

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
CORPUS CHRISTI DIVISION**

IN RE:	§	Related Docket No. 2105
	§	
	§	JOINTLY ADMINISTERED
SCOTIA DEVELOPMENT LLC,	§	Case No. 07-20027-C-11
ET AL,	§	Chapter 11
Debtors.	§	

**PLAN SUPPLEMENT TO FIRST AMENDED JOINT PLAN
OF REORGANIZATION FOR THE DEBTORS PROPOSED BY
MENDOCINO REDWOOD COMPANY, LLC AND
MARATHON STRUCTURED FINANCE FUND L.P.**

This Plan Supplement¹ contains drafts of the forms of the following documents and/or the information required to be filed with the Bankruptcy Court² pursuant to the First Amended Joint Plan of Reorganization for the Debtors, filed on March 4, 2008 [Docket No. 2404](as same may be altered, amended, updated, supplemented or otherwise modified from time to time, the “MRC/Marathon Plan”) filed by Mendocino Redwood Company, LLC and Marathon Structured Finance Fund L.P. (collectively, the “Plan Proponents”) and the Disclosure Statement [Docket No. 2401] in the above-captioned bankruptcy cases:

¹ Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the MRC/Marathon Plan.

² Each of the drafts set forth herein and the information provided is subject to material revision.

- A. Assumed Contracts;³
- B. Post-Effective Date Schedule of Annual Compensation – Newco Executives, Officers and Directors;⁴
- C. Management and Directors of Townco;⁵
- D. Post-Effective Date Schedule of Annual Compensation – Townco Officers and Directors;⁶
- E. Newco Organizational Documents;⁷
- F. Townco Organizational Documents;⁸

³ Attached as Schedule 1 is a list of executory contracts and unexpired leases that may be, but are not required to be, assumed pursuant to the MRC/Marathon Plan. A list of the Debtors’ “Executory Contracts and Unexpired Leases” can also be found on Schedule G to the Debtors’ Summary of Schedules, and such Schedules are available on the Bankruptcy Court’s official website at <http://www.tx.uscourts.gov>. Inclusion of an agreement on Schedule 1 is not an admission that such agreement is executory. In addition, pursuant to Section 6.2 of the MRC/Marathon Plan, Schedule 1 contains certain estimates by the Debtors of cure costs that would result from assumption of such agreements. The Plan Proponents have yet to receive a comprehensive list of contracts, leases and programs and respective cure amounts and material information with respect to same. The Debtors are in the process of providing additional information, including additional executory contracts and cure amount information. Accordingly, the Plan Proponents have yet to complete their identification of such executory contracts, unexpired leases or programs that will be assumed at this time. Nor have the Plan Proponents finalized an estimate of cure costs with respect to same at this time. Pursuant to Section 6.2 of the MRC/Marathon Plan, the Plan Proponents and the Reorganized Entities reserve the right, at any time prior to the Effective Date, to amend this Plan Supplement to: (a) delete any contract or unexpired lease listed therein, thus providing for its rejection pursuant to Section 6.1 of the MRC/Marathon Plan; or (b) add any executory contract or unexpired lease thereto, thus providing for its treatment as an Assumed Contract pursuant to the MRC/Marathon. The Plan Proponents or the Reorganized Entities, as the case may be, shall provide notice of any such amendment to the Plan Supplement to the parties to the assumed contract or unexpired lease affected thereby and to the parties on the then applicable service list in the Reorganization Cases.

⁴ Pursuant to Section 7.7.1 of the MRC/Marathon Plan, attached as Schedule 2 is a schedule of the annual compensation to be paid to persons serving as executives, officers and directors or managers of Newco.

⁵ At this time, it is anticipated that Mr. Richard K. Ronzetti will be the Chief Executive Officer of Townco and the sole member of the Board of Directors of Townco. Mr. Ronzetti’s biographical information is set forth in Section 6.3(h)(2) of the Disclosure Statement.

⁶ At this time, it is not anticipated that Mr. Ronzetti will receive any compensation in respect of his duties as Chief Executive Officer and sole member of the Board of Directors of Townco.

⁷ Pursuant to Section 7.6.4 of the MRC/Marathon Plan, attached collectively as Schedule 3 is (i) a draft of the Form of Certificate of Formation of Newco, LLC, and(ii) a draft Limited Liability Company Agreement for Newco, LLC, each of which drafts remain subject to material revision.

- G. New Timber Notes Indenture;
- H. Litigation Trust Agreement; and
- I. Potential Claims and Causes of Action and Identities of Potential Defendants.

Although the MRC/Marathon Plan and the Disclosure Statement provide, among other things, for the filing of the following as part of the Plan Supplement, for the reasons set forth herein, at this time such items are not included:

- a) Management and Directors of Newco;⁹ and
- b) Form of Exit Financing Documents.¹⁰

The Plan Proponents reserve the right to materially alter, amend, update, supplement, delete, or otherwise modify this Plan Supplement as well as the documents and information contained in and attached to this Plan Supplement. Although this Plan Supplement and certain of the documents and information identify issues that remain subject to revision and approval, other issues not so identified also remain subject to further material revision and approval. Certain parties in interest have indicated to the Plan Proponents that they may have comments to the forms of documents attached to, and information contained in, this Plan Supplement that may require further material revisions.

(...continued)

⁸ Pursuant to Section 7.6.4 of the MRC/Marathon Plan, attached collectively as Schedule 4 is (i) a draft of the Form of Certificate of Formation of Townco, LLC, and(ii) a draft Limited Liability Company Agreement for Townco, LLC, each of which drafts remain subject to material revision.

⁹ At this time, there have been no supplements or other modifications to what is contained in Section 6.3(h)(1) and (2) of the Disclosure Statement; therefore, such documents are not included herein.

¹⁰ Section 7.8 of the MRC/Marathon Plan provides, *inter alia*, for the filing of the form of any Exit Financing documents. At this time, no Exit Financing is being contemplated; therefore, such documents are not included herein at this time.

The Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours and (ii) holders of Claims or Interests may obtain a copy of the Plan Supplement on the Bankruptcy Court's official website at <http://www.txs.uscourts.gov>, or upon written request to the Plan Proponents' counsel in accordance with Section 13.1 of the MRC/Marathon Plan. Please note, such request may be fulfilled by providing an electronic copy of the Plan Supplement by electronic mail or otherwise.


Dated: March 15, 2008

HAYNES AND BOONE, LLP

/s/ John D. Penn
John D. Penn
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-and-

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SCHEDULE 1

SUBJECT TO MATERIAL REVISION

XR #	Intralinks	Name of counter party	Address	City	ST	Zip	Description	Cure Amount
PALC-0055	yes	Bureau of Land Management	California State Office, Suite W	Sacramento	CA	95825-1886	Headwaters Agreement dated 5	0.00
PALC-0519	yes	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	New Reciprocal Rights Agreeem	0.00
PALC-0520	yes	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	New Services Agreement datec	0.00
PALC-0521	yes	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	Master Lease Agreement dated	10,000.00
PALC-0522	yes	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	New Additional Services Agreee	0.00
PALC-0523	yes	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	New Master Purchase Agreeem	0.00
PALC-0524	yes	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	New Environmental Indemnificat	0.00
PALC-0546	yes	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	Agreement Relating to Enforce	0.00
PALC-0571	yes	State of California	Wildlife Conservation Board, St	Sacramento	CA	95814	Headwaters Agreement dated 5	0.00
PALC-0596	yes	The California Department of Fi	1416 Ninth Street, 12th FL	Sacramento	CA	95814	Agreement Relating to Enforce	0.00
PALC-0597	yes	The California Department of F	1416 Ninth Street, 12th FL	Sacramento	CA	95814	Agreement Relating to Enforce	0.00
PALC-0599	yes	The California Resources Agency					Agreement Relating to Enforce	0.00
PALC-0600	yes	The California Wildlife Conserv	801 K Street, Suite 800	Sacramento	CA	95814	Agreement Relating to Enforce	0.00
PALC-0602	yes	The United States Fish and Wil	500 N.E. Multnomah, Suite 607	Portland	OR	97232	Implementation Agreement with	0.00
PALC-0378	yes	MAXXAM Group Inc.	1331 Post Oak Blvd, Suite 200	Houston	TX	77057	Timber Purchase Agreement fo	0.00
PALC-0379	yes	MAXXAM Group Inc.	1331 Post Oak Blvd, Suite 200	Houston	TX	77057	Timber Purchase Agreement fo	0.00
PALC-0380	yes	MAXXAM Group Inc.	1331 Post Oak Blvd, Suite 200	Houston	TX	77057	Timber Purchase Agreement fo	0.00
PALC-0065	yes	Caterpillar Financial Services	C2120 West End Ave	Nashville	TN	37203-0986	One (1) Caterpillar D5GXL Trac	2,919.06
PALC-0070	yes	Caterpillar Financial Services	C2120 West End Ave	Nashville	TN	37203-0986	Caterpillar 330 - Log Loader S/I	14,028.88
PALC-0239	yes	IBM Credit Corp	1 North Castle Drive	Armonk	NY	10504-2575	Computer Equipment - Lessee	13,077.00
PALC-0189	yes	GE Capital Fleet Services	101 Sunny Hill Drive, Suite 26	San Anselmo	CA	94960	Master Fleet Lease (see detail	0.00
PALC-0336	yes	Key Equipment Finance	66 S. Pearl St	Albany	NY	12207	Konica 7255 Copier, Finisher a	0.00
PALC-0056	yes	Butler, Kenneth & Susan	684 Riverside Park Rd	Carlotta	CA	95528	Land Lease - Carlotta /Grazing	0.00
PALC-0059	yes	Cal North Cellular/Verizon	180 Washington Valley Rd	Bedminster	NJ	7921	Comm Site Lease - Mt. Pierce /	0.00
PALC-0060	yes	California-Oregon Broadcasting	755 Auditorium Drive	Redding	CA	96001	Comm Site Lease - Mt. Pierce (0.00
PALC-0077	yes	Charles Rigney, M.D.	P. O. Box 158	Scotia	CA	95565	Commercial -500 B Street - Les	0.00
PALC-0089	yes	City Ambulance Of Eureka	135 West 7Th St	Eureka	CA	95501	Comm Site Lease - Mt. Pierce (0.00
PALC-0092	yes	Commercial Radio & Electronic	2416 Broadway	Eureka	CA	95501	Comm Site Lease - Mt. Pierce C	0.00
PALC-0145	yes	Education Media Foundation	5700 West Oaks Blvd	Rocklin	CA	95765	Comm Site Lease - So. Rainbo	0.00
PALC-0161	yes	Eureka Ready Mix	1955 Hillfiker	Eureka	CA	95501	Comm Site Lease - Mt. Pierce (0.00
PALC-0164	yes	Far West Repeater	P. O. Box 3381	Eureka	CA	95502	Comm Site Lease - Mt. Pierce -	0.00
PALC-0169	yes	Fisher Wireless Service	14530 Commercial Street	Blythe	CA	92225	Comm Site Lease - So. Rainbo	0.00
PALC-0226	yes	Hoby's Market	P. O. Box 187	Scotia	CA	95565	Commercial -111 Main Street -	0.00
PALC-0228	yes	Humb. Bay Municipal Water Dis	P. O. Box 95	Eureka	CA	95502	Comm Site Lease - Mt. Pierce -	0.00
PALC-0230	yes	Humboldt Amateur Radio Club	P. O. Box 5251	Eureka	CA	95502	Comm Site Lease - Sweets Per	0.00
PALC-0234	yes	Humboldt County	825 Fifth Street	Eureka	CA	95502	Comm Site Lease - Mt. Pierce -	0.00
PALC-0237	yes	Humboldt County Schools (Offi	901 Myrtle Avenue	Eureka	CA	95501	Comm Site Lease - Mt. Pierce -	0.00
PALC-0242	yes	Incline Partners	P. O. Box 6509	La Quinta	CA	92248	Comm Site Lease - Mt. Pierce (0.00
PALC-0359	yes	Mark Hise, DDS	P. O. Box 68	Scotia	CA	95565	Commercial -502 B Street - Les	0.00
PALC-0384	yes	Metrocall Wireless	6910 Richmond Hwy, Mail Stop	Alexandria	VA	22306	Comm Site Lease - Mt. Pierce -	0.00
PALC-0421	yes	Palco Pharmacy	P. O. Box 157	Scotia	CA	95565	Commercial -113 Main Street -	0.00
PALC-0483	yes	Rodoni, Roger	P. O. Box 43	Scotia	CA	95565	Land Lease - Rainbow - Lessor	0.00
PALC-0501	yes	RWS Services	165 S. Fortuna Blvd	Fortuna	CA	95540	Comm Site Lease - Mt. Pierce -	0.00
PALC-0506	yes	Sainte Partners II LP	P. O. Box 4159	Modesto	CA	95352	Comm Site Lease - Mt. Pierce -	0.00
PALC-0514	yes	Scotia Beauty Shop (a/k/a Hair	P. O. Box 506	Scotia	CA	95565	Commercial -118 Main Street -	0.00
PALC-0562	yes	Sierra Pacific Industries	P. O. Box 496028	Redding	CA	96049	Comm Site Lease - Mt. Pierce -	0.00
PALC-0570	yes	State Of California	Forestry & Fire Protection Land	Sacramento	CA	94244	Comm Site Lease - Mt. Pierce -	0.00
PALC-0579	yes	Steve Wills Trucking	P. O. Box 335	Fortuna	CA	95540	Comm Site Lease - Mt. Pierce -	0.00
PALC-0628	yes	U. S. Bank	P. O. Box 188	Scotia	CA	95565	Commercial -113 Main Street -	0.00
PALC-0397	yes (master agreement)	Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	98 Chevy 4WD Pickup - S/NTG	18,104.74
PALC-0525		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	New Escrow Agreement dated.	0.00
PALC-0545		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	Implementation Agreement with	0.00
PALC-0547		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	Litigation and Arbitration Agree	0.00
PALC-0595		The California Department of Fi	1416 Ninth Street, 12th FL	Sacramento	CA	95814	Implementation Agreement with	0.00
PALC-0598		The California Department of F	1416 Ninth Street, 12th FL	Sacramento	CA	95814	Implementation Agreement with	0.00
PALC-0601		The National Marine Fisheries	501 W. Ocean Blvd, Suite 4200	Long Beach	CA	90802	Implementation Agreement with	0.00
PALC-0377		MAXXAM Group Inc.	1331 Post Oak Blvd, Suite 200	Houston	TX	77056	State Tax Allocation Agreeem	0.00
PALC-0381		MAXXAM Inc.	1330 Post Oak Blvd, Suite 200	Houston	TX	77056	Federal Tax Allocation Agree	0.00
PALC-0068		Caterpillar Financial Services	C2120 West End Ave	Nashville	TN	37203-0986	Caterpillar 140H - Motor Grader	6,444.96
PALC-0341		Komatsu Financial Ltd	1333 Butterfield Rd, Suite 600	Downers Grove	IL	60515	Komatsu WA450-5L - Wheel Lc	0.00
PALC-0429		Peterson Tractor Co.	PO Box 5258	San Leandro	CA	94577	Equipment - Lessee (New Agcc	26,072.09
PALC-0084		Chounard	PO Box 636	Cotati	CA	94931	GL Software maintenance - Coi	0.00

SUBJECT TO MATERIAL REVISION

PALC-0240	IBM Global Finance	1475 Phoenixville Pike	West Chester	PA	19380	Equipment lease - Lessee	0.00	
PALC-0412	to be uploaded to Intralinks 3-1: Optimum	210 25th Ave, Suite 700	Nashville	TN	37203	Payroll software and license - C	0.00	
PALC-0565		Sprint	PO Box 219623	Kansas City	MO	64121	Data line - Contract	1,109.40
PALC-0585		Sudden Link	P.O. Box 660369	Dallas	TX	75266	Data line - Contract	194.00
PALC-0633	to be uploaded to Intralinks 3-1: Valley Oak, Bishop Rank 8	5000 Executive Pky, #340	San Rameo	CA	94583	Workers Comp software mainte	0.00	
PALC-0009		American Express Business	600 Travis St, Suite 1300	Houston	TX	77002	OKIP Starprinter: Konica Copie	0.00
PALC-0017		AT&T	Payment Center	Sacramento	CA	95887	Data line - Contract	7,479.00
PALC-0144		Edge Wireless	PO Box 5207	Portland	OR	97208	Cell phone service - Contract	5,608.98
PALC-0416		Pacific Coast FCS, ACA	921 Blanco Circle, PO Box 800	Salinas	CA	93912-0021	Equipment - Lessee	0.00
PALC-0431		Pitney Bowes	PO Box 856390	Louisville	KY	40285	Mail machine / maintenance - C	2,946.85
PALC-0630		US Bank Corp	1310 Madrid St, Suite 101	Marshall	MN	56258	Business Machinery / Equipme	0.00
PALC-0631		US Bank Corp	PO Box 790448	St. Louis	MO	63179	Copier lease - Lessee	0.00
PALC-0636		Verizon	PO Box 9622	Mission Hills	CA	91346	Cell phone service - Contract	700.79
PALC-0644		Wells Fargo	733 Marquette Avenue, Suite 7	Minneapolis	MN	55402	Equipment lease - Lessor	0.00
PALC-0651		Xerox	P.O. Box 7405	Pasadena	CA	91109	Copier lease - Lessee	0.00
PALC-0035		Boy Scouts Of America	1007 Wood Street	Eureka	CA	95501	Land Lease - Elk River / Use O	0.00
PALC-0094		Corporate Computers	11300 25th Ave	Seattle	WA	98125	Firewall / email Filters - Contrac	0.00
PALC-0166		Federal Aviation Admin.	World Postal Center, PO Box 9	Los Angeles	CA	90009-2007	Comm Site Lease - Mt. Pierce -	0.00
PALC-0221		Hartman, Robert	P. O. Box 3023	Eureka	CA	95501	Land Lease - Petrolia / Ranch -	0.00
PALC-0339		Kneeland Fire Dept.	P. O. Box 55	Kneeland	CA	95549	Land Lease - Kneeland / For Fi	0.00
PALC-0382		Mcgill, Lynn	17605 Kneeland Rd	Kneeland	CA	95549	Land Lease - Townsend Ranch	0.00
PALC-0396		Microwave Transport.com	P.O. Box 24,	Whitethorn	CA	95589	Communications site - Lessor	0.00
PALC-0498		Runeberg Lodge	P.O. Box 6064	Eureka	CA	95501	Land Lease - Van Duzen Park -	0.00
PALC-0499		Russ Cattle Company	7025 Elk River Road	Eureka	CA	95503	Land Lease - Rainbow, Chase,	0.00
PALC-0002	(have standard)	Adam Farland	P.O. Box 443	Scotia	CA	95565	Home -612 First Street - Lessor	0.00
PALC-0509	yes	Salmon Creek LLC	125 Main St	Scotia	CA	95565	Agreement Relating to Enforce	0.00
PALC-0510	yes	Salmon Creek LLC	449 15th Street	Oakland	CA	94612	New Reciprocal Rights Agreem	0.00
PALC-0088	yes	CIT Group / Equip Financing In	PO Box 27248	Tempe	AZ	85285	One (1) Caterpillar 140H Motor	0.00
PALC-0143	yes	Eastman, James	P. O. Box 45	Kneeland	CA	95549	Land Lease - Rousseau Ranch	0.00
PALC-0181	yes	Fulton, Roy	P. O. Box 117	Kneeland	CA	95549	Land Lease - Rousseau Ranch	0.00
PALC-0231	yes	Humboldt Archers	P. O. Box 3519	Eureka	CA	95501	Land Lease - Elk River / Target	0.00
PALC-0233	yes	Humboldt County	1106 2Nd Street	Eureka	CA	95501	Land Lease - Larabee Road / S	0.00
PALC-0235	yes	Humboldt County Council Of C	517 Third Street, Suite 42	Eureka	CA	95501	Land Lease - Freshwater / Carr	0.00
PALC-0236	yes	Humboldt County Peace Office	P. O. Box 412	Eureka	CA	95501	Land Lease - Freshwater / Use	0.00
PALC-0227	yes	Humboldt State University (HSI)	Sponsored Programs	Arcata	CA	95521	Land Lease - Freshwater / Fore	0.00
PALC-0238	yes	Humboldt Transit Authority	133 V Street	Eureka	CA	95502	Comm Site Lease - Mt. Pierce -	0.00
PALC-0274	yes	Jeffers, Randy	P. O. Box 364	Scotia	CA	95565	Land Lease - Mccann / Ranch -	0.00
PALC-0312	yes	Johnson, Steve	579 Riverside Park Rd	Carlotta	CA	95528	Land Lease - Carlotta / Grazing	0.00
PALC-0352	yes	Lost Coast Communications	P. O. Box 25	Ferndale	CA	95536	Comm Site Lease - Mt. Pierce -	0.00
PALC-0376	yes	Mattson, Janet & John	P. O. Box 289	Carlotta	CA	95528	Land Lease - Carlotta-Hwy 36 (0.00
PALC-0411	yes	North Coast Bible Conf.	P. O. Box 236	Eureka	CA	95501	Land Lease - Elk River / Camp	0.00
PALC-0414	yes	Pacific Bell	2600 Camino Ramon, RM 3E40	San Ramon	CA	94583	Land and Communications Lea	0.00
PALC-0433	yes	Postmaster U. S. Post Office	P.O. Box 0	Scotia	CA	95565	Commercial -116 Main Street -	0.00
PALC-0513	yes	Sarvinski, Gene	441 Dillon Road	Ferndale	CA	95536	Land Lease - Yager (Rigby Lea	0.00
PALC-0515	yes	Scotia Child Enrichment Center	P.O. Box 456	Scotia	CA	95565	Home -400 Church Street - Les	0.00
PALC-0517	yes	Scotia Elem. School	P.O. Box 217	Scotia	CA	95565	Commercial -417 Church Stree	0.00
PALC-0548	yes	Scotia Union Church	P.O. Box 145	Scotia	CA	95565	Home -402 Church Street - Les	0.00
PALC-0566	yes	St. Patrick'S Church	P.O. Box 98	Scotia	CA	95565	Home -418 Church Street - Les	0.00
PALC-0567	yes	St. Patrick'S Church	P.O. Box 98	Scotia	CA	95565	Home -420 Church Street - Les	0.00
PALC-0580	yes	Steve Wills Logging	P.O. Box 335	Fortuna	CA	95540	Home -748 Williams Street - Le	0.00
PALC-0626	yes	True Value Scotia Hardware (K	P.O. Box 585	Scotia	CA	95565	Commercial -115 Main Street -	0.00
PALC-0645	yes	Wendt Construction	1660 Newburg Road	Fortuna	CA	95540	Storage -475 Fortuna Yard - Le	0.00
PALC-0383		MCO	16930 East Palisades	Fountain Hills	AZ	85268	Cost sharing agreement - Conti	0.00
PALC-0508		Salmon Creek Corporation	125 Main St	Scotia	CA	95565	Implementation Agreement with	0.00
PALC-0511		Salmon Creek LLC	449 15th Street	Oakland	CA	94612	New Escrow Agreement dated.	0.00
PALC-0417	not executory but to be added	Pacific Gas and Electric Comp	77 Beale Street	San Francisco	CA	94106	As-Delivered Capacity and Ene	0.00
PALC-0334		Key Equipment Finance	66 S. Pearl St	Albany	NY	12207	Sorting and Stacking System - I	0.00
PALC-0335		Key Equipment Finance	66 S. Pearl St	Albany	NY	12207	Bottom Arbor Cut 6-saw Edger	0.00
PALC-0064	Duplicate see PALC-0065, alre	Caterpillar Financial Services	2120 West End Ave.	Nashville	TN	37203-0986	Caterpillar - d5gx1 Track-Type T	0.00
PALC-0066		Caterpillar Financial Services	C2120 West End Ave	Nashville	TN	37203-0986	CAT Agco Challenger MT535B	0.00
PALC-0067		Caterpillar Financial Services	C2120 West End Ave	Nashville	TN	37203-0986	Caterpillar - Model 972G - Whe	0.00
PALC-0069	Expired post petition, new agre	Caterpillar Financial Services	C2120 West End Ave	Nashville	TN	37203-0986	Caterpillar 325C - Log Loader S	0.00
PALC-0165		Farm Credit Leasing	5500 Wayzata Blvd, Suite 1600	Minneapolis	MN	55416-1252	Equipment lease - Lessee	0.00
PALC-0340		Komatsu Financial Ltd	1333 Butterfield Rd, Suite 600	Downers Grove	IL	60515	Komatsu WA500-3LK - Loader	0.00
PALC-0516		Scotia Development Corp LLC	921 N. Chaparral, Suite 104	Corpus Christi	TX	78401	Development and Sales Assist	0.00
PALC-0241	Terminated post petition in ordi	Impac	5271 SE Columbia Way, Suite	Vancouver	WA	98661	Server support - Contract	0.00
PALC-0096		Costal Business	336 1st St	Eureka	CA	95501	Copier lease - Lessee	0.00
PALC-0232		Humboldt Bank	2440 6th St	Eureka	CA	95501	Various Konica Copier leases -	0.00
PALC-0518	No lease exists, appeared on S	Scotia Inn	P.O. Box 128	Scotia	CA	95565	Commercial -100 Main Street -	0.00
PALC-0526		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	00 Chevy 1/2 Ton 4X4 Pickup -	0.00
PALC-0527		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	00 Chevy 1/2 Ton 4X4 Pickup -	0.00
PALC-0528		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	00 Chevy 1/2 Ton 4X4 Pickup -	0.00
PALC-0529		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	00 Chevy 1/2 Ton 4X4 Pickup -	0.00
PALC-0530		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	00 Chevy 4WD Pickup - S/NTG	0.00
PALC-0531		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	00 Chevy 4WD Silverado 1/2 Tr	0.00
PALC-0532		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	00 Chevy 1/2 Ton 4X4 Pickup -	0.00
PALC-0533		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	00 Chevy 1/2 Ton 4X4 Pickup -	0.00
PALC-0534		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	04 Chevy Silverado 2500 Crew	0.00
PALC-0535		Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	03 Chevrolet Silverado 2500 Ex	0.00

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PALC-0536	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	03 Chevrolet Silverado 2500 Ex	0.00
PALC-0537	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	99 Chevy T-10 4wd Blazer - S/I	0.00
PALC-0538	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	04 Chevy Silverado 2500 Crew	0.00
PALC-0539	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	04 Chevy Silverado 2500 Crew	0.00
PALC-0540	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	04 Chevy Silverado 2500 Reg -	0.00
PALC-0541	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	04 Chevy Silverado 2500 Reg.	0.00
PALC-0542	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	04 Chevy Silverado 2500 Reg.	0.00
PALC-0543	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	05 Dodge Ram 2500 SLT - VIN	0.00
PALC-0544	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	05 Ford F-350 SD Reg DRW 4l	0.00
PALC-0620	Town & Country Refrigeration	PO Box 515	Fortuna	CA	95540	Service A/C #2 site Cox Cable l	0.00
PALC-0623	Transamerica Business Credit	13760 Noel Road, Suite 1100	Dallas	TX	75240	Unspecified - Lessee	0.00
PALC-0629	Umpqua Bank	PO Box 13819	Sacramento	CA	95853	Copier lease - Lessee	0.00
PALC-0632	US Bank of California	980 9TH STREET, Suite 1100	SACRAMENTO	CA	95814	New Escrow Agreement dated.	0.00
PALC-0001	Aaron Griffith	580 View Avenue	Rio Dell	CA	95562	Storage - 23 Scotia - Lessor	0.00
PALC-0003	Ademar Freitas	1076 Riverside Drive	Rio Dell	CA	95562	Storage - 14 Scotia - Lessor	0.00
PALC-0004	Alicia Sultherland	P. O. Box 722	Scotia	CA	95565	Home / Garage -681 Fifth Stree	0.00
PALC-0005	Allan Baird	P. O. Box 396	Fortuna	CA	95540	Storage -239 Owl Shed - Lesso	0.00
PALC-0006	Alvin Bluhm	P.O. Box 368	Scotia	CA	95565	Home -744 Williams Street - Le	0.00
PALC-0007	Alyssa Bonawitz	151 Main St	Scotia	CA	95565	Home -151 Main Street - Lesso	0.00
PALC-0008	Amanda Pelletier	P.O. Box 514	Scotia	CA	95565	Home -157 Main Street - Lesso	0.00
PALC-0010	Amod Dhakal	P.O. Box 203	Scotia	CA	95565	Home -510 B Street - Lessor	0.00
PALC-0011	Annie Huntley	P.O. Box 437	Scotia	CA	95565	Home -802 Seventh Street - Le	0.00
PALC-0012	Anthony Whitehead	P.O. Box 673	Scotia	CA	95565	Home -841 Williams Street - Le	0.00
PALC-0013	Antonio Flores	P.O. Box 498	Scotia	CA	95565	Home -758 Williams Street - Le	0.00
PALC-0014	Aristeo Herrera	P. O. Box 692	Hydesville	CA	95547	Home -809 Seventh Street - Le	0.00
PALC-0015	Art Gregory	1017 Meadow Lane	Fortuna	CA	95540	Storage -371 Planer Shed - Les	0.00
PALC-0016	Ashley Stuart	P. O. Box 439	Scotia	CA	95565	Home -549 B Street - Lessor	0.00
PALC-0018	Atrium Executive Suites, LLC	449 15th St	Oakland	CA	94612	Office lease - Lessee	0.00
PALC-0019	B. Matthew Ward	P.O. Box 51	Scotia	CA	95565	Home - 62 North Court - Lessor	0.00
PALC-0020	Bart Overson	P.O. Box 272	Scotia	CA	95565	Home -735 Pond Walk - Lessor	0.00
PALC-0021	Bary Jones	P.O. Box 306	Scotia	CA	95565	Home -803 Seventh Street - Le	0.00
PALC-0022	Ben Harbour	9180 S Fork Little Butte Cr. Rd.	Eagle Point	OR	97524	Storage -348 Planer Bldg - Les	0.00
PALC-0023	Benson, Ron	P. O. Box 305	Scotia	CA	95565	Land Lease - Moore Prairie / Ri	0.00
PALC-0024	Bernie Herskovets	3844 Palomino Pl	Fortuna	CA	95540	Storage -252 Owl Shed - Lesso	0.00
PALC-0025	Beverly Drake	P.O. Box 326	Scotia	CA	95565	Home -670 Fourth Street - Less	0.00
PALC-0026	Bill Harward	P.O. Box 384	Scotia	CA	95565	Home -554 B Street - Lessor	0.00
PALC-0027	Bill Marney	P. O. Box 404	Fortuna	CA	95540	Home -680 Fifth Street - Lessor	0.00
PALC-0028	Bill Marney	P. O. Box 404	Fortuna	CA	95540	Storage -108 Scotia (Outside) -	0.00
PALC-0029	Bill Marquart	P. O. Box 252	Samoa	CA	95564	Storage -305 Planer Bldg - Les	0.00
PALC-0030	Billy Dillard	125 Meadowbridge	Rio Del	CA	95562	Storage - 17 Scotia - Lessor	0.00
PALC-0031	Bob Oliver	P.O. Box 515	Scotia	CA	95565	Storage -230 Owl Shed - Lesso	0.00
PALC-0032	Bob Oliver	P.O. Box 515	Scotia	CA	95565	Storage -240 Owl Shed - Lesso	0.00
PALC-0033	Bob Ring	106 S. Cherry Lane	Rio Dell	CA	95562	Storage - 78 Mill A - Center - Le	0.00
PALC-0034	Bob Robledo	P.O. Box 743	Scotia	CA	95565	Home -743 Williams Street - Le	0.00
PALC-0036	Boyd Davis	3541 Osprey Terrace	Fortuna	CA	95540	Storage - 70 Mill A - Center - Le	0.00
PALC-0037	Brad Mauney	P. O. Box 873	Ferndale	CA	95536	Storage -207 Owl Shed - Lesso	0.00
PALC-0038	Brad Roberts	6385 Purdue Drive	Eureka	CA	95503	Storage -303 Planer Bldg - Les	0.00
PALC-0039	Brad Roberts	6385 Purdue Drive	Eureka	CA	95503	Storage -304 Planer Bldg - Les	0.00
PALC-0040	Brad Woodward	P. O. Box 1421	Ferndale	CA	95536	Home -578 B Street - Lessor	0.00
PALC-0041	Brent Vanderhorst	P.O. Box 371	Scotia	CA	95565	Home -153 Main Street - Lesso	0.00
PALC-0042	Brett Fabbri	4320 Traci Way	Fortuna	CA	95540	Storage -327 Planer Bldg - Les	0.00
PALC-0043	Brett Fabbri	4320 Traci Way	Fortuna	CA	95540	Storage -328 Planer Bldg - Les	0.00
PALC-0044	Brian Brodt	4028 Grizzly Bluff Road	Ferndale	CA	95536	Storage - 47 Scotia - Lessor	0.00
PALC-0045	Brian Eilers	P.O. Box 658	Scotia	CA	95565	Home -572 B Street - Lessor	0.00
PALC-0046	Brian Hall	1009 Ivy Lane	Fortuna	CA	95540	Storage - 74 Mill A - Center - Le	0.00
PALC-0047	Brian Ogden	P.O. Box 641	Scotia	CA	95565	Home -609 First Street - Lessor	0.00
PALC-0048	Brian Ontiveros	3001 Cheryl Lane	Fortuna	CA	95540	Storage -340 Planer Bldg - Les	0.00
PALC-0049	Brian Taylor	P.O. Box 349	Scotia	CA	95565	Home -538 B Street - Lessor	0.00
PALC-0050	Bruce Reback	P.O. Box 263	Scotia	CA	95565	Home -401 Church Street - Les	0.00
PALC-0051	Bruno Muzzi	P. O. Box 267	Carlotta	CA	95528	Storage - 67 Mill A - Center - Le	0.00
PALC-0052	Bruno Muzzi	P. O. Box 267	Carlotta	CA	95528	Storage - 68 Mill A - Center - Le	0.00
PALC-0053	Bryan Jacobs	P.O. Box 755	Scotia	CA	95565	Home -629 Second Street - Les	0.00
PALC-0054	Bryan Mcgee	P.O. Box 458	Scotia	CA	95565	Home - 68 North Court - Lessor	0.00
PALC-0057	Byram Price	2455 Acacia Drive	Fortuna	CA	95540	Storage -201 Owl Shed - Lesso	0.00
PALC-0058	Byram Price	2455 Acacia Drive	Fortuna	CA	95540	Storage -300 Planer Shed - Les	0.00
PALC-0061	Carlos Urbina	P.O. Box 344	Scotia	CA	95565	Home -762 Williams Street - Le	0.00
PALC-0062	Casey Emmoms	802 Baer Court	Fortuna	CA	95540	Storage -314 Planer Bldg - Les	0.00
PALC-0063	Casey Morrison	1864 Loop Road	Fortuna	CA	95540	Storage -350 Planer Bldg - Les	0.00
PALC-0071	Chad Cargo	P.O. Box 461	Scotia	CA	95565	Home -842 Williams Street - Le	0.00
PALC-0072	Charlene Mitchell	1540 Kings Row	Fortuna	CA	95540	Storage -333 Planer Bldg - Les	0.00
PALC-0073	Charles & Kay Belliga	510 Pacific Avenue	Rio Dell	CA	95562	Storage - 81 Mill A - Center - Le	0.00
PALC-0074	Charles (Wes) Gould	P.O. Box 152	Scotia	CA	95565	Home -182 Main Street - Lesso	0.00
PALC-0075	Charles Andersen	P. O. Box 4476	Arcata	CA	95518	Storage -219 Owl Shed - Lesso	0.00
PALC-0076	Charles Brownell	P.O. Box 236	Scotia	CA	95565	Storage -365 Planer Shed - Les	0.00
PALC-0078	Charley Mason	1734 Justice Court	Fortuna	CA	95540	Storage - 07 Scotia - Lessor	0.00
PALC-0079	Chelci Hoppis	P.O. Box 333	Scotia	CA	95565	Home -804 Seventh Street - Le	0.00
PALC-0080	Cheryl Viveiros	2261 Perras Ct	Fortuna	CA	95540	Storage -234 Owl Shed - Lesso	0.00
PALC-0081	Chester Niewinski	P.O. Box 244	Scotia	CA	95565	Home -837 Williams Street - Le	0.00
PALC-0082	Chester Niewinski	P.O. Box 244	Scotia	CA	95565	Storage - 03 Scotia - Lessor	0.00

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PALC-0083	Chester Niewinski	P.O. Box 244	Scotia	CA	95565	Storage - 18 Scotia - Lessor	0.00
PALC-0085	Chris Sarvinski	P. O. Box 609	Fortuna	CA	95565	Home -665 Fourth Street - Less	0.00
PALC-0086	Christopher Mccarty	P.O. Box 252	Scotia	CA	95565	Home -576 B Street - Lessor	0.00
PALC-0087	Cindy Mathews	P.O. Box 319	Scotia	CA	95565	Home -759 Williams Street - Le	0.00
PALC-0090	Cliff Thiesen	550Francesco Place	Fortuna	CA	95540	Storage -224 Owl Shed - Lesso	0.00
PALC-0091	Colin Blake	P.O. Box 369	Scotia	CA	95565	Home -411 Church Street - Les	0.00
PALC-0093	Connie Hall	P.O. Box 398	Scotia	CA	95565	Home -632 Second Street - Les	0.00
PALC-0095	Cory Woolley	P.O. Box 648	Scotia	CA	95565	Home -219 Mill Street - Lessor	0.00
PALC-0097	Craig Rocha	P.O. Box 467	Scotia	CA	95565	Home -159 Main Street - Lesso	0.00
PALC-0098	Curtis Honeycutt	3955 Davis Court	Eureka	CA	95503	Storage -366 Planer Shed - Les	0.00
PALC-0099	Cyldie Dalton	1800 Carson Woods Rd	Fortuna	CA	95540	Storage -358 Planer Bldg - Les	0.00
PALC-0100	Dan Allman	3520 School Street	Fortuna	CA	95540	Storage - 51 Scotia - Lessor	0.00
PALC-0101	Dan Lindley	P.O. Box 581	Scotia	CA	95565	Home -662 Fourth Street - Less	0.00
PALC-0102	Dan Sauers	1929 Brandi Lane	Fortuna	CA	95540	Storage -510 Steelhead Bldg - l	0.00
PALC-0103	Daniel Agajanian	P.O. Box 435	Scotia	CA	95565	Home -212 Mill Street - Lessor	0.00
PALC-0104	Daniel Dill	P.O. Box 61	Scotia	CA	95565	Home -136 Main Street - Lesso	0.00
PALC-0105	Daniel Dill	P.O. Box 61	Scotia	CA	95565	Storage - 55 Scotia - Lessor	0.00
PALC-0106	Danielle Stephens	P.O. Box 323	Scotia	CA	95565	Home -206 Mill Street - Lessor	0.00
PALC-0107	Darrell James	P.O. Box 4	Scotia	CA	95565	Home -747 Williams Street - Le	0.00
PALC-0108	Darren Niles	P.O. Box 535	Scotia	CA	95565	Home -506 B Street - Lessor	0.00
PALC-0109	Dave Creech	10 Barscape Lane	Eureka	CA	95503	Storage -343 Planer Bldg - Les	0.00
PALC-0110	Dave Terry	P.O. Box 31	Scotia	CA	95565	Home -606 First Street - Lessor	0.00
PALC-0111	David Burns	P. O. Box 6068	Eureka	CA	95502	Storage -500 Fortuna Steelhear	0.00
PALC-0112	David Fisher	1665 Short Street	Mckinleyville	CA	95519	Storage -335 Planer Bldg - Les	0.00
PALC-0113	David Lockhart	P.O. Box 546	Scotia	CA	95565	Home -548 B Street - Lessor	0.00
PALC-0114	David Wrisley	P.O. Box 675	Scotia	CA	95565	Home -643 Third Street - Lessc	0.00
PALC-0115	David Wrisley	P.O. Box 675	Scotia	CA	95565	Storage - 29 Scotia - Lessor	0.00
PALC-0116	David/Jonna Ball	P.O. Box 677	Scotia	CA	95565	Home -645 Third Street - Lessc	0.00
PALC-0117	Dawn Quayle	P.O. Box 251	Scotia	CA	95565	Home -556 B Street - Lessor	0.00
PALC-0118	Deanna Toczyl	P.O. Box 663	Scotia	CA	95565	Home -847 Williams Street - Le	0.00
PALC-0119	Debra Card	P.O. Box 747	Scotia	CA	95565	Home -560 B Street - Lessor	0.00
PALC-0120	Del Westman	1055 L Street	Fortuna	CA	95540	Storage - 54 Scotia - Lessor	0.00
PALC-0121	Delmar Rogers	P.O. Box 476	Scotia	CA	95565	Home -505 B Street - Lessor	0.00
PALC-0122	Delmas Hoppis	3101 Johnson Road	Hydesville	CA	95547	Storage -355 Planer Bldg - Les	0.00
PALC-0123	Dennis Brown	P. O. Box 337	Fields Landing	CA	95537	Storage -325 Planer Bldg - Les	0.00
PALC-0124	Dennis Gibbs	1545 Wood Street	Fortuna	CA	95540	Storage -704 Haybarn - Lessor	0.00
PALC-0125	Derek Silva	P.O. Box 111	Scotia	CA	95565	Home -546 B Street - Lessor	0.00
PALC-0126	Dewayne Pope	6363 Elk River Road	Eureka	CA	95503	Storage -706 Haybarn - Lessor	0.00
PALC-0127	Diane Bristol	P. O. Box 455	Scotia	CA	95565	Home -414 Church Street - Les	0.00
PALC-0128	Dianna Sauers	2428 Dana Court	Fortuna	CA	95540	Storage - 21 Scotia - Lessor	0.00
PALC-0129	Dino Richmond	P. O. Box 9052	Eureka	CA	95501	Storage -353 Planer Bldg - Les	0.00
PALC-0130	Dino Richmond	P. O. Box 9052	Eureka	CA	95501	Storage -354 Planer Bldg - Les	0.00
PALC-0131	Don Appleton	465 Francesco Place	Fortuna	CA	95540	Storage - 66 Mill A - Center - Le	0.00
PALC-0132	Don Rutan	6308 Eggert Road	Eureka	CA	95503	Storage - 53 Scotia - Lessor	0.00
PALC-0133	Donald Boynton	P.O. Box 171	Scotia	CA	95565	Home -755 Williams Street - Le	0.00
PALC-0134	Donald Brown	P.O. Box 607	Scotia	CA	95565	Home -354 Eddy Street - Lessc	0.00
PALC-0135	Donald Mederios	P.O. Box 359	Scotia	CA	95565	Home -217 Mill Street - Lessor	0.00
PALC-0136	Donna Lowe	8125 Elk River Road	Eureka	CA	95503	Storage -367 Planer Shed - Les	0.00
PALC-0137	Doug Russell	P.O. Box 389	Scotia	CA	95565	Home -673 Fourth Street - Less	0.00
PALC-0138	Douglas Emmons	P.O. Box 313	Scotia	CA	95565	Storage - 16 Scotia - Lessor	0.00
PALC-0139	Douglas Hartley	P.O. Box 653	Scotia	CA	95565	Home -727 Pond Walk - Lessor	0.00
PALC-0140	Drew Holmgren	P.O. Box 329	Scotia	CA	95565	Home -626 Second Street - Les	0.00
PALC-0141	Duane Boles	P.O. Box 622	Scotia	CA	95565	Home -666 Fourth Street - Less	0.00
PALC-0142	Earl Carson	P.O. Box 592	Scotia	CA	95565	Storage -351 Planer Bldg - Les	0.00
PALC-0146	Education Media Foundation	5700 West Oaks Blvd	Rocklin	CA	95765	Agreement to install undergrou	0.00
PALC-0147	Education Media Foundation	5700 West Oaks Blvd	Rocklin	CA	95765	Promissory Note (Agreement to	0.00
PALC-0148	Edward Stormer	P.O. Box 502	Scotia	CA	95565	Home -163 Main Street - Lesso	0.00
PALC-0149	Edwardo Vilches	P.O. Box 619	Scotia	CA	95565	Home -416 Church Street - Les	0.00
PALC-0150	Eldon Whitehead	Po Box 592	Fortuna	CA	95540	Storage -302 Planer Bldg - Les	0.00
PALC-0151	Eliseo Vega	P.O. Box 656	Scotia	CA	95565	Home -764 Williams Street - Le	0.00
PALC-0152	Elizabeth Heiss	P.O. Box 63	Scotia	CA	95565	Home -831 Williams Street - Le	0.00
PALC-0153	Ellis Rosdahl	P. O. Box 602	Hydesville	CA	95547	Home -2155 Fisher Road - Les	0.00
PALC-0154	Eric Burke	P.O. Box 241	Scotia	CA	95565	Home -822 Eighth Street - Less	0.00
PALC-0155	Eric Furman	306 Franklin Ave	Fortuna	CA	95540	Storage -241 Owl Shed - Lesso	0.00
PALC-0156	Eric Johnson	545 Centavo Way	Redding	CA	96003	Home -697 Sixth Street - Lesso	0.00
PALC-0157	Eric Schatz	P. O. Box 6857	Eureka	CA	95502	Storage -220 Owl Shed - Lesso	0.00
PALC-0158	Erick&Carolyn Price	P.O. Box 523	Scotia	CA	95565	Home / Garage -692 Sixth Stre	0.00
PALC-0159	Erick&Carolyn Price	P.O. Box 523	Scotia	CA	95565	Storage - 12 Scotia - Lessor	0.00
PALC-0160	Eugene Ross	113 Meadowbridge Ln	Rio Dell	CA	95562	Storage - 24 Scotia - Lessor	0.00
PALC-0162	Evelyn Morris	P.O. Box 706	Scotia	CA	95565	Home -211 Mill Street - Lessor	0.00
PALC-0163	Far West Motorcycle	P. O. Box 3381	Eureka	CA	95502	Land Lease - Freshwater / Mott	0.00
PALC-0167	Fernando Rodriguez	P.O. Box 774	Scotia	CA	95565	Home -671 Fourth Street - Less	0.00
PALC-0168	Firehall	P.O. Box 185	Scotia	CA	95565	Home -145 Main Street - Lesso	0.00
PALC-0170	Floyd Wescott	P.O. Box 402	Scotia	CA	95565	Home -763 Williams Street - Le	0.00
PALC-0171	Francisco Bernal	P.O. Box 386	Scotia	CA	95565	Home -642 Third Street - Lessc	0.00
PALC-0172	Frank Elam	24 Chapman La	Carlotta	CA	95528	Storage -244 Owl Shed - Lesso	0.00
PALC-0173	Frank Fazzaro	P. O. Box 379	Scotia	CA	95565	Home -707 Pond Walk - Lessor	0.00
PALC-0174	Frank Hough	1385 Gibson Drive	Eureka	CA	95503	Storage - 50 Scotia - Lessor	0.00
PALC-0175	Frank Sanderson, Jr.	P.O. Box 132	Scotia	CA	95565	Home / Garage -175 Main Strei	0.00

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PALC-0176	Frank Wilson	P.O. Box 331	Scotia	CA	95565	Garage -9902 - Lessor	0.00
PALC-0177	Frank Wilson	P.O. Box 331	Scotia	CA	95565	Storage - 52 Scotia - Lessor	0.00
PALC-0178	Franklyn Lourenco	P.O. Box 191	Scotia	CA	95565	Home -530 B Street - Lessor	0.00
PALC-0179	Fred Adams	P.O. Box 548	Scotia	CA	95565	Home -161 Main Street - Lessor	0.00
PALC-0180	Fred Johnson	1765 Justice Ct	Fortuna	CA	95540	Storage -253 Owl Shed - Lessor	0.00
PALC-0182	Garey Barsanti	P.O. Box 571	Scotia	CA	95565	Home -574 B Street - Lessor	0.00
PALC-0183	Garey Barsanti	P.O. Box 571	Scotia	CA	95565	Storage - 19 Scotia - Lessor	0.00
PALC-0184	Gary & Shauna Rotbergs	P.O. Box 691	Scotia	CA	95565	Home -821 Eighth Street - Lessor	0.00
PALC-0185	Gary Andersen, Jr.	P.O. Box 543	Scotia	CA	95565	Home -166 Main Street - Lessor	0.00
PALC-0186	Gary Rush	P.O. Box 519	Scotia	CA	95565	Home -428 Church Street - Lessor	0.00
PALC-0187	Gary Windbigler	38694 Alderpoint Rd	Blocksburg	CA	95514	Storage -204 Owl Shed - Lessor	0.00
PALC-0188	Gaylon Rock	1514 Newburg Road	Fortuna	CA	95540	Garage -9235 - Lessor	0.00
PALC-0190	George Bearden	P.O. Box 517	Scotia	CA	95565	Home -682 Fifth Street - Lessor	0.00
PALC-0191	George Hawkins	P.O. Box 324	Scotia	CA	95565	Home - 69 North Court - Lessor	0.00
PALC-0192	George Head	3000 Kenwood Road	Fortuna	CA	95540	Storage -364 Planer Shed - Lessor	0.00
PALC-0193	George Legrande	335 Wilder Road	Carlotta	CA	95528	Storage - 69 Mill A - Center - Lessor	0.00
PALC-0194	George Legrande	335 Wilder Road	Carlotta	CA	95528	Storage -426 Yard By Guard St	0.00
PALC-0195	Gerald Boots	P.O. Box 281	Scotia	CA	95565	Home -566 B Street - Lessor	0.00
PALC-0196	Gerald Brazil	3216 Lowell Street	Eureka	CA	95503	Storage -232 Owl Shed - Lessor	0.00
PALC-0197	Gerald Farnsworth	123 Bellview Avenue	Rio Dell	CA	95562	Storage - 44 Scotia - Lessor	0.00
PALC-0198	Gerald Loffelbein	2927 Fairfield St	Eureka	CA	95501	Storage -344 Planer Bldg - Lessor	0.00
PALC-0199	Gerald Loffelbein	2927 Fairfield St	Eureka	CA	95501	Storage -345 Planer Bldg - Lessor	0.00
PALC-0200	Geronimo Zuniga	892 Herrick Ave	Eureka	CA	95503	Storage -233 Owl Shed - Lessor	0.00
PALC-0201	Gilian Salmon	P.O. Box 328	Scotia	CA	95565	Home -552 B Street - Lessor	0.00
PALC-0202	Glenn Bernald	P.O. Box 231	Scotia	CA	95565	Home - 73 North Court - Lessor	0.00
PALC-0203	Glenn Bernald	P.O. Box 231	Scotia	CA	95565	Storage -119 Scotia (Outside) - Lessor	0.00
PALC-0204	Glenn Bernald	P.O. Box 231	Scotia	CA	95565	Storage -120 Scotia (Outside) - Lessor	0.00
PALC-0205	Glenn Brooks	157 Grayland Heights	Rio Dell	CA	95562	Storage - 02 Scotia - Lessor	0.00
PALC-0206	Glenn Brooks	157 Grayland Heights	Rio Dell	CA	95562	Storage - 20 Scotia - Lessor	0.00
PALC-0207	Glenn Stockwell	785 Scenic Drive	Lolela	CA	95551	Storage -352 Planer Bldg - Lessor	0.00
PALC-0208	Gordon Stephens	P.O. Box 732	Lolela	CA	95551	Storage -555 Steelhead Bldg	0.00
PALC-0209	Grant Rogers	P.O. Box 246	Scotia	CA	95565	Home -213 Mill Street - Lessor	0.00
PALC-0210	Greg Barnes	3208 Goldstone Drive	Roseville	CA	95747	Storage -311 Planer Bldg - Lessor	0.00
PALC-0211	Greg Cardoza	P.O. Box 96	Fortuna	CA	95540	Home - 66 North Court - Lessor	0.00
PALC-0212	Greg Klinetobe, Jr.	P.O. Box 123	Scotia	CA	95565	Home -627 Second Street - Lessor	0.00
PALC-0213	Greg Perry	457 11St Street	Fortuna	CA	95540	Storage -337 Planer Bldg - Lessor	0.00
PALC-0214	Gregg Bratcher	P.O. Box 373	Scotia	CA	95565	Home -426 Church Street - Lessor	0.00
PALC-0215	Gregg Kulljan	43250 Little Lake Rd	Mendocino	CA	95460	Storage -630 Farm Equipment	0.00
PALC-0216	Gus Sanchez	P.O. Box 583	Scotia	CA	95565	Home -646 Third Street - Lessor	0.00
PALC-0217	Guybo Lamb	P.O. Box 4	Scotia	CA	95565	Storage - 04 Scotia - Lessor	0.00
PALC-0218	Gwen Smith	P.O. Box 362	Scotia	CA	95565	Home -820 Eighth Street - Lessor	0.00
PALC-0219	Harold Wrisley	851 Maxwell St	Fortuna	CA	95540	Storage -237 Owl Shed - Lessor	0.00
PALC-0220	Harry Pulver	1614 Imperial Way	Fortuna	CA	95540	Storage -319 Planer Bldg - Lessor	0.00
PALC-0222	Heather Quinionez	P.O. Box 102	Scotia	CA	95565	Home -625 Second Street - Lessor	0.00
PALC-0223	Heather Thompson	P.O. Box 785	Scotia	CA	95565	Home - 65 North Court - Lessor	0.00
PALC-0224	Hector Aguirre	P.O. Box 681	Scotia	CA	95565	Home -630 Second Street - Lessor	0.00
PALC-0225	Henry Corwin	301 Franklin Avenue	Fortuna	CA	95540	Storage -309 Planer Bldg - Lessor	0.00
PALC-0229	Humberto Villalobos	P.O. Box 665	Scotia	CA	95565	Home -610 First Street - Lessor	0.00
PALC-0243	J.A. Cook Investments	2030 Gwin Road	Mckinleyville	CA	95519	Storage -550 Fortuna Steelhead	0.00
PALC-0244	Jack Skinner	P.O. Box 42	Scotia	CA	95565	Home -149 Main Street - Lessor	0.00
PALC-0245	Jaenelle Lampp	P.O. Box 94	Scotia	CA	95565	Home -608 First Street - Lessor	0.00
PALC-0246	Jaime Ornelas Mena	P.O. Box 493	Scotia	CA	95565	Home -628 Second Street - Lessor	0.00
PALC-0247	James Anderson	P.O. Box 71	Scotia	CA	95565	Storage - 32 Scotia - Lessor	0.00
PALC-0248	James Barnes	P.O. Box 549	Scotia	CA	95565	Home -204 Mill Street - Lessor	0.00
PALC-0249	James Bearden	P.O. Box 428	Scotia	CA	95565	Home -540 B Street - Lessor	0.00
PALC-0250	James Blake	P.O. Box 704	Scotia	CA	95565	Home -641 Third Street - Lessor	0.00
PALC-0251	James Boyd	P.O. Box 725	Lolela	CA	95551	Storage -216 Owl Shed - Lessor	0.00
PALC-0252	James Crow	931 Hill Street #6	Eureka	CA	95501	Storage -329 Planer Bldg - Lessor	0.00
PALC-0253	James Gleaton	P.O. Box 424	Scotia	CA	95565	Home -839 Williams Street - Lessor	0.00
PALC-0254	James Holland II	P.O. Box 579	Scotia	CA	95565	Home -422 Church Street - Lessor	0.00
PALC-0255	James Holland II	P.O. Box 579	Scotia	CA	95565	Storage - 33 Scotia - Lessor	0.00
PALC-0256	James Kuhler	2515 Sweetwater Road, Apt #7	Spring Valley	CA	91977	Storage -310 Planer Bldg - Lessor	0.00
PALC-0257	James Shelton	107 Boyden Lane	Fortuna	CA	95540	Storage - 65 Mill A - Center - Lessor	0.00
PALC-0258	James Silva	P.O. Box 355	Scotia	CA	95565	Home -621 Second Street - Lessor	0.00
PALC-0259	James Slade	P.O. Box 404	Scotia	CA	95565	Home - 64 North Court - Lessor	0.00
PALC-0260	James Slade	P.O. Box 404	Scotia	CA	95565	Storage - 06 Scotia - Lessor	0.00
PALC-0261	James Sullivan	985 Hilltop Drive	Fortuna	CA	95540	Storage -400 Fortuna Wrap Sh	0.00
PALC-0262	James Thornbury	975 Riverside Drive	Rio Dell	CA	95562	Storage - 27 Scotia - Lessor	0.00
PALC-0263	James Walters	P.O. Box 811	Hydesville	CA	95547	Storage - 77 Mill A - Center - Lessor	0.00
PALC-0264	Jamie Kelley	314 Douglas Street	Rio Dell	CA	95563	Storage -324 Planer Bldg - Lessor	0.00
PALC-0265	Jared Comfort	P.O. Box 164	Scotia	CA	95565	Home -686 Fifth Street - Lessor	0.00
PALC-0266	Jared Sharkey	P.O. Box 587	Scotia	CA	95565	Home -407 Church Street - Lessor	0.00
PALC-0267	Jason Butcher	P.O. Box 555	Scotia	CA	95565	Storage - 35 Scotia - Lessor	0.00
PALC-0268	Jason Hornby	P.O. Box 12	Scotia	CA	95565	Home / Garage -696 Sixth Street	0.00
PALC-0269	Jason Sells	1663 Ronald Ave	Fortuna	CA	95540	Storage -242 Owl Shed - Lessor	0.00
PALC-0270	Jean Chamberlain	3400 Rohnerville Rd	Fortuna	CA	95540	Storage -314 Planer Bldg - Lessor	0.00
PALC-0271	Jeff & Shirlee Mcallister	P.O. Box 279	Lolela	CA	95551	Storage -243 Owl Shed - Lessor	0.00
PALC-0272	Jeff Hurte	P.O. Box 73	Scotia	CA	95565	Home -649 Third Street - Lessor	0.00
PALC-0273	Jeff Rohrbach	P.O. Box 173	Scotia	CA	95565	Home -536 B Street - Lessor	0.00

SUBJECT TO MATERIAL REVISION

PALC-0275	Jeffrey Tompkins	P.O. Box 776	Scotia	CA	95565	Home -827 Eighth Street - Less	0.00
PALC-0276	Jered Smith	P.O. Box 262	Scotia	CA	95565	Home -672 Fourth Street - Less	0.00
PALC-0277	Jereme Lenardo	P.O. Box 572	Scotia	CA	95565	Home -767 Williams Street - Le	0.00
PALC-0278	Jereme Lenardo	P.O. Box 572	Scotia	CA	95565	Storage - 36 Scotia - Lessor	0.00
PALC-0279	Jeremy Drakeford	P.O. Box 657	Scotia	CA	95565	Home -184 Main Street - Lesso	0.00
PALC-0280	Jerrica Taylor	P.O. Box 13	Scotia	CA	95565	Home -825 Eighth Street - Less	0.00
PALC-0281	Jerry Crummelt	218 Ogle Ave	Rio Dell	CA	95562	Storage - 39 Scotia - Lessor	0.00
PALC-0282	Jesse Franks	P.O. Box 538	Scotia	CA	95565	Home -741 Williams Street - Le	0.00
PALC-0283	Jesse Franks	P.O. Box 538	Scotia	CA	95565	Storage - 08 Scotia - Lessor	0.00
PALC-0284	Jesse Rodriguez	2215 A Street	Eureka	CA	95501	Storage -229 Owl Shed - Lesso	0.00
PALC-0285	Jesus Anguiano	P.O. Box 654	Scotia	CA	95565	Home -715 Pond Walk - Lessor	0.00
PALC-0286	Jesus Ruiz	P.O. Box 294	Scotia	CA	95565	Home -805 Seventh Street - Le	0.00
PALC-0287	Jim Anderson	P.O. Box 71	Scotia	CA	95565	Home -178 Main Street - Lesso	0.00
PALC-0288	Jim Colby	P.O. Box 268	Hydesville	CA	95547	Storage -580 Fortuna Steelhear	0.00
PALC-0289	Jim Daetwiler	P.O. Box 265	Rio Dell	CA	95562	Home -603 First Street - Lessor	0.00
PALC-0290	Jim Dawson	P.O. Box 322	Hydesville	CA	95547	Storage -223 Owl Shed - Lesso	0.00
PALC-0291	Jim Lauffenbuger	1130 Vista Drive	Fortuna	CA	95540	Storage - 42 Scotia - Lessor	0.00
PALC-0292	Jim Stanfield	3260 Pepperwood Lane	Fortuna	CA	95540	Storage -360 Planer Bldg - Les	0.00
PALC-0293	Jim Widdoes	P.O. Box 908	Fortuna	CA	95540	Storage -341 Planer Bldg - Les	0.00
PALC-0294	Joe Downs	1051 Pacific Avenue	Rio Dell	CA	95562	Storage - 61 Mill A - Center - Le	0.00
PALC-0295	Joe Lewis	P.O. Box 725	Scotia	CA	95565	Home -753 Williams Street - Le	0.00
PALC-0296	John Adams	6363 Elk River Road	Eureka	CA	95503	Storage -306 Planer Bldg - Les	0.00
PALC-0297	John Beauchaine	P.O. Box 163	Scotia	CA	95565	Home -742 Williams Street - Le	0.00
PALC-0298	John Broadstock	P.O. Box 56	Scotia	CA	95565	Home -601 First Street - Lessor	0.00
PALC-0299	John Brooks	P.O. Box 786	Scotia	CA	95565	Home -835 Williams Street - Le	0.00
PALC-0300	John Brooks	P.O. Box 786	Scotia	CA	95565	Storage - 09 Scotia - Lessor	0.00
PALC-0301	John Felt	P.O. Box 488	Scotia	CA	95565	Home -624 Second Street - Les	0.00
PALC-0302	John Goodale	1880 Kelli Way	Fortuna	CA	95540	Storage -212 Owl Shed - Lesso	0.00
PALC-0303	John Helela	P.O. Box 11	Scotia	CA	95565	Home -542 B Street - Lessor	0.00
PALC-0304	John Henry	P.O. Box 527	Scotia	CA	95565	Home -405 Church Street - Les	0.00
PALC-0305	John Knife	P.O. Box 443	Hydesville	CA	95547	Storage -249 Owl Shed - Lesso	0.00
PALC-0306	John Miller	P.O. Box 433	Scotia	CA	95565	Home -703 Pond Walk - Lessor	0.00
PALC-0307	John Pettitt	P.O. Box 261	Scotia	CA	95565	Home -532 B Street - Lessor	0.00
PALC-0308	John Wright	P.O. Box 642	Scotia	CA	95565	Home -413 Church Street - Les	0.00
PALC-0309	Johnny Millsap	P.O. Box 589	Scotia	CA	95565	Home -807 Seventh Street - Le	0.00
PALC-0310	Johnny Wise	1635 Glatt Street	Eureka	CA	95501	Storage -330 Planer Bldg - Les	0.00
PALC-0311	Johnny Wise	1635 Glatt Street	Eureka	CA	95501	Storage -705 Hay Barn - Lesso	0.00
PALC-0313	Jonathon Russell	P.O. Box 222	Scotia	CA	95565	Home -843 Williams Street - Le	0.00
PALC-0314	Jose Garcinuno	P.O. Box 202	Scotia	CA	95565	Home -653 Third Street - Lessc	0.00
PALC-0315	Jose Manso, Jr.	P.O. Box 707	Scotia	CA	95565	Home -170 Main Street - Lesso	0.00
PALC-0316	Jose Moreno	P.O. Box 234	Scotia	CA	95565	Home -516 B Street - Lessor	0.00
PALC-0317	Jose Villalobos	P.O. Box 652	Scotia	CA	95565	Home -709 Pond Walk - Lessor	0.00
PALC-0318	Joseph Barnett	401 Boyle Drive	Eureka	CA	95503	Storage -321 Planer Bldg - Les	0.00
PALC-0319	Joseph Hall	P.O. Box 553	Scotia	CA	95565	Home -225 Mill Street - Lessor	0.00
PALC-0320	Josh Catehy	313 Douglas Street	Rio Dell	CA	95562	Storage -323 Planer Bldg - Les	0.00
PALC-0321	Josh Sandberg	P.O. Box 518	Scotia	CA	95565	Home -702 Bridge Street - Less	0.00
PALC-0322	Joshua Parker	P.O. Box 564	Fortuna	CA	95540	Home -614 First Street - Lessor	0.00
PALC-0323	Juan Bernal	P.O. Box 74	Scotia	CA	95565	Home -550 B Street - Lessor	0.00
PALC-0324	Justin Hamlin	P.O. Box 407	Scotia	CA	95565	Home -808 Seventh Street - Le	0.00
PALC-0325	Kay Stewart	2265 Crown Drive	Fortuna	CA	95540	Storage -215 Owl Shed - Lesso	0.00
PALC-0326	Keith Miller	P.O. Box 584	Scotia	CA	95565	Home -406 Church Street - Les	0.00
PALC-0327	Kelsey Denby	P.O. Box 33	Scotia	CA	95565	Home -752 Williams Street - Le	0.00
PALC-0328	Ken Dokweiler	2013 Second Avenue	Fortuna	CA	95540	Storage - 13 Scotia - Lessor	0.00
PALC-0329	Ken Murray	3724 Rohnerville Road	Fortuna	CA	95540	Storage -228 Owl Shed - Lesso	0.00
PALC-0330	Kenneth Tyler	P.O. Box 616	Scotia	CA	95565	Home -188 Main Street - Lesso	0.00
PALC-0331	Kerry Johnson	3373 Covey Ct	Fortuna	CA	95540	Storage -368 Planer Shed - Les	0.00
PALC-0332	Kevin Laloli	P.O. Box 406	Scotia	CA	95565	Home -663 Fourth Street - Less	0.00
PALC-0333	Kevin Waters	P.O. Box 409	Scotia	CA	95565	Home - 75 North Court - Lessor	0.00
PALC-0337	Kim Boehm	1572 Caroleigh Way	Yuba City	CA	95993	Storage -202 Owl Shed - Lesso	0.00
PALC-0338	Kip Worden	620 Davis St #7	Rio Dell	CA	95562	Storage -248 Owl Shed - Lesso	0.00
PALC-0342	Kristina Beck	P.O. Box 363	Scotia	CA	95565	Home -139 Main Street - Lesso	0.00
PALC-0343	Kyri Cox	P.O. Box 509	Scotia	CA	95565	Home -514 B Street - Lessor	0.00
PALC-0344	Larry Francesconi	1110 Vista Drive	Fortuna	CA	95540	Storage - 48 Scotia - Lessor	0.00
PALC-0345	Lauren Martinez	4036 Campton Road	Eureka	CA	95503	Storage -349 Planer Bldg - Les	0.00
PALC-0346	Lawrence Cantua	3567 Bridie Creek Av	Fortuna	CA	95540	Storage -206 Owl Shed - Lesso	0.00
PALC-0347	Lee Russell	P.O. Box 504	Scotia	CA	95565	Home -524 B Street - Lessor	0.00
PALC-0348	Leroy Martinelli	393 Orchard Road	Rio Dell	CA	95562	Storage - 25 Scotia - Lessor	0.00
PALC-0349	Lisa Lopez	P.O. Box 53	Scotia	CA	95565	Home -811 Seventh Street - Le	0.00
PALC-0350	Lonnie Buck	P.O. Box 528	Scotia	CA	95565	Home -622 Second Street - Les	0.00
PALC-0351	Lonnie Tucker	P.O. Box 339	Scotia	CA	95565	Home -711 Pond Walk - Lessor	0.00
PALC-0353	Lydia Klinetobe	P.O. Box 303	Scotia	CA	95565	Home -168 Main Street - Lesso	0.00
PALC-0354	Lynn Mauney	P.O. Box 1206	Ferndale	CA	95536	Storage - 79 Mill A - Center - Le	0.00
PALC-0355	Marc Hansen	P.O. Box 744	Scotia	CA	95565	Home -172 Main Street - Lesso	0.00
PALC-0356	Mark Colosio	P.O. Box 679	Scotia	CA	95565	Home -220 Mill Street - Lessor	0.00
PALC-0357	Mark Hall	P.O. Box 624	Scotia	CA	95565	Home -840 Williams Street - Le	0.00
PALC-0358	Mark Hall	P.O. Box 624	Scotia	CA	95565	Storage -702 Hay Barn - Lesso	0.00
PALC-0360	Mark Kane	P.O. Box 429	Scotia	CA	95565	Home -180 Main Street - Lesso	0.00
PALC-0361	Mark Kane	P.O. Box 429	Scotia	CA	95565	Home / Garage -173 Main Strex	0.00
PALC-0362	Mark Peterson	5430 Cummings Road	Eureka	CA	95503	Storage -236 Owl Shed - Lesso	0.00

SUBJECT TO MATERIAL REVISION

PALC-0363	Mark Wiegelman	P. O. Box 557	Scotia	CA	95565	Home -620 Second Street - Les	0.00
PALC-0364	Mark Wiegelman	P. O. Box 557	Scotia	CA	95565	Storage - 22 Scotia - Lessor	0.00
PALC-0365	Martha Leroy	P. O. Box 732	Scotia	CA	95565	Home -605 First Street - Lessor	0.00
PALC-0366	Martin Abshire	553 Francesco Place	Fortuna	CA	95540	Storage -316 Planer Bldg - Les:	0.00
PALC-0367	Martin Abshire	553 Francesco Place	Fortuna	CA	95540	Storage -317 Planer Bldg - Les:	0.00
PALC-0368	Martin Abshire	553 Francesco Place	Fortuna	CA	95540	Storage -318 Planer Bldg - Les:	0.00
PALC-0369	Martin Bence	2541 R Street	Eureka	CA	95501	Storage - 62 Mill A - Center - Le	0.00
PALC-0370	Martin Duxbury	P. O. Box 223	Scotia	CA	95565	Home -141 Main Street - Lesso	0.00
PALC-0371	Marty Sachs	P. O. Box 424	Hydesville	CA	95547	Storage -238 Owl Shed - Lesso	0.00
PALC-0372	Marvin Schwartz	P. O. Box 603	Fortuna	CA	95540	Storage -332 Planer Bldg - Les:	0.00
PALC-0373	Matthew Arnold	P. O. Box 172	Scotia	CA	95565	Home -137 Main Street - Lesso	0.00
PALC-0374	Matthew Shaw	P. O. Box 692	Scotia	CA	95565	Home -757 Williams Street - Le	0.00
PALC-0375	Matthew Shaw	P. O. Box 692	Scotia	CA	95565	Storage - 01 Scotia - Lessor	0.00
PALC-0385	Michael Borges	P. O. Box 127	Scotia	CA	95565	Home -570 B Street - Lessor	0.00
PALC-0386	Michael Bushnell	P. O. Box 505	Scotia	CA	95565	Home -756 Williams Street - Le	0.00
PALC-0387	Michael Dedmore	P. O. Box 367	Scotia	CA	95565	Home -701 Bridge Street - Less	0.00
PALC-0388	Michael Johnson	236 Meadowbrook Lane	Fortuna	CA	95540	Storage -369 Planer Shed - Les	0.00
PALC-0389	Michael Karrer	P. O. Box 5813	Eureka	CA	95502	Storage -312 Planer Bldg - Les:	0.00
PALC-0390	Michael Karrer	P. O. Box 5813	Eureka	CA	95502	Storage -313 Planer Bldg - Les:	0.00
PALC-0391	Michael Lommori	553 Pacific Avenue	Rio Dell	CA	95562	Storage - 28 Scotia - Lessor	0.00
PALC-0392	Michael Lozano	P. O. Box 115	Scotia	CA	95565	Home -844 Williams Street - Le	0.00
PALC-0393	Michael Niles	P. O. Box 421	Scotia	CA	95565	Home -664 Fourth Street - Less	0.00
PALC-0394	Michael Smith	2677 Virginia Court	Fortuna	CA	95540	Storage -343 Planer Building - I	0.00
PALC-0395	Michelle Smith	P. O. Box 121	Scotia	CA	95565	Home -828 Eighth Street - Less	0.00
PALC-0398	Mike Dunker	280 Tolman Place	Rio Dell	CA	95562	Storage -359 Planer Bldg - Les:	0.00
PALC-0399	Mike Giacomini	1664 Sagittarius Pl	Mckinleyville	CA	95519	Storage -346 Planer Bldg - Les:	0.00
PALC-0400	Mike Giacomini	1664 Sagittarius Pl	Mckinleyville	CA	95519	Storage -347 Planer Bldg - Les:	0.00
PALC-0401	Mike Jensen	P. O. Box 426	Scotia	CA	95565	Home -518 B Street - Lessor	0.00
PALC-0402	Mike Jensen	P. O. Box 426	Scotia	CA	95565	Storage - 05 Scotia - Lessor	0.00
PALC-0403	Mike Thalheimer	P. O. Box 474	Scotia	CA	95565	Home -648 Third Street - Lessc	0.00
PALC-0404	Mike Thalheimer	P. O. Box 474	Scotia	CA	95565	Storage -116 Scotia (Outside) -	0.00
PALC-0405	Mike Wells	403 Penny Lane	Fortuna	CA	95540	Storage -703 Haybarn - Lessor	0.00
PALC-0406	Millie Stotts	P. O. Box 235	Scotia	CA	95565	Home -132 Main Street - Lesso	0.00
PALC-0407	Milton Conley	P. O. Box 247	Scotia	CA	95565	Storage -247 Owl Shed - Lesso	0.00
PALC-0408	Nathan Terrell	1879 Kelli Way	Fortuna	CA	95540	Storage -370 Planer Building - I	0.00
PALC-0409	Neal Kesterson	9119 13Th Street	Fortuna	CA	95540	Storage - 38 Scotia - Lessor	0.00
PALC-0410	Nichole Newman	P. O. Box 714	Scotia	CA	95565	Home -812 Seventh Street - Le	0.00
PALC-0413	Oscar Fregoso	968 9Th Street	Fortuna	CA	95540	Storage - 41 Scotia - Lessor	0.00
PALC-0419	Pacific Lumber Co.	P. O. Box 37	Scotia	CA	95565	Home -130 Main/Dir. Cottage -	0.00
PALC-0420	Pacific Lumber Co.	P. O. Box 37	Scotia	CA	95565	Home -134 Main Street - Lesso	0.00
PALC-0422	Paul Blake	3481 Mcmillan Dr	Arcata	CA	95521	Storage -250 Owl Shed - Lesso	0.00
PALC-0423	Paul Hall	P. O. Box 104	Scotia	CA	95565	Home -356 Eddy Street - Lessc	0.00
PALC-0424	Paul James	P. O. Box 322	Scotia	CA	95565	Home -700 Bridge Street - Less	0.00
PALC-0425	Paul Newmaker	P. O. Box 489	Scotia	CA	95565	Home -430 Church Street - Les	0.00
PALC-0426	Paul Newmaker	P. O. Box 489	Scotia	CA	95565	Storage - 31 Scotia - Lessor	0.00
PALC-0427	Peggy Hall Larry Rhodes (8599	P. O. Box 574	Scotia	CA	95565	Home -651 Third Street - Lessc	0.00
PALC-0428	Peter Baer	P. O. Box 85	Lolita	CA	95551	Storage - 85 Mill A - Lessor	0.00
PALC-0430	Philp Grunert	P. O. Box 636	Fortuna	CA	95540	Storage - 56 Scotia - Lessor	0.00
PALC-0432	Pollack/Belz Broadcasting (KIE	5650 S. Broadway	Eureka	CA	95503	Communications site - Lessor	0.00
PALC-0434	Power Plant	P. O. Box 37	Scotia	CA	95565	Home -143 Main Street - Lesso	0.00
PALC-0435	Prospero Gomez	P. O. Box 586	Scotia	CA	95565	Home -214 Mill Street - Lessor	0.00
PALC-0436	Prospero Gomez	P. O. Box 586	Scotia	CA	95565	Storage - 40 Scotia - Lessor	0.00
PALC-0437	Rae Nordby	P. O. Box 85	Arcata	CA	95521	Storage -334 Planer Bldg - Les:	0.00
PALC-0438	Rafael Lopez	P. O. Box 612	Scotia	CA	95565	Home -512 B Street - Lessor	0.00
PALC-0439	Randolph Jeffers	P. O. Box 364	Scotia	CA	95565	Home -215 Mill Street - Lessor	0.00
PALC-0440	Randy Corley	P. O. Box 282	Scotia	CA	95565	Garage -9073 - Lessor	0.00
PALC-0441	Randy Corley	P. O. Box 282	Scotia	CA	95565	Home - 74 North Court - Lessor	0.00
PALC-0442	Ray Adams, Sr.	P. O. Box 96	Scotia	CA	95565	Home - 70 North Court - Lessor	0.00
PALC-0443	Ray Adams, Sr.	P. O. Box 96	Scotia	CA	95565	Storage - 30 Scotia - Lessor	0.00
PALC-0444	Ray Beck	2033 Broadway	Eureka	CA	95501	Storage -231 Owl Shed - Lesso	0.00
PALC-0445	Rebecca Rogers	P. O. Box 52	Scotia	CA	95565	Home -800 Seventh Street - Le	0.00
PALC-0446	Rene Abrams	P. O. Box 91	Scotia	CA	95565	Home -192 Main Street - Lesso	0.00
PALC-0447	Rex Rigney	P. O. Box 497	Scotia	CA	95565	Home -604 First Street - Lessor	0.00
PALC-0448	Richard Alton	3075 Johnson Road	Hydesville	CA	95547	Storage - 80 Mill A - Center - Le	0.00
PALC-0449	Richard Bertli	P. O. Box 93	Scotia	CA	95565	Home -826 Eighth Street - Less	0.00
PALC-0450	Richard Bettis	1297 Atteberry Ln	Fortuna	CA	95540	Storage -217 Owl Shed - Lesso	0.00
PALC-0451	Richard Bettis	1297 Atteberry Ln	Fortuna	CA	95540	Storage -218 Owl Shed - Lesso	0.00
PALC-0452	Richard Black	1937 Freedom Court	Fortuna	CA	95540	Storage -308 Planer Bldg - Les:	0.00
PALC-0453	Richard Crowston	844 8Th Street	Fortuna	CA	95540	Storage -720 Haybarn (Rr Spur	0.00
PALC-0454	Richard Drewry	P. O. Box 226	Redway	CA	95560	Storage -322 Planer Bldg - Les:	0.00
PALC-0455	Richard Legendre	760 Main Street	Fortuna	CA	95540	Storage -363 Planer Shed - Les	0.00
PALC-0456	Richard Mckenna	2453 Virginia Drive	Fortuna	CA	95540	Storage -203 Owl Shed - Lesso	0.00
PALC-0457	Richard Mckenna	2453 Virginia Drive	Fortuna	CA	95540	Storage -320 Planer Bldg - Les:	0.00
PALC-0458	Richard Mcknight	P. O. Box 484	Scotia	CA	95565	Home -408 Church Street - Les	0.00
PALC-0459	Richard Sholes	P. O. Box 441	Scotia	CA	95565	Home -806 Seventh Street - Le	0.00
PALC-0460	Richard Walsh	P. O. Box 295	Scotia	CA	95565	Home -504 B Street - Lessor	0.00
PALC-0461	Rick Chicora	P. O. Box 154	Scotia	CA	95565	Home -813 Seventh Street - Le	0.00
PALC-0462	Rick Juchtzer	1536 S Street	Eureka	CA	95501	Storage -338 Planer Bldg - Les:	0.00
PALC-0463	Robert & Joyce Jenkins	1947 Mountain View	Fortuna	CA	95540	Storage - 72 Mill A - Center - Le	0.00

SUBJECT TO MATERIAL REVISION

PALC-0464	Robert Bivin, Jr.	P. O. Box 388	Scotia	CA	95565	Home -733 Pond Walk - Lessor	0.00
PALC-0465	Robert Botelho	69 Bridge Street	Rio Dell	CA	95562	Storage - 10 Scotia - Lessor	0.00
PALC-0466	Robert Botelho	69 Bridge Street	Rio Dell	CA	95562	Storage - 11 Scotia - Lessor	0.00
PALC-0467	Robert Dunham	108 Ogle Avenue	Rio Dell	CA	95562	Storage -450 Fortuna Truck Sh	0.00
PALC-0468	Robert Ewing	P. O. Box 34	Scotia	CA	95565	Home - 76 North Court - Lessor	0.00
PALC-0469	Robert Hackelberg	P. O. Box 688	Scotia	CA	95565	Home -669 Fourth Street - Less	0.00
PALC-0470	Robert Jenkins	P. O. Box 449	Scotia	CA	95565	Home - 60 North Court - Lessor	0.00
PALC-0471	Robert Miller	1040 Hilltop Drive	Fortuna	CA	95540	Storage -339 Planer Bldg - Les	0.00
PALC-0472	Robert Reid	P. O. Box 212	Scotia	CA	95565	Home -746 Williams Street - Le	0.00
PALC-0473	Robert Rexford	P. O. Box 537	Scotia	CA	95565	Home -838 Williams Street - Le	0.00
PALC-0474	Robert Reynolds	995 Riverside Drive, Sp. 87	Rio Dell	CA	95562	Storage -315 Planer Bldg - Les	0.00
PALC-0475	Robert Weaver	P. O. Box 174	Scotia	CA	95565	Home -562 B Street - Lessor	0.00
PALC-0476	Robert Will	P. O. Box 141	Fortuna	CA	95540	Storage -331 Planer Bldg - Les	0.00
PALC-0477	Robert Zimmerman	P. O. Box 436	Scotia	CA	95565	Home -176 Main Street - Lesso	0.00
PALC-0478	Robert Zimmerman	P. O. Box 436	Scotia	CA	95565	Storage -110 Scotia (Outside) -	0.00
PALC-0479	Rod Boone	549 Second Avenue	Rio Dell	CA	95562	Storage -329 Planer Shed - Les	0.00
PALC-0480	Rod Boone	549 Second Avenue	Rio Dell	CA	95562	Storage -336 Planer Bldg - Les	0.00
PALC-0481	Rodney Hunter	325 Fernbridge Drive	Fortuna	CA	95540	Storage -251 Owl Shed - Lesso	0.00
PALC-0482	Rodney Mikels	P. O. Box 415	Scotia	CA	95565	Home -823 Eighth Street - Less	0.00
PALC-0484	Roger Goldsam	P. O. Box 185	Samoa	CA	95564	Storage -209 Owl Shed - Lesso	0.00
PALC-0485	Roger Goldsam	P. O. Box 185	Samoa	CA	95564	Storage -210 Owl Shed - Lesso	0.00
PALC-0486	Ron Derr	P. O. Box 505	Eureka	CA	95501	Storage -100 Scotia (Outside) -	0.00
PALC-0487	Ron Derr	P. O. Box 505	Eureka	CA	95501	Storage -100 Scotia (Outside) -	0.00
PALC-0488	Ronald Eldridge	1995 Newell Drive	Fortuna	CA	95540	Garage -9104 - Lessor	0.00
PALC-0489	Ronald Killingsworth	P. O. Box 477	Scotia	CA	95565	Home -568 B Street - Lessor	0.00
PALC-0490	Ronald Tucker	2053 Second Avenue	Fortuna	CA	95540	Storage -214 Owl Shed - Lesso	0.00
PALC-0491	Rosdahl, Ellis	P. O. Box 395	Scotia	CA	95565	Land Lease - Caretaker - Yager	0.00
PALC-0492	Ross Brazil	P. O. Box 141	Scotia	CA	95565	Home -534 B Street - Lessor	0.00
PALC-0493	Ross Gallagher	P. O. Box 213	Scotia	CA	95565	Home -424 Church Street - Les	0.00
PALC-0494	Ross Williams	266 Tolman Pl	Rio Dell	CA	95562	Storage - 73 Mill A - Center - Le	0.00
PALC-0495	Roy Dokweiler	6511 Highway 36	Carlotta	CA	95528	Storage - 15 Scotia - Lessor	0.00
PALC-0496	Roy Dokweiler	6511 Highway 36	Carlotta	CA	95528	Storage -235 Owl Shed - Lesso	0.00
PALC-0497	Roy Garrison	735 Senestraro Drive	Rio Dell	CA	95562	Storage - 75 Mill A - Center - Le	0.00
PALC-0500	Russ Durrett	393 Senestraro Way	Fortuna	CA	95540	Storage -221 Owl Shed - Lesso	0.00
PALC-0502	Ryan Crans	P. O. Box 378	Scotia	CA	95565	Home -623 Second Street - Les	0.00
PALC-0503	Ryan Moore	P. O. Box 243	Scotia	CA	95565	Home -564 B Street - Lessor	0.00
PALC-0504	Ryan Oros	1732 Wood Street	Fortuna	CA	95540	Storage -326 Planer Bldg - Les	0.00
PALC-0505	Ryan Ross	P. O. Box 556	Scotia	CA	95565	Home -221 Mill Street - Lessor	0.00
PALC-0507	Sal Vasquez	1547 Sixth Street	Eureka	CA	95501	Storage -205 Owl Shed - Lesso	0.00
PALC-0512	Samuel Bartlett	P. O. Box 471	Scotia	CA	95565	Home -520 B Street - Lessor	0.00
PALC-0549	Scotia Union Church	P. O. Box 145	Scotia	CA	95565	Home -404 Church Street - Les	0.00
PALC-0550	Scott Fowler	1010 Holly Lane	Fortuna	CA	95540	Storage - 37 Scotia - Lessor	0.00
PALC-0551	Scott Mccall	5876 Walnut Dr	Eureka	CA	95503	Storage -254 Owl Shed - Lesso	0.00
PALC-0552	Scott Mccall	5876 Walnut Dr	Eureka	CA	95503	Storage -425 Yard By Guard St	0.00
PALC-0553	Scott Rexford	P. O. Box 473	Scotia	CA	95565	Home -131 Main Street - Lesso	0.00
PALC-0554	Scott Wheeler	P. O. Box 1024	Fortuna	CA	95540	Storage - 63 Mill A - Center - Le	0.00
PALC-0555	Sequoia Gas	926 Main Street	Fortuna	CA	95540	Storage -560 Fortuna Steelhea	0.00
PALC-0556	Shawn Avila	5120 Lundblade Drive	Eureka	CA	95503	Storage -356 Planer Bldg - Les	0.00
PALC-0557	Shawn Avila	5120 Lundblade Drive	Eureka	CA	95503	Storage -357 Planer Bldg - Les	0.00
PALC-0558	Shawn Coleman	P. O. Box 547	Scotia	CA	95565	Home -190 Main Street - Lesso	0.00
PALC-0559	Shawn Isaacs	P. O. Box 304	Scotia	CA	95565	Home - 78 North Court - Lessor	0.00
PALC-0560	Shiloh Viggers	P. O. Box 414	Scotia	CA	95565	Home -412 Church Street - Les	0.00
PALC-0561	Shirley Bartow	P. O. Box 367	Fortuna	CA	95540	Storage - 43 Scotia - Lessor	0.00
PALC-0563	Water rights agreement to be u Sinclair, Scott	4751 Kneedland Rd	Kneeland	CA	95549	Land Lease - Kneeland (Spring	0.00
PALC-0564	Six Rivers Property Mgt	710 Main St	Fortuna	CA	95540	Storage facility - Lessee	0.00
PALC-0568	Stan Daly	P. O. Box 113	Scotia	CA	95565	Home / Garage -694 Sixth Stre	0.00
PALC-0569	Stanley Elcock	P. O. Box 308	Arcata	CA	95518	Storage -372 Planer Shed - Les	0.00
PALC-0572	Stephen Avis	925 17Th Street	Eureka	CA	95501	Storage -307 Planer Bldg - Les	0.00
PALC-0573	Stephen Coleman	P. O. Box 599	Scotia	CA	95565	Home -410 Church Street - Les	0.00
PALC-0574	Steve Ring	P. O. Box 483	Scotia	CA	95565	Home -713 Pond Walk - Lessor	0.00
PALC-0575	Steve Thurman	P. O. Box 496	Scotia	CA	95565	Home - 63 North Court - Lessor	0.00
PALC-0576	Steve Thurman	P. O. Box 496	Scotia	CA	95565	Storage - 26 Scotia - Lessor	0.00
PALC-0577	Steve Thurman	P. O. Box 496	Scotia	CA	95565	Storage -112 Scotia (Outside) -	0.00
PALC-0578	Steve Wigginton	2508 Drake Hill Road	Fortuna	CA	95540	Garage -9701 - Lessor	0.00
PALC-0581	Steven Allen	P. O. Box 492	Scotia	CA	95565	Home -834 Williams Street - Le	0.00
PALC-0582	Steven Deike	P. O. Box 345	Scotia	CA	95565	Garage -9403 - Lessor	0.00
PALC-0583	Steven Riddle	2160 Shamrock Drive	Fortuna	CA	95540	Storage -226 Owl Shed - Lesso	0.00
PALC-0584	Steven Wipf	3266 Matthew Lane	Fortuna	CA	95540	Storage -700 Hay Barn - Lesso	0.00
PALC-0586	Susan Pryor	P. O. Box 615	Scotia	CA	95565	Home -526 B Street - Lessor	0.00
PALC-0587	Tagg Nordstrom	P. O. Box 542	Scotia	CA	95565	Home - 77 North Court - Lessor	0.00
PALC-0588	Tammy Barr	P. O. Box 382	Scotia	CA	95565	Home -409 Church Street - Les	0.00
PALC-0589	Tammy Barr	P. O. Box 382	Scotia	CA	95565	Storage - 49 Scotia - Lessor	0.00
PALC-0590	Tammy Boiling	349 Cherry Lane	Rio Dell	CA	95562	Storage - 60 Mill A - Center - Le	0.00
PALC-0591	Tammy Clifford	870 Courtyard Circle, Apt G	Arcata	CA	95521	Storage -300 Planer Bldg - Les	0.00
PALC-0592	Ted Vivatson	2540 Barber Creek Rd	Hydesville	CA	95547	Storage - 76 Mill A - Center - Le	0.00
PALC-0593	Terry Edgmon	P. O. Box 611	Scotia	CA	95565	Home -135 Main Street - Lesso	0.00
PALC-0594	Terry Matyshock	P. O. Box 442	Scotia	CA	95565	Home -836 Williams Street - Le	0.00
PALC-0603	Thomas Austrus	P. O. Box 554	Scotia	CA	95565	Home / Garage -174 Main Stre	0.00
PALC-0604	Thomas Austrus	P. O. Box 554	Scotia	CA	95565	Storage - 45 Scotia - Lessor	0.00

SUBJECT TO MATERIAL REVISION

PALC-0605	Thomas Fraser, Jr.	2332 Newburg Road	Fortuna	CA	95540	Storage -315 Planer Building - I	0.00	
PALC-0606	Thomas Mcmahon	177 Azalea Way	Eureka	CA	95503	Storage -227 Owl Shed - Lesso	0.00	
PALC-0607	Thomas Pollard	P.O. Box 512	Scotia	CA	95565	Home / Garage -683 Fifth Stree	0.00	
PALC-0608	Thor Christianson	P.O. Box 596	Scotia	CA	95565	Home -647 Third Street - Lesso	0.00	
PALC-0609	Tim Coppini	P.O. Box 762	Scotia	CA	95565	Home / Garage -685 Fifth Stree	0.00	
PALC-0610	Tim Lourenzo	244 Johnson Lane	Redcrest	CA	95569	Storage - 64 Mill A - Center - Le	0.00	
PALC-0611	Tim Whitchurch	2825 Highland Drive	Fortuna	CA	95540	Storage -222 Owl Shed - Lesso	0.00	
PALC-0612	Timothy Dias	P.O. Box 561	Scotia	CA	95565	Home -544 B Street - Lessor	0.00	
PALC-0613	Timothy Oliveira	P.O. Box 444	Scotia	CA	95565	Home -558 B Street - Lessor	0.00	
PALC-0614	Timothy Wilson	P.O. Box 447	Scotia	CA	95565	Home -528 B Street - Lessor	0.00	
PALC-0615	Todd Calvo	39 Pine Lane	Carlotta	CA	95528	Storage - 46 Scotia - Lessor	0.00	
PALC-0616	Todd Johnson	837 14Th Street	Fortuna	CA	95540	Storage -342 Planer Bldg - Les	0.00	
PALC-0617	Tom Chapman	1846 Kelli Way	Fortuna	CA	95540	Storage -245 Owl Shed - Lesso	0.00	
PALC-0618	Tom Strader	156 Monarch Dr	Fortuna	CA	95540	Storage -211 Owl Shed - Lesso	0.00	
PALC-0619	Tom Strader	156 Monarch Dr	Fortuna	CA	95540	Storage -246 Owl Shed - Lesso	0.00	
PALC-0621	Tracy Mccanless	P.O. Box 181	Scotia	CA	95565	Home -751 Williams Street - Le	0.00	
PALC-0622	Tracy Watkins	P.O. Box 462	Scotia	CA	95565	Home -186 Main Street - Lesso	0.00	
PALC-0624	Tribby Kerrigan	P.O. Box 771	Scotia	CA	95565	Home - 67 North Court - Lessor	0.00	
PALC-0625	Troy Woodard	P.O. Box 253	Scotia	CA	95565	Home -155 Main Street - Lesso	0.00	
PALC-0627	Twin Creeks Motorcycle Club	190 S. Cherry Lane	Rio Dell	CA	95562	Land Lease - Twin & Dinner Cr	0.00	
PALC-0634	Van Crismon	786 Fortuna Blvd	Fortuna	CA	95540	Storage -213 Owl Shed - Lesso	0.00	
PALC-0635	Van Simmons	2007 Second Avenue	Fortuna	CA	95540	Storage - 71 Mill A - Center - Le	0.00	
PALC-0637	Victor Arreguin	P.O. Box 737	Scotia	CA	95565	Home -611 First Street - Lessor	0.00	
PALC-0638	Wade Blickenstaff	2043 Ernest Way	Arcata	CA	95521	Storage -361 Planer Shed - Les	0.00	
PALC-0639	Wade Blickenstaff	2043 Ernest Way	Arcata	CA	95521	Storage -362 Planer Shed - Les	0.00	
PALC-0640	Walter Nystrom	P.O. Box 162	Scotia	CA	95565	Home -358 Eddy Street - Lesso	0.00	
PALC-0641	Wayde Storer	4330 Walnut Drive	Eureka	CA	95503	Storage -301 Planer Bldg - Les	0.00	
PALC-0642	Wayne Ambrosini	396 Port Kenyon Road	Ferndale	CA	95536	Storage -200 Owl Shed - Lesso	0.00	
PALC-0643	Wayne Stanfield	688 Tompkins Hill Rd	Fortuna	CA	95540	Storage -208 Owl Shed - Lesso	0.00	
PALC-0646	William Belmont	P.O. Box 482	Scotia	CA	95565	Home -761 Williams Street - Le	0.00	
PALC-0647	William Calkins	P.O. Box 425	Scotia	CA	95565	Home -765 Williams Street - Le	0.00	
PALC-0648	William Jeffries	P.O. Box 72	Scotia	CA	95565	Home -133 Main Street - Lesso	0.00	
PALC-0649	William Marty	2049 Scott Ct	Arcata	CA	95521	Storage -225 Owl Shed - Lesso	0.00	
PALC-0650	Wills, Steve Logging	P.O. Box 335	Fortuna	CA	95540	Land Lease - Yager / Truck Shr	0.00	
PALC-0652	Yarely Munoz	P.O. Box 689	Scotia	CA	95565	Home -731 Pond Walk - Lessor	0.00	
NOT ON SCHEDULE G								
PALC-0695	yes	Eel River Brewing Company	1777 Alamar Way	Fortuna	CA	95540	Non-residential real property le;	0.00
PALC-0701	yes	Edge Wireless, LLC	650 SW Columbia Suite 7200	Bend	OR	97702	Comm Site Lease - Power Plan	0.00
PALC-0703	yes	Edge Wireless, LLC	650 SW Columbia Suite 7200	Bend	OR	97702	Comm Site Lease - Redcrest	0.00
PALC-0702	yes	Edge Wireless, LLC	650 SW Columbia Suite 7200	Bend	OR	97702	Comm Site Lease - Shively	0.00
PALC-0696	yes	Leland Rock	56157 Highway 101	Fortuna	CA	95540	Agreement for purchase of grav	0.00
PALC-0692	yes	Granite Construction Company	585 West Beach Street	Watsonville	CA	95076	Real Estate Lease Agreement -	0.00
PALC-0680	yes	University of California, Berkele	1111 Franklin Street, 12fl	Oakland	CA		Research Agreement	0.00
PALC-0681	yes	Proteous Research and Consul	PO Box 5193				Research Agreement (Dunned)	0.00
PALC-0682	yes	University of Wyoming	1000 E. University Ave.	Laramie	WY	82071	Research Agreement (M6221)	0.00
PALC-0684	yes	San Jose State University Four	210 N. Fourth Street, Fourth Flk	San José	CA	95112	Research Agreement (M7962)	0.00
PALC-0685	yes	Moss Landing Marine Laborato	8272 Moss Landing Road	Moss Landing	CA	95039	Research Agreement (M8075)	0.00
PALC-0687	yes	Queen's University	Kingston				Research Agreement (Ontario I	0.00
	yes	Key Equipment Finance	66 S. Pearl St	Albany	NY	12207	Konica 7272 Copier (SN 56QE)	0.00
	yes	Carlotta Community Services	DPO Box 38	Carlotta	CA	95528	1.18 acre use agreement for po	0.00
PALC-0657	yes	Frank Bacik					Employment Agreement	0.00
PALC-0658	yes	George O'Brien					Employment Agreement	0.00
		Caterpillar Financial Services	C2120 West End Ave	Nashville	TN	37203-0986	Model 938G Wheel Loader SN	0.00
PALC-0653	to be uploaded to Intralinks 3-1.	Cal North Cellular/Verizon	180 Washington Valley Rd	Bedminster	NJ	07921	Comm Site Lease - Mt. Pierce /	0.00
PALC-0660		HSU Sponsored Programs		Arcata	CA		Freshwater / Forestry study	0.00
		Key Equipment Finance	66 S. Pearl St	Albany	NY	12207	Konica Bizhub C360 Color Cop	0.00
PALC-0679		Pitney Bowes (Purchase Power)	PO Box 856390	Louisville	KY	40285	Prepaid postage	0.00
PALC-0662	Water rights agreement to be u	Sinclair, Scott	4751 Kneeland Rd	Kneeland	CA	95549	Kneeland (Spring)	0.00
	to be uploaded to intralinks 3-1.	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	Vehicle Sublease - GE	0.00
	SHOULD BE "yes"?	Scotia Pacific Company LLC	125 Main St	Scotia	CA	95565	Vehicle Sublease - Mike Albert	0.00
	to be uploaded to Intralinks 3-1.	Yvonne Hawley	Hwy 36	Carlotta	CA	95528	2.5 acre life time land lease for	0.00
								Executed 8-1-77 by LP, assigned / acknowledged by Palco 10-23-84
								108,685.75

WORKER'S COMP

Commerce and Industry Insurance Company

Worker's Comp and Employers Liability Policy (10/31/06) c/o MAXXAM Inc.

PENSION

Palco Retirement Plan as Amended and Restated, effective January 1, 2002
Summary Plan Description of PALCO Retirement Plan, effective date Jan 1, 1995

OTHER BENEFIT PLANS

Benefit Documentation and Summary Plan Description of Medical, Prescription and
Dental Benefits, as part of the Pacific Lumber Company Welfare Benefits Plan
#518, dated January 1, 2007, by the Pacific Lumber CompanyThe Pacific Lumber Company Medical and Dental Plan for Retired and Disabled
Former Employees, effective May 1, 2003

Name of counter party	Address	City	ST	Zip	Description	Cure Amount
Salmon Creek Corporation	125 Main Street	Scotia	CA	95565	Tax Allocation Agreement of fMarch 23, 1993	0.00
Salmon Creek Corporation	125 Main Street	Scotia	CA	95565	New Reciprocal Rights Agreement dated July 20, 1998	0.00
Scotia Development Corporation LLC	125 Main Street	Scotia	CA	95565	Sales and Marketing Assistance Agreement,dated September 1, 2006	0.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	Tax Allocation Agreement of fMarch 23, 1993	0.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	New Master Purchase Agreement dated as of July 20, 1998	0.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	New Reciprocal Rights Agreement dated July 20, 1998	0.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	New Services Agreement,dated July 20, 1998	0.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	New Additional Services Agreement, dated July 20, 1998	0.00
MAXXAM Inc.	1330 Post Oak Bl., Suite 2000	Houston	TX	77056	Tax Allocation Agreement of March 23, 1993	0.00
Atrium Executive Suites, LLC	449 15th Street #401	Oakland	CA	94612	Executive Suites Rental Agreement	0.00
Solid Terrian Modeling	340 Fillmore Street	Fillmore	CA	93015	Agreement Regarding Use of ScoPac Data	0.00
Not on Schedule G						
Solid Terrian Modeling	340 Fillmore Street	Fillmore	CA	93015	Agreement Regarding Use of ScoPac Data	0.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	New Environmental Indemnification Agreement dated 7-20-98	0.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	Sublease of Mike Albert Vehicles from Palco to Scopac	0.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	Sublease of GE Fleet Vehicles from Palco to Scopac	0.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	Real property lease with Scopac as lessor "The Master Lease Agreement dated 7-20-98" for miscellaneous ranch subleases	36,000.00
The Pacific Lumber Company	125 Main Street	Scotia	CA	95565	Real property lease with Scopac as lessor "Amended and Restated Lease Agreement dated 10-31-05" for miscellaneous corp offices	same

Name of counter party	Address	City	ST	Zip	Description	Cure Amount
						0.00
JoLoCo, SA c/o Landlord Resources	921 N. Chaparral	Corpus Christi	TX	78401	Office lease	0.00
MAXXAM Inc.	1330 Post Oak Blvd., Suite 200	Houston	TX	77056	Services arrangement	0.00
MCO Properties, Inc.	16930 East Palisades	Fountain Hills	AZ	85268	Cost sharing arrangement	0.00
Scotia Pacific Company LLC	125 Main Street	Scotia	CA	95565	Development and Sales Assistance Agreement	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland	CA	94612	Development and Sales Assistance Agreement	0.00
JoLoCo, SA c/o Landlord Resources	921 N. Chaparral	Corpus Christi	TX	78401	Office lease	0.00
MAXXAM Inc.	1330 Post Oak Blvd., Suite 200	Houston	TX	77056	Services arrangement	0.00
MCO Properties, Inc.	16930 East Palisades	Fountain Hills	AZ	85268	Cost sharing arrangement	0.00
Scotia Pacific Company LLC	125 Main Street	Scotia	CA	95565	Development and Sales Assistance Agreement	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland	CA	94612	Development and Sales Assistance Agreement	0.00

Name of counter party	Address	City	ST	Zip	Description	Cure Amount
Atrium Executive Suites LLC	449 15th Street	Oakland	CA	94612	Office space - Tenant	0.00
Caterpillar Financial	1620 W. Fountainhead Pkwy, Suite 600	Tempe	AZ	85282	CIT Lease Package "1" Caterpillar Model 950 G - Lessee	0.00
Caterpillar Financial	2120 West End Avenue	Nashville	TN	37203	CIT Lease Package "2" Caterpillar Model 938 G - Lessee	0.00
Coastal Business	336 1st Street	Eureka	CA	95501	Copier lease - Lessee	0.00
Coastal Business	336 1st Street	Eureka	CA	95501	Maintenance contract - copier - Contract	0.00
Impac	5721 SE Columbia Way #125	Vancouver	WA	98661	Maintenance contract - server - Contract	0.00
MAXXAM Inc.	1330 Post Oak Blvd., Suite 2000	Houston	TX	77056	Tax Allocation Agreement dated Feb. 9, 2004 - Steve Sellers	0.00
Village Concepts, Inc.	4200 A West End Road	Arcata	CA	95521	Tenant	0.00
The CIT Group	PO Box 27248	Tempe	AZ	85285-7248	CIT Lease Package "2" Caterpillar Model 950 F - Lessee	0.00
Village Concepts, Inc	PO Box 181	Rescue	CA	95672	Land and building lease at 420 West End Road, Arcata, CA - Lessee	0.00
Wells Fargo Equipment Finance	733 Marquette Ave, Suite 700	Minneapolis	MN	55402	Equipment lease, contract 85457-100 - Lessee	0.00
Coastal Business	336 1st Street	Eureka	CA	95501	Copier lease - Lessee	0.00
Impac	5721 SE Columbia Way #125	Vancouver	WA	98661	Maintenance contract - server - Contract	0.00
Village Concepts, Inc.	4200 A West End Road	Arcata	CA	95521	Tenant	0.00
Village Concepts, Inc	PO Box 181	Rescue	CA	95672	Land and building lease at 420 West End Road, Arcata, CA - Lessee	0.00
Caterpillar Financial	1620 W. Fountainhead Pkwy, Suite 600	Tempe	AZ	85282	CIT Lease Package "1" Caterpillar Model 950 G - Lessee	0.00
Caterpillar Financial	2120 West End Avenue	Nashville	TN	37203	CIT Lease Package "2" Caterpillar Model 938 G - Lessee	0.00
Atrium Executive Suites LLC	449 15th Street	Oakland	CA	94612	Office space - Tenant	0.00
Chambers Wood Products					Operating agreement to run second "off site" reman facility at Britt	0.00
The CIT Group	PO Box 27248	Tempe	AZ	85285-7248	CIT Lease Package "2" Caterpillar Model 950 F - Lessee	0.00
Wells Fargo Equipment Finance	733 Marquette Ave, Suite 700	Minneapolis	MN	55402	Equipment lease, contract 85457-100 - Lessee	0.00
Not on Schedule G						
Chambers Wood Products					Operating agreement to run second "off site" reman facility at Britt	0.00
Humboldt Plywood / Flakeboard					Assigned real estate sublease for reman facility	0.00
Caterpillar Financial	2120 West End Avenue	Nashville	TN	37203	Morbark Track Wood Hog 4600XL (S/N 188-1015T)	18,870.00

Name of counter party	Address	City ST Zip	Description	Cure Amount
Atrium Executive Suites, LLC	449 15th Street	Oakland CA 94612	Office lease	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland CA 94612	Agreement relating to Enforcement of AB1986 dated February 25, 1999	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland CA 94612	New Reciprocal Rights Agreement 1998	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland CA 94612	New Escrow Agreement dated July 20, 1999	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland CA 94612	Implementation Agreement with regard to Habitat Conservation Plan for the Properties of The Pacific Lumber Company LLC and Salmon Creek Corporation dated March 12004	0.00
Atrium Executive Suites, LLC	449 15th Street	Oakland CA 94612	Office lease	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland CA 94612	Agreement relating to Enforcement of AB1986 dated February 25, 1999	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland CA 94612	New Reciprocal Rights Agreement 1998	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland CA 94612	New Escrow Agreement dated July 20, 1999	0.00
The Pacific Lumber Company	449 15th Street, Suite 401	Oakland CA 94612	Implementation Agreement with regard to Habitat Conservation Plan for the Properties of The Pacific Lumber Company LLC and Salmon Creek Corporation dated March 12004	0.00

Name of counter party	Address	City	ST	Zip	Description	See PALCO tab for Cure Amount
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	98 Chevy 4WD Pickup - S/N1GCEK14R9WZ271609 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N1GCEK14V3XZ120747 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N 1GCEK14V3XZ133790	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N 1GCEK14V4XZ159492	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N 1GCEK14V9XZ146463	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N 1GCEK19TXXE127841	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 E.C. - S/N1GCEK19V1XE221737 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 E.C. - S/N1GCGK29R6XF095239 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 E.C. - S/N1GCGK29RXXF095311 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy T-10 4wd Blazer - S/N1GNDT13W4X2187943 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Ford F-250 Supercab 4x4 - S/N1FTNX21S8XE84946 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Pontiac Bonneville SE - S/N1G2HX52K0X210981 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T1TYE375680 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T3YE375440 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T3YE377902 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T4YE410034 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T9YE377953 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14TXYE355007 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 3/4 Ton 4x4 Truck - S/N1GCGK24R3YR103482 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 3/4 Ton 4x4 Truck - S/N1GCGK24U5YE176896 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Pickup - S/N1GCEK14T3YZ108078 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Pickup - S/N1GCEK14T8YZ273690 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Silverado 1/2 Ton - S/N1GCEK14TXYZ300937 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Silverado 1/2 Ton - S/N1GCE514T6YZ302975 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Silverado 1/2 Ton - S/N1GCEK14T8YZ301763 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Silverado E.C. - S/N2GCEK19T4Y1321820 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy Crew Cab 4X4 - S/N1GCGK23J8YF499602 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy Monte Carlo 2 Door - S/N2G1WW12E9Y9334352 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy Suburban 3/4 Ton 4X4 - S/N3GNGK26U6YG202855 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy Tahoe 4X4 - S/N 1GNEK13T9YJ177381 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	01 Chevy 1/2 Ton 4x4 Pickup - S/N1GCEK14V71Z105613 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	01 Ford F-150 Supercrew 4x4 - S/N1FTRW08L01KE10694 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Malibu - VIN: 1G1ND52J03M703956 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK20U83E326179 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29U03E329898 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29U33E29555 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29U33E330768 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29U43E329015 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29UX3E326551 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29UX3E327365 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg -VIN:1GCHK24U83E326481 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U03E337121 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U13E335524 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U23E333488 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U63E336846 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U63E338189 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U63E33854 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U83E336721 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U83E338727 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24UX3E332606 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24UX3E333416 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton 4x4 - VIN:1GCEK14T03Z347189 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton 4x4 - VIN:1GCEK14T13Z343507 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton 4x4 - VIN:1GCEK14T173Z345519 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton Reg - VIN:1GCEC14V63Z342478 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton Reg - VIN:1GCEC14V63Z345347 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton Reg - VIN:1GCEC14V83Z346032 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Ford F-150 Supercrew 4x4 - VIN:1FTRW08603KB16631 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Ford F-150 Supercab 4x4 - VIN:2FTRX18L43CA94694 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Ford F-450 Crew Cab 4x4 - VIN:1FDXW47S43ED43388 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Volvo XC90 T6 - VIN: YV1CZ91HX31020244 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 1500 Ext. - VIN:2GCEC19T041382668 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Crew - VIN:1GCHK23G04F244994 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Crew - VIN:1GCHK23G34F243130 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Crew - VIN:1GCHK23G54F245185 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Ext. - VIN:1GCHK29U34E344624 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Ext. - VIN:1GCHK29U54E341191 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Ext. - VIN:1GCHK29U94E339301 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK24U34E357218 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK24U44E345594 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK24U74E346061 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK29U04E342006 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK29U64E341474 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado LS - VIN:1GCHK29U64E343581 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Suburban - VIN: 3GNFK16T14G290060 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Grand Cherokee Laredo - VIN:1J8GW48N04C280924 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Grand Cherokee Laredo - VIN:1J8GW48N47C263961 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	05 Dodge Ram 2500 SLT - VIN:3D7KS28C05G804241 - Lessee	

SUBJECT TO MATERIAL REVISION

10340 Evandale Dr
10340 Evandale Dr

Cincinnati	OH	45241	05 Ford F-350 SD Reg DRW 4WD - VIN:1FDWF37PX5EA75467 - Lessee
Cincinnati	OH	45241	07 GMC Yukon Denali 1500 4WD - VIN:1GKFK63837J182861 - Lessee

Name of counter party	Address	City	ST	Zip	Description	See PALCO tab for Cure Amount
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	98 Chevy 4WD Pickup - S/N1GCEK14R9WZ271609 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N1GCEK14V3XZ120747 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N 1GCEK14V3XZ133790	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N 1GCEK14V4XZ159492	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N 1GCEK14V9XZ146463	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 - S/N 1GCEK19TXXE127841	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 E.C. - S/N1GCEK19V1XE221737 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 E.C. - S/N1GCGK29R6XF095239 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy 1/2 Ton 4x4 E.C. - S/N1GCGK29RXXF095311 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Chevy T-10 4wd Blazer - S/N1GNND13W4X2187943 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Ford F-250 Supercab 4x4 - S/N1FTNX21S8XE84946 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	99 Pontiac Bonneville SE - S/N1G2HX52K0X210981 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T1YE375680 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T3YE375440 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T3YE377902 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T4YE410034 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14T9YE377953 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 1/2 Ton 4X4 Pickup - S/N1GCEK14TXYE335007 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 3/4 Ton 4x4 Truck - S/N1GCGK24R3YR103482 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 3/4 Ton 4x4 Truck - S/N1GCGK24U5YE176896 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Pickup - S/N1GCEK14T3YZ108078 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Pickup - S/N1GCEK14T8YZ273690 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Silverado 1/2 Ton - S/N1GCEK14TXYZ300937 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Silverado 1/2 Ton - S/N1GCE514T6YZ302975 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Silverado 1/2 Ton - S/N1GCEK14T8YZ301763 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy 4WD Silverado E.C. - S/N2GCEK19T4Y1321820 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy Crew Cab 4X4 - S/N1GCGK23J8YF499602 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy Monte Carlo 2 Door - S/N2G1WW12E9Y9334352 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy Suburban 3/4 Ton 4X4 - S/N3GNKG26U6YG202855 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	00 Chevy Tahoe 4X4 - S/N 1GNEK13T9YJ177381 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	01 Chevy 1/2 Ton 4x4 Pickup - S/N1GCEK14V71Z105613 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	01 Ford F-150 Supercrew 4x4 - S/N1FTRW08L01KE10694 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Malibu - VIN: 1G1ND52J03M703956 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK20U83E326179 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29U03E329898 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29U33E29555 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29U33E330768 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29U43E329015 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29UX3E326551 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Ext - VIN:1GCHK29UX3E327365 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg -VIN:1GCHK24U83E326481 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U03E337121 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U13E335524 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U23E333488 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U63E336846 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U63E338189 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U63E33854 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U83E336721 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24U83E338727 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24UX3E332606 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 2500 Reg - VIN:1GCHK24UX3E333416 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton 4x4 - VIN:1GCEK14T03Z347189 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton 4x4 - VIN:1GCEK14T13Z343507 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton 4x4 - VIN:1GCEK14T173Z345519 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton Reg - VIN:1GCEC14V63Z342478 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton Reg - VIN:1GCEC14V63Z345347 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Chevrolet Silverado 3/4 ton Reg - VIN:1GCEC14V83Z346032 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Ford F-150 Supercrew 4x4 - VIN:1FTRW08603KB16631 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Ford F-150 Supercab 4x4 - VIN:2FTRX18L43CA94694 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Ford F-450 Crew Cab 4x4 - VIN:1FDXW47S43ED43388 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	03 Volvo XC90 T6 - VIN: YV1CZ91HX31020244 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 1500 Ext. - VIN:2GCEC19T041382668 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Crew - VIN:1GCHK23G04F244994 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Crew - VIN:1GCHK23G34F243130 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Crew - VIN:1GCHK23G54F245185 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Ext. - VIN:1GCHK29U34E344624 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Ext. - VIN:1GCHK29U54E341191 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Ext. - VIN:1GCHK29U94E339301 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK24U34E357218 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK24U44E345594 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK24U74E346061 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK29U04E342006 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado 2500 Reg - VIN:1GCHK29U64E341474 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Silverado LS - VIN:1GCHK29U64E343581 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Chevy Suburban - VIN: 3GNFK16T14G290060 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Grand Cherokee Laredo - VIN:1J8GW48N04C280924 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	04 Grand Cherokee Laredo - VIN:1J8GW48N47C263961 - Lessee	
Mike Albert Leasing, Inc	10340 Evandale Dr	Cincinnati	OH	45241	05 Dodge Ram 2500 SLT - VIN:3D7KS28C05G804241 - Lessee	

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10340 Evandale Dr
10340 Evandale Dr

Cincinnati	OH	45241	05 Ford F-350 SD Reg DRW 4WD - VIN:1FDWF37PX5EA75467 - Lessee
Cincinnati	OH	45241	07 GMC Yukon Denali 1500 4WD - VIN:1GKFK63837J182861 - Lessee

SCHEDULE 2

ANNUAL COMPENSATION FOR NEWCO SENIOR OFFICERS¹

Richard Higgenbottom: Chief Executive Officer-\$125,000

Michael E. Jani: President and Chief Forester of Timberland Operations-\$100,000

John L. Russell: President of Sawmill and Distribution Operations-\$100,000

Martin R. Olhiser: Senior Vice President-\$100,000

James Pelkey: Chief Financial Officer-\$100,000

¹Each officer shall be eligible for an annual bonus on a discretionary and subjective basis. It is not anticipated that directors of Newco will receive any compensation in respect of their duties as members of the Board of Directors of Newco.

SCHEDULE 3

FORM OF CERTIFICATE OF FORMATION

OF

[NEWCO], LLC

The undersigned, an authorized person, for the purpose of forming a limited liability company under the provisions and subject to the requirements of the Delaware Limited Liability Company Act of the State of Delaware (6 Del.C§18-101, et seq.) hereby certifies that:

FIRST: The name of the limited liability company (hereinafter called the "limited liability company") is [NEWCO], LLC.

SECOND: The address of the registered office is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington (New Castle County), Delaware 19808.

THIRD: The name and address of the registered agent of the limited liability company required to be maintained by Section 18-104 of the Delaware Limited Liability Company Act are Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington (New Castle County), Delaware 19808.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation this ___ day of _____, 2008.

Authorized Person

LIMITED LIABILITY COMPANY AGREEMENT

OF

[NEWCO], LLC

Dated as of _____, 2008

THE INTERESTS EVIDENCED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR FOREIGN JURISDICTION. SUCH INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE OR FOREIGN SECURITIES LAWS, PURSUANT TO REGISTRATION THEREUNDER OR EXEMPTION THEREFROM. IN ADDITION, TRANSFER OR OTHER DISPOSITION OF SUCH INTERESTS IS FURTHER RESTRICTED AS PROVIDED IN THIS AGREEMENT. PURCHASERS OF INTERESTS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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Exhibit A	List of Officers
Exhibit B	Register of Interests
Exhibit C	Valuation of the Timber Business

**LIMITED LIABILITY COMPANY AGREEMENT
FOR
[NEWCO], LLC**

THIS LIMITED LIABILITY COMPANY AGREEMENT for [NEWCO], LLC, a Delaware limited liability company, dated as of March [___], 2008, is by and among the Members (as herein defined), each of whose signature is set forth on the signature page to this Agreement. Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in Article II.

PRELIMINARY STATEMENTS

The Company was formed by the Members as a limited liability company under the laws of the State of Delaware when its Certificate of Formation was filed with the Delaware Secretary of State on March [___], 2008. The Members formed the Company to effect the reorganization in bankruptcy of the commercial timberland operations of Scotia Pacific Company LLC, a Delaware limited liability company, and the commercial lumber mill operations of The Pacific Lumber Company, a Delaware limited liability company, and its Subsidiaries. The Members desire to provide for certain agreements governing the business and affairs of the Company, to provide for certain restrictions on the disposition of membership interests in the Company, to create certain options with respect to such membership interests, and to agree to certain other matters, all upon the terms and conditions set forth in this Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

**ARTICLE I
ORGANIZATIONAL MATTERS**

Section 1.1 Legal Status. The Company is a limited liability company organized and existing under the Delaware Act. The Company shall be governed by the Delaware Act and this Agreement. The Members and the Directors shall take such steps as are necessary: (a) to maintain the Company's status as a limited liability company formed under the laws of the State of Delaware and qualified to conduct business in any jurisdiction where the Company does business and is required to be so qualified; and (b) to ensure that the Company shall continue to be treated as a partnership for tax purposes.

Section 1.2 Name. The name of the Company is "[NEWCO], LLC" or such other name or names as the Board of Directors may from time to time designate; provided that the name shall always contain the words "Limited Liability Company," "LLC" or "L.L.C."

Section 1.3 Purpose. The business and purpose of the Company is to: (a) engage, either directly or through one or more Subsidiaries, in any lawful act or activity for which limited liability companies may be organized under the Act; and (b) do all things as may be necessary,

appropriate, proper, advisable, convenient or incidental to or for the furtherance of the foregoing purpose and that is not prohibited by the Act or the law of any jurisdictions in which the Company engages in business.

Section 1.4 Term. The term of the Company commenced on the date that the Certificate of Formation was filed with the Secretary of State of the State of Delaware and shall, unless sooner terminated in accordance with the provisions hereof, continue until the completion of the dissolution and winding up of the Company in accordance with Article VIII.

Section 1.5 Place of Business. The principal place of business of the Company is c/o Mendocino Redwood Company, LLC, 1360 19th Hole Drive, Suite 200, Windsor, California 95492, or such other place or places as may be determined from time to time by the Board of Directors. The Company may also maintain additional offices in such other places as may be determined from time to time by the Board of Directors.

Section 1.6 Registered Office and Registered Agent. The address of the registered office of the Company in the State of Delaware is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware 19808. The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware 19808.

Section 1.7 Qualifications. The Board of Directors shall cause the Company to continue to be qualified and existing as a limited liability company under the Act and shall cause it to be qualified and registered as such in other jurisdictions if the Board of Directors shall determine that it is appropriate for the Company to be so qualified or to be so registered.

Section 1.8 No State-Law Partnership. The Members intend that the Company not be a partnership (including a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member, for any purposes other than federal and, if applicable, state and local tax purposes, and neither this Agreement nor any other document entered into by the Company or any Member shall be construed to suggest otherwise. The Members intend that the Company shall be treated as a partnership for federal and, if applicable, state and local income tax purposes, and that each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

ARTICLE II DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

“Act” means the Delaware Limited Liability Company Act, 6 Del. C. §§ 18-101, et seq., as amended from time to time, and any successor to that act.

“Actions” has the meaning set forth in Section 3.11(a).

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“Adjusted Capital Account” means, with respect to any Member, the balance, if any, in such Member’s Capital Account as of the end of the relevant Company taxable year, after giving effect to a credit, if any, to such Capital Account of any amounts which such Member is obligated to restore pursuant to any provision of this Agreement or pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5).

“Adjusted Mill EBITDA” means, with respect to the Company, any of its Subsidiaries or any of its operating divisions, the Company’s, Subsidiary’s and operating division’s EBITDA with respect to the Mill Business, (i) minus maintenance Capital Expenditures with respect to the Mill Business (such as recurring expenditures to maintain roads, vehicles and equipment and reforestation expenditures), and (ii) to the extent that any such amounts are including in the foregoing EBITDA amounts, minus any payments to the Company made pursuant to Section 4.8(b), in each case as calculated from the Company’s audited financial statements for the period in question.

“Affiliate” means, with respect to a Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes hereof, the Company and its Subsidiaries shall not be deemed an Affiliate of any Member.

“Agreement” means this Limited Liability Company Agreement, as it may be amended or modified from time to time in accordance with its terms.

“Approved Sale” has the meaning set forth in Section 7.7(a).

“Board of Directors” or “Board” has the meaning set forth in Section 3.1.

“Call Notice” has the meaning set forth in Section 7.4(a).

“Call Price” means an amount equal to the distributions that Marathon would receive under Section 8.4 if the Company was dissolved on the last day of the Fiscal Year immediately preceding the Fiscal Year in which the Call Notice was delivered and the amount available for distribution to the Members, after satisfaction of all liabilities of the Company, was equal to the sum of: (a) the value of the Timber Business, determined in accordance with Exhibit C; plus (b) the value of the Mill Business, determined by multiplying five (5) times the average annual Adjusted Mill EBITDA for the two most recently completed Fiscal Years; minus (c) the aggregate amount of any Indebtedness owed by the Company upon the closing of the purchase of Marathon’s Interest pursuant to Section 7.4(b), other than any Indebtedness secured by the Timberlands; plus (d) the value attributable to MFP Distribution Sales, determined by multiplying seven (7) times the average annual PPPD for the two most recently completed Fiscal Years.

“Capital Account” means, with respect to any Member, the capital account maintained for such Member in accordance with the following provisions:

(a) To each Member’s Capital Account there shall be credited such Member’s Capital Contributions, such Member’s distributive share of Profits and any items in the nature of income or gain which are specially allocated pursuant to Section 6.4 or 6.5 with respect to such

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Member's Interests, and the amount of any Company liabilities which are assumed by such Member or which are secured by any Company property distributed to such Member with respect to its Interests.

(b) To each Member's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Company property distributed to such Member pursuant to any provision of this Agreement with respect to such Member's Interests, such Member's distributive share of Losses and any items in the nature of expenses or losses which are specially allocated pursuant to Section 6.4 or 6.5 with respect to its Interests, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company with respect to its Interests.

(c) In the event all or a portion of an interest in the Company which arises from Interests is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

(d) In determining the amount of any liability for purposes of clauses (a) and (b) hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Sections 1.704-1(b) and 1.704-2 and shall be interpreted and applied in a manner consistent with such Regulations. Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), including syndication expenses as described in Regulations Section 1.709-2(b), shall be allocated among the Members in proportion to their respective Capital Contributions. Such expenditures shall be taken into account under this Agreement at the time they would be taken into account under the Company's method of accounting if they were deductible expenditures. In the event the Board of Directors shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including debits or credits relating to liabilities that are secured by contributed or distributed property or that are assumed by the Company or the Members), are computed in order to comply with such Regulations, the Board of Directors may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member pursuant to Article VIII hereof upon the dissolution of the Company. The Board of Directors also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes, to the extent provided in and consistent with Regulations Section 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Sections 1.704-1(b) and 1.704-2.

"Capital Contribution" means, with respect to any Member, the amount of cash and the fair market value of any property, determined without regard to the provisions of Code Section 7701(g), contributed (or deemed to be contributed) to the Company with respect to the Interests, as set forth on the Register.

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“Capital Expenditures” means, with respect to any Person, any expenditures or commitments to expend money for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a balance sheet of such Person prepared in accordance with GAAP.

“Certificate of Formation” means the Certificate of Formation of the Company filed with the Secretary of State of Delaware, as it may be amended from time to time in accordance with the provisions of this Agreement.

“Co-Sale Notice” has the meaning set forth in Section 7.6(a).

“Code” the Internal Revenue Code of 1986, as amended from time to time.

“Company” means [NEWCO], LLC, a Delaware limited liability company.

“Company Minimum Gain” has the meaning attributed to “partnership minimum gain” as set forth in Treasury Regulations §§ 1.704-2(b)(2) and 1.704-2(d).

“Directors” shall have the meaning set forth in Section 3.1.

“Distribution” means a distribution of cash or property by the Company to a Member pursuant to this Agreement.

“EBITDA” means, with respect to any Person, such Person’s earnings before interest, taxes, depreciation and amortization, as calculated from financial statements for such Person prepared in accordance with GAAP.

“Effective Date” means the date the Company acquires the operating assets of the Mill Business and the Timber Business.

“Excluded Issuances” has the meaning set forth in Section 4.7.

“Fiscal Quarter” means each calendar quarter in each Fiscal Year.

“Fiscal Year” means: (a) the 12-month period commencing on January 1 and ending on December 31; (b) any portion of the period described in clause (a) for which the Company is required to allocate Profits, Losses and other items of Company income, gain, loss or deduction; or (c) such other period as may be required pursuant to Section 706 of the Code and the Regulations thereunder.

“GAAP” means United States generally accepted accounting principles.

“Gross Asset Value” means, for any asset, such asset’s adjusted basis for federal income tax purposes, as adjusted from time to time to reflect the adjustments that are required or permitted by, or are consistent with, Regulations Section 1.704-1(b)(2)(iv)(d) through (g), (i) through (n) and (p) through (r); provided, however, that:

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(a) the initial fair market value of any asset contributed by a Member to the Company shall be its fair market value as determined by the Board of Directors; and

(b) the Capital Account adjustments permitted pursuant to an event described in Regulations Sections 1.704-1(b)(2)(iv)(f) and (m) shall be made unless the Company reasonably determines that such adjustments would not reflect the relative economic interests of the Members in the Company.

“HRP” means Humboldt Redwood Partners, LLC.

“Indebtedness” of any Person means such Person’s: (a) obligations for borrowed money (including all applicable loan financing costs, loan restructuring costs, loan administration costs, loan prepayment costs and other similar fees or charges); (b) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person’s business payable on terms customary in the trade); (c) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from assets now or hereafter owned or acquired by such Person; (d) obligations which are evidenced by notes, acceptances, or other instruments; (e) obligations of such Person to purchase securities or other property arising out of or in connection with the sale of the same or substantially similar securities or property or any other off-balance sheet obligations; (f) capital lease obligations; (g) obligations under any sale–leaseback transaction; (h) contingent obligations for which the underlying transaction constitutes Indebtedness under this definition; and (i) any other obligation for borrowed money or other financial accommodation which would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

“Indemnified Costs” has the meaning set forth in Section 3.11(a).

“Indemnified Party” has the meaning set forth in Section 3.11.

“Independent Third Party” means any Person, other than a Member whose Percentage Interest immediately prior to the contemplated transaction equals or exceeds 5% or any Person who is an Affiliate of any Member whose Percentage Interest immediately prior to the contemplated transaction equals or exceeds 5%.

“Interests” means a limited liability company membership interest in the Company with such rights, preferences and obligations as are set forth herein.

“Liquidator” has the meaning set forth in Section 8.2.

“Marathon” means Marathon Special Opportunity Master Fund Ltd.

“Member” means any holder of Interests from time to time admitted as a member of the Company.

“MFP” means Mendocino Forest Products Company, LLC.

“MFP Distribution Sales” means sales by MFP and its Affiliates of lumber products purchased from the Company by MFP and its Affiliates.

“MFP PPPD Interests” has the meaning set forth in Section 4.8(b).

“Mill Business” means the existing commercial lumber mill operations of the Company to be acquired from The Pacific Lumber Company and its Subsidiaries pursuant to their reorganization in bankruptcy.

“MRC” means Mendocino Redwood Company, LLC.

“Nonrecourse Liability” has the same meaning given such term in Treasury Regulations Section 1.704-2(b)(3).

“Percentage Interest” means, with respect to each Member, such Member’s share of the Profits and Losses of the Company, expressed as a percentage, as set forth in the Register.

“Person” means any individual, partnership, corporation, trust, limited liability company, association, joint venture, estate, governmental entity or other legal person.

“PPPD” with respect to any period means an amount equal to: (a) the EBITDA of MFP and its related Affiliates for such period attributable to MFP Distribution Sales; minus (b) the general, operating, sales, marketing and administrative expenses of MFP and its related Affiliates attributable to MFP Distribution Sales (exclusive of depreciation, amortization and cost of goods expenses but inclusive of all other expenses), determined for each category of expenses on either (i) a directly allocable basis from the specific products sold or (ii) a *pro rata* basis relative to all lumber products sold by MFP and its related Affiliates; minus (c) the interest expense attributable to all Indebtedness incurred by MFP and its related Affiliates (i) to finance the purchase of the products for the MFP Distribution Sales, and (ii) to maintain the accounts receivable associated with the MFP Distribution Sales. When calculating the EBITDA of MFP and its related Affiliates attributable to MFP Distribution Sales: (i) accounting practices, principles, methodologies and elections (including depreciation periods, practices, and methodologies) shall be applied consistently to each period; (ii) inventories shall be valued at the lower of cost (using average cost determined using a first in, first out method of accounting) or net realizable value; and (iii) customer credits, rebates, cooperative marketing expenses and bad debt reserves shall be incorporated after being determined consistent with practices of MFP for the Fiscal Year ended December 31, 2007.

“PPPD Calculation Amount” means: (a) until the adjustment of the Percentage Interests with respect to the MFP PPPD Interests pursuant to Section 4.8(c), \$100 million; and (b) following such adjustment to the MFP PPPD Interests, an amount, determined in accordance with Section 4.8(c), equal to the product of seven (7) multiplied by the average annual PPPD for the Fiscal Years ending December 31, 2009 and 2010.

“Preemptive Rights Notice” has the meaning set forth in Section 4.7.

“Profits” and “Losses” any reference to any item of income, gain, loss or deduction thereof means, for each Company taxable year, an amount equal to the Company’s taxable income or loss for such Company taxable year, determined in accordance with Code Section 703(a) (but including in taxable income or loss, for this purpose, all items of income, gain, loss

or deduction required to be stated separately pursuant to Code Section 702(a)), with the following adjustments:

(a) any income of the Company exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be added to such taxable income or loss;

(b) any expenditures of the Company described in Code Section 705(a)(2)(B) (or treated as expenditures described in Code Section 705(a)(2)(B) pursuant to Regulations Section 1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be subtracted from such taxable income or loss;

(c) in the event the Gross Asset Value of any Company asset is adjusted in accordance with the definition of “Gross Asset Value” above, the amount of such adjustment shall, except to the extent subject to special allocation pursuant to Section 6.4 or Section 6.5(c), be taken into account as an item of income, gain, loss or deduction from the disposition of such asset for purposes of computing Profits or Losses; and

(d) notwithstanding any other provisions of this definition of “Profits” and “Losses” amounts specially allocated pursuant to Section 6.4 or Section 6.5(c) shall not be included in the computation of Profits and Losses for the year for purposes of the allocations set forth in Section 6.6.

“Put Price” means an amount equal to the distributions that Marathon would receive under Section 8.4 if the Company was dissolved on the last day of the Fiscal Year immediately preceding the Fiscal Year in which the Call Notice was delivered and the amount available for distribution to the Members, after satisfaction of all liabilities of the Company, was equal to the sum of: (a) the value of the Timber Business, determined in accordance with Exhibit C; plus (b) the value of the Mill Business, determined by multiplying four (4) times the average annual Adjusted Mill EBITDA for the two most recently completed Fiscal Years; minus (c) the aggregate amount of any Indebtedness owed by the Company upon the closing of the purchase of Marathon’s Interest pursuant to Section 7.4(b), other than any Indebtedness secured by the Timberlands; plus (d) the value attributable to MFP Distribution Sales, determined by multiplying seven (7) times the average annual PPPD for the two most recently completed Fiscal Years.

“Put Notice” has the meaning set forth in Section 7.5.

“Register” means the register of Interests and Members maintained by the Board of Directors, as further described in Section 5.2.

“Regulatory Allocations” has the meaning set forth in Section 6.4(b).

“ROFO Notice” has the meaning set forth in Section 7.3(a).

“Sale of the Company” means either: (a) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries to an Independent Third Party; or (b) a transaction or series of

transactions (including by way of merger, consolidation, recapitalization, reorganization or sale of stock) the result of which is that the Members immediately prior to such transaction, after giving effect to such transaction no longer are, in the aggregate, the “beneficial owners” (as such term is defined in Rule 13d-3 and Rule 13d-5 promulgated under the Securities Exchange Act), directly or indirectly through one or more intermediaries, of more than 50% of the voting power of the outstanding voting securities of the LLC.

“Securities Act” means the Securities Act of 1933, as amended.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which: (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of the Person or a combination thereof; or (b) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association or other business entity.

“Tax Distribution” has the meaning set forth in Section 6.2.

“Tax Matters Member” has the meaning set forth in Section 6.7.

“Timber Business” means the commercial timberland operations of the Company to be acquired from Scotia Pacific Company LLC pursuant to its reorganization in bankruptcy.

“Timberlands” means the commercial timberlands of the Company to be acquired from Scotia Pacific Company LLC pursuant to its reorganization in bankruptcy.

“Townco Agreement” means that certain agreement to be entered into between HRP and Marathon with respect to the disposition of the assets of the Town of Scotia, California.

“Transfer” means any sale, transfer, assignment, pledge, mortgage, exchange, hypothecation, grant of a security interest or other direct or indirect disposition or encumbrance of an Interest (including by operation of law) or the acts thereof. The terms “Transferee,” “Transferred,” and other forms of the word “Transfer” shall have correlative meanings.

“Treasury Regulations” or “Regulations” means the applicable provisions of the federal income tax final or temporary regulations promulgated under the Code, as amended from time to time, including the corresponding provisions of any succeeding regulations.

**ARTICLE III
MANAGEMENT OF THE COMPANY**

Section 3.1 General. The business and affairs of the Company shall be managed exclusively by a board of five directors designated by the Members as set forth herein (each, a “Directors” and collectively, the “Board of Directors” or the “Board”) and by such officers of the Company, if any, as may be appointed from time to time by the Board of Directors in accordance with this Agreement. Except where the approval of the Members is expressly required by this Agreement or by non-waivable provisions of the Delaware Act, the Board of Directors shall have full and complete authority, power and discretion to direct, manage and control the business, affairs and properties of the Company, and all decisions, determinations, actions, approvals or consents relating to the management and control of the conduct of the business of the Company and its affairs shall be made by the Board of Directors.

Section 3.2 Composition of Board. The Board of Directors shall at all times consist of: (i) four Directors designated by HRP, one of whom (the “Independent Director”) shall be an independent director unaffiliated with HRP and reasonably acceptable to Marathon at the time of their initial appointment, and who shall initially be Alexander L. Dean, Jr., Richard Higgenbottom, John Fisher and Thomas Paper (as the initially appointed Independent Director); and (ii) one Director designated by Marathon, who shall initially be _____. The Director designated by Marathon is referred to as the “Marathon Director”. Each Director shall serve until the earlier of his resignation, replacement, removal or death. Any member of the Board of Directors may resign at any time by giving written notice to the Company. Any Director(s) may be removed at any time, with or without cause, but only by the Member entitled to designate such Director(s) in accordance with this Section 3.2. If a vacancy occurs for any reason in the office of the Board of Directors, the Member that designated the departing Director shall promptly elect a replacement for such Director.

Section 3.3 Major Decisions. Except as otherwise expressly set forth in this Agreement, none of the following decisions or actions involving the conduct of the business and affairs of the Company or any of its Subsidiaries (the “Major Decisions”) shall be made or taken without the approval of a majority of the Directors, which majority must include consent of the Marathon Director (not to be unreasonable withheld):

- (a) approval of the initial business plan for the Company, including the selection of the initial chief executive officer and the initial chief financial officer of the Company;
- (b) approval of annual Capital Expenditures in excess of \$2.5 million, other than (i) Capital Expenditures in the initial business plan, (ii) Scotia Mill Capital Expenditures up to \$7,500,000, and (iii) ordinary course Capital Expenditures for roads, reforestation and equipment related to timberland management;
- (c) except as expressly contemplated by Article VII, mergers, acquisitions, divestitures and joint ventures that either individually or in combination with one or more related transactions involves an aggregate transaction value in excess of \$40 million or

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\$80 million in the aggregate for all such mergers, acquisitions, divestitures and joint ventures;

(d) issue, or agree to issue any Interests or other equity securities of the Company (including, without limitation, warrants, options, convertible securities (including convertible debt securities), subscription rights or any derivative securities with respect to the foregoing) for consideration derived from a valuation of the Company less than the valuation implied by the Put Price, other than issuances of Interests pursuant to Sections 4.8(c) or issuances of Interests to officers, directors and employees of the Company;

(e) except as expressly contemplated by Article VII and except for repurchases of equity held by employees upon termination of their employment with the Company, purchase or redeem any Interests in or other equity securities of the Company (including, without limitation, warrants, options, convertible securities (including convertible debt securities), subscription rights or any derivative securities with respect to the foregoing);

(f) distribution of any assets of the Company (including cash) to the Members in an amount that exceeds the sum of (i) the Company's EBITDA for the 12 months immediately preceding the month in which the distribution occurs, plus (ii) the value of all capital leases entered into for the 12 months immediately preceding the month in which the distribution occurs, minus (iii) the Company's interest payments with respect to Indebtedness and payments with respect to capital leases for the 12 months immediately preceding the month in which the distribution occurs;

(g) adoption of any employee benefit plans;

(h) selection or change of the accountants and independent auditors for the Company and its Subsidiaries;

(i) settlement or compromise of any claim by or against third parties involving payments by the Company in excess of \$3 million;

(j) incurrence, issuance, refinancing or guarantee of indebtedness by the Company or any of its Subsidiaries, or amending or modifying any material terms of such indebtedness, other than (i) the entry into any working capital line of credit or similar credit facilities and draws under any such credit facility of the Company and its Subsidiaries in an amount not to exceed the maximum amount of availability under such working capital line of credit or similar credit facility, and (ii) additional indebtedness for borrowed money in an amount not to exceed \$20 million;

(k) entry into any material new business line unrelated to the Mill Business and the Timber Business;

(l) the closing of the Scotia Mill prior to the earlier to occur of (i) December 31, 2010 and (ii) the date on which the Scotia Mill has incurred an aggregate of \$19 million of post-closing expenses and cash outflows, whether comprised of negative

EBITDA, Capital Expenditures and/or other losses (it being understood that temporary closure of the Scotia Mill for capital improvements or the anticipation of capital improvements during the first 12 months of the Company will not be considered a closure but that the Capital Expenditures and other expenses incurred in connection with such closure will count toward the aggregate post-closing expenses and cash outflows pursuant to this subsection);

- (m) dissolution, winding up or liquidation of the Company; or
- (n) entry into any agreement or commitment to take any of the foregoing actions.

Section 3.4 Authorized Director. The Directors of the Company shall be managers pursuant to the Act, provided that the power and authority of the Directors shall be subject to the limitations set forth in this Agreement. Any contract, agreement, instrument or other document to which the Company is a party and which is duly authorized by the Board of Directors may be signed by the "Authorized Director" appointed by HRP, who initially shall be Alexander L. Dean, Jr., and no other signatures shall be required. No Director other than the Authorized Director shall have any power or authority to sign and deliver on behalf of the Company any contract, agreement, instrument or other document unless such Director shall have been unanimously authorized to do so by the Board of Directors. The Authorized Director may resign at any time by giving written notice to the Company and may be removed at any time, with or without cause, by HRP. If a vacancy occurs for any reason in the office of Authorized Director, HRP shall promptly elect a replacement Authorized Director.

Section 3.5 Meeting of the Board of Directors. The Board of Directors may hold meetings, both regular and special, within or outside the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors and announced at the preceding meeting of the Board. Special meetings of the Board of Directors may be called by any Director on not less than 10 days' notice to each Director by telephone, facsimile, mail, e-mail, telegram or any other means of communication.

Section 3.6 Acts of the Board. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business and, except as otherwise required by any other provision of this Agreement, the act of a majority of the Directors (whether present or not at any meeting at which there is a quorum) shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board, the Directors present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Any action permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if the Directors having the requisite voting power to approve such action consent thereto in writing.

Section 3.7 Electronic Communications. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in meetings of the Board of Directors, or any committee, by means of telephone conference or similar communications

equipment that allows all individuals participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 3.8 Committees of Directors. The Board of Directors may, by resolution passed by a majority of the Directors, designate one or more committees, each committee to consist of one or more of the Directors of the Company. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Subject to the terms of Section 3.3, any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. If requested, each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

Section 3.9 Outside Activities. Each Director, officer, Member and any Person who is an Affiliate of any of the foregoing may engage or hold interests in other business ventures of every kind and description for his, her or its own account, whether or not such business ventures are in direct or indirect competition with the business of the Company and whether or not the Company has any interest therein. Neither the Company nor any of the Members shall have any rights by virtue of this Agreement in such independent business ventures or to the income or profits derived therefrom. Notwithstanding the foregoing, each Member agrees that such Member shall not, for so long as such Member is a Member of the Company, either directly or indirectly in conjunction with any Affiliate of such Member, own, maintain, engage in, render any services for, manage, have any financial interest in or permit such Member's name to be used in connection with any commercial timberland operations or commercial lumber sawmill operations anywhere in California north of Humboldt County (except to the extent that such activities are conducted by or through the Company or any of its Subsidiaries).

Section 3.10 Duties. No Director, officer, Tax Matters Member or Liquidator nor any of their respective agents, partners, members, employees, directors, managers, owners, counsel or Affiliates, in their respective capacity as such, shall have any duty to the Company or any Member, except for the contractual duties set forth in this Agreement. Each Member hereby acknowledges and agrees that, in accordance with Section 18-1101 of the Delaware Act, no Director (in his or her capacity as such) shall have any liability to the Company or any other Director or any Member for breach of fiduciary duties or duties of loyalty; provided that this sentence shall not be construed to limit or eliminate liability for any act or omission that constitutes a bad faith or intentional violation of the implied contractual covenant of good faith and fair dealing.

Section 3.11 Liabilities. No Director, Tax Matters Member or Liquidator nor any of their respective agents, partners, members, employees, directors, managers, owners, counsel or Affiliates, acting as such, shall: (a) be personally liable for the debts, obligations, or liabilities of the Company, including any such debts, obligations, or liabilities arising under a judgment decree or order of a court or arbitrator; (b) be obligated to restore any deficit Capital Account; (c) be required to return all or any portion of any Capital Contribution returned pursuant to Article VI; (d) be required to lend any funds to the Company; or (e) be liable, responsible, or

accountable (in damages or otherwise) to the Company or any Member for any action taken or failure to act (even if such action or failure to act constituted negligence on such Person's part) on behalf of the Company within the scope of the authority conferred on such Person by this Agreement or by law, unless such act or failure to act constituted gross negligence or willful misconduct.

Section 3.12 Indemnification. The Company shall indemnify and hold harmless, to the fullest extent permitted by law, (i) each Member, in its capacity as such, (ii) each current or former Director or officer of the Company, in his, her or its capacity as such, (iii) the Tax Matters Member, in his, her or its capacity as such, (iv) a Liquidator acting pursuant to Section 8.2, in its capacity as such, and (v) each director, officer, agent, partner, member, employee, owner or consultant of each Member, Director, Tax Matters Member or Liquidator, in each case in its capacity as such (individually, an "Indemnified Party"), as follows:

(a) The Company shall indemnify and hold harmless, to the fullest extent permitted by law, any Indemnified Party from and against any and all losses, claims, damages, liabilities, expenses (including legal fees and other professional fees and expenses), judgments, fines, surcharges, tax penalties, settlements, and other amounts ("Indemnified Costs") arising from all claims, demands, actions, suits, or proceedings, whether civil, criminal, administrative, or investigative ("Actions"), in which the Indemnified Party may be involved, or threatened to be involved, as a party or otherwise in any way related to or arising out of this Agreement, the Company or the management or administration of the Company or in connection with the business or affairs of the Company or the activities of such Indemnified Party on behalf of the Company; provided, however, that no such Person shall be indemnified hereunder for any Indemnified Costs that proximately result from such Person's gross negligence or willful misconduct.

(b) The Company shall pay or reimburse, to the fullest extent allowed by law and consistent with Section 3.12(a), in advance of the final disposition of the proceeding, Indemnified Costs incurred by the Indemnified Party in connection with any Action that is the subject of Section 3.12(a); provided, however, that the Indemnified Party shall provide to the Company written confirmation that the Indemnified Party will return any amounts so advanced by the Company to the extent that it is subsequently determined that the Indemnified Party was not entitled to receive such amounts advanced. It shall not be a condition of any such undertaking that it be secured, and the financial capacity of the Indemnified Party shall not be considered in connection with this Section 3.12(b).

(c) Notwithstanding any other provision of this Section 3.12, the Company shall pay or reimburse actual out-of-pocket Indemnified Costs incurred by an Indemnified Party in connection with such Person's appearance as a witness or other participation in a proceeding or investigation involving or affecting the Company at a time when the Indemnified Party is not a named defendant or respondent in the proceeding.

(d) The Board of Directors may cause the Company to purchase and maintain insurance or other arrangements on behalf of the Indemnified Parties against any liability asserted against any Indemnified Party and incurred by any Indemnified Party in that

capacity or arising out of the Indemnified Party's status in that capacity, regardless of whether the Company would have the power to indemnify the Indemnified Party against that liability under this Section 3.12. The indemnification provided by this Section 3.12 shall be in addition to any other rights to which the Indemnified Parties may be entitled under any agreement, vote of the Members, as a matter of law, or otherwise, and shall inure to the benefit of the heirs, successors, assigns, and administrators of the Indemnified Party.

(e) An Indemnified Party shall not be denied indemnification in whole or in part under this Section 3.12 because the Indemnified Party had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(f) The indemnification provided by this Section 3.12 shall be recoverable only out of the assets of the Company, and no Member shall have any obligation to make any Capital Contributions therefor or otherwise have personal liability on account thereof.

(g) The amount of any indemnification payable under this Section 3.12 shall be calculated so as to account for (i) any associated tax benefits and burdens to the Indemnified Party resulting from the matter (including those resulting from any such indemnity) and (ii) the receipt of insurance proceeds or other proceeds paid by Persons not affiliated with the Indemnified Party to the extent that such proceeds are paid without reservation, are actually received and specifically relate to the claim otherwise covered by the indemnity provisions herein. The parties agree to respond within a reasonable time to any inquiry by the Company as to the status of any such insurance or other third-party payment. Each party hereto who is an Indemnified Party agrees to act in good faith to pursue diligently any bona fide potential payer of insurance or, in the absence of a valid business reason, any bona fide potential third-party payer. The Company shall be subrogated to any claims or rights of any Indemnified Party as against any other Person(s) with respect to any Indemnified Costs paid by the Company. Each Indemnified Party shall cooperate with the Company to a reasonable extent, at the Company's expense, in the assertion by the Company of any such claim against such other Persons.

Section 3.13 Appointment of Officers; Authority of Officers.

(a) Election of Officers. The Board of Directors hereby appoints the individuals set forth on Exhibit A to serve as the officers of the Company, subject to removal and/or replacement by the Board of Directors in accordance with this Agreement. Any removal or replacement of the foregoing individuals shall not require an amendment to this Agreement.

(b) Authority of Officers. Subject in all cases to the ultimate authority of the Board of Directors, the officers shall manage the day-to-day business and affairs of the Company in the ordinary course of its business, in each case, unless the Board of Directors shall have previously restricted (specifically or generally) such powers. For the avoidance of doubt and without limiting the extent of any rights and/or powers vested in

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the Board of Directors hereunder, (i) at no time shall actions or decisions relating to Major Decisions be deemed to have been delegated to the officers, (ii) all decisions, determinations, actions, approvals and/or consents relating to Major Decisions shall require the approval of the Board of Directors in accordance with Section 3.3, and (iii) no officers of the Company shall have power or authority with respect to any Major Decisions in the absence of such approval of the Board of Directors. Subject to and without express or implied limitation of the foregoing, the officers of the Company shall have the following powers and responsibilities, it being understood that the Board of Directors may revoke, alter and/or diminish any of the following powers and responsibilities without amending this Agreement:

(i) Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Company, shall be responsible for the general and active management of the business of the Company and shall see that all orders and resolutions of the Board are carried into effect. The Chief Executive Officer shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

(ii) President. In the absence of the Chief Executive Officer or in the event of the Chief Executive Officer's inability to act, the President, if any (or in the event there be more than one President, the Presidents), shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. The Presidents, if any, shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

(iii) Vice President. In the absence of the President or in the event of the President's inability to act, the Vice President, if any (or in the event there be more than one Vice President, the Vice Presidents), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents, if any, shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe. Vice Presidents may be designated Executive Vice Presidents.

(iv) Chief Financial Officer. The Chief Financial Officer shall have the custody of the Company funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board of Directors. The Chief Financial Officer shall disburse the funds of the Company as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and to the Board of Directors, at its regular meetings or when the Board of Directors so requires, an account of all of the financial transactions and of the financial condition of the Company.

(v) Secretary and Assistant Secretary. The Secretary, if any, shall be responsible for filing legal documents and maintaining records for the Company. The Secretary shall attend all meetings of the Board and record all the proceedings of the meetings of the Company and of the Board in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or shall cause to be given, notice of all meetings of the Members, if any, and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision the Secretary shall serve. The Assistant Secretary, or if there be more than one, the Assistant Secretaries, shall, in the absence of the Secretary or in the event of the Secretary's inability to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

(c) Officers as Agents. The officers, to the extent of their powers set forth in this Agreement or otherwise vested in them by action of the Board of Directors not inconsistent with this Agreement, are agents of the Company for the purpose of the Company's business and, the actions of the officers taken in accordance with such powers shall bind the Company.

Section 3.14 Related Party Transactions.

(a) The Company, on the one hand, and MRC and its affiliates, on the other hand, intend to enter into commercial transactions to buy and sell logs in the ordinary course of business. The prices for delivered logs sold between the Company and MRC and its affiliates will be set based on a good faith estimate of the fair market value for delivered logs, taking into account: (i) the Company's good faith determination of what the Mill Business would pay third parties for delivered logs (broken down by size and species as appropriate); (ii) the price at which the Timber Business has sold or can sell and deliver logs to third parties (broken down by size and species as appropriate); and (iii) to a lesser degree than clauses (i) and (ii), and to the extent conducted in open market bidding, the price that competing sawmills pay for delivered logs.

(b) The Company, on the one hand, and MRC and its affiliates, on the other hand, intend to enter into other commercial transactions to buy and sell products and services in the ordinary course of business. The price for products and services that are commercially available from third parties will be set by the Company's management team on a quarterly basis at the generally prevailing prices of the commercially available, comparable products and services. The price for products and services that are not commercially available from third parties will be set by the Board of Directors after review of applicable data provided to it by the Company's management team on a quarterly basis, so that the pricing results in MFP and its Affiliates achieving a gross margin on such products and services that is no greater than the average gross margins achieved by MFP and its Affiliates from the sale of commercially available products and services in the same general categories as such products and services.

(c) The expenses associated with all shared expenses of the Company, MRC and MFP shall be allocated among such parties based on either (i) their relative sales, consistent with the past practices of MFP, MRC and their respective Affiliates, or (ii) the relative amount of time spent by the executive management team with each company.

(d) The Company, on the one hand, and MRC and its affiliates, on the other hand, shall not enter into commercial transactions outside the ordinary course of business, such as the sale of all or a substantially portion of a party's assets or Subsidiaries, unless one or more of the following have been satisfied: (i) the Board of Directors has unanimously found such transaction to be on terms and conditions that match a *bona fide* third party offer obtained through a competitive process; (ii) the pricing for the transaction has been established pursuant to a competitive auction process conducted by an independent agent that has received three or more qualified bids from unaffiliated third parties; or (iii) the pricing for the transaction has been established pursuant to independent appraisals obtained from appraisers reasonably acceptable to Marathon.

(e) It will constitute full satisfaction of any and all duties and obligations of the Board and HRP to Marathon if any related party transaction complies with the preceding requirements of this Section 3.14.

ARTICLE IV RIGHTS AND OBLIGATIONS OF THE MEMBERS

Section 4.1 Limitation of Liability. Except as otherwise required by applicable law and as expressly set forth in this Agreement, no Member shall have any personal liability whatever in such Member's capacity as a Member, whether to the Company, to any other Members, to the creditors of the Company, or to any third party, for the debts, liabilities, commitments or other obligations of the Company or for any losses of the Company. Each Member shall only be liable to make any payments expressly set forth herein.

Section 4.2 Rights and Duties. The Members (in their capacity as such) shall not participate in the management or control of the Company's business, transact any business for the Company or have the power to act for or bind the Company. A Member may not resign from the Company prior to the dissolution and winding up of the Company, except upon a Transfer of all of its Interests expressly permitted under this Agreement. Upon any such resignation, the Member shall not be entitled to receive the fair value of the Member's Interests under Section 18-604 of the Delaware Act.

Section 4.3 Meetings of the Members. There shall be no mandatory regular meetings of the Members. Special meetings of the Members, for any purpose or purposes, may be called by any Director or any Member. Special meetings of the Members may be held at the principal office of the Company, or at such other place as shall be determined by the Persons calling the meeting. Notice of any special meeting shall set forth the time of the meeting and shall be sent to the Company and each Member as set forth in Section 10.1 at least 10 days before the day on which the meeting is to be held, or if sent by fax or delivered personally or by telephone, not later than 5 days before the day on which the meeting is to be held.

Section 4.4 Quorum; Acts of the Members. At each meeting of the Members, the holders of at least a majority of the outstanding Interests, present in person or by proxy, shall constitute a quorum for the transaction of any business which may be taken at such a meeting. Except as otherwise expressly provided herein or as expressly required by law, all decisions to be made by the Members shall require the affirmative vote of the holders of at least a majority of the outstanding Interests.

Section 4.5 Electronic Communications. Members shall have the right to participate in meetings by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participants shall constitute presence in person at the meeting.

Section 4.6 Proxies; Written Consents. At any meeting of the Members, a Member may vote by proxy executed in writing by such Member or by its duly authorized representative. Any action permitted to be taken at any meeting of the Members may be taken without a meeting if Members having the requisite voting power to approve such action consent thereto in writing.

Section 4.7 Pre-Emptive Rights. If at any time or from time to time after the date hereof the Company intends to issue and sell any Interests, the Company shall first notify the Members in writing of such intended sale (a "Preemptive Rights Notice") at least 30 days prior to the date of such sale. The Preemptive Rights Notice shall contain all the terms of the intended sale, including the purchase price (or the basis for determining the purchase price), the manner of payment of the purchase price and the other terms and conditions of the sale of Interests. Within ten days after receipt of a Preemptive Rights Notice, each Member may notify the Company that it will purchase its *pro rata* share of the Interests (determined based on the Members' respective Percentage Interests) on the same terms as set forth in the Preemptive Rights Notice. Any written notice given by a Member of its election to exercise its preemptive rights pursuant to this Section 4.7 will constitute a binding legal agreement on the terms and conditions therein and in the Preemptive Rights Notice, subject to the consummation of the offering described in the Preemptive Rights Notice, it being understood that any material modification, amendment, variance or other change by the Company of the terms and conditions set forth in the Preemptive Rights Notice, other than as provided in this Agreement, will be of no force and effect unless consented to in writing by the Members participating in the offering. Notwithstanding anything herein to the contrary, the preemptive rights granted in this Section 4.7 shall not apply to the following issuances of Interests (collectively, "Excluded Issuances"): (i) issuances or sales of Interests occurring in connection with a public offering; (ii) Interests issued pursuant to a merger, consolidation, acquisition or similar business combination with an Independent Third Party approved by the Board; (iii) Interests issued pursuant to Section 4.8(c); or (iv) Interests issued to officers, directors and employees of the Company.

Section 4.8 Rights and Obligations Related to the PPPD.

(a) Beginning with the Fiscal Quarter ending [**September 30, 2008**] and for each subsequent Fiscal Quarter, MFP shall pay to the Company an amount of cash equal to the PPPD for such Fiscal Quarter, by wire transfer of immediately available funds on or before the date [**30**] days following the end of the applicable Fiscal Quarter. PPPD

shall be determined in good faith by MFP based on the consolidated financial statements of MFP and its related Affiliates for the applicable period or periods, which statements shall be prepared in accordance with GAAP applied consistently with the audited financial statements of MFP for the Fiscal Year ended December 31, 2007. Payments made by MFP to the Company pursuant to this Section 4.8(a) shall be treated as contractual payments to the Company. Notwithstanding anything in this Agreement to the contrary, the obligations of MFP set forth in this Section 4.8(a) shall be terminated immediately if the Company ceases to do business as a going concern, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts as they become due, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for it or of all or any substantial part of its assets or properties, or takes any action to implement the dissolution or liquidation of the Company.

(b) In consideration of MFP's obligations under Section 4.8(a), the Company is issuing to MFP on the date hereof a 28.33% Percentage Interest in the Company's Profits and Losses, subject to adjustment pursuant to Section 4.8(c) (the "MFP PPPD Interests").

(c) After audited financial statements are available for MFP and its related affiliates for the Fiscal Years ending December 31, 2009 and 2010 (and in any event no later than April 30, 2011), the Company shall determine the PPPD Calculation Amount based on these financial statements. Upon such determination, the Board shall adjust the Percentage Interests of the Members in the Profits and Losses of the Company from and after such determination as follows:

(i) the Percentage Interest of MFP shall equal the quotient, expressed as a percentage, equal to (A) the PPPD Calculation Amount, divided by (B) the sum of the aggregate Capital Contributions made by all Members plus the PPPD Calculation Amount; and

(ii) the Percentage Interest of all Members other than MFP shall equal the quotient, expressed as a percentage, equal to (A) the Capital Contributions made by such Member, divided by (B) the sum of the aggregate Capital Contributions made by all Members plus the PPPD Calculation Amount.

The Board shall update the Register to reflect these adjustments to the Percentage Interests of the Members.

(d) It is intended that MFP's Interests in the Company qualify upon issuance as a "profits interest" under Revenue Procedure 93-27, 1993-2 C.B. 343, and this Agreement shall be construed accordingly.

ARTICLE V CAPITAL CONTRIBUTIONS AND ACCOUNTS

Section 5.1 Capital Contributions. In consideration of the issuance by the Company of Interests according to the relative ownership percentages as set forth in on the Register, each of

the Members has contributed or shall be deemed to have contributed (in the form of cash or such other form of consideration acceptable to the Company) a Capital Contribution to the Company equal to the amount set forth opposite such Member's name on the initial Register attached hereto as Exhibit B. In addition, each of Marathon and HRP agree to make additional Capital Contributions to the Company on the Effective Date and in the amounts set forth on the initial Register attached hereto as Exhibit B, subject to satisfaction of the following conditions:

(a) The United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division, shall have approved and confirmed the Joint Reorganization Plan for The Pacific Lumber Company and its Subsidiaries proposed by MRC and Marathon;

(b) All of the outstanding material litigation with respect to the Mill Business and the Timber Business shall have been resolved to the satisfaction of each of HRP and Marathon (in their respective discretion); and

(c) HRP and Marathon shall have entered into the Townco Agreement on terms mutually agreed to by each of HRP and Marathon (in their respective discretion), which agreement shall establish the parameters for disposing of the houses and other assets of the town of Scotia in a manner which balances the parties' goals of realizing upon collateral and of providing reasonable and affordable accommodations for the residents of the town of Scotia and that divides the real property comprising the Mill Business from the town of Scotia in a manner that maximizes the functioning of the Mill Business and the assets of the Town of Scotia.

Except as set forth in the preceding sentence, no Member shall be required to make any additional Capital Contributions.

Section 5.2 Register of Interests. The Board of Directors shall maintain the Register setting forth the name and address of each Member, the aggregate Capital Contributions and Percentage Interest of each Member and such other information as deemed appropriate by the Board of Directors. The initial form of Register is attached hereto as Exhibit B. The Board of Directors may update the Register from time to time as necessary to accurately reflect the information therein, including the payment of any additional Capital Contributions. Any reference in the Agreement to the Register shall be deemed a reference to the Register as in effect from time to time. No action of any Member shall be required to amend or update the Register.

Section 5.3 Capital Accounts. An individual Capital Account shall be established and maintained for each Member. A Member's Capital Contributions shall be credited to his Capital Account when and as received by the Company. The Company's Profits and Losses shall be allocated to the Capital Accounts in accordance with Section 6.3.

Section 5.4 No Obligation of Members to Restore Deficit. The Members shall have no liability to the Company, to any other Member, or to the creditors of the Company on account of any deficit balance in such Member's Capital Account. Subject to Section 3.3 hereof, any

Member, with the approval of the Board of Directors, may make loans to the Company and any such loan shall not be considered a Capital Contribution.

Section 5.5 No Interest on Capital Contributions. No interest shall be paid to the Members with respect to their contributions to the capital of the Company.

Section 5.6 Company Funds and Property. All funds received by the Company will be utilized for Company purposes. Title to all property contributed to the Company or acquired by the Company shall be held in the name of the Company. No Member shall have any ownership interest in such property in its individual right, and each Member's interest in the Company shall be personal property for all purposes. Until required for the Company's business, all Company funds shall be deposited and maintained in such accounts in such financial institutions as shall be selected by the Board of Directors from time to time. Company funds shall not be commingled with the funds of any other Person.

ARTICLE VI DISTRIBUTIONS AND ALLOCATIONS

Section 6.1 Optional Distributions. Subject to the terms and conditions of this Agreement (including without limitation Section 4.8(d)) and applicable law, distributions of cash and/or other property of the Company shall be made to all Members *pro rata* in accordance with their respective Percentage Interests, from time to time as determined by the Board of Directors in its sole discretion. Distributions of property other than cash may be made in the sole discretion of the Board of Directors and shall be valued at the fair market value thereof less any encumbrances, as determined by the Board of Directors. Distributions of property other than cash may be made in the sole discretion of the Board of Directors and shall be valued at the fair market value thereof less any encumbrances, as determined by the Board of Directors.

Section 6.2 Tax Distributions. To the extent cash is available for distribution under applicable law, the Board shall cause the Company to distribute to the Members each Fiscal Quarter an amount of cash (a "Tax Distribution") which, in the good faith judgment of the Board, equals the amount of taxable income allocable to the Member in respect of such Fiscal Quarter, multiplied by the highest combined marginal United States federal, state and local income tax rates applicable to any Member (taking into account the character of such taxable income and the deductibility of state income tax for United States federal income tax purposes). Tax Distributions shall be made to the Members in the same proportions that taxable income was allocated to the Members during such Fiscal Quarter. Tax Distributions shall be considered advance Distributions to Members under Section 6.1.

Section 6.3 Allocation of Profits and Losses. Subject to the allocation rules set forth in Section 6.7 and Section 6.8, Profits and Losses shall be allocated among the Members for each Company taxable year or period as follows:

(a) Profits.

(i) First, to the Members, to the extent of, in proportion to, and in the reverse order of cumulative Losses previously allocated to each such Member in past tax years or periods under Section 6.3(b)(iii) hereof (but only to the extent

incurred after the Effective Date) in excess of cumulative Profits previously allocated under this Section 6.3(a)(i);

(ii) Second, to the Members, to the extent of, in proportion to, and in the reverse order of cumulative Losses previously allocated to each such Member in past tax years or periods under Section 6.3(b)(ii) hereof (but only to the extent incurred after the Effective Date) in excess of cumulative Profits previously allocated under this Section 6.3(a)(ii);

(iii) Third, to the Members, to the extent of any amounts distributed to such Members during the relevant tax year or period pursuant to Section 6.1; and

(iv) Finally, any remaining Profits shall be allocated to the Members *pro rata* in proportion to the Percentage Interests held by each Member.

(b) Losses.

(i) First, to the Members, to the extent of, in proportion to, and in the reverse order of cumulative Profits allocated to them pursuant to Section 6.3(a)(iii) above, in excess of cumulative Losses previously allocated under this Section 6.3(b)(i), provided, that no Member shall be allocated Loss pursuant to this Section 6.3(b)(i) to the extent such allocation would create a negative Adjusted Capital Account balance;

(ii) Second, to the Members, to the extent of, and in proportion to, their relative positive Adjusted Capital Account balances after taking into account the allocation rules set forth in Section 6.7 and Section 6.8 and allocations pursuant Section 6.3(b)(i) above; and

(iii) Finally, the balance (if any) of Loss shall be allocated to the Members *pro rata* in proportion to the Percentage Interests held by each Member.

Section 6.4 Special Allocations. The following special allocations shall be made in the following order and priority:

(a) The provisions of this Agreement relating to the allocations of items of income, gain, loss and deduction are intended to comply with Regulations Sections 1.704-1 and 1.704-2. In the event that subsequent events (including a loan by a Member to the Company) cause the allocations set forth in Section 6.3 not to be in accordance with the Regulations, then notwithstanding any other provision of this Agreement, the Company may make such modifications to this Agreement (including the addition of special allocation provisions specified by Regulations Section 1.704-2) that are necessary to cause such allocations to have substantial economic effect within the meaning of Regulations Section 1.704-1(b)(2) or to be deemed to be in accordance with the Members' interests in the Company under Regulations Section 1.704-1. Without limiting the foregoing, this Section 6.4(a) is intended to cause the Company to have a "qualified income offset" in compliance with Regulations Section 1.704-1(b)(2)(ii)(d) and shall be applied and interpreted in accordance with such Regulation; provided that an allocation

pursuant to the qualified income offset shall be made only after all other allocations provided for in this Section 6.4 have been tentatively made as if such qualified income offset were not in this Agreement. Consistent with this Section 6.4(a), “nonrecourse deductions,” as defined in Regulations Section 1.704-2(b), shall be allocated to the Members, pro rata, in accordance with such Treasury Regulations.

(b) The allocations set forth in Section 6.4(a) (the “Regulatory Allocations”) are intended to comply with certain requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding any other provisions of this Article VI (other than the Regulatory Allocations), all Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Members so that, to the greatest extent possible, the net amount of all allocations pursuant to this Article VI to each Member shall be equal to the net amount that would have been allocated to each such Member in each Company taxable year or period if the Regulatory Allocations had not occurred. Allocations pursuant to this Section 6.4(b) shall only be made with respect to Regulatory Allocations to the extent the Company determines that such allocations are consistent with the overall economic sharing arrangement among the Members, as reflected in this Agreement.

Section 6.5 Other Allocation Rules.

(a) In the event Members are admitted to the Company pursuant to this Agreement on different dates, the Company items of income, gain, loss, deduction and credit allocated to the Members for each Company taxable year or period during which Members are so admitted shall be allocated among the Members for such Company taxable year using any convention permitted by Code Section 706 and selected by the Tax Matters Member.

(b) In the event a Member transfers its Interest during a Company taxable year, the allocation of Company items of income, gain, loss, deduction and credit allocated to such Member and its Transferee for such Company taxable year shall be made between such Member and its Transferee in accordance with Code Section 706 using any convention permitted by Code Section 706 and selected by the Tax Matters Member.

(c) In the event the Gross Asset Value of any Company asset is adjusted in accordance with subsection (b) of the definition of “Gross Asset Value”, the amount of such adjustment shall be taken into account as an item of income, gain, loss or deduction from the disposition of such asset and specially allocated Member by Member so that, to the greatest extent possible, the Capital Account attributable to each Member as a percentage of the total of all Capital Accounts is equal to the same percentage as the number of Interests held by such Member represents of the total number of Interests outstanding.

Section 6.6 Tax Allocations; Code 704(c) Allocations. Except as otherwise provided in this Section 6.6, all items of Company income, gain, loss, deduction and credit for federal and applicable state and local income tax purposes shall be allocated among the Members in as

nearly the same manner as they share correlative Profits, Losses or Company items of income, gain, loss or deduction, as the case may be, for the Company taxable year. Allocations pursuant to this Section 6.6 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses or other items or distributions pursuant to any provision of this Agreement.

(a) In accordance with Code Section 704(c) and the Regulations thereunder, but solely for income tax purposes, income, gain, loss and deduction with respect to any asset contributed to the capital of the Company (including income, gain, loss and deduction determined with respect to the alternative minimum tax) shall be allocated among the Members so as to take account of any variation between the adjusted basis of such asset to the Company for federal income tax purposes (including such adjusted basis for alternative minimum tax purposes) and its initial Gross Asset Value, including special allocations to a contributing Member that are required under Code Section 704(c) to be made upon distribution of such asset to any of the non-contributing Members; provided, however, that if any Member contributed assets with an adjusted tax basis in excess of the initial Gross Asset Value for such assets, the Company shall take into account such variation only in determining the amount of items allocated to the contributing Member, and except as provided in the Regulations, in determining the amount of items allocated to the non-contributing Member, the tax basis of the contributed assets in the hands of the Company shall be treated as being equal to its initial Gross Asset Value. Further, in the event the Gross Asset Value of any Company asset is adjusted pursuant to paragraph (b) of the definition of "Gross Asset Value" contained herein, such that "reverse section 704(c) allocations" are required under Regulations Section 1.704-3(a)(6), then, solely for federal income tax purposes, subsequent allocations of income, gain, loss and deduction with respect to such asset (including income, gain, loss and deduction determined with respect to the alternative minimum tax) shall take account of any variation between the adjusted basis of such asset (including such adjusted basis for alternative minimum tax purposes) and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

(b) Any elections or other decisions relating to allocations under this Section 6.6, including the selection of any allocation method permitted under Regulations Section 1.704-3, shall be made as approved by the Tax Matters Member.

(c) If any taxable item of income or gain is computed differently from the taxable item of income or gain which results for purposes of the alternative minimum tax, then, to the extent possible, without changing the overall allocations of items for purposes of either the Members' Capital Accounts or the regular income tax, (i) each Member shall be allocated items of taxable income or gain for alternative minimum tax purposes taking into account the prior allocations of originating tax preferences or alternative minimum tax adjustments to such Member (and its predecessors) and (ii) other Company items of income or gain for alternative minimum tax purposes of the same character that would have been recognized, but for the originating tax preferences or alternative minimum tax adjustments, shall be allocated away from those Members that are allocated amounts pursuant to clause (i) so that, to the extent possible, the other Members are allocated the same amount, and type, of alternative minimum tax income and gain that would have

been allocated to them had the originating tax preferences or alternative minimum tax adjustments not occurred.

Section 6.7 Tax Matters Member; Tax Elections. HRP shall be the “tax matters partner” of the Company as defined in Code Section 6231(a)(7) (the “Tax Matters Member”) and has and shall have all the powers and obligations of a tax matters partner pursuant to the Code. All elections, filings and determinations required or permitted to be made by the Company under the tax laws of the United States, the several States or any other relevant jurisdiction shall be timely determined and made by the Tax Matters Member. The Tax Matters Member shall provide each Member with prompt notice with respect to any administrative or judicial actions taken with respect to any tax matters and with respect to any material decisions or actions taken by the Tax Matters Member pursuant to this Section 6.7.

Section 6.8 Tax Elections. The Company may, in the reasonable discretion of the Board of Directors, elect pursuant to Section 754 of the Code, and similar provisions of applicable state income tax laws, to adjust the basis of the Company property as allowed by Sections 734(b) and 743(b) of the Code (or such similar state law provisions). The election, if made, will be filed with the Company information income tax return for the first taxable year to which the election applies. The Company may also, in the reasonable discretion of the Board of Directors, make elections pursuant to Sections 179 (concerning expensing of certain assets), 709(b) (concerning amortization of organization fees), and any other provision of the Code.

Section 6.9 Consequences of Breach. If Marathon breaches any of its obligations under this Agreement or the Townco Agreement and fails to cure such breach within 60 days after receipt by Marathon of HRP’s written notice of such breach, Marathon’s Percentage Interest in the Company shall immediately be reduced to a percentage equal to fifty percent (50%) of Marathon’s Percentage Interest prior to such breach, and each of the other Members’ Percentage Interests shall be increased proportionately based upon their respective Percentage Interests.

ARTICLE VII SALE AND TRANSFER OF INTERESTS

Section 7.1 General Restrictions on Transfer. Except as otherwise expressly permitted in this Article VII, no Member may Transfer all or any portion of its Interests without the prior written consent of the Board of Directors. Any attempted Transfer in contravention of the provisions of this Article VII shall be null and void *ab initio*, such that the purported transferor shall continue to be the holder of the subject Interests for all purposes and the purported transferee shall not be deemed the holder thereof as a result of such purported Transfer, and the Company shall not give effect to such Transfer or otherwise recognize any rights of such purported transferee.

Section 7.2 Permitted Transfers. Notwithstanding the general restriction on Transfer set forth in Section 7.1, at any time HRP and MFP may transfer all or a portion of their respective Interests to any Affiliate of HRP or MRP. Notwithstanding the general restriction on Transfer set forth in Section 7.1, at any time after the second anniversary of the Effective Date, Marathon may transfer all (but not less than all) of its Interests to another Person; provided that

(i) the Person to whom the Interests are Transferred is reasonably acceptable to HRP (it being acknowledged and agreed that endowment funds of major not-for-profit universities located in the United States and insurance companies with investment grade ratings of Aa1 or higher shall be deemed to be acceptable to HRP unless HRP has a valid and reasonable business justification for objecting to such Person); (ii) the Person to whom the Interests are Transferred agrees to be bound by all of the terms of this Agreement in a written instrument reasonably acceptable to HRP; (iii) the Transfer is made in compliance with all applicable securities laws and other laws; and (iv) Marathon has complied with its obligations under Section 7.3.

Section 7.3 Right of First Offer.

(a) If at any time after the second anniversary of the Effective Date Marathon desires to transfer all (but not less than all) of its Interests to another Person (it being agreed that Transfers prior to the second anniversary of the Effective Date and partial Transfers are not permitted under this Agreement), Marathon shall give written notice of such intention (the "ROFO Notice") to the Company and HRP. The ROFO Notice shall set forth the price and terms pursuant to which Marathon is willing to sell its Interest. The ROFO Notice shall constitute an offer by Marathon to sell to its Interest to the Company for the price and on the terms set forth in the ROFO Notice.

(b) For a period of 30 days following the date the ROFO Notice is delivered to the Company, the Company shall have the option to purchase all (but not less than all) of Marathon's Interest for the price and on the terms stated in the ROFO Notice. To exercise its rights under this Section 7.3, the Company must deliver a written notice of such election to Marathon in accordance with the provisions of Section 10.1. If the Company fails to deliver written notice of its election to purchase Marathon's Interest within such 30-day period, the Company shall be deemed to have elected not to purchase Marathon's Interest.

(c) If the Company elects to purchase Marathon's Interest under Section 7.3(b), the Transfer of the Interest shall be closed and consummated in the principal office of the Company at 9:00 a.m., local time, on the 120th day following the date the ROFO Notice is delivered to the Company, or on such earlier day as may be agreed to by the Company and Marathon. At the closing, the Company shall deliver to Marathon all or such portion of the Offering Price which is payable at closing in cash (in accordance with the terms of the ROFO Notice) by wire transfer representing immediately available Federal Reserve System funds. Simultaneously with the receipt of such payment, Marathon shall deliver its Interest to the Company or its designee, free and clear of all liens, claims, encumbrances and security interests, and such instruments of transfer and evidence of due authorization, execution and delivery the closing documents as the Company shall reasonably request.

(d) If the Company fails to exercise its right to purchase Marathon's Interest, or if the Company exercises its right to purchase but through no fault of Marathon subsequently fails to purchase Marathon's Interest within the time specified, then Marathon shall have the right, exercisable for 180 days after the date the ROFO Notice is delivered to the Company, to obtain a bona fide, binding contract for the sale of all (but

not less than all) of its Interest to another Person reasonable acceptable to HRP and for a price and on terms and conditions which are no less favorable to Marathon than those stated in the ROFO Notice. Any Interests not Transferred within such 180-day period shall be subject to the provisions of this Section 7.3 upon subsequent Transfer.

Section 7.4 Call Option.

(a) Beginning on the January 31 following the seventh anniversary of the Effective Date, the Company shall have the option to purchase all (but not less than all) of Marathon's Interests, on the terms and subject to the conditions set forth in this Section 7.4. To exercise its rights under this Section 7.4, the Company must deliver a written notice of such election (the "Call Notice") to Marathon in accordance with the provisions of Section 10.1. Upon delivery of the Call Notice to Marathon, Marathon shall be obligated to sell to the Company, and the Company shall be obligated to acquire from Marathon, all (but not less than all) of the Interests held by Marathon, for an aggregate cash price equal to the Call Price. The Company's right to exercise its rights under this Section 7.4 shall be temporarily suspended upon delivery of Marathon of a notice of its exercise of its rights under Section 7.3 for the 180-day period contemplated by Section 7.3(d).

(b) If the Company elects to purchase Marathon's Interest under Section 7.4(a), the Transfer of the Interest shall be closed and consummated in the principal office of the Company at 9:00 a.m., local time, on the 90th day following the date the Call Notice is delivered to Marathon, or on such earlier day as may be agreed to by the Company and Marathon. At the closing, the Company shall deliver to Marathon all of the Call Price by wire transfer representing immediately available Federal Reserve System funds. Simultaneously with the receipt of such payment, Marathon shall deliver its Interest to the Company, free and clear of all liens, claims, encumbrances and security interests, and such instruments of transfer and evidence of due authorization, execution and delivery the closing documents as the Company shall reasonably request.

Section 7.5 Put Option.

(a) Beginning on the January 31 following the seventh anniversary of the Effective Date, and on the January 31 of the ninth anniversary of the Effective Date and on each second anniversary thereafter, Marathon shall have the option to sell all (but not less than all) of Marathon's Interests, on the terms and subject to the conditions set forth in this Section 7.5. To exercise its rights under this Section 7.5, Marathon must deliver a written notice of such election (the "Put Notice") to the Company in accordance with the provisions of Section 10.1. Upon delivery of the Put Notice to the Company, Marathon shall be obligated to sell to the Company, and the Company shall be obligated to acquire from Marathon, all (but not less than all) of the Interests held by Marathon, for an aggregate cash price equal to the Put Price.

(b) If Marathon elects to sell Marathon's Interest under Section 7.5(a), the Transfer of the Interest shall be closed and consummated in the principal office of the Company at 9:00 a.m., local time, on the 120th day following the date the Put Notice is

delivered to the Company, or on such earlier day as may be agreed to by the Company and Marathon. At the closing, the Company shall deliver to Marathon all of the Put Price by wire transfer representing immediately available Federal Reserve System funds. Simultaneously with the receipt of such payment, Marathon shall deliver its Interest to the Company, free and clear of all liens, claims, encumbrances and security interests, and such instruments of transfer and evidence of due authorization, execution and delivery the closing documents as the Company shall reasonably request.

Section 7.6 Co-Sale Rights.

(a) If HRP and/or MFP proposes to Transfer 10% or more of their collective Interests to any Person(s) other than their Affiliates, then at least 45 days prior to any such Transfer, HRP and MFP shall deliver a written notice (the “Co-Sale Notice”) to Marathon specifying in reasonable detail the identity of the prospective Transferee(s), the Percentage Interest to be Transferred and the terms and conditions of the Transfer. For a period of 30 days following the date the Co-Sale Notice is delivered to Marathon, Marathon shall have the option to participate and sell its *pro rata* share of the Interests to be sold (based upon its Percentage Interest), at the same price and on the same terms as HRP and MFP. To exercise its rights under this Section 7.6, Marathon must deliver a written notice of such election to HRP and MFP in accordance with the provisions of Section 10.1. If Marathon fails to deliver written notice of its election to purchase Marathon’s Interest within such 30-day period, Marathon shall be deemed to have elected not to participate in the sale, and HRP and MFP may Transfer all of the Interests proposed to be Transferred in the Co-Sale Notice at a price and on terms no more favorable to the Transferee(s) than specified in the Co-Sale Notice during the 90-day period immediately following the date of the delivery of the Sale Notice. Any Interests not Transferred within such 90-day period shall be subject to the provisions of this Section 7.6 upon subsequent Transfer.

(b) HRP and MFP shall use their best efforts to obtain the agreement of the prospective Transferee(s) to the participation of Marathon in the sale, and HRP and MFP shall not Transfer any of its Interests to any prospective Transferee(s) if such prospective Transferee(s) declines to allow the participation of Marathon in accordance with the provisions of Section 7.6. Marathon shall pay its *pro rata* share of the expenses incurred by HRP and MFP in connection with the Transfer and shall be obligated to join in any indemnification or other obligations that HRP and MFP agrees to provide in connection with the Transfer (other than any such obligations that relate specifically to a particular Member such as indemnification with respect to representations and warranties given by a Member regarding a Member’s title to and ownership of Interests). Marathon shall enter into any indemnification or contribution agreement reasonably requested by HRP and MFP to ensure compliance with this Section 7.6(b).

Section 7.7 Approved Sale.

(a) If HRP approves a Sale of the Company (an “Approved Sale”), then each Member shall vote for, consent to and raise no objections against such Approved Sale. If the Approved Sale is structured as a merger or consolidation, each Member holding

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Interests shall waive any dissenters' rights, appraisal rights or similar rights in connection with such merger or consolidation. If the Approved Sale is structured as a sale of Interests, each Member shall agree to sell all of his, her or its Interests on the terms and conditions approved by HRP. Subject to the provisions of this Section 7.7, each Member shall take all necessary or desirable actions in connection with the consummation of the Approved Sale as requested by HRP.

(b) The obligations of the Members with respect to the Approved Sale are subject to the satisfaction of the following conditions: (i) the consideration payable upon consummation of such Approved Sale to all Members shall be allocated among the Members based upon their respective Percentage Interests; and (ii) upon the consummation of the Approved Sale, all of the holders of a particular class of Interests shall receive (or shall have the option to receive) the same form of consideration and the same per unit amount of consideration for such class of Interests.

(c) If the Company or HRP enter into any negotiation or transaction for which Rule 506 (or any similar rule then in effect) promulgated by the Securities Exchange Commission may be available with respect to such negotiation or transaction (including a merger, consolidation or other reorganization), the Members shall, at the request of HRP, appoint a "purchaser representative" (as such term is defined in Rule 501 promulgated under the Securities Act) designated by the Company and reasonably acceptable to HRP. If any Member so appoints a purchaser representative, the Company shall pay the fees of such purchaser representative. However, if any Member declines to appoint the purchaser representative designated by the Company, such holder shall appoint another purchaser representative (reasonably acceptable to HRP), and such holder shall be responsible for the fees of the purchaser representative so appointed.

(d) Each Member Transferring Interests pursuant to this Section 7.7 shall pay its *pro rata* share of the expenses incurred by the Company and HRP in connection with such Transfer and shall be obligated to join in any indemnification or other obligations that the Company or HRP agrees to provide in connection with such Approved Sale (other than any such obligations that relate specifically to a particular Member such as indemnification with respect to representations and warranties given by a Member regarding a Member's title to and ownership of Interests). Notwithstanding anything to the contrary, (i) the Members shall not be obligated in connection with the Approved Sale to indemnify the prospective Transferee(s) or its Affiliates with respect to an amount in excess of the net cash proceeds paid to such Member in connection with such Approved Sale; (ii) the Members shall indemnify each other with respect to their respective *pro rata* share of any indemnification liabilities; and (iii) any escrow of proceeds of any such transaction shall be withheld on a *pro rata* basis among all Members. Each Member shall enter into any indemnification or contribution agreement requested by HRP to ensure compliance with this Section 7.7(d).

(e) In no manner shall this Section 7.7 be construed to grant to any Member any dissenters rights or appraisal rights (it being understood that the Members have expressly waived rights under Section 18-210 of the Delaware Act).

**ARTICLE VIII
DISSOLUTION, LIQUIDATION AND TERMINATION**

Section 8.1 Events of Dissolution. The Company shall be dissolved, and wound up pursuant to Section 8.2, upon the earlier to occur of (it being understood that the following events are the only events that can cause the dissolution and liquidation of the Company):

- (a) a vote by the Board of Directors to dissolve the Company in accordance with Section 3.3;
- (b) the entry of a decree of judicial dissolution pursuant to Section 18-802 of the Act; or
- (c) any time there are no Members of the Company, unless the Company is continued without dissolution pursuant to the Act.

Section 8.2 Manner of Liquidation. If the Company is dissolved for any reason, the Board of Directors shall commence to wind up the affairs of the Company and to liquidate and sell its assets (in such capacity, the "Liquidator").

Section 8.3 Judicial Winding Up. If the Company is dissolved for any reason and if within 90 days following the date of dissolution the Liquidator has failed to commence such actions as provided in Section 8.2, any Member, Director or any of their respective Affiliates shall have the right to seek judicial supervision of the winding up of the Company as may be contemplated in the Act.

Section 8.4 Distributions. Upon the winding up of the Company, its assets (other than cash) shall be sold and its assets or the proceeds thereof shall be distributed as follows: (a) first, to creditors of the Company, including Members who are creditors, in satisfaction of all liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof); (b) second to the Members, *pro rata* in accordance with their respective Capital Account balances, until such Members' Capital Contributions have been returned, (c) third, to MFP until it has received its Percentage Interest of the sum of: (i) all amounts distributed pursuant to this clause (c), plus (ii) all amounts distributed pursuant to the preceding clause (b), plus (iii) any distributions of Capital Contributions to the Members pursuant to Section 6.1, and (iv) thereafter, among the Members in accordance with the Members' Percentage Interests.

Section 8.5 Source of Distributions. Each holder of an Interest in the Company shall look solely to the assets of the Company for the return of its or his Capital Contribution and its or his share of Profits and Losses and shall have no recourse upon dissolution or otherwise against the Company, the Members or the Liquidator. No holder of an interest in the Company shall have any right to demand or receive property other than cash upon dissolution and termination of the Company. All of the Company's properties shall be sold upon liquidation of the Company and no Company property shall be distributed in kind to the Members either during the term of the Company or upon the dissolution and termination thereof unless in each case otherwise unanimously agreed by the Board of Directors.

Section 8.6 Termination. Upon the completion of the winding up of the Company and the distribution of all Company funds, the Liquidator shall execute a certificate of cancellation of the Certificate of Formation and record all other documents required to effectuate the dissolution and termination of the Company and the cancellation of the Certificate of Formation.

**ARTICLE IX
BOOK, RECORDS AND ADDITIONAL AGREEMENTS**

Section 9.1 Books and Records. The books and records of the Company shall, at the cost and expense of the Company, be kept or caused to be kept by the Company at the principal place of business of the Company or as otherwise determined by the Board of Directors. The books of account shall be kept in a manner that allows for the preparation of the Company's financial statements in accordance with GAAP. Each Member and its duly authorized representatives, upon five days notice, shall be permitted for any purpose reasonably related to such Member's interest as a member of the Company to inspect the books and records of the Company at any reasonable time during normal business hours. However, the Board of Directors shall have the right in its discretion to keep confidential from the Members, for such period of time as the Board of Directors deems appropriate, any information which the Board of Directors reasonably believes to be in the nature of trade secrets or other information the disclosure of which the Board of Directors in good faith believes is not in the best interest of the Company or the business or that the Company (or any Subsidiary) is required by law or agreement with a third party to keep confidential.

Section 9.2 Tax Information. The Company shall cause to be delivered to each Person who was a Member at any time during a Fiscal Year (and will use its commercially reasonable efforts to do so within 180 days after the end of such Fiscal Year) a Form K-1 and such other information, if any, with respect to the Company as may be necessary for the preparation of such Member's federal, state and local income tax returns, including a statement showing such Member's share of income, gain or loss, expense and credits for such Fiscal Year for federal income tax purposes.

Section 9.3 Financial Reporting Information. The Company shall deliver to HRP, MFP and Marathon the following:

- (a) as soon as practicable, but in any event within one hundred twenty (120) days after the end of each Fiscal Year, an audited consolidated balance sheet as of the Fiscal Year end and audited statements of operations and cash flows for the Fiscal Year;
- (b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three Fiscal Quarters, an unaudited consolidated balance sheet of the Company as of the end of such Fiscal Quarter and unaudited consolidated statements of operations and cash flows for such Fiscal Quarter and Fiscal Year to date; and
- (c) as soon as practicable after completion, an annual budget and business plan for the forthcoming Fiscal Year together with any update of such plan as it is prepared.

Section 9.4 Confidentiality Agreement.

(a) Each of Marathon and any successor or assign of Marathon acknowledges and agrees that: (i) any information that the Company has not made generally available to the public, whether disclosed pursuant to the preparation and execution of this Agreement, pursuant to the provisions of this Agreement or otherwise, is confidential and proprietary to the Company; (ii) Marathon and its successors and assigns shall, and shall cause each of their respective officers, directors, employees and agents to: (A) use such information only in connection with Marathon's and its successors' and assigns' investment in the Company, (B) refrain from disseminating such information to any Person other than the accountants, investment advisors, limited partners, attorneys, Affiliates and any financing sources of Marathon and its successors and assigns who agree to maintain the confidentiality of such information, and (C) to refrain from making any public statements or representations about the Company or its assets, liabilities, results of operation, condition (financial or otherwise) or prospects.

(b) The obligation to hold in confidence and not to disclose confidential information pursuant to this Section 9.4 shall not apply to any such information that: (i) is or becomes generally available to the public other than as a result of a direct or indirect disclosure by such Member in violation of this Agreement; (ii) is disclosed to such Member on a non confidential basis by a third party provided that such third party is not, to the knowledge of such Member, bound by a confidentiality agreement with the Company; (iii) is independently discovered, derived or developed by such Member without access to the confidential information; or (iv) is required to be disclosed by applicable law or regulation, regulatory body, stock exchange, court or administrative order, or any listing or trading agreement with such regulatory body or stock exchange concerning such Member or the Company.

**ARTICLE X
GENERAL PROVISIONS**

Section 10.1 Notices. Except as otherwise provided in this Agreement, all notices, demands, requests, consents, approvals, and other communications (each a "Notice", collectively "Notices") required or permitted to be given under this Agreement, or which are to be given with respect to this Agreement, shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by overnight express courier, postage prepaid, or by telefacsimile or e-mail addressed to the party to be so notified as follows:

If to the Company, HRP or MFP:

c/o Mendocino Redwood Company, LLC
1360 19th Hole Drive, Suite 200
Windsor CA 95492
Attention: Richard Higgenbottom,
E-mail: *rhiggenbottom@mendoco.com*
Telecopy: (707) 485-7918

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with a copy to:

Sansome Partners, LLC
One Maritime Plaza, 14th Floor
San Francisco, California 94111
Attention: Alexander L. Dean, Jr.
Email: *sdean@sansome.com*
Telecopy: (415) 288-0549

and

Perkins Coie LLP
131 South Dearborn Street, Suite 1700
Chicago IL 60603-5559
Attention: Ken Crane
Peter G. Lawrence
E-mail: *KCrane@perkinscoie.com*
PLawrence@perkinscoie.com
Telecopy: (312) 324-9400

If to Marathon:

Marathon Structured Finance Fund L.P.
461 Fifth Avenue 14th Floor
New York, NY 10017
Attention: Christine Chartouni
E-mail *cchartouni@marathonfund.com*
Telecopy: (212) 381-4495

with a copy to:

Winston & Strawn LLP
200 Park Avenue
New York, NY 10166
Attention: David Neier
Carey D. Schreiber
E-mail: *dneier@winston.com*
cschreiber@winston.com
Telecopy: (212) 294-4700

Notice mailed by registered or certified mail shall be deemed received by the addressee three (3) days after mailing thereof. Notice personally delivered shall be deemed received when delivered. Notice mailed by overnight express courier shall be deemed received by the addressee on the next business day after mailing thereof. Notice delivered by e-mail or by telefacsimile transmission shall be effective as of the date of automatic confirmation of receipt thereof by the sending party, properly addressed and sent as provided above, provided that any notice by e-mail

or telefacsimile transmission shall be accompanied by a copy of such notice to be sent by overnight express courier. Either party may at any time change the address for notice to such party by mailing a Notice as aforesaid. Any notice given by the attorney for a party shall be deemed to have been given by such party.

Section 10.2 Survival of Rights. This Agreement shall be binding upon and inure to the benefit of the Members and their respective heirs, legatees, legal representatives, successors and assigns.

Section 10.3 Amendment. Except as set forth in the following sentence, an affirmative vote or approval of each Member shall be required to approve any amendment, modification or change to this Agreement. Notwithstanding the foregoing, this Agreement may be amended by the Board of Directors without the consent of the Members: (a) in order to cure any ambiguity or clerical error, make an inconsequential revision, provide clarity, correct or supplement any provision herein that may be defective or inconsistent with any other provisions herein; or (b) add any provision with respect to matters or questions arising under this Agreement that will not be inconsistent with the provisions of this Agreement.

Section 10.4 Headings. The captions of the articles and sections of this Agreement are for convenience only and shall not be deemed part of the text of this Agreement.

Section 10.5 Governing Law. This Agreement shall be governed, construed and enforced according to the laws of the State of Delaware, without giving effect to principles of conflicts of laws.

Section 10.6 Additional Documents. Each Member, upon the request of the others or the Members, agrees to perform any further acts and execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement.

Section 10.7 Validity. Should any portion of this Agreement be declared invalid and unenforceable, then such portion shall be deemed to be severable from this Agreement and shall not affect the remainder hereof, unless the remaining provisions are so eviscerated by such declaration that they do not reflect the intent of the parties in entering into this Agreement.

Section 10.8 Construction. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person, persons, entity or entities may require. As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation." All references to any agreement shall be a reference to such agreement as amended from time to time in accordance with its terms and the terms hereof. All determinations of a Member's *pro rata* share shall be made in accordance with each Member's relative Percentage Interest.

Section 10.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all such counterparts taken together will constitute one and the same Agreement. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission will be effective as delivery of a manually signed counterpart hereof.

Section 10.10 Interpretation of Agreement. Each of the Members has read this Agreement and has been advised and represented by independent legal counsel in the negotiation and preparation of this Agreement. The Members agree that this Agreement will be construed as jointly drafted. Accordingly, this Agreement will be construed according to the fair meaning of its language, and the rule of construction that ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement.

Section 10.11 Entire Agreement. This Agreement and the agreements specifically referenced herein constitute the entire agreement among the parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties hereto with respect to the subject matter hereof.

Section 10.12 No Third Party Beneficiaries. This Agreement is made solely and specifically among and for the benefit of the parties hereto, and their respective successors and assigns subject to the express provisions hereof relating to successors and assigns, and no other Person will have any rights, interest, or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise and none of the provisions of this Agreement shall be construed as existing for the benefit of any creditor of any of the Members or of the Company; provided, however, that nothing in this Section 10.12 shall be deemed to limit the rights of any Indemnified Party under Section 3.11.

Section 10.13 Judicial Proceedings. In any judicial proceeding involving any dispute, controversy or claim arising out of or relating to this Agreement or the Company or its operations, each of the Members unconditionally accepts the non-exclusive jurisdiction and venue of any United States District Court located in the State of Delaware, or of the Court of Chancery of the State of Delaware, and the appellate courts to which orders and judgments thereof may be appealed. In any such judicial proceeding, the Members agree that in addition to any method for the service of process permitted or required by such courts, to the fullest extent permitted by law, service of process may be made by prepaid certified mail with a proof of mailing receipt validated by the U.S. Postal Service constituting evidence of valid service. Each of the Members hereby waives trial by jury in any judicial proceeding involving any dispute, controversy or claim arising out of or relating to this Agreement or relating to the Company or its operations.

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IN WITNESS WHEREOF, the undersigned have executed and delivered this Limited Liability Company Agreement as of the date first written above.

HUMBOLDT REDWOOD PARTNERS, LLC

By: _____
Name: _____
Title: _____

MENDOCINO FOREST PRODUCTS COMPANY, LLC

By: _____
Name: _____
Title: _____

MARATHON SPECIAL OPPORTUNITY MASTER FUND LTD.

By: _____
Name: _____
Title: _____

EXHIBIT A

LIST OF OFFICERS

<u>Officer</u>	<u>Title</u>
Richard Higgenbottom	Chief Executive Officer
[Michael Jani]	President
[John Russell]	President
[Martin Olhiser]	Executive Vice President
[James Pelkey]	Chief Financial Officer & Secretary

EXHIBIT B

FORM OF REGISTER

<u>Member</u>	<u>Capital Contribution (Amount and Date)</u>	<u>Percentage Interest*</u>
Humboldt Redwood Partners, LLC 1360 19 th Hole Drive, Suite 200 Windsor, California 95492	\$850 March [___], 2008	56.67%
	\$200 million [Effective Date]	
Mendocino Forest Products Company, LLC 1360 19 th Hole Drive, Suite 200 Windsor, California 95492	No Initial Capital Contribution [profits interest]	28.33%
Marathon Special Opportunity Master Fund Ltd. 461 Fifth Avenue 14 th Floor New York, NY 10017	\$150 March [___], 2008	15%
	\$50 million [Effective Date]	
TOTAL:	\$250 million	100%

*Percentage Interests are subject to adjustment pursuant to Section 4.8 of the Agreement.

EXHIBIT C

VALUATION OF THE TIMBER BUSINESS

The value of the Timber Business will be determined based on the following procedures:

- 1) The Members will agree to the form of a 50 year timber model and corresponding set of assumptions in conjunction with the signing of this Agreement. The model will indicate the net present value of the timberlands using a set of assumptions as of the Fiscal Year 2008 (see form of model in Attachment A). The Members acknowledge that the assumptions used may represent a premium or discount to fair market value due to the use of this model in conjunction with a put and call option.
- 2) 50 year harvest rate by species, forest inventory and forest growth rate (the “Forest Assumptions”) will be initially set based on MRC’s estimates in 2008. This assumption will be validated in year 2 to 3 of operation, and will be updated after that to the extent MRC determines there are any material changes in the Forest Assumptions. The Forest Assumptions used following the initial update in year 2 or 3 will be consistent with MRC’s public communications on MRC’s long term harvest plan for the Timberlands. MRC will determine growth rate for the Company’s forest consistent with the methodology that is employed on MRC’s existing forest, and will share these growth rate estimates with Cal Fire and independent experts associated with the pursuit of FSC certification for the Company.
- 3) The Members acknowledge that MRC has a strong vested interest to operate the forest in a way to produce the best economic profits for the Company, balanced with the ecological and social considerations of running the forest. Accordingly, MRC will in good faith apply the procedures outlined herein. Due to the technical nature of the Forest Assumptions and the social and ecological consequences as well, MRC will in its sole discretion ultimately determine the Forest Assumptions, however the Forest Assumptions will be determined in a manner consistent with MRC’s public communications about the overall long term management of the Company’s lands. MRC will however consult with Marathon as it makes its determinations so that Marathon can express its views and be informed of MRC’s decisions around the Forest Assumptions.
- 4) If MRC elects to exercise its call option or if Marathon elects to exercise its put option or if the calculation of the Put Price is required under the governance provisions of this Agreement, the starting per MBF log revenues by species, log and haul costs, and all non log and haul costs (including capitalized expenditures) for “year 0” of the 50 year timber model will be based on the average of the last 3 years actual results (such “year 0” being the first year of the applicable 50 year timber model, not the first year of the Company).
- 5) Annual inflation for logs after year 7 or the date the model is being run will be assumed to be 3.5% in the model for the call option, and 3.25% in the model for the put option.
- 6) Annual inflation for expenses will be assumed to be 3.0% in the model.

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- 7) Certain expenses will be calculated on a per MBF basis (log and haul and yield taxes). Most other expenses will be further adjusted (beyond assumed inflation) based on 35% of the growth rate in harvest (e.g. if harvest is up by 10%, the non log and haul expenses will increase by 3.5% for a total increase in costs calculated as: previous year's cost times 1.035 times 1.03, incorporating the increase in the harvest and cost inflation).
- 8) The terminal value of the forest will occur in year 50, at a multiple that is equal to the inverse of the applicable discount rate (1/8.5% for the call option and 1/11% for the put option).
- 9) The discount rate used for the call option will be 8.5%.
- 10) The discount rate used for the put option will be 11.0%.
- 11) Notwithstanding anything to the contrary in this Agreement, the Forest Assumptions will be determined by MRC, and procedures 4 through 10 will be fixed and applied based only on the starting point for log prices and expenses levels at the time the model is being utilized.
- 12) The resulting net present value from the timber model described above will be reduced by the value (based on a 7% discount rate) of any Indebtedness owed with respect to the Timberlands.

SCHEDULE 4

FORM OF CERTIFICATE OF FORMATION

OF

[TOWNCO] LLC

The undersigned, an authorized person, for the purpose of forming a limited liability company under the provisions and subject to the requirements of the Delaware Limited Liability Company Act of the State of Delaware (6 Del.C§18-101, et seq.) hereby certifies that:

FIRST: The name of the limited liability company (hereinafter called the "limited liability company") is [TOWNCO] LLC.

SECOND: The address of the registered office is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington (New Castle County), Delaware 19808.

THIRD: The name and address of the registered agent of the limited liability company required to be maintained by Section 18-104 of the Delaware Limited Liability Company Act are [Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington (New Castle County), Delaware 19808.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation this ___ day of _____, 2008.

Authorized Person

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LIMITED LIABILITY COMPANY AGREEMENT
OF
[TOWNCO] LLC

This Limited Liability Company Agreement (together with the schedules attached hereto, this "Agreement") of [TOWNCO] LLC (the "Company"), is entered into by [Marathon], as the sole equity member (the "Member"). Capitalized terms used and not otherwise defined herein have the meanings set forth on Schedule A hereto.

The Member, by execution of this Agreement, hereby forms the Company as a limited liability company pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del. C. 18-101 et seq.), as amended from time to time (the "Act"), and this Agreement, and the Member hereby agree as follows:

Section 1. Name.

The name of the limited liability company formed hereby is [TOWNCO] LLC.

Section 2. Principal Business Office.

The principal business office of the Company shall be located at _____ or such other location as may hereafter be determined by the Member.

Section 3. Registered Office.

The address of the registered office of the Company in the State of Delaware is [Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington (New Castle County), Delaware 19808].

Section 4. Registered Agent.

The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware is [Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington (New Castle County), Delaware 19808].

Section 5. Member.

(a) The mailing address of the Member is set forth on Schedule B attached hereto. The Member was admitted to the Company as a member of the Company upon its execution of a counterpart signature page to this Agreement.

(b) The Member may act by written consent.

(c) Upon the occurrence of any event that causes the Member to cease to be a member of the Company (other than upon continuation of the Company without dissolution upon

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(i) an assignment by the Member of all of its limited liability company interest in the Company or (ii) the resignation of the Member, each person acting as a Director shall appoint the successor to the Member.

Section 6. Certificates.

_____, is hereby designated as an "authorized person" within the meaning of the Act, and has executed, delivered and filed the Certificate of Formation of the Company with the Secretary of State of the State of Delaware. Upon the filing of the Certificate of Formation with the Secretary of State of the State of Delaware, his powers as an "authorized person" ceased, and the Member thereupon became the designated "authorized person" and shall continue as the designated "authorized person" within the meaning of the Act. The Member or an Officer shall execute, deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in _____ and in any other jurisdiction in which the Company may wish to conduct business.

The existence of the Company as a separate legal entity shall continue until cancellation of the Certificate of Formation as provided in the Act.

Section 7. Purpose.

The sole purpose to be conducted or promoted by the Company is to engage in any lawful act or activity and to exercise any powers permitted to limited liability companies organized under the laws of the State of Delaware that are related or incidental to and necessary, convenient or advisable for the accomplishment of the above-mentioned purposes.

Section 8. Powers.

The Company, and the Board of Directors and the Officers of the Company on behalf of the Company, (i) shall have and exercise all powers necessary, convenient or incidental to accomplish any purpose set forth in Section 7 and (ii) shall have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act.

Section 9. Management.

(a) Board of Directors. The business and affairs of the Company shall be managed by or under the direction of a Board of one or more Directors designated by the Member. The Member may determine at any time in its sole and absolute discretion the number of Directors to constitute the Board. The authorized number of Directors may be increased or decreased by the Member at any time in its sole and absolute discretion, upon notice to all Directors. Directors need not be a Member. The initial Director designated by the Member is listed on Schedule C hereto.

(b) Powers. The Board of Directors shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein,

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including all powers, statutory or otherwise. The Board of Directors has the authority to bind the Company.

(c) Meeting of the Board of Directors. The Board of Directors of the Company may hold meetings, both regular and special, within or outside the State of Delaware. Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board. Special meetings of the Board may be called by the President on not less than one day's notice to each Director by telephone, facsimile, mail, telegram or any other means of communication, and special meetings shall be called by the President or Secretary in like manner and with like notice upon the written request of any one or more of the Directors.

(d) Quorum: Acts of the Board. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business and, except as otherwise provided in any other provision of this Agreement, the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board. If a quorum shall not be present at any meeting of the Board, the Directors present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee, as the case may be.

(e) Electronic Communications. Members of the Board, or any committee designated by the Board, may participate in meetings of the Board, or any committee, by means of telephone conference or similar communications equipment that allows all Persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in Person at the meeting. If all the participants are participating by telephone conference or similar communications equipment, the meeting shall be deemed to be held at the principal place of business of the Company.

(f) Committees of Directors.

- (i) The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Directors of the Company. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.
- (ii) In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member.

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- (iii) Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

(g) Compensation of Directors; Expenses. The Board shall have the authority to fix the compensation of Directors. The Directors may be paid their expenses, if any, of attendance at meetings of the Board, which may be a fixed sum for attendance at each meeting of the Board or a stated salary as Director. No such payment shall preclude any Director from serving the Company in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

(h) Removal of Directors. Unless otherwise restricted by law, any Director or the entire Board of Directors may be removed or expelled, with or without cause, at any time by the Member, and any vacancy caused by any such removal or expulsion may be filled by action of the Member.

(i) Directors as Agents. To the extent of their powers set forth in this Agreement, the Directors are agents of the Company for the purpose of the Company's business, and the actions of the Directors taken in accordance with such powers set forth in this Agreement shall bind the Company. Notwithstanding the last sentence of Section 18-402 of the Act, except as provided in this Agreement or in a resolution of the Directors, a Director may not bind the Company.

Section 10. Independent Directors.

The Member may appoint one or more Independent Directors. In the event of a vacancy in the position of Independent Director, the Member may appoint a successor Independent Director. In exercising their rights and performing their duties under this Agreement, any Independent Director shall have a fiduciary duty of loyalty and care similar to that of a director of a business corporation organized under the General Corporation Law of the State of Delaware.

Section 11. Officers.

(a) Officers. The initial Officers of the Company shall be designated by the Member. The additional or successor Officers of the Company shall be chosen by the Board and shall consist of at least a President, a Secretary and a Treasurer. The Board of Directors may also choose one or more Vice Presidents, Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person. The Board may appoint such other Officers and agents as it shall deem necessary or advisable who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. The salaries of all Officers and agents of the Company shall be fixed by or in the manner prescribed by the Board. The Officers of the Company shall hold office until their

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successors are chosen and qualified. Any Officer may be removed at any time, with or without cause, by the affirmative vote of a majority of the Board. Any vacancy occurring in any office of the Company shall be filled by the Board. The initial Officers of the Company designated by the Member are listed on Schedule E hereto.

(b) President. The President shall be the chief executive officer of the Company, shall preside at all meetings of the Board, shall be responsible for the general and active management of the business of the Company and shall see that all orders and resolutions of the Board are carried into effect. The President or any other Officer authorized by the President or the Board shall execute all bonds, mortgages and other contracts, except where signing and execution thereof shall be expressly delegated by the Board to some other Officer or agent of the Company.

(c) Vice President. In the absence of the President or in the event of the President's inability to act, the Vice President, if any (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Directors, or in the absence of any designation, then in the order of their election), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents, if any, shall perform such other duties and have such other powers as the Board may from time to time prescribe.

(d) Secretary and Assistant Secretary. The Secretary shall be responsible for filing legal documents and maintaining records for the Company. The Secretary shall attend all meetings of the Board and record all the proceedings of the meetings of the Company and of the Board in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or shall cause to be given, notice of all meetings of the Member, if any, and special meetings of the Board, and shall perform such other duties as may be prescribed by the Board or the President, under whose supervision the Secretary shall serve. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board (or if there be no such determination, then in order of their election), shall, in the absence of the Secretary or in the event of the Secretary's inability to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

(e) Treasurer and Assistant Treasurer. The Treasurer shall have the custody of the Company funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and to the Board, at its regular meetings or when the Board so requires, an account of all of the Treasurer's transactions and of the financial condition of the Company. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of the Treasurer's inability to act, perform the duties and

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exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

(f) Officers as Agents. The Officers, to the extent of their powers set forth in this Agreement or otherwise vested in them by action of the Board not inconsistent with this Agreement, are agents of the Company for the purpose of the Company's business and actions of the Officers taken in accordance with such powers shall bind the Company.

(g) Duties of Board and Officers. Except to the extent otherwise provided herein, each Director and Officer shall have a fiduciary duty of loyalty and care similar to that of directors and officers of business corporations organized under the General Corporation Law of the State of Delaware.

Section 12. Limited Liability.

Except as otherwise expressly provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be the debts, obligations and liabilities solely of the Company, and neither the Member nor any Director shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or Director of the Company.

Section 13. Capital Contributions.

The Member has contributed to the Company property of an agreed value as listed on Schedule B attached hereto.

Section 14. Additional Contributions.

The Member is not required to make any additional capital contribution to the Company. However, the Member may cause or make additional capital contributions to the Company at any time upon the written consent of such Member.

Section 15. Allocation of Profits and Losses.

The Company's profits and losses shall be allocated to the Member.

Section 16. Distributions.

Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Board.

Section 17. Books and Records.

The Board shall keep or cause to be kept complete and accurate books of account and records with respect to the Company's business. The books of the Company shall at all times be maintained by the Board. The Member and its duly authorized representatives shall have the

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right to examine the Company books, records and documents during normal business hours. The Company, and the Board on behalf of the Company, shall not have the right to keep confidential from the Member any information that the Board would otherwise be permitted to keep confidential from the Member pursuant to Section 18-305(c) of the Act. The Company's books of account shall be kept using the method of accounting determined by the Member. The Company's independent auditor, if any, shall be an independent public accounting firm selected by the Member.

Section 18. Other Business.

The Member and any Affiliate of the Member may engage in or possess an interest in other business ventures (unconnected with the Company) of every kind and description, independently or with others notwithstanding any provision to the contrary at law or in equity. The Company shall not have any rights in or to such independent ventures or the income or profits therefrom by virtue of this Agreement.

Section 19. Exculpation and Indemnification.

(a) Neither the Member nor any Officer, Director, employee or agent of the Company nor any employee, representative, agent or Affiliate of the Member (collectively, the "Covered Persons") shall, to the fullest extent permitted by law, be liable to the Company or any other Person that is a party to or is otherwise bound by this Agreement for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's gross negligence or willful misconduct.

(b) To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of such Covered Person's gross negligence or willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section 19 by the Company shall be provided out of and to the extent of Company assets only, and the Member shall not have personal liability on account thereof..

(c) To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in this Section 19.

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(d) A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, or any other facts pertinent to the existence and amount of assets from which distributions to the Member might properly be paid.

(e) The provisions of this Agreement, to the extent that they restrict or eliminate the duties and liabilities of a Covered Person to the Company or its members otherwise existing at law or in equity, are agreed by the Member to replace such other duties and liabilities of such Covered Person.

(f) The foregoing provisions of this Section 19 shall survive any termination of this Agreement.

Section 20. Assignments.

The Member may assign in whole or in part its limited liability company interest in the Company. The transferee of a limited liability company interest in the Company shall be admitted to the Company as a member of the Company upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement, which instrument may be a counterpart signature page to this Agreement. If the Member transfers all of its limited liability company interest in the Company pursuant to this Section 20, such admission shall be deemed effective immediately prior to the transfer and, immediately following such admission, the transferor Member shall cease to be a member of the Company. Notwithstanding anything in this Agreement to the contrary, any successor to the Member by merger or consolidation in compliance with the Basic Documents shall, without further act, be the Member hereunder, and such merger or consolidation shall not constitute an assignment for purposes of this Agreement and the Company shall continue without dissolution.

Section 21. Dissolution.

(a) The Company shall be dissolved, and its affairs shall be wound up upon the first to occur of the following: (i) the termination of the legal existence of the last remaining member of the Company or the occurrence of any other event which terminates the continued membership of the last remaining member of the Company in the Company unless the Company is continued without dissolution in a manner permitted by this Agreement or the Act or (ii) the entry of a decree of judicial dissolution under Section 18-802 of the Act. Upon the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company or that causes the Member to cease to be a member of the Company (other than (i) upon an assignment by the Member of all of its limited liability company interest in the Company and the admission of the transferee pursuant to Section 20, or (ii) the resignation of the Member and the admission of an additional member of the Company pursuant to Section 5, to the fullest extent permitted by law, the personal representative of such member is hereby

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authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company or the Member in the Company.

(b) Notwithstanding any other provision of this Agreement, the Bankruptcy of the Member shall not cause the Member to cease to be a member of the Company or cause the Company to be dissolved or its affairs to be wound up and upon the occurrence of such an event, the Company shall continue without dissolution. Except as otherwise required by law, notwithstanding any other provision of this Agreement, the dissolution of the Member shall not, by itself, cause the Company to be dissolved or its affairs to be wound-up and upon the occurrence of such an event, the Company shall continue without dissolution.

(c) In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Act.

(d) The Company shall terminate when (i) all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company shall have been distributed to the Member in the manner provided for in this Agreement and (ii) the Certificate of Formation shall have been canceled in the manner required by the Act.

Section 22. Benefits of Agreement; No Third-Party Rights.

None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Company or by any creditor of the Member. Nothing in this Agreement shall be deemed to create any right in any Person (other than Covered Persons) not a party hereto, and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third Person.

Section 23. Severability of Provisions.

Each provision of this Agreement shall be considered severable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement which are valid, enforceable and legal.

Section 24. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

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Section 25. Governing Law.

This Agreement shall be governed by and construed under the laws of the State of Delaware (without regard to conflict of laws principles), all rights and remedies being governed by said laws.

Section 26. Amendments.

This Agreement may be modified, altered, supplemented or amended pursuant to a written agreement executed and delivered by the Member.

Section 27. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement and all of which together shall constitute one and the same instrument.

Section 28. Notices.

Any notices required to be delivered hereunder shall be in writing and personally delivered, mailed or sent by telecopy, electronic mail or other similar form of rapid transmission, and shall be deemed to have been duly given upon receipt (a) in the case of the Company, to the Company at its address in Section 2, (b) in the case of the Member, to the Member at its address as listed on Schedule B attached hereto and (c) in the case of either of the foregoing, at such other address as may be designated by written notice to the other party.

Section 29. Effectiveness.

Pursuant to Section 18-201 (d) of the Act, this Agreement shall be effective as of the time of the filing of the Certificate of Formation with the Office of the Delaware Secretary of State on _____, 200_.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, have duly executed this Limited Liability Company Agreement as of the ____ day of _____, 200_.
MEMBER:

[_____, INC.]

By:

Name:

Title:

SCHEDULE A

Definitions

A. Definitions

When used in this Agreement, the following terms not otherwise defined herein have the following meanings:

"Act" has the meaning set forth in the preamble to this Agreement.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such Person, or any Person who has a familial relationship, by blood, marriage or otherwise with the Company or any Affiliate of the Company.

"Agreement" means this Limited Liability Company Agreement of the Company, together with the schedules attached hereto, as amended, restated or supplemented or otherwise modified from time to time.

"Bankruptcy" means, with respect to any Person, if such Person (i) makes an assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceedings, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Person or of all or any substantial part of its properties, or (vii) if 120 days after the commencement of any proceeding against the Person seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, if the proceeding has not been dismissed, or if within 90 days after the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within 90 days after the expiration of any such stay, the appointment is not vacated. The foregoing definition of "Bankruptcy" is intended to replace and shall supersede and replace the definition of "Bankruptcy" set forth in Sections 18-101(1) and 18-304 of the Act.

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

"Certificate of Formation" means the Certificate of Formation of the Company filed with the Secretary of State of the State of Delaware on _____, 200_, as amended or amended and restated from time to time.

"Company" means TOWNCO LLC, a Delaware limited liability company.

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"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or general partnership or managing member interests, by contract or otherwise. "Controlling" and "Controlled" shall have correlative meanings. Without limiting the generality of the foregoing, a Person shall be deemed to Control any other Person in which it owns, directly or indirectly 10% or more of the ownership interests.

"Covered Persons" has the meaning set forth in Section 19(a).

"Directors" means the Persons elected to the Board of Directors from time to time by the Member, including any Independent Director, in their capacity as managers of the Company. A Director is hereby designated as a "manager" of the Company within the meaning of Section 18-101(10) of the Act.

"Independent Director" means a natural person who has not been, and during the continuation of his or her services as Independent Director (i) except in the capacity as an Independent Director of the Company, is not a present or former employee, officer, director, shareholder, partner, member, counsel, accountant, advisor or agent of any Member, the Company or any Affiliate of either of same, (ii) is not a present or former customer or supplier of any Member, the Company or any Affiliate of either of same, or other Person who derives or is entitled to derive any of its profits or revenues or any payments (other than any fee paid to such director as compensation for such director to serve as an Independent Director) from any Member, the Company or any Affiliate of either of same, and such profits, revenues or payments are not a material income for such Independent Director, (iii) is not (and is not affiliated with an entity that is) a present or former advisor or consultant to any Member, the Company or any Affiliate of either of same, (iv) is not a spouse, parent, child, grandchild or sibling of, or otherwise related (by blood or by law) to, any of (i), (ii) or (iii) above, and (v) is not affiliated with a Person of which any Member, the Company or any Affiliate of either of same is a present or former customer or supplier, provided, however, that an entity that provides independent directors as a service for a fee is not prohibited under this definition from providing one or more independent directors to the Company.

"Member" means _____, as the initial member of the Company, and includes any Person admitted as an additional member of the Company or a substitute member of the Company pursuant to the provisions of this Agreement, each in its capacity as a member of the Company.

"Officer" means an officer of the Company described in Section 11.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority.

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B. Rules of Construction

Definitions in this Agreement apply equally to both the singular and plural forms of the defined terms. The words "include" and "including" shall be deemed to be followed by the phrase "without limitation." The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section, paragraph or subdivision. The Section titles appear as a matter of convenience only and shall not affect the interpretation of this Agreement. All Section, paragraph, clause, Exhibit or Schedule references not attributed to a particular document shall be references to such parts of this Agreement.

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SCHEDULE B

Member

<u>Name</u>	<u>Mailing Address</u>	<u>Agreed Value of Capital Contribution</u>	<u>Limited Liability Company Interest</u>
[Marathon]	461 Fifth Ave New York, NY 10017	[\$ _____]	100%

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SCHEDULE C

DIRECTORS

1. Richard K. Ronzetti

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SCHEDULE D

OFFICERS

TITLE

President

Vice President

Treasurer

Secretary

[TO BE PROVIDED]

NEW TIMBER NOTES INDENTURE

[NEWCO]

AND

[_____],

as Trustee

INDENTURE

Dated as of [_____], 2008

5.50% TIMBER COLLATERALIZED NOTES

DUE 2043

PLEASE TAKE NOTICE THAT THIS DRAFT INDENTURE IS SUBJECT TO MATERIAL CHANGE AND REVISION. IN PARTICULAR, THE INDENTURE HAS NOT BEEN REVIEWED, COMMENTED ON OR APPROVED BY ANY POTENTIAL INDENTURE TRUSTEE AND COUNSEL FOR ANY POTENTIAL INDENTURE TRUSTEE. IN ADDITION, THE MECHANISM TO ADJUST THE PRINCIPAL AMOUNT OF THE NEW TIMBER NOTES BASED ON THE NEW TIMBER NOTE ADJUSTMENT IN THE MRC/MARATHON PLAN OF REORGANIZATION REMAINS UNDER REVIEW AND IS SUBJECT TO SUBSTANTIAL REVISION.

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INDENTURE dated as of [____], 2008 between [NEWCO], a _____ limited liability company, having its principal office at [_____] (the “Issuer”), and [_____] , as trustee, having its Corporate Trust Office at [_____] (the “Trustee”).

RECITALS

WHEREAS, on January 18, 2007, The Pacific Lumber Company (“Pacific Lumber”) and certain of its subsidiaries filed a voluntary petition under Chapter 11 of Title 11 of the United States Code, as amended (the “Bankruptcy Code”) with the United States Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”);

WHEREAS, Pacific Lumber and certain of its subsidiaries, including Scotia Pacific Company LLC (“Scopac”), filed a Joint Plan of Reorganization (the “Plan”);

WHEREAS, on [____], 2008, the Bankruptcy Court entered an order pursuant to Section 1129 of the Bankruptcy Code confirming the Plan;

WHEREAS, Scopac entered into that certain Deed of Trust dated July 20, 1998 (the “Original Deed of Trust”) to grant a lien on, and a security interest in, certain mortgaged property, initially as security for the obligations of Scopac under its 6.55% Class A-1 Timber Collateralized Notes, 7.11% Class A-2 Timber Collateralized Notes and 7.71% Class A-3 Timber Collateralized Notes due 2028 (the “Timber Notes”) issued pursuant to that certain Indenture dated July 20, 1998 between Scopac and State Street Bank and Trust Company, as Trustee thereunder, and the other secured obligations thereunder (the “Original Indenture”);

WHEREAS, the Original Deed of Trust [has been released] and Issuer has entered into a new Deed of Trust as of the Issue Date to grant a lien on, and a security interest in, the Mortgaged Property as security for its obligations under this Indenture;

WHEREAS, pursuant to the Plan, the Timber Notes are to be fully and finally terminated, cancelled, annulled and extinguished and deemed null and void and of no further force and effect, and the Issuer shall succeed to certain of the assets of Pacific Lumber and certain of its directly and indirectly wholly owned subsidiaries, including Scopac;

WHEREAS, pursuant to the Plan and in consideration of the termination of the Timber Notes, Issuer is authorized to (1) cause the Trustee to distribute on a pro rata basis to the holders of the Timber Notes cash in the aggregate amount of \$175 million and (2) to issue for pro rata distribution to the holders of the Timber Notes the 5.50% Timber Collateralized Notes authorized hereunder (the “New Timber Notes”) in the aggregate principal amount of \$_____ million, subject to the New Timber Note Adjustment; and

WHEREAS, the Issuer has satisfied all conditions and taken all actions necessary or appropriate for the issuance of the New Timber Notes;

NOW, THEREFORE, each party agrees, for the benefit of the other parties and the equal and ratable benefit of the holders of the New Timber Notes, as follows:

ARTICLE 1

DEFINITIONS; RULES OF CONSTRUCTION; INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT PROVISIONS

1.1 Definitions. For all purposes of this Indenture, unless the context otherwise requires, all defined terms not defined herein shall have the meaning set forth in Schedule A hereto, which is incorporated by reference as if fully set forth herein.

1.2 References to Instruments. In the event that any Operative Document is amended, modified or supplemented in accordance with the provisions hereof, the provisions thereof and the provisions of the Deed of Trust, as the case may be, reference herein to such Operative Document shall be to such Operative Document as so amended, modified or supplemented.

1.3 Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

“**Commission**” means the SEC.

“**indenture notes**” means the New Timber Notes.

“**indenture security holder**” means a Noteholder or Holder.

“**indenture to be qualified**” means this Indenture.

“**indenture trustee**” or “**institutional trustee**” means the Trustee.

“**obligor**” on the indenture notes means the Issuer and any other obligor on the indenture notes.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

1.4 Rules of Construction. Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles as in effect on the date hereof;
- (3) “or” is not exclusive;
- (4) “including” means including, without limitation;

(5) words in the singular include the plural and words in the plural include the singular;

(6) references herein to “this Indenture” are to this instrument as originally executed and delivered by the Issuer and the Trustee unless an amendment shall have been entered into, in which event references herein to “this Indenture” are to this instrument as so amended; and

(7) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole (including, without limitation, the Exhibits and Schedules to this Indenture) and not to any particular Section or other subdivision, and the terms “Section,” “Exhibit” and “Schedule,” unless otherwise specified or indicated by the context, mean the corresponding Section of, or the corresponding Exhibit or Schedule to, this Indenture.

ARTICLE 2

THE NOTES

2.1 Form and Dating. The New Timber Notes have not been registered with the SEC and are being issued in reliance upon the exemption from registration pursuant to Section 5 of the Securities Act of 1933, as amended, provided for in Section 1145(a) of the Bankruptcy Code, relating to issuance of securities pursuant to a plan of reorganization. The New Timber Notes and the Trustee’s certificate of authentication shall be substantially in the form of Exhibit A, which is hereby incorporated into this Indenture. The New Timber Notes may have notations, legends or endorsements required by law, stock exchange rule, the Issuer’s limited liability company agreement or other agreements to which the Issuer is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Issuer). Each New Timber Note shall be dated the date of its authentication. The terms of the New Timber Notes set forth in Exhibit A are part of the terms of this Indenture. The New Timber Notes shall be evidenced by one or more typewritten or printed notes representing the entire aggregate original principal balance of the New Timber Notes. The New Timber Notes will be issued in fully registered form without interest coupons in the form of the beneficial interests in one or more global Notes (the “Global Notes”), deposited with the Trustee as custodian for DTC (in such capacity, the “DTC Custodian”) or any successor. The New Timber Notes will not be issued in bearer form. Beneficial interests in the Global Notes may be held in minimum denominations of U.S. \$[1,000] or any integral multiple of [\$100] in excess thereof.

2.2 Execution and Authentication. Two officers shall sign the New Timber Notes for the Issuer by manual or facsimile signature.

If an officer whose signature is on a New Timber Note no longer holds that office at the time the Trustee authenticates the New Timber Note, the New Timber Note shall be valid nevertheless.

A New Timber Note shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the New Timber Note. The signature shall be conclusive evidence that the New Timber Note has been authenticated under this Indenture.

The Trustee shall authenticate and deliver New Timber Notes for original issue in an aggregate principal amount of up to \$_____ upon a written order of the Issuer signed by an Officer of the Issuer. Such order shall specify the amount of the New Timber Notes to be authenticated and the date on which the original issue of New Timber Notes is to be authenticated. The aggregate principal amount of New Timber Notes outstanding at any time shall not exceed the amount set forth in this paragraph except as provided in Sections 2.7, 2.8 and 2.10(c) and subject to the New Timber Note Adjustment. In the event that the aggregate principal amount of New Timber Notes is adjusted as a result of the New Timber Note Adjustment, the Issuer shall provide a written order signed by an Officer of the Issuer directing the Trustee to authenticate and deliver New Timber Notes in the amount of such adjustment to the holders of the New Timber Notes on a pro rata basis based upon the principal amount of Notes then held by such holders.

The Trustee may appoint an authenticating agent acceptable to the Issuer to authenticate the New Timber Notes (the “Authenticating Agent”). Unless limited by the terms of such appointment, an authenticating agent may authenticate New Timber Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

2.3 Registrar and Paying Agent. The Issuer shall maintain an office or agency where New Timber Notes may be presented for registration of transfer or for exchange (the “Registrar”) and an office or agency where New Timber Notes may be presented for payment (the “Paying Agent”). The Registrar shall keep a register (the “Register”) of the New Timber Notes and of their transfer and exchange. The Issuer may have one or more co-registrars. The term “Registrar” includes any co-registrar.

The Issuer hereby initially appoints the Trustee as sole Paying Agent in respect of the New Timber Notes and hereby initially appoints the Trustee as Registrar in connection with the New Timber Notes. The Issuer shall enter into an appropriate agency agreement with any subsequent Registrar which is not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such agent. The Issuer shall notify the Trustee of the name and address of any such agent. If the Issuer fails to maintain a Registrar, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 9.7. The Issuer or any Affiliate of the Issuer may act as Registrar or transfer agent.

2.4 Noteholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of the Noteholders. If the Trustee is not the Registrar, the Issuer shall furnish to the Trustee, in writing at least seven Business Days before each Note Payment Date as set forth in the New Timber Notes and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Noteholders.

2.5 Transfer and Exchange; Transfer Restrictions.

(a) [The New Timber Notes shall be issued in the form of one or more Global Notes evidencing New Timber Notes, which Global Notes shall be substantially in the form of

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Exhibit A hereto, in an aggregate original principal amount that shall equal the aggregate original principal amount of the New Timber Notes that are to be issued on the Issue Date.]

The Global Notes (i) shall be delivered by the Registrar to DTC acting as the Depository or, pursuant to DTC's instructions, shall be delivered by the Registrar on behalf of DTC to and deposited with the DTC Custodian, and in each case shall be registered in the name of Cede & Co. and (ii) shall bear a legend substantially to the following effect:

“Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Registrar or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.”

The Global Notes may be deposited with such other Depository as the Registrar may from time to time designate, and shall bear such legend as may be appropriate; provided that such successor Depository maintains a book-entry system that qualifies to be treated as “registered form” under Section 163(f)(3) of the Code.

(b) If the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Holders of the New Timber Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the New Timber Notes, the Trustee may in its sole discretion determine that the New Timber Notes represented by Global Notes shall no longer be represented by such Global Notes. In such event, the Trustee will execute, the Authenticating Agent will authenticate and the Registrar will deliver, in exchange for such Global Notes, New Timber Notes in certificated form (“Definitive Notes”), in authorized denominations, in an aggregate principal balance equal to the principal balance of such Global Notes.

(c) The Global Notes shall in all respects be entitled to the same benefits under this Indenture as Definitive Notes authenticated and delivered hereunder.

(d) A New Timber Note may be transferred by the Holder thereof only upon presentation and surrender of such New Timber Note at the Corporate Trust Office of the Registrar, duly endorsed or accompanied by an assignment duly executed by such Holder or his duly authorized attorney-in-fact in such form as shall be satisfactory to the Registrar. Upon the transfer of any New Timber Note in accordance with the preceding sentence and subject to the provisions of this Section 2.5, the Trustee shall execute, the Issuer or the Authenticating Agent shall authenticate and the Registrar shall deliver to the transferee one or more new New Timber Notes, in authorized denominations, evidencing, in the aggregate, the same aggregate principal balance as the New Timber Notes transferred.

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A New Timber Note may be exchanged by the Holder thereof for any number of new New Timber Notes, in authorized denominations, representing in the aggregate the same New Timber Note as the New Timber Note surrendered, upon surrender of the New Timber Note to be exchanged at the Corporate Trust Office of the Registrar subject to the provisions of this Section 2.5. New Timber Notes delivered upon any such exchange will evidence the same obligations under the New Timber Notes and this Indenture, and will be entitled to the same rights and privileges, as the New Timber Notes surrendered. Upon the exchange of any New Timber Note in accordance with the preceding sentence, the Trustee shall execute, the Issuer or Authenticating Agent shall authenticate and the Registrar shall deliver to the exchanging Holder one or more new New Timber Notes, in authorized denominations, evidencing, in the aggregate, the same aggregate principal balance as the New Timber Notes being exchanged.

(e) Subject to Section 2.5(d), no restrictions shall apply to the transfer or registration of transfer of a Definitive Note to a transferee that takes delivery in the form of a Definitive Note.

(f) Subject to Section 2.5(d), so long as any of the Global Notes remains outstanding and is held by or on behalf of the Depository, transfers of beneficial interests in any of such Global Notes, or transfers by holders of Definitive Notes to transferees that take delivery in the form of beneficial interests in such Global Notes, may be made only in accordance the rules of the Depository.

(g) Subject to Section 2.5(f), an exchange of a beneficial interest in any of the Global Notes for a Definitive Note or Notes, an exchange of a Definitive Note or Notes for a beneficial interest in any of the Global Notes and an exchange of a Definitive Note or Notes for another Definitive Note or Notes (in each case, whether or not such exchange is made in anticipation of subsequent transfer, and in the case of either Global Note, so long as such Global Note remains outstanding and is held by or on behalf of the Depository) may be made only in accordance with the rules of the Depository.

(h) (i) Upon acceptance for exchange or transfer of a Definitive Note for a beneficial interest in any Global Note as provided herein, the Registrar shall cancel such Definitive Note and shall (or shall request the Depository to) adjust its books and records to reflect such increase, evidencing the date of such exchange or transfer and an increase in the aggregate principal amount of the applicable Global Note equal to the aggregate principal amount of such Definitive Note exchanged or transferred therefor.

(ii) Upon acceptance for exchange or transfer of a beneficial interest in a Global Note for a Definitive Note as provided herein, the Registrar shall (or shall request the Depository to) adjust its books and records to reflect such decrease, evidencing the date of such exchange or transfer and a decrease in the aggregate principal amount of the applicable Global Note equal to the aggregate principal amount of such Definitive Note issued in exchange therefor or upon transfer thereof.

(iii) Upon acceptance for transfer of a beneficial interest in any Global Note for a beneficial interest in another Global Note as provided herein, the Registrar shall (or shall request the Depository to) adjust its books and records to reflect such

increase or decrease, evidencing the date of such transfer and (x) in the case of the Global Note from which such transfer is made, a decrease in the aggregate principal amount of such Global Note equal to the aggregate principal amount being transferred and (y) in the case of the Global Note into which such transfer is made, an increase in the aggregate principal amount of such Global Note equal to the aggregate principal amount being transferred.

(i) Subject to the restrictions on transfer and exchange set forth in this Section 2.5, the holder of any Definitive Note may transfer or exchange the same in whole or in part (in an initial aggregate principal amount equal to the minimum authorized denomination of U.S. \$[1,000] or any integral multiple of [\$100] in excess thereof) by surrendering such Definitive Note at the Corporate Trust Office of the Registrar or at the office of any other transfer agent, together with an executed instrument of assignment and transfer satisfactory in form and substance to the Registrar in the case of transfer and a written request for exchange in the case of exchange, together with all transfer documentation required in Section 2.5(d) hereof in form and substance satisfactory to the Registrar and the Company. The holder of a beneficial interest in a Global Note may, subject to the rules and procedures of the Depository, cause the Depository (or its nominee) to notify the Registrar in writing of a request for transfer or exchange of such beneficial interest for a Definitive Note or Notes. Following a proper request for transfer or exchange, together with the documentation required by this Section 2.5, the Registrar shall, within five Business Days of such request if made at such Corporate Trust Office, or within 10 Business Days if made at the office of another transfer agent (other than the Registrar), cause the Trustee to execute and the Authenticating Agent to authenticate, and the Registrar shall deliver at such Corporate Trust Office or such transfer agent, as the case may be, to the transferee (in the case of transfer) or holder (in the case of exchange) or send by first class mail at the risk of the transferee (in the case of transfer) or holder (in the case of exchange) to such address as the transferee or holder, as applicable, may request, a Definitive Note or Notes, as the case may require, for a like aggregate Note Balance and in such authorized denomination or denominations as may be requested. The presentation for transfer or exchange of any Definitive Note shall not be valid unless made at the Corporate Trust Office of the Registrar or other transfer agent by the registered holder in person, or by a duly authorized attorney-in-fact. The Issuer shall not be required to make, and the Registrar need not register, transfers or exchanges of New Timber Notes called for redemption or for a period of 15 days before such New Timber Notes are to be redeemed or 15 days before a Note Payment Date, as set forth in the New Timber Notes.

(j) Transfer, registration and exchange shall be permitted as provided in this Section 2.5 without any charge to the Holder except for the expenses of delivery (if any) not made by regular mail and except, if the Registrar shall so require, the payment of a sum sufficient to cover any stamp duty, tax or governmental charge or insurance charge that may be imposed in relation thereto. Registration of the transfer of a New Timber Note by the Registrar shall be deemed to be the acknowledgment of such transfer on behalf of the Issuer.

(k) the Issuer and the Trustee may deal with the Clearing Agency and the Clearing Agency Participants for all purposes (including the making of distributions on the New Timber Notes) as the authorized representatives of the Note Owners:

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(i) to the extent that the provisions of this Section 2.5(k) conflict with any other provisions of this Indenture, the provisions of this Section 2.5(k) shall control;

(ii) the rights of Note Owners shall be exercised only through the Clearing Agency and the Clearing Agency Participants and shall be limited to those established by law and agreements between such Note Owners and the Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Clearing Agency Agreement, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit distributions of principal of and interest on the New Timber Notes (except the Definitive Notes) to such Clearing Agency Participants; and

(iii) whenever a notice, report or other communication to the Noteholders is required under this Indenture, the Trustee shall give all such notices and communications specified herein to be given to Noteholders (except those to be given to the holders of Definitive Notes) to the Clearing Agency.

(l) In the event that:

(i) (A) the Issuer or the Clearing Agency advises the Trustee in writing that the Clearing Agency is no longer willing or able to discharge properly its responsibilities as Clearing Agency, and (B) the Trustee or the Issuer is unable to locate a qualified successor within 90 days,

(ii) the Issuer, at its option, with the consent of Note Owners representing not less than 51% of the aggregate principal balance of outstanding New Timber Notes, advises the Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency, or

(iii) during the continuance of an Event of Default, Note Owners representing not less than 51% of the aggregate principal balance of outstanding New Timber Notes advise the Trustee and the Clearing Agency through the Clearing Agency Participants in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interests of the Note Owners,

the Trustee shall notify all Note Owners, through the Clearing Agency, of the occurrence of any such event and of the availability of Definitive Notes to Note Owners requesting the same. Upon surrender to the Trustee of the New Timber Notes by the Clearing Agency, accompanied by registration instructions from the Clearing Agency for registration, the Trustee shall issue the Definitive Notes. Neither the Issuer nor the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. The Issuer shall arrange for, and will bear the costs of, printing and issuance of any Definitive Notes. Upon the issuance of Definitive Notes, all references herein to obligations imposed upon or to be performed by the Clearing Agency shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Definitive Notes, and the Trustee shall recognize the Holders of the Definitive Notes as Holders of New Timber Notes hereunder.

(m) Prior to the due presentation for registration of transfer of any New Timber Note, the Issuer, the Paying Agent or the Registrar may deem and treat the person in whose name a New Timber Note is registered as the absolute owner of such New Timber Note for the purpose of receiving payment of principal of and interest on such New Timber Note and for all other purposes whatsoever, and none of the Issuer, the Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

2.6 Replacement Notes. If a mutilated New Timber Note is surrendered to the Registrar or if the Holder of a New Timber Note claims that the New Timber Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall authenticate a replacement New Timber Note if the Trustee's requirements are met. If required by the Trustee or the Issuer, such Noteholder shall furnish an indemnity bond sufficient in the judgment of the Issuer and the Trustee to protect the Issuer, the Trustee, the Paying Agent and the Registrar from any loss which any of them may suffer if a New Timber Note is replaced. The Issuer and the Trustee may charge the Noteholder for their expenses in replacing a New Timber Note.

Every replacement New Timber Note is an additional obligation of the Issuer.

2.7 Outstanding New Timber Notes. New Timber Notes outstanding at any time are all New Timber Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation and those described in this Section as not outstanding. Subject to the last clause of the definition of the term "outstanding," a New Timber Note does not cease to be outstanding because the Issuer or an Affiliate of the Issuer holds the New Timber Note.

If a New Timber Note is replaced pursuant to Section 2.6, it ceases to be outstanding unless the Trustee and the Issuer receive proof satisfactory to them that the replaced New Timber Note is held by a bona fide purchaser.

If the Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay New Timber Notes payable on that date and the Paying Agent is not prohibited from paying such money to the Noteholders on that date pursuant to the terms of this Indenture, then on and after that date such New Timber Notes cease to be outstanding and interest on them ceases to accrue.

2.8 Cancellation. The Issuer at any time may deliver New Timber Notes to the Trustee for cancellation. The Registrar shall forward to the Trustee any New Timber Notes surrendered to it for transfer, exchange or payment. The Trustee and no one else shall cancel and destroy all New Timber Notes surrendered for transfer, exchange, payment or cancellation and deliver a certificate of such destruction to the Issuer unless the Issuer directs the Trustee to deliver canceled New Timber Notes to the Issuer. The Issuer may not issue new New Timber Notes to replace New Timber Notes it has redeemed, paid or delivered to the Trustee for cancellation.

2.9 Payments in Respect of the Notes. Payments in respect of any Note Payment Date shall be made to the Noteholders that hold New Timber Notes as of the Record Date immediately preceding such Note Payment Date.

2.10 Payments of Principal, Regular Interest and Default Interest on Notes.

(a) The aggregate unpaid principal amount of the outstanding New Timber Notes shall become due and payable on the Final Maturity Date unless the aggregate unpaid principal amount of the outstanding New Timber Notes shall have earlier become due and payable.

(b) On each Note Payment Date that precedes the Final Maturity Date commencing on _____ [*the first Semi-Annual Payment Date following the fifteenth-year anniversary of the Effective Date*], there shall become due and payable a principal payment equal to any Minimum Principal Amortization Amount at such Note Payment Date.

(c) Accrued and unpaid Regular Interest, and accrued [and unpaid Default Interest, if any,] on New Timber Notes shall become due and payable on each Note Payment Date; provided, however, that, during the first 24 months following the Issue Date, on each Note Payment Date: (i) an amount equal to 50% of the accrued and unpaid Regular Interest [and Default Interest, if any,] on the New Timber Notes shall be capitalized and added to the principal amount of the New Timber Notes, in arrears; and (ii) the balance of the accrued and unpaid Regular Interest and Default Interest, if any, on the New Timber Notes (i.e. the other 50%) shall be paid in cash to Noteholders in arrears.

2.11 Manner of Payments on Notes. All payments on Definitive Notes shall be made (i) by U.S. dollar checks drawn on a bank in New York City mailed to the Holders at their registered addresses or (ii) upon application by a Holder of at least U.S. \$5,000,000 in principal amount of Definitive Notes to the Paying Agent not later than five Business Days prior to the related Record Date, by wire transfer in immediately available funds to a U.S. dollar account maintained by such Holder with a bank in New York City. All payments to any Holder of a Global Note shall be made (i) by a U.S. dollar check drawn on a bank in New York City delivered to the registered owner of such Global Note at its registered address or (ii) by wire transfer in immediately available funds to a U.S. dollar account maintained by such registered owner with a bank in New York City.

ARTICLE 3

OPTIONAL REDEMPTION AND OPTIONAL PREPAYMENT; MANDATORY REDUCTIONS

3.1 Notices to Trustee. If the Issuer elects to redeem any New Timber Notes pursuant to paragraph 6 of the New Timber Notes or is required to redeem any New Timber Notes pursuant to the Mortgaged Property Sales Redemption provided for in Section 4.15, it shall notify the Trustee in writing of the redemption date and the principal amount of New Timber Notes to be redeemed. The Issuer shall give each notice to the Trustee provided for in this Section at least 15 days (or 30 days if a 30-day notice to Holders is required pursuant to Section 3.2) before the redemption date (unless a shorter notice period shall be satisfactory to the Trustee).

3.2 Notice of Redemption. At least 15 days (or 30 days if required by DTC) but not more than 60 days before a date for redemption of any New Timber Notes, the Issuer shall mail a notice of redemption by first-class mail to each Holder of New Timber Notes to be redeemed.

The notice shall identify the New Timber Notes to be redeemed and shall state:

- (1) the redemption date;
- (2) the redemption price;
- (3) the name and address of the Paying Agent;
- (4) that New Timber Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price; and
- (5) that, unless the Issuer defaults in making such redemption payment, interest on New Timber Notes called for redemption ceases to accrue on and after the redemption date.

At the Issuer's request, the Trustee shall give the notice of redemption in the Issuer's name and at the Issuer's expense. In such event, the Issuer shall provide the Trustee with the information required by clauses (1) through (3) at least 15 days prior to the date on which such a notice of redemption is to be given by the Trustee (unless a shorter notice period shall be satisfactory to the Trustee).

3.3 Effect of Notice of Redemption. Once notice of redemption is mailed, New Timber Notes called for redemption become due and payable on the redemption date and at the redemption price stated in the notice. Upon surrender to the Paying Agent, such New Timber Notes shall be paid at the redemption price stated in the notice, computed as provided in Section 3.5.

3.4 Deposit of Redemption Price. On or prior to Noon, New York City time, on the redemption date, the Issuer shall deposit or shall cause to be deposited in the Note Payment Account an amount of money which, when added to all other amounts on deposit in the Note Payment Account, would be sufficient to pay the redemption price of and all other amounts payable in respect of all New Timber Notes to be redeemed on that date. All money earned on such funds held in trust by the Trustee shall be remitted to the Issuer.

3.5 Redemption Price. The New Timber Notes shall be redeemed at a redemption price (the "Redemption Price") equal to the sum of (i) the principal amount identified in the notice of redemption and (ii) all accrued and unpaid Regular Interest and Default Interest thereon as of the redemption date.

3.6 [Optional Prepayment. The Issuer may, at its option, prepay the New Timber Notes, in whole or in part, on any Note Payment Date.]

3.7 Application of Payments in Respect of Optional Redemption. If less than the entire principal amount of the New Timber Notes is to be redeemed at any time, the Trustee shall

apply the aggregate Redemption Price received for the New Timber Notes pro rata based on the then outstanding principal balance of the New Timber Notes.

3.8 Notes Redeemed in Part. Upon surrender of any New Timber Note that is redeemed in part, the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder at the expense of the Issuer a new New Timber Note in a principal amount equal to the unredeemed portion of the principal of such surrendered New Timber Note.

3.9 [New Timber Note Adjustment. In the event that the Issuer shall notify the Trustee in writing that the New Timber Note Adjustment requires an adjustment in the outstanding aggregate principal amount of the New Timber Notes, the Trustee shall send a notice to each Holder of New Timber Notes identifying the amount of the aggregate New Timber Note Adjustment. Any reduction in the aggregate principal amount of New Timber Notes pursuant to this Section 3.9 shall be deemed to be effective as of the Issue Date.]

ARTICLE 4

COVENANTS

4.1 Payment of Notes. The Issuer shall promptly pay the principal of and interest on the New Timber Notes on the dates and in the manner provided in the New Timber Notes and in this Indenture. Principal and interest shall be considered paid on the date due to the extent on such date the Trustee holds in accordance with this Indenture money sufficient to pay all principal and interest then due, and the Trustee is not prohibited from paying such money to the Noteholders on that date pursuant to the terms of this Indenture or otherwise.

The Issuer shall pay Default Interest accruing at the Default Rate on any overdue principal and/or installments of Regular Interest on the New Timber Notes, to the extent lawful.

4.2 Note Payment Account; Money for New Timber. There is hereby established with _____ a segregated trust account to be maintained at the Corporate Trust Office of the _____ (the “Note Payment Account”). The Issuer shall, on or prior to each Note Payment Date, deposit or cause to be deposited in the Note Payment Account as is required under the terms of this Indenture to be so deposited to pay principal, Regular Interest and Default Interest then owing on the New Timber Notes. Amounts on deposit in the Note Payment Account shall be held in trust by the Paying Agent for the benefit of the Noteholders of outstanding New Timber Notes entitled thereto.

4.3 SEC Reports. The Issuer shall file with the Trustee, and provide to Noteholders, within 15 days after it files them with the SEC, copies of its annual report and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Issuer is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Notwithstanding that the Issuer may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Issuer shall provide the Trustee and the Noteholders with information which is substantially equivalent to that which would be included in such annual reports and information which is substantially equivalent to

such information, documents and other reports which are specified in Sections 13 and 15(d) of the Exchange Act. The Issuer also shall comply with the provisions of TIA Section 314(a).

4.4 Maintenance of Office or Agency; Existence.

(a) Maintenance of Office or Agency. The Issuer hereby irrevocably appoints the Trustee to be the agent of the Issuer and hereby irrevocably designates the Corporate Trust Office to be the office of the Issuer where notices and demands to or upon the Issuer in respect of the New Timber Notes and this Indenture may be served. The Trustee shall promptly notify the Issuer of the Trustee's receipt of any notices or demands with respect to the New Timber Notes or this Indenture.

(b) Existence. The Issuer shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights and franchises as a limited liability company (except as permitted by Section 4.8) under the laws of the State of Delaware and to preserve and keep in full force and effect all other rights and franchises material to the conduct of its business or to its ability to perform its obligations under the New Timber Notes and shall obtain and preserve its qualification to do business as a limited liability company (except as permitted by Section 4.8) in each jurisdiction in which such qualification is necessary to protect the validity and enforceability of, or the ability of the Issuer to perform its obligations under, this Indenture and the other Operative Documents and all certificates, agreements, documents and other writings then in effect referred to herein or therein or contemplated hereby or thereby.

(c) Independent Accountants. The Issuer's independent certified public accountants at all times shall be a firm of independent certified public accountants of recognized national or regional reputation reasonably satisfactory to the Trustee for purposes of preparing and delivering the reports or certificates of such accountants required by this Indenture. Upon any resignation by, or change of, the Issuer's independent certified public accountants, the Issuer shall promptly appoint a successor thereto that shall also be a firm of independent certified public accountants of recognized national or regional reputation. If the Issuer shall fail to appoint a successor to a firm of independent certified public accountants that has ceased to act as the Issuer's independent certified public accountants within 130 days after such cessation, the Trustee shall promptly appoint a successor firm of independent certified public accountants of recognized national or regional reputation. The reasonable fees of such firm of independent certified public accountants and any successor thereto shall be payable by the Issuer.

4.5 Reports, Notices and Certificates. The Issuer will furnish to the Trustee:

(a) not later than April 30 of each year, commencing April 30, 2009, a written statement of the Issuer's independent certified public accountants substantially in the form of Exhibit B hereto;

(b) not later than April 30 of each year, commencing April 30, 2009, an Officer's Certificate to the effect that, to such person's knowledge, (i) the Issuer has complied with all of the conditions and covenants under the Indenture (determined without regard to any period of grace or requirement of notice under this Indenture) during the preceding year and during the current year to the date of such Certificate and (ii) no Event of Default existed at any

time during such preceding year or during the current year to the date of such Certificate, in each of clause (i) and (ii), except for those, if any, described in such Certificate in reasonable detail; and

(c) if a Default or Event of Default continues for 5 Business Days after a Responsible Officer of the Issuer becomes aware of the existence of such Default or Event of Default, an Officer's Certificate describing such Default or Event of Default in reasonable detail and specifying what action the Issuer has taken or proposes to take with respect to such Default or Event of Default.

The Issuer will mail to each Holder of New Timber Notes, not later than each Note Payment Date, the Noteholder Certificate.

4.6 Access to Records. The Issuer shall, upon reasonable notice, permit the Trustee, at reasonable times:

(a) to inspect and make or be provided with copies and extracts from such books and records of the Issuer as may relate to the New Timber Notes and/or any of its rights or obligations under this Indenture or any other Operative Document; and

(b) to visit and inspect any of the properties of the Issuer.

4.7 Limitation on Liens on Company Owned Timberlands. The Issuer shall not create, incur, assume, suffer or permit to exist any Lien on the Company Owned Timberlands or any portion thereof or any interest therein other than, without duplication, (w) the Lien of the Deed of Trust, (x) other Permitted Encumbrances, (y) first priority Liens securing repayment of the Indebtedness that constitutes the Working Capital Facility or (z) Liens securing Indebtedness that is junior in right of payment to the New Timber Notes and the Indebtedness that constitutes the Working Capital Facility.

4.8 Restrictions on Consolidation, Etc. The Issuer shall not merge or consolidate with or into any other Person, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its assets to any Person, whether in a single transaction or a series of transactions, unless (i) (A) in the case of a merger or consolidation, the Issuer is the surviving Person or (B) in the case of a merger or consolidation where the Issuer is not the surviving Person and in the case of any such sale, conveyance, transfer, lease or other disposition, the successor or acquiring entity is a corporation, limited liability company or other entity organized and existing under the laws of the United States or a State thereof and such entity expressly assumes by supplemental indenture all the obligations of the Issuer under the New Timber Notes and under this Indenture, (ii) immediately thereafter, giving effect to such merger or consolidation, or such sale, conveyance, transfer, lease or other disposition, no Default or Event of Default shall have occurred and be continuing and (iii) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that such merger or consolidation, or such sale, conveyance, transfer, lease or other disposition complies with this Section 4.8 and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with this Section 4.8 and Section 8.1 of this Indenture and that all conditions precedent herein provided for or relating to such transaction have been complied

with. In the event of the assumption by a successor entity of the obligations of the Issuer as provided in clause (i)(B) of the immediately preceding sentence as a result of a merger or consolidation, such successor entity shall succeed to and be substituted for the Issuer hereunder and under the New Timber Notes and all such obligations of the Issuer shall terminate.

4.9 Insurance. The Issuer shall maintain or cause to be maintained with respect to the Mortgaged Property such insurance as is required by Section 7.1(i) of the Deed of Trust.

4.10 [Reserved]

4.11 Performance of Obligations.

(a) Except as expressly contemplated herein or in another Operative Document, the Issuer will not take any action, and will use all reasonable efforts not to permit any action to be taken by any other Person, that would release any Person from any of such Person's material covenants or obligations to the Issuer under any Operative Document or that would result in the amendment, modification, hypothecation, subordination, termination or discharge of, or impair the validity, enforceability or effectiveness of, any such Operative Document.

(b) The Issuer shall punctually perform and observe in all material respects all of its obligations and agreements contained in the Operative Documents.

4.12 Status of the Deed of Trust. At all times (a) the Deed of Trust shall be a valid and binding obligation of the Issuer; and (b) the Lien of the Deed of Trust shall be a valid and perfected mortgage lien on or a valid and perfected security interest in the Mortgaged Property, subject to no Liens other than Permitted Encumbrances and Liens securing repayment of the Indebtedness that constitutes the Working Capital Facility. The Issuer shall cause to be delivered to the Collateral Agent a Title Insurance Policy insuring the Collateral Agent in the principal amount of the New Timber Notes that the Deed of Trust is a valid Lien against the Company Owned Timberlands, subject only to Permitted Encumbrances and Liens securing repayment of the Indebtedness that constitutes the Working Capital Facility.

4.13 GIS. The Issuer shall maintain the GIS (including updates thereto) in accordance with the past practices of the Issuer and Pacific Lumber.

4.14 Deed of Trust Covenants. The Issuer shall perform each of the covenants and agreements made by the Issuer in the Deed of Trust.

4.15 Sales of Mortgaged Property. Except for a sale of all or substantially all of the assets of the Issuer as set forth in Section 4.8, from and after the Issue Date, the cumulative net cash proceeds, on a dollar-for-dollar basis, from any sale by or on behalf of the Issuer to any Person other than the Issuer of any Mortgaged Property shall be applied as follows:

(a) Until the aggregate of such net cash proceeds shall have reached \$50 million (the "Mortgaged Property Sales Threshold"), all of such net cash proceeds shall be retained in their entirety by the Issuer, to be utilized in its sole discretion; and

(b) After the aggregate of such net cash proceeds shall have reached or exceeded \$50 million, the Issuer shall deposit or cause to be deposited, upon receipt by the Issuer thereof, 50% of all net cash proceeds in excess of the Mortgaged Property Sales Threshold in a dedicated account with the Collateral Agent (the “Mortgaged Property Sales Account”), to be reserved for payment of the Redemption Price in connection with the redemption from time to time of the New Timber Notes (each, a “Mortgaged Property Sales Redemption”). Any Mortgaged Property Sales Redemption shall be conducted in accordance with the provisions set forth in Article 3 of this Indenture, provided that:

(i) The Issuer shall be required to cause the transfer of the entire amount of the funds in the Mortgaged Property Sales Account to the Note Payment Account for the purpose of funding a Mortgaged Property Sales Redemption at any time that the amount of such funds equals or exceeds \$5,000,000 (the “Mortgaged Property Redemption Threshold”);

(ii) The Issuer may, in its sole discretion, direct the transfer of some or all of the funds in the Mortgaged Property Sales Account to the Note Payment Account for the purpose of funding Mortgaged Property Sales Redemption at any time that the amount of such funds does not equal or exceed the Mortgaged Property Redemption Threshold; and

(iii) [In the case of either (i) or (ii) above, the Mortgaged Property Sales Redemption shall occur on the first date for which the notice requirements set forth in Sections 3.1 and 3.2 may be satisfied]

4.16 Trust Indenture Act Requirements. To the extent applicable, without limitation, the Issuer shall cause TIA Section 314(d) relating to the release of property from the Lien of the Deed of Trust to be complied with. Any certificate or opinion required by TIA Section 314(d) may be made by a Responsible Officer of the Issuer, except in cases in which TIA Section 314(d) requires that such certificate or opinion be made by an Independent person.

ARTICLE 5

DEFAULTS AND REMEDIES

5.1 Events of Default. “Event of Default” with respect to the New Timber Notes, wherever used herein, means any one of the following events:

(1) default in the payment of principal of any New Timber Note on the Final Maturity Date;

(2) default in the payment of any Regular Interest or Default Interest on any New Timber Note when the same becomes due and payable and the continuation of such default for a period of five days;

(3) default in the performance or observance of any covenant or agreement of the Issuer set forth in Sections 4.4(b), 4.7, 4.8, 4.12 and

4.15 of this Indenture or Sections 7.1(c), (d), (e), (g) and (h), and 7.2(a), (b) and (c) of the Deed of Trust (and, in each such case, to the extent such default is remediable, such default shall continue for a period of 15 days following written notice from the Trustee, or from the Holders of 25% in aggregate principal amount of the outstanding New Timber Notes);

(4) default in the observance or performance of any covenant or agreement of the Issuer made in this Indenture or the Deed of Trust (other than a covenant or agreement, a default in the observance or performance of which is elsewhere in this Section 5.1 specifically dealt with) (and, to the extent such default is remediable, such default shall continue for a period of 30 days following written notice from the Trustee, or from the Holders of 25% in aggregate principal amount of the outstanding New Timber Notes);

(5) any representation or warranty of the Issuer made in this Indenture, the Deed of Trust or any other Operative Document, or, in each such case, in any certificate or other writing delivered pursuant hereto or thereto, shall prove to have been incorrect in any material respect as of the time when the same was made (and, in each such case, to the extent such default is remediable, such default shall continue for a period of 30 days following written notice from the Trustee, or from the Holders of 25% in aggregate principal amount of the outstanding New Timber Notes); or

(6) the Issuer shall become Bankrupt or Insolvent.

5.2 Acceleration of Maturity; Rescission and Annulment.

(a) If an Event of Default under Section 5.1(6) shall occur, an amount equal to all amounts payable with respect to the New Timber Notes shall, without any demand, presentment or notice (all of which are expressly waived by the Issuer), become immediately due and payable.

(b) If any Event of Default under Sections 5.1(1) or (2) shall occur and be continuing, the Trustee may, or, if the Holders of 25% in aggregate outstanding principal amount of the New Timber Notes so elect, shall, declare all amounts payable with respect to the New Timber Notes to be immediately due and payable, and upon any such declaration of acceleration such amount shall become immediately due and payable.

(c) If an Event of Default under Sections 5.1(3), (4) or (5) shall occur and be continuing, if the Majority Holders so elect, the Trustee shall declare all amounts payable with respect to the New Timber Notes to be immediately due and payable, and upon any such declaration of acceleration such amount shall become immediately due and payable.

(d) At any time after such declaration of acceleration of maturity has been made (other than a declaration approved by the Noteholders of 100% in aggregate principal amount of outstanding New Timber Notes) and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article 5 provided, the

Majority Holders, by written notice to the Issuer and the Trustee, may rescind and annul such declaration of acceleration and its consequences if:

(1) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(x) all payments of principal of and interest on the New Timber Notes and all other amounts that would then be due and payable hereunder or upon the New Timber Notes otherwise than by virtue of such declaration of acceleration; and

(y) all sums paid or advanced by the Trustee and the Collateral Agent hereunder or under the Deed of Trust on behalf of the Issuer and the reasonable compensation, expenses, disbursements and advances of the Trustee and the Collateral Agent and their agents and counsel; and

(2) all Events of Default, other than the nonpayment of the principal of the New Timber Notes that has become due and payable solely by such declaration of acceleration, have been cured or waived.

(e) No such rescission and annulment under this Indenture shall affect any subsequent default or impair any right consequent thereon.

5.3 Collection of Indebtedness and Suits for Enforcement by Trustee.

(a) The Issuer covenants that if the New Timber Notes have been declared due and payable pursuant to paragraph (b) or (c) of Section 5.2 and such declaration has not been rescinded and annulled pursuant to Section 5.2(d), the Issuer will, upon demand of the Trustee, pay to the Trustee, for the benefit of the Noteholders, the whole amount then due and payable on all outstanding New Timber Notes and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including, without limitation, the reasonable compensation, expenses, disbursements and advances of the Trustee and the Collateral Agent and their agents and counsel.

(b) If the Issuer fails forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, may exercise all such rights as are provided under this Indenture and the Deed of Trust, may institute a Proceeding in any court of competent jurisdiction for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon such New Timber Notes and collect in the manner provided by law out of the property of the Issuer or other obligor upon such New Timber Notes, wherever situated, the monies adjudged or decreed to be payable.

(c) If an Event of Default occurs and is continuing, the Trustee may, as more particularly provided in Section 5.4, proceed to protect and enforce its rights and the rights of the Noteholders, by such appropriate Proceedings as the Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement

in this Indenture or the Deed of Trust or in aid of the exercise of any power granted herein or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or the Deed of Trust or by law.

(d) In any Proceeding brought by the Trustee, the Trustee shall be held to represent the Noteholders and it shall not be necessary for any such Noteholder to be a party to any such Proceeding.

5.4 Trustee May File Proofs of Claim.

(a) Without limiting the rights of any Noteholder to do the same, the Trustee, in case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar Proceeding relating to the Issuer or any other obligor upon the New Timber Notes or to the Mortgaged Property or any Person having or claiming any ownership interest in the Mortgaged Property, or to the creditors or property of the Issuer or such other obligor or Person (irrespective of whether the principal of any New Timber Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.4), shall be entitled and empowered, by intervention in such Proceeding or otherwise:

(1) to file and prove a claim or claims for the aggregate amount of principal and interest owing and unpaid in respect of the New Timber Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including, without limitation, any claim for reasonable compensation, expenses, disbursements and advances of the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, except as a result of negligence or bad faith) and of the Noteholders allowed in such Proceeding; and

(2) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same, and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Noteholder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Noteholders, to pay the Trustee and the Collateral Agent any amount due to either of them for the reasonable compensation, expenses, disbursements and advances of the Trustee and the Collateral Agent, their agents and counsel, and any other amounts due the Trustee and the Collateral Agent under Section 7.7.

(b) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the New Timber Notes or the rights of any Noteholder thereof or to authorize the Trustee to vote in respect of the claim of any

Noteholder in any such proceeding or to vote for the election of a trustee in bankruptcy or similar person.

5.5 Trustee May Enforce Claims Without Possession of Notes. All rights of action and of asserting claims under this Indenture or under any of the New Timber Notes may be enforced by the Trustee without the possession of any of the New Timber Notes or the production thereof in any Proceeding, and any such Proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, be for the ratable benefit of the Noteholders and shall be applied in accordance with Section 5.7.

5.6 Remedies. If an Event of Default shall have occurred and be continuing, the Trustee may institute a Proceeding in its own name and as trustee of an express trust for the collection of all amounts then payable on the New Timber Notes or under this Indenture or the Deed of Trust with respect thereto, and exercise all remedies under this Indenture or the Deed of Trust, whether by declaration or otherwise, enforce any judgment obtained and collect from the Issuer and any other obligor upon such New Timber Notes monies adjudged due.

5.7 Application of Money Collected. On any date when the New Timber Notes have been declared due and payable during the continuance of an Event of Default and such declaration and its consequences have not been rescinded and annulled (a “Post-Acceleration Date”), any monies collected by the Trustee pursuant to this Article 5 or otherwise with respect to the New Timber Notes shall be deposited in the Note Payment Account and shall be applied, first, to amounts described in Section 7.7 (exclusive of indemnification payments), second, to the payment of interest due on the New Timber Notes pro rata in proportion to the interest due on such New Timber Notes, third, to the payment of principal on the New Timber Notes pro rata in proportion to the principal due on such New Timber Notes, fourth, to the payment of indemnification payments under Section 7.7 and, fifth, to the Issuer, free and clear of the Lien of the Deed of Trust.

5.8 Limitation of Suits. No Holder of any New Timber Note shall have any right to institute any Proceeding with respect to this Indenture, the New Timber Notes or the Deed of Trust, or for the appointment of a receiver or trustee, or for any other remedy hereunder, or under the New Timber Notes or the Deed of Trust, unless:

(a) such Noteholder has previously given written notice to the Trustee of a continuing Event of Default;

(b) the holders of not less than 25% in aggregate outstanding principal amount of New Timber Notes shall have made a written request to the Trustee to institute a proceeding in respect of such Event of Default in its own name hereunder or under the Deed of Trust;

(c) such holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Majority Holders.

A Noteholder may not use this Indenture to prejudice the rights of another Noteholder or to obtain a preference or priority over such other Noteholder.

5.9 Unconditional Rights of Noteholders To Receive Principal and Interest.

Notwithstanding any other provisions in this Indenture or the Deed of Trust, the Holder of any New Timber Note shall have the right, which is absolute and unconditional, to receive payment of the principal of, and interest on, such New Timber Note on or after the respective due dates thereof expressed in such New Timber Note or in this Indenture and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Noteholder; provided, however, that no Holder shall have the right to institute any such suit, if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the Lien of the Deed of Trust. Without limiting the foregoing, in no event shall any Noteholder exercise any right of set-off, banker's lien, or the like, against any deposit account or property of the Company held or maintained by such Noteholder or amount owing by such Noteholder to the Company, without prior consent of the Majority Holders, which rights of set-off, banker's lien and the like are waived by the Noteholder's acceptance of its Note and the benefit of this Indenture.

5.10 Restoration of Rights and Remedies. If the Trustee, the Collateral Agent or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture or the Deed of Trust and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee, the Collateral Agent or such Noteholder, then and in every such case the Issuer, the Trustee, the Collateral Agent and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder and under the Deed of Trust, and thereafter all rights and remedies of the Trustee, the Collateral Agent and the Noteholders shall continue as though no such Proceeding had been instituted.

5.11 Rights and Remedies Cumulative. No right or remedy conferred upon or reserved to the Trustee, the Collateral Agent or the Noteholders in this Indenture or the Deed of Trust is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or thereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or thereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

5.12 Delay or Omission Not a Waiver. No delay or omission of the Trustee, the Collateral Agent or any Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or acquiescence therein. Every right and remedy given by this Article 5, by the Deed of Trust or by law to the Trustee, the Collateral Agent or the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, the Collateral Agent or, subject to Section 5.8, the Noteholders, as the case may be.

5.13 Control by Majority Holders. Except as otherwise specified in this Indenture, the Majority Holders shall have the right to direct the time, method, and place of conducting any Proceeding for any remedy available to the Trustee under this Indenture or otherwise with respect to the New Timber Notes or exercising any trust or power conferred on the Trustee or the Collateral Agent, including the giving of any notice or direction under the Deed of Trust, provided that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture; and

(b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction.

5.14 Course of Dealing Not a Waiver. No course of dealing between the Trustee, the Collateral Agent and/or any Noteholder, on the one hand, and the Issuer or any person claiming through or under the Issuer, on the other hand, or any delay on the part of the Trustee, the Collateral Agent and/or any Noteholder in exercising any right available to them shall operate as a waiver of any rights of the Trustee, the Collateral Agent or the Noteholder.

5.15 Waiver of Stay or Extension Laws. The Issuer covenants (to the fullest extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture or the Deed of Trust; and the Issuer (to the fullest extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power granted herein to the Trustee or in the Deed of Trust to the Collateral Agent, but will suffer and permit the execution of every such power as though no such law had been enacted.

5.16 Action on Notes. The Trustee's right to seek and recover judgment on the New Timber Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture or the Deed of Trust. No rights or remedies of the Trustee, the Collateral Agent or the Noteholders shall be impaired by the recovery of any judgment by the Trustee or the Collateral Agent against the Issuer or by the levy of any execution under such judgment upon any portion of the Mortgaged Property or upon any of the assets of the Issuer.

5.17 Waiver of Past Defaults. Subject to Sections 5.9 and 8.2, the Majority Holders by notice to the Trustee may waive an existing Default and its consequences except (1) a Default or Event of Default in the payment of the principal of or interest on a New Timber Note as specified in clauses (1) or (2) of Section 5.1 or (2) a Default in respect of a provision that under Section 8.2 cannot be amended without the consent of each Noteholder affected. When a Default or Event of Default is waived, it is deemed cured and ceases, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

5.18 Certain Limitations on Exercise of Remedies under Deed of Trust. In connection with any trustee sale or judicial sale by the Deed of Trust Trustee under the Deed of Trust, the Collateral Agent shall not accept any cash bid in an amount less than the aggregate amount payable on the New Timber Notes, unless the Majority Holders of the New Timber Notes shall have approved the taking of such action (which approval may be given generally and need not be given in respect of any specific sale or bid). In the event that relevant law provides that a trustee sale or judicial sale may be made in respect of less than all of the Company Owned Timberlands, and the Collateral Agent shall determine to permit a trustee sale or judicial sale for less than all of the Company Owned Timberlands, in connection with any such trustee sale or judicial sale by the Deed of Trust Trustee, the Collateral Agent shall not accept any cash bid in an amount less than the pro rata portion of the aggregate amount payable on the New Timber Notes, unless the Majority Holders of the New Timber Notes shall have approved the taking of such action (which approval may be given generally and need not be given in respect of any specific sale or bid).

ARTICLE 6

DEFEASANCE AND COVENANT DEFEASANCE

6.1 Issuer's Option to Effect Defeasance or Covenant Defeasance. The Issuer may, at its option by Board Resolution, at any time, with respect to the New Timber Notes, elect to have either Section 6.2 or Section 6.3 be applied to all of the outstanding New Timber Notes (the "Defeased Notes"), upon compliance with the conditions set forth below in this Article 6.

6.2 Defeasance and Discharge. Upon the Issuer's exercise under Section 6.1 of the option applicable to this Section 6.2, the Issuer shall be deemed to have been discharged from its obligations with respect to the Defeased Notes on the date the conditions set forth below are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Issuer shall be deemed to have paid and discharged the entire indebtedness represented by the Defeased Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 6.5 and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Defeased Notes, this Indenture and the Deed of Trust insofar as such Defeased Notes are concerned (and the Trustee, at the expense of the Issuer, and, upon written request, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of Defeased Notes to receive solely from the trust fund described in Section 6.5 and as more fully set forth in such Section, payments in respect of the principal of and interest on such Defeased Notes when such payments are due, (b) the Issuer's obligations with respect to such Defeased Notes under Sections 2.3, 2.4, 2.5, 2.6, 2.7, 2.8 and 4.2, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder, including, without limitation, the Trustee's rights under Section 7.7, and (d) this Article 6. Subject to compliance with this Article 6, the Issuer may exercise its option under this Section 6.2 notwithstanding the prior exercise of its option under Section 6.3 with respect to the New Timber Notes.

6.3 Covenant Defeasance. Upon the Issuer's exercise under Section 6.1 of the option applicable to this Section 6.3, the Issuer shall be released from its obligations under any

covenant or provision contained in Sections 4.3 through 4.16, subsections (3), (4) and (5) of Section 5.1 shall not constitute a Default or an Event of Default, with respect to the Defeased Notes on and after the date the conditions set forth below are satisfied (hereinafter, “covenant defeasance”), and the Defeased Notes shall thereafter be deemed to be not “outstanding” for the purposes of any direction, waiver, consent or declaration or other act of the Noteholders (and the consequences of any thereof) in connection with such covenants and Events of Default, but shall continue to be deemed “outstanding” for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to the Defeased Notes, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section or Article, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or Article or by reason of any reference in any such Section or Article to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under subsections (3), (4) and (5) of Section 5.1, but, except as specified above, the remainder of this Indenture and such Defeased Notes shall be unaffected thereby.

6.4 Conditions to Defeasance or Covenant Defeasance. The following shall be the conditions to application of either Section 6.2 or Section 6.3 to the Defeased Notes:

(1) The Issuer shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 7.10 who shall agree to comply with the provisions of this Article 6 applicable to it (“qualifying trustee”)) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the New Timber Notes, (a) money in an amount, or (b) U.S. Government Obligations (as defined below) which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than the due date of any payment, money in an amount, or (c) a combination thereof, sufficient (in the opinion of a nationally recognized or regionally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee), without consideration of reinvestment of interest of such U.S. Government Obligations, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, the principal of and interest on the Defeased Notes to maturity (based upon the original Scheduled Amortization of the New Timber Notes with adjustments to such original Scheduled Amortization schedule, which adjustments shall decrease, in order of maturity, the amount of principal payable in accordance with the original Scheduled Amortization schedule on the next succeeding Note Payment Date(s) by the excess, if any, of (i) aggregate principal amount that was paid on or prior to the date of defeasance on the Defeased Notes, over (ii) the sum of all amounts specified in Schedule B to the Indenture as Scheduled Amortization opposite the respective dates occurring on or before the date of defeasance); provided that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such U.S. Government

Obligations to said payments with respect to the Notes. For this purpose, “U.S. Government Obligations” means (i) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depositary receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depositary receipt.

(2) No Default or Event of Default under subsection 5.1(6) shall have occurred and be continuing on the date of such deposit or at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(3) No event or condition shall exist that would prevent the issuer from making payments of the principal of and interest on the New Timber Notes on the date of such deposit or at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(4) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, any of the Operative Documents, or any other material agreement or instrument to which the Issuer is a party or by which it is bound.

(5) The Issuer shall have delivered to the Trustee an Opinion of Counsel (who shall be Independent) or a ruling from the Internal Revenue Service to the effect that the Holders of the outstanding New Timber Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance or covenant defeasance, as the case may be, and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance, as the case may be, had not occurred.

(6) The Issuer shall have delivered to the Trustee an Opinion of Counsel (who shall be Independent) to the effect that (x) the trust funds established pursuant to this Article will not be subject to any rights of other creditors of the Issuer and (y) after the 91st day following the deposit, the trust funds established pursuant to this Article will not be subject to the effect of any applicable United States bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally. (For the limited purpose of the Opinion of Counsel referred to in this clause (6), such Opinion may contain an assumption that the conclusions contained in a customary solvency letter by a nationally recognized appraisal firm, dated as of the date of the deposit and taking into account such deposit, are accurate as of such date, provided that such solvency letter is also addressed and delivered to the Trustee.)

(7) The Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent (other than conditions requiring the passage of time) provided for relating to either the defeasance under Section 6.2 or the covenant defeasance under Section 6.3 (as the case may be) have been complied with as contemplated by this Section 6.4.

Opinions required to be delivered under this Section may have qualifications customary for opinions of the type required.

Expenses of defeasance or covenant defeasance shall be payable solely from funds not held pursuant to this Article 6.

6.5 Deposited Money and U.S. Government Obligations to be Held in Trust; Other Miscellaneous Provisions. All money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee--collectively for purposes of this Section 6.5, the "Trustee") pursuant to Section 6.4 in respect of the Defeased Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Defeased Notes and this Indenture, to the payment, either directly or through the Paying Agent, as the Trustee may determine, to the Holders of such Defeased Notes of all sums due and to become due thereon in respect of principal and interest, but such money need not be segregated from other funds except to the extent required by law.

The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 6.4 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Defeased Notes. Until principal, interest and all amounts payable in respect of the Defeased Notes have been paid in full or defeased pursuant to this Article 6, all amounts payable by the Issuer in respect of its indemnification obligations pursuant to this paragraph shall be payable solely from funds not held pursuant to this Article 6.

Anything in this Article 6 to the contrary notwithstanding, the Trustee shall promptly deliver or pay to the Issuer from time to time upon Issuer request any money or U.S. Government Obligations held by it as provided in Section 6.4 which, in the opinion of a nationally recognized or regionally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance.

6.6 Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 6.2 or 6.3, as the case may be, by reason of any order or judgment of any court or Governmental Authority enjoining, restraining or otherwise prohibiting such application, then the Issuer's obligations under this Indenture, the New Timber Notes and the Deed of Trust shall be revived and reinstated as though no deposit had occurred pursuant to Section 6.2 or 6.3, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 6.2 or 6.3, as the case may be; provided, however, that if the Issuer makes any payment to the Trustee or Paying Agent of principal of or interest on any New Timber Note following the reinstatement of its obligations, the Trustee or Paying Agent shall promptly pay any such amount to the Holders of the New Timber Notes and the Issuer shall be subrogated to the rights of the Holders of such New Timber Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 7

THE TRUSTEE AND THE COLLATERAL AGENT

7.1 Duties of Trustee and Collateral Agent.

(a) The Trustee and the Collateral Agent, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertake to perform such duties and only such duties as are specifically set forth in this Indenture and the Deed of Trust. If an Event of Default has occurred and is continuing, the Trustee and the Collateral Agent shall exercise the rights and powers vested in it by this Indenture and the Deed of Trust and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee and the Collateral Agent need perform only those duties that are specifically set forth in this Indenture and the Deed of Trust and no covenants or obligations shall be implied in this Indenture or the Deed of Trust against the Trustee or the Collateral Agent; and

(2) in the absence of bad faith on its part, the Trustee and the Collateral Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or

opinions furnished to the Trustee or the Collateral Agent and conforming to the requirements of this Indenture and the Deed of Trust; provided, however, that the Trustee and the Collateral Agent shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture and the Deed of Trust.

(c) The Trustee and the Collateral Agent may not be relieved from liability for their own negligent action, their own negligent failure to act or their own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.1;

(2) neither the Trustee nor the Collateral Agent shall be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee or the Collateral Agent was negligent in ascertaining the pertinent facts; and

(3) neither the Trustee nor the Collateral Agent shall be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.13.

(d) Every provision of this Indenture and the Deed of Trust that in any way relates to the Trustee or the Collateral Agent is subject to paragraphs (a), (b) and (c) of this Section 7.1.

(e) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision of this Indenture or the Deed of Trust shall require the Trustee or the Collateral Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or thereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

7.2 Rights of Trustee and Collateral Agent.

Subject to Section 7.1:

(a) The Trustee and the Collateral Agent may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. Neither the Trustee nor the Collateral Agent need investigate any fact or matter stated in the document.

(b) Before the Trustee or the Collateral Agent acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel.

(c) The Trustee and the Collateral Agent may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) Neither the Trustee nor the Collateral Agent shall be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred on it by this Indenture or the Deed of Trust; provided, however, that the Trustee's or the Collateral Agent's conduct does not constitute willful misconduct, negligence or bad faith.

(e) The Trustee and the Collateral Agent may consult with counsel, and the advice or Opinion of Counsel with respect to matters of law relating to this Indenture, the New Timber Notes and the Deed of Trust shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder or thereunder in good faith and in accordance with the advice or Opinion of Counsel.

7.3 Individual Rights of Trustee and Collateral Agent. The Trustee or the Collateral Agent, in its individual or any other capacity, may become the owner or pledgee of New Timber Notes and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Trustee or Collateral Agent. The Paying Agent or the Registrar may do the same with like rights. Notwithstanding the foregoing, the Trustee and the Collateral Agent must comply with Sections 7.10 and 7.12.

7.4 Trustee's and Collateral Agent's Disclaimer. Neither the Trustee nor the Collateral Agent shall be responsible for, and neither the Trustee nor the Collateral Agent makes any representation as to the validity or adequacy of this Indenture, the Notes, or the Deed of Trust, and neither the Trustee nor the Collateral Agent shall be accountable for the Issuer's use of the proceeds from the New Timber Notes, and neither the Trustee nor the Collateral Agent shall be responsible for any statement in this Indenture, the Notes, or the Deed of Trust other than its certificate of authentication.

7.5 Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Noteholder (in the manner and to the extent provided in TIA Section 313(c)) notices of the Default within 60 days after it occurs. Except in the case of a Default in payment of principal of or interest on any New Timber Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interest of Noteholders.

7.6 Reports by Trustee to Noteholders. As promptly as practicable after each May 15, beginning with the May 15 following the date of this Indenture, and in any event prior to July 15 in each year, the Trustee shall mail to each Noteholder a brief report dated as of May 15 of such year that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b)(1) and (2).

A copy of such report at the time of its mailing to Noteholders shall be filed with the SEC and each stock exchange, if any, on which the New Timber Notes are listed. The Issuer agrees to notify the Trustee whenever the New Timber Notes become listed on any stock exchange and of any delisting thereof.

7.7 Compensation and Indemnity. The Issuer shall pay to the Trustee and the Collateral Agent from time to time reasonable compensation for its services. The Trustee's and the Collateral Agent's compensation shall not be limited by any law on compensation relating to the trustee of an express trust. The Issuer shall reimburse the Trustee and the Collateral Agent upon request for all reasonable out-of-pocket expenses incurred by it, except any such expense as may arise from the Trustee's or Collateral Agent's negligence, bad faith or willful misconduct. Such expenses shall include the reasonable compensation and expenses of the Trustee's and the Collateral Agent's agents and counsel. The Issuer shall indemnify the Trustee and the Collateral Agent against any loss, liability or expense (including reasonable attorneys' fees) incurred by it without negligence or bad faith on its part in connection with the administration of this trust and the performance of its duties hereunder. The Trustee and the Collateral Agent shall notify the Issuer promptly of any claim for which it may seek indemnity. The Issuer shall have the right to defend the claim and the Trustee and the Collateral Agent shall cooperate in the defense. The failure of the Trustee or the Collateral Agent to so notify the Issuer shall not relieve the Issuer of its obligations hereunder. The Issuer need not pay for any settlement made without its written consent. The Issuer need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee or the Collateral Agent through willful misconduct, negligence or bad faith.

The Issuer's payment obligations pursuant to this Section shall survive the discharge of this Indenture and release of the Deed of Trust.

7.8 Replacement of Trustee and Collateral Agent. A resignation or removal of the Trustee or the Collateral Agent and the appointment of a successor Trustee and Collateral Agent shall become effective only upon the successor Trustee's and Collateral Agent's acceptance of appointment as provided in this Section 7.8. The Trustee and the Collateral Agent may resign at any time by so notifying the Issuer and the Holders in writing. The Majority Holders may remove the Trustee and the Collateral Agent by so notifying the Trustee and the Collateral Agent in writing and may appoint a successor Trustee and Collateral Agent with the Issuer's consent. The Issuer shall remove the Trustee and the Collateral Agent if:

- (1) the Trustee or Collateral Agent fails to comply with Section 7.10;
- (2) the Trustee or Collateral Agent is adjudged as bankrupt or insolvent or an order for relief is entered with respect to the Trustee or Collateral Agent under any Bankruptcy Law;
- (3) a custodian, receiver or other public officer takes charge of the Trustee or Collateral Agent or its property; or
- (4) the Trustee or Collateral Agent otherwise becomes incapable of acting.

If the Trustee or Collateral Agent resigns or is removed or if a vacancy exists in the office of Trustee or Collateral Agent for any reason, the Issuer shall promptly appoint a successor Trustee and Collateral Agent.

A successor Trustee and Collateral Agent shall deliver a written acceptance of its appointment to the retiring Trustee and Collateral Agent and to the Issuer. Thereupon the resignation or removal of the retiring Trustee and Collateral Agent shall become effective, and the successor Trustee and Collateral Agent shall have all the rights, powers and duties of the Trustee and Collateral Agent under this Indenture and the Deed of Trust. The successor Trustee and Collateral Agent shall mail a notice of its succession to Noteholders. The retiring Trustee and Collateral Agent shall promptly transfer all property held by it as Trustee or Collateral Agent to the successor Trustee.

If a successor Trustee and Collateral Agent does not take office within 60 days after the retiring Trustee and Collateral Agent resigns or is removed, the retiring Trustee and Collateral Agent, the Issuer or the Majority Holders may petition any court of competent jurisdiction for the appointment of a successor Trustee and Collateral Agent.

If the Trustee and Collateral Agent fail to comply with Section 7.10, any Noteholder may petition any court of competent jurisdiction for the removal of the Trustee and Collateral Agent and the appointment of a successor Trustee and Collateral Agent.

7.9 Successor Trustee or Collateral Agent by Merger. If the Trustee or Collateral Agent consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets (including the trust created by this Indenture) to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee and Collateral Agent; provided that in the case of a transfer of all or substantially all of its corporate trust business to another corporation, the transferee corporation expressly assumes all the Trustee's and Collateral Agent's liabilities under the Indenture and the Deed of Trust.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture and the Deed of Trust, any of the New Timber Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such New Timber Notes so authenticated; and in case at that time any of the New Timber Notes shall not have been authenticated, any successor to the Trustee may authenticate such New Timber Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the New Timber Notes or in this Indenture provided that the certificate of the Trustee shall have; provided, however, that the right to adopt the certificate of authentication of any predecessor trustee or authenticate New Timber Notes in the name of any predecessor trustee shall only apply to its successors by merger, conversion or consolidation.

7.10 Eligibility; Disqualification. The Trustee and the Collateral Agent shall at all times satisfy the requirements of TIA Section 310(a)(1) and (2). In addition, without limiting the foregoing, the Trustee and the Collateral Agent shall at all times be authorized to conduct a corporate trust business, in good standing, and be either (a) a bank or trust company having, or (b) a wholly-owned subsidiary of a bank or trust company having, a combined capital and surplus of at least \$250,000,000 as set forth in its most recent published annual report of

condition. The Trustee and the Collateral Agent shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9).

7.11 Preferential Collection of Claims Against Issuer. The Trustee and the Collateral Agent shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee and Collateral Agent who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

7.12 Trustee and Collateral Agent. The Trustee and the Collateral Agent shall at all times be one and the same Person.

ARTICLE 8

AMENDMENTS

8.1 Without Consent of Noteholders. The Issuer and the Trustee may amend, supplement or otherwise modify this Indenture or the New Timber Notes without notice to or consent of any Noteholder:

- (1) to cure any ambiguity, omission, defect or inconsistency;
- (2) to provide for uncertificated notes in addition to or in place of certificated notes; provided, however, that the uncertificated notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated notes are described in Section 163(f)(2)(B) of the Code;
- (3) to make any change that does not adversely affect the rights of any Noteholder;
- (4) to add to the covenants of the Issuer for the benefit of the Noteholders or to surrender any right or power herein conferred upon the Issuer;
- (5) to comply with the TIA; or
- (6) to comply with the provisions of Section 4.8.

After an amendment, supplement or modification under this Section becomes effective, the Issuer shall mail to Noteholders a notice briefly describing such amendment, supplement or other modification. The failure to give such notice to all Noteholders, or any defect therein, shall not impair or affect the validity of an amendment, supplement or other modification under this Section 8.1.

8.2 With Consent of Noteholders.

(a) The Issuer and the Trustee may amend, supplement or otherwise modify this Indenture or the New Timber Notes without notice to any Noteholder but with the written consent of the Majority Holders. Subject to Sections 5.9 and 5.17, the Majority Holders may waive compliance by the Issuer with any provision of this Indenture, the Deed of Trust or the New Timber Notes without notice to any Noteholder.

(b) Notwithstanding anything to the contrary contained in Sections 8.1 and 8.2(a), without the consent of each Noteholder affected, an amendment, supplement, other modification or waiver may not:

(1) reduce the aggregate outstanding principal amount of New Timber Notes whose Noteholders must consent to an amendment, supplement, other modification or waiver;

(2) reduce the rate of or extend the time for payment of interest on any New Timber Note;

(3) reduce the principal of or extend the fixed maturity of any New Timber Note;

(4) make any New Timber Note payable in money other than that stated in the New Timber Note;

(5) impair the right to institute suit for the enforcement of any payment on or with respect to any New Timber Note; or

(6) make any change in this Section 8.2.

(c) It shall not be necessary for the consent of the Noteholders under this Section 8.2 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

(d) After an amendment, supplement, waiver or other modification under this Section becomes effective, the Issuer shall mail to Noteholders a notice briefly describing such amendment. The failure to give such notice to all Noteholders, or any defect therein, shall not impair or affect the validity of an amendment, supplement, waiver or other modification under this Section. Any amendment, supplement, waiver or other modification shall be binding upon all subsequent transferees of Notes.

8.3 Compliance with Trust Indenture Act. Every amendment, supplement or other modification to this Indenture or the New Timber Notes shall comply with the TIA as then in effect.

8.4 Effect of Consents and Waivers; No Revocation of Consents. A consent to an amendment, supplement or other modification or a waiver by a Noteholder under or in connection with this Indenture or the Deed of Trust shall bind the Noteholder and every subsequent holder of that New Timber Note or portion of the New Timber Note that evidences the same debt as the consenting Noteholder's New Timber Note, even if notation of the consent

or waiver is not made on the New Timber Note. Once such consent shall be given by a Noteholder, such consent may not be revoked by such Noteholder or any subsequent holder. After an amendment, supplement or other modification or waiver becomes effective, it shall bind every Noteholder, unless it makes a change described in any of clauses (1) through (6) of Section 8.2(b). In that case, the amendment, supplement, waiver or other modification shall bind each Noteholder who has consented to it and every subsequent Holder of a New Timber Note or a portion of a New Timber Note that evidences the same debt as the consenting Noteholder's New Timber Note.

The Issuer shall (or, if Definitive Notes have been issued, may, but shall not be obligated to) fix a record date for the purpose of determining the Noteholders entitled to give their consent or take any other action described above. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those persons who were Noteholders at such record date (or their duly designated proxies), and only those persons, shall be entitled to give such consent or to take any such action, whether or not such persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 130 days after such record date.

8.5 Notation on or Exchange of Notes. If an amendment changes the terms of a New Timber Note, the Trustee may require the Noteholder to deliver it to the Trustee. The Trustee may place an appropriate notation on the New Timber Note regarding the changed terms and return it to the Holder. Alternatively, if the Issuer or the Trustee so determines, the Issuer in exchange for the New Timber Note shall issue and the Trustee shall authenticate a new New Timber Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new New Timber Note shall not affect the validity of such amendment, supplement or other modification.

8.6 Trustee to Sign Amendments, Etc. The Trustee shall sign any amendment, supplement or other modification authorized pursuant to this Article 10 if the amendment, supplement or other modification does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not sign it. In signing such amendment, supplement or other modification the Trustee shall be entitled to receive, and (subject to Section 7.1) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment, supplement, waiver or other modification is authorized or permitted by this Indenture.

ARTICLE 9

MISCELLANEOUS

9.1 Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

9.2 Notices. Any notice or communication shall be in writing and delivered in person, transmitted by facsimile (confirmed in writing by mail simultaneously dispatched) or mailed by first-class mail addressed as follows:

If to the Issuer:

[Newco]
[Newco Address]
Telecopy No.: [_____]]
Attention: [_____]]

With copies to:

[_____]]
Attention: [_____]]

and

if to the Trustee:

[_____]]
[_____]]
Attention: [_____]] ([Newco] Timber Collateralized Notes)
Telecopy No.: [_____]]

The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Noteholder shall be mailed to the Noteholder at the Noteholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. Notwithstanding anything to the contrary in this Section 9.2, notices to the Issuer or the Trustee shall only be deemed given when received by the Issuer or the Trustee, as the case may be.

9.3 Communication by Holders with Other Noteholders. Noteholders may communicate pursuant to TIA Section 312(b) with other Noteholders with respect to their rights under this Indenture or the New Timber Notes and the Trustee will comply with TIA Section 312(b). The Issuer, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

9.4 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Issuer to the Trustee to take any action under this Indenture, the Issuer shall furnish to the Trustee upon the Trustee's request:

- (i) an Officer's Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with (or will have been complied with upon the execution and delivery of designated instruments); and

(ii) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with (or will have been complied with upon the execution and delivery of designated instruments).

except that in the case of any application or request as to which the furnishing of such Officers' Certificate or Opinion of Counsel is specifically required by any provisions of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

9.5 Statements Required in Certificate or Opinion.

(a) Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that the person making such certificate or rendering such opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such person, such covenant or condition has been complied with.

(b) Unless otherwise expressly provided herein, any application, request, order, certified resolution, certificate, notice, statement or other instrument of the Issuer or of any other Person required or permitted to be filed with the Trustee or to be made or given under this Indenture shall be dated and shall state the provision or provisions of this Indenture pursuant to which it is filed, made or given and shall be signed by a Responsible Officer of the Person taking such action.

(c) Any counsel giving an Opinion of Counsel that an instrument conforms to the requirements of this Indenture, or with respect to any similar matter, may state that such counsel is not passing upon the truth, accuracy or good faith of the facts or opinions stated in any application, request, order, certified resolution, Officer's Certificate, appraiser's certificate, notice, statement or other instrument required to be delivered to the Trustee signed by any Person other than such counsel.

(d) Any Officer's Certificate of the Issuer or certificate of an appraiser, forester or other expert may be based, insofar as the matters therein are of a legal nature, upon an Opinion of Counsel, unless such officer, appraiser or forester knows that such Opinion of Counsel is, or any of the facts upon which such Opinion of Counsel is based is, erroneous.

(e) Any Opinion of Counsel may be based, insofar as it relates to factual matters or information in possession of the Issuer, upon an Officer's Certificate or representations of a Responsible Officer of the Issuer, unless such counsel knows that such Officer's Certificate or representations are erroneous.

(f) Any Opinion of Counsel may be based, insofar as it relates to appraisal matters, upon an appraiser's certificate, unless such counsel knows that the appraiser's certificate is erroneous.

(g) Any Opinion of Counsel may be based on the written opinion of other counsel reasonably satisfactory to the Trustee, in which event such Opinion of Counsel shall be accompanied by a copy of such other counsel's opinion addressed to the Trustee.

9.6 When New Timber Notes Disregarded. In determining whether the Holders of the required principal amount of New Timber Notes have concurred in any request, demand, authorization, direction, notice, consent or waiver under or in connection with this Indenture or the Deed of Trust, New Timber Notes owned by the Issuer shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only New Timber Notes which the Trustee knows are so owned shall be so disregarded. Also, subject to the foregoing, only New Timber Notes outstanding at the time shall be considered in any such determination.

9.7 Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by or a meeting of Noteholders. The Registrar and the Paying Agent may make reasonable rules for their functions.

9.8 Business Days. If a payment date is not a Business Day, payment shall be made on the next succeeding Business Day. If a regular record date is not a Business Day, the record date shall not be affected.

9.9 GOVERNING LAW; JURISDICTION; VENUE. EXCEPT TO THE EXTENT THAT FEDERAL LAW (INCLUDING, BUT NOT LIMITED TO, THE BANKRUPTCY CODE AND RULES PROMULGATED THEREUNDER) IS APPLICABLE OR THE PLAN OR THIS INDENTURE PROVIDES OTHERWISE, THE RIGHTS AND OBLIGATIONS ARISING UNDER THIS INDENTURE AND THE NEW TIMBER NOTES SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAW PRINCIPLES. PURSUANT TO SECTIONS 105(C) AND 1142 OF THE BANKRUPTCY CODE, THE BANKRUPTCY COURT SHALL RETAIN JURISDICTION OVER ALL MATTERS ARISING OUT OF, AND RELATED TO, THIS INDENTURE AND THE NEW TIMBER NOTES TO THE FULLEST EXTENT PERMITTED BY LAW. IN THE EVENT THAT THE BANKRUPTCY COURT IS FOUND TO LACK JURISDICTION TO RESOLVE ANY MATTER, THEN SUCH MATTER MAY BE BROUGHT BEFORE ANY COURT HAVING SUCH JURISDICTION WITH REGARD THERETO; PROVIDED, HOWEVER, THAT ANY NOTEHOLDER HEREBY CONSENTS TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE

SOUTHERN DISTRICT OF TEXAS, CORPUS CHRISTI DIVISION, AND TO VENUE IN NUECES COUNTY, TEXAS.

9.10 No Recourse Against Others. A manager, director, officer, employee, member or stockholder, as such, of the Issuer or the Trustee shall not have any liability for any obligations of the Issuer or the Trustee under the New Timber Notes or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a New Timber Note, each Noteholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the New Timber Notes.

9.11 Successors. All agreements of the Issuer in this Indenture and the New Timber Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

9.12 Severability. In case any provision of this Indenture or in the New Timber Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions thereof shall not in any way be affected or impaired thereby.

9.13 Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture. This Indenture may be executed in two or more counterparts, each of which shall be an original, but all of them together constitute the same agreement.

9.14 Table of Contents; Headings. The table of contents, cross reference sheet and headings of the Articles and Sections of this Indenture and the New Timber Notes have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify, restrict or otherwise affect the meaning or interpretation of any of the terms or provisions hereof.

9.15 Benefits of Indenture. Nothing in this Indenture or the Notes, express or implied, shall give to any person, other than the parties hereto, their successors hereunder and the Noteholders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

9.16 Limitations on Bankruptcy Petition Against Issuer. The Trustee and each of the Noteholders hereby covenant and agree that, prior to the date which is one year and one day after the payment in full of all outstanding New Timber Notes, it will not institute against, or join any other Persons in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other similar proceeding under any Bankruptcy Law, unless the consent of the Holders of 51% in aggregate outstanding principal amount of the New Timber Notes to the taking of such action is obtained.

9.17 Entire Agreement. This Indenture constitutes the entire agreement of the parties with respect to the subject matter hereof.

9.18 Concerning Paying Agents, Registrars, Securities Intermediaries and Collateral Agents. Whether or not any applicable provision of this Indenture or any other Operative Document expressly so provides, and notwithstanding any other provision of this

Indenture or any other Operative Document to the contrary, any document, investment direction or other written or oral statement of any other Person on which the Trustee is entitled to rely may also be relied upon by any Paying Agent, Registrar or Collateral Agent.

ARTICLE 10

DISCHARGE

10.1 Discharge. This Indenture shall cease to be of further effect at such time as (i) all outstanding New Timber Notes have become due and payable, will become due and payable within six months (based upon the actual principal amount of the New Timber Notes previously paid and future payments of principal based upon Minimum Principal Amortization), or have been called for redemption on a redemption date that is within six months under arrangements satisfactory to the Trustee for giving the notice of redemption and the Issuer shall have irrevocably (i.e., without condition or right of withdrawal) deposited with the Trustee funds sufficient to pay all outstanding New Timber Notes, including unpaid principal thereof, accrued and unpaid Regular Interest, and accrued and unpaid Default Interest, if any, thereon, and the Issuer shall have paid in full all other sums payable hereunder and under the Deed of Trust by the Issuer and (ii) an Officer's Certificate and an Opinion of Counsel to the effect of the preceding clause (i) shall have been delivered to the Trustee; provided that the Issuer's obligations under Sections 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 7.7 and 7.8 shall survive until the New Timber Notes have been paid in full, and thereafter the Issuer's obligations under Section 7.7 shall continue to survive. Upon satisfaction of the conditions in the preceding clauses (i) and (ii), the Trustee shall acknowledge in writing the discharge of the Issuer's obligations under the New Timber Notes and this Indenture except for those surviving obligations specified herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

[NEWCO]

By _____

Name: _____

Title: _____

[_____] ,

as Trustee

By _____

Name: _____

Title: _____

SCHEDULE A

DEFINITIONS

“Administrative Expense” has the meaning given it in the Plan.

“*Affiliate*” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition of “*Affiliate*,” “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Allowed*” means Bankruptcy Court approval of a Claim or Interest.

“*Assigned Proceeds*” has the meaning given to such term in Section 2.1 of the Deed of Trust.

“*Authenticating Agent*” has the meaning given to such term in Section 2.2 of the Indenture.

“*Bankruptcy Code*” means title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.*, as in effect on the Issue Date, together with all amendments and modifications thereto subsequently made.

“*Bankruptcy Court*” has the meaning given to such term in the Recitals of the Indenture.

“*Bankruptcy Law*” means any Federal or State bankruptcy, insolvency, reorganization or similar law for the relief of debtors from time to time in effect.

“*Bankrupt or Insolvent*” or “*Bankruptcy or Insolvency*” shall have occurred or exist with respect to any Person if:

(a) such Person shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property under any Bankruptcy Law, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Bankruptcy Code, (iv) file a petition seeking to take advantage of any other Bankruptcy Law, or (v) acquiesce in writing to any petition filed against it in an involuntary case under the Bankruptcy Code;

(b) a proceeding or case shall be commenced, without the application or consent of such Person, in any court of competent jurisdiction, seeking under any Bankruptcy Law (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of such Person, or of all or any substantial part of its assets or (iii) similar relief in respect of such Person under any Bankruptcy Law, and such proceeding or case shall continue

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undismissed, or an order, judgment or decree approving or ordering any of the foregoing (other than an order referred to in clause (c) below) shall be entered and continue unstayed and in effect, for a period of 60 or more consecutive days; or

(c) an order for relief against such Person shall be entered in an involuntary case under the Bankruptcy Code.

“*Board of Managers*” means:

(a) the Board of Managers of the Issuer; or

(b) any Manager or committee of such Board of Managers duly authorized under applicable law to act on behalf of such Board of Managers.

“*Board Resolution*” means a resolution duly adopted by the Board of Managers of the Issuer.

“*Book-Entry Note*” means any beneficial interest in the New Timber Notes, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 2.6 of the Indenture; provided, that after the occurrence of a condition whereupon book-entry registration and transfer are no longer permitted and Definitive Notes are issued to all Note Owners, such New Timber Notes shall no longer be “Book-Entry Notes.”

“*Business Day*” means any day other than a Saturday, a Sunday or a day on which banking institutions in the Borough of Manhattan, the City of New York, New York are authorized or required by law or executive order to close.

“*CERCLA*” means the Comprehensive Environmental Response, Compensation and Liability Act, as the same may be in effect from time to time, any successor statute, and the rules and regulations thereunder.

“*Certificate*” means a certificate conforming to the requirements of Section 9.5 of the Indenture and Section 10.9 of the Deed of Trust.

“*Claim*” has the meaning set forth in section 101(5) of the Bankruptcy Code, against any Debtor or Estate whether or not asserted.

“*Clearing Agency*” shall mean an organization registered as a “clearing agency” pursuant to Section 17A of the Exchange Act, and meeting the requirements of the definition of the term “clearing corporation” in Article Eight of the Uniform Commercial Code of the State of New York, which is the Holder of any Book-Entry Note.

“*Clearing Agency Agreement*” shall mean the letter of representations dated on or prior to the Issue Date, among the Issuer, the Trustee and the initial Clearing Agency relating to the Book-Entry Notes, as the same may be amended, modified or supplemented.

“*Clearing Agency Participant*” shall mean a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency records in a book-

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entry system ownership, transfers and pledges of securities deposited with such Clearing Agency.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral Agent” means [_____], in its capacity as collateral agent for the Holders of the New Timber Notes pursuant to the Deed of Trust and the Indenture, together with its successors in such capacity.

“Collateral Agent Expenses” means any expenses or damages of or compensation owing to the Collateral Agent (including, without limitation, the reasonable fees and disbursements of counsel to the Collateral Agent) incurred with respect to the enforcement or administration of the Deed of Trust or owing to the Collateral Agent as part of the Secured Obligations.

“Collateral Mortgaged Property” means and includes all Mortgaged Property (including both those now and hereafter existing), to which Article 9 of the Uniform Commercial Code may now or hereafter apply, including, but not limited to, personal property (tangible and intangible), fixtures, goods, documents, instruments, general intangibles, chattel paper, accounts, deposit accounts, products and proceeds, and further including, without limitation, Company Timber, the Assigned Proceeds, the Data Processing Equipment, Data Processing Information and the Subject Contracts.

“Company Owned Timberlands” means:

(a) the parcels of land described in Exhibit A to the Deed of Trust, together with the entire right, title and interest of the Issuer in and to such parcels of land, subject to Permitted Encumbrances, together with (a) all right, title and interest of the Issuer in and to all buildings, structures and other improvements now standing, or at any time hereafter constructed or placed, upon such land, including, without limitation, all right in and to all equipment and fixtures of every kind and nature on such land or in any such buildings, structures or other improvements (such buildings, structures, other improvements, equipment and fixtures being herein collectively called the “Improvements”), (b) all right, title and interest of the Issuer in and to all and singular the tenements, hereditaments, easements, rights of way, rights, privileges and appurtenances in and to such land belonging or in any way appertaining thereto, including without limitation, all right, title and interest of the Issuer in, to and under any streets, ways, alleys, vaults, gores or strips of land adjoining such land and (c) all claims or demands of the Issuer, in law or in equity, in possession or expectancy of, in and to such land together with all rents, income, revenues, issues and profits from and in respect of the property described above in this paragraph (a) and the present and continuing right to make claim for, collect, receive and receipt for the same as hereinafter provided. It is the intention of the Issuer that, so far as may be permitted by law, all of the foregoing, whether now owned or hereafter acquired by the Issuer, affixed, attached or annexed to such land shall be and remain or become and constitute a part of the Mortgaged Property and the security covered by and subject to the Lien of the Deed of Trust;

(b) all right, title and interest of the Issuer in and to (i) all extensions, improvements, betterments, renewals, substitutes and replacements of and on the property described in the foregoing clause (a) and (ii) all additions and appurtenances thereto not

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presently leased to or owned by the Issuer and hereafter leased to, acquired by or released to the Issuer or, constructed, assembled or placed upon the Company Owned Timberlands immediately upon such leasing, acquisition, release, construction, assembling or placement, and without any further grant or other act by the Issuer (including, without limitation, all lands added by lot line adjustment to any existing legal parcel constituting part of the Company Owned Timberlands); and

(c) all the estate, right, title and interest of the Issuer, in and to all contract rights, actions and rights in action, relating to the property described in clause (a), including, without limitation, all rights to insurance proceeds and unearned premiums arising from or relating to damage to such property.

“*Company Timber*” means (i) all trees and timber, including, without limitation, standing timber and crops, now located on or hereafter planted or growing in the soil of any Company Owned Timberlands, or any part or parcel thereof, and all additions, substitutions and replacements thereof and (ii) any and all Harvested Timber.

“*Company Timber Property*” means the Company Owned Timberlands and the Company Timber.

“*Contingent Obligation*” means, as to any Person, any obligation of such Person guaranteeing any Indebtedness, leases, dividends or other obligations (“primary obligations”) of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, including, without limitation, any obligations of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business or obligations in connection with surety or appeal bonds.

“*Corporate Trust Office*” means the office of the Trustee, the Collateral Agent or the Registrar, as applicable, at which the trust created by this Indenture shall be principally administered.

“*Counsel*” means legal counsel reasonably satisfactory to the Trustee. Such legal counsel may be an employee, officer, manager or director of the Issuer or an Affiliate of the Issuer, unless otherwise indicated.

“*covenant defeasance*” shall have the meaning set forth in Section 6.3 of the Indenture.

“*Data Processing Equipment*” means all hardware, software, or other data processing systems or equipment, whether now owned or hereafter acquired by the Issuer, and wherever located.

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“*Data Processing Information*” means all information, programs, know-how, methods or methodology relating to the management of the Company Timber Property, the harvesting, severing or cutting of Company Timber, and the preparation of applications for Timber Harvesting Plans, including, without limitation, all such information, programs, know-how, methods or methodology relating to the GIS.

“*Deed of Trust*” means the Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment dated [_____], 2008 by [Newco], as trustor, in favor of the Deed of Trust Trustee for the benefit of the Collateral Agent, as beneficiary and agent for the Secured Parties, as the same may be amended, supplemented and otherwise modified and in effect from time to time.

“*Deed of Trust Trustee*” means [Fidelity National Title Insurance Company], and its successors in the trust created by the Deed of Trust.

“*Default*” means any occurrence or condition that, with notice or the lapse of time, or both, would become an Event of Default.

“*Default Interest*” means the interest accruing at the Default Rate on any amount of principal and/or Regular Interest on any New Timber Notes that was not paid when such amount became due and payable.

“*Default Rate*” means the Note Rate plus 2.00% per annum.

“*defeasance*” shall have the meaning set forth in Section 6.2 of the Indenture.

“*Defeased Notes*” shall have the meaning set forth in Section 6.1 of the Indenture.

“*Definitive Notes*” has the meaning given to such term in Section 2.5(b) of the Indenture.

“*Depository*” means, with respect to the Global Certificates, DTC or such other Person or Persons as shall be designated as Depository by the Registrar pursuant to Section 2.6(a) of the Indenture.

“*Dollars*” and “*\$*” means lawful money of the United States of America.

“*DTC*” means The Depository Trust Company, a New York corporation.

“*DTC Custodian*” has the meaning given to such term in Section 2.1 of the Indenture.

“*Environmental Laws*” means all federal, state or local statutes, laws, ordinances, regulations, rules, rulings, orders, restrictions, requirements, writs, injunctions, decrees or other official acts relating to the environment or hazardous or similar substances (including, without limitation, CERCLA and similar state laws), whether now or hereafter enacted or imposed by any Governmental Authority.

“*Event of Default*” has the meaning given to such term in Section 5.1 of the Indenture.

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“*Exchange Act*” means the Securities Exchange Act of 1934, as amended and in effect from time to time.

“*Final Maturity Date*” means [_____], 2043.

“*Financial Asset*” means “*financial asset*” as defined in Section 8-102(a)(9) of the Uniform Commercial Code.

“*GIS*” means the geographical information system of the Issuer, including any Data Processing Equipment and/or Data Processing Information which is a part of such system, and any updates, upgrades or modifications thereto developed by the Issuer.

“*Global Notes*” has the meaning given to such term in Section 2.1 of the Indenture.

“*Governmental Authority*” means (a) the United States of America, (b) any State, commonwealth, county, parish, municipality, territory, possession or other governmental subdivision within the United States of America or under the jurisdiction of the United States of America and (c) any Tribunal.

“*Harvested Timber*” means all trees, timber and crops which have been severed, cut or harvested from the Company Timber Property, or any parcel thereof, and with respect to which title has not yet passed to a third party purchaser in compliance with the terms of the Indenture.

“*Holder*” means the Person in whose name a New Timber Note is registered on the Register.

“*Indebtedness*” means, as to any Person, without duplication, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) the face amount of all letters of credit issued for the account of such Person and all drafts drawn thereunder, (iii) the aggregate amount payable under all capital leases under which such person is the lessee, (iv) all Contingent Obligations of such Person, (v) all net obligations of such Person under any interest rate protection agreements, (vi) all obligations of such Person under “take-or-pay” or other similar agreements and (vii) all liabilities of the types described in clauses (i), (ii), (iii), (iv), (v) and (vi) secured by any Lien on any property owned by such Person, whether or not such liabilities have been assumed by such Person; provided, however, that Indebtedness shall not include (a) trade payables due within 90 days, accrued expenses and other current liabilities arising in the ordinary course of business in commercially reasonable amounts not inconsistent with industry standards, (b) compensation, pension obligations and other obligations arising from employee benefits and employee arrangements in commercially reasonable amounts not inconsistent with industry standards, (c) indebtedness consisting of letters of credit or otherwise required by law in respect of workers’ compensation obligations or similar social insurance and (d) indebtedness the occurrence of which is expressly contemplated by the terms of the Indenture or other Operative Documents.

“*Indenture*” shall mean the Indenture between the Issuer and the Trustee, pursuant to which the New Timber Notes have been issued, as the same may be amended, modified or supplemented.

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“*Independent*” when used with respect to any specified Person, means that such Person:

(a) is in fact independent of the Issuer and any other obligor upon the New Timber Notes;

(b) is not an employee, officer, manager, director or an Affiliate of the Issuer or such other obligor; and

(c) does not own, and that no Affiliate of such Person owns, directly or indirectly, any beneficial or other interest in the Issuer or such other obligor or in any Affiliate of the Issuer or such other obligor.

“*Issue Date*” shall mean the date on which the New Timber Notes are issued pursuant to the Indenture.

“*Issuer*” has the meaning given to such term in the recitals to the Indenture.

“*Issuer Taxes*” means (without duplication) all taxes, assessments, fees, levies, imposts, duties, deductions, withholdings or other charges, together with any interest and penalties payable in connection therewith, from time to time or at any time imposed or assessed by any statute, law, ordinance, regulation, rule, ruling, order, writ, injunction, decree or other official act of any Governmental Authority (a) against the Issuer by reason of the Issuer’s ownership, harvesting, sale or other disposition or use of all or any part of the Mortgaged Property, (b) upon or with respect to, measured by or charged against, required to be deducted or withheld from or otherwise attributable to all or any part of the Mortgaged Property (or the use, sale or other disposition thereof) or (c) upon or against the Issuer, the Collateral Agent, the Trustee or any Beneficiary (as defined in the Deed of Trust) by reason of the Deed of Trust or the Liens created thereby, including, without limitation, yield, franchise, sales, transfer, gross receipts, profits, income (other than income taxes imposed on amounts paid or accrued on the Notes), property, ad valorem, production and severance taxes.

“*Lien*” means any deed of trust, security interest, assignment, pledge, hypothecation, charge or other encumbrance.

“*Lien of the Deed of Trust*” means the lien, assignment and security interest created or granted, or renewed, extended and continued in force and effect, by the Deed of Trust (including the after-acquired property provisions of the Deed of Trust), or created by any subsequent conveyance under the Deed of Trust or supplement to the Deed of Trust in favor of the Collateral Agent (whether made by the Issuer or any other Person), or otherwise created, effectively constituting any property a part of the security and Mortgaged Property held by the Collateral Agent for the benefit of the Secured Parties.

“*Majority Holders,*” at any date, means, subject to the provisions of Section 5.13 of the Indenture, the Holders of a majority in aggregate outstanding principal amount of New Timber Notes at such date.

“*Manager*” means a manager of the Issuer.

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“*Minimum Principal Amortization*” means the amount of principal payments on the New Timber Notes set forth under the column headed “Minimum Principal Amortization” in Schedule B to the Indenture.

“*Minimum Principal Amortization Amount*” means, as of any Note Payment Date, the excess, if any, of: (i) the sum of all amounts specified in Schedule B to the Indenture as Minimum Principal Amortization opposite the respective Note Payment Dates occurring on or prior to such Note Payment Date, over (ii) the aggregate principal amount that was paid on the New Timber Notes prior to such Note Payment Date.

“*Monthly Calculation Date*” means the last day of each calendar month.

“*Mortgaged Property*” means all of the rights, titles, interests and estates now owned or hereafter acquired by the Issuer in, to and under, each of the following:

- (a) the Company Owned Timberlands;
- (b) all Company Timber;
- (c) all the Subject Contracts, and all the Proceeds now or hereafter receivable, owing, deliverable, performable or attributable to or under the Subject Contracts;
- (d) all Data Processing Equipment and all other machinery, equipment and other tangible personal property and all fixtures and improvements now or hereafter situated upon any part of the Company Owned Timberlands;
- (e) all Data Processing Information and all other information, programs, know-how, methods or methodology relating to the management of the Company Timber Property and the harvesting, severing or cutting of Company Timber;
- (f) all existing and future permits, licenses, rights-of-way, easements, leases, franchises, certificates of public convenience and necessity, and all similar rights and privileges, that relate to or are appurtenant to any part of the Company Timber Property;
- (g) all Proceeds of and other rights relating to insurance or condemnation (including, without limitation, any judgments, insurance proceeds, awards of damages and settlements) receivable or accruing by reason of the loss of, damage to, diminution in the value of or income or revenues from, or taking (by power of eminent domain or otherwise) of all or any part of the properties or interests hereinabove or herein below described in this definition of the Mortgaged Property;
- (h) all documents, instruments, drafts, acceptances, general intangibles, chattel paper, deposit accounts, accounts, and all the Proceeds therefrom or attributable thereto, whether now or hereafter existing, arising out of or relating to the sale, use, exchange, development, operation, cutting, harvesting, storage, gathering, transportation, improvement, marketing, disposal, lease, handling or other dealings with or of all or any portion of the properties or interests hereinabove or herein below described in this definition of Mortgaged Property;

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(i) without limiting the foregoing descriptions, all equipment and inventory (as such terms are defined in the Uniform Commercial Code) and all documents (as defined in the Uniform Commercial Code) now and at any time or times hereafter obtained or acquired by the Issuer covering or representing all or any portion of the properties or interests hereinabove or herein below described in this definition of Mortgaged Property;

(j) all Timber Harvesting Plans and any other permits, documents or other governmental approvals pertaining to the harvesting, cutting, severing, transporting, storing, processing or handling of the Company Timber; and all plans, engineering reports, land planning, maps, surveys, and information and any other reports, plans, maps, surveys or information to be used in connection with the Company Owned Timberlands.

(k) all property of any kind or description that (i) may from time to time after the date of the Deed of Trust by delivery or by writing of any kind be conveyed, mortgaged, pledged, assigned or transferred to the Collateral Agent by the Issuer, or by any Person, with the consent of the Issuer, or otherwise as expressly permitted by the terms of the Deed of Trust and accepted by the Collateral Agent to be held as part of the Mortgaged Property or (ii) is required by the terms of the Indenture or the Deed of Trust to be subjected to the Lien of the Deed of Trust;

(l) each and every right, privilege, hereditament and/or appurtenance in anywise incident or appertaining to any of the properties or interests hereinabove or herein below described in this definition of the Mortgaged Property;

(m) the Proceeds from or attributable to the rights, titles, interests and estates hereinabove referred to in this definition of the Mortgaged Property (including, without limitation, all Assigned Proceeds), all guarantees and suretyship agreements relating to any such Proceeds, and the rights, titles and interests of the Issuer therein, and all security for payment or performance thereof, now or hereafter existing or arising;

(n) all other personal property used in connection with the above-described Mortgaged Property; and

(o) all extensions, renewals, proceeds, accessions, improvements, substitutions and replacements of and to any of the above-described Mortgaged Property.

Notwithstanding the foregoing, Mortgaged Property shall not include (i) any motor vehicles subject to a certificate of title law, (ii) any Timber Harvesting Plans, to the extent that the Issuer is prohibited from granting a security interest therein or (iii) any permits, documents or other governmental approvals other than Timber Harvesting Plans which the Issuer is prohibited by applicable law from granting a security interest in.

“*Mortgaged Property Redemption Threshold*” has the meaning set forth in Section 4.15(b)(i) of the Indenture.

“*Mortgaged Property Sales Account*” has the meaning given to such term in Section 4.15(b) of the Indenture.

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“*Mortgaged Property Sales Redemption*” has the meaning given to such term in Section 4.15(b) of the Indenture.

“*Mortgaged Property Sales Threshold*” has the meaning given to such term in Section 4.15(a) of the Indenture.

“*New Timber Note*” or “*Note*” means any of the 5.50% Timber Collateralized Notes.

“*New Timber Note Adjustment*” means a reduction dollar for dollar by the amount determined by the following equation: (a) the excess of the amount of the Allowed Scopac Loan Claim, any postpetition financing provided to Scopac and any other Secured Claim required to be paid by Scopac in excess of the outstanding balance as of the Effective Date in the SAR Account; plus (b) the excess of (i) the sum of (x) accrued by unpaid Scopac Administrative Expense Claims plus (y) Tax Claims that first arise after the Petition Date, including, without limitation, Tax Claims associated with the transfer of assets from Scopac, in excess of (ii) \$5,000,000, as such claims may be estimated as of the Effective Date; minus (c) any accrued but unpaid receivables arising after the Petition Date owed from Pacific Lumber to Scopac net of any accrued but unpaid receivables owed from Scopac to Pacific Lumber as of the Effective Date; provided that such New Timber Note Adjustment shall be upwardly adjusted based upon any net recovery by the Reorganized Entities of amounts paid by the Debtors or Reorganized Entities in respect of Tax Claims.

“*Note Owner*,” with respect to a Book-Entry Note, means the person who is the owner of such Book-Entry Note, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly or through a Clearing Agency Participant, in accordance with the rules of such Clearing Agency).

“*Note Payment Date*” means [_____], and the [___] day of each [_____] and [_____] thereafter through and including the Final Maturity Date. Notwithstanding the foregoing provisions of this definition, if any date or day that would constitute a Note Payment Date is not a Business Day, the next succeeding such date or day shall constitute the Note Payment Date (provided, however, that interest payable on such Note Payment Date, and all other calculations as of such Note Payment Date, shall be computed as of the date which would have been a Note Payment Date if such date were a Business Day).

“*Note Payment Account*” means account number _____ established pursuant to Section _____ of the Indenture with _____ and all successor accounts thereto.

“*Note Rate*” means 5.50% per annum.

“*Noteholder*” means a Holder.

“*Noteholder Certificate*” means a Certificate substantially in the form of Exhibit C to the Indenture.

“*Officer*” has the meaning given to such term in the definition of “*Responsible Officer*.”

“*Officer’s Certificate*” means a certificate that:

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(a) is signed by a Responsible Officer of the Person or Persons required to furnish or submit such certificate; and

(b) complies with the applicable requirements of Section 9.5 of the Indenture or Section 10.9 of the Deed of Trust, as the case may be.

“*Operating Agreement*” means the Agreement of Limited Liability Company of the Issuer, as amended from time to time.

“*Operative Documents*” means the Indenture, the Deed of Trust and the New Timber Notes from time to time outstanding.

“*Opinion of Counsel*” means a written opinion of Counsel which:

(a) complies with the applicable requirements of Section 9.5 of the Indenture or Section 10.9 of the Deed of Trust, as applicable;

(b) is addressed to the Trustee or the Collateral Agent, as applicable; and

(c) is in form and substance reasonably satisfactory to the addressee.

“*Original Indenture*” has the meaning given to such term in the Recitals.

“*outstanding*” when used with reference to any New Timber Notes, means, as of any particular time, all New Timber Notes theretofore authenticated and delivered by the Trustee, other than New Timber Notes in respect of which all outstanding or accrued principal of and Regular Interest and Default Interest on shall have been paid in full in accordance with the Indenture; New Timber Notes theretofore canceled by the Trustee, or surrendered to the Trustee for cancellation, pursuant to Section 2.8 of the Indenture; New Timber Notes in substitution for which other New Timber Notes shall theretofore have been authenticated and delivered pursuant to the Indenture; and solely for purposes of determining whether the holders of the requisite aggregate outstanding principal amount of New Timber Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, New Timber Notes registered in the name of (i) the Issuer or any other obligor upon the New Timber Notes, (ii) any nominee or Affiliate of the Issuer or such other obligor, (iii) any successor to the interest of the Issuer in all or substantially all of the Mortgaged Property or (iv) any nominee or Affiliate of any such successor.

“*Pacific Lumber*” has the meaning given it in the Recitals.

“*Paying Agent*” has the meaning given to such term in Section 2.3 of the Indenture.

“*Payment Default*” means any Event of Default specified in paragraph (1) or (2) of Section 5.1 of the Indenture.

“*Permitted Encumbrances*” means:

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(a) the specific matters, if any, to which the Deed of Trust is expressly made subject as set forth in a Schedule to a mortgagee title insurance policy in favor of the Trustee or Collateral Agent in respect of the Mortgaged Property;

(b) easements, restrictions, rights-of-way, servitudes, restrictive covenants, permits, licenses, use agreements, boundary agreements, surface leases, subsurface leases, or other similar encumbrances on, over or in respect of the Company Timber Property contained in or arising from or in respect of any document, instrument or agreement entered into by or with the consent of the Issuer in connection with any Timber Harvesting Plans, Timber Laws or Environmental Laws;

(c) discrepancies, conflicts in boundary lines, shortages in area, encroachments or any other facts which a correct survey would disclose, none of which, singly or in the aggregate, materially adversely affects the operation or value of the Mortgaged Property or materially adversely impairs the Issuer's or the Collateral Agent's right to receive and retain the proceeds of cutting, harvesting or severing of Company Timber;

(d) Liens for Issuer Taxes not yet delinquent or that are being diligently contested by the Issuer in good faith by appropriate proceedings and against which adequate reserves are being maintained in accordance with generally accepted accounting principles by the Issuer, provided that the enforcement or foreclosure of any such lien shall have been stayed pending the resolution of such proceedings;

(e) operators' liens or mechanics' or materialmen's liens arising in the ordinary course of business and incidental to the incurrence of reasonable expenses permitted by the Indenture or Deed of Trust with respect to the Mortgaged Property for amounts not yet due and payable or that are being diligently contested by the Issuer in good faith by appropriate proceedings and against which adequate reserves are being maintained by the Issuer, provided that the enforcement or foreclosure of any such lien shall have been stayed pending the resolution of such proceedings and such lien is fully subordinate to and subject in right of prior payment of the Secured Obligations;

(f) easements, restrictions, rights-of-way, servitudes, restrictive covenants, permits, licenses, use agreements, boundary agreements, surface leases, subsurface leases or other similar encumbrances on, over or in respect of the Company Timber or Company Owned Timberlands, none of which, singly or in the aggregate, materially adversely affects the operation or value of the Mortgaged Property or materially adversely impairs the Issuer's or the Collateral Agent's right to receive and retain the Proceeds of cutting, harvesting or severing Company Timber;

(g) such sales contracts and other similar agreements as are customarily found in connection with operating properties comparable to the Company Owned Timberlands, none of which, singly or in the aggregate, materially adversely affects the operation or value of the Mortgaged Property or materially adversely impairs the Issuer's or the Collateral Agent's right to receive and retain the Proceeds of cutting, harvesting or severing Company Timber; and

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(h) any lease, contract or other agreement or encumbrance granted or created by the Issuer after the date of the Deed of Trust that is specifically permitted and authorized under the terms of the Indenture and/or the Deed of Trust.

“*Person*” means an individual, a corporation, a partnership, a trust, an unincorporated organization, a limited liability company (including, without limitation, the Issuer), or a government or political subdivision thereof.

“*Plan*” has the meaning given to such term in the Recitals of the Indenture.

“*Post-Acceleration Date*” has the meaning given to such term in Section 5.7 of the Indenture.

“*Proceeding*” means any suit in equity, action at law or other judicial or administrative proceeding.

“*Proceeds*” means all proceeds, products, offspring, rents or profits of or derived from the Mortgaged Property. The term “Proceeds” includes whatever is receivable or received when any of the Mortgaged Property or Proceeds is sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes, without limitation, all rights to payment, including return premiums, with respect to any insurance relating thereto.

“*qualifying trustee*” shall have the meaning set forth in Section 6.4 of the Indenture.

“*Record Date*” for any Note Payment Date, means the close of business on the fifth day of the month in which such Note Payment Date occurs. If a Record Date is not a Business Day, the Record Date shall not be affected.

“*Redemption Price*” has the meaning set forth in Section 3.5 of the Indenture.

“*Register*” shall have the meaning set forth in Section 2.3 of the Indenture.

“*Registrar*” shall have the meaning set forth in Section 2.3 of the Indenture.

“*Regular Interest*” means interest on the unpaid portions of the principal amounts of the outstanding New Timber Notes accruing at the Note Rate (computed on the basis of a 360-day year of twelve 30-day months).

“*Responsible Officer*” or “*Officer*”

(a) of any Person that is a corporation (other than the Trustee), means the chairman of the board of directors, the president or any vice president, the controller or any assistant controller, the treasurer or any assistant treasurer, or the secretary or any assistant secretary of such Person;

(b) of any Person that is a partnership (other than the Trustee), means any such officer of a corporate general partner of such Person or any individual general partner of such Person;

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(c) of any Person that is a limited liability company (other than the Trustee), means the chairman of the board of managers and any other person performing functions comparable to the functions of the officers enumerated in (a) of this definition); and

(d) of the Trustee or the Collateral Agent, means (i) any officer in the Corporate Trust Office of the Trustee and (ii) any other officer of the Trustee to whom a matter is referred because of such officer's knowledge of and familiarity with such matter.

“*SAR Account*” means funds held in a reserve account under the Original Indenture titled the Scheduled Amortization Reserve Account and used to support principal payments of the Timber Notes.

“*Scheduled Amortization*” means the amount of principal payments on the New Timber Notes set forth under the column headed “Scheduled Amortization” in Schedule B to the Indenture.

“*SEC*” means the Securities and Exchange Commission or any successor agency responsible for the administration of the Securities Act.

“*Secured Claim*” means any Claim that is (a) secured in whole or in part, as of the Petition Date, by a Lien against property of a Debtor that is valid, perfected, and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable nonbankruptcy law, or (b) subject to setoff under section 553 of the Bankruptcy Code; provided, however, with respect to both (a) and (b) above, a Claim is a Secured Claim only to the extent of value, net of any senior Lien, of the Estate's interest in the assets or property securing any such Claim or the amount subject to setoff, as the case may be.

“*Secured Obligations*” means all indebtedness, liabilities and other obligations described or referred to in and provided to be secured by the Deed of Trust as set forth in the granting clause of the Deed of Trust.

“*Secured Parties*” means any Persons who at any time or from time to time are holders of any of the Secured Obligations or any portion thereof.

“*Securities Act*” means the Securities Act of 1933, as amended and in effect from time to time.

“*Scopac*” has the meaning given the term in the Recitals.

“*Scopac Loan Claim*” means any Claim arising from the Scopac Loan Agreement, which Claim is classified in Class 5 and treated under Article IV of the Plan.

“*State*” means any one of the 50 states of the United States of America (and any additional states that may be admitted after the Issue Date) or the District of Columbia.

[“*Subject Contracts*” means (a) all presently existing and future contracts or leases relating in any manner to the purchase, sale, removal, regeneration, cutting, harvesting, hauling or storing of any Company Timber and (b) any other agreements entered into by the Issuer

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subsequent to the date of the Deed of Trust, whether or not of the same general nature as set forth in clause (a).]

“*Tax Claim*” means any Claim for any and all federal, state, county and local income, ad valorem, excise, stamp and other taxes of any type or nature whatsoever.

“*TIA*” means the Trust Indenture Act of 1939, as amended and in effect from time to time.

“*Timber Harvesting Plans*” means all permits, whether now existing or hereafter created, filed with any Governmental Authority with respect to the harvesting, cutting or severance of Timber.

“*Timber Laws*” means all applicable statutes, laws, ordinances, regulations, rules, rulings, orders, restrictions, requirements, writs, injunctions, decrees or other official acts relating to the harvesting, cutting, severance, handling or transporting of Company Timber, and the maintenance, operation and management of the Company Timber Property, whether now or hereafter enacted or imposed by any Governmental Authority, including, without limitation, those relating to streams, waterways, wildlife habitat and endangered species, exclusive of Environmental Laws.

“*Title Insurance Policy*” means any ALTA mortgagee’s policy of title insurance in favor of the Trustee or the Collateral Agent in respect of the Company Owned Timberlands subject to the Lien of the Deed of Trust.

“*Tribunal*” means any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States of America or of any State, commonwealth, territory, possession, county, parish, municipality or other governmental subdivision within the United States of America or under the jurisdiction of the United States of America, whether now or hereafter constituted or existing.

“*Trustee*” means the Person named as “Trustee” in the recitals to the Indenture, in its capacity as trustee under the Indenture, together with its successors in such capacity.

“*Trustee’s Expenses*” means any fees, expenses, and damages of, or compensation to, the Trustee (including, without limitation, the reasonable fees and disbursements of counsel to the Trustee) incurred pursuant to the Indenture or owing to the Trustee as part of the Secured Obligations.

“*Uniform Commercial Code*” means the Uniform Commercial Code as now or hereafter in effect in the State of California.

“*U.S. Government Obligations*” shall have the meaning set forth in Section 6.4 of the Indenture.

“*Working Capital Facility*” shall mean the Indebtedness of [Newco] to be entered into subsequent to the Issue Date pursuant to the Plan in the aggregate principal amount not to exceed \$50 million and secured by the Company Owned Timberlands.

Schedule B

MINIMUM PRINCIPAL AMORTIZATION AND SCHEDULED AMORTIZATION SCHEDULES

[To Come]

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EXHIBIT A**

(FORM OF FACE OF NOTE)

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE TRUSTEE OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PRINCIPAL OF THIS NOTE IS PAYABLE IN INSTALLMENTS, AS SET FORTH HEREIN, WITHOUT SURRENDER OF THIS NOTE. ACCORDINGLY, THE UNPAID PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE INITIAL PRINCIPAL AMOUNT SET FORTH BELOW (DUE TO PRINCIPAL PAYMENTS BEFORE OR AFTER THE DATE OF THIS NOTE). ANYONE ACQUIRING BENEFICIAL OWNERSHIP OF THIS NOTE MAY ASCERTAIN THE CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE TRUSTEE.

No. A- \$ _____

CUSIP No. [_____]

[NEWCO]

5.50% Timber Collateralized Notes due 2043

[Newco], a [_____] limited liability company, promises to pay to _____, or registered assigns, the principal sum of _____ Dollars (or such other amount (not in excess of _____ Million (\$____,000,000) Dollars) as shall equal the unpaid principal amount of this Note) on [____], 2043 (the “Final Maturity Date”) and, on each Note Payment Date, such amounts as provided in the Indenture.

Note Payment Dates: [_____] and [_____]

Record Dates: [_____] and [_____]

Note Rate: 5.50%

Reference is made to the further provisions of this Note set forth on the reverse hereof, which further provisions are incorporated and shall for all purposes have the same effect as if set forth at this place. Capitalized terms used and not defined in this Note which are defined in the Indenture referred to herein have the meanings assigned to them in the Indenture.

IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized officers.

Dated: _____, _____

[NEWCO]

By _____
President or Vice President

By _____
Secretary or Assistance Secretary

TRUSTEE’S CERTIFICATE OF AUTHENTICATION

[_____] , as Trustee,
certifies that this is one of the New Timber Notes referred to in the Indenture.

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by _____
Authorized Signatory

1. **Interest; Principal**

[NEWCO], a [_____] limited liability company (such limited liability company, and its successors and assigns under the Indenture hereinafter referred to, being herein called the “Issuer”), promises to pay to the registered Holder hereof, or to its registered assigns, the initial principal amount indicated on the face hereof (or such lesser amount as shall equal the unpaid principal amount of this Note) on the Final Maturity Date indicated on the face hereof and, on each Note Payment Date that precedes the Final Maturity Date, (i) the principal amount required to be paid on such date by Section 2.10 of the Indenture, (ii) interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance hereof, from and including the most recent Note Payment Date on which interest has been duly paid to but excluding such Note Payment Date at the rate per annum indicated on the face hereof and (iii) without duplication of any amount payable pursuant to clause (ii), interest (computed on the basis of a 360-day year of twelve 30-day months) on any principal of this Note, and, to the extent lawful, interest payable under the foregoing clause (ii), that is not paid on the date such principal or interest becomes due and payable, for the period from and including the date such principal or interest becomes due and payable to but excluding the date such principal or interest is paid in full, at the Default Rate; provided, however, that, during the first 24 months following the Issue Date, on each Note Payment Date: (i) an amount equal to 50% of the accrued and unpaid Regular Interest and Default Interest, if any, on the New Timber Notes shall be capitalized and added to the principal amount of the New Timber Notes, in arrears; and (ii) the balance of the accrued and unpaid Regular Interest and Default Interest, if any, on the New Timber Notes (i.e. the other 50%) shall be paid in cash to Noteholders in arrears. If the date scheduled to be a Note Payment Date is not a Business Day, the next succeeding day that is a Business Day shall be the Note Payment Date, but all calculations of interest and other items will be as of the [____] day of the applicable month.

2. **Method of Payment**

The Issuer will pay the amounts payable on the Notes on each Note Payment Date to the persons who are registered Holders of Notes at the close of business on the fifth day of the month in which such Note Payment Date occurs (the “Record Date”), even if Notes are canceled after the Record Date and on or before such Note Payment Date. Holders need not surrender Notes to the Paying Agent to collect principal or other amounts payable in respect of the Notes, except that Notes must be surrendered to the Paying Agent after due notice to collect the final installment of principal thereon. The Issuer will pay all amounts payable on the Notes in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments on Definitive Notes will be made (i) by a U.S. dollar check drawn on a bank in New York City mailed to the Holder at such Holder’s registered address or (ii) upon application by a Holder of at least U.S. \$5,000,000 in principal amount of Definitive Notes to the Paying Agent not later than five Business Days prior to the related Record Date, by wire transfer in immediately available funds to a U.S. dollar account maintained by such Holder with a bank in New York City. Payments to Holders of the Global Notes will be made (i) by a U.S. dollar check drawn on a bank in New York City delivered to the registered owner of such Global Notes, at its registered address or (ii) by wire transfer in immediately available funds to a U.S. dollar account maintained by such registered owner with a bank in New York City. However, the final distribution with respect to the New Timber Notes will be made only against surrender of the New Timber Notes at the corporate trust office of the Paying Agent in New York, New York.

3. **Paying Agent and Registrar**

The Trustee will initially act as sole Paying Agent and the Trustee, initially, will act as Registrar. The Issuer may appoint and change any Registrar without notice. The Issuer may act as Registrar. The Issuer may appoint one or more other paying agents.

4. **Indenture; Deed of Trust**

The Issuer has issued the Notes under an Indenture dated as of [____], 2008 (the “Indenture”) between the Issuer and [____], as Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture (the “TIA”). The Notes are subject to all such terms, and Noteholders are referred to the Indenture and the TIA for a statement of those terms.

The Notes and the obligations of the Issuer pursuant to the Indenture and the Deed of Trust are secured by a Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Proceeds dated on or prior to [____], 2008 (the “Deed of Trust”) by the Issuer, as trustor, in favor of a trustee under the Deed of Trust, for the benefit of [____], in its capacity as collateral agent for the Holders of the New Timber Notes pursuant to the Deed of Trust. Noteholders are referred to the Deed of Trust for a statement of the terms thereof. Subject to certain exceptions set forth in the Deed of Trust, (i) the Deed of Trust may be amended with the written consent of the Majority Secured Parties (as defined in the Deed of Trust) and (ii) any default or noncompliance with any provision may be waived with the written consent of the Majority Secured Parties. Subject to certain exceptions set forth in the Deed of Trust, the Collateral Agent and the Issuer may amend the Deed of Trust to cure any ambiguity, omission, defect or inconsistency, to add to the covenants of the Issuer for the benefit of the Collateral Agent or the Secured Parties or to surrender any right or power conferred upon the Issuer or to make any change that does not adversely affect the rights of any Noteholder. The Indenture and the Deed of Trust impose certain restrictions upon, among other things, the ability of the Issuer to incur Indebtedness, to enter into agreements other than the Operative Documents and to create Liens on the Mortgaged Property.

5. **Collateral**

Pursuant to the Deed of Trust, the Issuer has pledged the Mortgaged Property.

6. **Optional Redemption or Prepayment**

The Issuer may redeem the Notes, in whole or in part, at any time, at a redemption price equal to the sum of (i) all unpaid principal amounts thereof as of the redemption date and (ii) all accrued and unpaid Regular Interest and Default Interest thereon as of the redemption date. The issuer may also make optional partial or total prepayments of principal on any Note Payment Date as provided in the Indenture.

7. **Notice of Redemption**

Notice of redemption will be mailed at least 15 days (or 30 days if required by DTC) but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at his or her registered address. If money sufficient to pay the redemption price of all Notes called for redemption is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after the redemption date interest shall cease to accrue on the Notes called for redemption.

8. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in denominations of \$[1,000] original principal amount or any integral multiple of \$100 in excess thereof. A Holder may transfer or exchange Notes for Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate certificates, opinions, endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not transfer or exchange (i) any Notes called for redemption or (ii) any Notes for a period of 15 days before a Note Payment Date.

9. Persons Deemed Owners

The registered Holder of this Note may be treated as the owner of it for all purposes.

10. Unclaimed Money

If money for the payment of principal of or interest on any Note remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuer at its request unless an abandoned property law designates another person. After any such payment, Holders entitled to the money must look only to the Issuer and not to the Trustee for payment.

11. Amendment; Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Notes may be amended with the written consent of the Majority Holders and (ii) any default or noncompliance with any provision may be waived with the written consent of the Majority Holders. Subject to certain exceptions set forth in the Indenture, without the consent of any Noteholder, the Issuer and the Trustee may amend the Indenture or the Notes to cure any ambiguity, omission, defect or inconsistency, to make any change that does not adversely affect the rights of any Noteholder, to add to the covenants of the Issuer for the benefit of the Holders or to surrender any right or power conferred upon the Issuer, to comply with the TIA, to comply with the provisions of Section 4.8 of the Indenture (in connection with certain consolidations or mergers) and to provide for uncertificated Notes in addition to or in place of certificated Notes.

12. Defaults and Remedies

The occurrence of any of the events enumerated in Section 5.1 of the Indenture shall constitute an Event of Default.

If an Event of Default under Section 5.1(6) of the Indenture shall occur, the Indenture provides that an amount equal to all amounts payable with respect to the Notes shall, without any demand, presentment or notice, become immediately due and payable. If any Event of Default described in any of Section 5.1(1) or (2) shall occur and be continuing, the Trustee may, or, if the Holders of 25% in aggregate outstanding principal amount of the Notes so elect, shall, declare all amounts payable with respect to the Notes to be immediately due and payable, and upon any such declaration of acceleration such amount shall become immediately due and payable. If any Event of Default described in clauses (3) through (5) of Section 5.1 of the Indenture shall occur and be continuing, if the Majority Holders so elect, the Trustee shall declare all amounts payable with respect to the Notes to be immediately due and payable, and upon any such declaration of acceleration such amount shall become immediately due and payable. If certain conditions set forth in Section 5.2(d) of the Indenture have been satisfied, the Majority Holders may rescind and annul a declaration of acceleration.

Noteholders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in principal amount of the Notes may direct the Trustee in its exercise of any trust or power. The

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Trustee may withhold from Noteholders notice of any continuing Default known to the Trustee (except a Default in payment of principal or interest) if it determines that withholding notice is in their interest.

Acceptance of this Note constitutes the waiver of certain rights of setoff, banker's lien, or the like against property of, or any amounts owing to, the Company as set forth in Section 5.9 of the Indenture.

13. Trustee Dealings with the Issuer

Subject to certain limitations imposed by the TIA if and when the Indenture is qualified under the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuer or its Affiliates and may otherwise deal with the Issuer of its Affiliates with the same rights it would have if it were not Trustee.

14. No Recourse Against Others

A director, manager, officer, employee, member or stockholder, as such, of the Issuer or the Trustee shall not have any liability for any obligations of the Issuer or the Trustee under the Notes or the Indenture or the Deed of Trust or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Noteholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

15. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent appointed by the Trustee and acceptable to the Issuer) manually signs the certificate of authentication on the other side of this Note.

16. Abbreviations

Customary abbreviations may be used in the name of a Noteholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Noteholders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Issuer will furnish to any Noteholder upon written request and without charge a copy of the Indenture and the Deed of Trust. Requests may be made to:

[Newco]
[Newco Address]
Attention: [_____]

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ASSIGNMENT FORM**

To assign this Note, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint _____ attorney or agent to transfer this Note on the books of the Issuer. The attorney or agent may substitute another to act for him.

Date:

Your Signature: _____
Sign exactly as your name appears on the other side of this Note.

Signature Guarantee: _____
(Signature must be guaranteed by a member firm of the New York Stock Exchange, commercial bank or trust company or another entity with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15.)

IMPORTANT NOTICE: WHEN YOU SIGN YOUR NAME TO THIS ASSIGNMENT FROM WITHOUT FILLING IN THE NAME OF YOUR "ASSIGNEE" OR "ATTORNEY OR AGENT", THIS NOTE BECOMES FULLY NEGOTIABLE, SIMILAR TO A CHECK ENDORSED IN BLANK. THEREFORE, TO SAFEGUARD A SIGNED NOTE, IT IS RECOMMENDED THAT YOU EITHER (i) FILL IN THE NAME OF THE NEW OWNER IN THE "ASSIGNEE" BLANK, OR (ii) IF YOU ARE SENDING THE SIGNED NOTE TO YOUR BANK OR BROKER, FILL IN THE NAME OF THE BANK OR BROKER IN THE "ATTORNEY OR AGENT" BLANK. ALTERNATIVELY, INSTEAD OF USING THIS ASSIGNMENT FORM, YOU MAY SIGN A SEPARATE "POWER OF ATTORNEY" FORM AND THEN MAIL THE UNSIGNED NOTE AND THE SIGNED "POWER OF ATTORNEY" IN SEPARATE ENVELOPES. FOR ADDED PROTECTION, USE CERTIFIED OR REGISTERED MAIL FOR A NOTE.

**EXHIBIT B
TO INDENTURE**

**FORM OF REPORT OF
INDEPENDENT ACCOUNTANTS**

[Letterhead of Accountants]

_____, _____

[_____] ,
as Trustee under the Indenture
referred to below
[Trustee Address]

[Newco]
[Newco Address]

Ladies and Gentlemen:

This letter is delivered pursuant to Section 4.5(a) of the Indenture dated as of [_____] , 2008 (as amended, supplemented and otherwise modified and in effect on the date of this letter, the “Indenture”) between [Newco], a [_____] limited liability company (the “Issuer”), and [_____] , as trustee (the “Trustee”).

We confirm that we are an independent registered public accounting firm with respect to the Issuer, within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 and the applicable rules and regulations thereunder.

We have audited, in accordance with generally accepted auditing standards, the balance sheet of the Issuer as of December 31, ____ [insert last day of most recent fiscal year] and the related statements of operations, cash flows and changes in members’ capital for the year then ended [describe period covered] [date of most recent audited balance sheet] and have issued our report thereon dated _____, ____.

In connection with our audit, nothing came to our attention that caused us to believe that the Issuer was not in compliance with any of the terms, covenants, provisions or conditions of Section 5.1 of Article Five of the Indenture, insofar as they relate to accounting matters, [except as described below]. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

[describe exceptions, if any]

This letter is intended solely for the management of the Issuer and the Trustee and shall not be used for any other purposes. We have no responsibility to update this report to reflect any events or circumstances occurring after the date of this letter.

Very truly yours,

LITIGATION TRUST AGREEMENT

PLC LITIGATION TRUST AGREEMENT

This *PLC Litigation Trust Agreement* (the “Agreement”) dated as of _____, 2008 is established by Scotia Development LLC, a Texas limited liability company, The Pacific Lumber Company, a Delaware corporation, Britt Lumber Co., Inc., a California corporation, Salmon Creek LLC, a Delaware limited liability company, Scotia Inn Inc., a Delaware corporation, and Scotia Pacific Company LLC, a Delaware limited liability company, each a debtor-in-possession in the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division (the “Bankruptcy Court”) in Chapter 11 Case Nos. 07-20027 through 07-20032 (collectively, hereafter referred to as either the “Debtors” or the “Grantor”), and _____ (the “Litigation Trustee”), and is executed in connection with and pursuant to the terms of the *First Amended Joint Plan of Reorganization for the Debtors Proposed By Mendocino Redwood Company, LLC and Marathon Structured Finance Fund L.P.* dated _____, 2008 (the “MRC/Marathon Plan”), which provides for, among other things, the establishment of a trust evidenced hereby (the “PLC Litigation Trust”).

WITNESSETH

WHEREAS, on January 18, 2007, each of the Debtors filed a separate voluntary petition pursuant to Chapter 11 of the Bankruptcy Code with the Bankruptcy Court;

WHEREAS, the Bankruptcy Court confirmed the MRC/Marathon Plan by order dated _____, 2008;

WHEREAS, the PLC Litigation Trust is created pursuant to, and to effectuate, the MRC/Marathon Plan;

WHEREAS, the PLC Litigation Trust is created on behalf, and for the sole benefit, of the holders of Allowed Claims in Classes 7, 8 and 9 (the “Beneficiaries”);

WHEREAS, the PLC Litigation Trust is established for the sole purpose of collecting, distributing and liquidating the Litigation Trust Assets for the benefit of the Beneficiaries in accordance with the terms of this Agreement and the MRC/Marathon Plan;

WHEREAS, the PLC Litigation Trust shall have no objective or authority to continue or to engage in the conduct of a trade or business;

WHEREAS, the MRC/Marathon Plan provides that the Beneficiaries are entitled to their applicable Litigation Trust Participations;

WHEREAS, pursuant to the MRC/Marathon Plan, the Grantor, the Litigation Trustee, and the Beneficiaries are required to treat, for all federal income tax purposes, the transfer of the Litigation Trust Assets to the PLC Litigation Trust as a transfer of the PLC Litigation Trust Assets by the Grantor to the Beneficiaries in satisfaction of their Allowed Claims in Classes 7, 8 and 9 under the MRC/Marathon Plan, followed by a transfer of the PLC Litigation Trust Assets by the Beneficiaries to the PLC Litigation Trust in exchange for the beneficial interest herein, and to treat the Beneficiaries as the grantors and owners of the PLC Litigation Trust in accordance with Treasury Regulation Section 301 7701-4; and

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WHEREAS, the PLC Litigation Trust is intended to be treated as a grantor trust for federal income tax purposes;

WHEREAS, the Bankruptcy Court shall have jurisdiction over the PLC Litigation Trust, the Litigation Trustee, the Causes of Action, the Litigation Trust Assets and the Litigation Trust Claims as provided herein and in the MRC/Marathon Plan; and

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein and in the MRC/Marathon Plan, the Grantor and the Litigation Trustee agree as follows:

**ARTICLE I
DEFINITIONS AND INTERPRETATIONS**

1.1 Definitions.

1.1.1 “Agreement” shall have the meaning set forth in the introductory paragraph to this Agreement.

1.1.2 “Bankruptcy Court” shall have the meaning set forth in the introductory paragraph to this Agreement.

1.1.3 “Beneficiaries” shall have the meaning set forth in the Recitals to this Agreement, or any successors to such Beneficiaries pursuant to Section 10.1 of this Agreement.

1.1.4 “Debtors” shall have the meaning set forth in the introductory paragraph to this Agreement.

1.1.5 “Effective Date” shall have the meaning set forth in the MRC/Marathon Plan.

1.1.6 “Grantor” shall have the meaning set forth in the introductory paragraph to this Agreement.

1.1.7 “Litigation Trust Assets” shall mean (a) that certain \$10.6 million to be provided by Newco to the Litigation Trust on the Effective Date which amount shall be used by the Litigation Trustee first for payment to Holders of Allowed Claims classified in Classes 7 and 8, second to repay the Funding Amount and finally, any remaining amounts returned to the Reorganized Entities, and (b) Causes of Action for money damages only, transferred, assigned and otherwise conveyed to the Litigation Trust by the Reorganized Entities on the Effective Date; *provided, however*, for avoidance of doubt, Litigation Trust Assets shall not include rights to setoff under section 553 of the Bankruptcy Code; *provided, further, however*, Litigation Trust Assets shall not include the following: (i) Causes of Action against any Debtor, Plan Proponent (in any capacity, including without limitation, Marathon, as lender to the Palco Debtors), Reorganized Entity and the Holder of the Class 5 Scopac Loan Claim; (ii) Avoidance Actions under section 547(b)(4)(a) of the Bankruptcy Code (i.e., ninety (90) day preference actions), with respect to trade creditors that (x) supply the Reorganized Entities in the ordinary course of their

business with goods and services, and (y) are identified in writing by the Reorganized Entities to the Litigation Trustee within ten (10) Business Days after the Litigation Trustee submits a written list of potential defendants to the Reorganized Entities; (iii) Causes of Action with respect to accounts receivables, tax refunds, tax rebates and any other amounts owed to the Debtors or the Reorganized Entities by account debtors; (iv) Causes of Action for recovery of amounts paid by the Debtors or Reorganized Entities in respect of Tax Claims that result in a New Timber Note Adjustment, provided that any net recovery by the Reorganized Entities on account of the Causes of Action in this sub-paragraph (iv) would cause an upward readjustment of the New Timber Note Adjustment; (v) the Headwaters Litigation; and (vi) Causes of Action with respect to Environmental Obligations.

1.1.8 “Litigation Trustee” shall mean (x) initially, the person named in the introductory paragraph to this Agreement as the Litigation Trustee, and (y) any successors or replacements duly appointed under the terms of this Agreement.

1.1.9 “MRC/Marathon Plan” shall have the meaning set forth in the introductory paragraph to this Agreement.

1.1.10 “PLC Litigation Trust” shall have the meaning set forth in the introductory paragraph to this Agreement and Section 8.1 of the MRC/Marathon Plan.

1.2 Use of Plan Definitions. All capitalized terms which are used in this Agreement and not otherwise defined herein shall have the same meaning set forth in the MRC/Marathon Plan. In the case of any inconsistency between the terms of this Agreement and the terms of the MRC/Marathon Plan, the terms of the MRC/Marathon Plan shall govern and control.

1.3 Certain References. Reference in this Agreement to any Section or Article is, unless otherwise specified, to that such section or article under this Agreement. The words “hereof,” “herein,” and similar terms shall refer to this Agreement and not to any particular section or article of this Agreement.

ARTICLE II ESTABLISHMENT, PURPOSE AND FUNDING OF LITIGATION TRUST

2.1 Creation and Name. There is hereby created the PLC Litigation Trust, which shall be known as the “PLC Litigation Trust,” and is the “Litigation Trust” referred to in Section VIII of the MRC/Marathon Plan. The Litigation Trustee may conduct the affairs of the PLC Litigation Trust under the name of the “PLC Litigation Trust.”

2.2 Purpose of PLC Litigation Trust. The Grantor and the Litigation Trustee, pursuant to the MRC/Marathon Plan and in accordance with Title 11 of the United States Code (the “Bankruptcy Code”), hereby create the PLC Litigation Trust for the purpose of collecting, distributing and liquidating the Litigation Trust Assets for the benefit of the Beneficiaries in accordance with the terms of this Agreement and the MRC/Marathon Plan. The activities of the PLC Litigation Trust shall be limited to those activities set forth in Article IV hereof and as otherwise contemplated by the MRC/Marathon Plan. The Litigation Trustee understands and agrees that the PLC Litigation Trust has no objective to continue or engage in the conduct of a

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trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the PLC Litigation Trust.

2.3 Transfer of Litigation Trust Assets.

2.3.1 Pursuant to the MRC/Marathon Plan, which is incorporated by reference herein, the Grantor hereby grants, releases, assigns, conveys, transfers and delivers, on behalf of the Beneficiaries, the Litigation Trust Assets to the Litigation Trustee as of the Effective Date, in trust for the benefit of the Beneficiaries for the uses and purposes as specified in this Agreement and the MRC/Marathon Plan. The Grantor shall have no further obligations with respect to the Allowed Claims in Classes 7, 8 and 9 under the MRC/Marathon Plan upon the transfer of the Litigation Trust Assets to the Litigation Trustee in accordance with this Agreement and the MRC/Marathon Plan. The Grantor shall from time to time as and when reasonably requested by the Litigation Trustee execute and deliver or cause to be executed and delivered all such documents (in recordable form where necessary or appropriate) and the Grantor shall take or cause to be taken such further action as the Litigation Trustee may reasonably deem necessary or appropriate, to vest or perfect in or confirm to the Litigation Trustee Title to and possession of the Litigation Trust Assets.

2.3.2 For all federal, state and local income tax purposes, the Grantor, the Beneficiaries, and the Litigation Trustee shall treat the transfer of the Litigation Trust Assets to the PLC Litigation Trust as a transfer of the Litigation Trust Assets by the Grantor to the Beneficiaries in satisfaction of their Allowed Claims in Classes 7, 8 and 9 under the MRC/Marathon Plan, followed by a transfer of the Litigation Trust Assets by the Beneficiaries to the Litigation Trust in exchange for their beneficial interests in the Litigation Trust. Thus, the Beneficiaries shall be treated as the grantors and owners of the PLC Litigation Trust.

2.4 Securities Law. Under Section 1145 of the Bankruptcy Code, the issuance of beneficial interests in the PLC Litigation Trust to the Beneficiaries under the MRC/Marathon Plan, to the extent such interests are deemed to be “securities,” shall be exempt from registration under the Securities Act of 1933, as amended, and all applicable state and local laws requiring registration of securities. If the Litigation Trustee determines, with the advice of counsel, that the PLC Litigation Trust is required to comply with the registration and reporting requirements of the Securities and Exchange Act of 1934, as amended, or the Investment Company Act of 1940, as amended, then the Litigation Trustee shall take any and all actions to comply with such reporting requirements and file necessary periodic reports with the Securities and Exchange Commission.

2.5 Funding of PLC Litigation Trust. To provide the PLC Litigation Trust with funds to investigate and prosecute the Litigation Trust Assets, pay Statutory Fees as set forth in Section 13.5 of the MRC/Marathon Plan and pay the costs and expenses of the PLC Litigation Trust, Newco, pursuant to the terms of Section 8.9 of the MRC/Marathon Plan shall, on the Effective Date, loan or cause to be loaned to the PLC Litigation Trust an amount equal to the sum of five hundred thousand dollars (\$500,000). Interest shall accrue on the outstanding principal balance of the Funding Amount at the rate of seven and one-half percent per annum (7.5%) until the Funding Amount (together with all accrued interest) has been repaid in full in accordance with the MRC/Marathon Plan. The term of such loan shall be until the termination

of the PLC Litigation Trust in accordance with the MRC/Marathon Plan. Except as provided in Section 2.3.1 above, and this Section 2.5, the Grantor and the Plan Proponents shall have no further obligation to provide any funding with respect to the Litigation Trust.

**ARTICLE III
LITIGATION TRUST BOARD**

3.1 Litigation Trust Board. The initial members of the Litigation Trust Board shall be (i) _____, (ii) _____, and (iii) _____. The Litigation Trust Board shall make certain determinations, in accordance with this Agreement and the MRC/Marathon Plan. Approval of a majority of the members of such Litigation Trust Board shall be required for the Litigation Trust Board to act, provided that the Litigation Trust Board may delegate responsibility for discrete issues or, decisions to one or more of its members. The Litigation Trust Board shall have the rights and powers set forth herein. In the event that a Litigation Trust Board shall not continue to exist under this Agreement, all references herein to required approval or other action of such Litigation Trust Board shall be of no force or effect.

3.2 Resignation/Replacement of Member of Litigation Trust Board. In the event that a member of the Litigation Trust Board resigns, the remaining members of the Litigation Trust Board, along with the Litigation Trustee, shall select a replacement to serve on the Litigation Trust Board.

3.3 Reimbursement and Indemnification. Except for reimbursement of reasonable expenses, and indemnification as set forth in Article VII hereof, the members of the Litigation Trust Board shall receive no compensation or other payment for the performance of their duties hereunder.

3.4 Confidentiality. Each member of the Litigation Trust Board shall, while serving as a member of the Litigation Trust Board under this Agreement and for a period of twelve (12) months following the termination of this Agreement or following his/her removal or resignation from the Litigation Trust Board, hold strictly confidential and not use for personal gain any material, non-public information of or pertaining to any entity to which any of the Litigation Trust Assets relate or of which he has become aware in his/her capacity as a member of the Litigation Trust Board.

**ARTICLE IV
ADMINISTRATION OF THE LITIGATION TRUST**

4.1 Rights, Powers and Privileges. The Litigation Trustee shall have only the rights, powers and privileges expressly provided in this Agreement and the MRC/Marathon Plan. The Litigation Trustee shall have the power to take the actions granted in the subsections below and any powers reasonably incidental thereto, which the Litigation Trustee, in his/her reasonable discretion, deems necessary or appropriate to fulfill the purpose of the Litigation Trust, unless otherwise specifically limited or restricted by the MRC/Marathon Plan or this Agreement:

4.1.1 file, initiate, analyze, investigate, compromise and settle all Causes of Action that are Litigation Trust Assets;

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4.1.2 commence and/or pursue any and all actions involving Litigation Trust Assets that could arise or be asserted at any time, unless otherwise waived or relinquished in the MRC/Marathon Plan;

4.1.3 hold legal title to any and all rights of the Grantor and the Beneficiaries in or arising from the Litigation Trust Assets;

4.1.4 protect and enforce the rights to the Litigation Trust Assets (including, without limitation, any and all Causes of Action that are Litigation Trust Assets) vested in the Litigation Trustee by this Agreement and the MRC/Marathon Plan by any method deemed appropriate including, without limitation, by judicial proceedings or otherwise;

4.1.5 compromise, adjust, arbitrate, sue on or defend, abandon, or otherwise deal with and settle, in accordance with the terms of this Agreement, claims in favor of or against the PLC Litigation Trust;

4.1.6 determine and satisfy any and all liabilities created or incurred by the PLC Litigation Trust;

4.1.7 file, if necessary, any and all tax and information returns with respect to the PLC Litigation Trust and pay taxes properly payable by the PLC Litigation Trust, if any;

4.1.8 request any appropriate tax determination with respect to the PLC Litigation Trust;

4.1.9 in reliance upon the official claims register maintained in the Debtors' chapter 11 cases, maintain on the Litigation Trustee's books and records, a register evidencing the beneficial interest herein held by each Beneficiary;

4.1.10 administer, reconcile and resolve Claims asserted in Classes 7, 8 and 9 under the MRC/Marathon Plan (including the filing of any objections to such claims as appropriate) and make distributions to Holders of Allowed Claims in Classes 7, 8 and 9 under the MRC/Marathon Plan as provided for in, or contemplated by, this Agreement and the MRC/Marathon Plan;

4.1.11 open and maintain bank accounts on behalf of or in the name of the Litigation Trust;

4.1.12 make all tax withholdings, file tax information returns, make tax elections by and on behalf of the PLC Litigation Trust and file returns for the PLC Litigation Trust pursuant to Section 7.9.2 hereof;

4.1.13 send annually to each Beneficiary a separate statement stating the Beneficiary's share of income, gain, loss, deduction or credit and instruct all such Beneficiaries to report such items on their federal tax returns;

4.1.14 establish such reserves for Disputed Claims, taxes, assessments, Litigation Trustee's fees and professional fees and other expenses of administration of the PLC

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Litigation Trust as may be necessary and appropriate for the proper operation of matters incident to the PLC Litigation Trust;

4.1.15 pay all expenses and make all other payments relating to the Litigation Trust Assets;

4.1.16 retain and pay third parties pursuant to Section 4.2 hereof;

4.1.17 obtain insurance coverage or a bond with respect to the liabilities and obligations of the Litigation Trustee and the members of the Litigation Trust Board under this Agreement (in the form of an errors and omissions policy or otherwise);

4.1.18 make distributions in accordance with the terms hereof;

4.1.19 all powers provided under the MRC/Marathon Plan to the Litigation Trustee;

4.1.20 invest any moneys held as part of the Litigation Trust Assets in accordance with the terms of Section 4.3 hereof; and

4.1.21 terminate the PLC Litigation Trust consistent with the terms of this Agreement and the MRC/Marathon Plan.

4.2 Agents and Professionals. The Litigation Trustee may, but shall not be required to, consult with and retain attorneys, accountants, appraisers, or other parties deemed by the Litigation Trustee to have qualifications necessary to assist in the proper administration of the Litigation Trust. The Litigation Trustee may pay the reasonable salaries, fees and expenses of such persons (including himself/herself), including contingency fees, out of the Litigation Trust Assets in the ordinary course to the extent permitted by Section 4.5 below and the MRC/Marathon Plan.

4.3 Investment and Safekeeping of Litigation Trust Assets. All moneys and other Litigation Trust Assets received by the Litigation Trustee shall, until distributed or paid over as herein provided, be held in Litigation Trust for the benefit of the Beneficiaries, but need not be segregated from other Litigation Trust Assets, unless and to the extent required by law or the MRC/Marathon Plan. The Litigation Trustee shall be under no liability for interest or producing income on any moneys received by the Litigation Trust and held for distribution or payment to the Beneficiaries, except as such interest shall actually be received by the Litigation Trustee. Investments of any moneys held by the Litigation Trustee shall be administered in view of the manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own affairs; *provided, however,* that the right and power of the Litigation Trustee to invest moneys held by the Litigation Trustee, the proceeds from any sale of shares of stock, or any income earned by the Litigation Trust shall be limited to the right and power to invest such moneys, pending periodic distributions in accordance with Article IV hereof and the MRC/Marathon Plan. For the removal of doubt, the investment powers of the Litigation Trustee, other than those reasonably necessary to maintain the value of the Litigation Trust Assets and the liquidating purpose of the Litigation Trust, are limited to powers to invest in demand and time

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deposits, such as short-term certificates of deposits, in banks or other savings institutions, or other temporary, liquid investments, such as treasury bills.

4.4 Limitations on Litigation Trustee. The Litigation Trustee shall not at any time, on behalf of the Litigation Trust or Beneficiaries: (i) enter into or engage in any trade or business, and no part of the Litigation Trust Assets or the proceeds, revenue or income therefrom shall be used or disposed of by the Litigation Trust in furtherance of any trade or business, or (ii) except as provided below, reinvest any Litigation Trust Assets.

4.4.1 The Litigation Trustee must consult with the Litigation Trust Board concerning any matter involving an amount equal to or exceeding \$250,000 and obtain the prior approval of the Litigation Trust Board on other specific matters described in this Agreement.

4.4.2 Other than as provided herein with respect to the Funding Amount or authorized by the Litigation Trust Board, the Litigation Trustee is not empowered to incur indebtedness; *provided, however*, other than as set forth in Section 5.8(i) below, in no event shall any indebtedness be incurred senior in priority of repayment to the Funding Amount.

4.4.3 The Litigation Trustee may only invest funds held in the Litigation Trust consistent with the requirements of this Agreement, the Bankruptcy Code or any order of the Bankruptcy Court modifying such requirements and, provided that the Litigation Trustee does so, he or she shall have no liability in the event of insolvency of any institution in which he or she has invested any funds of the Litigation Trust Estate.

4.4.4 The Litigation Trustee shall hold, collect, conserve, protect and administer the Litigation Trust in accordance with the provisions of this Agreement and the MRC/Marathon Plan, and pay and distribute amounts as set forth herein for the purposes set forth in this Agreement. Any determination by the Litigation Trustee as to what actions are in the best interests of the Litigation Trust shall be determinative.

4.5 Bankruptcy Court Approval of Litigation Trustee Actions. Except as provided in the MRC/Marathon Plan or otherwise specified in this Agreement, the Litigation Trustee need not obtain the order or approval of the Bankruptcy Court in the exercise of any power, rights, or discretion conferred hereunder, or account to the Bankruptcy Court. The Litigation Trustee shall exercise his/her business judgment for the benefit of the Beneficiaries in order to maximize the value of the Litigation Trust Assets and distributions, giving due regard to the cost, risk, and delay of any course of action. Notwithstanding the foregoing, the Litigation Trustee shall have the right to submit to the Bankruptcy Court any question or questions regarding which the Litigation Trustee may desire to have explicit approval of the Bankruptcy Court for the taking of any specific action proposed to be taken by the Litigation Trustee with respect to the Litigation Trust Assets, this Litigation Trust, the Agreement, the MRC/Marathon Plan, or the Grantor, including the administration and distribution of the Litigation Trust Assets. The Bankruptcy Court shall retain jurisdiction for such purposes and shall approve or disapprove any such proposed action upon motion by the Litigation Trustee. In addition, the Litigation Trustee shall have the authority, but not the obligation, to seek Bankruptcy Court approval to sell any Litigation Trust Asset free and clear of any and all liens, claims and encumbrances.

4.6 Valuation of Litigation Trust Assets. Pursuant to the MRC/Marathon Plan, the Litigation Trustee shall apprise the Beneficiaries of the value of the Litigation Trust Assets. The valuation shall be used consistently by all parties (including the Litigation Trustee and Beneficiaries) for all federal income tax purposes. Any dispute regarding the valuation of Litigation Trust Assets shall be resolved by the Bankruptcy Court.

**ARTICLE V
DISTRIBUTIONS FROM THE LITIGATION TRUST**

5.1 Distributions. As soon as reasonably practicable after the Effective Date, the Litigation Trustee shall distribute to Holders of Allowed Claims classified in Classes 7 and 8, that certain \$10.6 million Cash portion of the Litigation Trust Assets in accordance with this Agreement and the MRC/Marathon Plan. Thereafter, on at least a quarterly basis, on each Quarterly Payment Date, the Litigation Trustee shall distribute Litigation Trust Assets that become deliverable to Holders of Allowed Claims during the preceding calendar quarter in accordance with the MRC/Marathon Plan; *provided, however*, that the Litigation Trustee must retain and reserve an escrow of such amounts as are reasonably necessary to satisfy amounts that would be distributable in respect of Disputed Claims if the Disputed Claims were allowed in the face amount of such Disputed Claims (the “Disputed Claim Reserve”), and any such other amounts (such as other claims or other contingent liabilities) as reasonably necessary in his business judgment to fulfill his duties under the MRC/Marathon Plan or this Agreement.

5.2 Pro Rata Share of Distributions. Each Beneficiary shall receive its pro rata share of any and all distributions in accordance with the MRC/Marathon Plan, except that the Litigation Trustee may withhold from amounts distributable to any Beneficiary, any and all amounts, determined in the Litigation Trustee’s reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

5.3 Delivery of Distributions. All Distributions to be made under this Agreement and the MRC/Marathon Plan shall be made to Holders of Allowed Claims (a) if any such Holder has filed a Proof of Claim, at the address of such Holder as set forth in the Proof of Claim, or at the addresses set forth in any written certification of address change delivered to the Disbursing Agent after the date of filing of such Proof of Claim, or (b) if any such Holder has not filed a Proof of Claim, at the last known address of such Holder as set forth in the Debtors’ Schedules or Debtors’ books and records.

5.4 Timing of Distributions. Any payment or other Distribution required to be made under this Agreement on a day other than a Business Day shall be due on the next succeeding Business Day. All payments or Distributions due on the Effective Date shall be made thereon or as soon as practicable thereafter but in no event later than ten calendar days after the Effective Date. Any payment of Cash made pursuant to this Agreement shall be deemed made when such payment by check or wire transfer is transmitted.

5.5 Distributions After Allowance or Disallowance of a Disputed Claim. Within thirty (30) days of a Disputed Claim becoming an Allowed Claim, the Litigation Trustee shall distribute to the Holder thereof, from the Disputed Claim Reserve, such amount of Litigation Trust Assets as would have been distributed to such holder if its Claim had been an Allowed

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Claim on the Effective Date. The Litigation Trustee shall no longer reserve for and shall distribute to such Beneficiary, pursuant to Section 5.1 of this Agreement, the amount of any Disputed Claim that becomes disallowed.

5.6 Payments Limited to Litigation Trust Assets. All payments to be made by the Litigation Trustee to or for the benefit of any Beneficiary shall be made only to the extent that the Litigation Trustee has sufficient reserves to make such payments in accordance with this Agreement and the MRC/Marathon Plan. Each Beneficiary shall have recourse only to the PLC Litigation Trust Assets for distribution under this Agreement and the MRC/Marathon Plan.

5.7 Fees and Expenses.

5.7.1 Subject to the limitations set forth herein and in the MRC/Marathon Plan, the Litigation Trustee must pay the operating and administrative expenses of the PLC Litigation Trust before approving distributions to or for the benefit of Beneficiaries.

5.7.2 The Litigation Trustee shall satisfy any fees and expenses of the PLC Litigation Trust with either the Funding Amount and/or Cash proceeds of the Litigation Trust Assets when and to the extent they are realized; *provided, however*, in no event shall any portion of that certain \$10.6 million to be provided by Newco to the Litigation Trust on the Effective Date be utilized to satisfy any fees and expenses of the Litigation Trust; *provided, further, however*, notwithstanding anything herein to the contrary, after payment of all amounts owing under the MRC/Marathon Plan to Holders of Allowed Claims classified in Classes 7 and 8 from the \$10.6 million provided by Newco to the Litigation Trust on the Effective Date, up to \$500,000 of any such remaining funds may be utilized by the Litigation Trustee to repay the Funding Amount and the balance, if any, of such funds, shall not be utilized to satisfy any fees and expenses of the Litigation Trust but shall be returned to those entities that provided such amounts.

5.8 Priority of Distributions. Any recovery by the PLC Litigation Trust on account of the Litigation Trust Assets (which, other than as set forth in Section 5.7.2 above, for purposes of this Section 5.8(i) and (ii) shall not include the funds to be paid to Holders of Allowed claims classified in Classes 7 and 8) shall be applied in the following order:

(i) first, to pay any unpaid costs and expenses of the PLC Litigation Trust, including without limitation reasonable attorneys' fees and expenses and court costs;

(ii) second, to repay the Funding Amount to Newco, together with interest thereon, until the Funding Amount (together with all accrued interest) has been repaid in full; *provided, however*, notwithstanding anything herein to the contrary, the Funding Amount shall be reimbursed by the PLC Litigation Trust only to the extent that Cash proceeds of the Litigation Trust Assets sufficient to do so have been realized, and in the event that insufficient funds have been realized to pay off the Funding Amount, this shall not be a basis to prevent the PLC Litigation Trust from termination in accordance with the terms of this Agreement and the MRC/Marathon Plan; and

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(iii) third, distributed to Holders of Allowed Claims for Classes 7, 8 and 9 in accordance with this Agreement and the MRC/Marathon Plan.

5.9 Compliance with Laws. Any and all distributions of Litigation Trust Assets shall be in compliance with applicable laws, including, but not limited to, applicable federal and state securities laws.

5.10 Unclaimed/Undeliverable Distributions. If any Cash or other Distribution pursuant to this Agreement to any Holder of an Allowed Claim in Classes 7, 8 and 9 under the MRC/Marathon Plan is returned as undeliverable, no further Distributions to such Holder shall be made until such time as the Litigation Trustee is notified by written certification of such Holder's then-current address, at which time Distributions to such Holder shall be made without interest.

5.11 Failure to Claim Undeliverable Distributions. Any Holder of an Allowed Claim in Classes 7, 8 and 9 under the MRC/Marathon Plan that does not assert a claim pursuant to this Agreement and the MRC/Marathon Plan for an undeliverable Distribution within one year after the Distribution was initially attempted shall have its claim for such undeliverable Distribution discharged and such Distributions shall be deemed to be unclaimed property under Section 347(b) of the Bankruptcy Code. After such date, all Cash or other Distribution shall be forfeited and transferred to the Litigation Trustee and the claim of any Holder to such Cash or other Distribution pursuant to this Agreement and the MRC/Marathon Plan shall be discharged and forever barred. Any such Holder shall be forever barred from asserting any such claim against the Reorganized Entities. Nothing contained in this Agreement and the MRC/Marathon Plan shall require the Reorganized Entities or the Litigation Trustee to attempt to locate any Holder of an Allowed Claim in Classes 7, 8 and 9 under the MRC/Marathon Plan.

5.12 Setoff Rights. The Litigation Trustee may, but shall not be required to, setoff against or recoup from the Holder of any Allowed Claim on which payments or other Distributions are to be made hereunder, claims of any nature that the Litigation Trust may have against the Holder of such Allowed Claim. However, neither the failure to do so, nor the allowance of any Claim under the MRC/Marathon Plan, shall constitute a waiver or release of any such claim, right of setoff or right of recoupment against the Holder of such Allowed Claim.

5.13 Right to Object to Claims. Solely with respect to Class 7, 8 and 9 under the MRC/Marathon Plan, the Litigation Trustee shall have the responsibility and authority for administering, disputing, objecting to, compromising and settling or otherwise resolving and finalizing Distributions (if any) with respect to such Claims. In addition, the Litigation Trustee may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtors have previously objected to such Claim.

5.14 Claims Objection Deadline. The Litigation Trustee shall have until the date that is 180 days after the Effective Date to bring any objections to Claims in Class 7, 8 and 9 under the MRC/Marathon Plan; *provided, however,* that such deadline may be extended by the Bankruptcy Court upon motion of the Litigation Trustee, without notice or a hearing.

5.15 No Distributions Pending Allowance. If a Claim or any portion of a Claim is disputed, no payment or Distribution shall be made on account of the disputed portion of such Claim (or the entire Claim, if the entire Claim is disputed), unless such Disputed Claim or portion thereof becomes an Allowed Claim.

ARTICLE VI BENEFICIARIES

6.1 Identification of Beneficiaries. The Litigation Trust Participations of each Beneficiary in the PLC Litigation Trust shall be recorded and set forth in a register (the “Register”) maintained by the Litigation Trustee expressly for such purpose. In order to determine the actual names and addresses of the Beneficiaries, the Litigation Trustee may either (i) rely upon the official claims register maintained in the Debtors’ chapter 11 cases, or (ii) deliver a notice to the Beneficiaries. Such notice will include a form for each Beneficiary to complete in order to be properly registered as a Beneficiary and be eligible for distributions under the Litigation Trust. The Litigation Trustee agrees that upon thirty (30) days’ prior written notice delivered to it by a Beneficiary, the Litigation Trustee shall make available, during regular business hours, the Register for inspection by the Beneficiary or the Beneficiary’s authorized representative. Each Beneficiary’s Litigation Trust Participation which is dependent upon such Beneficiary’s classification under the MRC/Marathon Plan, shall be that accorded to such Beneficiary under Article IV of the MRC/Marathon Plan, as applicable. Each Distribution by the Litigation Trustee to the Beneficiaries shall be made in accordance with the terms set forth in Article V hereof.

6.2 Beneficial Interest Only. The ownership of a beneficial interest in the Litigation Trust shall not entitle any Beneficiary or the Grantor to any title in or to the Litigation Trust Assets or to any right to call for a partition or division of such Litigation Trust Assets or to require an accounting, except as specifically provided herein.

6.3 Ownership of Beneficial Interests Hereunder. Each Beneficiary shall own a beneficial interest in the Litigation Trust equal in proportion to the Pro Rata share of such Beneficiary’s Allowed Claim in accordance with the MRC/Marathon Plan.

6.4 Evidence of Beneficial Interest. Ownership of a beneficial interest in the Litigation Trust Assets shall not be evidenced by any certificate, security, or receipt or in any other form or manner whatsoever, except as maintained on the books and records of the Litigation Trust by the Litigation Trustee.

6.5 Limitation on Transferability. It is understood and agreed that the beneficial interests in the Litigation Trust shall be non-assignable during the term of this Agreement except by operation of law. An assignment by operation of law shall not be effective until appropriate notification and proof thereof is submitted to the Litigation Trustee, and the Litigation Trustee may continue to pay all amounts to or for the benefit of the assigning Beneficiaries until receipt of proper notification and proof of assignment by operation of law. The Litigation Trustee may rely upon such proof without the requirement of any further investigation. Any notice of a change of beneficial interest ownership as permitted by operation of law shall be forwarded to the Litigation Trustee by registered or certified mail as set forth herein. The notice shall be

executed by both the transferee and the transferor, and the signatures of the parties shall be acknowledged before a notary public and as required by Bankruptcy Rule 3001(e). The notice must clearly describe the interest to be transferred. The Litigation Trustee may conclusively rely upon such signatures and acknowledgments as evidence of such transfer without the requirement of any further investigation.

**ARTICLE VII
THIRD PARTY RIGHTS AND LIMITATION OF LIABILITY**

7.1 Parties Dealing With the Litigation Trustee. In the absence of actual knowledge to the contrary, any person dealing with the PLC Litigation Trust or the Litigation Trustee shall be entitled to rely on the authority of the Litigation Trustee or any of the Litigation Trustee's agents to act in connection with the Litigation Trust Assets. No person or entity which may deal with the Litigation Trustee shall have any obligation to inquire into the validity or expediency or propriety of any transaction by the Litigation Trustee or any agent of the Litigation Trustee.

7.2 Limitation of Litigation Trustee's Liability. Anything herein to the contrary notwithstanding, in exercising the rights granted herein, the Litigation Trustee shall exercise his/her best judgment, to the end that the affairs of the Litigation Trust shall be properly managed and the interests of all the Beneficiaries and the Grantor are safeguarded; but the Litigation Trustee shall not incur any responsibility or liability by reason of any error of law or of any matter or thing done or suffered or omitted to be done under this Agreement, except for gross negligence, willful misconduct, fraud or intentional misconduct.

7.3 Indemnification. The Litigation Trustee shall be indemnified and receive reimbursement against and from all loss, liability, expense (including counsel fees) or damage which the Litigation Trustee may incur or sustain in the exercise and performance of any of the Litigation Trustee's powers and duties under this Agreement, to the full extent permitted by applicable law, except if such loss, liability, expense or damage is finally determined by a court of competent jurisdiction to result from the Litigation Trustee's willful misconduct, fraud, intentional misconduct or gross negligence. The amounts necessary for such indemnification and reimbursement shall be paid by the Litigation Trustee out of the Litigation Trust Assets, except as otherwise provided in the MRC/Marathon Plan. The Litigation Trustee shall not be personally liable for the payment of any Litigation Trust expense or claim or other liability of the Litigation Trust, and no Entity shall look to the Litigation Trustee personally for the payment of any such expense or liability. This indemnification shall survive the death, dissolution, resignation or removal, as may be applicable, of the Litigation Trustee, or the termination of the Litigation Trust, and shall inure to the benefit of the Litigation Trustee's heirs and assigns.

**ARTICLE VIII
SELECTION, REMOVAL AND COMPENSATION OF LITIGATION TRUSTEE**

8.1 Initial Litigation Trustee. The initial Litigation Trustee shall be _____.

8.2 Term of Service. The Litigation Trustee shall serve until (a) the completion of all the Litigation Trustee's duties, responsibilities and obligations under this Agreement and the

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MRC/Marathon Plan; (b) termination of the Litigation Trustee in accordance with this Agreement; or (c) the Litigation Trustee's death, resignation or removal.

8.3 Removal of a Litigation Trustee. Any person serving as Litigation Trustee may be removed at any time by an order of the Bankruptcy Court on notice to the Litigation Trustee and the Litigation Trust Board, and a determination by the Bankruptcy Court that such removal is appropriate upon a showing of good cause. The removal shall be effective on the date specified in the order.

8.4 Resignation of Litigation Trustee. The Litigation Trustee may resign at any time by giving the Beneficiaries and Litigation Trust Board at least ninety (90) days written notice of his or her intention to do so. In the event of a resignation, the resigning Litigation Trustee shall render to the Beneficiaries a full and complete accounting of monies and Litigation Trust Assets received, disbursed, and held during the term of office of that Litigation Trustee. The resignation shall be effective on the later to occur of: (i) the date specified in the notice; or (ii) the appointment of a successor by the Litigation Trust Board and the acceptance by such successor of such appointment; *provided*, that if a successor Litigation Trustee is not appointed or does not accept his or her appointment within ninety (90) days following delivery of notice of resignation, the resigning Litigation Trustee may petition the Bankruptcy Court for the appointment of a successor Litigation Trustee.

8.5 Appointment of Successor Litigation Trustee. Upon the resignation, death, incapacity, or removal of a Litigation Trustee, the Litigation Trust Board shall appoint a successor Litigation Trustee to fill the vacancy so created, and shall provide notice to the Bankruptcy Court of the identity of the successor Litigation Trustee. Any successor Litigation Trustee so appointed shall consent to and accept in writing the terms of this Agreement and agrees that the provisions of this Agreement shall be binding upon and inure to the benefit of the successor Litigation Trustee.

8.6 Powers and Duties of Successor Litigation Trustee. A successor Litigation Trustee shall have all the rights, privileges, powers, and duties of his or her predecessor under this Agreement and the MRC/Marathon Plan. Notwithstanding anything to the contrary herein, a removed or resigning Litigation Trustee shall, when requested in writing by the successor Litigation Trustee, execute and deliver an instrument or, instruments conveying and transferring to such successor Litigation Trustee under the PLC Litigation Trust all the estates, properties, rights, powers, and trusts of such predecessor Litigation Trustee.

8.7 Litigation Trust Continuance. The death, resignation or removal of the Litigation Trustee shall not terminate the Litigation Trust or revoke any existing agency created pursuant to this Agreement or invalidate any action theretofore taken by the Litigation Trustee. In the event that a successor Litigation Trustee is not appointed within thirty (30) days of when required under this Agreement, any Beneficiary may apply to the Bankruptcy Court for appointment of a successor Litigation Trustee upon notice to the Litigation Trust Board.

8.8 Compensation and Costs of Administration. The Litigation Trustee shall receive fair and reasonable compensation for his/her services in accordance with his/her customary rates, which shall be set forth in the Confirmation Order (or a subsequent order of the Bankruptcy

Court in the event of any modifications to the Litigation Trustee's compensation) and charged against and paid out of the Litigation Trust Assets (subject to the limitations set forth in this Agreement and the MRC/Marathon Plan), provided, that no compensation may be paid to the Litigation Trustee unless and until the following procedures have been followed with respect to any individual request for compensation: (i) no more frequently than monthly and no less frequently than quarterly, the Litigation Trustee shall submit to the Litigation Trust Board a statement ("Statement") reflecting all fees (itemized, as applicable, to indicate the individual performing services, such individual's billable rate, a description of the services performed, the time spent, and the fees incurred) and itemized costs to be reimbursed, (ii) the amount reflected in any such Statement may be paid to the Litigation Trustee after 20 days after the delivery of the Statement as specified in clause (i) above, unless prior to the expiry of such 20-day period, the Litigation Trust Board shall have objected in writing to any compensation reflected in the Statement, in which case the undisputed amounts may be paid and the disputed amounts may only be paid by agreement of the Litigation Trustee and the objecting party, or pursuant to Final Order of the Bankruptcy Court, which shall retain exclusive jurisdiction over all disputes regarding the Litigation Trustee's compensation. All costs, expenses, and obligations, including without limitation filing fees, incurred by the Litigation Trustee (or professionals who may be employed by the Litigation Trustee in administering the Litigation Trust, in carrying out their other responsibilities under this Agreement, or in any manner connected, incidental, or related thereto) shall be paid from the applicable Litigation Trust Assets prior to any distribution to the Beneficiaries (subject to the limitations set forth in this Agreement and the MRC/Marathon Plan).

8.9 Annual Reporting and Filing Requirements.

8.9.1 Within 45 days after the end of each calendar year, the Litigation Trustee shall furnish a report to the Litigation Trust Board and the Grantor of all Litigation Trust Assets received by the PLC Litigation Trust, all Litigation Trust Assets disbursed to Beneficiaries, all Litigation Trust Assets disbursed for professional fees and costs of administering the PLC Litigation Trust (including compensation paid to the Litigation Trustee), and all Litigation Trust Assets held by the PLC Litigation Trust during the preceding calendar year. The Litigation Trustee's report will be available and provided to any Beneficiary upon request.

8.9.2 The Litigation Trustee shall file tax returns for the PLC Litigation Trust as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a) and any other applicable laws or regulations. The Litigation Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Litigation Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

8.9.3 The tax returns filed by the Litigation Trustee shall report all PLC Litigation Trust earnings (including PLC Litigation Trust earnings retained as a Disputed Claim Reserve) for the taxable year being reported.

8.10 Confidentiality. The Litigation Trustee shall, while serving as Litigation Trustee under this Agreement and for a period of twelve (12) months following the termination of this Agreement or following his/her removal or resignation hereunder, hold strictly confidential and not use for personal gain any material, non-public information of or pertaining to any entity to

which any of the Litigation Trust Assets relate or of which he has become aware in his/her capacity as Litigation Trustee.

**ARTICLE IX
MAINTENANCE OF RECORDS**

9.1 The Litigation Trustee shall maintain books and records containing a description of all property from time to time constituting the Litigation Trust Assets and an accounting of all receipts and disbursements. Upon thirty (30) days' prior written notice delivered to the Litigation Trustee, said books and records shall be open to inspection by any Beneficiary at any reasonable time during normal business hours; *provided* that, if so requested, such Beneficiary shall have entered into a confidentiality agreement satisfactory in form and substance to the Litigation Trustee. The Litigation Trustee shall furnish to any Beneficiary upon written request an annual statement of receipts and disbursements of the Litigation Trust. Such books and records may be destroyed without further notice to parties or approval of the Bankruptcy Court five (5) years after the final report to the Bankruptcy Court has been rendered by the Litigation Trustee (unless such records and documents are necessary to fulfill the Litigation Trustee's obligations pursuant to this Agreement).

**ARTICLE X
DURATION OF LITIGATION TRUST**

10.1 Duration. The PLC Litigation Trust shall become effective upon the Effective Date of the MRC/Marathon Plan. Thereupon, this Agreement shall remain and continue in full force and effect until the PLC Litigation Trust is terminated in accordance with the provisions of this Agreement and the MRC/Marathon Plan.

10.2 Termination of the Litigation Trust. The duties, responsibilities and powers of the Litigation Trustee, and the PLC Litigation Trust, shall terminate on the earlier of (i) full resolution of all Litigation Trust Assets transferred to the Litigation Trust, Distribution of the Litigation Trust Assets and the net proceeds thereof in accordance with this Plan and the Litigation Trust Agreement, and conclusion of all matters relative to the administration of the Litigation Trust, except for the filing of all final tax returns, (ii) payment in full in Cash of the Allowed Claims of Holders of Allowed Claims for Classes 7, 8 and 9 under the MRC/Marathon Plan, or (iii) three (3) years from the Effective Date; *provided, however*, subject to approval of the Bankruptcy Court upon a finding for cause shown that an extension is necessary for the purpose of the Litigation Trust, the term of the PLC Litigation Trust may be extended for a finite period based upon the particular circumstances at issue. Each such extension must be approved by the Bankruptcy Court within six (6) months of the beginning of the extended term with written notice thereof to include the Plan Proponents and the Reorganized Entities.

10.3 Continuance of Litigation Trust for Winding Up. After the termination of the PLC Litigation Trust and for the purpose of liquidating and winding up the affairs of the PLC Litigation Trust, the Litigation Trustee shall continue to act as such until his duties have been fully performed, including, without limitation, such post-distribution tasks as necessary to windup the affairs of the Litigation Trust. After the termination of the Litigation Trust, the

Litigation Trustee shall retain for a period of five (5) years the books, records, Beneficiary lists, and certificates and other documents and files which shall have been delivered to or created by the Litigation Trustee. At the Litigation Trustee’s discretion, all of such records and documents may, but need not, be destroyed at any time after five (5) years from the completion and winding up of the affairs of the Litigation Trust. Except as otherwise specifically provided herein, upon the discharge of all liabilities of the PLC Litigation Trust and final distribution of the Litigation Trust, the Litigation Trustee shall have no further duties or obligations hereunder.

**ARTICLE XI
MISCELLANEOUS**

11.1 Preservation of Privilege. In connection with the rights, claims, and Causes of Action that constitute the Litigation Trust Assets, any attorney -client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the PLC Litigation Trust pursuant to the terms of the MRC/Marathon Plan or otherwise shall vest in the Litigation Trustee and his representatives, and the Debtors, the Grantor, the Plan Proponents and the Litigation Trustee are authorized to take all necessary actions to effectuate the transfer of such privileges, as necessary.

11.2 Notices. All notices to be given to Beneficiaries may be given by ordinary mail, or may be delivered personally, to the holders at the addresses appearing on the books kept by the Litigation Trustee. Any notice or other communication which may be or is required to be given, served, or sent to the PLC Litigation Trust or the Litigation Trust Board, as applicable, shall be in writing and shall be sent by registered or certified United States mail, return receipt requested, postage prepaid, or transmitted by hand delivery or facsimile (if receipt is confirmed) addressed as follows:

If to the Litigation Trust:

Litigation Trustee

e-mail:

Fax:

With copy to:

Pachulski Stang Ziehl & Jones LLP
150 California Street, 15th Floor
San Francisco, California 94111
Fax: (415) 263-7010
Attn: John D. Fiero, Esq.
Maxim B. Litvak, Esq.

If to the Litigation Trust Board:

If to a Beneficiary:

To the name and address set forth on the Register for such Beneficiary,
or to such other address as may from time to time be provided in written notice, as applicable.

11.3 No Bond. Notwithstanding any state law to the contrary, the Litigation Trustee (including any successor) shall be exempt from giving any bond or other security in any jurisdiction.

11.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of law.

11.5 Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

11.6 Headings. The various headings of this Agreement are inserted for convenience only and shall not affect the meaning or understanding of this Agreement or any provision hereof.

11.7 No Execution. All funds in the PLC Litigation Trust shall be deemed *in custodia legis* until such times as the funds have actually been paid to or for the benefit of a Beneficiary, and no Beneficiary or any other Person can execute upon, garnish or attach the Litigation Trust Assets or the PLC Litigation Trust in any manner or compel payment from the PLC Litigation Trust except by Final Order of the Bankruptcy Court. Payment will be solely governed by this Agreement and the MRC/Marathon Plan.

11.8 Intention of Parties to Establish Grantor Litigation Trust. This Agreement is intended to create a grantor trust for United States federal income tax purposes and, to the extent provided by law, shall be governed and construed in all respects as such a grantor trust.

11.9 Amendment. This Agreement may be amended only by order of the Bankruptcy Court.

11.10 Severability. If any term, provision covenant or restriction contained in this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

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11.11 Counterparts and Facsimile Signatures. This Agreement may be executed in counterparts and a facsimile or other electronic form of signature shall be of the same force and effect as an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

SCOTIA DEVELOPMENT LLC

By: _____
Name: _____
Title: _____

THE PACIFIC LUMBER COMPANY

By: _____
Name: _____
Title: _____

BRITT LUMBER CO., INC.

By: _____
Name: _____
Title: _____

SALMON CREEK LLC

By: _____
Name: _____
Title: _____

SCOTIA INN INC.

By: _____
Name: _____
Title: _____

SCOTIA PACIFIC COMPANY LLC

By: _____
Name: _____
Title: _____

LITIGATION TRUSTEE

By: _____
Name: _____
Title: _____

**POTENTIAL CLAIMS AND CAUSES OF ACTION AND IDENTITIES OF
POTENTIAL DEFENDANTS**

**POTENTIAL CLAIMS AND CAUSES OF ACTION
AND IDENTITIES OF POTENTIAL DEFENDANTS¹**

Prior to the Effective Date, the MRC/Marathon Plan Proponents request that the Debtors undertake an analysis of any and all claims and Causes of Action that are or may be pending on the Effective Date or may be instituted by the trustee of the Litigation Trust or the Reorganized Entities after the Effective Date against any Person in an effort to determine whether any such Causes of Action should be pursued by the Debtors, any of the Reorganized Entities, and/or the Litigation Trustee.

In addition to the Causes of Action described herein, the Debtors may have, in the ordinary course of business, numerous Causes of Action, claims or rights against vendors or others with whom they deal in the ordinary course of business.² The Debtors may also have potential claims and Causes of Action not released pursuant to the releases described in the Disclosure Statement and set forth in the MRC/Marathon Plan, including but not limited to Causes of Action against the Debtors' parent companies, including MAXXAM, MGHI and MGI, and the Debtors' directors and officers. A list of the identities of the Debtors' directors and officers that are potential defendants is attached. Avoidance Actions that are preserved may be pursued by the Litigation Trust.

The rights of any party, including but not limited to the Debtors, the Reorganized Entities and the Litigation Trust, as applicable, to enforce, sue on, settle or compromise the Causes of Action described and listed herein (or decline to do any of the foregoing) are expressly reserved.

Except as specifically excluded herein or otherwise excluded in the MRC/Marathon Plan or in any Final Order, all Causes of Action, including those listed and/or generally described herein, shall be Liquidating Trust Assets and are preserved and retained for enforcement by the Litigation Trustee subsequent to the Effective Date:

- (1) all claims and Causes of Action under section 547 of the Bankruptcy Code, but excluding the Trade Creditor Avoidance Actions (defined below);
- (2) all claims and Causes of Action under section 548 of the Bankruptcy Code, including but not limited to those Causes of Action under section 548 of the Bankruptcy Code;
- (3) all claims and Causes of Action under any other section of the Bankruptcy Code, including but not limited to claims and causes of action under sections 542, 543, 544, 545, 549, and 550 of the Bankruptcy Code; and
- (4) all other claims and Causes of Action, other than those described below and in the MRC/Marathon Plan.

¹ Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the MRC/Marathon Plan.

² A list of the Debtors' creditors that received payment within the ninety (90) days prior to the Petition Date can be found in the Debtors' Statements of Financial Affairs that are available on the Bankruptcy Court's official website at <http://www.txs.uscourts.gov>.

Notwithstanding anything to the contrary herein, the Litigation Trust Assets shall not include the following Causes of Action, which are expressly preserved and retained for enforcement by the Reorganized Entities subsequent to the Effective Date:

- (1) rights to setoff under section 553 of the Bankruptcy Code;
- (2) Causes of Action against any Debtor, Plan Proponent (in any capacity, including without limitation, Marathon, as lender to the Palco Debtors), Reorganized Entity, or Holder of the Class 5 Scopac Loan Claim;
- (3) Avoidance Actions under section 547(b)(4)(A) of the Bankruptcy Code (i.e., ninety (90) day preference actions), with respect to trade creditors that (a) supply the Reorganized Entities in the ordinary course of their business with goods and services, and (b) are identified in writing by the Reorganized Entities to the Litigation Trustee within ten (10) Business Days after the trustee of the Litigation Trust submits a written list of potential defendants to the Reorganized Entities (the “Trade Creditor Avoidance Actions”);³
- (4) Causes of Action with respect to accounts receivables, tax refunds, tax rebates and any other amounts owed to the Debtors or Reorganized Entities by account debtors;
- (5) Causes of Action for recovery of amounts paid by the Debtors or Reorganized Entities in respect of Tax Claims that result in a New Timber Note Adjustment, provided that any net recovery by the Reorganized Entities on account of the Causes of Action in this sub-paragraph (5) would cause an upward readjustment of the New Timber Note Adjustment;
- (6) the Headwaters Litigation; and
- (7) Causes of Action with respect to Environmental Obligations.

Unless Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised or settled herein or otherwise in the MRC/Marathon Plan or any Final Order, all Causes of Action, including the Causes of Action described herein are expressly reserved for the Debtors, the Reorganized Entities, the Litigation Trust and their respective successors and assigns hereunder and future assigns, as applicable, for later adjudication and, therefore, no preclusion doctrine, including without limitation the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to such Causes of Action upon or after the confirmation or consummation of the MRC/Marathon Plan on account of confirmation of the MRC/Marathon Plan. *By example only, and without limiting the foregoing, the utilization or assertion of a Cause of Action, or the initiation of any proceeding with respect thereto against a Person by the Debtors, the Reorganized Entities, Litigation Trustee, or any successor to or assign of them, as applicable,*

³ At this time, the Plan Proponents **do not intend** that any Trade Creditor Avoidance actions will be pursued. Further, at this time, as the MRC/Marathon Plan has yet to be confirmed, a Litigation Trustee has yet to be selected and, accordingly, such Trade Creditor Avoidance Actions have yet to be identified by any Litigation Trustee in writing to the Reorganized Entities.

shall not be barred as a result of (a) the solicitation of a vote on the MRC/Marathon Plan from such person or such Person's predecessor in interest; (b) the Claim, Interest or Administrative Expense Claim of such Person or such Person's predecessor in interest having been listed in a Debtor's Schedules, list of Holders of Interests, or in the MRC/Marathon Plan, Disclosure Statement or any exhibit thereto; (c) prior objection to or allowance of a Claim or Interest of the Person or such Person's predecessor in interest; or (d) Confirmation of the MRC/Marathon Plan. The Confirmation Order's approval of the MRC/Marathon Plan shall be deemed a res judicata determination of such rights to retain and enforce such Causes of Action and none of the Causes of Action is deemed waived, released or determined by virtue of entry of the Confirmation Order or the occurrence of the Effective Date notwithstanding whether specific claims or Causes of Action are or are not specifically described herein.

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Directors and Officers		
Name	Company	Current and/or Former Position
Brian A. Anderson	Scotia Pacific Company LLC	Vice President-Resources
	The Pacific Lumber Company	Vice President-Resources
Frank Shaw Bacik	Scotia Pacific Company LLC	Vice President; General Counsel
	The Pacific Lumber Company	Vice President; General Counsel
Jeffrey C. Barrett	Scotia Pacific Company LLC	Vice President
	The Pacific Lumber Company	Vice President
Bernard L. Birkel	Maxxam Inc.	Secretary
	Scotia Pacific Company LLC	Secretary
	The Pacific Lumber Company	Secretary
Elizabeth D. Brumley	Maxxam Inc.	Controller; Vice-President
	Scotia Pacific Company LLC	Assistant Secretary
	The Pacific Lumber Company	Assistant Secretary
Gary L. Clark	Scotia Pacific Company LLC	Chief Financial Officer; Vice President-Finance and Administration
	The Pacific Lumber Company	Vice President-Finance and Administration; Chief Financial Officer
Robert J. Cruikshank	Maxxam Inc.	Director
J. Kent Friedman	The Pacific Lumber Company	Director
	Maxxam Inc.	Director; Co-Vice Chairman of the Board; General Counsel
	Scotia Pacific Company LLC	Manager on the Board of Managers
Charles E. Hurwitz	Maxxam Inc.	Director; Chairman of the Board; Chief Executive Officer; President
Shawn M. Hurwitz	Maxxam Inc.	Director; Co-Vice Chairman of the Board; President
John H. Karnes	Maxxam Inc.	Executive Vice President; Chief Financial Officer
	Scotia Pacific Company LLC	Manager; Vice-President
	The Pacific Lumber Company	Director
Ezra G. Levin	Maxxam Inc.	Director
	Scotia Pacific Company LLC	Manager on the Board of Managers
	The Pacific Lumber Company	Director
Henry S. Long	The Pacific Lumber Company	Vice President - Sawmill Operations and Services
M. Emily Madison	Maxxam Inc.	Vice-President, Finance; Acting Chief Financial Officer
	Scotia Pacific Company LLC	Assistant Secretary
	The Pacific Lumber Company	Assistant Secretary
Robert E. Manne*	Scotia Pacific Company LLC	Manager on the Board of Managers; President; Chief Executive Officer
	The Pacific Lumber Company	Director; President; Chief Executive Officer
James Mason	Maxxam Inc.	Controller
Valencia A. McNeil	Maxxam Inc.	Assistant Secretary
	Scotia Pacific Company LLC	Assistant Secretary
	The Pacific Lumber Company	Assistant Secretary
George A. O'Brien	Scotia Pacific Company LLC	Manager on the Board of Managers; President; Chief Executive Officer
	The Pacific Lumber Company	Director; President; Chief Executive Officer
James B. Robb	The Pacific Lumber Company	Director
Norma Romo Robertson	Maxxam Inc.	Assistant Secretary
	Scotia Pacific Company LLC	Assistant Secretary
	The Pacific Lumber Company	Assistant Secretary
Stanley D. Rosenberg	Maxxam Inc.	Director
Michael J. Rosenthal	Maxxam Inc.	Director
	The Pacific Lumber Company	Director
Paul N. Schwartz	Maxxam Inc.	Director; Chief Financial Officer; President
	Scotia Pacific Company LLC	Manager on the Board of Managers; Vice President
	The Pacific Lumber Company	Director
Jean A. Stromeyer	Maxxam Inc.	Assistant Secretary
	Scotia Pacific Company LLC	Assistant Secretary
	The Pacific Lumber Company	Assistant Secretary
Jackie Turk	Maxxam Inc.	Assistant Secretary
	Scotia Pacific Company LLC	Assistant Secretary
	The Pacific Lumber Company	Assistant Secretary
Jack M. Webb	Scotia Pacific Company LLC	Independent Manager on the Board of Managers
Sid R. Weiss	Scotia Pacific Company LLC	Manager on the Board of Managers
Dennis E. Wood*	The Pacific Lumber Company	Vice President - Operations, vice President - Strategic Planning and Implementation, Vice President - Real Estate Operations

* No longer employed by the Debtors