

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

IN RE: SCOTIA DEVELOPMENT LLC, ET. AL., Debtors.	§ § JOINTLY ADMINISTERED § § Case No. 07-20027-C-11 § § Chapter 11
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DEBTORS' NOTICE OF FILING OF PLAN SUMMARY

Please take notice of the Debtors filing of their Summary Of Joint Plan of Reorganization, attached hereto as Exhibit "A".
 Dated: October 1, 2007

Respectfully submitted,

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<p>GIBSON, DUNN & CRUTCHER LLP Kathryn A. Coleman California State Bar No. 110937 Eric J. Fromme California State Bar No. 193517 Robert Dakis New York Bar No. RKD-0626 200 Park Ave, 47th Floor New York, New York 10166-0193 Telephone: 212.351.4000 Facsimile: 212.351.4035 Email: kcoleman@gibsondunn.com efromme@gibsondunn.com rdakis@gibsondunn.com</p>	<p>DIAMOND MCCARTHY LLP Kyung S. Lee Texas Bar No. 12128400 Wendy K. Laubach Texas Bar No. 11987800 909 Fannin, Suite 1500 Houston, Texas 77002 Telephone: 713.333.5100 Facsimile: 713.333.5195 Email: klee@diamondmccarthy.com wlaubach@diamondmccarthy.com</p> <p>COUNSEL FOR SCOTIA PACIFIC COMPANY LLC</p>

SUMMARY OF JOINT PLAN OF REORGANIZATION

I. TOTAL APPRAISED VALUE IN EXCESS OF \$1.4B

- Timberlands: net present value of approximately \$800MM
- Real Estate Development (Sale of Ancient Redwood Groves in first 24 months and Redwood Ranch Development in years five through eight) at least \$600MM net present value of proceeds over 10 years
- Lawsuit and other intangibles not included in value

II. MAXXAM CONTRIBUTION

- Capital Loss Carryforwards of approximately \$300MM that shelter capital gains generated by real estate sales (\$85MM present value of cash savings)
- Debt forgiveness of \$40MM
- Real estate development expertise
- \$25MM to purchase Timber Notes at value claimed in Timber Noteholders' expert testimony

III. MECHANICS OF PLAN

- All Debtors merged into Reorganized Palco
- Exit financing facility of \$250MM-\$275MM used to fund payments required at confirmation, fund working capital needs, and provide liquidity to support debt service on Timberland Notes and Development Notes until asset sale proceeds realized
- Additional \$75MM facility available to purchase tendered Timber Notes at noteholder valuation

IV. ALL CREDITORS PAID IN FULL

- **Scopac Secured Debt:**
 - Bank of America (\$38MM):
 - Paid in full, in cash, from SAR Account
 - Old Timber Notes due 2028 (\$788MM):
 - \$400MM New Timberland Notes:
 - 8.5% interest for 7 years
 - Secured by second lien on all assets, junior to exit financing facility
 - \$388MM New Development Notes,
 - 10.5% interest for 7 years; increases to 12.5% if not paid down by \$300MM within 24 months
 - Payment-in-kind (PIK) interest for 36 months, cash pay interest thereafter
 - Mandatory amortization of \$50MM begins in year 4; also 85% of asset sale proceeds to pay notes down
 - Secured by second lien on all assets, junior to exit financing facility
- **Palco Secured Debt** (\$87MM Term Loan and \$75MM DIP Facility):
 - Paid in full, in cash, or treatment agreed under Palco DIP Loan order
- **Unsecured Debt:**
 - Trade Claims:
 - Paid in full, in cash
 - Convenience Class (claims less than, or reduced to, \$10K):
 - Paid in full, in cash
 - General Unsecured Creditors:
 - Paid in full pursuant to three-year note at 8.25% per annum interest; principal paid every six months and interest quarterly in arrears