summary of the actual cash flow and the variance to the Revised Forecast. A more detailed analysis together with the Monitor's comments of the variances are set out in Appendix A.

	Period From	Period From 4/19/2008 - 4/25/2008				Period From	Period From
	10/29/2007 - 4/18/2008	Actual US\$ 000's	Forecast US\$ 000's	Variance US\$ 000's	Variance %	4/26/2008 - 5/9/2008	10/29/2007 - 5/9/2008
Total Receipts	314,387	10,947	7,460	3,487	47%	13,935	339,269
Total Bankruptcy Related Disbursements	(17,614)	-	(1,153)	1,153	100%	(2,296)	(19,910)
Total Operating Disbursements	(318,381)	(5,657)	(13,285)	7,628	57%	(17,201)	(341,239)
Total Disbursements	(335,995)	(5,657)	(14,438)	8,781	61%	(19,497)	(361,149)
Net Cash Flow ¹	(21,608)	5,290	(6,978)	12,268	-176%	(5,562)	(21,880)

¹ Excludes accruals and post-filing payables which are estimated at US\$15.8 million as at April 30, 2008

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4.5 Reporting Under the DIP Credit Agreement

- 4.5.1 The Company continues to report its cash flows weekly to its DIP Lenders. The Company continues to trigger Material Adverse Deviations in its cash flow reporting but has obtained the necessary waivers in respect of the Material Adverse Deviations incurred and reported to April 25, 2008.
- 4.5.2 As at April 25, 2008 the total amount outstanding under the operating portion of the DIP Credit Agreement was US\$56.1 million. This includes outstanding revolver borrowings of US\$43.5 million and DIP Term Borrowings supporting the operating portion of US\$12.6 million. The Monitor notes that the non-operating portion of the DIP Credit Agreement totals US\$189.2 million, resulting in total borrowings under the DIP Credit Agreement of approximately US\$245.3 million.
- 4.5.3 The Company maintained compliance under the DIP Loan Agreement for total borrowings and has not exceeded amounts available under the borrowing base formula. The amounts available to the Company as at April 25, 2008 are summarized below:

Revolver Balance as at April 25, 2008	
	Actual US\$ 000's
Borrowing Base	56,034
Less: Letter of Credit Reserve	(7,016)
Net Availability	49,018
Revolver Balance	43,503
Excess of Availability	5,515

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5 POST-FILING ACCOUNTS PAYABLES

5.1 In the Monitor's Thirteenth Report dated April 25, 2008, the Monitor provided the Court with a projection of the Company's post-filing accounts payable position as at April 30, 2008. The following is an update of that analysis as at April 30, 2008:

Pope & Talbot				
Post-Filing Trade Creditors Projected to April 30, 2008				
(US\$ Millions)				
	Estimated Balance as at April 30, 2008 ¹	DIP Carve Out ²	Revised Estimated Residual	Estimated Residual per Monitor's 13th Report
Trade Suppliers	5.3	(2.0)	3.3	3.6
Professional fees	8.9	(5.0)	3.9	3.0
Rothschild Success Fee ³	1.6	(1.6)	-	-
Total	<u>15.8</u>	<u>(8.6)</u>	<u>7.2</u>	<u>6.6</u>

¹ Net of prepaids and deposits. Includes estimated accruals.
² Per DIP Loan Agreement Agreed Administrative Expense Priorities
³ Success fee for Interfor asset sale.

5.2 The estimate of the Company's total post-filing creditors which are not covered by the DIP carve-out has increased since the Monitor's Thirteenth report by a total of US\$600,000. Noteworthy items include:

5.2.1 Amounts owing for Professional fees increased by an estimated US\$900,000 as the Company's expected payments to professionals at the end of April 2008 were not made as a result of restricted cash flow and the Company's focus on purchasing fibre to meet the requirements under the Pulp APA.

5.2.2 Amounts owing to trade suppliers decreased by an estimated US\$300,000 from a combination of the Company making several large payments to key suppliers which threaten to cut-off supply without prepayment, and from the Company restricting all non-essential purchasing during the last week of April 2008 in anticipation of the closing the pulp sale.

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- 5.3 The Monitor estimates that there are in excess of 500 post-filing creditors, excluding employees.

6 UPDATED CASH FLOW FORECAST TO MAY 9, 2008

- 6.1 The Company has prepared an updated cash flow forecast through to May 9, 2008 (the "Fourth Revised Forecast"). A copy of the Fourth Revised Forecast is attached hereto as Appendix B.
- 6.2 Significant operating assumptions within the Fourth Revised Forecast include the following:
- 6.2.1 The DIP agreement is extended under the same terms and conditions. In particular, the calculation of the revolver borrowing base is unchanged;
- 6.2.2 The FSJ asset sale closes the week of May 5, 2008 and results in US\$4 million paid down on the revolving line of credit. This is in addition to the US\$7.9 million pay-down that was made on May 1, 2008 related to the Interfor sale;
- 6.2.3 Pulp operations are continued; and
- 6.2.4 All amounts owing to post-filing creditors during the forecast period are paid.
- 6.3 Under the cash flow presented, the Company is forecasting that it will incur negative cash flow for the week of US\$3.0 million and will have surplus borrowing base availability of US\$1.5 million at May 9, 2008. This assumes the DIP Lenders do not amend the borrowing base formula.

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- 6.4 As detailed in Appendix B, page 4, the net revolver availability under the borrowing base formula increases on May 1, 2008 by US\$3.9 million to US\$5 million, largely from a US\$7.9 million pay-down to the Lenders as a result of proceeds on the sale to Interfor related to inventory. This availability reduces over the course of the week, to an estimated amount of US\$1.5 million on May 9, 2008, based on two primary assumptions:
- 6.4.1 The Company is forecasting a negative cash flow of US\$3.0 million based on scheduled disbursements; and
- 6.4.2 The Company is forecasting that the FSJ sale transaction will close on May 6, 2008, thereby providing a US\$4 million pay-down to the Lenders in respect of the revolving loan.

7 EXTENSION OF THE STAY OF PROCEEDINGS

- 7.1 The current stay of proceedings expires on May 5, 2008, as does the DIP agreement. The Company is seeking an extension of the stay of proceedings until May 12, 2008.
- 7.2 The Monitor understands that the Company is requesting additional time to:
- 7.2.1 Attempt to close the FSJ sale to PT Pindo Deli;
- 7.2.2 Assess its go-forward strategy with respect to the continuation of the pulp asset sale process, including additional discussions with PT Pindo Deli and possibly other parties; and
- 7.2.3 Assess the cash requirements to continue the operation of the pulp assets while the aforementioned is pursued.

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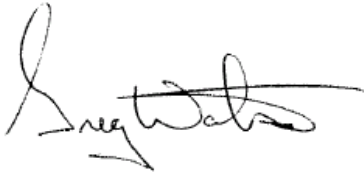
- 7.3 The Monitor continues to believe that completing the contemplated sale transaction regarding Pulp and FSJ is in the best interest of all stakeholders. However, the Monitor has the following concerns:
- 7.3.1 Since PT Pindo Deli issued its notice of termination regarding the Pulp APA, there have been limited discussions between the Company and PT Pindo Deli. Given the urgency of the circumstances, the Monitor is concerned by the lack of meaningful discussions between the parties;
- 7.3.2 The DIP agreement expires on May 5, 2008 and at the date of this report, the DIP Lenders and the Company had been unable to reach an agreement on the continued availability of credit to the Company. In the absence of such an agreement, the Monitor understands that the Company will have virtually no access to cash to fund its operations and the trade creditors will be further exposed;
- 7.3.3 Under any realistic scenario, it seems unlikely that the various remaining sales processes will produce surplus funds beyond amounts owing to the DIP Lenders. While other stakeholders, such as employees and municipalities would clearly benefit from ongoing operations, the beneficiary of any net proceeds will be the DIP Lenders. Should the Company and the DIP Lenders be unable to reach agreement on the terms of ongoing credit, then any extension of the stay of proceedings will be at the expense of the suppliers of goods and services; and
- 7.3.4 The current cash flow forecast extends only to May 9, 2008.
- 7.4 As outlined above, this reorganization now appears to be for the sole benefit of the DIP Lenders. Given this, the Monitor cannot support an extension of the stay of proceedings without support from the DIP Lenders or some portion of them, that provides for the full funding of the future goods and services that are essential to the operations and restructuring process and that have been properly authorized by the Company.

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This report is respectfully submitted this 4th day of May 2008.

**PricewaterhouseCoopers Inc.
Court Appointed Monitor of
Pope & Talbot Ltd. and its affiliates**



**Greg Watson
President**



**Michael J. Vermette
Senior Vice President**

APPENDIX A

Variations Analysis – Revised Forecast vs. Actual Receipts and Disbursements for the Period to April 25, 2008

Appendix A

**Variations Analysis – Revised Forecast vs. Actual Receipts and Disbursements
for the Period to April 25, 2008**

	Period From 10/29/2007 - 4/18/2008	Period From 4/19/2008 - 4/25/2008				Period From 4/26/2008 - 5/9/2008	Period From 10/29/2007 - 5/9/2008
	Actual US\$ 000's	Actual US\$ 000's	Forecast US\$ 000's	Variance US\$ 000's	Variance %	Forecast US\$ 000's	Total US\$ 000's
Total Receipts	314,387	10,947	7,460	3,487	47%	13,935	339,269
Bankruptcy Related Disbursements							
Utility Deposits	(133)	-	-	-	-	-	(133)
Prepetition Freight, Shippers & Warehouse	(1,571)	-	-	-	-	-	(1,571)
Prepetition Critical Vendors	(2,034)	-	-	-	-	-	(2,034)
Professional Fees	(13,504)	-	(1,153)	1,153	100%	(2,296)	(15,800)
Other	(372)	-	-	-	-	-	(372)
Total	(17,614)	-	(1,153)	1,153	100%	(2,296)	(19,910)
Operating Cash Disbursements							
Payroll	(36,007)	(265)	(214)	(51)	(24%)	(2,564)	(38,836)
Payroll Taxes and Benefits	(35,337)	(1,621)	(1,689)	68	4%	(1,763)	(38,721)
Logs & Fiber	(104,603)	(1,471)	(5,948)	4,477	75%	(3,586)	(109,660)
Utilities / Energy	(32,370)	(699)	(1,292)	593	46%	(2,773)	(35,842)
Freight	(38,314)	(755)	(1,689)	934	55%	(1,540)	(40,609)
Chemicals	(22,887)	(543)	(965)	422	44%	(912)	(24,342)
Operating Supplies	(8,745)	(34)	(353)	319	90%	(1,029)	(9,808)
Maintenance Materials & Contract Services	(11,958)	(14)	(411)	397	97%	(783)	(12,755)
Sales Commission	(325)	-	-	-	-	-	(325)
Lease Payments	(3,445)	(31)	(44)	13	30%	(45)	(3,521)
Lumber Duties	(3,520)	-	-	-	-	(400)	(3,920)
Pension Contribution	(1,381)	-	-	-	-	(243)	(1,624)
Taxes (Property & Other)	(3,396)	(167)	(477)	310	65%	(437)	(4,000)
Brussels Office	(19)	-	-	-	-	-	(19)
Insurance	(1,279)	-	-	-	-	(74)	(1,353)
Professional Fees	(1,070)	-	(23)	23	100%	(29)	(1,099)
Interest and Financing Costs on Revolver	(2,240)	-	-	-	-	(445)	(2,685)
Capital Expenditures	(157)	-	-	-	-	-	(157)
Other	(11,328)	(57)	(180)	123	68%	(578)	(11,963)
Total Operating Disbursements	(318,381)	(5,657)	(13,285)	7,628	57%	(17,201)	(341,239)
Total Disbursements	(335,995)	(5,657)	(14,438)	8,781	61%	(19,497)	(361,149)
Net Cash Flow	(21,608)	5,290	(6,978)	12,268	(176%)	(5,562)	(21,880)

**Variations Analysis – Revised Forecast vs. Actual Receipts and Disbursements
for the Period to April 25, 2008**

Total Receipts

- 1** Cash receipts for the Period were favourable by US\$3.5 million. Consistent with prior weeks, the Company has offered some of its customers a cash discount upon early payment of their receivables in order to increase cash collections. As a result, the accelerated collection of US\$1.7 million of receivables originally forecasted to be received in future periods was received within the Period. The cash discount offered on these receivables was US\$18,000.

Disbursements

- 2** Overall, disbursements for the Period were favourable by US\$8.8 million. The Company was restricted from making the budgeted disbursements during the Period as they had no additional availability under the borrowing base. Many of the key operating disbursements were made in the subsequent week in order to keep the mills operating.

APPENDIX B

Fourth Revised Forecast

Pope & Talbot Daily Cash Forecast Overview of Assumptions

1. General Assumptions

- Sale of the lumber division closes on 4/30/08.
- The inventory proceeds related to the Interfor transaction are based upon current physical counts of \$11M and are subject to a 25% holdback. Therefore \$7.9M of inventory proceeds are to be paid at close with the balance to be paid 30 - 45 days after close. Additionally \$2.2M of parts and supplies inventory was transferred for no consideration.
- Fiber purchases for the week ending 5/9/08 are comprised of contractual obligations for fiber related to Canfor and 50% of Halsey's normal fiber requirements.
- Assumes Fort St. James transaction closes on 5/5/08.
- Revolver balances reflected on a book basis.
- Remaining A/R from the lumber division will continue to be collected by the Company and used to pay down revolving and term lenders as well as reducing revolver commitments.
- FX rate assumed at parity.

Pope & Talbot Daily Cash Forecast
Forecast - All Sites Consolidated
(USD \$000's)

	Week Ending 5/2/08					
	Monday	Tuesday	Wednesday	Thursday	Friday	Total
	4/28/2008	4/29/2008	4/30/2008	5/1/2008	5/2/2008	
Operating Cash Flow						
Total Receipts	1,589	1,128	1,692	1,408	1,408	7,225
Bankruptcy Related Disbursements						
Utility Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepetition Freight, Shippers & Warehouseurs	-	-	-	-	-	-
Prepetition Critical Vendors	-	-	-	-	-	-
Prepetition Lien Holders	-	-	-	-	-	-
Prepetition Sales Agent	-	-	-	-	-	-
Management Incentive Plan	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	-	-	-	-	-	-
Operating Cash Disbursements						
Payroll	\$ (938)	\$ (835)	\$ -	\$ (7)	\$ (8)	\$ (1,788)
Vacation Payout	-	-	-	-	-	-
Payroll Taxes and Benefits	(217)	(267)	(486)	(2)	(821)	(1,793)
Logs & Fiber	(349)	(3,733)	(2,095)	(56)	-	(6,234)
Utilities / Energy	-	450	(260)	(990)	(250)	(1,050)
Freight	(204)	(557)	(180)	(594)	(475)	(2,012)
Chemicals	(16)	(378)	(135)	(58)	(709)	(1,295)
Operating Supplies	(2)	(50)	(48)	(0)	(61)	(161)
Shutdown	-	-	-	-	-	-
Maintenance Materials & Contract Services	(4)	(5)	(10)	-	(100)	(119)
Sales Commissions	-	-	-	-	-	-
Lease Payments	-	-	-	-	(90)	(90)
Lumber Duties	-	-	-	-	(261)	(261)
Pension Contribution	-	-	-	-	(116)	(116)
Taxes (GST, Other)	(79)	(79)	(79)	(79)	(79)	(395)
Brussels Office	-	-	-	-	-	-
Insurance	-	-	-	-	(25)	(25)
Professional Fees	-	-	-	-	(5)	(5)
Interest and Financing Costs on Revolver	-	-	-	(439)	-	(439)
Capital Expenditures	-	-	-	-	-	-
Other	-	-	-	(3)	(82)	(85)
Total Operating Disbursements	(1,809)	(5,453)	(3,293)	(2,228)	(3,081)	(15,865)
Total Disbursements	\$ (1,809)	\$ (5,453)	\$ (3,293)	\$ (2,228)	\$ (3,081)	\$ (15,865)
Net Cash Flow	\$ (220)	\$ (4,325)	\$ (1,600)	\$ (821)	\$ (1,673)	\$ (8,640)
DIP Commitment Fee	-	-	-	-	-	-
Term Lender Advisor Fees	-	-	-	-	-	-
Grand Total Net Cash Flow	\$ (220)	\$ (4,325)	\$ (1,600)	\$ (821)	\$ (1,673)	\$ (8,640)

Pope & Talbot Daily Cash Forecast
Forecast - All Sites Consolidated
(USD \$000's)

	Week Ending 5/9/08					Total
	Monday 5/5/2008	Tuesday 5/6/2008	Wednesday 5/7/2008	Thursday 5/8/2008	Friday 5/9/2008	
Operating Cash Flow						
Total Receipts	1,037	2,049	1,037	1,037	1,037	6,199
Bankruptcy Related Disbursements						
Utility Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepetition Freight, Shippers & Warehouse	-	-	-	-	-	-
Prepetition Critical Vendors	-	-	-	-	-	-
Prepetition Lien Holders	-	-	-	-	-	-
Prepetition Sales Agent	-	-	-	-	-	-
Management Incentive Plan	-	-	-	-	-	-
Professional Fees	(893)	(246)	(320)	(837)	-	(2,296)
Other	-	-	-	-	-	-
Total	(893)	(246)	(320)	(837)	-	(2,296)
Operating Cash Disbursements						
Payroll	\$ -	\$ -	\$ (214)	\$ (66)	\$ -	\$ (280)
Vacation Payout	-	-	-	-	-	-
Payroll Taxes and Benefits	-	-	-	(297)	(57)	(354)
Logs & Fiber	(246)	(298)	(246)	(298)	-	(1,086)
Utilities / Energy	(625)	(1,096)	(626)	-	-	(2,347)
Freight	(328)	-	-	(328)	-	(656)
Chemicals	(456)	(456)	-	-	-	(912)
Operating Supplies	(155)	(155)	(155)	(155)	(55)	(676)
Shutdown	-	-	-	-	-	-
Maintenance Materials & Contract Services	(74)	(74)	(74)	(74)	(74)	(372)
Sales Commissions	-	-	-	-	-	-
Lease Payments	-	-	-	(9)	-	(9)
Lumber Duties	-	-	-	-	-	-
Pension Contribution	-	-	-	-	-	-
Taxes (GST, Other)	(32)	(32)	(32)	(32)	(32)	(160)
Brussels Office	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Professional Fees	-	-	-	(8)	-	(8)
Interest and Financing Costs on Revolver	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	-
Other	(17)	(17)	(17)	(17)	(17)	(84)
Total Operating Disbursements	(1,933)	(2,128)	(1,363)	(1,284)	(235)	(6,944)
Total Disbursements	\$ (2,826)	\$ (2,374)	\$ (1,683)	\$ (2,121)	\$ (235)	\$ (9,240)
Net Cash Flow	\$ (1,789)	\$ (325)	\$ (646)	\$ (1,083)	\$ 802	\$ (3,041)
DIP Commitment Fee	-	-	-	-	-	-
Term Lender Advisor Fees	-	-	-	-	-	-
Grand Total Net Cash Flow	\$ (1,789)	\$ (325)	\$ (646)	\$ (1,083)	\$ 802	\$ (3,041)

**Pope & Talbot
Borrowing Base Forecast**

		PROJECTED							
Description		4/30/2008	5/1/2008	5/2/2008	5/5/2008	5/6/2008	5/7/2008	5/8/2008	5/9/2008
Accounts Receivable									
Percent Domestic ^[1]		26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
Percent Foreign ^[1]		74.0%	74.0%	74.0%	74.0%	74.0%	74.0%	74.0%	74.0%
Net Accounts Receivable ^[2]		72,445	72,401	72,050	72,142	72,234	72,327	72,419	72,512
Domestic		18,833	18,822	18,730	18,754	18,778	18,802	18,826	18,850
Foreign		53,612	53,580	53,319	53,388	53,456	53,525	53,593	53,661
Net Accounts Receivable		<u>72,445</u>	<u>72,401</u>	<u>72,050</u>	<u>72,142</u>	<u>72,234</u>	<u>72,327</u>	<u>72,419</u>	<u>72,512</u>
% Eligible - Domestic ^[3]	84.9%	15,980	15,970	15,893	15,913	15,934	15,954	15,974	15,995
% Eligible - Foreign ^[3]	80.9%	43,363	43,337	43,126	43,182	43,237	43,292	43,348	43,403
Eligible Accounts Receivable		<u>59,343</u>	<u>59,307</u>	<u>59,019</u>	<u>59,095</u>	<u>59,170</u>	<u>59,246</u>	<u>59,322</u>	<u>59,398</u>
Adv Rate - Domestic	85.0%	13,583	13,575	13,509	13,526	13,544	13,561	13,578	13,596
Adv Rate - Foreign (Capped at \$35M) ^[4]	75.0%	32,022	32,003	31,845	31,886	31,928	31,969	32,011	32,052
Total Accounts Receivable BB		<u>45,605</u>	<u>45,577</u>	<u>45,354</u>	<u>45,412</u>	<u>45,471</u>	<u>45,530</u>	<u>45,589</u>	<u>45,648</u>
Percent Gross Pulp Inventory		81.4%	94.9%	94.9%	94.9%	100.0%	100.0%	100.0%	100.0%
Percent Gross Wood Inventory		18.6%	5.1%	5.1%	5.1%	0.0%	0.0%	0.0%	0.0%
Gross Pulp Inventory ^[7]		75,594	75,594	75,594	75,594	75,594	75,594	75,594	75,594
Gross Wood Inventory ^[7]		17,325	4,059	4,059	4,059	-	-	-	-
Total Inventory		<u>92,919</u>	<u>79,653</u>	<u>79,653</u>	<u>79,653</u>	<u>75,594</u>	<u>75,594</u>	<u>75,594</u>	<u>75,594</u>
Ineligible Inventory ^[5]	63% / 72%	58,794	50,400	50,400	50,400	54,428	54,428	54,428	54,428
Eligible Inventory		34,125	29,253	29,253	29,253	21,166	21,166	21,166	21,166
Total Inventory BB	50.0%	17,063	14,627	14,627	14,627	10,583	10,583	10,583	10,583
Gross Borrowing Base		<u>62,667</u>	<u>60,204</u>	<u>59,980</u>	<u>60,039</u>	<u>56,054</u>	<u>56,113</u>	<u>56,172</u>	<u>56,231</u>
LC Reserve		7,031	7,031	7,031	7,031	7,031	7,031	7,031	7,031
General Reserves		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Net Borrowing Base		<u>50,636</u>	<u>48,173</u>	<u>47,949</u>	<u>48,008</u>	<u>44,023</u>	<u>44,082</u>	<u>44,141</u>	<u>44,200</u>
Revolver Commitment		70,740	57,349	57,349	57,349	53,250	53,210	53,170	53,131
Reserves for Letters of Credit		9,948	9,948	9,948	9,948	9,948	9,948	9,948	9,948
Revolver Limit		<u>60,792</u>	<u>47,401</u>	<u>47,401</u>	<u>47,401</u>	<u>43,302</u>	<u>43,262</u>	<u>43,222</u>	<u>43,183</u>
Beginning Revolver Book Balance		-	49,488	42,382	42,712	44,501	40,767	41,413	42,496
Opening Cash		-	(3,243)	(3,243)	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
Disbursements		-	2,228	3,081	2,826	2,374	1,683	2,121	235
Receipts		-	(1,408)	(1,408)	(1,037)	(2,049)	(1,037)	(1,037)	(1,037)
Term Overadvance Borrowing		-	-	-	-	-	-	-	-
Inventory Sales ^[6]		-	(7,927)	-	-	(4,059)	-	-	-
Ending Cash Balance		-	3,243	1,900	1,900	1,900	1,900	1,900	1,900
Ending Revolver Book Balance ^[8]		<u>49,488</u>	<u>42,382</u>	<u>42,712</u>	<u>44,501</u>	<u>40,767</u>	<u>41,413</u>	<u>42,496</u>	<u>41,694</u>
Net Availability / (Overadvance)		1,148	5,018	4,688	2,899	2,534	1,849	726	1,489

[1] Based upon mix of foreign and domestic A/R on the 4/30/08 borrowing base certificate.

[2] Amounts are based upon the 4/30/08 borrowing base certificate and rolled forward for estimated collection and invoicing activity.

[3] Based upon mix of eligible and ineligible A/R on the 4/30/08 borrowing base certificate.

[4] Incorporates a \$500K reduction related to the deductible under the Eligible Foreign Account Credit Insurance.

[5] Based upon percent of ineligible inventory on the 4/30/08 borrowing base certificate. After disposition of all lumber inventory, ineligible amount is adjusted to 72% to reflect anticipated ineligible mix.

[6] Amount represents inventory proceeds obtained from the recovery analysis assumed to be paid to the revolving lenders.

[7] Inventory amounts based upon the 4/25/08 borrowing base certificate adjusted for amounts related to the Interfor and Fort St. James transactions.

[8] Revolver balances reflected on a book basis.

**Pope & Talbot
A/R Rollforward**

	Monday 4/28/2008	Tuesday 4/29/2008	Wednesday 4/30/2008	Thursday 5/1/2008	Friday 5/2/2008	Monday 5/5/2008	Tuesday 5/6/2008	Wednesday 5/7/2008	Thursday 5/8/2008	Friday 5/9/2008	Total
Beginning Balance ^[1]	72,567	72,865	72,879	72,445	72,401	72,050	72,142	72,234	72,327	72,419	72,567
Pulp Sales	1,940	1,235	1,471	1,364	1,056	1,130	1,130	1,130	1,130	1,130	12,715
Collections	(1,589)	(1,128)	(1,692)	(1,408)	(1,408)	(1,037)	(1,037)	(1,037)	(1,037)	(1,037)	(12,412)
Adjustments ^[2]	(53)	(92)	(213)	-	-	-	-	-	-	-	(358)
Ending Balance	72,865	72,879	72,445	72,401	72,050	72,142	72,234	72,327	72,419	72,512	72,512

[1] Initial A/R balance obtained from 4/25/08 borrowing base certificate.

[2] Represent various debit and credit memos for prepaid accounts and other adjustments.

APPENDIX C

Surplus Lands – Sales to-date

Surplus Lands – Sales to-date

Property Number / Name	Status	Asking Price Cdn\$	Purchase Price Cdn\$	Less: Commissions and Taxes Cdn\$	Net Purchase Price Cdn\$	Date of Closing
Canadian Surplus Lands						
36 - Beaverdell South	Sold	295,000	550,000	28,895.62	521,104.38	January 8, 2008
22 - Irwin Ranch	Sold	395,000	751,000	39,498.60	711,501.40	January 8, 2008
20 - Shields Cr	Sold	1,295,000	1,350,000	70,987.15	1,279,012.85	January 8, 2008
01 - Blanket Cr	Sold	4,721,000	5,563,627	292,080.42	5,271,546.58	January 14, 2008
03 - Beaton Complex	Sold					
04 - Beaton Schedule A	Sold					
05 - Galena Bay Thumb	Sold					
06 - Arrowhead	Sold					
07 - Galena Bay	Sold					
23 - Taite Cr	Sold					
27 - Tuzo Junction	Sold					
29 - Kettle River Park North	Sold					
30 - Kettle River Park South	Sold					
25 - Saunier Lake	Sold	275,000	200,000	19,987.12	180,012.88	April 16, 2008
12 - Nakusp	Sold	1,950,000	2,000,002	105,342.75	1,894,659.25	April 18, 2008
26 - Tuzo	Sold	249,500	225,000	11,852.53	213,147.47	April 21, 2008
35 - Sand Creek	Sold	795,000	500,000	26,612.43	473,387.57	April 30, 2008
02 - Cambourne	Sold	149,000	175,000	18,124.54	156,875.46	April 30, 2008
15 - Arrow Park (Hampton)	Sold	295,000	431,000	23,132.03	407,867.97	April 30, 2008
28 - Bull Lake	Sold	395,000	300,000	16,230.64	283,769.36	April 30, 2008
16 - Arrow Park (Stobo)	Sale Pending	395,000				
14 - Arrow Park	Sale Pending	695,000				
17 - Burton	Sale Pending	795,000				
19 - Mennonite Flats	Sale Pending	1,495,000				
09 - Shelter Bay	Sale Pending	9,950,000				
33 - Gilpin	Sale Pending	349,000				
10 - Eagle Bay	Seeking Court Approval	7,495,000				
11 - Fosthall	Open	295,000				
13 - Mosquito Creek	Open	6,500,000				
18 - Oatscott	Open	495,000				
21 - Sub Lot 6	Open	395,000				
24 - Beaverdell North	Open	424,500				
31 - Ingram Creek	Open	695,000				
32 - McCaren Creek	Open	374,500				
34 - Santa Rosa	Open	3,750,000				
08 - Trout Lake	Cancelled	595,000				
Total Cash Proceeds to P&T from Canadian Sales					\$ 11,392,885.17	
U.S. Surplus Lands						
Northport, Washington	Open	175,000			-	
Oakridge Lot, Oregon	Open	295,000			-	
Spearfish Lands, South Dakota	Open	1,012,000			-	
Newcastle, Wyoming	Open	325,000			-	
Total Cash Proceeds to P&T from U.S. Sales					\$ -	
Total Cash Proceeds to P&T from Canadian & U.S. Sales					\$ 11,392,885.17	