UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-32563

Orchids Paper Products Company
(Exact name of Registrant as Specified in its Charter)

Delaware	**23-2956944**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

4826 Hunt Street
Pryor, Oklahoma 74361
(Address of Principal Executive Offices and Zip Code)

(918) 825-0616
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Number of shares outstanding of the issuer's Common Stock, par value $.001 per share, as of August 1, 2008: 6,328,986 shares.

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QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED JUNE 30, 2008

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

ORCHIDS PAPER PRODUCTS COMPANY
BALANCE SHEETS
(Dollars in thousands, except share data)

	June 30, 2008 (unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash	$ 261	$ 3
Accounts receivable, net of allowance of $131 in 2008 and $100 in 2007	6,958	5,527
Inventories, net	5,349	4,874
Income taxes receivable	30	24
Prepaid expenses	189	381
Deferred income taxes	516	516
Total current assets	13,303	11,325
Property, plant and equipment	67,635	64,899
Accumulated depreciation	(9,570)	(8,043)
Net property, plant and equipment	58,065	56,856
Deferred debt issuance costs, net of accumulated amortization of $587 in 2008 and $570 in 2007	105	122
Total assets	$ 71,473	$ 68,303
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,868	$ 4,760
Accrued liabilities	2,819	2,460
Current portion of long-term debt	2,604	2,391
Total current liabilities	11,291	9,611
Long-term debt, less current portion	22,324	23,264
Deferred income taxes	8,098	7,386
Stockholders' equity:		
Common stock, $.001 par value, 25,000,000 shares authorized in 2008 and 2007, 6,328,986 and 6,322,648 shares issued and outstanding in 2008 and 2007, respectively	6	6
Additional paid-in capital	22,106	21,879
Common stock warrants	134	141
Retained earnings	7,514	6,016
Total stockholders' equity	29,760	28,042
Total liabilities and stockholders' equity	$ 71,473	$ 68,303

See notes to financial statements.

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ORCHIDS PAPER PRODUCTS COMPANY
STATEMENTS OF INCOME

	Three Months Ended June 30, 2008 (unaudited)	Three Months Ended June 30, 2007 (unaudited)	Six Months Ended June 30, 2008 (unaudited)	Six Months Ended June 30, 2007 (unaudited)
	(Dollars in thousands, except share and per share data)			
Net sales	$ 22,315	$ 18,515	$ 42,590	$ 35,152
Cost of sales	19,193	15,762	36,779	30,667
Gross profit	3,122	2,753	5,811	4,485
Selling, general and administrative expenses	1,491	1,170	2,876	2,229
Operating income	1,631	1,583	2,935	2,256
Interest expense	320	708	731	1,581
Other income, net	(5)	(7)	(6)	(27)
Income before income taxes	1,316	882	2,210	702
Provision for income taxes:				
Deferred	429	139	712	90
Net income	$ 887	$ 743	$ 1,498	$ 612
Net income per share:				
Basic	$ 0.14	$ 0.12	$ 0.24	$ 0.10
Diluted	$ 0.14	$ 0.12	$ 0.23	$ 0.10
Shares used in calculating net income per share:				
Basic	6,328,986	6,234,346	6,328,017	6,234,346
Diluted	6,526,630	6,344,260	6,541,066	6,427,130

See notes to financial statements.

ORCHIDS PAPER PRODUCTS COMPANY
STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2008 (unaudited)	Six Months Ended June 30, 2007 (unaudited)
	(Dollars in thousands)	
Cash Flows From Operating Activities		
Net income	$ 1,498	$ 612
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,544	1,641
Provision for doubtful accounts	30	30
Deferred income taxes	712	90
Stock option plan expense	205	169
Changes in cash due to changes in operating assets and liabilities:		
Accounts receivable	(1,461)	(1,345)
Inventories	(475)	78
Income taxes receivable	(6)	—
Prepaid expenses	192	163
Accounts payable	1,108	138
Accrued liabilities	359	333
Net cash provided by operating activities	3,706	1,909
Cash Flows From Investing Activities		
Purchases of property, plant and equipment	(2,736)	(220)
Proceeds from the sale of restricted certificate of deposit	—	1,500
Net cash provided by (used in) investing activities	(2,736)	1,280
Cash Flows From Financing Activities		
New borrowings on long-term debt	—	26,500
Retirement of borrowings on long-term debt	—	(25,866)
Principal payments on long-term debt	(1,045)	(1,186)
Net borrowings (repayments) on revolving credit line	318	(2,492)
Proceeds from the exercise of warrants attached to subordinated debentures	15	—
Deferred debt issuance costs	—	(144)
Net cash used in financing activities	(712)	(3,188)
Net change in cash	258	1
Cash, beginning	3	3
Cash, ending	$ 261	$ 4
Supplemental Disclosure:		
Interest paid	$ 661	$ 1,486
Income taxes paid	$ 6	$ —

See notes to financial statements.

ORCHIDS PAPER PRODUCTS COMPANY
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

Orchids Paper Products Company ("Orchids" or the "Company") was formed in 1998 to acquire and operate the paper manufacturing facility, built in 1976, in Pryor, Oklahoma. Orchids Acquisition Group, Inc. ("Orchids Acquisition") was established in November 2003, for the purpose of acquiring the common stock of Orchids. Orchids Acquisition closed the sale of its equity and debt securities on March 1, 2004, and immediately thereafter closed the acquisition of Orchids. In April 2005, Orchids Acquisition merged with and into Orchids, with Orchids as the surviving entity.

On July 20, 2005, the Company completed its public offering of 3,234,375 shares of its common stock. The public offering price of the shares was $5.33. The net proceeds from the offering were $15,011,000 after deducting the underwriting discount and offering expenses. The Company's stock trades on the American Stock Exchange under the ticker symbol "TIS."

The accompanying financial statements have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations. However, the Company believes that the disclosures made are adequate to make the information presented not misleading when read in conjunction with the audited financial statements and the notes thereto. Management believes that the financial statements contain all adjustments necessary for a fair statement of the results for the interim periods presented. All adjustments were of a normal, recurring nature. The results of operations for the interim period are not necessarily indicative of the results for the entire fiscal year.

For income statement purposes, the Company reclassified certain expenses from selling, general and administrative expenses to cost of sales at year-end 2007. The income statements for the three-month and six-month periods ended June 30, 2007 have been restated to conform to the revised classification.

Note 2 – Commitments and Contingencies

On August 1, 2007, the Company received a new water discharge permit that requires the Company to expand its existing pre-treatment facility to reduce biological oxygen demand and total suspended solids from its discharge water. Under the permit, the Company is required to complete the expansion and make operational its pre-treatment facility by August 1, 2009. The project is in the pre-engineering phase and is expected to cost approximately $3 million. The cost of this facility is expected to be financed through a construction loan from the Company's bank lenders. As of June 30, 2008, there were no amounts outstanding under this loan. This loan was included in the bank debt refinancing that closed in April 2007.

In March 2008, the Company announced that its board of directors had approved a capital expenditure of $4.75 million to automate certain processes in its converting operation. The project will involve the purchase of case packers, conveyors and case unitizing equipment and should be operational by the fourth quarter of 2008. Committed capital expenditures not yet paid for in connection with this project totaled approximately $1.6 million at June 30, 2008.

Note 3 – Earnings per Share

The computation of basic and diluted net income per share for the three-month and six-month periods ended June 30, 2008 and 2007 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income — ($ thousands)	$ 887	$ 743	$ 1,498	$ 612
Weighted average shares outstanding	6,328,986	6,234,346	6,328,017	6,234,346
Effect of stock options	81,839	37,211	91,154	93,673
Effect of dilutive warrants	115,805	72,703	121,895	99,111
Weighted average shares outstanding — assuming dilution	6,526,630	6,344,260	6,541,066	6,427,130
Earnings per common share:				
Basic	$ 0.14	$ 0.12	$ 0.24	$ 0.10
Diluted	$ 0.14	$ 0.12	$ 0.23	$ 0.10

Note 4 – Stock Incentive Plan

In April 2005, the board of directors and the stockholders approved the 2005 Stock Incentive Plan (the “Plan”). The Plan provides for the granting of incentive stock options to employees selected by the board’s compensation committee. The Plan authorized up to 697,500 shares to be issued. In May 2008, the shareholders approved increasing the number of authorized shares under the Plan from 697,500 to 897,500. The compensation committee in April 2005 awarded options for 405,000 shares to officers of the Company at an exercise price of $5.33, which was equal to the initial public offering price of the stock. The options vest 20% on the date of grant and then ratably 20% over the following four years and have a ten-year term. All share and per share amounts have been adjusted for the 3-for-2 stock split that was effected in July 2006. During the third quarter of 2007, unvested options for 93,000 shares were forfeited by Michael Sage, the Company’s former President and CEO who retired effective July 15, 2007. Mr. Sage exercised his vested options covering 139,500 shares in October 2007. Options for 225,000 shares were granted effective August 20, 2007, to Robert Snyder, the Company’s President and CEO, at an exercise price of $6.81, the market price on the date of the grant. The options vest 20% on the date of grant and then ratably 20% over the following four years and have a ten-year term.

The following table details the options granted to certain members of the board of directors and management during the six months ended June 30, 2007 and 2008.

Grant Date	Number of Shares	Exercise Price	Risk-Free Interest Rate	Estimated Volatility	Dividend Yield	Expected Life
Feb-07	3,750	$8.58	4.83%	40%	None	5 years
Jun-07	28,750	$5.18	5.09%	38%	None	5 years
May-08	28,750	$7.48	3.78%	41%	None	5 years
Jun-08	20,000	$7.80	3.98%	40%	None	5 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, options valuation models require the input of highly subjective assumptions including the expected stock price volatility.

In connection with the approval of the Plan, the Company adopted SFAS No. 123 (R) "Share-Based Payments" and expenses the cost of options granted over the vesting period of the option based on the grant-date fair value of the award. The Company recognized an expense of $154,000 and $109,000 for the three months ended June 30, 2008 and 2007, respectively, related to options granted under the Plan. The Company recognized an expense of $205,000 and $169,000 for the six months ended June 30, 2008 and 2007, respectively, related to options granted under the Plan.

Note 5 – Major Customers and Concentration of Credit Risk

Credit risk for the Company is concentrated in four significant customers. Three are converted product customers, each of whom operates discount retail stores located throughout the United States and one customer who accounts for most of the Company's third party sales of parent rolls. During the three months ended June 30, 2008 and 2007, sales to the four significant customers accounted for approximately 69% and 68% of the Company's total sales, respectively. For the six months ended June 30, 2008 and 2007, sales to the four significant customers accounted for approximately 67% and 68% of the Company's total sales, respectively. At June 30, 2008 and 2007, respectively, approximately $5.2 million (74%) and $4.5 million (69%) of accounts receivable was due from these four significant customers. No other customers of the Company accounted for more than 10% of sales during these periods. The Company generally does not require collateral from its customers and has not incurred any significant losses on uncollectible accounts receivable.

Note 6 – New Accounting Standards

The Financial Accounting Standards Board ("FASB") periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. We have reviewed the recently issued pronouncements and concluded that the following new accounting standards could be applicable to the Company.

In December 2007, the FASB revised SFAS No. 141 "Business Combinations" to clarify certain issues regarding business combinations. The major impact on the Company would be the requirement to write-off certain costs of completing an acquisition as incurred. The standard is effective for periods beginning after December 15, 2008.

Also in December 2007, the FASB issued SFAS No. 160 "Non-controlling Interests in Consolidated Financial Statements." At present this standard would not apply to the Company as it has no related entities which qualify for consolidation. The standard is effective for minority interest accounting for periods beginning after December 15, 2008.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. These statements relate to, among other things:

- our business strategy;
- the market opportunity for our products, including expected demand for our products;
- our estimates regarding our capital requirements; and
- any of our other plans, objectives, and intentions contained in this report that are not historical facts.

These statements relate to future events or future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These statements are only predictions.

You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance or achievements. Factors that could materially affect our actual results, levels of activity, performance or achievements include, without limitation, those detailed under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the Securities and Exchange Commission, and the following items:

- we face intense competition in our market and our profitability would be reduced if aggressive pricing by our competitors forces us to decrease our prices;
- a substantial percentage of our converted product revenues are attributable to three large customers which may decrease or cease purchases at any time;
- the disruption in supply or cost of waste paper;
- we have significant indebtedness which limits our free cash flow and subjects us to restrictive covenants relating to the operation of our business;
- the availability of and prices for energy;
- our exposure to variable interest rates;
- the loss of key personnel;
- labor interruptions;

- natural disaster or other disruption to our facility;
- ability to finance the capital requirements of our business;
- cost to comply with government regulations; and
- failure to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud.

If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement you read in the following Management's Discussion and Analysis of Financial Condition and Results of Operations reflects our current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reasons, whether as a result of new information, future events, or otherwise.

Overview

We manufacture bulk tissue paper, known as parent rolls, and convert parent rolls into a full line of tissue products, including paper towels, bathroom tissue and paper napkins for the private label segment of the consumer, or "at home," market. We have focused our product design and manufacturing on the discount retail market, primarily the dollar store retailers, due to their consistent order patterns, limited number of stock keeping units, or SKUs, offered and the growth being experienced in this channel of the retail market. While we have customers located throughout the United States, we distribute most of our products within approximately 900 miles of our northeast Oklahoma facility, which we consider to be our cost-effective shipping area. Our products are sold primarily under our customers' private labels and, to a lesser extent, under our brand names such as Colortex® and Velvet®. All of our revenue is derived pursuant to truck load purchase orders from our customers. We do not have supply contracts with any of our customers. Revenue is recognized when title passes to the customer. Because our product is a daily consumable item, the order stream from our customer base is fairly consistent with no significant seasonal fluctuations. Changes in the national economy do not materially affect the market for our product.

Our profitability depends on several key factors, including:

- the market price of our product;
- the cost of recycled paper used in producing paper;
- the efficiency of operations in both our paper mill and converting operations; and
- energy costs.

The private label segment of the tissue industry is highly competitive, and discount retail customers are extremely price sensitive. As a result, it is difficult to effect price increases. We expect these competitive conditions to continue.

In June 2006, we began operating a new paper machine with an annual capacity of approximately 33,000 tons. As a result, beginning in the third quarter of 2006, we were able to eliminate the requirement to purchase recycled parent rolls on the open market. In the second quarter of 2007, due to the relatively high price of parent rolls, we began running all of our older machines on a full-time basis. The capacity of the new machine, in addition to the capacity of our older machines, increased our total production capacity to approximately 54,000 tons per year. Our strategy is to sell all of our parent roll capacity as converted products which have higher margins than parent rolls. We are focusing considerable efforts to improve our converting efficiencies in order to achieve that goal. Parent rolls are a commodity product and thus are subject to market pricing. We plan to continue to sell any excess parent roll capacity on the open market as long as market pricing is profitable. Prior to the third quarter of 2006, we had purchased parent rolls on the open market since 1998 because our own parent roll production had not adequately supplied the requirements of our converting facility. We purchased approximately 1,700, 7,000 and 12,000 tons of paper on the open market in the years 2007, 2006 and 2005, respectively, to supplement our paper-making capacity.

Comparative Three-Month Periods Ended June 30, 2008 and 2007

Net Sales

	Three Months Ended June 30,	
	2008	2007
	(in thousands, except average price per ton and tons)	
Net sales	$ 22,315	$ 18,515
Total tons shipped	14,226	12,816
Average price per ton	$ 1,569	$ 1,445

Net sales increased 21%, to $22.3 million in the quarter ended June 30, 2008, compared to $18.5 million in the same period of 2007. Net sales figures include gross selling price, including freight, less discounts and pricing allowances. The increase in net sales is primarily the result of a 14% increase in the net selling price per ton of converted product shipments, a more than two-fold increase in the shipment of parent rolls and, to a lesser extent, a 23% increase in the selling price of parent rolls. Total shipments in the 2008 quarter increased by 1,410 tons, or 11%, to 14,226 tons compared to 12,816 tons in the same period of 2007, primarily due to higher levels of parent roll shipments, which was attributable to the increased production provided by our paper mill. Shipments of converted product decreased 6% in the second quarter of 2008 compared to the prior year quarter due to product content reduction actions taken during 2007 and 2008 to counteract increased raw material and energy costs. Our overall net selling price per ton increased by 9% in the second quarter of 2008 compared to the prior year quarter. This increase was attributable to higher prices for converted products, which was partly offset by the increased sales of parent rolls, which are sold at lower prices than converted products. The primary reason for the higher selling price per ton for converted products was the product content reduction actions.

Cost of Sales

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
	(in thousands, except gross profit margin % and paper cost per ton)	
Cost of paper	$ 11,580	$ 9,418
Non-paper materials, labor, supplies, etc.	6,841	5,595
Sub-total	18,421	15,013
Depreciation	772	749
Cost of sales	$ 19,193	$ 15,762
Gross Profit	$ 3,122	$ 2,753
Gross Profit Margin %	14.0%	14.9%
Total paper cost per ton consumed	$ 814	$ 735

Major components of cost of sales are the cost of internally produced paper, raw materials, direct labor and benefits, freight costs of products shipped to customers, insurance, repairs and maintenance, energy, utilities and depreciation.

Cost of sales increased approximately $3.4 million, or 22%, to $19.2 million for the quarter ended June 30, 2008, compared to $15.8 million in the same period of 2007. As a percentage of net sales, cost of sales increased to 86% from 85% of net sales. The increase in cost of sales as a percentage of net sales in the quarter ended June 30, 2008 was primarily attributed to higher paper production costs and to a lesser extent, higher converting production costs, being partially offset by higher selling prices and higher tonnage volumes.

Our overall cost of paper in the second quarter of 2008 was $814 per ton, an increase of $79 per ton compared to the same period in 2007. Our cost per ton increased primarily due to increased waste paper prices and the higher cost of natural gas being partially offset by the effects of higher production levels on fixed and semi-variable costs. The prices we paid for waste paper increased approximately 17% in the second quarter of 2008 compared with the same period in 2007, resulting in an increased cost of waste paper consumed of approximately $780,000, as an overall tight waste paper market resulted in significant price increases across all grades of waste paper. The rates paid for natural gas increased approximately 43% in the second quarter of 2008 compared to the prices paid in the same quarter of 2007, resulting in increased costs of approximately $400,000. Converting production costs increased primarily due to higher maintenance and repair-related costs, increased salaried overhead and outside warehousing expenses.

Gross Profit

Gross profit in the quarter ended June 30, 2008 increased $369,000, or 13%, to $3.1 million compared to $2.8 million in the same period last year. Gross profit as a percentage of net sales in the 2008 quarter was 14.0% compared to 14.9% in the 2007 quarter. The effect of higher paper costs and higher converting production costs and, to a lesser extent, the effect of the lower gross profit margin percentage realized on parent roll sales as compared to converted product sales which were partly offset by higher selling prices and higher tonnage volumes were the major reasons for the decrease in gross profit as a percentage of net sales.

Selling, General and Administrative Expenses

	Three Months Ended June 30, 2008	2007
	(In thousands, except SG&A as a % of net sales)	
Commission expense	$ 251	$ 256
Other S,G&A expenses	1,240	914
Selling, General & Adm exp	$ 1,491	$ 1,170
SG&A as a % of net sales	6.7%	6.3%

Selling, general and administrative expenses include salaries, commissions to brokers and other miscellaneous expenses. Selling, general and administrative expenses increased $321,000, or 27%, to $1.5 million in the quarter ended June 30, 2008 compared to $1.2 million in the comparable 2007 period, mainly as a result of costs associated with additions to our senior management team and increased legal expenses. As a percent of net sales, selling, general and administrative expenses increased to 6.7% in the second quarter of 2008 compared to 6.3% in the same period of 2007.

Operating Income

As a result of the foregoing factors, operating income for the quarters ended June 30, 2008 and 2007 was flat at approximately $1.6 million in each period.

Interest Expense and Other Income

	Three Months Ended June 30, 2008	2007
	(In thousands)	
Interest expense	$ 320	$ 708
Other (income) expense, net	$ (5)	$ (7)

Interest expense includes interest on all debt and amortization of both deferred debt issuance costs and the discount on our subordinated debt related to warrants issued with that debt. Interest expense decreased $388,000 to $320,000 in the quarter ended June 30, 2008, compared to $708,000 in the quarter ended June 30, 2007. Lower LIBOR interest rates and, to a lesser extent, reduced margins over LIBOR reflecting improved performance under our debt covenants, the absence of interest on our 12% subordinated debentures totaling $2.15 million principal amount, which were retired in December, 2007 and lower average bank borrowings all contributed to the decrease.

Income Before Income Taxes

As a result of the foregoing factors, income before income taxes increased $434,000 to $1.3 million in the quarter ended June 30, 2008 compared to $882,000 in the same period in 2007.

Income Tax Provision

For the quarter ended June 30, 2008, our effective income tax rate was 33%. It is lower than the statutory rate because of Oklahoma Investment Tax Credits associated with our investment in a new paper machine. This factor was partially offset by state income taxes. As of June 30, 2007, our annual effective income tax rate was 16%. The 2007 effective tax rate was lower than the statutory rate because of the Oklahoma Investment Tax Credits cited above, the utilization of Federal Indian Employment Credits and the recognition of deferred tax benefits associated with non-qualified option grants to our directors and officers, including a true-up. The second quarter of 2008 does not reflect any benefit for the Indian Employment Tax Credit because the credit expired as of December 31, 2007 and as of the date of this filing it has not been extended.

No current taxes are owed to either state or federal taxing authorities because of net operating loss carryforwards for both state and federal tax purposes, Federal Indian Employment Credit carryforwards and Oklahoma Investment Tax Credit carryforwards.

Comparative Six-Month Periods Ended June 30, 2008 and 2007

Net Sales

	Six Months Ended June 30,	
	2008	2007
	(in thousands, except price per ton and tons)	
Net sales	$ 42,590	$ 35,152
Total tons shipped	27,188	23,977
Average price per ton	$ 1,566	$ 1,466

Net sales increased 21%, to $42.6 million in the six months ended June 30, 2008, compared to $35.2 million in the same period of 2007. Net sales figures include gross selling price, including freight, less discounts and pricing allowances. The increase in net sales is primarily the result of a 12% increase in the net selling price per ton of converted product shipments, a more than two-fold increase in the shipment of parent rolls and, to a lesser extent, a 22% increase in the selling price of parent rolls. Total shipments in the 2008 six-month period increased by 3,211 tons, or 13%, to 27,188 tons compared to 23,977 tons in the same period of 2007, primarily due to higher levels of parent roll shipments, which was attributable to the increased production provided by our paper mill. Our overall net selling price per ton increased by 7% in the first six months of 2008 compared to the comparable prior year period. This increase was attributable to higher prices for converted products, primarily due to product content reduction actions taken during 2007 and 2008 to counteract increased raw material and energy costs which was partly offset by the increased sales of parent rolls, which are sold at lower prices than converted products.

Cost of Sales

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(in thousands, except gross profit margin % and paper cost per ton)	
Cost of paper	$ 22,133	$ 18,115
Non-paper materials, labor, supplies, etc.	13,120	11,054
Sub-total	$ 35,253	$ 29,169
Depreciation	1,526	1,498
Cost of sales	$ 36,779	$ 30,667
Gross Profit	$ 5,811	$ 4,485
Gross Profit Margin %	13.6%	12.8%
Total paper cost per ton consumed	$ 809	$ 756

Major components of cost of sales are the cost of internally produced paper, raw materials, direct labor and benefits, freight costs of products shipped to customers, insurance, repairs and maintenance, energy, utilities and depreciation.

Cost of sales increased approximately $6.1 million, or 20%, to $36.8 million for the six months ended June 30, 2008, compared to $30.7 million in the same period of 2007. As a percentage of net sales, cost of sales decreased to 86% from 87% of net sales in the comparable six-month periods ended June 30, 2008 and 2007, respectively. The slight decrease in cost of sales as a percentage of net sales in the six months ended June 30, 2008 was primarily attributed to higher selling prices and higher tonnage volumes being largely offset by higher paper production costs, higher converting production costs and, to a lesser extent, the downtime experienced in the first quarter of 2008 on our new paper machine.

In the six months ended June 30, 2008, our overall cost of paper was $814 per ton, an increase of $58 per ton when compared to the same period in 2007. Our cost per ton increased primarily due to increased waste paper prices and, to a lesser extent, increased prices in the cost of natural gas being partially offset by the effects of higher production on fixed and semi-variable costs. The prices paid for waste paper increased approximately 19% in the six-month period of 2008 compared to the same period in 2007, resulting in an increased cost of waste paper of approximately $1.6 million. Natural gas prices increased approximately 20% in the 2008 period compared to the same period of 2007, resulting in increased natural gas costs of approximately $450,000. Converting production costs increased primarily in the areas of repair and maintenance, general operating supplies, salaried overhead, and outside warehousing. The down time experienced on our new paper machine in January 2008, totaled approximately three days of lost production time in order to effect repairs. The unplanned shutdown was required to correct certain issues with the surface of the yankee dryer and resulted in approximately $200,000 of increased production costs.

Gross Profit

Gross profit in the six months ended June 30, 2008 increased $1.3 million, or 30%, to $5.8 million compared to $4.5 million in the same period last year. Gross profit as a percentage of net sales in the six-month period ended June 30, 2008 was 13.6% compared to 12.8% in the same period in 2007. The effect of higher selling prices and higher tonnage volumes, which were partly offset by higher production costs for paper and converted product and, to a lesser extent, the lower gross profit margins realized on the increased parent roll sales when compared to margins realized on converted product sales were the major reasons for the increase in gross profit as a percentage of net sales.

The previously discussed unplanned shutdown of our new paper machine negatively affected gross profit by approximately $330,000 due to lost production and certain related out of pocket expenses.

Selling, General and Administrative Expenses

	Six Months Ended June 30,	
	2008	2007
	(In thousands, except SG&A as a % of net sales)	
Commission expense	$ 493	$ 478
Other S,G&A expenses	2,383	1,751
Selling, General & Adm exp	$ 2,876	$ 2,229
SG&A as a % of net sales	6.8%	6.3%

Selling, general and administrative expenses include salaries, commissions to brokers and other miscellaneous expenses. Selling, general and administrative expenses increased $647,000, or 29%, to $2.9 million in the six months ended June 30, 2008 compared to $2.2 million in the comparable 2007 period, mainly as a result of costs associated with additions to our senior management team, accruals under our incentive bonus plan, and increased legal expenses. As a percent of net sales, selling, general and administrative expenses increased to 6.8% in the six months ended June 30, 2008 compared to 6.3% in the same period of 2007.

Operating Income

As a result of the foregoing factors, operating income for the six months ended June 30, 2008 was $2.9 million compared to operating income of $2.3 million for the same period of 2007.

Interest Expense and Other Income

	Six Months Ended June 30,	
	2008	2007
	(In thousands)	
Interest expense	$ 731	$ 1,581
Other (income) expense, net	$ (6)	$ (27)

Interest expense decreased by $850,000 from $1.6 million in the six months ended June 30, 2007 to $731,000 in the same period in 2008. The decrease was attributable to lower average outstanding bank borrowings, lower LIBOR interest rates and, to a lesser extent, reduced margins over LIBOR reflecting the terms of our amended and restated credit agreement with the banks entered into in April 2007 and improved financial performance under our debt covenants since that time and the absence of interest on our subordinated debentures, which we retired in December 2007.

Other income decreased from $27,000 in the first six months of 2007 to $6,000 in the first six months of 2008, primarily due to the absence of interest on the restricted certificate of deposit which was released in connection with the closing of our credit facility.

Income Before Income Taxes

As a result of the foregoing factors, income before income taxes increased $1.5 million to $2.2 million in the six months ended June 30, 2008 compared to $702,000 in the same period in 2007.

Income Tax Provision

For the six months ended June 30, 2008, our effective income tax rate was 32%. It is lower than the statutory rate because of Oklahoma Investment Tax Credits associated with our investment in a new paper machine. This factor was partially offset by state income taxes. As of June 30, 2007, our effective income tax rate was 13%. The 2007 effective tax rate was lower than the statutory rate because of the Oklahoma Investment Tax Credits cited above, the utilization of Federal Indian Employment Credits and the recognition of deferred tax benefits associated with non-qualified option grants to our directors and officers, including a true-up. The first six months of 2008 do not reflect any benefit for the Indian Employment Tax Credit because the credit expired as of December 31, 2007 and as of the date of this filing it has not been extended.

No current taxes are owing to either state or federal taxing authorities because of net operating loss carryforwards for both state and federal tax purposes, Federal Indian Employment Credit carryforwards and Oklahoma Investment Tax Credit carryforwards.

Liquidity and Capital Resources

Liquidity refers to the liquid financial assets available to fund our business operations and pay for near-term obligations. These liquid financial assets consist of cash as well as unused borrowing capacity under our revolving credit facility. Our cash requirements have historically been satisfied through a combination of cash flows from operations and debt financings.

Cash increased in the six months ended June 30, 2008 by $258,000 to $261,000. Cash was essentially unchanged at $4,000 in the six months ended June 30, 2007.

The following table summarizes key cash flow information for the six-month periods ended June 30, 2008 and 2007:

	Six Months Ended June 30,	
	2008	2007
	(in thousands)	
Cash flow provided by (used in):		
Operating activities	$ 3,706	$ 1,909
Investing activities	$ (2,736)	$ 1,280
Financing activities	$ (712)	$ (3,188)

Cash flow provided by operating activities was $3.7 million in the six-month period ended June 30, 2008, which primarily resulted from earnings before non-cash charges, higher accounts payable and accrued expenses, partly offset by increased trade receivables and inventories.

Cash flows used in investing activities were $2.7 million in the first six months of 2008 as the result of expenditures on capital projects, primarily the previously announced $4.75 million project to automate certain operations in our converting plant.

Cash used in financing activities was $712,000 in the six-month period ended June 30, 2008 and was primarily attributable to $1.0 million of principal payments on our term loans, which were partially offset by $318,000 of borrowings under the revolving credit agreement.

Cash flow provided by operating activities was $1.9 million in the six-month period ended June 30, 2007, which primarily consisted of earnings before non-cash charges and an increase in accounts payable and accrued liabilities, which was partially offset by an increase in accounts receivable reflecting increased sales in the second quarter.

Cash flows from investing activities were $1.3 million in the six-month period ended June 30, 2007, reflecting the release of the $1.5 million restricted certificate of deposit in connection with the re-financing of the Company's credit facility. Several maintenance capital expenditure projects were partly offsetting.

Cash used in financing activities was $3.2 million in the six-month period ended June 30, 2007 and was primarily attributable to a net reduction in the revolving credit balance reflecting, in part, the application of the $1.5 million restricted certificate of deposit and repayments of principal on our term loans, partly offset by net additional term loan borrowings in connection with the re-financing of the Company's bank debt in April 2007. The effect of these incremental term loan borrowings was to reduce the revolving credit balance.

On April 9, 2007, we closed the re-financing of our credit facility with our existing bank group. On March 6, 2008, we amended the facility to increase the revolving credit facility and the 2008 capital expenditures limit. Following the amendment, the credit facility consists of the following:

- a $8.0 million revolving credit facility with a three-year term; ($1.11 million outstanding at June 30, 2008). The borrowing base for the revolving credit facility is determined by adding qualified receivables and inventory. At June 30, 2008, the borrowing base for the revolving credit facility was $6.9 million;
- a $10.0 million term loan A with a ten-year term that has no principal repayments for the first 24 months of the loan and then will be amortized as if the loan had an 18-year life ($10.0 million outstanding at June 30, 2008);
- a $16.5 million term loan B with a four-year term that is being amortized as if the loan had a six-year life ($13.8 million outstanding at June 30, 2008); and
- a $3.0 million capital expenditures facility with a four-year term that will be amortized as if the loan had a five-year life ($0 outstanding at June 30, 2008).

Under the terms of the credit agreement, amounts outstanding under the revolving credit facility bear interest at our election at the prime rate or LIBOR plus a margin and amounts outstanding under term loans A and B and the capital expenditures facility bear interest at LIBOR plus a margin. The margin is set quarterly and based on the ratio of funded debt to EBITDA less income taxes paid. Amounts outstanding under term loan A bear interest at LIBOR plus 180 basis points. For the revolving credit facility, the margin ranges from a negative 50 basis points to 150 basis points for prime rate loans and 200 to 375 basis points for LIBOR-based loans. For term loan B, the margin ranges from 200 basis points to 300 basis points over LIBOR. For the capital expenditures facility, which we expect to utilize in conjunction with the construction of our new environmental pre-treatment facility by August 1, 2009, the margin ranges from 150 basis points to 250 basis points over LIBOR. At June 30, 2008, our weighted average borrowing rate was 4.70% under this credit agreement as compared to 7.95% at June 30, 2007 and 9.28% as of April 8, 2007 under the predecessor credit facility.

The credit agreement contains covenants that, among other things, require us to maintain a specific funded debt to EBITDA ratio, debt service coverage ratio and an annual limit on un-financed capital expenditures. In connection with the re-financing, the $1.5 million restricted certificate of deposit was released and applied to the revolving credit facility. The amount available under the revolving credit line may be reduced in the event that our borrowing base, which is based upon our qualified receivables and qualified inventory, is less than $8.0 million. Obligations under the amended and restated credit agreement are secured by substantially all of our assets. The agreement contains representations and warranties, and affirmative and negative covenants customary for financings of this type, including, but not limited to, a covenant prohibiting us from declaring or paying dividends. The financial covenants in the agreement require us to maintain specific ratios of funded debt to EBITDA and debt service coverage which are tested as of the end of each quarter and places a limit on the amount of annual non-financed capital expenditures. The maximum allowable funded debt to EBITDA ratio is 4.0-to-1.0 and the minimum allowable debt service coverage ratio is 1.25-to-1.0. Our annual expenditures for non-financed capital equipment are limited to $6.25 million for fiscal year 2008 and $1.5 million per fiscal year thereafter.

The capital expenditures facility is intended to fund an expansion of our wastewater pre-treatment facilities. A new water discharge permit was issued effective August 1, 2007 which requires us to expand our existing pre-treatment facility to reduce biological oxygen demand and total suspended solids from our discharge water. Under the new permit, we are required to complete the expansion and make operational our pre-treatment facility by August 1, 2009. The project is in the pre-engineering phase and is expected to cost approximately $3 million.

If an event of default occurs, the agent may declare the banks' obligation to make loans terminated and all outstanding indebtedness, and all other amounts payable under the credit agreement, due and payable.

Critical Accounting Policies and Estimates

The preparation of our financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenue and expense, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our financial statements:

Accounts Receivable. Accounts receivable consist of amounts due to us from normal business activities. Our management must make estimates of accounts receivable that will not be collected. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's creditworthiness as determined by our review of their current credit information. We continuously monitor collections and payments from our customers and maintain an allowance for estimated losses based on historical experience and specific customer collection issues that we have identified. Trade receivables are written-off when all reasonable collection efforts have been exhausted, including, but not limited to, external third party collection efforts and litigation. While such credit losses have historically been within management's expectations and the allowance provided, there can be no assurance that we will continue to experience the same credit loss rates as in the past. During the six-month periods ended June 30, 2008 and 2007, provisions for doubtful accounts were recognized in the amount of $30,000 for each period. In addition, $3,000 of recoveries of accounts previously written off were credited to the allowance during the first six months of 2008. There were no recoveries credited during the first six months of 2007. One accounts receivable balance of $3,000 was written off in the six-month period ended June 30, 2008 and nothing was written off in the first six months of 2007.

Inventory. Our inventory consists of finished goods and raw materials and is stated at the lower of cost or market. Our management regularly reviews inventory quantities on hand and records a provision for excess and obsolete inventory based on the age of the inventory and forecasts of product demand. A significant decrease in demand could result in an increase in the amount of excess inventory quantities on hand. During the first six months of 2008, $55,000 was provided and there were charges totaling $74,000 against the valuation reserve. The charges against the reserve were primarily the result of the product content changes made or in the process of being made to our converted products and the resultant effect on certain raw materials, primarily poly wrapping material, used in the converting process. During the first six months of 2007, $30,000 was provided and there were no charges against the reserve.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") periodically issues new accounting standards in a continuing effort to improve standards of financial accounting and reporting. We have reviewed the recently issued pronouncements and concluded that the following new accounting standards could be applicable to us.

In December 2007, the FASB revised SFAS No. 141 "Business Combinations" to clarify certain issues regarding business combinations. The major impact on Orchids would be the requirement to write-off certain costs of completing an acquisition as incurred. The standard is effective for periods beginning after December 15, 2008.

Also in December 2007, the FASB issued SFAS No. 160 "Non-controlling Interests in Consolidated Financial Statements." At present this standard would not apply to Orchids as we have no related entities which qualify for consolidation. The standard is effective for minority interest accounting for periods beginning after December 15, 2008.

Non-GAAP Discussion

In addition to our GAAP results, we also consider non-GAAP measures of our performance for a number of purposes. We use EBITDA as a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP. EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income, operating income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or a measure of our liquidity.

EBITDA represents net income before net interest expense, income tax expense, depreciation and amortization. We believe EBITDA facilitates operating performance comparisons from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting relative interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense).

EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for any of our results as reported under GAAP. Some of these limitations are:

- it does not reflect our cash expenditures for capital assets;
- it does not reflect changes in, or cash requirements for, our working capital requirements;
- it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect cash requirements for such replacements; and
- other companies, including other companies in our industry, may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or to reduce our indebtedness. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA on a supplemental basis.

The following table reconciles EBITDA to net income for the three months ended June 30, 2008 and 2007:

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
	(In thousands, except % of net sales)	
Net income	$ 887	$ 743
Plus: Interest expense	320	708
Plus: Income tax expense	429	139
Plus: Depreciation	772	749
EBITDA	$ 2,408	$ 2,339
% of net sales	10.8%	12.6%

EBITDA increased $69,000 to $2.4 million in the quarter ended June 30, 2008, compared to $2.3 million in the same period in 2007. EBITDA as a percent of net sales declined to 10.8% in the second quarter of 2008 from 12.6% in the second quarter of 2007. The foregoing factors discussed in the net sales, cost of sales and selling, general and administrative expenses are the reasons for the decline.

The following table reconciles EBITDA to net income for the six months ended June 30, 2008 and 2007:

	Six Months Ended June 30,	
	2008	2007
	(In thousands, except % of net sales)	
Net income	$ 1,498	$ 612
Plus: Interest expense	731	1,581
Plus: Income tax expense	712	90
Plus: Depreciation	1,526	1,498
EBITDA	$ 4,467	$ 3,781
% of net sales	10.5%	10.8%

EBITDA increased $686,000 to $4.5 million in the six months ended June 30, 2008, compared to $3.8 million in the same period of 2007. EBITDA as a percent of net sales declined to 10.5% in the current six-month period from 10.8% in the prior year six-month period. The foregoing factors discussed in the net sales, cost of sales and selling, general and administrative sections are the reasons for these changes.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Our market risks relate primarily to changes in interest rates. Our revolving line of credit and our term loans carry variable interest rates that are tied to market indices and, therefore, our statement of income and our cash flows will be exposed to changes in interest rates. As of June 30, 2008, we have borrowings totaling $24.9 million that carry a variable interest rate. Outstanding balances under our line of credit and term loans bear interest at the prime rate or LIBOR, plus a margin based upon the debt service coverage ratio or a fixed margin over LIBOR. Based on the borrowings on June 30, 2008, a 100 basis point change in interest rates would result in a $249,000 change to our annual interest expense.

ITEM 4. Controls and Procedures

Our management, under the supervision and with the participation of our chief executive officer and our chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report on Form 10-Q. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on such evaluation, our chief executive officer and our chief financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2008.

There were no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K dated March 18, 2008.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

None.

(b) Initial Public Offering and Use of Proceeds from the Sale of Registered Securities

None.

(c) Repurchases of Equity Securities

We do not have any programs to repurchase shares of our common stock and no such repurchases were made during the three months ended June 30, 2008.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of Orchids Paper Products Company was held on May 20, 2008. At the meeting, the following matters were submitted to a vote of the stockholders:

(1) To elect seven directors for one-year terms expiring at the conclusion of the Company's annual meeting in 2009. The vote with respect to each nominee was as follows:

Nominee	For	Withheld
Gary P. Arnold	5,956,992	18,150
Steven R. Berlin	5,956,992	18,150
John C. Guttilla	5,956,992	18,150
Douglas E. Hailey	5,956,992	18,150
Jeffrey S. Schoen	5,956,992	18,150
Jay Shuster	5,956,992	18,150
Robert A. Snyder	5,956,992	18,150

(2) To ratify the appointment of Tullius Taylor Sartain & Sartain LLP as the Company's independent registered public accounting firm for 2008:

For	Against	Abstain
5,955,467	15,925	3,750

(3) To amend the Company's Stock Incentive Plan to increase the number of shares that may be issued under the plan from 697,500 to 897,500:

For	Against	Abstain
3,391,633	625,140	6,861

All of the directors listed above were elected, Tullius Taylor Sartain & Sartain LLP was ratified as our independent registered public accounting firm for 2008 and the shares available for issuance under our Stock Incentive Plan was increased to 897,500 shares.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

See the Exhibit Index following the signature page to this Form 10-Q, which Exhibit Index is hereby incorporated by reference herein.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ORCHIDS PAPER PRODUCTS COMPANY

Date: August 4, 2008	By: /s/ Keith R. Schroeder Keith R. Schroeder Chief Financial Officer (On behalf of the registrant and as Chief Accounting Officer)

Exhibit Index

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-124173) filed with the Securities and Exchange Commission on April 19, 2005.
3.1.1	Amendment to the Amended and Restated Certificate of Incorporation of the Registrant incorporated by reference to the Form 10-Q filed with the Securities and Exchange Commission on August 14, 2007.
3.2	Amended and Restated Bylaws of the Registrant incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-124173) filed with the Securities and Exchange Commission on April 19, 2005.
10.1	2005 Stock Incentive Plan, as amended.
31.1	Certification of Chief Executive Officer Pursuant to Section 302.
31.2	Certification of Chief Financial Officer Pursuant to Section 302.
32.1	Certification of Chief Executive Officer Pursuant to Section 906.
32.2	Certification of Chief Financial Officer Pursuant to Section 906.

Exhibit 10.1

ORCHIDS PAPER PRODUCTS COMPANY
STOCK INCENTIVE PLAN

as amended by the stockholders on May 20, 2008

ORCHIDS PAPER PRODUCTS COMPANY
STOCK INCENTIVE PLAN

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ORCHIDS PAPER PRODUCTS COMPANY
STOCK INCENTIVE PLAN

1. Purpose of the Plan.

The purpose of the Plan is to provide the Company with a means to assist in recruiting, retaining and rewarding certain employees, directors and consultants and to motivate such individuals to exert their best efforts on behalf of the Company by providing incentives through the granting of Awards. By granting Awards to such individuals, the Company expects that the interests of the recipients will be better aligned with those of the Company.

2. Definitions.

Unless the context clearly indicates otherwise, the following capitalized terms shall have the meanings set forth below:

A. "Act" means the Securities Exchange Act of 1934, as amended, or any successor thereto.

B. "Award" means a grant under the Plan of an Option, Stock Appreciation Right, Cash-Based Award or Other Stock-Based Award.

C. "Award Agreement" means an agreement entered into between the Company and a Participant setting forth the terms and provisions applicable to Awards granted under the Plan.

D. "Board" means the Board of Directors of the Company.

E. "Cash-Based Award" means an Award described in Section 8 as a Cash-Based Award.

F. "Change in Control" means (i) the purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Act (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or (ii) individuals who, as of the date hereof, constitute the Board (and, as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or (iii) approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

G. "Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto.

H. “Committee” means the committee described in Section 5.

I. “Company” means Orchids Paper Products Company, a Delaware corporation.

J. “Fair Market Value” means (i) if there should be a public market for the relevant Stock on the determination date, the arithmetic mean between the high and lows of prices of such Stock as reported on such date on the Composite Tape of the principal national securities exchange or, if applicable, the NASDAQ National Market on which such Stock is listed or admitted to trading, or, if such Stock is not listed or admitted on any national securities exchange or the NASDAQ National Market, the arithmetic mean of the per share closing bid price and per share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted) (“NASDAQ”), or if no sale of such shares shall have been reported on the Composite Tape of any national securities exchange or the NASDAQ National Market or quoted on the NASDAQ on such date, then the immediately preceding date on which sales of such shares have been so reported or quoted shall be used, and (ii) if there should not be a public market for the Stock on such date, the value established by the Committee in good faith.

K. “Incentive Stock Option” means a stock option which is an incentive stock option within the meaning of Code Section 422.

L. “Non-qualified Stock Option” means a stock option which is not an Incentive Stock Option.

M. “Option” means both an Incentive Stock Option and a Non-Qualified Stock Option.

N. “Other Stock-Based Award” means an Award granted pursuant to Section 8 and described as an Other Stock-Based Award.

O. “Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the granting of the Option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Code Section 424.

P. “Participant” means an employee, director or consultant of the Company who is selected by the Committee to receive an Award.

Q. “Plan” means the Orchids Paper Products Company 2002 Stock Incentive Plan.

R. “Public Offering” means the creation of an active trading market in Common Stock by the sale of Common Stock to the public pursuant to a registration statement under the Securities Act of 1933.

S. “Stock” means the common stock of the Company.

T. “Stock Appreciation Right” means a stock appreciation right described in Section 7.

U. “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting an Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Code Section 424.

3. Stock Subject to the Plan.

Eight hundred ninety-seven thousand five hundred (897,500) shares of Stock have been allocated to the Plan and will be reserved to satisfy Awards under the Plan. The maximum number of shares of Stock subject to Awards which may be granted during a calendar year to a Participant shall be ___________( ). The Company may, in its discretion, use shares held in the treasury in lieu of authorized but unissued shares. If any Award shall expire or terminate for any reason, the shares subject to the Award shall again be available for the purposes of the Plan. Any shares of Stock which are used by a Participant as full or partial payment to the Company to satisfy a purchase price related to an Award shall again be available for the purposes of the Plan. To the extent any shares subject to an Award are not delivered to a Participant because such shares are used to satisfy an applicable tax-withholding obligation, such withheld shares shall again be available for the purposes of the Plan.

4. Administration.

The Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, Awards shall be granted and the number of shares, if applicable, to be subject to each Award. In making such determinations, the Committee may take into account the nature of services rendered by the respective individuals, their present and potential contributions to the Company's success and such other factors as the Committee, in its discretion, shall deem relevant. Subject to the express provisions of the Plan, the Committee shall also have plenary discretionary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Award Agreements (which need not be identical) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Section 4 shall be conclusive.

5. Committee.

The Committee shall be comprised of directors on the compensation committee of the Board of Directors of the Company ("Board of Directors"). A majority of its members shall constitute quorum. All determinations of the Committee shall be made by a majority of its members present at any meeting at which there is a quorum. Any decision or determination reduced to writing and signed by all of the members shall as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary, shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable. The Committee may, to the extent permitted by law, delegate its responsibilities and authority hereunder to an officer of the Company.

The Committee shall be appointed by the Board, which may from time to time appoint members of the Committee in substitution for members previously appointed and may fill vacancies, however caused, in the Committee.

6. Options.

The Committee, in its discretion, may grant Options which are Incentive Stock Options or Non-qualified Stock Options, as evidenced by the Award Agreement, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

A. Type of Option. Incentive Stock Options may be granted to any individual classified by the Committee as an employee of the Company, a Parent or a Subsidiary. A Non-Qualified Stock Option may be granted to any individual selected by the Committee.

B. Option Prices. The purchase price of the Stock under each Incentive

Stock Option shall not be less than 100% of the Fair Market Value of the Stock at the time of the granting of the Option; provided that, in the case of a Participant who owns more than 10% of the total combined voting power of all classes of stock of the Company, a Parent or a Subsidiary, the purchase price of the Stock under each Incentive Stock Option shall not be less than 110% of the Fair Market Value of the Stock on the date such Option is granted. The purchase price of the Stock under each Non-qualified Stock Option shall be determined from time to time by the Committee, which need not be uniform for all Participants, and shall not be less than 100% of Fair Market Value.

C. Exercise — Elections and Restrictions. The purchase price for an Option is to be paid in full upon the exercise of the Option, either (i) in cash, (ii) in the discretion of the Committee, by the tender to the Company (either actual or by attestation) of shares of Stock already owned by the Participant for a period of at least six months as of the date of tender and registered in his or her name, having a Fair Market Value equal to the cash exercise price of the Option being exercised, or (iii) in the discretion of the Committee, by any combination of the payment methods specified in clauses (i) and (ii) hereof; provided that, no shares of Stock may be tendered in exercise of an Incentive Stock Option if such shares were acquired by the Participant through the exercise of an Incentive Stock Option unless (a) such shares have been held by the Participant for at least one year and (b) at least two years have elapsed since such prior Incentive Stock Option was granted; and provided further that, unless otherwise specifically provided in an Award Agreement, until such time as a Public Offering shall occur, the only method of payment of the purchase price for an Option shall be cash. The Committee may provide in an Award Agreement that payment in full of the option price need not accompany the written notice of exercise provided that the notice of exercise directs that the certificate or certificates for the shares of Stock for which the Option is exercised be delivered to a licensed broker acceptable to the Company as the agent for the individual exercising the Option and, at the time such certificate or certificates are delivered, the broker tenders to the Company cash (or cash equivalents acceptable to the Company) equal to the option price for the shares of Stock purchased pursuant to the exercise of the Option plus the amount (if any) of any withholding obligations on the part of the Company. The proceeds of sale of Stock subject to the Option are to be added to the general funds of the Company or to the shares of the Stock held in its Treasury, and used for its corporate purposes as the Board shall determine.

D. Option Terms. The term of each Option shall not be more than ten (10) years from the date of granting thereof or such shorter period as is prescribed in the Award Agreement; provided that, in the case of a Participant who owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, a Parent or a Subsidiary, the term of any Incentive Stock Option shall not be more than five (5) years from the date of granting thereof or such shorter period as prescribed in the Award Agreement. Within such limit, Options will be exercisable at such time or times, and subject to such restrictions and conditions, as the Committee shall, in each instance, approve, which need not be uniform for all Participants. The holder of an Option shall have none of the rights of a shareholder with respect to the shares subject to Option until such shares shall be issued to him or her upon the exercise of his or her Option. Upon exercise of an Option, the Committee shall withhold a sufficient number of shares to satisfy the Company’s minimum required statutory withholding obligations for any taxes incurred as a result of such exercise (based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes); provided that, in lieu of all or part of such withholding, the Participant may pay an equivalent amount of cash to the Company.

E. Successive Option Grants. As determined by the Committee, successive option grants may be made to any Participant under the Plan.

F. Additional Incentive Stock Option Requirements. The maximum aggregate Fair Market Value (determined at the time an Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Company, a Parent and a Subsidiary) shall not exceed $100,000. A Participant who disposes of Stock acquired upon the exercise of an Incentive Stock Option either (i) within two years after the date of grant of such

Incentive Stock Option or (ii) within one year after the transfer of such shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition.

G. Deferral of Gain on a Non-qualified Stock Option. In accordance with the terms of the applicable non-qualified deferred compensation plan, if any, in which a Participant is eligible to participate, a Participant may elect to defer any gain realized upon the exercise of a Non-qualified Stock Option. The election to defer the gain must be made in accordance with the applicable non-qualified deferred compensation plan, if any.

7. Stock Appreciation Rights.

A. Grant Terms. The Committee may grant a Stock Appreciation Right independent of an Option or in connection with an Option or a portion thereof. A Stock Appreciation Right granted in connection with an Option or a portion thereof shall cover the same shares of Stock covered by the Option, or a lesser number as the Committee may determine. A Stock Appreciation Right shall be subject to the same terms and conditions as an Option, and any additional limitations set forth in this Section 7 or the Award Agreement.

B. Exercise Terms. The exercise price per share of Stock of a Stock Appreciation Right shall be an amount determined by the Committee and shall not be less than 100% of Fair Market Value. A Stock Appreciation Right granted independent of an Option shall entitle the Participant upon exercise to a payment from the Company in an amount equal to the excess of the Fair Market Value on the exercise date of a share of Stock over the exercise price per share, times the number of Stock Appreciation Rights exercised. A Stock Appreciation Right granted in connection with an Option shall entitle the Participant to surrender an unexercised Option (or portion thereof) and to receive in exchange an amount equal to the excess of the Fair Market Value on the exercise date of a share of Stock over the exercise price per share for the Option, times the number of shares covered by the Option (or portion thereof) which is surrendered. Payment may be made, in the discretion of the Committee, in (i) Stock, (ii) cash or (iii) any combination of Stock and cash. Cash shall be paid for fractional shares of Stock upon the exercise of a Stock Appreciation Right.

C. Limitations. The Committee may impose such conditions upon the exercisability or transferability of Stock Appreciation Rights as it determines in its sole discretion.

8. Other Stock-Based Awards and Cash-Based Awards.

The Committee may, in its sole discretion, grant Awards of Stock, restricted Stock and other Awards that are valued in whole or in part by reference to the Fair Market Value of Stock. These Awards shall collectively be referred to herein as Other Stock-Based Awards. The Committee may also, in its sole discretion, grant Cash-Based Awards, which shall have a value as may be determined by the Committee. Other Stock-Based Awards shall be in such form, and dependent on such conditions, as the Committee shall determine, including, but not limited to, the right to receive one or more shares of Stock (or the cash-equivalent thereof) upon the completion of a specified period of service, the occurrence of an event or the attainment of performance objectives. Other Stock-Based Awards and Cash-Based Awards may be granted with or in addition to other Awards. Subject to the other terms of the Plan, Other Stock-Based Awards and Cash-Based Awards may be granted to such Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee and set forth in an Award Agreement.

9. Performance-Based Awards.

To the extent applicable, the Committee may, in its sole and absolute discretion, determine that certain Other Stock-Based Awards and/or Cash-Based Awards should be subject to such requirements so that they are deductible by the Company under Code Section 162(m). If the Committee so determines, such Awards shall be considered Performance-Based Awards subject to the terms of this Section 9, as provided in the Award Agreement. A Performance-Based Award shall be granted by the Committee in a manner to satisfy the requirements of Code Section 162(m) and the regulations thereunder. The performance measures to be used for purposes of a Performance-Based Award shall be chosen by the Committee, in its sole and absolute discretion, from among the following: earnings per share of Stock; book value per share of Stock; net income (before or after taxes); operating income; return on invested capital, assets or equity; cash flow return on investments which equals net cash flows divided by owners' equity; earnings before interest or taxes; gross revenues or revenue growth; market share; expense management; improvements in capital structure; profit margins; Stock price; total shareholder return; free cash flow; or working capital. The performance measures may relate to the Company, a Parent, a Subsidiary, or one or more units of such an entity.

The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to an Award and, if they have, to so certify and ascertain the amount of the applicable Performance-Based Award. The Committee shall have the discretion to adjust Performance-Based Awards downward.

For calendar years beginning after the “reliance period” defined in Treas. Reg. Section 1.162-27(f)(2) or any successor thereto with respect to the Company, an Award shall be a Performance-Based Award only if the Committee consists solely of two or more Outside Directors within the meaning of Treas. Reg. Section 1.162-27(e)(3) or any successor thereto.

10. Nontransferability of Awards.

Unless otherwise determined by the Committee and expressly set forth in an Award Agreement, an Award granted under the Plan shall, by its terms, be non-transferable otherwise than by will or the laws or descent and distribution and an Award may be exercised, if applicable, during the lifetime of the Participant thereof, only by the Participant or his or her guardian or legal representative. Notwithstanding the above, the Committee may not provide in an Award Agreement that an Incentive Stock Option is transferable.

11. Investment Purpose.

Each Award under the Plan shall be awarded only on the condition that all purchases of Stock thereunder shall be for investment purposes, and not with a view to resale or distribution, except that the Committee may make such provision with respect to Awards granted under this Plan as it deems necessary or advisable for the release of such condition upon the registration with the Securities and Exchange Commission of Stock subject to the Award, or upon the happening of any other contingency warranting the release of such condition.

If deemed advisable by the Committee, the certificates evidencing the shares acquired by the Participant pursuant to this Plan may bear a restrictive legend, if appropriate, indicating that the shares have not been registered under said Act and are subject to restrictions on the transfer thereof, which legend may be in the following form (or such other form as the Company shall determine to be proper), to-wit:

> “The shares represented by this certificate have not been registered under the Securities Act of 1933, but have been issued or transferred to the registered owner pursuant to the exemption afforded by Section 4(2) of said Act. No transfer or assignment of these shares by the registered owner shall be valid or effective, and the issuer of these shares shall not be required to give any effect to any transfer or attempted transfer of these shares, including without limitation, a

transfer by operation of law, unless (a) the issuer shall have received an opinion of its counsel that the shares may be transferred without requirement of registration under said Act, or (b) there shall have been delivered to the issuer a `no-action' letter from the staff of the Securities and Exchange Commission, or (c) the shares are registered under said Act."

In addition to the restrictions described above, the Participant may not sell, pledge, transfer, donate, assign or otherwise dispose of (collectively, "transfer"), whether voluntarily or by operation of law, any shares of Stock acquired pursuant to the Plan except as provided in this Section 11.

A. Right of First Refusal.

i. If the Participant intends to transfer any shares of Stock pursuant to a bona fide purchase offer of an offeror who has agreed to be bound by transfer and buy/sell restrictions identical to those to which the Participant is subject ("Offeror"), the Participant shall deliver to the Company a written notice ("Notice") of such intention to transfer such shares, setting forth in reasonable detail: (i) the proposed price, (ii) the number of shares proposed to be transferred, (iii) the other terms and conditions of the proposed transfer of such shares, (iv) an offer to sell the shares to the Company as provided herein and (v) the identity of the Offeror. The shares proposed to be transferred are hereinafter referred to as the "Offered Shares."

ii. The Company may elect to purchase all (but not less than all) of the Offered Shares at any time during the thirty (30) day period following its receipt of the Notice. The Company shall be entitled to purchase the Offered Shares from the Participant at the same price and on the same terms and conditions as those pursuant to which the Participant proposes to transfer the Offered Shares, as described in the Notice. If the Company fails to respond to such offer within the 30-day period, it shall be deemed to have rejected the offer.

iii. Unless the Participant and the Company otherwise agree, the closing of the purchase of the Offered Shares shall take place at the principal offices of the Company at 10:00 a.m. on the tenth day (or if such day is not a business day on the next business day) after the expiration of the 30-day period. At the closing, the Participant shall tender the Offered Shares, together with appropriate instruments of transfer endorsed to the Company, and the Company shall tender a certified check, cashier's check or a wire transfer of immediately available funds in the amount of the purchase price therefore.

iv. If the Offered Shares are not purchased by the Company pursuant to this Section 11, the Participant shall be entitled to sell all of the Offered Shares to the Offeror at the price and on the terms and conditions specified in the Notice, provided that such sale is consummated within one-hundred twenty (120) days from the date the Notice is delivered to the Company. For any sale of shares after such one-hundred twenty (120) day period, the Participant shall give a new notice which shall reinstate the rights of the Company set forth in this Section 11 to purchase the Offered Shares.

B. Take-Along Rights. If an offeror desires to purchase all of the outstanding shares of Stock and if the owners of at least 50% of the outstanding shares desire to make such sale, the Participant agrees to sell all of his or her shares to such offeror on the terms and conditions approved by the owners of at least 50% of the outstanding shares.

C. Effect of Prohibited Transfer. If any transfer of shares is made or attempted by a Participant other than in accordance with the terms of this Plan and the Award Agreement, the Company may refuse for any purpose to recognize any transferee who receives shares and any such transferee shall have no right to claim or retain any dividends on such shares which were paid or become payable subsequent to the date on which the prohibited transfer was made or attempted. In addition to any other legal or equitable rights that it may have, the Company may enforce its rights by specific performance to the extent permitted by law.

D. Buy-Back Rights. If the Participant terminates employment for any reason, the Participant must, upon request by the Committee, sell his or her shares of Stock to the Company at a price equal to the Fair Market Value, as defined in the Plan, of such shares of Stock on the date of such sale. The Company shall exercise the buy-back right with respect to a Participant no later than twelve (12) months after the date the Participant terminates employment.

E. Exceptions to Transfer Restrictions. Notwithstanding anything to the contrary in this Plan and Award Agreement, the restrictions upon transfer set forth in this Section 11 shall not apply to a transfer of shares of Stock by a Participant to any of (i) the Participant's heirs, executors, administrators or other personal representative upon death of the Participant or (ii) the Participant's spouse, children or grandchildren, or a trust for their or the Participant's benefit; provided that, the restrictions on transfer in this Section 11 shall continue to apply to the shares received by any such permitted transferee, including without limitation that such permitted transferee shall not again transfer such shares except in accordance with this Section 11.

F. Termination of Transfer Restrictions. The restrictions described in Sections 11(A) through 11(E) shall apply except as provided otherwise in the Award Agreement and shall terminate on the earlier of a Public Offering of shares of Stock or mutual agreement of the parties to an Award Agreement.

12. Adjustments Upon Changes in Capitalization or Corporation Acquisitions.

Notwithstanding any other provisions of the Plan, the Award Agreements may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to each outstanding Award and the exercise prices, if applicable, in the event of changes in the outstanding Stock by reason of stock dividends, recapitalization, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, and, in the event of any such change in the outstanding Stock, the aggregate number and class of shares available under the Plan and the maximum number of shares as to which Awards may be granted to an individual shall be appropriately adjusted by the Committee, whose determination shall be conclusive. In the event the Company, a Parent or a Subsidiary enters into a transaction described in Section 424(a) of the Code with any other corporation, the Committee may grant options to employees or former employees of such corporation in substitution of options previously granted to them upon such terms and conditions as shall be necessary to qualify such grant as a substitution described in Section 424(a) of the Code.

In the event of a Change in Control, notwithstanding any other provisions of the Plan or an Award Agreement to the contrary, the Committee may, in its sole discretion, provide for:

(1) Accelerated vesting of any outstanding Awards that are otherwise unexercisable or unvested as of a date selected by the Committee;

(2) Issuance of substitute Awards to substantially preserve the terms of any Awards previously granted under the Plan.

13. Amendment and Termination.

The Board may at any time terminate the Plan, or make such modifications to the Plan as it shall deem advisable; provided, however, that the Board may not, without further approval by the holders of Stock, increase the maximum number of shares as to which Awards may be granted under the Plan (except under the anti-dilution provisions of Section 12), or change the class of employees to whom Incentive Stock Options may be granted, or withdraw the authority to administer the Plan from a committee whose members satisfy the requirements of Section 5. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted, adversely affect the rights of such Participant under such Award.

14. Effectiveness of the Plan.

The Plan shall become effective upon adoption by the Board subject, however, to its further approval by the shareholders of the Company given within twelve (12) months of the date the Plan is adopted by the Board at a regular meeting of the shareholders or at a special meeting duly called and held for such purpose. Grants of Awards may be made prior to such shareholder approval but all Award grants made prior to shareholder approval shall be subject to the obtaining of such approval and if such approval is not obtained, such Awards shall not be effective for any purpose.

15. Time of Granting of an Award. An Award grant under the Plan shall be deemed to be made on the date on which the Committee, by formal action of its members duly recorded in the records thereof, makes an Award to a Participant (but in no event prior to the adoption of the Plan by the Board); provided that, such Award is evidenced by a written Award Agreement duly executed on behalf of the Company and on behalf of the Participant within a reasonable time after the date of the Committee action.

16. Term of Plan.

This Plan shall terminate ten (10) years after the date on which it is approved and adopted by the Board and no Award shall be granted hereunder after the expiration of such ten-year period. Awards outstanding at the termination of the Plan shall continue in accordance with their terms and shall not be affected by such termination.

17. No Right To Continued Employment.

Nothing in the Plan or in any Award granted pursuant to the Plan shall confer on any individual any right to continue in the employ of the Company or interfere in any way with the right of the Company to terminate his or her employment at any time.

18. Choice of Law.

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflicts of law.

* * *

The foregoing Plan was approved and adopted by the Board on April 14, 2005. It was amended by the shareholders as to the number of authorized shares set forth in Item 3 on May 20, 2008.

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302

I, Robert A. Snyder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Orchids Paper Products Company (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 4, 2008

/s/ Robert A. Snyder
Robert A. Snyder
Chief Executive Officer and President

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302

I, Keith R. Schroeder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Orchids Paper Products Company (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 4, 2008

/s/ Keith R. Schroeder
Keith R. Schroeder
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer Pursuant to Section 906

In connection with the quarterly report of Orchids Paper Products Company (the “Company”) on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert A. Snyder, Chief Executive Officer and President of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert A. Snyder
Robert A. Snyder
Chief Executive Officer and President
August 4, 2008

Exhibit 32.2

Certification of Chief Financial Officer Pursuant to Section 906

In connection with the quarterly report of Orchids Paper Products Company (the “Company”) on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Keith R. Schroeder, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Keith R. Schroeder
Keith R. Schroeder
Chief Financial Officer
August 4, 2008