UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

Commission File Number 333-63825

SCOTIA PACIFIC COMPANY LLC
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**68-0414690** (I.R.S. Employer Identification Number)
P. O. Box 712 **125 Main Street, 2nd Floor** **Scotia, California** (Address of Principal Executive Offices)	**95565** (Zip Code)

Registrant's telephone number, including area code: **(707) 764-2330**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes /x/ No / /

Registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

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SCOTIA PACIFIC COMPANY LLC

BALANCE SHEET
(In millions of dollars)

	March 31, 2001 (Unaudited)	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 9.1	$ 98.1
Marketable securities, restricted	16.7	16.3
Receivables from Pacific Lumber	4.9	11.2
Prepaid timber harvesting costs	6.5	5.7
Other prepaid expenses and other current assets	0.3	0.5
Total current assets	37.5	131.8
Timber and timberlands, net of accumulated depletion of $252.8 and $251.8, respectively	254.6	255.0
Property and equipment, net of accumulated depreciation of $11.8 and $11.3, respectively	19.0	19.0
Deferred financing costs, net	17.5	17.8
Restricted cash, marketable securities and other investments	84.9	94.6
Other assets	7.3	7.4
	$ 420.8	$ 525.6
Liabilities and Member Deficit		
Current liabilities:		
Due to Pacific Lumber	$ 0.8	$ 0.3
Accrued interest	11.2	26.3
Other accrued liabilities	1.6	3.4
Current maturities of long-term debt	16.8	16.4
Total current liabilities	30.4	46.4
Long-term debt, less current maturities and excluding $58.2 and $59.9, respectively, of Timber Notes held in SAR Account	755.5	767.2
Total liabilities	785.9	813.6
Contingencies (See Note 3)		
Member deficit	(365.1)	(288.0)
	$ 420.8	$ 525.6

The accompanying notes are an integral part of these financial statements.

SCOTIA PACIFIC COMPANY LLC

STATEMENT OF INCOME (LOSS)
(In millions of dollars)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
	(Unaudited)	
Log sales to Pacific Lumber	$ 13.1	$ 20.3
Operating expenses:		
General and administrative	3.6	3.4
Depletion, depreciation and amortization	1.7	2.5
	5.3	5.9
Operating income	7.8	14.4
Other income (expense):		
Interest and other income	2.4	1.5
Interest expense	(14.8)	(16.1)
Loss before extraordinary item	(4.6)	(0.2)
Extraordinary item:		
Gains on repurchases of debt	-	2.4
Net income (loss)	$ (4.6)	$ 2.2

The accompanying notes are an integral part of these financial statements.

SCOTIA PACIFIC COMPANY LLC

STATEMENT OF CASH FLOWS
(In millions of dollars)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ (4.6)	$ 2.2
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Extraordinary gains on repurchases of debt	–	(2.4)
Depletion, depreciation and amortization	1.7	2.5
Amortization of deferred financing costs	0.3	0.4
Increase (decrease) in cash resulting from changes in:		
Receivables from Pacific Lumber	6.3	(5.1)
Prepaid timber harvest costs	(0.8)	(1.1)
Due to Pacific Lumber	0.1	0.1
Accrued interest	(15.1)	(16.2)
Other accrued liabilities	(1.8)	(0.4)
Other	0.2	–
Net cash used for operating activities	(13.7)	(20.0)
Cash flows from investing activities:		
Capital expenditures	(0.7)	(1.4)
Restricted cash withdrawals used to acquire timberlands	–	0.3
Net cash used for investing activities	(0.7)	(1.1)
Cash flows from financing activities:		
Principal payments on Timber Notes and other timber related debt	(11.4)	(13.0)
Net borrowings under line of credit agreement	–	23.2
Member distribution	(73.1)	–
Net changes in debt related restricted cash, marketable securities and other investments	9.9	11.4
Net cash provided by (used for) financing activities	(74.6)	21.6
Net increase (decrease) in cash and cash equivalents	(89.0)	0.5
Cash and cash equivalents at beginning of period	98.1	1.3
Cash and cash equivalents at end of period	$ 9.1	$ 1.8
Supplementary disclosure of non-cash investing and financing activities:		
Repurchases of debt using restricted cash	$ –	$ 18.6
Supplemental disclosure of cash flow information:		
Interest paid	$ 29.5	$ 31.9

The accompanying notes are an integral part of these financial statements.

SCOTIA PACIFIC COMPANY LLC

CONDENSED NOTES TO FINANCIAL STATEMENTS

1. General

The information contained in the following notes to the financial statements is condensed from that which would appear in the annual financial statements; accordingly, the financial statements included herein should be reviewed in conjunction with the financial statements and related notes thereto contained in the Form 10-K. Any capitalized terms used but not defined in these Condensed Notes to Financial Statements are defined in the "Glossary of Defined Terms" contained in Appendix A. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the entire year.

The financial statements included herein are unaudited; however, they include all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly the financial position of the Company at March 31, 2001, and the results of operations and cash flows for the three months ended March 31, 2001 and 2000. The Company is a wholly owned subsidiary of Pacific Lumber which is a wholly owned subsidiary of MGI. MGI is a wholly owned subsidiary of MGHI which is a wholly owned subsidiary of MAXXAM.

2. Cash, Marketable Securities and Other Investments

Cash, marketable securities and other investments include the following amounts which are restricted (in millions):

	March 31, 2001 (Unaudited)	December 31, 2000
Current assets:		
Cash and cash equivalents, restricted	$ 5.2	$ 29.2
Marketable securities, restricted:		
Amounts held in SAR Account	16.7	16.3
	21.9	45.5
Long-term restricted cash, marketable securities and other investments:		
Amounts held in SAR Account	134.1	144.4
Amounts held in Prefunding Account	2.5	2.5
Other amounts restricted under the Indenture	0.3	0.4
Less: Amounts attributable to Timber Notes held in SAR Account	(52.0)	(52.7)
	84.9	94.6
Total restricted cash, marketable securities and other investments	$ 106.8	$ 140.1

Funds held in the SAR Account include a limited partnership interest in an investment fund (the "Equity Fund Partnership") which invests in a diversified portfolio of common stocks and other equity securities whose issuers are included in merger, tender offer, spin-off or recapitalization transactions. The following table shows the Company's investment in the Equity Fund Partnership and the ownership interest (dollars in millions):

	March 31, 2001	December 31, 2000
Investment in Equity Fund Partnership	$ 10.2	$ 10.1
Percentage of ownership held	3.5%	10.8%

3. Contingencies

Regulatory and environmental matters play a significant role in the Company's business, which is subject to a variety of California and federal laws and regulations, as well as the HCP and SYP and Pacific Lumber's timber operator's license, dealing with timber harvesting practices, threatened and endangered species and habitat for such species, and air and water quality. On March 1, 1999, Pacific Lumber and MAXXAM consummated the Headwaters Agreement with the United States and California. In addition to the transfer of the Headwaters Timberlands, the SYP and HCP were approved and the Permits were issued.

The SYP complies with certain California Board of Forestry and Fire Protection regulations requiring timber companies to project timber growth and harvest on their timberlands over a 100-year planning period and to demonstrate that their projected average annual harvest for any decade within a 100-year planning period will not exceed the average annual harvest level during the last decade of the 100-year planning period. The SYP is effective for 10 years (subject to review after five years) and may be amended by Pacific Lumber, subject to approval by the CDF. Revised SYPs will be prepared every decade that address the harvest level based upon reassessment of changes in the resource base and other factors. The HCP and the Permits allow incidental "take" of certain species located on the Company's timberlands which species have been listed as endangered or threatened under the ESA and/or the CESA so long as there is no "jeopardy" to the continued existence of such species. The HCP identifies the measures to be instituted in order to minimize and mitigate the anticipated level of take to the greatest extent practicable. The SYP is also subject to certain of these provisions. The HCP and related Permits have a term of 50 years. The Company believes that the SYP and the HCP should in the long-term expedite the preparation and facilitate approval of its THPs, although the Company is experiencing difficulties in the THP approval process as it implements these agreements.

Under the CWA, the EPA is required to establish TMDLs in water courses that have been declared to be "water quality impaired." The EPA and the North Coast Regional Water Quality Control Board are in the process of establishing TMDLs for 17 northern California rivers and certain of their tributaries, including nine water courses that flow within the Company's timberlands. The Company expects this process to continue into 2010. In the December 1999 EPA report dealing with TMDLs on two of the nine water courses, the agency indicated that the requirements under the HCP would significantly address the sediment issues that resulted in TMDL requirements for these water courses. However, the September 2000 report by the staff of the North Coast Regional Water Quality Control Board proposed various actions, including restrictions on harvesting beyond those required under the HCP. Dates for hearings concerning these matters have not been scheduled. Establishment of the final TMDL requirements applicable to the Company's timberlands will be a lengthy process, and the final TMDL requirements applicable to the Company's timberlands may require aquatic protection measures that are different from or in addition to the prescriptions to be developed pursuant to the watershed analysis process provided for in the HCP.

Lawsuits are pending and threatened which seek to prevent the Company from implementing the HCP and/or the SYP, implementing certain of the Company's approved THPs or carrying out certain other operations. On December 2, 1997, the *Wrigley lawsuit* was filed. This action alleges, among other things, that the defendants' logging practices have contributed to an increase in flooding and damage to domestic water systems in a portion of the Elk River watershed. The Company believes that it has strong factual and legal defenses with respect to the *Wrigley lawsuit*; however, there can be no assurance that it will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

On March 31, 1999, the *EPIC-SYP/Permits lawsuit* was filed alleging various violations of the CESA and the California Environmental Quality Act, and challenging, among other things, the validity and legality of the Permits issued by California and the SYP. On March 31, 1999, the *USWA lawsuit* was filed also challenging the validity and legality of the SYP. The Company believes that appropriate procedures were followed throughout the public review and approval process concerning the HCP and the SYP, and the Company is working with the relevant government agencies to defend these challenges. Although uncertainties are inherent in the final outcome of the *EPIC-SYP/Permits lawsuit* and the *USWA lawsuit*, the Company believes that the resolution of these matters should not result in a material adverse effect on its financial condition, results of operations or the ability to harvest timber.

On or about February 23, 2001, the Company and Pacific Lumber received a letter from the Environmental Protection Information Association of its 60-day notice of intent to sue the Company and Pacific Lumber under the CWA. The letter alleges a number of violations of the CWA by the Company and Pacific Lumber in certain watersheds since 1990. If filed, the lawsuit will purportedly seek declarative and injunction relief for past violations and to prevent future violations, as well as civil penalties. Such civil penalties could be up to $25,000 per day for each continuing violation. The Company does not know when or if a lawsuit will be filed regarding this matter, or if a lawsuit is filed, the ultimate impact of such lawsuit on its financial condition or results of operations.

While the Company expects environmentally focused objections and lawsuits to continue, it believes that the HCP, the SYP and the Permits should enhance its position in connection with these continuing challenges and, over time, reduce or minimize such challenges.

4. Comprehensive Income (Loss) and Member Deficit

Comprehensive income includes the following (in millions):

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Net income (loss)	$ (4.6)	$ 2.2
Other comprehensive income:		
Change in value of available-for-sale investments	0.6	–
Total comprehensive income (loss)	$ (4.0)	$ 2.2

A reconciliation of the activity in member deficit is as follows (in millions):

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Balance at beginning of period	$ (288.0)	$ (399.4)
Comprehensive income (loss)	(4.0)	2.2
Member distribution	(73.1)	–
Balance at end of period	$ (365.1)	$ (397.2)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following should be read in conjunction with the response to Part I, Item 1 of this Report, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8. "Financial Statements and Supplementary Data" of the Form 10-K. Any capitalized terms used but not defined in this Item are defined in the "Glossary of Defined Terms" contained in Appendix A.

This Quarterly Report on Form 10-Q contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this section and in Part II. Item 1. "Legal Proceedings." Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary materially from the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, developments in technology, new or modified statutory or regulatory requirements and changing prices and market conditions. This Form 10-Q and the Form 10-K identify other factors that could cause such differences between such forward-looking statements and actual results. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

Results of Operations

General

Mbfe Concept. The Mbfe concept was used in structuring the Timber Notes in order to take account of the relative values of the species and categories of timber included in the Company Timber. Under the Mbfe concept, one thousand board feet, net Scribner scale, of old growth redwood timber equates to one Mbfe. One thousand board feet, net Scribner scale, of each other species and category of timber included in the Company Timber was assigned a value in Mbfe equal to a fraction of an Mbfe. This fraction was generally determined by dividing the SBE Price applicable to such species and category for the first half of 1998 by the SBE Price applicable to old growth redwood for the first half of 1998. Historical harvest volumes reflected in this report are stated on an Mbfe basis.

Master Purchase Agreement Governing Log Sales to Pacific Lumber. The Master Purchase Agreement generally contemplates that all sales of logs by the Company to Pacific Lumber will be at the SBE Price. Harvest Value Schedules setting forth the SBE Prices are published by the California State Board of Equalization twice a year for the purpose of computing a yield tax imposed on timber harvested between January 1 and June 30 and July 1 and December 31. Harvest Value Schedules are based on twenty-four months of actual log and timber sales that occur within nine specified timber value areas. These sales are arms length transactions adjusted for time by indexing the prices (using log and lumber price trends) to a specific date, which is approximately sixty days prior to the effective date of the Harvest Value Schedules. However, SBE prices may not necessarily be representative of actual prices that would be realized from unrelated parties at subsequent dates.

Seasonality. Logging operations on the Company's timberlands are highly seasonal and have historically been significantly higher in the months of April through November than in the months of December through March. Management expects that the Company's revenues and cash flows will continue to be markedly seasonal because of the harvesting, road use, wet weather and other restrictions imposed by the HCP. As a result, a substantial majority of the future harvesting on the Company's timberlands can be expected to be concentrated during the period from June through October of each year. Some of these restrictions may be modified under the adaptive management provision contained in the HCP, and as a result of the watershed analysis process to be performed over the five-year period beginning March 1, 1999. See Note 3 to the Condensed Financial Statements.

Log sales to Pacific Lumber

Net sales from logs were $13.1 million and $20.3 million for the three months ended March 31, 2001 and 2000, respectively. The decrease was largely due to a reduction of log delivery volumes. The volume of log deliveries for such periods was 12,700 Mbfe and 21,000 Mbfe, respectively. The decrease in volume was predominantly due to a decrease in available-to-log THPs. Seasonal harvesting restrictions imposed under the HCP reduced the number of available-to-log THPs as compared to the prior year. See "—Trends" for further discussion of the factors affecting the supply of approved THPs.

Operating Income and Net Income (Loss)

Operating income was $7.8 million and $14.4 million for the three months ended March 31, 2001 and 2000, respectively. Net income (loss) was $(4.6) million and $2.2 million for the three months ended March 31, 2001 and 2000, respectively. The decrease in operating income is largely attributable to the decrease in net sales discussed above but slightly offset by a decrease in depletion resulting from the lower harvest. The Company had a net loss for the three months ended March 31, 2001, as compared to net income for the comparable prior year period as a result of the decrease in operating income discussed previously. In addition, results for the three months ended March 31, 2000, included a $2.2 million extraordinary item related to gains on repurchases of Timber Notes.

Financial Condition and Investing and Financing Activities

This section contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See above for cautionary information with respect to such forward-looking statements.

The Line of Credit expires on July 15, 2001, but it is expected to be renewed annually, subject to approval of the bank group. At March 31, 2001, the Company could have borrowed a maximum of $61.1 million under the Line of Credit, and there were no borrowings outstanding under the Line of Credit.

On the January 22, 2001, note payment date for the Timber Notes, the Company had $40.8 million set aside in the note payment account to pay the $31.0 million of interest due as well as $9.8 million of principal. The Company repaid an additional $3.3 million of principal on the Timber Notes using funds held in the SAR Account, resulting in a total principal payment of $13.1 million, an amount equal to Scheduled Amortization. In addition, the Company made a distribution in the amount of $73.1 million to its parent, Pacific Lumber, $63.9 million of which was made using funds from the December 2000 sale of the Owl Creek grove and $9.2 million of which was made using excess funds released from the SAR Account.

With respect to short-term liquidity, the Company believes that it will generate sufficient cash from operations to pay all of the interest and required principal on the Timber Notes on the July 20, 2001 payment date; however, given the uncertainties concerning the ability of the Company to obtain THP approvals, restrictions on winter harvesting operations and other matters, there can be no assurance that this will be the case. Any shortfall in funds available to pay interest would be borrowed under the Line of Credit. The Company also expects that all or a portion of the funds used to pay the Scheduled Amortization amount will be provided from the SAR Account.

Pacific Lumber's financial condition will affect its ability to purchase logs from the Company and to meet its obligations under the Services Agreement. Pacific Lumber's liquidity improved significantly as a result of the $73.1 million distribution paid January 22, 2001. Nevertheless, Pacific Lumber expects that near-term cash flows from operations will be adversely affected by an inadequate supply of logs and a related slowdown in lumber production. Pacific Lumber may require funds available under Pacific Lumber's revolving credit agreement, repayments by MGI of an intercompany loan and/or capital contributions from MGI to enable it to meet its working capital and capital expenditure requirements for 2001. With respect to long-term liquidity, although Pacific Lumber expects that its existing cash and cash equivalents should provide sufficient funds to meet its working capital and capital expenditure requirements, until such time as Pacific Lumber has adequate cash flows from operations and/or dividends from the Company, there can be no assurance that this will be the case.

With respect to long-term liquidity, the Company believes that its existing cash, including cash available for principal payments from the SAR Account, and funds available under the Line of Credit, together with its ability to generate sufficient levels of cash flows from operations over the long term, should provide sufficient funds to meet its long-term working capital, capital expenditures and required debt service obligations. If the Company generates excess funds after the payment of operating expenses, capital expenditures, interest, premiums, required principal payments and replenishment of the SAR Account, it may at its option either pay dividends, retain these funds for internal purposes or make voluntary principal payments. Cash flows from operations may continue to be adversely affected if the Company does not experience improvements in the THP submission and approval process, or if inclement weather conditions or seasonal operating restrictions under the HCP hamper harvesting operations. Cash flows from operations would also be adversely affected if additional judicial or regulatory restrictions are imposed on the Company's harvesting activities, or if the Environmental Plans are not implemented in accordance with the Company's expectations.

Trends

This section contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See above for cautionary information with respect to such forward-looking statements.

Regulatory and environmental matters play a significant role in the Company's operations. See Note 3 to the Condensed Financial Statements and Item 1. "Business—Regulatory and Environmental Factors" of the Form 10-K for a discussion of these matters. Regulatory compliance and related litigation have increased the cost of logging operations, and the Company has also been adversely affected by a lack of available logs as a result of a severely diminished supply of available THPs, resulting in delayed or reduced harvest and lower net sales.

Since the consummation of the Headwaters Agreement on March 1, 1999, there has been a significant amount of work required in connection with the implementation of the Environmental Plans. As a result of the implementation process, 1999 and 2000 were transition years for the Company with respect to the filing and approval of its THPs. The rate of approvals of THPs during the three months ended March 31, 2001 continues to be below what the Company requires to meet its targeted harvest levels under the SYP, principally because government agencies have failed to approve THPs in a timely manner. Nevertheless, the Company anticipates that once they are fully implemented, the Environmental Plans will streamline the process of preparing THPs and potentially shorten the time to obtain approval of THPs.

There can be no assurance that the Company will not continue to experience difficulties in receiving approvals of its THPs similar to those it has been experiencing. Furthermore, there can be no assurance that certain pending legal, regulatory and environmental matters or future governmental regulations, legislation or judicial or administrative decisions, or adverse weather conditions, would not have a material adverse effect on the Company's financial position, results of operations or liquidity. See Note 3 to the Condensed Financial Statements for further information regarding regulatory and legal proceedings affecting the Company.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Item 3 of the Form 10-K for information concerning material legal proceedings with respect to the Company. No material developments have occurred with respect to such legal proceedings subsequent to the filing of the Form 10-K.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. **Exhibits:**
None

b. **Reports on Form 8-K:**

On January 2, 2001, the Company filed a current report on Form 8-K (under Item 9), dated December 29, 2000, related to the sale of approximately 1,200 acres of timberlands known as the Owl Creek grove.

On January 23, 2001, the Company filed a current report on Form 8-K (under Item 9), dated January 22, 2001, related to the filing of two certificates in respect of the Company's Timber Notes.

On February 21, 2001, the Company filed a current report on Form 8-K (under Item 9), dated February 20, 2001, related to a filing of a certificate in respect of the Company's Timber Notes.

On March 23, 2001, the Company filed a current report on Form 8-KA (under Item 9), dated March 21, 2001, related to the filing of a certificate in respect of the Company's Timber Notes.

On April 23, 2001, the Company filed a current report on Form 8-K (under Item 9), dated April 20, 2001, related to the filing of a certificate in respect of the Company's Timber Notes.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, who has signed this report on behalf of the Registrant and as the principal financial and accounting officer of the Registrant.

SCOTIA PACIFIC COMPANY LLC

Date: May 11, 2001

By: /S/ GARY L. CLARK
Gary L. Clark
Vice President – Finance and Administration
(Principal Financial and Accounting Officer)

Glossary of Defined Terms

CDF: California Department of Forestry and Fire Protection

CESA: California Endangered Species Act

Company: Scotia Pacific Company LLC, a limited liability company wholly owned by Pacific Lumber

Company Timber: The timber located on the Company's timberlands which is not subject to harvesting rights by Pacific Lumber

CWA: Federal Clean Water Act

Environmental Plans: The HCP and the SYP

EPA: Environmental Protection Agency

EPIC - SYP/Permits lawsuit: An action entitled *Environmental Protection Information Association, Sierra Club v.California Department of Forestry and Fire Protection, California Department of Fish and Game, The Pacific Lumber Company, Salmon Creek Corporation, et al.* (No. 99CS00639) filed March 31, 1999 in the Superior Court of Sacramento County

Equity Fund Partnership: A partnership investing in equity securities in which the Company holds a limited partnership interest

ESA: The federal Endangered Species Act

Forest Practice Act: The California Forest Practice Act

Form 10-K: The Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2000

Harvest Value Schedule: A schedule setting forth the SBE Prices published bi-annually by the California Board of Equalization applicable to the timber sold during the period covered by the schedule for purposes of computing timber yield taxes

HCP: The habitat conservation plan covering multiple species approved on March 1, 1999, in connection with the consummation of the Headwaters Agreement

Headwaters Agreement: The September 28, 1996, agreement between Pacific Lumber, Scotia LLC, Salmon Creek, the United States and California which provided the framework for the acquisition by the United States and California of the Headwaters Timberlands

Headwaters Timberlands: Approximately 5,600 acres of Pacific Lumber timberlands consisting of two forest groves commonly referred to as the Headwaters Forest and the Elk Head Springs Forest which were sold to the United States and California on March 1, 1999

Indenture: The indenture governing the Timber Notes

Line of Credit: The agreement between a group of lenders and the Company pursuant to which the Company may borrow in order to pay up to one year's interest on the Timber Notes

Master Purchase Agreement: The agreement entered into between Pacific Lumber and the Company that governs all purchases of logs by Pacific Lumber from the Company

MAXXAM: MAXXAM Inc.

Mbfe: A concept developed for use in structuring the Timber Notes; under this concept one thousand board feet, net Scribner scale, of residual old growth redwood timber equates to one Mbfe

MGHI: MAXXAM Group Holdings Inc., a wholly owned subsidiary of MAXXAM

MGI: MAXXAM Group Inc., a wholly owned subsidiary of MGHI

Pacific Lumber: The Pacific Lumber Company, a wholly owned subsidiary of MGI

Permits: The incidental take permits issued by the United States and California pursuant to the HCP

Prefunding Account: Restricted cash held in an account by the trustee under the Indenture to enable the Company to acquire timberlands

Salmon Creek: Salmon Creek LLC, a wholly owned subsidiary of Pacific Lumber

SAR Account: Funds held in a reserve account to support principal payments on the Timber Notes

SBE Price: The applicable stumpage price for a particular species and category of log, as set forth in the most recent Harvest Value Schedule published by the California State Board of Equalization at six month intervals for the purpose of computing yield taxes imposed on the harvesting of timber

Scheduled Amortization: The amount of principal which the Company must pay through each Timber Note payment date in order to avoid prepayment or deficiency premiums

Services Agreement: An agreement whereby Pacific Lumber is to provide operational, management and related services with respect to the Company's timberlands and for which Pacific Lumber is paid a fee

SYP: The sustained yield plan approved on March 1, 1999, in connection with the consummation of the Headwaters Agreement

THP: Timber harvesting plan required to be filed with and approved by the CDF prior to the harvesting of timber

Timber Notes: The Company's $867.2 million original aggregate principal amount of 6.55% Series B Class A-1 Timber Collateralized Notes, 7.11% Series B Class A-2 Timber Collateralized Notes and 7.71% Series B Class A-3 Timber Collateralized Notes due July 20, 2028

TMDLs: Total maximum daily load limits

USWA lawsuit: An action entitled *United Steelworkers of America, AFL-CIO, CLC, and Donald Kegley v. California Department of Forestry and Fire Protection, The Pacific Lumber Company, Scotia Pacific Company LLC and Salmon Creek Corporation* (No. 99CS00626) filed on March 31, 1999 in the Superior Court of Sacramento County

Wrigley lawsuit: An action entitled *Kristi Wrigley, et al. v. Charles Hurwitz, John Campbell, Pacific Lumber, MAXXAM Group Holdings Inc., Scotia Pacific Holding Company, MAXXAM Group Inc., MAXXAM Inc., Scotia Pacific Company LLC and Federated Development Company* (No. 9700399) filed December 2, 1997 in the Superior Court of Humboldt County