EXHIBIT E

Liquidation Analysis

Exhibit E

LIQUIDATION ANALYSIS

This Liquidation Analysis has been prepared by the Debtors. All statements, representations, assumptions and financial projections contained herein are the sole responsibility of the Debtors. The other Plan Proponents do not necessarily agree or disagree with the analysis contained herein.

This Liquidation Analysis is based upon a number of estimates and assumptions which, while considered reasonable by the Debtors, are inherently beyond the control of the Debtors or any chapter 7 trustee. There can be no assurances that the values reflected in the Liquidation Analysis would be realized if the Debtors were to undergo such liquidation. Instead, actual results could vary materially from those shown in the Liquidation Analysis. In addition, any liquidation necessarily would take place in the future under circumstances that presently cannot be predicted. Accordingly, if the Debtors' Estates were liquidated, the actual liquidation proceeds could be materially lower or higher than the amounts set forth in the Liquidation Analysis, and no representation or warranty can be made with respect to the actual proceeds that could be received in chapter 7 liquidation proceedings.

Although the Plan Proponents (other than the Debtors) do not necessarily agree or disagree with this Liquidation Analysis, each of the Plan Proponents believes, as to their respective Plan only, that a chapter 7 liquidation of the Debtors' assets would produce less value for distribution to creditors than that recoverable under such Plan.

A general summary of the assumptions used by the Debtors in preparing this Liquidation Analysis follows.

Estimate of Gross Proceeds Available for Distribution

Estimates were made of the cash proceeds which might be realized from the liquidation of each Debtor's assets. The chapter 7 liquidation period is assumed to commence on June 30, 2008 and to last 90 days following the appointment of a chapter 7 trustee.

Estimate of Costs Associated with Liquidation

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a chapter 7 trustee or trustees, as well as those which might be payable to attorneys and other professionals that such a trustee or trustees may engage. Further, costs of liquidation could include any obligations and unpaid expenses incurred by the Debtors during the chapter 11 case and allowed in the chapter 7 case, such as trade obligations, compensation for attorneys, financial advisors, appraisers, accountants and other professionals, and costs and expenses of members of any statutory committee of secured or unsecured creditors appointed by the United States Trustee pursuant to section 1102 of the Bankruptcy Code and any other committee so appointed. Moreover, additional claims would arise by reason of the breach or rejection of obligations incurred and executory contracts or leases entered into by the Debtors both prior to, and during the pendency of the chapter 11 case.

Distribution of Net Proceeds under Absolute Priority Rule

The foregoing types of claims, costs, expenses, fees and such other claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 priority, secured and unsecured claims. Under the absolute priority rule, no junior creditor would receive any distribution until all senior creditors are paid in full, and no equity holder would receive any distribution until all creditors are paid in full.

THE DEBTORS BELIEVE THAT IN CHAPTER 7 CASES, HOLDERS OF CERTAIN SECURED DEBT, CHAPTER 11 ADMINISTRATIVE/PRIORITY CLAIMS, GENERAL UNSECURED CLAIMS, AND EQUITY WOULD RECEIVE LITTLE OR NO RECOVERY.

In developing this conclusion, the Debtors considered the effects that a chapter 7 liquidation would have on the ultimate proceeds that would otherwise be available for distribution to creditors in a chapter 11 case, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee and (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail.

THE DEBTORS' LIQUIDATION ANALYSIS IS AN ESTIMATE OF THE PROCEEDS THAT MAY BE GENERATED AS A RESULT OF A HYPOTHETICAL CHAPTER 7 LIQUIDATION OF THE ASSETS OF THE DEBTORS.

Underlying the liquidation analysis are a number of estimates and assumptions that are inherently subject to significant economic, competitive and operational uncertainties and contingencies beyond the control of the Debtors or a chapter 7 trustee. Additionally, various liquidation decisions upon which certain assumptions are based are subject to change. Therefore, there can be no assurance that the assumptions and estimates employed in determining the liquidation values of the Debtors' assets will result in the proceeds which would be realized were the Debtors each to undergo an actual liquidation. The actual amounts of Allowed Claims against each Debtor's estate could vary significantly from the Debtors' estimate, depending on the claims asserted during the pendency of the chapter 7 case. This liquidation analysis does not include liabilities that may arise as a result of new tax assessments or other potential claims. This analysis also does not include potential recoveries from avoidance actions. No value was assigned to additional proceeds which might result from the sale of certain items with intangible value. Also, due to its currently indeterminable value, this analysis does not reflect any recovery from the Headwaters Litigation; therefore, the actual liquidation value of the Debtors could vary materially from the estimates provided herein.

The liquidation analysis set forth below was based on the estimated values of the Debtors' assets immediately prior to the Effective Date. To the extent operations through such date are different than estimated, the asset values may change. These values have not been subject to any review, compilation or audit by any independent accounting firm.

The Pacific Lumber Company and Scotia Pacific Company LLC et al.
Liquidation Analysis -- Proceeds
($ in 000's)

	Palco and Select Subsidiaries[1]			ScoPac		
	Book	Recovery		Book	Recovery	
	Value	Low	High	Value	Low	High
Gross Proceeds Available for Distribution						
Cash and Cash Equivalents	$ -	$ -	$ -	$ -	$ -	$ -
SAR Account	-	-	-	33,603	33,603	33,603
Accounts Receivable	12,044	9,635	11,442	248	-	-
Receivables from ScoPac/Palco	2,000	-	-	4,813	-	-
Inventory	895	716	850	248	198	236
Property, Plant and Equipment - Mill	38,860	14,018	17,133	-	-	-
Property, Plant and Equipment - Town and Other	23,756	44,040	53,826	30,976	7,744	7,744
Property, Plant and Equipment - Co-Gen	4,789	5,130	6,270	-	-	-
Other Current Assets	14,435	1,257	1,257	1,880	1,000	1,000
Note Receivable, L.T. Investments and Other	3,374	-	-	-	-	-
Deferred Tax Assets, Net	3,901	-	-	-	-	-
Timberlands	3,336	-	834	203,435	348,300	425,700
Ancient Redwood Groves	-	-	-	7,000	10,000	20,000
Restricted Cash	-	-	-	2,500	2,500	2,500
Intangible Assets	-	-	-	609	-	-
Prepaid Timber Harvesting Costs	-	-	-	6,493	-	-
Equity Value in ScoPac	-	-	-	-	-	-
Total	**$ 107,390**	**$ 74,795**	**$ 91,612**	**$ 291,805**	**$ 403,345**	**$ 490,783**
Costs Associated with Liquidation						
Chapter 7 Trustee Fees		$ (2,270)	$ (2,775)		$ (12,127)	$ (14,693)
M&A Investment Banking Fees		(748)	(916)		(4,033)	(4,908)
Professional Fees		(3,000)	(3,000)		(3,000)	(3,000)
Wind-Down Costs		(9,000)	(6,500)		-	-
Total Liquidation Costs		**$ (15,018)**	**$ (13,191)**		**$ (19,160)**	**$ (22,601)**
Net Proceeds Available for Distribution		**$ 59,777**	**$ 78,421**		**$ 384,185**	**$ 468,181**
Midpoint of Net Proceeds Available for Distribution		***$ 69,099***			***$ 426,183***	

(1) Includes The Pacific Lumber Company, Scotia Development LLC, Britt Lumber Co., Inc., Salmon Creek LLC, and Scotia Inn Inc.

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The Pacific Lumber Company and Scotia Pacific Company LLC et al.
Liquidation Analysis -- Allocation of Proceeds
($ in 000's)

	Palco and Select Subsidiaries[1]			Scopac		
	Allowable Claim	**Midpoint Recovery**	**Midpoint Recovery %**	**Allowable Claim**	**Midpoint Recovery**	**Midpoint Recovery %**
Net Proceeds Available for Distribution		$ 69,099			$ 426,183	
Post-Petition Secured Claims						
Professional Fee Carve-out	$ 2,250	$ 2,250	100%	$ -	$ -	N/A
Super Priority Administrative (DIP)	75,300	66,849	89%	-	-	N/A
Total Unclassified	77,550	69,099	89%	-	-	N/A
Proceeds Available for Remaining Claims		-			*426,183*	
Pre-Petition Secured Claims						
Secured Tax Claims	$ -	$ -	N/A	$ 28	$ 28	100%
Secured Debt - Marathon Term Loan	87,100	-	0%	-	-	N/A
Secured Debt - Bank of America	-	-	N/A	37,600	37,600	100%
Secured Debt - Timber Notes	-	-	N/A	788,100	388,555	49%
Total Secured Claims	87,100	-	0%	825,728	426,183	52%
Proceeds Available for Administrative/Priority Claims		-			-	
Administrative/Priority Claims						
Administrative Claims	$ 5,250	$ -	0%	$ 5,850	$ -	0%
Priority Tax Claims	32	-	0%	507	-	0%
Other Priority Claims	888	-	0%	96	-	0%
Post-Petition Trade and Other	6,331	-	0%	1,999	-	0%
Total Secured Claims	12,501	-	0%	8,452	-	0%
Proceeds Available for Unsecured Claims		-			-	
General Unsecured Claims						
General Unsecured Claims - Other	$ 10,400	$ -	0%	$ 362	$ -	0%
Pension	13,000	-	0%	-	-	N/A
OPEB/Workers' Compensation	8,602	8,602	100%	-	-	N/A
Contingent Claims	-	-	N/A	-	-	N/A
Inter-Debtor Claims	-	-	0%	1,200	-	0%
Non-Debtor Affiliate Claims	41,600	-	0%	807	-	0%
Total General Unsecured	73,602	8,602	12%	2,369	-	0%
Proceeds Available for Equity Interests	*N/A*	-	*0%*	*N/A*	-	*0%*
Total Distributions		$ 77,701			$ 426,183	

(1) Includes The Pacific Lumber Company, Scotia Development LLC, Britt Lumber Co., Inc., Salmon Creek LLC, and Scotia Inn Inc.

Discussion of Liquidation Proceeds

CASH AND CASH EQUIVALENTS

Palco No projected cash on hand at 6/30/08, as all operating liquidity needs provided by DIP and/or MAXXAM log/lumber purchases.

Scopac No projected cash on hand at 6/30/08. This amount excludes the SAR Account described below. Scopac is currently in the process of pursing DIP financing. At the time of this analysis, the DIP financing has not been finalized. Therefore, for the purposes of this analysis, no DIP financing is assumed at Scopac. It is not believed that the DIP financing will materially change the results of this liquidation analysis.

SAR Account

Scopac The SAR Account consists of cash and highly liquid, short-term fixed income securities held by Scopac. It is expected that a full recovery of all assets in the SAR Account will be realized upon liquidation. Scopac does not waive any claims it may have to receive full, unrestricted access to the cash in the SAR Account upon a liquidation.

RESTRICTED CASH

Scopac Restricted cash of $2.5 million represents cash held in a segregated account whose use had been restricted to land purchases. Scopac would expect to receive full, unrestricted access to this cash upon a liquidation.

ACCOUNTS RECEIVABLE

Palco Accounts Receivable consists of trade receivables primarily from lumber customers. The recovery of accounts receivable is based on management's estimate of collection (given such factors as the aging and historical collection patterns of the receivables and the effect, if any, of the liquidation on collectibility).

Scopac Scopac's Accounts Receivable represents amounts owed by employees participating in an employee computer purchase program. Under this program, Scopac purchased computers on behalf of employees in exchange for reimbursement through future payroll deductions. Scopac does not expect a material recovery on the $0.2 million outstanding under this program upon liquidation.

RECEIVABLE FROM SCOPAC / PALCO

Palco Receivable from Scopac represents amounts owed to Palco by Scopac for the reimbursement of roads and reforestation expenses. It is estimated that Palco will receive no recovery on these amounts given Scopac's assumed contemporaneous chapter 7 liquidation.

Scopac Receivable from Palco represents amounts owed to Scopac by Palco primarily for the purchase of pre-petition logs. It is estimated that Scopac will receive no recovery on these amounts owed given Palco's assumed contemporaneous chapter 7 liquidation. Of this amount, $2.3 million is classified as an administrative claim against Palco. As of the time of preparation of this analysis (February 25, 2008), Palco had not made its February 20, 2008 payment to Scopac (approximately $3.5 million) for logs delivered to Palco in January 2008. This analysis assumes payment is ultimately received by Scopac prior to June 30, 2008. Final resolution is still subject to negotiations between Palco and Scopac. It is not anticipated that the ultimate resolution will materially impact this liquidation analysis.

INVENTORY

Palco Inventory is comprised of primarily log inventory and lumber inventory. Log inventory consists primarily of timber that has been felled and delivered to Palco's log deck and purchased by Palco but which otherwise remains unprocessed. Lumber inventory is comprised primarily of timber that is either in the process of being converted into finished lumber (work-in-process inventory) or has completed this process (finished goods inventory). The overall inventory recovery considers, among other things, the estimated market price of the logs or lumber and the amount of processing that the lumber inventory has undergone. Recoveries are shown net of costs incurred to liquidate the inventories.

<u>Scopac</u> Inventory is comprised of log inventory. Log inventory consists primarily of timber that has been felled and delivered to Scopac's log deck but which otherwise remains unsold to Palco. The overall inventory recovery considers, among other things, the estimated market price of the logs. Recoveries are shown net of costs incurred to liquidate the inventories.

PROPERTY, PLANT AND EQUIPMENT (PP&E)

<u>Palco</u> Property, Plant and Equipment includes primarily land, buildings, and machinery and equipment related to the mill, town of Scotia, co-generation facility, and other PP&E. Book values are based upon the expected net book value as of 6/30/08. The recovery rates consider, among other things, the effects of the chapter 7 environment and the liquidation of the Scotia mill, and are based on Cushman & Wakefield's estimate of orderly liquidation value.

- Mill: Includes all assets related to the mills in Scotia, California. These assets include land, buildings, machinery, equipment, and rolling stock.

- Town and Other: Consists of the 270 homes and other commercial assets in Scotia, California. Commercial assets include the Scotia shopping center and various other commercial buildings. Also included are the former mill sites in Carlotta, Fortuna and Arcata that the Company intends to monetize.

- Co-Generation Facility: Includes all assets related to the power plant facility located in Scotia, California.

<u>Scopac</u> PP&E primarily consists of equipment related to managing the timberlands, including vehicles, geographical information systems (GIS), and other forestry inventory equipment. Book values are based on the forecasted net book value of Scopac's PP&E as of 6/30/08. The overall PP&E recovery considers, among other things, the estimated market price of the equipment, the costs incurred to liquidate the equipment, and the effects of the chapter 7 environment, among other things.

OTHER CURRENT ASSETS

<u>Palco</u> Other Current Assets consist primarily of prepaid insurance expenses, deposits held by third parties, and capitalized asset sale costs. Prepaid insurance of $1.3 million is assumed to be fully refundable to Palco upon cancellation of any insurance policies. Deposits of $8.6 million held by the State of California for Palco's workers' compensation obligation are assumed to be held and used to satisfy the obligations that they are securing. Deposits of $2.0 million held by Old Republic Insurance for Palco's general liability insurance are assumed to not be returned to the estate, as they will be held by Old Republic for an indeterminable time frame. Capitalized asset sale costs are assumed not recoverable.

<u>Scopac</u> Other Current Assets consist primarily of prepaid insurance expenses ($1.0 million). Prepaid insurance is assumed to be fully refundable to Scopac upon cancellation of insurance policies. Any remaining amounts are assumed to generate no recovery.

NOTE RECEIVABLE, L.T. INVESTMENTS AND OTHER

<u>Palco</u> Note Receivable, Long-Term Investments and Other represent inter-debtor claims and investment in Britt Lumber. No recovery is expected.

DEFERRED TAX ASSETS, NET

<u>Palco</u> Deferred Tax Assets, Net will generate no proceeds.

TIMBERLANDS

Palco Timberlands include Palco's ownership of approximately 10,000 acres of timberland primarily through its subsidiary Salmon Creek LLC. Recovery rates reflect the residual value of this timberland as Scopac owns the timber rights associated with this land.

Scopac Timberlands represent the over 200,000 acres of merchantable timberland owned by Scopac and the 10,000 acres of merchantable timberland owned by Palco and its subsidiary, Salmon Creek, which Scopac has the exclusive right to harvest. The book value of the Timberlands is based on the forecasted net book value as of 6/30/08. KPMG has prepared an analysis of the liquidation value of the timberlands (excluding the MMCA lands). Consistent with the timing that would be required under a chapter 7 liquidation scenario, KPMG has assumed a 90-day exposure period for the marketing of the timberlands. KPMG has assumed that under such a liquidation, the most likely buyers would be adjacent land owners or other investors that would be interested in a certain subset of the total acreage. As such, KPMG assumed the separate sale of the five primary areas (based upon watersheds) and separately valued each parcel, primarily relying on the DCF value of the individual 50-year cash flow forecasts. KPMG's analysis and discussions with parties active in the local markets have led KPMG to believe a 50% discount would be appropriate to the valuation in the context of a short-term liquidation. To this value, KPMG added the value of gravel extraction and cell tower lease liquidation values. To illustrate the range of estimated proceeds, the Debtors have illustrated a +/- 10% range surrounding the KPMG liquidation estimate of $387.0 million.

ANCIENT REDWOOD GROVES

Scopac Ancient Redwood Groves consist of approximately 7,000 acres of land with a significant population of old-growth redwood trees. It is assumed the recovery on the approximately 7,000 acres that comprise the Ancient Redwood Groves would yield gross proceeds of $10.0 - $20.0 million, consistent with the Noteholders' expert's testimony.

RESTRICTED CASH

Scopac Restricted cash of $2.5 million represents cash held in a segregated account whose use had been restricted to land purchases. Scopac would expect to receive full, unrestricted access to this cash upon a liquidation.

INTANGIBLE ASSETS

Scopac No recovery is expected for Intangible Assets.

PREPAID TIMBER HARVESTING COSTS

Scopac Prepaid Timber Harvesting Costs consist of costs associated with the preparation and filing of timber harvesting plans. Scopac would expect to receive no recovery from Prepaid Timber Harvesting Costs.

EQUITY VALUE IN SCOPAC

Palco Equity value in ScoPac represents Palco's 100% ownership interest in ScoPac. It is assumed that upon liquidation of ScoPac there will be no proceeds available to Palco in respect of its equity ownership in Scopac.

TRUSTEE FEES

Palco and Scopac Trustee fees are estimated per Section 326 of the bankruptcy code at 25% of the first $5,000 liquidation proceeds, 10% of any proceeds greater than $5,000 but less than $50,000, 5% of any proceeds greater than $50,000 but less than $1 million, and 3% of any proceeds greater than $1 million.

M&A INVESTMENT BANKING FEES

Palco and Scopac M&A Investment Banking Fees are estimated based on 1% of the gross proceeds from a liquidation.

PROFESSIONAL FEES

Palco and Scopac Professional fees are necessary to ensure an orderly liquidation and are estimated to be approximately $0.5 million per month for six months for each debtor for attorney and financial advisory fees. Fees are expected to decline as the Debtors near completion of the liquidation process.

WIND-DOWN COSTS

Palco Under a chapter 7 liquidation, Palco and its subsidiaries, excluding Scopac, are estimated to cease all operations immediately and liquidate its assets within 90 days. All mill operations are expected to cease immediately. Under the WARN Act, California law requires that employees receive 60 days termination notice. Management estimates that it would have sufficient time prior to the commencement of the liquidation to provide such notice and avoid any additional severance costs. The vast majority of corporate headquarters employees will also be terminated immediately upon commencement of a liquidation. Remaining employees will be primarily responsible for functions such as accounting, finance, treasury, collections, information technology, and sales.

Wind-down costs primarily relate to payroll and benefits, utilities, taxes and insurance, supplies and environmental remediation costs. Payroll costs have been determined based on the estimated number of employees required during each month prior to the completion of the liquidation. Benefits have been estimated at 25% to 50% of payroll costs. Utilities are estimated based on current utility rates in Humboldt County California. Though the Company currently operates a co-generation power plant, it would be uneconomical for the Debtors to operate the power plant after liquidation of the Scotia sawmill and incur the high fixed costs associated with such operations. The Debtors also expect to incur taxes and insurance until the completion of a liquidation. Taxes include real and personal property taxes for all owned property until sold and are based on historical amounts incurred adjusted on a pro-rata basis as assets are liquidated. Management has estimated $2.5-$5.0 million for such costs. Management also estimates environmental remediation costs of $4.0 million.

Scopac Management has estimated that a chapter 7 liquidation of Scopac would last approximately 90 days. During this time, Scopac would continue to harvest logs, which would be sold to third parties. Proceeds would be used to offset any wind-down costs.

Remaining employees will primarily be responsible for functions such as forestry, accounting, finance, treasury, collections, information technology, and sales. Many of these functions and their associated costs, except for forestry and science, would be shared with Palco during the liquidation.

Wind-down costs primarily relate to payroll and benefits, logging and hauling costs, roads expenditures, occupancy costs, utilities, taxes and insurance, and supplies. Payroll costs have been determined based on the estimated number of employees required during each month prior to the completion of the liquidation. Benefits have been estimated at 25% to 50% of payroll costs.

Logging and hauling costs would be incurred by Scopac so that the Debtor could continue to harvest and sell logs to third parties during the wind-down period. Scopac would also be required to continue most road work during the wind-down period to comply with regulatory requirements and provide access to logs for harvest. Occupancy costs include rental payments made by Scopac to Palco for the use of office space. Utilities include estimates for the cost of electricity and other utilities required during the wind-down period.

The Debtors also expect to incur taxes and insurance until the completion of a liquidation. Taxes include real and personal property taxes for all owned property until sold. Tax estimates are based on historical amounts incurred adjusted on a pro-rata basis as assets are liquidated. For Scopac, management has assumed that wind-down costs are offset by revenue during the wind-down period.

Discussion of Allocation of Proceeds

PROFESSIONAL FEE CARVE-OUT

Palco Per Palco's DIP Revolving Credit Agreement with Marathon Structured Finance Fund L.P., a professional fee carve-out of $2.25 million has been reserved for payment of professional fees.

DIP FINANCING CLAIMS

Palco DIP Financing Claims are secured by a first priority lien on all of the assets of Palco and its subsidiaries other than Scopac. The DIP Facility is assumed to be fully drawn at the time liquidation would commence. The $75.3 million claim includes $0.3 million of PIK interest, which is based on an assumed average new borrowing balance of $30.0 million for six months at a 2% PIK rate.

SECURED TAX CLAIMS

Palco Secured Tax Claims represents any unpaid pre-petition secured taxes.

SECURED DEBT

Palco Term Loan represents the pre-petition secured term loan entered into between Palco and Marathon Structured Finance Fund L.P. Of the total claim amount of $87.1 million, $84.7 million represents principal amounts owed and $3.6 million represents accrued interest through 6/30/08.

Scopac Scopac's Secured Debt includes the secured claim of Bank of America and the secured Timber Notes, which have joint first liens on all of Scopac's assets. Bank of America represents Scopac's pre-petition secured line of credit that was used primarily to fund interest payments on the Timber Notes. The Debtor estimates that $37.9 million including accrued interest will be outstanding as of 6/30/08. Bank of America asserts first payment priority under the Indenture.

The Timber Notes represent additional Scopac pre-petition secured indebtedness. The Debtor estimates the amount owed to holders of the Timber Notes as of 6/30/08 will be $814.8 million. Of this total, $103.7 million includes interest accrued at non-default rates since the last pre-petition interest payment made in 2006.

ADMINISTRATIVE CLAIMS

Palco Administrative Claims represent estimated accrued, but unpaid, professional fees as of 6/30/08 less the $2.25 million professional fee carve-out as described previously, and a $2.3 million Scopac claim related to pre-petition amounts owed that have been granted administrative claim status.

Scopac Administrative Claims represents estimated accrued but unpaid chapter 11 professional fees as of 6/30/08.

PRIORITY TAX CLAIMS

Palco Represents approximately $0.03 million of tax claims entitled to priority treatment.

Scopac Represents approximately $0.5 million of priority tax claims related to pre-petition timber yield taxes.

OTHER PRIORITY CLAIMS

Palco Other Priority Claims represents employee claims entitled to priority, including wages, vacation, and other related compensation, and have been estimated based on applicable law. Also included are claims for rental deposits.

Scopac Other Priority Claims represents employee claims entitled to priority, including wages, vacation, and other related compensation, and have been estimated based on applicable law.

POST-PETITION TRADE AND OTHER

Palco Post-Petition Trade represents trade accounts payable, accounts payable to Scopac and other accrued liabilities outstanding as of 6/30/08. These claims represent credit provided by Palco's vendors and Scopac during the pendency of the chapter 11 case. Such claims include primarily amounts owed to Scopac, loggers, haulers, and suppliers of equipment used in the lumber milling process.

Scopac Post-Petition Trade and Other represents trade accounts payable, accounts payable to Palco, timber yield taxes, and other accrued liabilities outstanding as of 6/30/08. These claims represent credit provided by Scopac's vendors, Palco and the State of California during the pendency of the chapter 11 case.

GENERAL UNSECURED CLAIMS - OTHER

Palco General Unsecured Claims – Other includes contract/lease rejection claims and former employee severance claims. Trade claims are treated separately below.

Scopac General Unsecured Claims – Other includes contract/lease rejection claims and former employee severance claims. Trade claims are treated separately below.

PRE-PETITION TRADE

Palco Pre-Petition Trade represents trade accounts payable owed as of the Debtors' chapter 11 filing that have not been subsequently paid as part of the payments to critical vendors. These claims primarily include amounts owed to suppliers of sawmill equipment, professional fees associated with the sale of the town of Scotia, and other vendors. Also included are current employee claims not entitled to priority claims treatment.

Scopac Pre-Petition Trade represents trade accounts payable owed as of Scopac's chapter 11 filing that have not been subsequently paid as part of the payments to critical vendors. These claims include amounts owed to contractors for services provided related to filings of timber harvest plans and other forestry management services. Also included are current employee claims not entitled to priority claims treatment.

PENSION

Palco Pension represents Palco's defined benefit pension obligation with an estimated book value of $13.0 million. Under a chapter 7 liquidation, Palco does not expect that a direct recovery will be available to pension claimants from the Palco estate; however, it is possible that a recovery may be available from third parties.

OPEB/WORKERS' COMPENSATION

Palco The Palco OBEB and workers' compensation obligations are self insured. OPEB/Workers' Compensation represents the book value of OPEB and workers' compensation benefits. Under a chapter 7 liquidation, management expects that no additional proceeds would be available to meet the Debtors' OPEB or workers' compensation obligations beyond deposits held against such obligations. As described above, the State of California holds an $8.6 million deposit for Palco's workers' compensation obligation.

CONTINGENT CLAIMS

Palco Contingent claims represents the Qui Tam litigation as well as lawsuits filed by EPIC, the United Steelworkers' Union, and other litigants. These claims are assumed to have been estimated at zero.

Scopac Contingent claims represents the Qui Tam litigation as well as lawsuits filed by EPIC, the United Steelworkers' Union, and other litigants. These claims are assumed to have been estimated at zero.

INTER-DEBTOR CLAIMS

Palco Inter-Debtor Claims represents amounts owed to Scopac by Palco prior to the Debtors' chapter 11 filing. Palco's intercompany claim primarily represents amounts owed to Scopac for the purchase of pre-petition logs.

Scopac Inter-Debtor Claims represents amounts owed to Scopac by Palco prior to the Debtors' chapter 11 filing. Scopac's intercompany claim primarily represents amounts owed to Palco for the reimbursement of pre-petition roads and reforestation expenses.

NON-DEBTOR AFFILIATE CLAIMS

Palco Non-Debtor Affiliate Claims represents amounts owed to MGI and its affiliates. These claims primarily relate to a subordinated loan made to Palco by MGI as well as pre-petition, unreimbursed expenses incurred by MGI on behalf of Palco.

Scopac Non-Debtor Affiliate Claims represents amounts owed to MGI and its affiliates. These claims primarily relate to pre-petition, unreimbursed expenses incurred by MGI on behalf of Scopac.