

Exhibit A-2

MRC/MARATHON PLAN APPENDIX A

UNIFORM GLOSSARY OF DEFINED TERMS FOR PLAN DOCUMENTS

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Uniform Glossary of Defined Terms for Plan Documents

Unless the context otherwise requires, the following terms, when used in initially capitalized form in the Disclosure Statement, related exhibits, and Plan Documents, shall have the following meanings. Such meanings shall be equally applicable to both the singular and plural forms of such terms. Any term used in capitalized form that is not defined herein but that is defined in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning ascribed to such term by the Bankruptcy Code or the Bankruptcy Rules (with the Bankruptcy Code controlling in the event of a conflict or ambiguity). Certain defined terms used in only one Section of the Disclosure Statement are defined in such Section. The rules of construction set forth herein and in section 102 of the Bankruptcy Code shall apply. All references to the "Plan" shall be construed, where applicable, to include references to the Plan and all its exhibits, appendices, schedules, supplements and annexes (and any amendments made in accordance with their terms or applicable law).

A-1 Timber Notes means Scopac's 6.55% Series B Class A-1 Timber Collateralized Notes due 2028, with an original principal amount of \$160.7 million.

A-2 Timber Notes means Scopac's 7.11 % Series B Class A-2 Timber Collateralized Notes due 2028, with an original principal amount of \$243.2 million.

A-3 Timber Notes means Scopac's 7.71 % Series B Class A-3 Timber Collateralized Notes due 2028, with an original principal amount of \$463.3 million.

Administrative Expense means (a) any cost or expense of administration of the Reorganization Cases incurred before the Effective Date and allowable under section 503(b) of the Bankruptcy Code (including without limitation (x) claims arising under section 503(b)(9) of the Bankruptcy Code and (y) claims asserted by members of the Committee for reimbursement of actual, necessary expenses pursuant to section 503(b)(3)(F) of the Bankruptcy Code which Committee members are permitted to assert) and entitled to priority under section 507(a)(2) of the Bankruptcy Code including, without limitation, (i) any actual and necessary post-petition cost or expense of preserving the Estates or operating the businesses of the Debtors, (ii) any payment required to cure a default on an Assumed Contract, (iii) any post-petition cost, indebtedness, or contractual obligation duly and validly incurred or assumed by a Debtor in the ordinary course of its business, and (iv) compensation or reimbursement of expenses of professionals to the extent allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code and (b) any fee or charge assessed against the Estates under 28 U.S.C. § 1930.

Administrative Expense Claim means any Claim for the payment of an Administrative Expense.

Administrative Expense Claims Bar Date means the thirtieth day after the Effective Date or such other date as may be fixed by order of the Bankruptcy Court.

Affiliate has the meaning set forth in section 101(2) of the Bankruptcy Code.

Allowed means Bankruptcy Court approval of a Claim or Interest.

Allowed Amount of any Claim or Interest means the amount at which that Claim or Interest is Allowed.

Allowed Claim; Allowed Interest means any Claim or Interest in any of the Debtors or their respective Estates, (i) proof of which was filed on or before the Bar Date (defined below), (ii) if no such proof of Claim or Interest has been timely filed, which has been or hereafter is listed by such Debtor in its Schedules as liquidated in amount and not disputed or contingent or (iii) any Interest registered in the stock or membership register, as the case may be, maintained by or on behalf of the Debtor as of the Record Date, in each such case in clauses (i), (ii) and (iii) above, a Claim or Interest as to which no objection to the allowance thereof, or action to equitably subordinate or otherwise seek recovery from the Holder of the Claim or Interest, has been interposed within the applicable period of

limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or a Final Order, or as to which an objection has been interposed and such Claim has been allowed in whole or in part by a Final Order.

Assets means all property in which a Debtor holds a legal or equitable interest, including all property described in 11 U.S.C. § 541 and all property disclosed in such Debtor's respective Schedules and the Disclosure Statement.

Assumed Contracts means, collectively, an executory contract or unexpired lease that is subject to assumption or rejection under section 365 of the Bankruptcy Code that is identified in the Plan Supplement and which either of the Reorganized Entities intends to assume pursuant to the Plan.

Avoidance Actions means any claim or Cause of Action or right under chapter 5 of the Bankruptcy Code, including all fraudulent-conveyance and fraudulent-transfer laws, all non-bankruptcy laws vesting in creditors' rights to avoid, rescind or recover on account of transfers, all preference laws, the Uniform Fraudulent Transfer Act, state laws of similar import and the proceeds thereof.

Ballot means each of the ballot forms for voting to accept or reject the Plan distributed to all Holders of Impaired Claims entitled to vote on the Plan.

Balloting and Claims Agent means Logan & Company, Inc.

Bank of America means Bank of America, N.A., as lender and as agent for itself and any other lender parties to the Scopac Loan Agreement.

Bankruptcy Code means title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.*, as in effect on the Petition Date, together with all amendments and modifications thereto subsequently made, to the extent applicable to the Reorganization Cases.

Bankruptcy Court means the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division, or such other court having jurisdiction over the Reorganization Cases.

Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure and the local rules and general orders of the Bankruptcy Court, as in effect on the Petition Date, together with all amendments and modifications thereto subsequently made applicable to the Reorganization Cases.

BAPCPA means the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, Pub.L. 109-8, 119 Stat. 51 (2005).

Bar Date means the date(s) by which any Entity asserting certain Claims against the Debtors must have filed a Proof of Claim or be forever barred from asserting such Claims against the Debtors or their Estates, as established by any order(s) of the Bankruptcy Court or the Plan.

Bar Date Order means the order entered by the Bankruptcy Court establishing July 17, 2007 as the general Bar Date and August 17, 2007 as the Bar Date applicable to Governmental Units, and any subsequent order by the Bankruptcy Court amending, revising, rescinding or superseding the same, including but not limited to the Supplemental Bar Date Order.

Britt means Britt Lumber Co., Inc., a wholly owned subsidiary of Palco.

Business Day means any day other than a Saturday, Sunday, or legal holiday (as such term is defined in Bankruptcy Rule 9006(a)).

California Permits means the Permits issued by California pursuant to the HCP.

Cash means cash, cash equivalents, and other readily marketable securities or instruments, including, without limitation, direct obligations of the United States and certificates of deposit issued by federally insured banks.

Causes of Action means all causes of action, rights, claims, and demands against any Persons that the Debtors or their Estates own or have an interest in or can assert in any fashion, or which could be asserted by the Debtors on behalf of any Creditor or Creditor representative under the Bankruptcy Code as Debtors in Possession, including but not limited to actions under 11 U.S.C. § 510 to subordinate Claims.

CDF means the California Department of Forestry and Fire Protection.

CDF Harvest Limit means the applicable annual harvest limit established by the CDF for each watershed.

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

Claimant means the Holder of a Claim.

Class means a category of Holders of Claims or Interests, as set forth in Articles III of the Plan pursuant to section 1122 of the Bankruptcy Code.

Collateral means any property or interest in property of an Estate that is subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable state law.

Committee means the official committee of unsecured creditors for the Debtors appointed by the U.S. Trustee on January 25, 2007, as presently constituted.

Confirmation, Confirmation of the Plan, or Plan Confirmation means the approval of the Plan by the Bankruptcy Court at the Confirmation Hearing.

Confirmation Date means the date on which the Confirmation Order is entered on the docket of the Bankruptcy Court.

Confirmation Hearing means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider Confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

Confirmation Order means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 and other applicable sections of the Bankruptcy Code.

Creditor means any Person or Entity holding a Claim against a Debtor's Estate or pursuant to section 102(5) of the Bankruptcy Code against property of the Debtor that arose or is deemed to have arisen on or prior to the Petition Date.

Debtor means any of the Palco Debtors or Scopac.

Debtors means the Palco Debtors and Scopac.

Deficiency Claim means a Claim of a Claimant that asserts a Secured Claim against one or more of the Debtors equal to the amount by which such Claim exceeds the Allowed Secured Claim.

DIP Order means the Bankruptcy Court's order dated July 31, 2007 authorizing the Palco Debtors to enter into the Palco DIP Facility.

Disclosure Statement means the Joint Disclosure Statement in Support of the Respective Plans of Reorganization Proposed by (1) Mendocino Redwood Company, LLC and Marathon Structured Finance Fund L.P.; (2) The Bank of New York Trust Company, N.A., Indenture Trustee for the Timber Notes; and (3) the Debtors and Maxxam Inc., Maxxam Group Holdings Inc., and Maxxam Group Inc., dated February 29, 2008, including all exhibits attached thereto or referenced therein, as submitted pursuant to section 1125 of the Bankruptcy Code and approved by the

Bankruptcy Court, as such Joint Disclosure Statement may be further amended, supplemented, or modified from time to time.

Disputed Claim means a Claim that is not an Allowed Claim, including a Claim that is, in whole or in part: (a) listed on the Schedules as, or proof of which is filed as, unliquidated, disputed or contingent; (b) as to which a Proof of Claim designating such Claim as liquidated in amount and not contingent was not timely and properly filed; (c) as to which a Debtor, Reorganized Entity, or other party in interest has filed a timely objection or request for estimation in accordance with the Bankruptcy Code and Bankruptcy Rules; or (d) is otherwise disputed by a Debtor, a Reorganized Entity or other party in interest in accordance with applicable law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order.

Distribution means any distribution by the Debtors, the Reorganized Entities or the Litigation Trust to the Holders of Allowed Claims pursuant to the Plan.

Distribution Date, when used with respect to each Claim and Interest, means as soon as practicable after the later of (a) the Effective Date, (b) the date a Claim becomes payable pursuant to any agreement between the Debtors (or, upon the occurrence of the Effective Date, the Reorganized Entities, as the case may be), or (c) solely with respect to Disputed Claims and Disputed Interests as of the Effective Date, no later than 30 days after the date upon which the Claim or Interest becomes an Allowed Claim or Allowed Interest.

Effective Date means the date specified by the Plan Proponents in a notice filed with the Bankruptcy Court as the date on which this Plan shall take effect, and which occurs after (i) the Confirmation Order becomes a Final Order; and (ii) each of the conditions precedent to the Effective Date provided for in Article XI of the Plan have been satisfied or waived.

Entity has the meaning set forth in section 101(15) of the Bankruptcy Code.

Environmental Obligations means, with respect to any Debtor or Reorganized Entity such entity or entities' obligations to Governmental Units to comply, complete, perform, satisfy and/or provide for satisfaction of pre-petition, current, ongoing, executory and/or future regulatory or statutory obligations, including, without limitation, (i) approved THPs, WWDRs, Cleanup and Abatement Orders, Streambed Alteration Agreements, and related permits or authorizations, and may include for example, requirements for completion or correction, monitoring and reporting, winterization, drainage improvement, restoration, inspection, study; (ii) the California State and federal ITPs, which include the HCP, and the associated Implementation Agreement (the "IA"), and the Agreement Relating to Enforcement of AB 1986; (iii) consistency determinations under the California Endangered Species Act that are based upon the federal ITPs, including the HCP and the IA; and (iv) those obligations described in the Claims filed by the California Resources Agency, the California Department of Forestry and Fire Protection, the California Department of Fish and Game, the California Wildlife Conservation Board, the California State Water Resources Board, the California Regional Water Quality Control Board, North Coast Region, the U.S. Fish and Wildlife Services, the U.S. Department of the Interior, the National Marine Fisheries Service, and the U.S. Department of Commerce.

Environmental Plans means the HCP.

EPA means the Federal Environmental Protection Agency.

Equity Interests or Interests means the rights of the Holders of the equity securities of a Debtor.

Estate means the legal entity administering the property of a Debtor, in its capacity as a debtor in possession, between the Petition Date and the Effective Date, created pursuant to section 541 of the Bankruptcy Code.

Exculpated Parties means (i) the Plan Proponents and their respective officers, directors, professionals, members, agents and employees, (ii) the Reorganized Entities and their respective officers, directors, professionals, members, agents and employees, and (iii) the Committee, its members and Professionals.

Exit Financing means the proposed financing discussed in Section 7.8 of the Plan.

Final Order means an order of a court: (a) as to which the time to appeal, petition for writ of certiorari, or otherwise seek appellate review or to move for reargument, rehearing, reconsideration or stay has expired and as to which no appeal, petition for writ of certiorari, or other appellate review, or proceedings for reargument, rehearing, reconsideration or stay shall then be pending; or (b) as to which any right to appeal, petition for certiorari, or move for reargument, rehearing or stay shall have been waived in writing by all parties with such right; or (c) in the event that an appeal, writ of certiorari, or other appellate review or reargument, rehearing, reconsideration or stay thereof has been sought, which order shall have been affirmed by the highest court to which such order was appealed or from which writ of certiorari or other appellate review or reargument, rehearing, reconsideration or stay was sought, and as to which the time to take any further appeal, to petition for writ of certiorari, to otherwise seek appellate review, and to move for reargument, rehearing, reconsideration or stay shall have expired; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure or under section 1144 of the Bankruptcy Code, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not cause such order not to be a Final Order.

Funding Amount means that certain \$500,000 to be loaned or caused to be loaned by Newco to the Litigation Trust on the Effective Date which amount shall be used by the Litigation Trustee pending the receipt by the Litigation Trust of recoveries on account of the Litigation Trust Assets solely for the purposes (i) of investigating and prosecuting the Litigation Trust Assets, (ii) paying Statutory Fees as set forth in Section 13.5 of the Plan, and (iii) paying the costs and expenses of the Litigation Trust. 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 Plan. The term of such loan shall be until the termination of the Litigation Trust in accordance with the Plan.

General Unsecured Claim means a Claim against a Debtor that is not a Secured Claim, an Administrative Expense Claim, a Trade Claim, a Priority Tax Claim, an Other Priority Claim, a Non-Debtor Affiliate Claim or a Professional Compensation Claim (but shall not include Claims that are disallowed or released, whether by operation of law or pursuant to order of the Bankruptcy Court, written release or settlement, the provisions of the Plan or otherwise), which Claims are classified in Classes 7, 8 and 9 and treated under Article IV of the Plan; *provided, however*, that the term "General Unsecured Claim" shall not include (i) the Palco DIP Loan Claim, and (ii) the Palco Term Loan Claim.

Governmental Unit has the meaning ascribed to such term in section 101(27) of the Bankruptcy Code.

HCP means the Habitat Conservation Plan for the Properties of Pacific Lumber, Scotia Pacific, and Salmon Creek Corporation, dated February, 1999 approved in March 1999 in connection with consummation of the Headwaters Agreement, which covers multiple species and encompasses substantially all of the Timberlands.

Headwaters Agreement means the agreement among Palco, Scopac, Salmon Creek, the United States, and California pursuant to which the those companies transferred to the United States government 5,600 acres of timberlands in exchange for \$300 million, approximately 7,700 acres of timberlands, and federal and state government-approved habitat conservation and sustained yield plans.

Headwaters Litigation means the claim filed by Palco and Scopac with the Claims Board against the North Coast Water Board, the State Water Board and the State of California (Claim No. G558159) alleging that the defendants have substantially impaired the contractual and legal rights of Palco and Scopac under the Headwaters Agreement, and the subsequent damages lawsuit entitled *The Pacific Lumber Company and Scotia Pacific Lumber Company LLC v. State of California, et al.* filed by Palco and Scopac in the Superior Court of Fresno County, California (No. CECG 0422).

Headwaters Timberlands means the 5,600 acres of timberlands transferred by Salmon Creek, Palco and Scopac to the United States government upon consummation of the Headwaters Agreement.

Holder means any Person holding an Interest or Claim.

Impaired means a Claim or a Class of Claims that is impaired within the meaning of section 1124 of the Bankruptcy Code.

Inter-Debtor Claim means any Claim held by any Debtor against any other Debtor, which claim is classified in Class 10 and treated under Article IV of the Plan.

Intercompany Contracts means any contract or agreement by or between any of the Debtors including, but not limited to, the following: (i) the New Reciprocal Rights Agreement; (ii) the New Master Purchase Agreement; (iii) the New Services Agreement; (iv) the New Additional Services Agreement; (v) the Master Lease Agreement; (vi) the Amended and Restated Lease; (vii) the Sales and Marketing Assistance Agreement; and (viii) the Development and Sales Assistance Agreement, as any of such agreements or contracts have been amended through the date of the Disclosure Statement.

Interim Compensation Order means the order entered by the Bankruptcy Court on January 24, 2007 establishing procedures for interim compensation and reimbursement of expenses of professionals of the Debtors and the Committee.

IRS means the Internal Revenue Service.

ITP means Incidental Take Permit, which authorizes certain actions that might otherwise constitute a prohibited "take" of an endangered or threatened species which is otherwise protected by the state and federal Endangered Species Acts.

LIBOR means London Interbank offered rate of interest.

Lien has the meaning set forth in section 101(37) of the Bankruptcy Code.

Liquidation Analysis means the liquidation analysis attached as Exhibit E to the Disclosure Statement.

Litigation Trust means a trust formed in accordance with the Litigation Trust Agreement effective as of the Effective Date (i) into which the Litigation Trust Assets not retained, released, waived or enjoined under Article VIII of the Plan shall automatically vest upon the transfer of Causes of Action by the Reorganized Entities on the Effective Date and into which the Estates and Debtors shall be deemed to have automatically granted, on behalf and for the benefit of their creditors, all of their rights to pursue all such Litigation Trust Assets and receive all recoveries therefrom, and (ii) to administer the proceeds of any such Litigation Actions and to act as the disbursing agent for the proceeds of such Litigation Trust Assets.

Litigation Trust Agreement means the trust agreement for the Litigation Trust in the form to be contained in the Plan Supplement.

Litigation Trust Assets means (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.

Litigation Trust Participation means an uncertificated, nontransferable, Pro Rata beneficial interest in the net recoveries of the Litigation Trust after prosecution, settlement or abandonment of the Litigation Trust Assets, subject to the terms and conditions of the Litigation Trust Agreement. Litigation Trust Participations (a) shall be noted in the books and records of the Litigation Trust, (b) shall not be evidenced by a writing, and (c) may not be transferred, sold, assigned, hypothecated or pledged, except that they may be assigned or transferred by will, intestate succession, or operation of law.

Litigation Trustee means the trustee(s) of the Litigation Trust, as designated in this Plan and the Litigation Trust Agreement. In the prosecution of any Litigation Trust Assets, the Litigation Trustee shall obtain the benefit of any tolling provisions or extensions available to the Estates or Debtors prior to the Confirmation Date or Effective Date, including those set forth in sections 108(a), 546(a), 549(d) and 550(f) of the Bankruptcy Code.

Marathon means, collectively, Marathon Structured Finance Fund L.P. and certain of its affiliates that are lenders to the Palco Debtors

MAXXAM means MAXXAM Inc., MGHI's parent.

MGHI means MAXXAM Group Holdings Inc., MGI's parent.

MGI means, MAXXAM Group Inc., Palco's parent.

Mill or Scotia Mill means the lumber mill of Palco located in Scotia and operated by Palco, together with all Assets of the Debtors currently associated with or anticipated to be associated with Mill on and after the Effective Date.

Mill Working Capital means the marked-to-market value of the ordinary course current receivables and current inventories, less the amount of the current payables of Newco.

MMCAs means the marbled murrelet conservation areas and are also known as the Ancient Redwood Groves.

MRC means, collectively, Mendocino Redwood Company, LLC and certain of its affiliates.

New Indenture Trustee means that Entity or Entities identified in the Plan Supplement, or any successors and assigns, who shall serve as the trustee under the New Timber Notes Indenture, the Series A New Timber Notes Indenture or the Series B New Timber Notes Indenture, as applicable.

Newco means the Reorganized Entity that will include the assets of the Mill and the Timberlands, together with any and all Assets of the Debtors currently associated with or anticipated to be associated with Mill and the Timberlands on and after the Effective Date, provided that Newco will not own any of the Assets to be owned by Townco.

New Master Purchase Agreement means that certain agreement dated July 20, 1998 by and between Scopac and Palco governing the sale of Scopac Timber.

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 but unpaid Scopac Administrative Expense Claims plus (y) Tax Claims that first arose 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 Palco to Scopac net of any accrued but unpaid receivables owed from Scopac to Palco 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.

New Timber Notes means the instruments of indebtedness delivered to the Pre-petition Indenture Trustee, on behalf of the Holders of Scopac Timber Noteholder Claims to the extent that Class 6 does not make the election pursuant to section 1111(b)(1)(A)(i) of the Bankruptcy Code prior to the hearing on the Disclosure Statement on February 28, 2008, with terms consistent with Article IV of the Plan.

New Timber Notes Indenture means that certain indenture agreement that shall govern the terms of the New Timber Notes.

Non-Debtor Affiliate means any Entity that is an affiliate of any of the Debtors (other than another Debtor), within the meaning of section 101(2) of the Bankruptcy Code, including but not limited to MGI, MAXXAM Group Holdings Inc., and MAXXAM.

Non-Debtor Affiliate Claim means a Claim by a Non-Debtor Affiliate against a Debtor, including but not limited to the following Claims, which are collectively classified in Class 11: (i) Claims arising from those certain funds loaned by MGI to Palco during 2005 on an unsecured and subordinated basis totaling approximately \$6,000,000; (ii) Claims arising from those certain funds loaned by MGI to Palco during 2006 on an unsecured and subordinated basis totaling approximately \$30,900,000; (iii) Claims arising from the Lump Sum Purchases; and (iv) Claims arising from MAXXAM's provision of general and administrative assistance and other services to the Debtors, including risk-management services, accounting services, income tax reporting and compliance services, treasury and cash-management services, legal services and employee-benefit services general and administrative assistance and other services which, as of the Petition Date, totaled approximately \$1,782,542, and subsequent to the Petition Date totaled in excess of \$1,200,000.

North Coast Water Board means the California North Coast Regional Water Quality Control Board.

Option A means the plan for complying with California's sustained yield requirements, which has been approved by the California Department of Forestry and Fire Protection and is currently being relied on by Scopac to obtain approval of its THPs.

Option C means an alternative procedure for timber owners to comply with California's sustained yield requirements.

Ordinary Course Professionals Order means the order entered by the Bankruptcy Court on or about July 17, 2007 permitting the Debtors to employ professionals in the ordinary course of their business without the necessity of filing individual retention applications for each professional.

Other Priority Claim means a Claim (or portion thereof), if any, entitled to priority under section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim, an Administrative Expense Claim or a Professional Compensation Claim, which claim is classified in Class 1 and treated under Article IV of the Plan.

Other Secured Claim means any Secured Claim other than the following: (i) the Palco DIP Loan Claim; (ii) the Palco Term Loan Claim; (iii) the Scopac Loan Claim; and (iv) the Scopac Timber Note Secured Claims, which Claim, together with Secured Tax Claims are classified in Class 2 and treated under Article IV of the Plan.

Palco means The Pacific Lumber Company, a wholly owned subsidiary of MGI.

Palco DIP Loan means the senior secured debtor-in-possession financing provided to the Palco Debtors by Marathon pursuant to the Debtor-In-Possession Revolving Credit Agreement, dated as of August 6, 2007.

Palco DIP Loan Claim means a Claim arising under the Palco DIP Loan, which claim is classified in Class 3 and treated under Article IV of the Plan and which shall not include any Claim for any deficiency, which is waived by

the Holder of such Claim in consideration for the releases and other good and valuable consideration given and embodied under the Plan.

Palco Debtors means, collectively, Palco, Britt, Salmon Creek, Scotia Inn, and Scotia Development.

Palco General Unsecured Claim means a General Unsecured Claim against Palco, which Claim is classified in Class 7 and treated under Article IV of the Plan together with Palco Trade Claims.

Palco Revolving Credit Agreement means that certain Revolving Credit Agreement, dated as of July 18, 2006 by and among Palco and Britt, as borrowers, and Marathon, as Administrative Agent and as a lender.

Palco Revolving Credit Facility means the five year \$60.0 million senior secured asset based revolving credit facility evidenced by the Palco Revolving Credit Agreement.

Palco Term Loan means the five year \$85.0 million senior secured term loan provided pursuant to the Palco Term Loan Agreement.

Palco Term Loan Agreement means that certain Term Loan Agreement, dated as of July 18, 2006, by and among Palco and Britt, as borrowers, and Marathon, as Administrative Agent and as a lender.

Palco Term Loan Claim means a Claim arising under the Palco Term Loan Agreement, which claim is classified in Class 4 and treated under Article IV of the Plan and which shall not include any Claim for any deficiency, which is waived by the Holder of such Claim in consideration for the releases and other good and valuable consideration given and embodied under the Plan.

Palco Trade Claim means a General Unsecured Claim against the Palco Debtors for goods, supplies, equipment, or services utilized by the Palco Debtors in the operation of their businesses, which Claim is classified in Class 7 and treated under Article IV of the Plan together with Palco General Unsecured Claims.

Pension Plan means any ongoing, defined benefit pension plans to which a Debtor is a contributing sponsor or member of a contributing sponsor's controlled group and to which Title IV of the Employee Retirement Income Security Act applies, including without limitation, the Palco Retirement Plan, Employer Identification No./Plan No. 13-3318327/003.

Person means any person, including without limitation, any individual, entity, corporation, partnership, limited liability company, limited liability partnership, joint venture, association, joint stock company, estate, trust, unincorporated association or organization, official committee, *ad hoc* committee or group, governmental agency or political subdivision thereof, the U.S. Trustee, and any successors or assigns of any of the foregoing.

Petition Date means January 18, 2007, the date on which the Debtors' Reorganization Cases were commenced with the filing of voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

Plan means the First Amended Joint Plan of Reorganization for the Debtors proposed by the Plan Proponents, dated [_____], 2008 under Chapter 11 of the United States Bankruptcy Code, including all exhibits attached thereto or referenced therein, as the same may be amended, modified, or supplemented from time to time.

Plan Documents means, collectively, the Plan, the Disclosure Statement, and all documents, attachments, and exhibits attached to the Plan or the Disclosure Statement that aid in effectuating the Plan, as the same may be amended, modified, or supplemented, in accordance with their terms.

Plan Proponents means, collectively, MRC and Marathon.

Plan Supplement means the supplement to the Plan in form and substance satisfactory to the Plan Proponents and the Reorganized Entities to be filed with the Bankruptcy Court not later than ten (10) days prior to the Voting Deadline, which shall contain forms of final documents described in the Plan.

Post-petition Interest means simple interest accruing from the Petition Date calculated at the effective interest rate for 90-day securities obligations issued by the United States Treasury on the Effective Date or, if no such securities were issued on the Effective Date, on the date of issuance immediately preceding the Effective Date.

Pre-petition Indenture means the indenture dated July 20, 1998, as amended from time to time, by and between the Debtor and U.S. Bank & Trust, as original trustee, which indenture governs the terms of the Scopac Timber Notes.

Pre-petition Indenture Trustee means The Bank of New York, N.A., or its successors and assigns, as substitute trustee under the Pre-petition Indenture.

Priority Tax Claim means a Claim of a Governmental Unit of the kind specified in sections 502(1) and 507(a)(8) of the Bankruptcy Code.

Pro Rata means, with reference to any Distribution on account of any Allowed Claim or Allowed Interest in a Class, a Distribution equal in amount to the ratio (expressed as a percentage) that the amount of such claims bears to the aggregate amount of all Allowed Claims in the same Class.

Professional Compensation Claim means a Claim for compensation, indemnification or reimbursement of expenses incurred by Professionals retained by the Debtors and the Committee pursuant to sections 327, 328, 330, 331, or 503(b) of the Bankruptcy Code in connection with the Reorganization Cases.

Professionals means those Persons (a) employed pursuant to an order of the Bankruptcy Court in accordance with sections 327, 328, or 1103 of the Bankruptcy Code and to be compensated for services pursuant to sections 327, 328, 329, 330, or 331 of the Bankruptcy Code, for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to section 503(b)(1) of the Bankruptcy Code, and/or (b) for which compensation and reimbursement has been allowed by the Bankruptcy Court or is sought pursuant to section 503(b)(4) of the Bankruptcy Code.

Proof of Claim means any proof of claim filed with the Bankruptcy Court or the Balloting and Claims Agent with respect to a Debtor pursuant to section 501 of the Bankruptcy Code and Bankruptcy Rules 3001 or 3002.

Quarterly Payment Date means the last Business Day of the month following the end of each calendar quarter after the Effective Date; *provided, however*, that if the Effective Date is within forty-five (45) days of the end of a calendar quarter, the first Quarterly Distribution Date will be the last Business Day of the month following the end of the first calendar quarter after the calendar quarter in which the Effective Date falls.

Qui Tam Relators means Richard Wilson and Chris Maranto.

Qui Tam Actions means the action filed by the Qui Tam Relators filed on behalf of the United States against the Debtors and related non-debtor parties in the United States District Court for the Northern District of California, case number C-06-7497 and the action filed on behalf of the State of California against the Debtors and related non-debtor parties in San Francisco Superior Court, case number CGC-06-4585.

Qui Tam Claims means the nine Proofs of Claim filed by the Qui Tam Relators in the Debtors' Reorganization Cases, which have been numbered as claims 511 through 519, consecutively, and with respect to which, on February 28, 2008, the Bankruptcy Court approved a settlement, pursuant to which such claims were reduced to \$1.00 each, but any rights of the Qui Tam Relators to pursue non-debtor defendants were preserved.

Real Property Assumed Contract means, collectively, an Assumed Contract (i) relating to a Debtor's interest in real property, and (ii) granting rights or interest related to or appurtenant to the applicable real property, including all easements, license, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement or operating agreements, vault, tunnel or bridge agreements or franchises, development rights, and any other interests in real estate or right *in rem* related to the applicable real property.

Record Date means the date of entry of the order approving the Disclosure Statement.

Released Parties means (i) the Plan Proponents and their respective officers, directors, professionals, members, agents and employees, and (ii) the Reorganized Entities and their respective officers, directors, professionals, members, agents and employees.

Reorganization Case means any of the cases under chapter 11 of the Bankruptcy Code commenced by the Debtors currently pending in the Bankruptcy Court as Jointly Administered Chapter 11 Case Nos. 07-20027 through 07-20032.

Reorganized Entity or Reorganized Entities mean, collectively, Newco and/or Townco, in each case as applicable.

Restructuring Transactions means, collectively, those sales, mergers, consolidations, restructurings, dispositions, liquidations, transfers of assets or dissolutions that the Plan Proponents and the Reorganized Entities determine to be necessary and appropriate to effect a corporate restructuring in accordance with the Plan.

Salmon Creek means Salmon Creek LLC, a wholly owned subsidiary of Palco, and, as applicable, its predecessor Salmon Creek Corporation.

Salmon Creek Timberlands means approximately 1,300 acres of timberlands owned by Salmon Creek, in respect of which Scopac has the timber harvest rights.

SAR Account means funds held in a reserve account titled the Scheduled Amortization Reserve Account and used to support principal payments on the Scopac Timber Notes.

Schedules means the schedules, statements, and lists filed by the Debtors with the Bankruptcy Court pursuant to Bankruptcy Rule 1007, as may be amended or supplemented from time to time.

Scopac means Scotia Pacific Company LLC, a limited liability company wholly owned by Palco.

Scopac General Unsecured Claim means a General Unsecured Claim against Scopac, including, but not limited to, any Claim by Holders of Scopac Timber Notes on account of the Scopac Timber Notes that is not a Secured Claim, which Claims are classified in Class 9 and treated under Article IV of the Plan; provided, however, that the term "Scopac General Unsecured Claim" shall not include Scopac Trade Claims.

Scopac Loan Agreement means that certain agreement dated as of July 20, 1998 by and between Scopac, as borrower, and Bank of America, N.A., as lender and as agent for itself and any other lender parties, pursuant to which Scopac could borrow in order to pay up to one year's interest on the Scopac Timber Notes on a senior secured basis.

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.

Scopac Timber Notes means, collectively, the A-1 Timber Notes, the A-2 Timber Notes and the A-3 Timber Notes.

Scopac Trade Claim means a General Unsecured Claim against Scopac for goods, supplies, equipment, or services utilized by Scopac in the operation of its business, which shall include claims of former employees and which Claim is classified in Class 8 and treated under Article IV of the Plan; provided, however, that the term "Scopac Trade Claim" shall not include (i) Claims asserted by former Insiders, (ii) the Palco DIP Loan Claim, and (iii) the Palco Term Loan Claim.

Scotia means Scotia, California.

Scotia Inn means Scotia Inn Inc., a wholly owned subsidiary of Palco.

Scotia Development means Scotia Development LLC, a wholly owned subsidiary of Palco.

Secured Claim means any Claim that is (a) secured in whole or 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 the 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 Tax Claim means any Secured Claim of a Governmental Unit that absent its secured status would be entitled to priority in right of payment under sections 502(1) and 507(a)(8) of the Bankruptcy Code (including without limitation any related Secured Claim for penalties).

Securities Act means the Securities Act of 1933, 15 U.S.C. §§ 77a-77m, as in effect on the Petition Date, together with all amendments and modifications thereto subsequently made applicable to the Reorganization Cases.

Semi-Annual Payment Date means June 15 and December 15; provided, however, if such day is not a Business Day then the Semi-Annual Payment Date shall be the first Business Day thereafter.

Series A New Timber Notes means the instruments of indebtedness delivered to the Pre-petition Indenture Trustee, on behalf of the Holders of Scopac Timber Noteholder Claims to the extent that Class 6 make the election pursuant to section 1111(b)(1)(A)(i) of the Bankruptcy Code, with terms consistent with Article IV of the Plan.

Series A New Timber Notes Indenture means that certain indenture agreement that shall govern the terms of the Series A New Timber Notes.

Series B New Timber Notes means the instruments of indebtedness that Newco is permitted to issue and deliver to the Pre-petition Indenture Trustee, on behalf of the Holders of Scopac Timber Noteholder Claims to the extent that Class 6 make the election pursuant to section 1111(b)(1)(A)(i) of the Bankruptcy Code, to the extent that during the first ten (10) years of the term of the Series A New Timber Notes following the Effective Date, Newco opts to defer the Cash payment of the 1.75% interest rate on no more than twenty (20) of the quarterly interest payment dates, in a like amount of the interest deferred, with terms consistent with Article IV of the Plan.

Series B New Timber Notes Indenture means that certain indenture agreement that shall govern the terms of the Series B New Timber Notes.

State Water Board means the California State Water Resources Control Board.

Supplemental Bar Date Order means the order entered by the Bankruptcy Court establishing September 5, 2007 as the Bar Date for unknown creditors.

SYP means the sustained yield plan approved as part of the Headwaters Agreement and later invalidated by a California state court, which covers multiple species and encompasses substantially all of the Palco Timberlands.

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.

THP means a timber harvesting plan required to be filed with and approved by the CDF prior to the harvesting of timber.

Timberlands means any timberlands owned by Palco, Scopac, or Salmon Creek, including, without limitation, approximately 200,000 acres of timberlands owned by Scopac and the Salmon Creek Timberlands.

TMDLs means total maximum daily load limits.

Townco means the Reorganized Entity that will include any and all Assets of the Debtors currently associated with or anticipated to be associated with Scotia, including, without limitation, industrial use facilities, the cogeneration

plant, 270 homes, various commercial properties, and the Britt mill in Arcata, California, and all of the land associated with these Assets, on and after the Effective Date, provided that Townco will not own any of the Assets to be owned by Newco.

U.S. Trustee means the United States Trustee for the Southern District of Texas.

Voting Deadline means the deadline set by the Bankruptcy Court for submitting Ballots on the Plan.

WWDRs means watershed-wide waste discharge requirements.