

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

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

**STATE OF CALIFORNIA'S POSITION BY GOVERNOR ARNOLD
SCHWARZENEGGER FOR PROPOSED PLANS OF REORGANIZATION**

The State of California, by Governor Arnold Schwarzenegger, hereby submits to all prospective plan proponents and the Bankruptcy Court its Statement of Position, a copy of which is attached hereto. This Statement is for the information of the parties and the Court. The Statement is not a statement of support for or opposition to any particular plan whether filed or not at this time. This Statement is not a solicitation for votes on any plan.

Dated: January 29, 2008

Respectfully submitted,

/s/ Paul J. Pascuzzi
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GOVERNOR ARNOLD SCHWARZENEGGER

California's Statement of Position

To All Plan Proponents and the Court:

I am submitting this Statement of Position for any plans of reorganization that will be filed in the Pacific Lumber Company bankruptcy cases.

My administration, through the California Resources Agency, the California Environmental Protection Agency and their boards and departments, has been active in the Pacific Lumber Company bankruptcy case to protect the investment that California made in the historic 1999 Headwaters Forest Agreement and to protect the environment and all of our state's natural resources. As California's Governor, I have an interest in the future of the debtors' lands and related assets located in Humboldt County, California. These lands and assets represent a unique public trust for the people of California. Pacific Lumber Company made assurances in 1999 for the future management of its lands that, as part of the Headwaters Agreement, included the expenditure of nearly \$500 million of federal and state public funds. The United States and the people of California have a strong interest in a successful reorganization of a Pacific Lumber Company that will result in sound management practices for the future of these lands.

Given the previous investment of significant public funds and the commitments made by Pacific Lumber Company and its corporate parent Maxxam, I respectfully submit our strong position that any reorganization of Pacific Lumber Company preserves the state and federal governments' interest in Pacific Lumber's timberlands and adheres to the following principles:

1. Manage the timberlands in accordance with state and federal laws, including but not limited to the existing regulatory permits and authorizations such as the Headwaters Forest Agreement and the Habitat Conservation Plan and all other state permits, AB 1986, the Agreement Relating to Enforcement of AB 1986 and the conditions, covenants and restrictions recorded in accordance with AB 1986.
2. Manage the timberlands in a manner that complies with all required regulatory permits and other authorizations in coordination with state and federal regulatory agencies.
3. Preserve the timberlands by maintaining a level of commercial harvest that will ensure sustainable, high-quality timber production over the long term while preserving and enhancing watershed and wildlife protection.
4. Minimize adverse impacts to the local economy and preserve as many local employment opportunities as possible.
5. Maximize the greenhouse gas reduction benefits that could be generated in timberland management.

All Plan Proponents and the Court
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As the parties draft their proposals and the Court weighs the various competing plans to consider how to ensure that the reorganized Pacific Lumber Company is positioned for long-term success, we appreciate the consideration of our position. This is an issue of paramount importance to all Californians. On their behalf, I remain committed to ensuring that our interests are protected and the public trust secured.

Sincerely,

A handwritten signature in black ink, appearing to read "Arnold Schwarzenegger", written in a cursive style. The signature is positioned above the printed name.

Arnold Schwarzenegger

CERTIFICATE OF SERVICE

I, Karen L. Widder, declare:

I am a resident of the State of California and over the age of eighteen years, and not a party to the within action. I am an employee of Felderstein Fitzgerald Willoughby & Pascuzzi LLP and my business address is 400 Capitol Mall, Suite 1450, Sacramento, CA 95814-4434.

On January 29, 2008, I served the foregoing:

**STATE OF CALIFORNIA'S POSITION BY GOVERNOR ARNOLD
SCHWARZENEGGER FOR PROPOSED PLANS OF REORGANIZATION**

(By Electronic Mail) I caused to be transmitted the above described document(s) via electronic mail to the electronic addresses as indicated on the attached list.

I declare under penalty of perjury, under the laws of the State of California and the United States of America that the foregoing is true and correct.

Executed on January 29, 2008, at Sacramento, California.

/s/ Karen L. Widder
Karen L. Widder, Legal Assistant

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