

**EXHIBIT B-3**

**Proposed Monthly Cash Flows - Sources and  
Uses of Cash for the Indenture Trustee Plan**

# Scotia Pacific Company LLC

## Projected Monthly Cash Flows - Sources and Uses

(\$ in thousands)

	Projected Cash Flows <sup>(1)</sup>						
	March	April	May	June	July	August	September
<b>Inflows</b>							
Operating Cash Receipts	\$3,770	\$4,500	\$5,418	\$5,800	\$4,659	\$6,107	\$5,030
<b>Outflows</b>							
Payroll and Benefits							
Payroll, net	\$210	\$210	\$210	\$210	\$188	\$196	\$182
Payroll Taxes/401k	150	150	150	150	66	132	85
Medical and Pharmacy (Palco Reimb.)	50	30	30	30	93	30	72
Additional Payroll-related Payments (Palco Reimb.)	100	100	100	100	90	64	66
Total	\$510	\$490	\$490	\$490	\$437	\$422	\$405
Operating Expenses							
Roads, Reforestation and Enviro. Compliance (Palco Reimb.)	\$1,000	\$1,000	\$1,000	\$1,000	\$948	\$980	\$1,402
Harvest Costs	800	800	800	800	800	800	800
Insurance (MAXXAM Reimb.)	25	25	25	25	23	23	23
Timber Yield and Use Taxes	-	210	-	-	305	-	-
Building Lease (Palco Reimb.)	20	20	20	20	20	20	19
Other Operating Expenses Paid for by Palco (Palco Reimb.)	120	120	120	120	42	58	58
Other Operating Expenses	200	250	200	200	570	586	386
Total	\$2,165	\$2,425	\$2,165	\$2,165	\$2,708	\$2,467	\$2,688
Bank of America Interest	\$237	\$252	\$278	\$269	\$260	\$269	\$269
Restructuring Fees	\$2,124 <sup>(2)</sup>	\$1,484 <sup>(3)</sup>	\$1,484 <sup>(3)</sup>	\$742 <sup>(4)</sup>	\$742 <sup>(4)</sup>	\$742 <sup>(4)</sup>	\$742 <sup>(4)</sup>
Total Outflows	\$5,036	\$4,651	\$4,417	\$3,666	\$4,147	\$3,900	\$4,104
<b>Net Cash Flow</b>	<b>(\$1,266)</b>	<b>(\$151)</b>	<b>\$1,002</b>	<b>\$2,134</b>	<b>\$512</b>	<b>\$2,207</b>	<b>\$926</b>
Beginning Book Cash / (SAR Draw)	\$1,111 <sup>(5)</sup>	(\$155)	(\$306)	\$696	\$2,830	\$3,343	\$5,550
Net Cash Flow	(1,266)	(151)	1,002	2,134	512	2,207	926
<b>Ending Book Cash / (SAR Draw)</b>	<b>(\$155)</b>	<b>(\$306)</b>	<b>\$696</b>	<b>\$2,830</b>	<b>\$3,343</b>	<b>\$5,550</b>	<b>\$6,476</b>
<b>Memo Items:</b>							
Beginning SAR Balance	\$40,022 <sup>(6)</sup>	\$39,867	\$39,716	\$39,716	\$39,716	\$39,716	\$39,716
SAR Repayment / (Draw)	(155)	(151)	0	0	0	0	0
<b>Ending SAR Balance</b>	<b>\$39,867</b>	<b>\$39,716</b>	<b>\$39,716</b>	<b>\$39,716</b>	<b>\$39,716</b>	<b>\$39,716</b>	<b>\$39,716</b>

Note: Assumes confirmation of BNY's POR in May and consummation of 363 sale in September. All administrative and other priority claims (including transaction fees) assumed to be paid from sale proceeds on or after the effective date out of the sale proceeds.

(1) Projections for March through June based primarily on Scotia Pacific cash flow budget dated September 24, 2007. Projections for July through September based primarily on the Debtors' actual cash inflows and outflows during the corresponding periods in fiscal year 2007.

(2) Projected professional fees per Scotia Pacific's 13-week cash flow budget through March 21, 2008.

(3) Reflects Scotia Pacific's forecast of professional fees per cash flow budget dated September 24, 2007, increased by 50% to reflect increased litigation and work product as part of POR confirmation process.

(4) Restructuring fees for June through September are projected to be lower than previous monthly amounts based on Houlihan Lokey assumption that BNY's POR will be confirmed in May 2008.

As a result, the aggregate amount of work performed by various professionals will be materially reduced going forward (i.e., assumes 50% reduction from average April - May fees beginning in June).

(5) Estimated balance based on actual cash balance as of February 15, 2008, adjusted for projected net cash flows through the week ended February 29, 2008 per Scotia Pacific's most recent weekly cash flow budget through March 21, 2008. Assumes payment of more than \$2 million owed from Palco to Scotia Pacific as part of monthly intercompany settlement forecast during week ended February 22, 2008.

(6) Reflects SAR balance per Scotia Pacific's Monthly Operating Report for the month ended December 31, 2007, adjusted for actual results through February 15, 2008.