



FORM 10-K

PLUM CREEK TIMBER CO INC – pcl

Filed: March 11, 2003 (period: December 31, 2002)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2002

or

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

Commission file number 1-10239

Plum Creek Timber Company, Inc.

(Exact name of registrant as specified in its charter)

Organized in the State of Delaware

**I.R.S. Employer Identification No.
91-1443693**

999 Third Avenue, Suite 2300

**Seattle, Washington 98104-4096
Telephone: (206) 467-3600**

Securities registered pursuant to Section 12(b) of the Act: Common Stock, par value \$.01 per share.

The above securities are registered on the New York Stock Exchange and the Pacific Exchange.

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting common stock held by non-affiliates based on the closing sales price on June 28, 2002 was \$6,038,318,776. For this calculation, all executive officers, directors and stockholders owning more than 5% of the outstanding common stock have been deemed affiliates. Such determination should not be deemed an admission that such executive officers, directors and stockholders are, in fact, affiliates of the registrant.

The number of outstanding shares of the registrant's common stock as of February 28, 2003 was 183,568,062.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated:

Portions of the Proxy Statement for registrant's 2003 Annual Meeting of Shareholders to be held on May 6, 2003, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PLUM CREEK TIMBER COMPANY, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2002

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Part I

When we refer to “we”, “us”, “our”, “the company” or “Plum Creek” we mean Plum Creek Timber Company, Inc. and its consolidated subsidiaries and its predecessor, Plum Creek Timber Company, L.P.

On October 6, 2001, we merged with The Timber Company, formerly a separate operating division of Georgia-Pacific Corporation. This merger was accounted for as a reverse acquisition. Accordingly, the historical financial statements of The Timber Company became our historical financial statements for accounting and financial reporting purposes.

Item 1. Business

AVAILABLE INFORMATION

The company’s Internet web site is accessible to the public at www.plumcreek.com. Information about the company, including the company’s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are made available free of charge through our Internet website as soon as reasonably practicable after such reports have been filed with, or furnished to, the United States Securities and Exchange Commission.

INDUSTRY OVERVIEW

General

The timber industry provides raw material and conducts resource management activities for the paper and forest products industry, including the planting, fertilizing, thinning, and cutting of trees and the marketing of logs. Logs are marketed and sold either as sawlogs to lumber and other wood products manufacturers or as pulplogs to pulp and paper manufacturers. The timber industry possesses several unique characteristics that distinguish it from the broader paper and forest products industry, which we believe makes timber an attractive asset class, including the following:

Renewable Resource. Timber is a growing and renewable resource that, when properly managed, increases in volume and value as it grows over time. Larger diameter trees command a higher price than smaller trees because they may be converted to higher value end-use products such as lumber and plywood.

Predictable and Improving Growth Rates. Predictable biological growth is an attractive feature of timberland assets because it contributes to predictable, long-term harvest planning. The development and application of intensive forest management practices continue to improve biological growth rates.

Harvest Flexibility. Timberland owners have some flexibility to increase their harvests when prices are high and decrease their harvests when prices are low, allowing timberland owners to maximize the long-term value of their growing resource base.

Historical Real Price Appreciation. Due to growing demand combined with limitations on supply caused by environmental restrictions, urban sprawl and overcutting, prices for Douglas-fir and Southern Yellow Pine timber have exhibited a compound annual growth rate of approximately 4% and 3% from 1975 through 2002.

Supply and Demand Dynamics

There are five primary end-markets for most of the timber harvested in the United States: products used in new housing construction; products used in the repair and remodeling of existing housing; products for industrial uses; raw material for the manufacture of pulp and paper; and logs for export.

Supply. Timber supply can fluctuate based upon a variety of factors.

The supply of timber is limited, to some extent, by the availability of timberlands. The availability of timberlands, in turn, is limited by several factors, including government restrictions relating to environmental regulation and land use, alternate uses such as agriculture, and loss to urban or suburban real estate development. The large amounts of capital and long time required to create new timberlands also limits timber supply.

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Over the long-term, timber supply increases when modern forestry techniques increase productivity of timberlands and when some marginal agriculture lands revert to timberlands or are planted to forests for conservation purposes. In certain regional markets, log supply can expand when log imports increase relative to log exports.

Demand. The demand for timber is directly related to the underlying demand for pulp and paper products, lumber, panel and other wood related products. The demand for pulp and paper is largely driven by population growth and per-capita income levels. The demand for lumber and manufactured wood products is primarily affected by the level of new residential construction activity and repair and remodeling activity, which, in turn, is impacted by changes in general economic and demographic factors, including interest rates for home mortgages and construction loans. The demand for United States timber is impacted by the amounts of lumber and other wood products that are imported into the United States. A significant factor determining the volume of wood products shipped into the United States by foreign producers is currency valuation shifts.

OUR BUSINESS

We are the second largest private timberland owner in the United States, with more than 8.0 million acres of timberlands located in 20 states. Our timberlands are well diversified, not only by species mix but also by age distribution. Growth rates vary depending on species, location, age and forestry practices. We manage our timberlands in two business segments: the Northern Resources Segment, consisting of timberlands primarily in Idaho, Maine, Michigan, Montana, Oregon, Pennsylvania, western Virginia, Washington, West Virginia and Wisconsin; and the Southern Resources Segment, consisting of timberlands primarily in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and eastern Virginia. In addition, our Other Segment includes our natural resource businesses that focus on opportunities resulting from our extensive property ownership including opportunities relating to mineral extraction, natural gas production and communication and transportation rights of way. The Real Estate Segment, which is generally conducted through our taxable REIT subsidiaries, refers to our sale and management of higher and better use lands and periodic sales of non-strategic timberlands.

Our Manufactured Products Segment, also conducted through our taxable REIT subsidiaries, includes four lumber mills, two plywood plants, two medium density fiberboard facilities, and two lumber remanufacturing facilities. These facilities, strategically located near our timberlands in Montana and Idaho, convert logs to lumber, plywood and other wood products, and convert chips, sawdust and wood shavings to medium density fiberboard. The manufacturing operations have established a network of 65 independent warehouses located strategically throughout the United States to enhance customer service and prompt deliveries.

Our Value Growth Strategy

Our value growth strategy is guided by specific operating objectives, including maximizing the value of our current timberlands through intensive forest management and optimizing our resource base through acquisitions and divestitures, and practicing environmentally responsible resource stewardship. Our value growth strategy includes the following key elements:

Focus on Maximizing the Value of Our Resource Base Through Intensive Management of our Timberlands. We view our timber resource base as a renewable asset with substantial inherent value. We seek to manage our timberlands in a manner that optimizes the balance among current cash flows, the biological growth of our timber and prudent environmental management. Our management approach employs advanced forest management practices, including the use of a computerized timber inventory system, thinning and fertilization, and the development and use of genetically improved seedlings. Tree growth rates vary from region to region because of differences in weather, climate and soil conditions. Newly-planted seedlings take 20 to 30 years to reach harvest maturity in the Southern United States, 45 to 60 years in the Northwestern United States, 45 to 70 years in the Northeastern United States and 70 to 90 years in the Rocky Mountains, depending on the desired product.

Pursue Acquisitions of High Quality Timber Assets. The United States timber market is highly fragmented. We believe that there will continue to be numerous timberland acquisition opportunities due to the desire among some

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paper and forest product companies to sell their timberland assets and the difficulties faced by some small timberland owners in efficiently managing their timberlands. We believe we are well positioned to compete for high quality timberland assets because:

- We are an attractive strategic partner for integrated forest products companies seeking to sell their timberlands because we do not compete with their pulp or paper manufacturing operations and we are willing to enter into long-term supply agreements;
- We can structure acquisitions on a tax-efficient basis through the issuance of common stock, limited partnership interests in our operating partnership, or installment notes, giving sellers the ability to defer some or all of the taxes otherwise payable upon a sale; see Risk Factors— We Will Have to Abide by Potentially Significant Restrictions With Respect to Issuances of Our Equity Securities Until October, 2003;
- The geographic reach of our operations enhances our awareness of new acquisition opportunities and our knowledge of environmental concerns, market dynamics, timber productivity and other factors important in valuing timberlands and operations in each region;
- Our reputation for prudent environmental management makes us attractive to sellers concerned with continued environmentally responsible forest management; and
- We maintain a conservative capital structure which provides the flexibility to ensure ready access to capital.

Our disciplined acquisition strategy has allowed us to expand and diversify our timber holdings, as well as increase our cash flow. Over the last decade, we have increased our timber holdings from approximately 1.4 million acres to approximately 8.0 million acres. These acquisitions have enhanced our operating flexibility and reduced our exposure to regional timber market fluctuations. Our strategy is to continue to make strategic acquisitions that are accretive to cash flow.

Realize the Value of Selected Properties Through Sale or Exchange. At the same time that we pursue timberland acquisitions, we continually review our timberland portfolio to identify properties that may have higher and better uses other than as commercial timberlands. At this time, we estimate that approximately 400,000 acres of the company's approximately 8 million acres of timberlands are located in recreational areas or near expanding population centers and may be better suited for conservation, residential or recreational purposes, rather than for long-term commercial timberland management. Furthermore, the company estimates that an additional 900,000 acres may also be suited for conservation, residential or recreational development. Our ongoing review process evaluates properties based on a number of factors such as proximity to population centers and major transportation routes, and the presence of special ecological or geographic features.

We may sell or exchange timberlands which have high environmental or other public values and reinvest in timberlands that are more suitable for commercial timber management. In addition, we may sell conservation easements that limit development rights, but ensure that the timberlands will be maintained as a working forest in perpetuity. We may also sell or exchange less strategic timberlands to other forest products companies or non-industrial investors. Additionally, from time to time, we may pursue pre-development or development activities on certain lands.

Capture the Value of Non-timber Resources on Our Properties. As part of our resources business, we focus on value creation resulting from our extensive property ownership, including opportunities relating to mineral extraction and communication and transportation rights of way. Our strategy involves forming strategic alliances with industry specific leaders to identify and pursue such opportunities, as well as securing participation rights in any resulting development projects.

Practice Responsible Environmental Forestry. We believe that environmentally sound management practices contribute to our growth in value by providing greater predictability in the management of our assets. Our forestry and mill practices follow a set of internal environmental principles as well as principles of the Sustainable Forestry Initiative® which are aimed at the sound management of all natural resources, including soils, air, watersheds, fisheries and wildlife habitats. These principles are reflected in our habitat planning efforts, which have led to the

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implementation of five major habitat conservation agreements under which we manage approximately 2.3 million acres of our timberlands. See Federal and State Regulations.

Acquisitions and Dispositions

During the fourth quarter of 2002, we acquired 307,000 acres of timberlands located primarily in Wisconsin for approximately \$141 million. These timberlands contain a diversified mix of tree types and age profiles, including mature mixed hardwood stands, mixed natural conifer stands, and hardwood and conifer plantations.

On October 6, 2001, six former subsidiaries of Georgia-Pacific Corporation, collectively referred to as "The Timber Company", merged with and into Plum Creek ("The Timber Company Merger"). The Timber Company held all of the assets and liabilities attributed to Georgia-Pacific's timber and timberlands business. In the merger, we acquired approximately 3.9 million acres of primarily pine forests in the southern regions of the United States, 287,000 acres of primarily Douglas-fir forests in Oregon and 542,000 acres of mixed hardwood forests in the Appalachian and northeastern regions of the United States for a purchase price of approximately \$3.4 billion. The purchase price amount includes debt incurred by the company sufficient to replace the debt attributed to The Timber Company, which was approximately \$650 million as of October 6, 2001. The merger with The Timber Company has been accounted for as a reverse acquisition, with The Timber Company being treated as the acquirer for financial reporting purposes. As a result, the historical financial statements of The Timber Company constitute the historical financial statements of Plum Creek effective as of October 6, 2001. Consequently, our financial statements for 2002 reflect a full year of combined operations of the merged companies whereas the 2001 financial statements reflect only the operations of The Timber Company through October 6, 2001 and of the merged companies for the remainder of the year. The 2000 financial statements represent only the historical financial statement of The Timber Company.

Prior to the merger with The Timber Company, Plum Creek disposed of certain of its timberlands. These dispositions are not reflected in the company's historical financial statements because the merger was accounted for as a reverse acquisition and the historical financial statements of The Timber Company became the historical financial statements of Plum Creek effective as of October 6, 2001.

On March 29, 2001, Plum Creek sold approximately 44,000 acres of timberlands near Kelso, Washington to Pope Resources, a Delaware Limited Partnership, for approximately \$54 million.

On December 15, 2000, Plum Creek sold its Southern lumber manufacturing operations in Joyce, Louisiana and Huttig, Arkansas to West Fraser (South) Inc. for \$60 million plus working capital. In January 2000, Plum Creek sold approximately 90,000 acres of timberlands near St. Maries, Idaho to Crown Pacific Partners, L.P. for approximately \$73 million.

During 1999, The Timber Company sold approximately 1,024,000 acres of timberlands for \$442 million in three separate transactions. These transactions included 390,000 acres of timberlands in the Canadian province of New Brunswick, 440,000 acres of timberlands in Maine, and 194,000 acres of timberlands in California.

On July 1, 1999, Plum Creek Timber Company, L.P. converted from a master limited partnership to a corporation. Plum Creek Timber Company, Inc., the new corporation and successor registrant, has elected to be treated for federal income tax purposes as a real estate investment trust or "REIT". As of the date of the REIT conversion, Plum Creek Timber Company, L.P. ceased to exist. To qualify as a REIT, substantially all assets and associated liabilities related to our manufacturing operations and harvesting activities, and some higher and better use lands, were transferred to several unconsolidated corporate subsidiaries. In late 1999, Congress simplified several of the qualification requirements applicable to REITs, including the circumstances under which a REIT may own the voting stock of entities that do not generate qualified REIT income. Accordingly, on January 1, 2001, Plum Creek purchased the voting stock of the unconsolidated subsidiaries and thereby consolidated the equity ownership in these business entities.

On November 12, 1998, Plum Creek acquired 905,000 acres of timberlands in central Maine from S.D. Warren Company for a purchase price of \$181 million, plus \$300,000 for working capital.

During 1998, The Timber Company sold approximately 61,000 acres of timberlands in West Virginia for approximately \$26 million.

SEGMENT INFORMATION

Certain financial information for each business segment is included in Note 14 of the Notes to Financial Statements and is incorporated herein by reference.

Northern Resources Segment

The Northern Resources Segment encompasses 3.7 million acres of timberlands in Idaho, Maine, Michigan, Montana, Oregon, Pennsylvania, western Virginia, Washington, West Virginia and Wisconsin. The Northern Resources Segment timberlands contain an estimated 130 million tons (43 million cunits) of standing timber. Consistent with industry practices in the North, Plum Creek's estimated inventory of standing timber includes deductions for visible and hidden defect. Furthermore, Plum Creek's estimated inventory includes volumes in environmentally sensitive areas, where we defer harvest until conditions permit the removal of trees without adversely affecting the environment.

Logs harvested in the Northern Resources Segment are sold primarily to domestic mills and for export to Canada. The company also exports a few logs to the Pacific Rim countries. Competitors in the domestic log market include the United States Forest Service, the Bureau of Land Management, the Bureau of Indian Affairs, the British Columbia Ministry of Forests, and numerous private individuals, domestic and foreign industrial timberland owners, and state agencies located in the regions in which we operate. Competitors in export log markets include numerous private timberland owners in the United States, as well as companies and state-controlled enterprises in Canada, Chile, New Zealand, and Russia, all of which have abundant timber resources. In the Northern Resources Segment, domestic wood and fiber consuming facilities tend to purchase raw materials within a 200-mile radius due to transportation costs. Competitive factors within a market area generally will include price, species and grade, quality, proximity to wood consuming facilities and the ability to consistently meet customer requirements. We compete based on our reputation as a stable and consistent supplier of well-merchandised, high-quality logs, and on price.

In 2002, we entered into a three-year pulp wood fiber supply agreement with Stora Enso North America Corp. in connection with our acquisition of 307,000 acres of timberlands located primarily in Wisconsin. Under the agreement, which expires December 31, 2005, we will supply specified quantities of fiber at prevailing market prices to Stora's paper mills. In connection with our acquisition of the Maine timberlands in 1998, we entered into a long-term agreement to supply pulp wood fiber to S.D. Warren Company's paper facility in Skowhegan, Maine at prevailing market prices. The fiber supply agreement ends in 2023 and may be extended up to an additional 15 years at the option of S.D. Warren Company. In conjunction with an acquisition in 1993 of 865,000 acres of timberlands in western Montana, we entered into a sourcing agreement with Stimson Lumber Company to supply logs to Stimson's Montana mills, based upon prevailing market prices, over a ten-year period ending at December 31, 2003.

Southern Resources Segment

The Southern Resources Segment consists of 4.3 million acres of timberlands (including 350,000 acres of leased land) located in the states of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and eastern Virginia, and contains an estimated 164 million tons (46 million cunits) of standing timber. Consistent with industry practices in the South, Plum Creek's estimated inventory of standing timber includes deductions for visible defect. Furthermore, Plum Creek's estimated inventory includes volume in environmentally sensitive areas, where we defer harvest until conditions permit the removal of trees without adversely affecting the environment.

Logs in the Southern Resources Segment are sold to third party mills producing a wide array of forest products, including manufacturers of lumber, plywood, oriented strand board, and pulp and paper products. We compete with numerous private and industrial timberland owners, as well as federal and state agencies, across the Southern

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United States. Due to transportation costs, domestic wood and fiber consuming facilities in the Southern Resources Segment tend to purchase raw material within a 100-mile radius. Competitive factors within our Southern Resources Segment include price, species, grade, quality, proximity to wood consuming facilities and the ability to consistently meet customer requirements. We compete based on our reputation as a stable and consistent supplier of well-merchandised, high-quality logs, and on price.

In connection with The Timber Company Merger, our Southern Resources Segment entered into a long-term agreement to sell timber to Georgia-Pacific at prevailing market prices. The supply agreement expires in 2010 subject to an automatic 10-year renewal period, unless either party delivers a timely termination notice. In connection with Plum Creek's December 2000 sale of its Southern lumber facilities to West Fraser (South) Inc., Plum Creek entered into a long-term agreement to supply logs to these mills at prevailing market prices. The supply agreement expires in 2015 and may be renewed for five-year periods thereafter upon mutual consent of both parties. Additionally, in connection with Plum Creek's acquisition of 538,000 acres of timberlands in Louisiana and Arkansas from Riverwood International Corporation in 1996, Plum Creek entered into a long-term agreement to supply pulp logs at prices that are based upon prevailing market prices. The supply agreement ends in 2016 and can be extended up to an additional 10 years by either party. We expect that our long-term supply agreements with Georgia-Pacific, Riverwood International Corporation and West Fraser (South) Inc. will provide us with ongoing secure markets for a substantial portion of the wood fiber harvested from our Southern Resources Segment timberlands. The long-term supply agreements may restrict our ability to sell lands in certain areas within our Southern Resources Segment.

Real Estate Segment

We estimate that approximately 400,000 acres of the company's approximately 8 million acres of timberlands are located in recreational areas or near expanding population centers and may be better suited for conservation, residential or recreational purposes, rather than for long-term commercial timberland management. Furthermore, the company estimates that an additional 900,000 acres may also be suited for conservation, residential or recreational development.

We are sometimes approached by third parties, such as conservation groups or adjacent landowners, and asked to sell a particular timberland property.

From time to time, we transfer land to wholly owned taxable REIT subsidiaries that focus on maximizing the value through various development activities, and then realizing that value through market-timed sales. Our subsidiaries may also pursue various forms of pre-development type activities such as entitlement or zoning to prepare a property for an eventual sale.

We compete with numerous sellers of real estate parcels in hundreds of local markets. Our sales tend to be parcels of 10 acres or more, with numerous transactions in excess of 1,000 acres, and occasional transactions exceeding 10,000 acres.

Manufactured Products Segment

Lumber. We produce a diverse line of softwood lumber products, including common and select boards, studs, edge-glued boards and finger-jointed studs. Lumber products manufactured in our two studmills, two random-length board mills, and remanufacturing facility in western Montana, along with our remanufacturing facility in Idaho, are targeted to domestic lumber retailers, such as retail home centers, for use in repair and remodeling projects. These products are also sold to stocking distributors for use in home construction.

Competition in our lumber markets is based on price and quality and, to a lesser extent, the ability to meet delivery requirements on a consistent long-term basis and to provide specialized customer service. We compete in domestic lumber markets with a host of other United States, Canadian and European producers. Canadian and European lumber producers have increased their penetration into the United States market due to their lower wood fiber costs and favorable exchange rates. The lumber market is also subject to competition from substitute products.

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such as products made from medium density fiberboard, oriented strand board, particleboard, laminates, steel and plastic.

Our lumber and plywood mills produce residual wood chips, sawdust and planer shavings as by-products of the conversion of raw logs into finished products. The wood chips are sold to regional paper and pulp mills or used in our medium density fiberboard facilities which also consume the sawdust and shavings. A substantial portion of our residual wood chip production is sold to Smurfit Stone Container Corporation under a long-term supply agreement, which expires on February 28, 2006.

Plywood. Our two plywood plants in western Montana produce high-grade softwood plywood that we sell primarily into domestic specialized industrial markets, including boat, recreational vehicle, transportation and fiberglass-reinforced panel manufacturing. Our plywood products are generally of higher quality than commodity construction grade products and generally command higher prices in these specialty markets. We also export 5 to 10% of our plywood to Canada. See—lumber above for a discussion on residual wood chips.

Competition within the plywood market is based primarily on price and quality and, to a lesser extent, the ability to offer a full line of products and meet delivery requirements on a consistent, long-term basis. The domestic plywood market is characterized by numerous large and small producers and is also subject to competition from oriented strand board, a less expensive substitute wood product used primarily in commodity construction markets. Oriented strand board continues to capture an increasing percentage of the structural panel market due to its low cost. Oriented strand board has now captured over 55% of the structural panel market, and this percentage is expected to increase over the next several years as additional oriented strand board plants are built or existing facilities are expanded. To improve operating performance, several commodity plywood manufacturers have refocused their products toward the specialty plywood market, resulting in increased competition in the markets we serve. Recently competition from imported South American plywood has also impacted the high-grade sanded plywood market. We expect to remain competitive due to our strong customer base, extensive experience in industrial markets, supply of superior quality timber, and reputation for high quality products.

Medium Density Fiberboard. October of 2001 marked the start-up of a new \$80 million thin-board production facility adjacent to our existing medium density fiberboard facility in western Montana. This new thin-board line, which complements our existing product line, has a capacity of 95 million square feet annually and increases our overall capacity by 70%. During 2002, we moved from start-up phase toward full production and the two lines combined produced approximately 178 million square feet of medium density fiberboard (“MDF”). Once the new line achieves full production capability, we expect to be able to annually produce up to 230 million square feet of MDF. We supply high quality MDF to a wide range of customers throughout North America. Some of the more common uses for our MDF include furniture and cabinet components, architectural moldings, doors, store fixtures, core material for hardwood plywood, commercial wall paneling and substrate for laminate flooring.

Worldwide, the MDF industry has undergone dramatic growth in terms of productive capacity and demand for its products. Manufacturers compete on a global scale on the basis of price, quality, service and the availability of specialty products. Additionally, MDF is a ready substitute for solid wood, hardboard and plywood in specific applications. The North American MDF industry is well positioned for a period of high capacity utilization, as consumption continues to grow while little new domestic capacity is scheduled to come on-line for the next few years. However, utilization rates could well be held in check by cost competitive imports from New Zealand, Asia and South America that have grown recently due to the relative strength of the U.S. dollar.

Other Segment—Natural Resources

As part of our natural resources business, we focus on creating value from our extensive property ownership, including opportunities relating to mineral extraction, natural gas production, and communication and transportation rights of way. This segment represents a diverse array of natural resource products and markets subject to widely varying forms and levels of competition. Our strategy involves forming strategic alliances with industry specific leaders to identify and pursue such opportunities, as well as securing participation rights in select development projects.

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We currently receive royalty revenue from the extraction of oil and gas, minerals, and coal from some of our lands. In addition, one of our taxable REIT subsidiaries has entered into a joint operating agreement with Geomet, Inc., a coalbed methane developer, to jointly explore for and develop coalbed methane that may be found on certain of our lands in West Virginia and Virginia. In addition, we have the option to participate on additional properties on which Geomet, Inc. has secured coalbed methane rights.

TIMBER RESOURCE MANAGEMENT AND ENVIRONMENTAL STEWARDSHIP

Resource Management

We view our timberlands as assets with substantial inherent value. We strive to manage them in an economically prudent and environmentally responsible manner to enhance their value. We seek to enhance value by improving the productivity of our forests, controlling harvesting costs, and sorting and merchandising logs to obtain their highest value.

We use different management techniques in each of our regions, employing a variety of the most cost effective silvicultural methods available. We expect timber growth rates on our timberlands to continue to improve over time as a result of genetic advances in seedlings, intensive forest management practices such as thinning and fertilization, and the increasing proportion of our timberlands that are converted from natural forests to actively managed plantations. Technology and forest management advances have increased growth rates and shortened harvest cycles. We believe our focus on intensive management practices will enhance forest productivity and increase the value of our timberlands over time.

Value can be enhanced on younger timber stands through thinning operations. Value increases as trees grow and add wood volume more rapidly. Thinning a timber stand enables the healthier and potentially more valuable trees to grow more rapidly. As trees grow larger, they can be used in higher value applications such as high-grade lumber, plywood, and furniture. We also consider the impact of forest management activities on properties with potentially higher and better uses other than long-term timber production, and modify silviculture and harvest plans accordingly.

Intensive silvicultural applications, including the use of genetically improved seedlings, early and mid-rotation applications of fertilizers and chemicals to control plant competition, and pre-commercial thinning, will continue to enhance the growth and value of our timberlands. These projects improve not only the growth of the forests, but enhance the quality of the wood grown, reduce future harvesting costs, and shorten the length of harvest rotations.

It is our policy to ensure that every acre harvested is promptly reforested. Based on the geographic and climatic conditions of the harvest site, harvested areas may be regenerated naturally by leaving mature trees to reseed the area. Natural regeneration methods are used on a substantial portion of our timberlands in the Northern Resources Segment. In the Southern Resources Segment, substantially all reforestation is done by planting.

Forests are subject to a number of natural hazards, including damage by fire, insects and disease. Severe weather conditions and other natural disasters can also reduce the productivity of timberlands and disrupt the harvesting and delivery of forest products. While damage from natural causes is typically localized and would normally affect only a small portion of our timberlands at any one time, these hazards are unpredictable and losses might not be so limited. The size and diversity of our timberlands, together with our intensive forest management, should help to minimize these risks. Consistent with the practices of other large timber companies, we do not maintain insurance against loss to standing timber on our timberlands due to natural disasters, but we do maintain insurance for loss of already harvested logs due to fire and other occurrences.

Environmental Stewardship

We practice environmentally responsible resource management. We adhere to the philosophy that environmentally sound management practices contribute to the company's growth in value by providing greater predictability in the management of its natural resource assets. Our practices follow a set of internal environmental principles aimed at the sound management of all natural resources. Among other areas of concern, these principles, which can be found in their entirety on the company's website at www.plumcreek.com, focus on cooperative adjacent land

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management, air quality protection, wildlife resource conservation and environmental performance audits. We also subscribe to the principles and objectives of the Sustainable Forestry Initiative® (SFI) program which sets forth a comprehensive approach to responsible forest stewardship. SFI SM program principles are designed to ensure that forest management is integrated with the conservation of soil, air and water resources, wildlife and fish habitat, and aesthetics.

In addition to these initiatives, we have actively engaged in habitat conservation planning. We currently manage approximately 2.3 million acres under five habitat conservation agreements. The habitats of hundreds of species are protected by these agreements, including twelve species listed as threatened under the Endangered Species Act. These conservation agreements include: the Cascade Region Habitat Conservation Plan in Washington State, which provides habitat protection for 285 species; the Grizzly Bear Conservation Agreement in the Swan Valley of western Montana; the Native Fish Habitat Conservation Plan, which covers 1.6 million acres of our land in the Northwest and provides for habitat protection of 12 species of native trout and salmon; the Red-Cockaded Woodpecker Habitat Conservation Plan, which covers approximately 266,000 acres of our timberlands in Arkansas and Louisiana; and the Karner Blue Butterfly Plan in Wisconsin. In addition to these completed conservation agreements, we are in the process of negotiating a "safe harbor agreement" with the U.S. Fish and Wildlife Service pursuant to which we will conserve additional habitat for the red-cockaded woodpecker on other portions of our Southern ownership not covered by our Red-Cockaded Woodpecker Habitat Conservation Plan. The safe harbor agreement is expected to cover approximately 600,000 acres in the aggregate.

RAW MATERIALS

Our lumber and plywood facilities obtain the vast majority of their raw logs from our timberlands. Our Montana timberlands provide a consistent supply of high quality logs and preferred timber species to our lumber and plywood facilities, although over time the average log size is expected to decline and the species mix is expected to change due to evolving harvest and growth patterns.

Our lumber and plywood facilities have and will continue to purchase stumpage and logs from external sources, including the United States Forest Service, Bureau of Indian Affairs, and state and private timberland owners. The geographic area in which our lumber and plywood facilities obtain logs may expand or contract from year to year as the cost of logs and value of manufactured products fluctuates. (For further discussion of other timber supply issues see "Federal and State Regulations.") Our MDF facilities have a consistent supply of chips, sawdust and wood shavings from internal and external sources. Both MDF and plywood use large quantities of resins, which are procured from a reliable supplier.

COMPETITION

Markets for manufactured forest products are highly competitive in terms of price and quality. Many of our manufactured forest products competitors have substantially greater financial and operating resources. In addition, wood products are subject to increasing competition from a variety of substitutes, including non-wood and engineered wood products as well as import competition from other worldwide suppliers. We believe we can compete effectively because of our extensive private timber inventory, our reputation for environmentally responsible forestry, which has positioned us to meet regulatory challenges on a cost-effective basis, our reputation as a dependable, long-term supplier of quality products, our innovative approach to providing high-quality, value-added products to various retail and industrial niche markets and the integration of our timberlands with efficient manufacturing processes.

SEASONAL EFFECTS

Domestic log sales volumes from our Northern timberlands are typically at their lowest point in the second quarter of each year when warming weather thaws and softens roadbeds, thus restricting access to logging sites. Log sales volumes from our Southern Resources Segment are generally at their lowest point during the first quarter of each year, as winter rains limit operations.

Demand for manufactured products is generally lower in the winter quarter when activity in construction markets is slower, and higher in the spring, summer and fall quarters when construction increases. Working capital varies with seasonal fluctuations.

FEDERAL AND STATE REGULATIONS

General Environmental Regulation

Our operations are subject to federal, state and local environmental laws and regulations, including laws relating to water, air, solid waste and hazardous substances and the requirements of the Federal Occupational Safety and Health Act and comparable state statutes relating to the health and safety of our employees. Although we believe that we are in material compliance with these requirements, there can be no assurance that we will not incur significant costs, civil and criminal penalties, and liabilities, including those relating to claims for damages to property or natural resources, resulting from our operations. We maintain environmental and safety compliance programs and conduct regular internal and independent third-party audits of our facilities and timberlands to monitor compliance with these laws and regulations.

Endangered Species

The Endangered Species Act protects species threatened with possible extinction. A number of species indigenous to our timberlands have been listed as threatened or endangered or have been proposed for one or the other status under the Endangered Species Act. As a result, our activities in or adjacent to the habitat of these species may be subject to restrictions on the harvesting of timber and the construction and use of roads.

We have received incidental take permits pursuant to the Cascade Region Habitat Conservation Plan, the Native Fish Habitat Conservation Plan, the Red-Cockaded Woodpecker Habitat Conservation Plan, and the Karner Blue Butterfly Habitat Conservation Plan from the U.S. Fish and Wildlife Service (and from National Marine Fisheries Service, in the case of anadromous species) that together will cover our forest management on approximately 1,992,000 acres in the Northern Resources Segment and 266,000 acres in the Southern Resources Segment. As part of the permit application process under the Endangered Species Act, we prepared habitat conservation plans that will govern our management activities on the lands covered by the plans in these regions during the respective terms of the permits. The habitat conservation plans require us to maintain certain levels of wildlife and fish habitat, and to take numerous other mitigation measures including the protection of riparian areas. In consideration for this mitigation, the incidental take permits authorize forestry practices that are consistent with the plans, even though they may have an adverse impact on the listed species covered by the plans and permits.

We are currently in the process of negotiating a "safe harbor agreement" with the Fish and Wildlife Service to address the presence on or near some of our Southern properties of red-cockaded woodpeckers, listed as endangered under the Endangered Species Act. Under the proposed agreement, which would cover approximately 600,000 acres outside of the recently implemented Red-Cockaded Woodpecker Habitat Conservation Plan, we would agree to maintain Red-Cockaded Woodpecker habitat at or above baseline levels. In exchange we would be free to manage our lands for commercial timber production within the area of the plan even if such activities might incidentally impact Red-Cockaded Woodpecker habitat.

We are also party to an agreement with the Fish and Wildlife Service, the U.S. Forest Service, and the state of Montana to conserve grizzly bears. This agreement, which covers 83,000 acres of our timberlands in the Swan Valley in western Montana, requires that we protect the habitat of, and minimize the impact of our forestry activities on, the grizzly bear. In consideration for this mitigation, the Fish and Wildlife Service authorized forestry practices in the Swan Valley that are consistent with the agreement, but that may have an adverse effect on grizzly bears.

Although the habitat conservation plans and the grizzly bear agreement have been implemented and are functioning as expected, there can be no assurance that they will remain in force or be sufficient to protect us against subsequent amendments of the Endangered Species Act. And while we expect that the safe harbor agreement for red-cockaded woodpeckers will help us effectively manage the presence of that species on our

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Southern lands, there can be no assurance that an agreement will be reached. Nor can there be any assurance that the habitat conservation plans, the grizzly bear agreement and the safe harbor agreement, individually or collectively, will be sufficient to protect us against the listing of additional species, or against changes to other applicable laws and regulations. Any of these changes could materially and adversely affect our operations.

At this time, we believe that federal and state laws and regulations related to the protection of endangered species will not have a material adverse effect on our financial position, results of operations or liquidity. We anticipate, however, that increasingly strict laws and regulations relating to the environment, natural resources and forestry operations, as well as increased social concern over environmental issues, may result in additional restrictions on us leading to increased costs, additional capital expenditures and reduced operating flexibility. We believe that our experience provides us a relative competitive advantage in managing environmental risks.

Timberlands

Our forest practices are and will in the future be subject to specialized statutes and regulations in the states where we operate. Many of these states have enacted laws that regulate forestry operations, such as growing, harvesting and processing activities on timberlands. Among other requirements, these laws impose some reforestation obligations on the owners of timberlands. Several states require prior notification before beginning harvesting activities. A number of states require a regulatory review taking from 15 to 30 days or more prior to harvesting, depending upon the environmental and other sensitivities of the proposed activity. Other state laws and regulations control the following activities: slash burning and harvesting during fire hazard periods; activities that affect water courses or are in proximity to inland shore lines; and activities that affect water quality, and some grading and road construction activities.

ENCUMBRANCES

Under the terms of our debt agreements, we have agreed not to pledge, assign or transfer timberlands, except under limited circumstances. The holders of our \$64 million face value 11.125% First Mortgage Notes due 2007 have a first mortgage lien on a significant portion of our lumber, plywood and MDF facilities.

The title to our timberlands does not always include the related hard rock mineral interests or oil and gas rights. Title to the timberlands is subject to presently existing easements, rights of way, flowage and flooding rights, servitudes, hunting and other leases, licenses and permits, none of which materially adversely affect the value of the timberlands or materially restrict the harvesting of timber or other operations.

EMPLOYEES

We currently have approximately 800 salaried and 1,250 non-union hourly employees. We believe that our employee relations are good. Our wage scale and benefits are generally competitive with other forest products companies. The planting of seedlings, and the harvesting and delivery of logs is conducted by independent contractors who are not our employees.

Item 2. Properties

We believe that our timberlands and manufacturing facilities are suitable and adequate for current operations. The manufacturing facilities are owned and are maintained through on-going capital investments, regular maintenance and equipment upgrades. The majority of the manufacturing facilities are modern facilities. During 2002 the newly constructed thin-board production facility adjacent to our existing medium density fiberboard facility moved from start up phase towards full production. This new thin-board line complements our existing product line. During 2001, our lumber and plywood facilities reduced production by 5% to 10% as a result of weak market conditions and to better align our lumber and plywood production to our timberland harvests. During 2002, our lumber and plywood facilities operated at levels similar to 2001. See Item 1. Business for discussion of the location and description of properties and encumbrances related to properties.

Item 3. Legal Proceedings

In its Annual Report on Form 10-K for the year ended December 31, 2001, the company disclosed that a review of capital improvement projects at its Columbia Falls and Evergreen manufacturing facilities to evaluate compliance with the Clean Air Act revealed four potential violations between 1988 and 1992. The company voluntarily disclosed this information to the Environmental Protection Agency ("EPA") under its Voluntary Disclosure and Cooperation Policy ("EPA Policy"), and to the state of Montana Department of Environmental Quality ("Montana DEQ") under the Montana Voluntary Disclosure Act ("Montana Act"). On meeting specified conditions and subject to the nature and seriousness of the offenses, both the EPA Policy and the Montana Act provide for elimination of any penalty.

The EPA and Montana DEQ have advised the company that no fine will be sought for the potential violations because the company complied with the EPA Policy and had gained no economic benefit from the potential violations.

In its Quarterly Report for the period ended June 30, 2002, the company reported that in the course of routine testing at its Evergreen manufacturing facility in Montana, company engineers discovered that certain "bags" designed to regulate particulate emissions from the facility had developed holes, resulting in elevated emission levels. The company immediately replaced the malfunctioning bags and notified Montana DEQ. Notwithstanding the company's corrective actions, the agency's enforcement division has advised the company that it will be fined \$36,800.

There is no pending or threatened litigation involving the company that we believe would have a material adverse effect on the company's financial position, results of operations or liquidity.

Item 4. Submission of Matters to a Vote of Security Holders

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers are elected annually at the first quarterly meeting of the board of directors following the annual meeting of stockholders.

Name	Age	Office ^(J)	Officer Since
Rick R. Holley ^(A)	51	President and Chief Executive Officer	1989
William R. Brown ^(B)	51	Executive Vice President and Chief Financial Officer	1995
Michael J. Covey ^(C)	45	Executive Vice President	1998
Thomas M. Lindquist ^(D)	42	Executive Vice President, Real Estate and Strategic Business Development	2001
James A. Kraft ^(E)	48	Senior Vice President, General Counsel and Secretary	1989
David A. Brown ^(F)	48	Vice President, Controller	2002
Barbara L. Crowe ^(G)	51	Vice President, Human Resources	1997
Joan K. Fitzmaurice ^(H)	45	Vice President, Audit and Financial Services	2002
David W. Lambert ^(I)	42	Vice President, Treasurer	2002

(A) Served since January 1994 as President and Chief Executive Officer. Mr. Holley was Vice President and Chief Financial Officer from April 1989 to December 1993.

(B) Served since May 1999 as Executive Vice President and Chief Financial Officer. Mr. Brown was Vice President, Strategic Business Development from January 1998 to May 1999, Vice President, Resource Management from February 1995 to January 1998, and Director, Planning from August 1990 to February 1995.

(C) Served since August 2001 as Executive Vice President. Mr. Covey was Senior Vice President from August 2000 to August 2001, Vice President, Resources from January 1998 to August 2000, General Manager, Rocky Mountain Timberlands from August 1996 to January 1998, Director of Operations, Rocky Mountain Region from June 1995 to August 1996, and Plant Manager, Ksanka Sawmill from August 1992 to June 1995.

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- (D) Served since December 2001 as Executive Vice President. Mr. Lindquist was Executive Vice President of Global Sales and Corporate Alliances from June 1986 to December 2001 for Trammell Crow Company.
- (E) Served since January 2002 as Senior Vice President, General Counsel and Secretary. Mr. Kraft was Vice President, General Counsel and Secretary from April 1996 to January 2002, Vice President, Law from January 1994 to April 1996 and Vice President, Law and Corporate Affairs from April 1989 to December 1993.
- (F) Served since January 2002 as Vice President, Controller. Mr. Brown was Controller from November 1994 to January 2002 and Director of Planning from July 1994 to November 1994.
- (G) Served since April 1997 as Vice President, Human Resources. From October 1995 through March 1997, Ms. Crowe was Vice President, Human Resources for Weight Watchers Gourmet Food Co., a subsidiary of the H.J. Heinz Company. From November 1991 through September 1995, Ms. Crowe worked in Human Resources at Ore-Ida Foods, Inc., a subsidiary of the H.J. Heinz Company, first as Manager, then as General Manager.
- (H) Served since June 2002 as Vice President, Audit and Financial Services. Ms. Fitzmaurice was a Partner with PricewaterhouseCoopers LLP from 1997 through 2001.
- (I) Served since January 2002 as Vice President, Treasurer. Mr. Lambert was Director of Planning, Treasurer from June 1998 to January 2002 and Director of Finance and Treasurer from November 1994 to June 1998.
- (J) Since July 1, 1999 Ms. Crowe and Messrs. Holley, Brown, Brown, Covey, Kraft and Lambert have served in their indicated capacities for Plum Creek Timber Company, Inc. Prior to the REIT conversion, the listed individuals served in their indicated capacities of the general partner of Plum Creek Timber Company, L.P. or the predecessor of the general partner. There are no family relationships among them.

Part II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Plum Creek Timber Company, Inc.'s common stock is traded on the New York Stock Exchange and the Pacific Exchange. As of February 21, 2003, there were approximately 29,530 registered owners of 184,131,362 outstanding shares.

Trading price data, as reported on the New York Stock Exchange Composite Tape, and declared cash dividend information for 2002 and 2001, are as follows:

2002	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
High	\$ 31.98	\$ 31.25	\$ 30.50	\$ 24.50
Low	28.20	29.31	21.80	18.92
Cash Dividend per Share	\$ 0.00(A)	\$ 0.57	\$ 0.57	\$ 0.35
2001	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
High	\$ 27.30	\$ 29.00	\$ 30.00	\$ 28.99
Low	23.30	23.38	23.56	23.70
Cash Dividend per Share	\$ 0.57	\$ 0.57	\$ 0.57	\$ 1.14(A)

- (A) Plum Creek paid dividends of \$0.57 per share on November 30, 2001 and again on December 28, 2001. The December 28, 2001 dividend represents the acceleration of our fourth quarter 2001 dividend that normally would have been paid in February 2002. See Note 5 of the Notes to Financial Statements.

Future dividends will be determined by our board of directors, in its sole discretion, based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, debt covenant restrictions that may impose limitations on our ability to make cash payments, borrowing capacity, changes in the price and demand for our products and the general market for timberlands and those timberland properties that have higher and better uses. Other factors that our board of directors considers include the appropriate timing of timber harvests, acquisition and divestiture opportunities, stock repurchases, debt repayment and other means by which the company delivers value to our stockholders.

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Equity Compensation Plan Information

The following table summarizes options and other rights outstanding under Plum Creek's equity based compensation plans as of December 31, 2002:

Plan category	Securities to be issued upon exercise (A)	Weighted average exercise price (B)	Securities available for future issuance (C)
Equity compensation plans approved by security holders	1,095,004	\$ 27.46	2,267,026
Equity compensation plans not approved by security holders (D)	---	---	---

(A) Number of securities to be issued upon exercise of outstanding options.

(B) Weighted average exercise price of outstanding options.

(C) Number of securities remaining available for future issuance under equity compensation plans, excluding securities reflected in column (a). Represents shares available for future issuance under the Stock Incentive Plan. See Note 11 of the Notes to Financial Statements for a description of the various stock-based grants that may be issued under the Stock Incentive Plan. At December 31, 2002, 1.2 million shares of the 3.4 million shares available for issuance under Plum Creek's Stock Incentive Plan have been used for the grant of non-qualified stock options, the exercise of non-qualified stock options or the grant of restricted stock. Shares issued in connection with dividend equivalents and value management awards are not determinable until after the end of their respective performance periods.

(D) As of December 31, 2002, there are 933,300 outstanding options to acquire Plum Creek common stock that were issued originally under the Georgia-Pacific long-term incentive plans as options to acquire Timber Company Stock. These stock options have a weighted average exercise price of \$15.99 per common share and were assumed by the company in connection with The Timber Company Merger. Although the company's stockholders did not separately approve the assumption of these stock options, the stockholders did approve each of The Timber Company Merger and the related merger agreement (and all of the transactions contemplated by the merger agreement, including the company's assumption of the stock options). No additional Plum Creek stock options may be granted under the Georgia-Pacific long-term incentive plans as a result of The Timber Company Merger. See Note 11 of the Notes to Financial Statements.

Item 6. Selected Financial Data

On December 16, 1997, shareholders of Georgia-Pacific Corporation ("Georgia-Pacific") approved the creation of two classes of common stock intended to reflect separately the performance of Georgia-Pacific's manufacturing ("Georgia-Pacific Group") and timber businesses ("The Timber Company"). The Timber Company represented the separate group of businesses whose results have been tracked by Georgia-Pacific's Timber Company stock ("Timber Company Stock") and was engaged primarily in the growing and selling of timber on the approximately 4.7 million acres of timberlands that Georgia-Pacific owned or leased.

On October 5, 2001, Georgia-Pacific redeemed all of the outstanding shares of Timber Company Stock, or 82.3 million shares. In connection with the redemption, each outstanding share of Timber Company Stock was exchanged for one unit, or a "Unit," that represented one outstanding share of common stock of each of the former subsidiaries ("Subsidiaries") of Georgia-Pacific which collectively held all of the assets and liabilities attributed to The Timber Company. On October 6, 2001, holders of the Units received 1.37 shares of Plum Creek common stock for each Unit, totaling 112.7 million shares. Therefore, 112.7 million shares have been applied retroactively in computing basic earnings per share for all periods prior to the merger. Diluted earnings per share include the dilutive effect of 3.8 million outstanding options using the treasury stock method at the converted exercise prices ranging from \$15.29 to \$18.34 per share.

The Timber Company Merger was accounted for as a "reverse acquisition," with The Timber Company being treated as the acquirer for accounting and financial reporting purposes. As a consequence, the historical financial statements of The Timber Company became the financial statements of Plum Creek effective as of October 6, 2001. The financial data for the year ended December 31, 2001 includes the operating results of The Timber

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Company up until the date of the merger and the operating results of the merged company for the remainder of the year. The financial data for the years prior to 2001 reflects only the data of The Timber Company.

As a consequence of The Timber Company Merger, which involved merging a taxable entity into a nontaxable entity, a tax benefit of \$216 million was recognized in the fourth quarter of 2001. This tax benefit represented the elimination of a deferred tax liability associated with temporary differences related primarily to timberlands that are not expected to be disposed of in transactions subject to built-in gains tax during a ten-year period following the merger. During 2002, Plum Creek conducted most its activities through various wholly owned operating partnerships. The activities of the operating partnerships primarily consist of sales of timber under pay-as-cut contracts, and the income from such sales is not subject to corporate income tax. See Note 5 of the Notes to Financial Statements.

(In Millions, Except Per Share Amounts)	For the fiscal year:				
	2002 (A)	2001 (B)	2000	1999 (C)	1998 (D)
Revenues (E)	\$ 1,137	\$ 598	\$ 493	\$ 1,028	\$ 605
Operating Income	338	250	303	723	370
Net Interest Expense	103	54	44	69	71
Income before Income Taxes	235	196	259	654	299
(Provision)/Benefit for Income Taxes	(2)	142	(97)	(256)	(117)
Income before Extraordinary Items	233	338	162	398	182
Net Income	233	338	162	398	180
Non-Cash Items					
Depreciation, Depletion, and Amortization	105	55	27	41	45
Basis of Real Estate Sold	28	18	17	101	22
Balance Sheet Items					
Total Assets	4,289	4,122	1,619	1,521	1,173
Total Debt, including Timber Obligations	1,884	1,701	1,009	970	983
Earnings per Share before Extraordinary Items					
Basic	\$ 1.26	\$ 2.61	\$ 1.44	\$ 3.53	\$ 1.61
Diluted	\$ 1.26	\$ 2.58	\$ 1.42	\$ 3.49	\$ 1.60
Dividend Declared per Share (F)	\$ 1.49	\$ 1.14			
Harvest Volume (million tons)	19.3	13.9	11.7	14.9	14.6

(A) During the fourth quarter of 2002, Plum Creek acquired approximately 307,000 acres of timberlands located primarily in Wisconsin for \$141 million. See Note 2 of the Notes to Financial Statements.

(B) During 2001 the company changed its accounting policy for reforestation costs. See Note 1 of the Notes to Financial Statements.

(C) During 1999 approximately 1,024,000 acres of timberlands were sold in three separate transactions. These transactions included 390,000 acres of timberlands in the Canadian province of New Brunswick, 440,000 acres of timberlands in Maine, and 194,000 acres of timberlands in California. These sales totaled \$442 million and resulted in a \$355 million pre-tax gain (\$215 million after-tax gain).

(D) During 1998 approximately 61,000 acres of timberlands in West Virginia were sold for approximately \$26 million. Pre-tax gain on this sale was \$24 million (\$14 million after-tax gain).

(E) Revenues have been restated to include proceeds from real estate sales. This reclassification had no impact on net income.

(F) Since The Timber Company was not a separate legal entity but rather an operating division of Georgia-Pacific, The Timber Company common stock, the only equity issued with respect to The Timber Company, represented a class of Georgia-Pacific's common stock. The Timber Company common stock paid a quarterly dividend of \$0.25 per share. Subsequent to The Timber Company Merger, Plum Creek paid dividends of \$0.57 per share on November 30, 2001 and again on December 28, 2001. The December 28, 2001 dividend represents the acceleration of our fourth quarter 2001 dividend that normally would have been paid in February 2002. See Note 5 of the Notes to Financial Statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Report contains forward-looking statements within the meaning of the Private Litigation Reform Act of 1995. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes", "expects", "may", "will", "should", "seeks", "approximately", "intends", "plans", "estimates", "projects", "strategy", or "anticipates", or the negative of those words or other comparable terminology. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those described in the forward-looking statements, including those factors described in "Risk Factors" immediately following this Item 7. Some factors include changes in governmental, legislative and environmental restrictions, catastrophic losses from fires, floods, windstorms, earthquakes, volcanic eruptions, insect infestations or diseases, as well as changes in economic conditions and competition in our domestic and export markets and other factors described from time to time in our filings with the Securities and Exchange Commission. In addition, factors that could cause our actual results to differ from those contemplated by our projected, forecasted, estimated or budgeted results as reflected in forward-looking statements relating to our operations and business include, but are not limited to:

- our failure to qualify as a real estate investment trust, or REIT, or our failure to achieve the expected competitive advantages of operating as a REIT;
- an unanticipated reduction in the demand for timber products and/or an unanticipated increase in the supply of timber products;
- an unanticipated reduction in demand for higher and better use timberlands;
- our failure to make strategic acquisitions or to integrate any such acquisitions effectively or, conversely, our failure to make strategic divestitures; and
- the failure to meet our expectations with respect to our likely future performance.

It is likely that if one or more of the risks materializes, or if one or more assumptions prove to be incorrect, the current expectations of Plum Creek and its management will not be realized. Forward-looking statements speak only as of the date made, and neither Plum Creek nor its management undertakes any obligation to update or revise any forward-looking statements.

Overview

Merger with The Timber Company. On October 6, 2001, the six entities that comprised The Timber Company, formerly a separate operating group of Georgia-Pacific Corporation ("Georgia-Pacific"), merged with and into Plum Creek, with Plum Creek as the surviving company. As a part of the merger, the shareholders of Georgia-Pacific Corporation— Timber Group Common Stock ("Timber Company Stock") received 1.37 shares of Plum Creek's common stock for each share of Timber Company Stock, or approximately 112.7 million shares. The merger was accounted for as a reverse acquisition, with The Timber Company treated as the acquirer for accounting and financial reporting purposes. As a result, the historical financial statements of The Timber Company became the financial statements of Plum Creek effective as of the date of the merger. Consequently, our financial statements for 2002 reflect a full year of combined operations of the merged companies whereas the statement of income for the year ended December 31, 2001 reflects the performance of The Timber Company until the date of the merger, and that of the merged companies for the remainder of 2001. The statement of income for the year ended December 31, 2000 reflects only the operating results of The Timber Company. See Note 2 of the Notes to Financial Statements.

Prior to The Timber Company Merger, The Timber Company had only one reportable segment. Following the merger, the combined companies report the results of five business segments. The Timber Company's historical segment information has been restated back to the beginning of 2000 to reflect these new segments. Furthermore, the period-to-period comparison of the results of operations for 2002 compared to 2001 and 2001 compared to

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2000 are based on these new segments and reflect the operating results of The Timber Company through the merger date (October 6, 2001), and the results of the combined company subsequent to the merger date. See Note 14 of the Notes to Financial Statements for segment and geographical area information.

Additionally, in connection with the merger Plum Creek replaced approximately \$650 million of Georgia-Pacific debt attributed to The Timber Company with third party debt, consisting of \$500 million of fixed rate debt and \$150 million of variable rate debt. Plum Creek also assumed approximately 3.8 million outstanding stock options (after adjusting for the exchange ratio) with respect to Timber Company Stock at exercise prices ranging from \$15.29 to \$18.34 (after adjusting for the exchange ratio). See Notes 1, 6 and 11 of the Notes to Financial Statements.

Plum Creek has elected to be taxed as a REIT under sections 856 through 860 of the United States Internal Revenue Code. As a consequence of The Timber Company Merger, a tax benefit of approximately \$216 million was recorded to reflect the elimination of a deferred tax liability associated with temporary differences related primarily to timberlands that are not expected to be disposed of in a transaction subject to built-in gains tax during a ten-year period. Additionally, Plum Creek inherited the accumulated earnings and profits of The Timber Company and, because of certain REIT requirements, was required to distribute these earnings and profits prior to January 31, 2002. As a result, our fourth quarter 2001 dividend of \$0.57 per share was accelerated and paid on December 28, 2001. The dividend normally would have been paid in February 2002. See Note 5 of the Notes to Financial Statements.

Other Merger Related Items. During 2001, we had the following other merger related items which had an impact on our results of operations:

- (1) *Income Tax Benefit.* As a result of the entities comprising The Timber Company, each a taxable corporation, merging into Plum Creek, a REIT, which is generally not subject to federal or state income tax, a tax benefit of \$216 million was recorded in the fourth quarter of 2001. The benefit relates primarily to the elimination of the deferred tax liability associated with temporary differences related primarily to timberlands that are not expected to be disposed of in a transaction subject to built-in gains tax during the ten-year period following the merger. See Note 5 of the Notes to Financial Statements.
- (2) *Severance.* In connection with The Timber Company Merger, the employment of several executives and key employees of The Timber Company terminated. Terminated employees were paid a severance and two terminated executives of The Timber Company were awarded additional pension benefits. An expense of \$6 million was recorded in the fourth quarter of 2001 for these severance and pension benefits.

Accounting Method Changes. In 2002, the company adopted the fair value recognition provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation". The change in accounting method is effective January 1, 2002 prospectively to all employee awards granted, modified, or settled after January 1, 2002. Under the transition provisions of SFAS No. 123 (as amended), no cumulative effect is recorded for this accounting change. Stock-based employee compensation expense recognized for stock options granted in 2002 was approximately \$400,000. Prior to 2002, the company accounted for its stock-based employee compensation plans under the recognition and measurement provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Except for approximately \$600,000 related to the acceleration in vesting of certain Timber Company options in 2001, no stock-based employee compensation cost is reflected in 2001 and 2000 net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. See Notes 1 and 11 of the Notes to Financial Statements.

In the fourth quarter of 2001, the company changed its accounting policy to capitalize certain timber reforestation costs that were previously expensed. The cumulative effect of this policy change is not reflected in the beginning balance of Timber and Timberlands because information is not available to compute the cumulative effect of the change over the prior harvest cycle of approximately 30 years. The new capitalization policy was applied

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retroactively as of January 1, 2001. Implementation of the new accounting policy increased the Northern Resources Segment's 2001 operating income by \$2 million and the Southern Resources Segment's 2001 operating income by \$16 million. See Note 1 of the Notes to Financial Statements, Timber and Timberlands.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect our most significant judgments and estimates used in preparation of our consolidated financial statements:

Revenue Recognition. Prior to The Timber Company Merger, The Timber Company recognized revenue from timber sales under three different methods, depending upon the terms of the sale. The methods were delivered log sales, pay-as-cut contracts and timber deeds:

- (1) Under a delivered log sale agreement, the seller cuts the tree and delivers it to the buyer. Risk of loss and title transfer to the buyer when the log is delivered. Revenue is recognized when the log is delivered to the customer. With delivered log sales, the seller incurs the cost of logging and hauling. For the last few days of an accounting period, there are typically delivered logs for which we have not received documentation and we have not created an invoice. In that case, an accrual for these deliveries is made along with an accrual for the costs of logging and hauling.
- (2) Pay-as-cut contracts are agreements pursuant to which the buyer agrees to harvest all of the trees on a tract of land for an agreed upon price for each of the different types of trees over the term of the contract (usually 12 to 18 months). In some cases an advance is received in connection with pay-as-cut contracts, and in other cases the buyer agrees to cut only certain trees on a tract of land. Under pay-as-cut contracts, the buyer is responsible for all logging and hauling costs. Title and risk of loss transfer to the buyer as the trees are cut. The buyer furnishes us with supporting information for the amount of wood that has been removed along with their payment. Revenue is recognized when the trees are cut. Total revenue recognized under a pay-as-cut contract is a function of the total volume of wood actually removed multiplied by the agreed upon per unit price for each of the various types of trees on a tract of land. There is typically a lag between the time the tree is harvested and the time the buyer pays for the tree. At the end of each accounting period, we typically make an accrual for the trees that have been cut but for which we have not received payment.
- (3) Timber deeds are agreements pursuant to which the buyer agrees to harvest all of the trees on a tract of land over the term of the contract (usually 12 to 18 months). However, unlike a pay-as-cut contract, risk of loss and title to the trees transfer to the buyer when the contract is signed. The buyer also pays the full purchase price when the contract is signed. Under a timber deed, the buyer is responsible for all logging and hauling costs. Revenue from a timber deed sale is recognized when the contract is signed. Timber deeds are generally marketed and sold to the highest bidder. Bids are typically based on a timber cruise—an estimate of the total volume of timber on a tract of land broken down by the various types of trees (such as softwood sawlogs, hardwood pulpwood, etc.). Total revenue recognized under a timber deed is the amount of the highest bid and is not dependent upon the volume or types of trees actually harvested.

Subsequent to The Timber Company Merger, to comply with certain REIT requirements we replaced timber deed agreements with lump-sum sale agreements. Under a lump-sum sale, the parties agree to a lump-sum price for all the timber available for harvest on a tract of land. Generally the lump-sum price is paid when the contract is signed. However, unlike timber deeds, title to the timber and risk of loss transfers to the buyer as the timber is cut. Therefore, revenue is recognized each month based on the amount of timber actually harvested, compared to total

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timber available to be harvested on a tract of land over the term of the contract (usually 12 to 18 months). Under a lump-sum sale, the buyer is responsible for all logging and hauling costs. Lump-sum sales are generally marketed and sold to the highest bidder. Bids are typically based on timber cruise information. Total revenue recognized under a lump-sum sale contract is the amount of the highest bid, and is not dependent upon the volume or type of trees actually harvested.

Since revenue is recognized under a lump-sum sale agreement as the trees are cut, an estimate of how much revenue to recognize each month is made based on how much volume has been removed compared to the total volume available for harvest on a tract of land according to the timber cruise. We generally receive weekly information from the buyer regarding how much volume has been removed. Additionally, we gather information by observing the tract to estimate the percentage of original timber harvested. Inevitably, the total volume harvested from a tract of land will be different than the volume estimated in the timber cruise. If the total volume removed is greater than the cruise-estimated volume, we will stop recognizing revenue once the total revenue recognized is equal to total lump-sum contract price. No revenue will be recognized for volumes harvested in excess of the cruise-estimated volume. If the total volume removed is less than the cruise-estimated volume, an adjustment will be recorded in the month in which we learn of the difference. The adjustment is an increase in revenue equal to the difference between the total revenue recognized to date and the total lump-sum contract price. Finally, for our larger lump-sum contracts which cover multiple tracts, we adjust revenues at the end of each accounting period for any known trends which have materialized in the tracts that have been completely harvested. While the timing of revenue recognition under a timber deed and a lump-sum contract is materially different, this change is not expected to have a material impact on the year-to-year comparison of our results of operations.

The amount of delivered log sales to external customers during 2002 was \$441 million. The amount of pay-as-cut sales during 2002 was \$89 million and the amount of revenue recognized under lump-sum sale contracts during 2002 was \$96 million. At December 31, 2002 accrued revenues for delivered and pay-as-cut log sales was \$24 million and deferred revenues for lump-sum contracts was \$8 million. Management attempts to estimate accrued revenues at the end of each accounting period based on the best information available. Management does not believe that there is a material difference between estimated accrued revenues and actual revenues.

Substantially all of our timber sales in the Northern Resources Segment are under delivered log sale agreements. In our Southern Resources Segment, a substantial portion of our timber sales consists of either pay-as-cut contracts or lump-sum sales. Under both pay-as-cut contracts and lump-sum sales, the buyer is responsible for the logging and hauling costs. Therefore, operating profit percentages are significantly higher in our Southern Resources Segment.

Real Estate Sales. As a major landowner, we estimate that approximately 400,000 acres of the company's approximately 8 million acres of timberlands are located in recreational areas or near expanding population centers and may be better suited for conservation, residential or recreational purposes, rather than for long-term commercial timberland management. Furthermore, the company estimates that an additional 900,000 acres may also be suited for conservation, residential or recreational development. The timing of real estate sales is a function of many factors, including the availability of government and not-for-profit funding, the general state of the economy, the plans of adjacent landowners, our expectation of future price appreciation and the timing of harvesting activities. Furthermore, from time to time we dispose of large non-strategic timberland holdings, which may result in material gains and losses from real estate sales. As a result, the timing of our real estate sales may materially impact our reported operating income and net income.

Historically, our Real Estate Segment has reported significant operating profit percentages (ranging from 65% to 85% of revenues), and this trend is expected to continue in the future. The high operating profit percentages are primarily because a significant portion of our timberlands was acquired many years ago. Under generally accepted accounting principles, the annual appreciation in our timberlands cannot be reflected in our earnings until the year in which we sell the properties.

Furthermore, in connection with major timberland acquisitions we are generally not able to identify our future real estate sales. This was the case in our merger with The Timber Company. Since the merger was accounted for as a reverse acquisition, the timberlands of Plum Creek were recorded at their fair value. However, while our purchase

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price allocation and related appraisals reflected greater values for real estate which may be sold in the future for uses which have a higher value than timber production, we were generally not able to identify specific properties. Therefore, within each region, we allocated this higher value proportionately among all the acres acquired, except for certain specifically identified properties. In general, however, specific properties cannot be identified in advance because their value is dependent upon numerous factors, most of which are not known at the acquisition date, including current and future zoning restrictions, current and future environmental restrictions, future changes in demographics, future changes in the economy, current and future plans of adjacent landowners, and current and future funding of government and not-for-profit conservation and recreation programs.

Management believes that current and future results of operations could be materially different under different purchase price allocation assumptions, and it does not believe that it has the ability, with any level of precision, to estimate which of our properties will someday sell for more than their underlying timber production value.

Depletion. Depletion expense for 2002 was \$74 million. Depletion, or costs attributed to timber harvested, is recorded as trees are harvested. Depletion rates for each region are adjusted annually. Depletion rates are computed by dividing (A) the sum of (1) the original cost of the timber less previously recorded depletion plus (2) estimated future silviculture costs, including the impact of inflation, that are expected to be incurred over the next harvest cycle, by (B) the total timber volume that is estimated to be harvested over the harvest cycle. The harvest cycle can be as short as 20 years in the South and as long as 90 years in the North. The estimate of future silviculture costs is limited to the expenditures that are expected to impact growth rates over the harvest cycle. The depletion rate calculations do not include an estimate for either future reforestation costs associated with a stand's final harvest or future volume in connection with the replanting of a stand subsequent to its final harvest.

For the Northern Resources Segment depletion expense in 2002 was \$28 million. The average depletion rate for the Northern Resources Segment was \$5.19 per ton during 2002. The amount of estimated future silviculture costs, including the impact of inflation, for the Northern Resources Segment included in the calculation of the depletion rate was \$141 million. The estimated future volume for the Northern Resources Segment included in the calculation of the depletion rate was 263 million tons. If the estimated future silviculture costs were increased by 10%, or \$14 million, and assuming future timber volumes do not change, then the 2002 depletion expense for the Northern Resources Segment would have increased by \$1 million. If the estimate of future volume for the Northern Resources Segment was decreased by 10%, or 26 million tons, and assuming future silviculture costs do not change, then the 2002 depletion expense for the Northern Resources Segment would have increased by \$2 million.

For the Southern Resources Segment depletion expense in 2002 was \$46 million. The average depletion rate for the Southern Resources Segment was \$3.30 per ton during 2002. The amount of estimated future silviculture costs, including the impact of inflation, for the Southern Resources Segment included in the calculation of the depletion rate was \$330 million. The estimated future volume for the Southern Resources Segment included in the calculation of the depletion rate was 417 million tons. If the estimated future silviculture costs were increased by 10% or \$33 million and assuming future timber volumes do not change, then the 2002 depletion expense for the Southern Resources Segment would have increased by \$1 million. If the estimate of future volume for the Southern Resources Segment was decreased by 10%, or 42 million tons, and assuming future silviculture costs do not change, then the 2002 depletion expense for the Southern Resources Segment would have increased by \$5 million.

Significant estimates and judgments are required to determine both future silviculture costs and the volume of timber available for harvest over the harvest cycle. Some of the factors impacting the estimates are changes in weather patterns, inflation rates, the cost of fertilizers and chemicals, the cost of capital, the actual and estimated increase in growth rates from fertilizer applications, the relative price of sawlogs and pulpwood, the actual and expected real price appreciation of timber, the scientific advancement in seedling and growing technology, and changes in harvest cycles.

The company has invested in technology that enables it to predict its current standing inventory of trees, future growth rates, and the benefits of scientific advancements in connection with seedlings, planting techniques and

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fertilizer applications. Therefore, while estimates with respect to depletion computations will be revised annually, management does not expect the depletion rates will change materially from year to year.

Deferred Income Taxes. Plum Creek has elected to be taxed as a REIT under sections 856–860 of the United States Internal Revenue Code commencing July 1, 1999. A REIT is generally not subject to corporate-level tax if it satisfies certain requirements. On October 6, 2001, The Timber Company, consisting of a group of corporate entities, merged with and into Plum Creek. As a consequence of the merger of a taxable entity into a nontaxable entity, the deferred tax liabilities of The Timber Company were eliminated except for any expected transactions that would be subject to built-in gains tax.

Plum Creek will generally be subject to corporate-level tax (built-in gains tax) only if it makes a taxable disposition of certain property acquired in The Timber Company Merger within the ten-year period following the merger date. The built-in gains tax only applies to gains from such asset sales to the extent the fair value of the property exceeds its tax basis at the merger date. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," the company recorded a tax benefit of \$216 million in the fourth quarter of 2001 as a result of The Timber Company Merger. The benefit of \$216 million represents the elimination of the deferred tax liability associated with temporary differences related primarily to timberlands that are not expected to be disposed of in a transaction subject to built-in gains tax during a ten-year period following the merger.

Management estimates that approximately 5% of The Timber Company's timberlands will be sold in one or more taxable transactions over the ten-year period ending October 5, 2011. As a result, \$11 million of deferred taxes related to timberlands were not eliminated during the fourth quarter of 2001. Timberland sales subject to the built-in gains tax during 2002 reduced our deferred tax liability by \$245,000. This amount was lower than originally estimated because a significant portion of the proceeds from our 2002 timberland sales that would otherwise be subject to the built-in gains tax were reinvested in like-kind property. The built-in gains tax can generally be avoided to the extent proceeds are reinvested in like-kind property within the statutory time period. It is not possible to predict whether we will be able to identify suitable replacement properties in the future in order to avoid the built-in gains tax. It is likely that actual timberland sales over the ten-year built-in gain period will be greater than, or less than, 5%. An adjustment to earnings will be required in the period in which it is determined that timberland sales subject to the built-in gains tax will be greater than, or less than, 5%.

Long-Term Incentive Plans. Plum Creek has a Stock Incentive Plan that provides for the award of non-qualified stock options, restricted stock, dividend equivalents and value management awards. See Note 11 of the Notes to Financial Statements. During 2002 the company recognized \$8 million of compensation expense associated with its long-term incentive plans, of which \$5 million related to value management awards.

Value management awards, which are granted every other year, provide incentive compensation to participants that is contingent upon the company's performance measured against the performance of a peer group of forest products companies over a three-year period. Value management awards are earned in whole or in part based on a sliding scale. No value management award is earned if the company's total stockholder return is below the 50th percentile of the peer group. The full value management award is earned if the company's total stockholder return is above the 75th percentile.

Plum Creek recognizes compensation expense for value management awards based on the expected value of the award upon vesting and accrues the related expense over the vesting period. The actual expense cannot be determined until the end of the three-year performance period. Furthermore, since the amount of the award, if any, is based on Plum Creek's relative performance compared to that of its peer group, it is possible to have significant changes to the estimated award value during the performance period. Compensation expense related to the value management awards is adjusted in the quarter in which there has been a material change in the expected vested value of the awards. Therefore, it is possible that an adjustment to the value management award expense may be material to the result of operations for the quarter and the year in which the estimated vested benefit is revised.

The performance period for the 2000 grants ended on December 31, 2002 in which the full value for the awards was achieved. A total expense of \$8 million was recorded over the vesting period in connection with the 2000

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value management award grants, of which \$3 million was recorded during 2002. An expense of \$2 million was recorded during 2002 in connection with the 2002 value management award grants based on expected performance. The expense in connection with the 2002 value management award grants would have been \$4 million if we assumed maximum performance will be achieved for these awards.

Pensions. Plum Creek provides pension benefits under defined benefit pension plans that cover substantially all of our employees. See Note 10 of the Notes to Financial Statements. Participants' benefits vest after five years of service. Subsequent to The Timber Company Merger, the cash balance of benefits of salaried employees is determined based primarily on certain percentages of compensation, age, years of service and interest accrued based on the 30-year treasury bond rate. Furthermore, employees employed by the company on September 1, 2000 earn benefits based on the greater of the cash balance formula or the amount of a monthly pension benefit that is principally based on highest monthly average earnings during any consecutive sixty-month period and the number of years of service credit. The benefits of hourly employees are generally based on a fixed amount per year of service. Plum Creek's contributions to the plan vary from year to year, but the company has made at least the minimum contributions required by law in each year and management intends to fund annually such that the fair value of plan assets equals or exceeds the actuarially computed accumulated benefit obligation ("ABO", the approximate actuarially computed current pension obligation if the plans were discontinued). The plan invests in common stock, bonds and cash equivalents. The portfolio of investments during 2002 consisted of approximately 65% equities and 35% bonds.

The computation of the company's benefit obligation, fair value of plan assets, pension cost and accrued pension liability under accounting principles generally accepted in the United States of America requires management to make certain assumptions primarily involving the expected long-term rate of return on plan assets, weighted average discount rate and rate of increase of future compensation levels. The expected return on plan assets for the year ended December 31, 2002 is based on the calculated value of plan assets and an 8.25% annual rate of return that is based on the composition of the pension plan assets. The assumed discount rate of 6.75% is based on Moody's long-term AA corporate bond yield which is considered to represent the rate of return on high-quality fixed-income investments that, if invested at the measurement date, would provide the necessary future cash flows to pay the benefits when due. Finally, the assumed rate of increase of future compensation levels of 5.00% represents management's long-term estimate of such increases on the basis of the composition of plan participants, past results and market expectations. Other key assumptions used in the estimate include primarily those underlying the mortality table, and expected long term rates for inflation, retirement and withdrawals, all of which are based on plan experience and standard actuarial methods but nevertheless subject to uncertainty.

For the year ended December 31, 2002, the company recognized \$3.8 million of expense related to the pension plans and made cash contributions of \$8.4 million. As of December 31, 2002, Plum Creek had fully funded the ABO and our balance sheet reflects an accrued net pension liability of \$2.8 million.

It is likely that the actual return on plan assets and the outcome of other uncertain variables will differ from those used in estimating our pension costs and pension obligation reflected in our consolidated financial statements and notes thereto. Furthermore, the company may, from time to time, adjust the asset allocation, which may have an impact on the long-term rate of return on plan assets. If the company had used a long-term rate of return on plan assets of 8.00% (instead of the 8.25% that was used in computing our 2002 pension expense), pension expense for 2002 would have increased by \$0.2 million. Similarly, if the company had used a weighted average discount rate of 7.00% (instead of the 7.25% that was used in computing our 2002 pension expense), pension expense for 2002 would have increased by \$0.3 million. Additionally, if the company had used a rate of increase in compensation levels of 5.25% (instead of the 5.00% that was used in computing our 2002 pension expense), pension expense for 2002 would have increased by \$0.2 million. Finally, if the company had used a weighted average discount rate of 6.50% to fund pension obligations to at least the ABO consistent with company policy (instead of the 6.75% that was used in computing the ABO as of December 31, 2002), pension funding for 2002 would have increased by \$1.7 million.

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Assuming an average long-term rate of return on plan assets of 8.25%, a weighted average discount rate of 6.75% and a 5% rate of increase in compensation levels, management projects that our annual pension expense for 2003 will be approximately \$5 million, a \$1.2 million, or 32%, increase compared to 2002, and will rise to approximately \$7 million annually by 2005. Over the same time period the annual cash funding required under our present funding policy is expected to be approximately \$4 million during 2003 increasing to approximately \$6 million in 2005.

Off-Balance Sheet Arrangements, Contractual Obligations, Contingent Liabilities and Commitments

The consolidated financial statements of the company reflect all of the operations and assets and liabilities of the company. The company has no relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities. Consequently, the company has no off-balance sheet debt. Furthermore, except for certain interest rate hedging transactions in 2002, discussed more fully in Note 8 of the Notes to Financial Statements, and a financing in connection with certain installment notes receivable, which were transferred to Georgia-Pacific prior to The Timber Company Merger, the company is not a party to any derivative transactions. Finally, the company does not have any transactions with related parties or affiliates other than those described in Note 12 of the Notes to Financial Statements.

The following table summarizes our contractual obligations, contingent liabilities and commitments at December 31, 2002 (in millions):

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Long-Term Debt Obligations	\$ 1,872	\$ 33	\$ 664	\$ 286	\$ 889
Operating Lease Obligations	6	3	2	1	---
Timber Obligations	12	1	2	3	6
Total Contractual Obligations	\$ 1,890	\$ 37	\$ 668	\$ 290	\$ 895

Events and Trends Affecting Operating Results

Current Market Conditions

Northern Resources Segment. Softwood sawtimber prices declined in 2000 and 2001 and remained weak in 2002. The weak prices were due to an ample supply of logs, reduced exports of logs and lumber from the U.S. and weak lumber prices. Softwood sawtimber prices declined further during the fourth quarter of 2002 due to log imports from Canada, increased harvest levels from timber salvage operations by competitors and depressed lumber prices. Hardwood sawtimber markets improved slightly due to a tight supply of quality sawlogs.

Prices for pulpwood logs in our Northern Resource Segment declined by approximately 7% from 2001 levels. Pulpwood prices weakened due to the low demand from pulp and paper mills in the region due to worldwide overcapacity of mills that make paper products, weak pulp and paper prices and mill curtailments.

Southern Resources Segment. Prices for sawtimber logs in our Southern Resources Segment began declining during the second half of 2000 and continued declining during 2001. Prices during 2002 remained weak due to weak lumber and plywood prices and oversupplied sawlog markets due in part to exceptional access to timberlands as a result of a three-year drought. Log markets remained abundantly supplied due to higher yields on managed forests, shorter harvest cycles and lumber and plywood production curtailments.

Softwood pulpwood prices remained weak during 2002 due to reduced demand and an increase in the available supply of logs. Demand for softwood pulpwood declined due to the continued decline in the use of paper, the increase in recycling and the increase in paper and containerboard imports from Asia. The available supply of logs increased due to exceptional access to timberlands as a result of a three-year drought, the increase of plantation thinning volume from private landowners as a result of shorter harvest cycles, and a U.S. government soil conservation program.

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Manufactured Products Segment. Composite indices for commodity lumber in 2002 were down 5% from 2001 levels, due primarily to persistent excess lumber production in North America. Despite a 6% increase in housing starts from 2001 and the highest level of housing starts in sixteen years, strong production in the U.S. and Canada and reduced exports from the U.S. created an excess supply of lumber. North American lumber capacity continued to substantially exceed lumber demand due to the increased capacity installed by many producers during the prior decade. Duties were implemented on shipments of Canadian lumber to the U.S. in May 2002. To date, the duty has had the unanticipated impact of lowering lumber prices in part because large Canadian lumber producers have increased production in order to lower their per-unit manufacturing costs.

Prices for our plywood in 2002 remained similar to 2001. Prices for plywood remained weak due to continued competition from lower cost OSB, which constrained plywood prices and displaced commodity plywood used in housing applications. Prices for our Medium Density Fiberboard ("MDF") remained weak during 2002 due to the continued worldwide MDF overcapacity and the strong U.S. dollar, which allowed foreign producers to significantly increase their penetration in the U.S. market.

Harvest Plans

We determine our annual roundwood (sawlogs and pulpwood, including stumpage sales) harvesting plans based on a number of factors. At the stand level, ranging in size from 10 to 200 acres, we consider the age, size, density, health and economic maturity of the timber. A stand is a continuous block of trees of a similar age, species mix and silvicultural regime. At the forest level, ranging in size from 105,000 to 770,000 acres, we consider the long-term sustainability and environmental impact of certain levels of harvesting, a forest's progression from an unmanaged to a managed forest, and the level of demand for wood within the region. A forest is a broad administrative unit, made up of a large number of stands.

Active forest management involves the conversion of a forest from an unmanaged to a managed state. An unmanaged forest is made up largely of mature and over-mature stands of timber which are growing slowly, both in terms of volume and value. In a managed forest, there exists a range of age classes, from recently planted stands to economically mature stands. The conversion of a forest from an unmanaged to a managed state can take from one to two forest generations, or rotations. Toward the end of the initial conversion process, a decline in the inventory volume is normal as the harvest of mature and over-mature stands ends, and as the younger, faster growing stands have yet to reach final harvest age.

Harvest levels in the Northern Resources Segment were 5.5 million tons during 2002 and 2.5 million tons during 2001, a 120% increase, due to The Timber Company Merger. Had the merger between Plum Creek and The Timber Company occurred prior to 2001, estimated harvest levels in the Northern Resources Segment for 2001 would have approximated 5.3 million tons. Harvest levels in 2003 are expected to increase 9%. This increase is due primarily to additional harvest in Wisconsin because of the acquisition of 307,000 acres in December 2002 and additional harvest in Oregon as young stands continue to reach maturity.

Harvest levels in the Southern Resources Segment were 13.8 million tons during 2002 and 11.4 million tons during 2001, a 21% increase, due to The Timber Company Merger. Had the merger between Plum Creek and The Timber Company occurred prior to 2001, estimated harvest levels in the Southern Resources Segment for 2001 would have approximated 13.0 million tons. Harvest levels in 2003 are expected to decrease 4% due primarily to lower hardwood pulpwood harvests. In 2002 and 2001, the company took advantage of favorable ground conditions and markets to accelerate harvests in areas with concentration of hardwood pulpwood.

Actual harvest levels may vary from planned levels due to log demand, sales prices, the availability of timber from other sources, the level of timberland sales and acquisitions, the availability of legal access, abnormal weather conditions, fires and other factors that may be outside of our control. We believe that our harvest plans are sufficiently flexible to permit modification in response to short-term fluctuations in the markets for logs.

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U.S.—Canada Softwood Lumber Agreement.

The trade dispute between the United States and Canada continues to be a major source of uncertainty for U.S. lumber markets. On March 31, 2001, the five-year lumber trade agreement between the U.S. and Canada expired. The agreement was intended to limit the volume of lumber that was exported to the U.S. through the assessment of a tariff on annual lumber exports in excess of certain levels from the four major lumber producing Canadian provinces. Prior to this trade agreement, Canadian lumber producers were aggressively increasing their penetration into the U.S. market.

Soon after the agreement expired, U.S. industry coalitions submitted anti-dumping and countervailing duty petitions to the International Trade Commission and the U.S. Department of Commerce. On March 22, 2002, the Department of Commerce rendered its final determination in favor of the U.S. industry coalitions and set a 19.3% countervailing duty on Canadian lumber imports and an anti-dumping duty on all non-investigated Canadian exporters averaging 9.7% (representing the weighted average of the anti-dumping rates imposed on the investigated Canadian exporters). The Department of Commerce decreased these duties on April 26, 2002 to 18.8% and 8.4%, respectively. Following a final determination by the International Trade Commission on May 2, 2002 that Canadian lumber imports threaten the U.S. industry with material injury, the Department of Commerce put into effect the countervailing and anti-dumping duties on May 22, 2002. However, reports indicate that the final duties have not had the effect of decreasing Canadian lumber imports into the U.S.

The future of the U.S.-imposed import duties on Canadian lumber remains uncertain. The final import duties imposed by the Department of Commerce have been referred to appeals panels operating under the World Trade Organization and the North American Free Trade Agreement. These appeals could ultimately be determined adversely to U.S. interests, which could result in an increase of Canadian lumber imports into U.S. markets. Moreover, notwithstanding any favorable U.S. rulings, Canadian lumber imports could otherwise increase or remain at current levels. Currently, the U.S. and Canadian governments are attempting to negotiate an agreement to settle the lumber dispute. However, there can be no assurance that an agreement will ever be reached, or that the terms of any such agreement would be favorable to the interests of the U.S. lumber industry. Therefore, other factors remaining unchanged, downward pressure on domestic lumber and log prices caused by Canadian imports could continue or increase.

Comparability of Financial Statement Periods.

We have pursued and expect to continue to pursue both the acquisition and divestiture of timberlands to increase the value of our assets. During the fourth quarter of 2002, we purchased 307,000 acres of timberlands located primarily in Wisconsin, and on October 6, 2001, we completed our merger with The Timber Company. As a result of these acquisitions, our ownership increased to approximately 8.0 million acres at December 31, 2002 and 7.8 million acres at December 31, 2001 from approximately 3.2 million acres at December 31, 2000. We may sell timberlands and facilities, from time to time, if attractive opportunities arise. Accordingly, the comparability of periods covered by the company's financial statements is, and in the future may be, affected by the impact of acquisitions and divestitures.

Results of Operations

The following table compares operating income by segment for the years ended (in millions):

	Operating Income by Segment		
	December 31, 2002	December 31, 2001	December 30, 2000
Northern Resources	\$ 80	\$ 30	\$ 27
Southern Resources	227	187	198
Real Estate	64	59	85
Manufactured Products	1	1	--
Other	7	8	8
Total Segment Operating Income	379	285	318
Other Costs & Eliminations	(41)	(35)	(15)
Operating Income	\$ 338	\$ 250	\$ 303

As a consequence of The Timber Company Merger and the related reverse acquisition accounting treatment, the financial results for 2002 are not comparable with 2001 and the financial results for 2001 are not comparable with 2000. In order to make the 2002 and 2001 results comparable, we have excluded in the analysis below the revenues and expenses related to Plum Creek's assets and liabilities for the period January 1, 2002 to October 5, 2002. Furthermore, in order to make the 2001 and 2000 results comparable, we have excluded in the analysis below the revenues and expenses related to Plum Creek's assets and liabilities for the period October 6, 2001 to December 31, 2001.

2002 Compared to 2001

Northern Resources Segment. Revenues increased by \$184 million, or 135%, to \$320 million in 2002. Excluding revenues (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, annual revenues increased by \$22 million, or 16%, to \$158 million in 2002. This increase of \$22 million was due primarily to higher softwood sawlog sales volume as a result of the age class distribution of our Oregon Timberlands, which has an increasing percentage of mature timber.

Excluding the impact of The Timber Company Merger (for the period January 1, 2002 to October 5, 2002), Northern Resources Segment annual operating income was 28% of its revenues for 2002 and 22% for 2001. This increase was due primarily to higher softwood sawlog volume. Northern Resources Segment costs and expenses increased by \$134 million, or 126%, to \$240 million in 2002. Excluding costs and expenses (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, annual costs and expenses increased by \$8 million, or 8%, to \$114 million. This increase of \$8 million was due primarily to higher log and haul costs as a result of higher sales volume.

Southern Resources Segment. Revenues increased by \$104 million, or 33%, to \$423 million in 2002. Excluding revenues (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, annual revenues increased by \$63 million, or 20%, to \$382 million in 2002. This increase of \$63 million was due primarily to a higher percentage of delivered log sales (\$37 million) and higher log sales volume (\$35 million), offset in part by selling stumpage under lump-sum contracts as compared to timber deeds (\$8 million).

Revenues increased by \$37 million due to the company's increased percentage of delivered log sales. The company increased its percentage of delivered log sales by decreasing its percentage of sales of standing timber. Under a delivered log sale agreement, the seller is responsible for log and haul costs. When standing timber is sold the buyer incurs the log and haul costs. While revenues are higher when the seller is responsible for the logging and hauling of timber, costs of sales generally increase by a similar amount. As a result, the company realizes lower margins as a percent of revenues, although operating income is not generally affected.

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Revenues increased by \$35 million due to higher sales volume. The increased log sales volume was due primarily to a temporary (24 to 36 months) increase in harvest levels. This temporary increase resulted from accelerating the conversion of slower-growing natural stands to faster-growing plantations.

Excluding the impact of The Timber Company Merger (for the period January 1, 2002 to October 5, 2002), Southern Resources Segment annual operating income was 57% of its revenues for 2002 and 59% for 2001. Southern Resources Segment costs and expenses increased by \$64 million, or 48%, to \$196 million. Excluding costs and expenses (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, costs and expenses increased by \$33 million, or 25%, to \$166 million in 2002. This increase was due primarily to an increase in log and haul costs as a result of a higher percentage of delivered log sales compared to sales of standing timber and higher sales volume.

Real Estate Segment. Revenues increased by \$18 million, or 23%, to \$98 million in 2002. Excluding revenues (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, revenues decreased by \$20 million, or 25%, to \$60 million. This decrease of \$20 million was due primarily to the timing of real estate sales. As a major landowner, approximately 400,000 acres of the company's approximately 8 million acres of timberlands are located in recreational areas or near expanding population centers and may be better suited for conservation, residential or recreational purposes, rather than for long-term commercial timberland management. Furthermore, the company estimates that an additional 900,000 acres may also be suited for conservation, residential or recreational development. The timing of real estate sales is a function of many factors, including the availability of government and not-for-profit funding, the general state of the economy, the plans of adjacent landowners, the company's expectation of future price appreciation and the timing of harvesting activities.

Excluding the impact of The Timber Company Merger (for the period January 1, 2002 to October 5, 2002), Real Estate Segment operating income was 78% of its revenues for 2002 and 74% for 2001. This increase was due primarily to a higher percentage of conservation easements during 2002. There is no book basis allocated to the sale of conservation easements. Real Estate Segment costs and expenses increased by \$13 million, or 62%, to \$34 million in 2002. Excluding costs and expenses (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, costs and expenses decreased by \$8 million, or 38%, to \$13 million.

Manufactured Products Segment. Revenues increased by \$295 million, or 343%, to \$381 million in 2002. Excluding revenues (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, revenues increased by \$4 million, or 5%, to \$90 million. This increase of \$4 million was due primarily to our new thin-board MDF facility, which began operations in the fourth quarter of 2001. We sold 18 million square feet of thin-board MDF during the fourth quarter of 2002 compared to 5 million square feet during the fourth quarter of 2001.

Excluding the impact of The Timber Company Merger (for the period January 1, 2002 to October 5, 2002), Manufactured Products Segment operating loss was \$5 million during 2002 compared to \$1 million of operating income during 2001. This decrease in operating performance was due primarily to lower lumber prices as a result of excess supply caused by over production by U.S. and Canadian mills and higher MDF operating costs. Manufactured Products Segment costs and expenses increased by \$295 million, or 347%, to \$380 million in 2002. Excluding costs and expenses (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, costs and expenses increased by \$10 million, or 12%, to \$95 million. This increase of \$10 million was primarily due to higher MDF production volume and higher MDF operating costs.

Other Segment. Revenues were \$9 million in 2002 and 2001. Expenses were \$2 million during 2002, an increase of \$1 million over 2001.

Other Costs and Eliminations. Other Costs and Eliminations (which consists of corporate overhead and intercompany profit elimination) decreased operating income by \$41 million in 2002, compared to a decrease of \$35 million in 2001. This change of \$6 million was due primarily to \$22 million of higher corporate expenses due to the increase in the size of the company, offset by a reduction of \$10 million for intercompany profit elimination and \$6 million for severance costs. During the fourth quarter of 2001, we incurred \$6 million of merger-related

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severance costs. Profit on intercompany log sales is deferred until the lumber and plywood manufacturing facilities convert existing log inventories into finished products and sell them to third parties. Prior to The Timber Company Merger, The Timber Company did not have any deferred profit on log sales. From the date of the merger to December 31, 2001, the company deferred profit of \$9 million on intercompany log sales. The company released intercompany profit of \$1 million during 2002. At December 31, 2002 the deferred profit on intercompany sales was \$8 million.

Interest Expense. Net interest expense increased by \$49 million, or 91%, to \$103 million for 2002. This increase was due primarily to the \$837 million of Plum Creek's debt that was acquired in connection with The Timber Company Merger.

Provision for Income Taxes. The provision for income taxes was \$2 million for 2002 compared to a net benefit of \$142 million for 2001. During the fourth quarter of 2001, we recognized a tax benefit of \$216 million in connection with The Timber Company Merger. For the period January 1, 2001 to October 5, 2001, The Timber Company recognized a tax expense of approximately \$70 million. As a REIT, Plum Creek is generally not subject to corporate income tax except for certain transactions that are subject to built-in gains tax and certain non-REIT activities that are conducted through taxable REIT subsidiaries. See Note 5 of the Notes to Financial Statements.

2001 Compared to 2000

Northern Resources Segment. Revenues increased by \$57 million, or 72%, to \$136 million in 2001. Excluding revenues (for the period October 6, 2001 to December 31, 2001) associated with The Timber Company Merger, revenues decreased by \$8 million, or 10%, to \$71 million. This decrease of \$8 million was due primarily to lower softwood sawlog prices. Softwood sawlog prices decreased by 15% due primarily to weak lumber and plywood prices and an abundant supply of logs. Product prices decreased due primarily to the slowing U.S. economy and excess lumber and plywood capacity. There was an abundant supply of logs due primarily to numerous lumber and plywood mill closures as a result of weak product prices.

Excluding the impact of The Timber Company Merger (for the period October 6, 2001 to December 31, 2001), Northern Resources Segment operating income was 20% of its revenues for 2001 and 35% for 2000. This decline was due primarily to lower softwood sawlog prices. Northern Resources Segment costs and expenses increased by \$54 million, or 104%, to \$106 million in 2001. Excluding costs and expenses (for the period October 6, 2001 to December 31, 2001) associated with The Timber Company Merger, costs and expenses increased by \$5 million, or 10%, to \$57 million.

Southern Resources Segment. Revenues increased by \$16 million, or 5%, to \$319 million in 2001. Excluding revenues (for the period October 6, 2001 to December 31, 2001) associated with The Timber Company Merger, total revenues for this segment were stable at \$303 million for both 2001 and 2000. However, even though total segment revenues did not change, there were significant changes in revenue components. Segment revenues decreased by \$38 million due to lower log prices. However, this decrease was offset in part by increases of \$18 million resulting from a higher percentage of delivered log sales, and \$15 million resulting from higher harvest levels.

Softwood sawlog prices decreased by 14% due primarily to weak lumber and plywood prices and an abundant supply of logs. Product prices decreased due primarily to the slowing U.S. economy and excess lumber and plywood capacity. In turn, log supplies were abundant primarily because of numerous lumber and plywood mill closures resulting from weak product prices.

Revenues increased by \$18 million due to a greater percentage of delivered log sales compared to sales of standing timber. Under a delivered log sale agreement, the seller is responsible for log and haul costs, whereas the buyer incurs these costs when standing timber is sold. While revenues are higher when the seller is responsible for the logging and hauling of timber, costs of sales generally increase by a similar amount.

Excluding the impact of The Timber Company Merger (for the period October 6, 2001 to December 31, 2001), Southern Resources Segment operating income was 60% of its revenues for 2001 and 65% for 2000. This decline

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was due primarily to lower softwood sawlog prices. Southern Resources Segment costs and expenses increased by \$27 million, or 26%, to \$132 million in 2001. Excluding costs and expenses (for the period October 6, 2001 to December 31, 2001) associated with The Timber Company Merger, costs and expenses increased by \$18 million, or 17%, to \$123 million. This increase of \$18 million was due primarily to an increase in log and haul costs and higher depletion expense, offset in part by lower operating expenses. Log and haul costs increased by \$18 million due primarily to a higher percentage of delivered log sales compared to sales of standing timber. Depletion expense increased by \$12 million due primarily to a refinement in the amount of future silviculture costs that are expected to be incurred to generate expected growth rates. Operating expenses decreased by \$11 million due primarily to the change in accounting method for silviculture costs. Beginning in 2001, silviculture costs were capitalized while they were expensed in 2000.

Real Estate Segment. Revenues decreased by \$23 million, or 22%, to \$80 million in 2001. Excluding revenues (for the period October 6, 2001 to December 31, 2001) associated with The Timber Company Merger, revenues decreased by \$29 million, or 28%, to \$74 million. This decrease of \$29 million was due primarily to the timing of real estate sales. As a major landowner, approximately 400,000 acres of the company's approximately 8 million acres of timberlands are located in recreational areas or near expanding population centers and may be better suited for conservation, residential or recreational purposes, rather than for long-term commercial timberland management. Furthermore, the company estimates that an additional 900,000 acres may also be suited for conservation, residential or recreational development. The timing of real estate sales is a function of many factors, including the availability of government and not-for-profit funding, the general state of the economy, the plans of adjacent landowners, the company's expectation of future price appreciation and the timing of harvesting activities.

Excluding the impact of The Timber Company Merger (for the period October 6, 2001 to December 31, 2001), Real Estate Segment operating income was 80% of its revenues for 2001 and 83% for 2000. Real Estate Segment costs and expenses increased by \$3 million, or 17%, to \$21 million in 2001. Excluding costs and expenses (for the period October 6, 2001 to December 31, 2001) associated with The Timber Company Merger, costs and expenses decreased by \$3 million, or 17%, to \$15 million.

Manufactured Products Segment. Prior to The Timber Company Merger, the financial statements represent those of The Timber Company which did not have any manufacturing operations. For the period October 6, 2001 to December 31, 2001 Manufactured Products Segment revenues were \$86 million, expenses were \$85 million and operating income was \$1 million.

Other Segment. Revenues increased by \$1 million, or 13%, to \$9 million in 2001. Expenses were \$1 million during 2001 but were less than \$1 million during 2000.

Other Costs and Eliminations. Other Costs and Eliminations (which consists of corporate overhead and intercompany profit elimination) decreased operating income by \$35 million in 2001, compared to a decrease of \$15 million in 2000. This change of \$20 million was due primarily to \$9 million of intercompany profit elimination, \$6 million of merger-related severance costs and higher corporate expenses due to the increase in size of the company. At December 31, 2001, the deferred profit on intercompany log sales was \$9 million. Profit on intercompany log sales is deferred until the lumber and plywood manufacturing facilities convert existing log inventories into finished products and sell them to third parties. Prior to The Timber Company Merger, The Timber Company did not have any deferred profit on log sales.

Interest Expense. Net interest expense increased by \$10 million, or 23%, to \$54 million for 2001. This increase was due primarily to the \$837 million of Plum Creek's debt that was acquired in connection with The Timber Company Merger.

Financial Condition and Liquidity

Net cash provided by operating activity increased by \$145 million, or 65%, to \$368 million for 2002 compared to \$223 million for 2001. The increase of \$145 million was due primarily to The Timber Company Merger. As a

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result, non-cash operating expenses (depreciation, depletion, amortization and basis of real estate sold) increased by \$60 million and cash taxes decreased by \$52 million. Net cash provided by operating activities totaled \$223 million in 2001 compared to \$593 million in 2000, a decrease of \$370 million. This decrease of \$370 million was due primarily to the monetization in 2000 of an installment note receivable from the sale of 194,000 acres of timberlands in California during 1999.

Cash and cash equivalents at December 31, 2002 was \$246 million compared to \$193 million at December 31, 2001. The increase was due primarily to Plum Creek accelerating the payment of the fourth quarter 2001 dividend. Plum Creek paid the dividend for the fourth quarter of 2001 on December 28, 2001. Normally, the fourth quarter dividend for 2001 would have been paid in February 2002. The payment of the fourth quarter 2001 dividend was accelerated because of our merger with The Timber Company and the REIT requirement under the Internal Revenue Code that all earnings and profits inherited in connection with a merger must be distributed by January 31st of the year following the merger.

On October 6, 2001, in connection with The Timber Company Merger, Plum Creek issued approximately 112.7 million shares and assumed 3.8 million stock options, and replaced the approximate \$650 million of Georgia-Pacific debt that was allocated to The Timber Company with third party debt. The \$650 million of debt was replaced with \$500 million of fixed rate debt and \$150 million of variable rate debt.

At December 31, 2002, our lines of credit were comprised of a \$600 million revolving line of credit maturing on September 30, 2005 and a \$150 million 364-day revolving line of credit maturing on November 25, 2003. The rates for both revolving lines of credit are based on LIBOR plus 1.5%, which includes facility fees. Interest rates for both revolving lines are based on a series of borrowings with maturities that can range from one week to six month. The average interest rate for both facilities at December 31, 2002 was 3.6% and on January 2, 2003, the average rate was 3.0%.

Borrowings on the lines of credit fluctuate daily based on cash needs. Subject to customary covenants, the lines of credit allow for borrowings from time to time up to \$750 million, including up to \$50 million of standby letters of credit. As of December 31, 2002, \$80 million remained available for borrowing under the lines of credit and there were outstanding standby letters of credit of \$658,000. In January 2003, \$246 million of the borrowings under the line of credit was repaid. The 364-day Revolving Line of Credit was classified as long-term debt due to the company's intent and subsequent refinancing of these borrowings on a long-term basis.

On January 22, 2003, the company issued \$300 million of senior notes maturing serially in 2008 to 2013 consisting of the following (in millions):

Principal Amount	Interest Rate	Maturity
\$ 20	3-month LIBOR plus 1.445%	2008
47	4.96%	2008
55	5.48%	2010
178	6.18%	2013
<hr/>		
\$300		

The proceeds from the issuance of these notes were used to repay a portion of the outstanding borrowings under the lines of credit and for general business funding purposes.

Our borrowing agreements contain various restrictive covenants, including limitations on harvest levels, sales of assets, the incurrence of indebtedness and making restricted payments (such as payments of cash dividends or stock repurchases). Our borrowing agreements limit our ability to make restricted payments based on available cash, which is generally our net income after adjusting for non-cash charges (such as depreciation and depletion), changes in various reserves less capital expenditures and principal payments on indebtedness that are not financed. In addition, our lines of credit require that we maintain an interest coverage ratio and maximum leverage ratio. We were in compliance with all of our borrowing agreement covenants as of December 31, 2002.

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Cash required to meet our financial needs will be significant. We believe, however, that cash on hand and cash flows from continuing operations will be sufficient to fund planned capital expenditures, and interest and principal payments on our indebtedness for the next year.

On January 28, 2003, our board of directors declared a dividend of \$0.35 per share for the fourth quarter of 2002. Total dividends for the fourth quarter will approximate \$65 million and will be paid on February 28, 2003 to stockholders of record on February 14, 2003. Future dividends will be determined by our board of directors, in its sole discretion, based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, debt covenant restrictions that may impose limitations on the company's ability to make cash payments, borrowing capacity, changes in the price and demand for Plum Creek's products and the general market for timberlands and those timberland properties that have higher and better uses. Other factors that our board of directors considers include the appropriate timing of timber harvests, acquisition and divestiture opportunities, stock repurchases, debt repayment and other means by which the company could deliver value to its stockholders. On October 17, 2002, our board authorized the company to buy back up to \$200 million of the company's outstanding common stock. In January 2003, the company began to purchase shares of common stock. As of February 28, 2003 the company had bought back 1,406,600 shares of common stock for a total cost of \$30.4 million.

Capital expenditures for 2002 were \$249 million, \$59 million for 2001 and \$135 million for 2000. The capital expenditures amount for 2002 includes approximately \$141 million for the acquisition of 307,000 acres of timberlands located primarily in Wisconsin from Stora Enso North America Corporation. The \$141 million purchase price was primarily financed using existing lines of credit. Planned capital expenditures for 2003 are expected to be approximately \$92 million and include approximately \$60 million for our timberlands, \$15 million for the development of our coalbed methane and \$6 million for our manufacturing facilities. The timberland expenditures are primarily for reforestation and other expenditures associated with the planting and growing of trees.

Other Information

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which is effective for fiscal years beginning after June 15, 2002. The statement provides accounting and reporting standards for recognizing obligations related to asset retirement costs associated with the retirement of tangible long-lived assets. Under this statement, legal obligations associated with the retirement of long-lived assets are to be recognized at their fair value in the period in which they are incurred if a reasonable estimate of fair value can be made. The fair value of the asset retirement costs is capitalized as part of the carrying amount of the long-lived asset and expensed using a systematic and rational method over the assets' useful lives. Any subsequent changes to the fair value of the liability will be expensed. Adoption of this standard is not expected to have a material impact on the company's financial position, results of operations or cash flows.

In December 2002, the FASB issued Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 expands on the accounting guidance of FASB No. 5, 57 and 107 and incorporates without change the provisions of FASB Interpretation No. 34. FIN No. 45 provides guidance for the initial recognition and measurement, applicable prospectively to all guarantees issued or modified after December 31, 2002, and disclosure requirements effective for financial statements of interim and annual reporting periods ending after December 15, 2002. Adoption of this interpretation is not expected to have a material impact on the company's financial position, results of operations or cash flows.

In January 2003, the FASB issued Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements", to certain entities in which equity investors do not have (i) the characteristics of a controlling financial interest or (ii) sufficient at-risk equity. FIN No. 46 applies to a broad range of unconsolidated investee entities (e.g. joint ventures, partnerships and cost basis investments) and, effective for financial statements issued after January 31,

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2003, adds certain disclosure requirements. Adoption of this interpretation is not expected to have a material impact on the company's financial position, results of operations or cash flows.

RISK FACTORS

Risk Factors Applicable to the Business of Plum Creek

The Cyclical Nature of the Forest Products Industry Could Adversely Affect Our Results of Operations

Our results of operations are affected by the cyclical nature of the forest products industry. Prices and demand for logs and manufactured wood products are subject to cyclical fluctuations. The demand for logs and wood products is primarily affected by the level of new residential construction activity and, to a lesser extent, repair and remodeling activity and other industrial uses. The demand for logs is also affected by the demand for wood chips in the pulp and paper markets. These activities are, in turn, subject to fluctuations due to, among other factors:

- changes in domestic and international economic conditions;
- interest rates;
- population growth and changing demographics; and
- seasonal weather cycles (e.g., dry summers, wet winters).

Decreases in the level of residential construction activity generally reduce demand for logs and wood products. This results in lower revenues, profits and cash flows. Industry-wide increases in the supply of logs and wood products during favorable price environments can also lead to downward pressure on prices. Timber companies generally increase production volumes for logs and wood products during favorable price environments. However, such increased production, when coupled with even modest declines in demand for these products in general, could lead to oversupply and lower prices.

Our results of operations may also be subject to global economic changes as global supplies of wood fiber shift in response to changing economic conditions. Changes in global economic conditions that could affect our results of operations include, but are not limited to, new timber supply sources and changes in currency exchange rates, foreign and domestic interest rates and foreign and domestic trade policies.

In addition, the market for and ability to sell non-strategic timberlands and timberland properties that have higher and better uses can have a significant effect on our results of operations. Market demand for timberlands generally and higher and better use timberlands may decrease and adversely affect our results of operations.

The Forest Products Industry is Highly Competitive

The forest products industry is highly competitive in terms of price and quality. Wood products are subject to increasing competition from a variety of substitute products, including non-wood and engineered wood products. For example, plywood markets are subject to competition from oriented strand board, and U.S. lumber and log markets are subject to competition from other worldwide suppliers.

Historically, Canada has been a significant source of lumber for the U.S. market, particularly in the new home construction market. In 1995, the U.S. and Canadian governments entered into a five-year lumber trade agreement that became effective April 1, 1996. The trade agreement was intended to limit the volume of Canadian lumber exported into the U.S. from the four major producing Canadian provinces through the assessment of an export tariff on annual lumber exports to the U.S. in excess of certain levels.

The trade agreement expired in late March 2001, and soon thereafter U.S. industry coalitions submitted anti-dumping and countervailing duty petitions to the International Trade Commission and the U.S. Department of Commerce. On March 22, 2002, the Department of Commerce rendered its final determination in favor of the U.S. industry coalitions and set a 19.3% countervailing duty on Canadian lumber imports and an anti-dumping duty on all non-investigated Canadian exporters averaging 9.7% (representing the weighted average of the anti-dumping rates imposed on the investigated Canadian exporters). The Department of Commerce decreased these

duties on April 26, 2002 to 18.8% and 8.4%, respectively. Following a final determination by the International Trade Commission on May 2, 2002 that Canadian lumber imports threaten the U.S. industry with material injury, the Department of Commerce put into effect the countervailing and anti-dumping duties on May 22, 2002. However, reports indicate that the final duties have not had the effect of decreasing Canadian lumber imports into the U.S.

The future of the U.S.-imposed import duties on Canadian lumber remains uncertain. The final import duties imposed by the Department of Commerce have been referred to appeals panels operating under the World Trade Organization and the North American Free Trade Agreement. These appeals could ultimately be determined adversely to U.S. interests, which could result in an increase of Canadian lumber imports into U.S. markets. Moreover, notwithstanding any favorable U.S. rulings, Canadian lumber imports could otherwise increase or remain at current levels. Currently, the U.S. and Canadian governments are attempting to negotiate an agreement to settle the lumber dispute. However, there can be no assurance that an agreement will ever be reached, or that the terms of any such agreement would be favorable to the interests of the U.S. lumber industry. Therefore, other factors remaining unchanged, downward pressure on domestic lumber and log prices caused by Canadian imports could continue or increase.

Our Cash Dividends are Not Guaranteed and May Fluctuate

On July 1, 1999, we converted from a master limited partnership to a real estate investment trust, or "REIT." REITs are required to distribute 90% of their net taxable ordinary income. However, unlike ordinary income such as rent, the Internal Revenue Code of 1986, as amended, does not require REITs to distribute capital gain income. Accordingly, we do not believe that the Internal Revenue Code will require us to distribute any material amounts of cash given that the majority of our income comes from timber sales, which are treated as capital gains. Our board of directors, in its sole discretion, determines the amount of the quarterly dividends to be provided to our stockholders based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, harvest levels, changes in the price and demand for our products and general market demand for timberlands and those timberland properties that have higher and better uses. Consequently, our dividend levels may fluctuate.

We were required by January 31, 2002, to distribute the earnings and profits acquired from the six entities that comprised The Timber Company. We believe that the accelerated payment of our fourth quarter dividend for 2001, which we paid on December 28, 2001, was sufficient to distribute these earnings and profits. If we failed to distribute an amount equal to these earnings and profits, we might be subject to adverse tax consequences. We expect that, even if the earnings and profits were subsequently adjusted upward by the Internal Revenue Service, the amount we distributed exceeds such earnings and profits. Nevertheless, such an adjustment may give rise to the imposition of the 4% excise tax on the excess income required to be distributed over the amounts treated as distributed after application of the earnings and profits rule.

Our Ability to Harvest Timber May Be Subject to Limitations Which Could Adversely Affect Our Operations

Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife and water resources may restrict harvesting of timberlands as may other factors, including damage by fire, insect infestation, disease, prolonged drought and other natural disasters. Although damage from such natural causes usually is localized and affects only a limited percentage of the timber, there can be no assurance that any damage affecting our timberlands will in fact be so limited. As is common in the forest products industry, we do not maintain insurance coverage with respect to damage to our timberlands.

Much of our Northwest timberlands are intermingled with sections of federal land managed by the United States Forest Service. In many cases, access is only, or most economically, achieved through a road or roads built across adjacent federal land. In order to access these intermingled timberlands, we have obtained from time to time either

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temporary or permanent access rights across federal lands. This process has often been, and will likely continue to be, affected by, among other things, the requirements of the Endangered Species Act, the National Environmental Policy Act and the Clean Water Act. Access and regulatory restrictions may delay or prevent us from harvesting some of our timberlands.

Our revenues, net income and cash flow from our operations are dependent to a significant extent on the pricing of our products and our continued ability to harvest timber at adequate levels. In addition, the terms of our long-term debt agreements and lines of credit limit our ability to fund dividends to stockholders by accelerating the harvest of significant amounts of timber.

Provisions in Our Certificate of Incorporation and Delaware Law May Prevent a Change in Control

Some provisions of our certificate of incorporation may discourage a third party from seeking to gain control of us. For example, the ownership limitations described in our certificate of incorporation could have the effect of delaying, deferring, or limiting a change of control in which holders of our common stock might receive a premium for their shares over the then prevailing market price. The following is a summary of provisions of our certificate of incorporation that may have this effect.

The Ownership Limit. In order for us to maintain our qualification as a REIT, not more than 50% of the value of our outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals, as defined in the Internal Revenue Code. For the purpose of preserving our REIT qualification, our certificate of incorporation prohibits ownership, either directly or under the applicable attribution rules of the Internal Revenue Code, of more than 5% of the lesser of the total number of shares of our common stock outstanding or the value of the outstanding shares of our common stock by any stockholder other than by some designated persons agreed to by us or as set forth in our certificate of incorporation (the "Ownership Limit"). The Ownership Limit may have the effect of discouraging an acquisition of control of us without the approval of our board of directors.

The Ownership Limit in our certificate of incorporation also restricts the transfer of our common stock. For example, any transfer of our equity is null and void if the transfer would:

- result in any person owning, directly or indirectly, equity in excess of the Ownership Limit;
- result in our equity being owned, directly or indirectly, by fewer than 100 persons;
- result in us being "closely held" (as defined in the Internal Revenue Code);
- result in us failing to qualify as a "domestically controlled REIT" (as defined in the Internal Revenue Code); or
- otherwise cause us to fail to qualify as a REIT.

The Preferred Stock. Our certificate of incorporation authorizes our board of directors to issue up to 75 million shares of preferred stock. Upon issuance, our board of directors will establish the preferences and rights for this preferred stock. These preferences and rights may include the right to elect additional directors. The issuance of preferred stock could have the effect of delaying or preventing a change in control of us even if a change in control were in our stockholders' best interests.

Section 203 of the Delaware General Corporation Law. Section 203 of the Delaware General Corporation Law generally prohibits us from engaging in business transactions with a person or entity that owns 15% or more of our voting stock for a period of three years following the time such person or entity became an "interested stockholder" unless, prior to such time, our board of directors approved either the business combination or the transaction which resulted in such person or entity becoming an interested stockholder. A business transaction may include mergers, asset sales and other transactions resulting in financial benefit to the person or entity that owns 15% or more of our voting stock.

If We Fail to Qualify as a REIT, We Would Be Subject to Tax at Corporate Rates and Would Not Be Able to Deduct Dividends to Stockholders When Computing Our Taxable Income

If in any taxable year we fail to qualify as a REIT:

- we would be subject to federal and state income tax on our taxable income at regular corporate rates of approximately 39%;
- we would not be allowed to deduct dividends to stockholders in computing our taxable income; and
- unless we were entitled to relief under the Internal Revenue Code, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification.

If we fail to qualify as a REIT, we might need to borrow funds or liquidate some investments in order to pay the additional tax liability. Accordingly, funds available for investment or dividends to our stockholders would be reduced for each of the years involved.

Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code to our operations and the determination of various factual matters and circumstances not entirely within our control. There are only limited judicial or administrative interpretations of these provisions. Although we operate in a manner consistent with the REIT qualification rules, there cannot be any assurance that we are or will remain so qualified.

In addition, the rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the United States Department of the Treasury. Changes to the tax law could adversely affect our stockholders. We cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax laws applicable to us or our stockholders may be changed.

Our Timberlands and Manufacturing Facilities Are Subject to Federal and State Environmental Regulations

We are subject to regulation under, among other laws, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act of 1980, the National Environmental Policy Act, and the Endangered Species Act, as well as similar state laws and regulations. Violations of various statutory and regulatory programs that apply to our operations could result in civil penalties, remediation expenses, potential injunctions, cease and desist orders and criminal penalties. We engage in the following activities that are subject to regulation:

- forestry activities, including harvesting, planting and road building, use and maintenance;
- the generation of air emissions;
- the discharge of industrial wastewater and storm water; and
- the generation and disposal of both hazardous and non-hazardous wastes.

Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to the person's negligence or fault. These laws or future legislation or administrative or judicial action with respect to protection of the environment may adversely affect our business.

The Endangered Species Act and similar state laws protect species threatened with possible extinction. A number of species on our timberlands have been and in the future may be protected under these laws, including the northern spotted owl, marbled murrelet, gray wolf, grizzly bear, mountain caribou, bald eagle, Karner blue butterfly, red-cockaded woodpecker, bull trout, and various salmon species. Protection of threatened and endangered species may include restrictions on timber harvesting, road building and other forest practices on private, federal and state land containing the affected species.

Matters Pertaining to Arthur Andersen

Arthur Andersen served as the independent certified public accountant for The Timber Company prior to The Timber Company's October 6, 2001 merger with Plum Creek. Because the merger was accounted for as a reverse acquisition, the historical financial statements of The Timber Company are now the historical financial statements of Plum Creek. Although Plum Creek did not engage Arthur Andersen as its certified public accountant following the merger, Plum Creek's periodic financial statements filed with the SEC include The Timber Company's historical financial statements, which were audited by Arthur Andersen.

On March 14, 2002, Arthur Andersen was indicted on federal obstruction of justice charges arising from the government's investigation of Enron. On June 15, 2002, Arthur Andersen was found guilty of obstruction of justice. As a result of this conviction, Arthur Andersen ceased practicing before the SEC in August of 2002. The SEC has provided regulatory relief designed to allow companies that file reports with the SEC to dispense with the filing of a consent or report of Arthur Andersen in certain circumstances. Notwithstanding the SEC's regulatory relief, the inability of Arthur Andersen to provide a consent or report could negatively affect Plum Creek's ability to access the capital markets.

Tax Risk Factors

If Georgia-Pacific's Redemption of Timber Company Common Stock Did Not Qualify for Tax-Free Treatment, Georgia-Pacific and the former Holders of Timber Company Common Stock Would Be Subject to Tax

We and Georgia-Pacific sought a ruling from the Internal Revenue Service to the effect that neither Georgia-Pacific nor the holders of Timber Company Stock would recognize gain for federal income tax purposes with respect to Georgia-Pacific's redemption of each outstanding share of Timber Company Stock.

The Internal Revenue Service exercised its discretion not to issue the ruling on the basis that the evidence proffered in support of the business purposes for the redemption did not meet the high standard that the published procedures of the Internal Revenue Service require taxpayers to satisfy in order to receive favorable rulings. As a result, we and Georgia-Pacific received opinions from our respective tax counsel that the redemption would be tax-free under section 355 of the Internal Revenue Code. These opinions, however, are not binding on the Internal Revenue Service. If, for any reason, the redemption was not eligible for treatment under section 355 of the Internal Revenue Code, Georgia-Pacific would recognize gain on the redemption and we would generally be responsible for 50% of such liability in excess of the proceeds of the insurance policies obtained by The Timber Company to cover a portion of such exposure.

On September 13, 2002, Georgia-Pacific entered into a Closing Agreement with the Internal Revenue Service completing a pre-filing review of Georgia-Pacific's federal income tax reporting of the redemption of Timber Company Stock. Under the terms of the Closing Agreement, the Internal Revenue Service agreed that neither Georgia-Pacific nor the former holders of Timber Company Stock would recognize a gain or loss as a result of the redemption of Timber Company Stock. Georgia-Pacific and we believe that the Closing Agreement is conclusive with respect to the most material tax consequences associated with Georgia-Pacific's redemption of Timber Company Stock, except as described below with respect to section 355(e) of the Internal Revenue Code.

We Will Have to Abide by Potentially Significant Restrictions With Respect to Issuances of Our Equity Securities Until October 2003

The Closing Agreement between Georgia-Pacific and the Internal Revenue Service regarding Georgia-Pacific's redemption of Timber Company Stock is based on facts that were in existence on the date of redemption. Georgia-Pacific may be subject to tax under section 355(e) of the Internal Revenue Code if acquisitions or issuances of our stock following the merger cause the former holders of Timber Company Stock to own less than a majority of the outstanding shares of our common stock. In particular, section 355(e) of the Internal Revenue Code will apply if such issuances or acquisitions occur as part of a plan or series of related transactions that include the redemption. For this purpose, any acquisitions or issuances of our stock before October 2003 are presumed to be part of such a plan, although we and Georgia-Pacific may be able to rebut that presumption. If such an issuance or acquisition of

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our stock triggers the application of section 355(e) of the Internal Revenue Code, Georgia-Pacific would recognize taxable gain on the redemption, but the redemption would generally be tax-free to each of the former holders of Timber Company Stock. Assuming the price of our common stock on October 5, 2001 was the correct measure of the fair market value of the six entities that comprised The Timber Company, and assuming that Georgia-Pacific had little or no tax basis in the stock of the six entities that comprised The Timber Company, the federal income tax liability would be approximately \$1.0 billion, excluding interest and any penalties. Under the tax matters agreement between us and Georgia-Pacific, we would be required to indemnify Georgia-Pacific against that taxable gain if it were triggered by an acquisition or issuance of our stock. As of the effective date of the merger, the former holders of Timber Company Stock held approximately 62% of the outstanding shares of our common stock on a fully diluted basis.

Because of the change in control limitation imposed by section 355(e) of the Internal Revenue Code, we may be limited in the amount of stock that we can issue to make acquisitions or to raise additional capital until October 2003. Also, our indemnity obligation to Georgia-Pacific might discourage, delay or prevent a change of control that our stockholders may consider favorable.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Approximately \$1.2 billion of the long-term debt of the company bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows (in millions) based upon maturity dates of the debt obligations and the related weighted average interest rates by expected maturity dates for the fixed rate debt. The interest rate on the variable rate debt as of December 31, 2002, was LIBOR plus 1.5% which includes facility fees (3.6%), however, this rate could range from LIBOR plus 0.75% to LIBOR plus 1.75% depending on our financial results.

December 31, 2002	2003	2004	2005	2006	2007	Thereafter	Total	Fair Value (B)
Long-term debt, including current portion								
Fixed rate debt	\$ 33	\$ 33	\$ 32	\$ 161	\$ 125	\$ 819	\$ 1,203	\$ 1,335
Avg. interest rate	8.1%	8.0%	7.9%	7.9%	7.8%	7.7%		
Variable rate debt (A)			\$ 599			\$ 70	\$ 669	\$ 669

(A) In January 2003, \$246 million of variable rate debt was repaid.

(B) The increase in the fair value of fixed rate debt compared to 2001 is due primarily to a decline in market interest rates for long-term debt.

December 31, 2001	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value
Long-term debt, including current portion								
Fixed rate debt	\$ 34	\$ 33	\$ 33	\$ 32	\$ 161	\$ 919	\$ 1,212	\$ 1,218
Avg. interest rate	8.2%	8.2%	8.1%	8.0%	7.9%	7.8%		
Variable rate debt				\$ 469			\$ 469	\$ 469

Item 8. Financial Statements and Supplementary Data

PLUM CREEK TIMBER COMPANY, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In Millions, Except Per Share Amounts)	Year Ended		
	December 31, 2002	December 31, 2001	December 30, 2000
Revenues:			
Timber	\$ 649	\$ 423	\$ 382
Real Estate	98	80	103
Manufacturing	381	86	---
Other	9	9	8
Total Revenues	1,137	598	493
Costs and Expenses:			
Cost of Goods Sold:			
Timber	318	188	134
Real Estate	34	20	18
Manufacturing	370	83	---
Other	2	1	---
Total Cost of Goods Sold	724	292	152
Selling, General and Administrative	75	56	38
Total Costs and Expenses	799	348	190
Operating Income	338	250	303
Interest Expense, net	103	54	44
Income before Income Taxes	235	196	259
(Provision) Benefit for Income Taxes	(2)	142	(97)
Net Income	\$ 233	\$ 338	\$ 162
Net Income per Share—Basic	\$ 1.26	\$ 2.61	\$ 1.44
Net Income per Share—Diluted	\$ 1.26	\$ 2.58	\$ 1.42
Weighted average number of Shares outstanding—Basic	184.7	129.5	112.7
Weighted average number of Shares outstanding—Diluted	185.4	130.7	113.9

See accompanying Notes to Consolidated Financial Statements

PLUM CREEK TIMBER COMPANY, INC.
CONSOLIDATED BALANCE SHEETS

(In Millions, Except Share Data)	December 31, 2002	December 31, 2001
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 246	\$ 193
Restricted Advance from Customer	4	--
Accounts Receivable	33	31
Inventories	58	56
Investment in Grantor Trust	10	12
Deferred Tax Asset	11	2
Other Current Assets	16	12
	378	306
Timber and Timberlands—Net	3,599	3,480
Property, Plant and Equipment—Net	307	316
Other Assets	5	20
	4,289	4,122
Liabilities		
Current Liabilities:		
Current Portion of Long-Term Debt	\$ 33	\$ 34
Accounts Payable	25	27
Interest Payable	21	21
Wages Payable	23	21
Taxes Payable	11	9
Deferred Revenue	18	14
Liabilities Associated with Grantor Trust	10	11
Other Current Liabilities	14	12
	155	149
Long-Term Debt	1,170	1,178
Lines of Credit	669	469
Deferred Tax Liability	44	38
Other Liabilities	29	41
	2,067	1,875
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, \$0.01 par value, authorized shares—75 million, outstanding—none	---	---
Common stock, \$0.01 par value, authorized shares—300 million, outstanding— 184,861,615 at December 31, 2002 and 183,825,407 at December 31, 2001	2	2
Additional Paid-In Capital	2,197	2,227
Retained Earnings	23	17
Other Equity	---	1
	2,222	2,247
Total Liabilities and Stockholders' Equity	\$ 4,289	\$ 4,122

See accompanying Notes to Consolidated Financial Statements

PLUM CREEK TIMBER COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)	Year Ended		
	December 31, 2002	December 31, 2001	December 30, 2000
Cash Flows From Operating Activities:			
Net Income	\$ 233	\$ 338	\$ 162
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:			
Depreciation, Depletion and Amortization	105	55	27
Basis of Real Estate Sold	28	18	17
Deferred Income Taxes	1	(198)	29
Working Capital Changes, Net of Effect of Business Acquisition	(3)	(4)	16
Monetization of Note Receivable	---	---	342
Other	4	14	---
Net Cash Provided By Operating Activities	368	223	593
Cash Flows From Investing Activities:			
Property Additions (Excluding Tax-Deferred Exchanges)	(231)	(76)	(64)
Timberlands Acquired with Tax-Deferred Exchange Proceeds, Net	(18)	17	(71)
Merger Costs	---	(29)	(4)
Cash Received in Conjunction with Acquisition	---	159	---
Net Cash Provided By (Used In) Investing Activities	(249)	71	(139)
Cash Flows From Financing Activities:			
Dividends	(275)	(209)	---
Net Cash Returned to Georgia-Pacific Corporation	---	(115)	(144)
Borrowings of Long-term Debt	25	536	---
Retirement of Long-term Debt	(34)	(676)	(310)
Borrowings on Lines of Credit	1,708	499	---
Repayments on Lines of Credit	(1,508)	(153)	---
Proceeds from Stock Option Exercises	18	32	---
Other	---	(15)	---
Net Cash Used In Financing Activities	(66)	(101)	(454)
Increase In Cash and Cash Equivalents	53	193	---
Cash and Cash Equivalents:			
Beginning of Period	193	---	---
End of Period	\$ 246	\$ 193	\$ ---
Supplementary Cash Flow Information			
Cash Paid During the Year for:			
Interest	\$ 110	\$ 69	\$ 72
Income Taxes—Net	\$ 4	\$ 56	\$ 67
Cash Received in Connection with Acquisition:			
Fair Value of Assets Acquired		\$ 2,659	
Liabilities Assumed		970	
Stock Issued		(1,848)	
Cash Acquired		\$ 159	

See accompanying Notes to Consolidated Financial Statements

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting Policies

General. Plum Creek Timber Company, Inc. (“Plum Creek” or the “company”), a Delaware Corporation, is a real estate investment trust, or REIT, for federal income tax purposes. At December 31, 2002, the company owned and managed more than 8 million acres of timberlands in the Northwest, Southern and Northeast United States, and owned and operated ten wood product conversion facilities in the Northwest United States. We believe that approximately 400,000 acres of the company’s approximately 8 million acres of timberlands are located in recreational areas or near expanding population centers and may be better suited for conservation, residential or recreational purposes, rather than for long-term commercial timberland management. Furthermore, the company estimates that an additional 900,000 acres may also be suited for conservation, residential or recreational development.

On December 16, 1997, shareholders of Georgia-Pacific Corporation (“Georgia-Pacific”) approved the creation of two classes of common stock (“The Letter Stock Recapitalization”) intended to reflect separately the performance of Georgia-Pacific’s manufacturing (“Georgia-Pacific Group”) and timber businesses (“The Timber Company”). The Timber Company represented the separate group of businesses whose results were tracked by Georgia-Pacific’s Timber Company stock (“Timber Company Stock”) and was engaged primarily in the growing and selling of timber on the approximately 4.7 million acres of timberlands that Georgia-Pacific owned or leased.

On October 5, 2001, Georgia-Pacific redeemed all of the outstanding shares of Timber Company Stock, or 82.3 million shares. In connection with the redemption, each outstanding share of Timber Company Stock was exchanged for one unit, or a “Unit,” that represented one outstanding share of common stock of each of the former subsidiaries of Georgia-Pacific, which collectively held all of the assets and liabilities attributed to The Timber Company. On October 6, 2001, The Timber Company merged with and into Plum Creek, with Plum Creek as the surviving company (“The Timber Company Merger”). As a part of the merger, The Timber Company shareholders received 1.37 shares of Plum Creek’s common stock for each Unit, or approximately 112.7 million shares.

The Timber Company Merger in 2001 has been accounted for as a reverse acquisition, with The Timber Company being treated as the acquirer for accounting and financial reporting purposes. As a consequence, even though The Timber Company ceased to exist for legal purposes, the historical financial statements of The Timber Company have become the financial statements of Plum Creek effective as of the consummation date of the merger. Therefore, the statement of income for the year ended December 31, 2001 includes the operating results of The Timber Company through October 5, 2001 and the operating results of the consolidated company from the date of the merger. The statement of income for the year ended December 30, 2000 reflects only the operating results of The Timber Company. Because the merger was accounted for as a reverse acquisition, in general when we refer to “Plum Creek” we are referring to Plum Creek Timber Company, Inc. after giving effect to the merger and when we refer to “The Timber Company” we are referring to the historic operations of The Timber Company prior to the merger. See Note 2 of the Notes to Financial Statements.

Basis of Presentation. The consolidated financial statements of the company include the accounts of Plum Creek Timber Company, Inc. and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation. All transactions are denominated in United States dollars.

The financial statements of The Timber Company were prepared on a basis that Georgia-Pacific’s management believed was reasonable and appropriate and include (i) the historical balance sheets, results of operations and cash flows for The Timber Company, with all significant intercompany transactions and balances eliminated; and (ii) assets and liabilities of Georgia-Pacific and related transactions identified with The Timber Company, including allocated portions of Georgia-Pacific’s debt and general and administrative expenses.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

The Timber Company's combined financial statements reflect the application of the management and allocation policies adopted by the Board of Directors of Georgia-Pacific to various corporate activities, as described below.

At June 30, 1997, \$1.0 billion of Georgia-Pacific's total debt was allocated to The Timber Company for financial statement purposes. Georgia-Pacific's debt was allocated to The Timber Company based upon a number of factors including expected future cash flows, volatility of earnings, and the ability to pay debt service. In addition, Georgia-Pacific considered certain measures of creditworthiness, such as coverage ratios and various tests of liquidity, as a means of ensuring that each group could continue to pay debt service during a business downturn. The Timber Company's debt increased or decreased by the amount of any net cash generated by, or required to fund, its operating activities, investing activities, and financing activities. Georgia-Pacific's management believed that such allocation was equitable and reasonable.

Interest was charged to The Timber Company in proportion to the respective amount of its debt at a rate equal to the weighted average interest rate of Georgia-Pacific's debt calculated on a quarterly basis. Georgia-Pacific's management believed that this method of allocating the cost of debt was equitable and provided a reasonable estimate of the cost attributable to the two business groups. Changes to the cost of Georgia-Pacific's debt were reflected in adjustments to the weighted average interest cost of such debt.

A portion of Georgia-Pacific's shared general and administrative expenses (such as executive management, human resources, legal, accounting and auditing, tax, treasury, strategic planning and information systems support) were allocated to The Timber Company based upon identification of such services specifically used by The Timber Company. Where determinations based on a specific usage alone have been impracticable, other methods and criteria were used that Georgia-Pacific's management believed were equitable and provided a reasonable estimate of the cost attributable to The Timber Company. These methods consisted of allocation cost based on (i) number of employees of each group, (ii) percentage of office space and (iii) estimated percentage of staff time utilized. The total of these allocations were \$2 million for 2001 through the date of the merger and \$3 million for 2000. It is not practicable to provide a detailed estimate of the expense that would have been recognized if The Timber Company had been a separate legal entity.

A portion of Georgia-Pacific's employee benefit costs, including pension and postretirement health care and life insurance benefits, was allocated to The Timber Company. The Timber Company's pension cost related to its participation in Georgia-Pacific's noncontributory defined benefit pension plan, and other employee benefit costs related to its participation in Georgia-Pacific's postretirement health care and life insurance benefit plans, were actuarially determined based on the number of its employees and an allocable share of the plan assets and are calculated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," respectively. Georgia-Pacific's management believed such method of allocation was equitable and provided a reasonable estimate of the costs attributable to The Timber Company.

Since plan assets were not segregated into separate accounts or restricted to providing benefits to employees of The Timber Company, assets of Georgia-Pacific's employee benefit plans may be used to provide benefits to all employees of Georgia-Pacific. Plan assets were allocated to The Timber Company based on the percentage of its projected benefit obligation to the plans' total projected benefit obligations.

The federal income taxes of Georgia-Pacific and the subsidiaries that owned assets allocated to The Timber Company were determined on a consolidated basis. Consolidated federal income tax provisions and related tax payments or refunds were allocated to The Timber Company based principally on the taxable income and tax credits directly attributable to it. Such allocations reflected The Timber Company's contribution (positive or negative) to Georgia-Pacific's consolidated federal taxable income and the consolidated federal tax liability and tax credit position. Tax benefits, if any, generated by The Timber Company that could not have been used by The

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Timber Company, but could be used on a consolidated basis, were credited to The Timber Company. Had The Timber Company filed separate tax returns, the provision for income taxes and net income for The Timber Company would not have differed significantly from the amounts reported on its statements of income for the year ended December 30, 2000. Additionally, had The Timber Company filed a separate tax return for 2001 through the date of The Timber Company Merger, the provision for income taxes and net income for Plum Creek would not have differed significantly from the amounts reported on its statement of income for the year ended December 31, 2001. However, the amounts of current and deferred taxes and taxes payable or refundable allocated to The Timber Company on the historical financial statements may differ from those that would have been allocated had The Timber Company filed separate income tax returns.

Depending on the tax laws of various jurisdictions, state and local income taxes were calculated on either a consolidated or combined basis or on a separate corporation basis. State income tax provisions and related tax payments or refunds determined on a consolidated or combined basis were allocated to The Timber Company based on its contribution to such consolidated or combined state taxable incomes. State and local income tax provisions and related tax payments that were determined on a separate corporation basis were allocated to The Timber Company in a manner designed to reflect the contributions of The Timber Company's separate state or local taxable income.

Change in Year-End. Effective October 6, 2001, the financial statements of Plum Creek are based on a fiscal year ending December 31. Prior to the merger, The Timber Company's fiscal year ended on the Saturday closest to December 31.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Business Concentrations. Sales of the company's products are dependent upon the economic conditions of the housing, repair and remodeling, industrial, and pulp and paper industries. Changes in these industries may significantly affect management's estimates and the company's performance.

Revenue Recognition. Timber sales are recognized when legal ownership and the risk of loss transfer to the purchaser and the quantity sold is determinable. This occurs when a purchaser acquires stumpage or standing timber, or when a purchaser receives logs on a delivered sale agreement. There are two types of stumpage agreements. First, a timber deed agreement is one in which the buyer purchases and takes title to all timber on a tract of land. When title passes (usually when the contract is signed), revenue is recognized for the full value of all timber on the tract. Second, a pay-as-cut contract agreement is one in which the purchaser acquires the right to harvest specified timber on a tract, at an agreed-to price per unit. The sale and any related advances are recognized as the purchaser harvests the timber on the tract. For delivered sales, the title and risk of loss passes and revenue, including amounts billed for shipping and handling, is recognized, when the log is delivered to the customer.

Subsequent to The Timber Company Merger, as a result of certain REIT requirements, the company ceased using timber deed agreements and began using lump-sum sale agreements. Under a lump-sum sale, the parties agree to a lump-sum price for all the timber available for harvest on a tract of land. Generally the lump-sum price is paid when the contract is signed. However, unlike timber deeds, title to the timber and risk of loss transfers to the buyer as the timber is cut. Therefore, revenue is recognized each month based on the timber harvested compared to total timber available to be harvested on a tract of land over the term of the contract (usually 12 to 18 months). An adjustment may be required at the completion of the contract to the extent the actual timber harvested was different than the estimate of timber available for harvest based on the timber cruise.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Revenues generated from the sale of lumber, plywood, MDF and related by-products, primarily wood chips, and amounts billed for shipping and handling, are generally recognized at the time of delivery. Revenues generated from real estate sales include the sale of higher and better use timberlands and non-strategic timberlands and are generally recognized when the sale is consummated. In some of these transactions, the company exchanged timberlands that qualified for like-kind (tax-deferred) exchange treatment under the Internal Revenue Code. Substantially all of these exchanges involved a third party intermediary, whereby the third party intermediary received proceeds related to the property disposed and then reinvested the proceeds in like-kind property. The proceeds are generally recorded as revenues when they are received by the third party intermediary.

Cash and Cash Equivalents. All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents. Substantially all of the cash and cash equivalents are invested in money market funds. The company periodically reviews the credit rating of the financial institution where the money market funds are maintained. The company has restricted cash related to certain advances from a customer associated with lump-sum timber sales. When the trees associated with these lump-sum contracts are cut, the company may access the cash.

Accounts Receivable. Accounts receivable at December 31, 2002 and 2001 is presented net of an allowance for doubtful accounts of \$1 million. Accounts are deemed past due based on payment terms. The allowance for doubtful accounts represents management's estimate and is based on historical losses, recent collection history and credit ratings of individual customers and existing economic conditions. Delinquent accounts, are charged off against the allowance for doubtful accounts to the extent and at the time they are deemed uncollectible.

Grantor Trusts. Several grantor trusts have been established for deferred compensation. Assets, which include money market and mutual fund investments, are classified as "trading securities" and are carried at market value. Realized gains and losses and changes in unrealized gains and losses and a corresponding amount of compensation expense are recorded in the consolidated statement of income.

Inventories. Logs, work-in-process and finished goods of the company are stated at the lower of cost or market on the average cost method. Supplies inventories are stated at cost. Costs for manufactured inventories included raw materials, labor, supplies, energy, depreciation and production overhead. Cost of log inventories included timber depletion, stumpage, associated logging and harvesting costs, road costs and production overhead.

Timber and Timberlands. Timber and timberlands, including logging roads, are stated at cost less accumulated depletion for timber previously harvested and accumulated road amortization. The company capitalizes timber and timberland purchases and reforestation costs and other costs associated with the planting and growing of timber, such as site preparation, growing or purchases of seedlings, planting, fertilization, herbicide application and the thinning of tree stands to improve growth. Timber carrying costs, such as real estate taxes, insect control, wildlife control, leases of timberlands (other than lease payments for the purchase of standing timber, in which case the payments are capitalized) and forest management personnel salaries and fringe benefits, are expensed as incurred. Costs of major roads are capitalized and amortized over 30 years. Costs for roads that are built to access multiple logging sites over numerous years are capitalized and amortized over 6 years. Costs for roads built to access a single logging site are expensed as incurred.

Costs attributable to timber harvested, or depletion, are charged against income as trees are cut. Depletion rates are determined annually based on the relationship between net carrying value of the timber plus certain capitalizable silviculture costs expected to be incurred over the harvest cycle and total timber volume estimated to be available over the harvest cycle. The depletion rate calculations do not include an estimate for either future reforestation costs associated with a stand's final harvest or future volume in connection with the replanting of a stand subsequent to its final harvest. Net carrying value of the timber and timberlands is used to compute the gain or loss in connection with real estate sales.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

The company changed its accounting policy for timber reforestation costs in the fourth quarter of 2001. Effective retroactively beginning January 1, 2001, the company capitalizes certain costs incurred after a timber stand has been established, primarily silviculture costs, that were previously expensed. In order to achieve better matching of these costs with the revenues realized from the eventual sale of timber, silviculture costs (fertilization and herbicide application) are now capitalized. The company believes that this change is more consistent with industry practice and is preferable under the circumstances in which the company manages its timberlands. Costs related to pre-merchantable and merchantable timber that are now capitalized include site preparation, planting, fertilization, herbicide application and pre-commercial thinning. These costs are charged against revenue at the time revenue is recognized on the sale of timber.

The cumulative effect of this policy change is not reflected in the beginning balance of Timber and Timberlands because information is not available to compute the cumulative effect of the change over the prior harvest cycle of approximately 30 years. The new capitalization policy was applied retroactively as of January 1, 2001, and resulted in a restatement of the first three quarters of 2001. Implementation of the new accounting policy increased operating income in 2001 by approximately \$18 million and net income by approximately \$13 million, or \$0.10 per diluted share.

Plum Creek enters into like-kind (tax-deferred) exchange transactions to acquire and sell assets, principally timberlands. During 2002, the company acquired assets totaling \$18 million under tax-deferred exchange transactions compared to \$25 million during 2001 and \$32 million during 2000. Also during 2002, the company disposed of assets for consideration of \$36 million under tax-deferred exchange transactions, compared to \$30 million during 2001 and \$76 million during 2000.

Property, Plant and Equipment. Property, plant and equipment are recorded at cost. Replacements of major units of property are capitalized, and the replaced properties are retired. Replacement of minor components of property and repair and maintenance costs, are charged to expense as incurred.

All property, plant and equipment other than manufacturing machinery (lumber, plywood and MDF) are depreciated using the straight-line method over the estimated useful lives of the related assets. Manufacturing machinery and equipment are depreciated on a units-of-production basis, which approximates a straight-line basis. Useful lives are 25 years for land improvements, 20 to 45 years for buildings, and 3 to 20 years for machinery and equipment. Leasehold improvements are depreciated over the lease term or estimated useful life, whichever shorter. The cost and related accumulated depreciation of property sold or retired are removed from the accounts and any gain or loss is recorded.

In accounting for its coalbed methane gas exploration and development costs, the company follows the successful efforts method. Under this method, the gas exploratory costs, other than those of drilling exploratory wells, are charged to expense as incurred. The costs of drilling exploratory wells are capitalized pending discovery of proved commercial reserves, and either (i) expensed, if proven commercial reserves are not discovered, or (ii) capitalized with costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of natural gas and crude oil. The costs of producing properties are amortized using the units-of-production method over estimated recoverable gas reserves.

Shipping and Handling Costs. Costs incurred for shipping timber and manufactured products are included in cost of goods sold.

Stock-Based Compensation Plans. At December 31, 2002, the company had stock-based employee compensation plans, which are described more fully in Note 11 of the Notes to Financial Statements. Prior to 2002, the company accounted for those plans under the recognition and measurement provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. Except for approximately \$0.6 million related to the acceleration in vesting of certain Timber Company options in 2001, no

PLUM CREEK TIMBER COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

stock-based employee compensation cost related to stock options is reflected in 2001 and 2000 net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. In the second quarter of 2002 the company adopted the fair value recognition provisions of Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation”, effective January 1, 2002 prospectively to all employee awards granted, modified, or settled after January 1, 2002.

Accounting for employee stock options in accordance with SFAS No. 123 is considered preferable because it results in all forms of employee compensation, including stock-based compensation, being charged to expense in the income statement. This accounting policy change will have no impact on previously reported operating income or net income. The impact of the accounting change on compensation expense was an increase of approximately \$0.4 million for 2002. In accordance with the transitioning provisions of SFAS No. 123, no cumulative effect adjustment is being recorded.

Stock option awards generally vest over a four-year period at a rate of 25% per year. Therefore, the cost related to stock-based employee compensation included in the determination of net income for 2002 is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of Statement 123. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period (in millions, except per share amounts):

	Year Ended		
	December 31, 2002	December 31, 2001	December 30, 2000
Net income, as reported	\$ 233	\$ 338	\$ 162
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects ^(A)	5	1	---
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(5)	(4)	(3)
Pro forma net income	\$ 233	\$ 335	\$ 159
Earnings per share:			
Basic—as reported	\$ 1.26	\$ 2.61	\$ 1.44
Basic—pro forma	\$ 1.26	\$ 2.59	\$ 1.41
Diluted—as reported	\$ 1.26	\$ 2.58	\$ 1.42
Diluted—pro forma	\$ 1.26	\$ 2.56	\$ 1.40

(A) In addition to approximately \$0.4 million expense recognized related to stock options in 2002 and \$0.6 million in 2001, stock-based compensation expense includes \$4.2 million accrued for Plum Creek value management awards and dividend equivalents, and grants of restricted stock in 2002 and \$0.7 million in 2001 (for the period October 6, 2001 to December 31, 2001). Since both the value management awards and the dividend equivalents are paid 50% in company stock and 50% in cash, we also expensed \$3.3 million in 2002 and \$0.6 million in 2001 for the cash portion of these awards. See Note 11 of the Notes to Financial Statements.

Reclassifications. Certain prior year amounts have been reclassified to conform with the 2002 presentation. The reclassifications had no impact on operating income or net income.

New Accounting Pronouncements. In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations,” which is effective for fiscal years beginning after June 15, 2002. The statement provides

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

accounting and reporting standards for recognizing obligations related to asset retirement costs associated with the retirement of tangible long-lived assets. Under this statement, legal obligations associated with the retirement of long-lived assets are to be recognized at their fair value in the period in which they are incurred if a reasonable estimate of fair value can be made. The fair value of the asset retirement costs is capitalized as part of the carrying amount of the long-lived asset and expensed using a systematic and rational method over the assets' useful lives. Any subsequent changes to the fair value of the liability will be expensed. Adoption of this standard is not expected to have a material impact on the company's financial position, results of operations or cash flows.

In December 2002, the FASB issued Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 expands on the accounting guidance of FASB No. 5, 57 and 107 and incorporates without change the provisions of FASB Interpretation No. 34. FIN No. 45 provides guidance for the initial recognition and measurement, applicable prospectively to all guarantees issued or modified after December 31, 2002, and disclosure requirements effective for financial statements of interim and annual reporting periods ending after December 15, 2002. Adoption of this interpretation is not expected to have a material impact on the company's financial position, results of operations or cash flows.

In January 2003, the FASB issued Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements", to certain entities in which equity investors do not have (i) the characteristics of a controlling financial interest or (ii) sufficient at-risk equity. FIN No. 46 applies to a broad range of unconsolidated investee entities (e.g. joint ventures, partnerships and cost basis investments) and, effective for financial statements issued after January 31, 2003, adds certain disclosure requirements. Adoption of this interpretation is not expected to have a material impact on the company's financial position, results of operations or cash flows.

Note 2. Acquisitions and Dispositions

During the fourth quarter of 2002, Plum Creek acquired 307,000 acres of timberlands located primarily in Wisconsin for approximately \$141 million. The timberlands contain a diversified mix of trees and age profiles including mature mixed hardwood stands, mixed natural conifer stands, and hardwood and conifer plantations. The purchase was primarily financed using existing lines of credit and has been accounted for as an asset acquisition.

In January 2003, the company agreed to sell approximately 28,000 acres of non-strategic timberlands in Montana for \$12 million. This transaction is expected to close during the second quarter of 2003. The timberlands have a book basis of \$21 million, and the company therefore expects to record an impairment of \$9 million in the first quarter of 2003. The timberlands possess a younger than average timber age profile for the company's Rockies Region, have little real estate potential, and are the furthest west from the company's manufacturing facilities.

Prior to The Timber Company Merger in 2001, The Timber Company was engaged primarily in the growing and selling of timber on the approximately 4.7 million acres of timberlands that Georgia-Pacific owned or leased. The primary reasons for The Timber Company Merger were to: (1) create the second largest private timberland owner in the United States, (2) enhance the company's strategic and market position, and (3) encourage growth by expanding the company's customer base and creating new revenue sources.

The Timber Company Merger has been accounted for as a purchase business combination in accordance with SFAS No. 141, "Business Combinations." As the surviving legal entity in The Timber Company Merger, Plum Creek issued approximately 112.7 million shares, or 62% of the outstanding shares of its common stock, to the former holders of Timber Company Stock. Since The Timber Company shareholders received more than 50% of the outstanding Plum Creek shares during the merger, the merger was treated as a reverse acquisition, with The

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Timber Company deemed to be the acquiring company for accounting and financial reporting purposes. As a consequence, even though The Timber Company ceased to exist for legal purposes, the historical financial statements of The Timber Company have become the financial statements of Plum Creek effective as of the consummation date of the merger.

The purchase price of Plum Creek's assets and liabilities deemed acquired for accounting purposes by The Timber Company was approximately \$1.87 billion. The purchase price was based on the accounting convention of The Timber Company acquiring all of Plum Creek's 69,206,575 outstanding common stock and 583,700 outstanding options at the approximate fair value of Plum Creek Timber Company, Inc.'s stock as of the July 18, 2000 announcement date of The Timber Company Merger, plus approximately \$22.7 million of merger related costs.

The approximate purchase price of \$1.87 billion has been allocated among the assets and liabilities of Plum Creek that were deemed acquired in The Timber Company Merger based on their approximate fair value as follows (in millions):

	October 6, 2001
Assets acquired:	
Cash and cash equivalents	\$ 159
Other current assets	97
Timber and timberlands	2,274
Property, plant and equipment	302
Other assets	6
Total assets	\$ 2,838
Liabilities assumed:	
Current liabilities	\$ 87
Long-term debt	837
Other liabilities	44
Total liabilities	\$ 968

The above allocation of the fair value of assets and liabilities was based on appraisals prepared by third parties and management in September 2001. The appraised value for timber and timberlands includes an estimated value for higher and better use timberlands. However, except for properties that could be identified for sale in the near future, this increased value was allocated proportionately among the remaining timberlands.

The following unaudited pro forma information presents a summary of results from operations assuming the purchase of Plum Creek had occurred at the beginning of fiscal years 2001 and 2000 (in millions, except per share amounts):

	2001	2000
Revenues	\$ 1,134	\$ 1,283
Net income	\$ 415	\$ 477
Earnings per share—Basic	\$ 2.28	\$ 2.62
Earnings per share—Diluted	\$ 2.26	\$ 2.60

Included in the above pro forma net income are the following merger related items (in millions):

	2001	2000
Income tax benefit	\$ 204	\$ 176
Severance expenses	\$ 6	\$ 6

Pro forma net income for both 2001 and 2000 does not include merger expenses. The Timber Company's merger expenses were capitalized as part of the purchase price allocations, and we assumed in computing pro forma net income that Plum Creek's merger expenses were fully accrued prior to the consummation date of the merger.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Additionally, pro forma net income for 2001 does not include a gain of \$31 million related Plum Creek's sale of 44,000 acres of timberlands to Pope Resources, and pro forma net income for 2000 does not include a gain of \$58 million related to Plum Creek's sale of 90,000 acres of timberlands to Crown Pacific Limited Partnership. These gains were excluded in computing pro forma net income because we assumed in the purchase price allocation that the book basis for these timberlands was adjusted to the net selling price.

The unaudited pro forma information is not necessarily indicative of the operating results that would have been achieved had The Timber Company Merger occurred on the indicated dates, and should not be construed as representative of future operating results.

Note 3. Earnings Per Share

The following table sets forth the reconciliation of basic and diluted earnings per share for the years ended (in millions, except per share amounts):

	December 31, 2002	December 31, 2001	December 30, 2000
Net income allocable to common stockholders	\$ 233	\$ 338	\$ 162
Denominator for basic earnings per share	184.7	129.5	112.7
Effect of dilutive securities—stock options	0.5	1.2	1.2
Effect of dilutive securities—restricted stock, dividend equivalents, and value management plan	0.2	— — —	— — —
Denominator for diluted earnings per share—adjusted for dilutive securities	185.4	130.7	113.9
Basic Earnings per Share	\$ 1.26	\$ 2.61	\$ 1.44
Diluted Earnings per Share	\$ 1.26	\$ 2.58	\$ 1.42

Options to purchase 460,050 shares of common stock at exercise prices ranging from \$29.70 to \$30.70 per share were outstanding at December 31, 2002, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares during 2002. The options expire on or before June 24, 2012. There were no antidilutive options to purchase common stock outstanding during 2001.

Prior to The Timber Company Merger in 2001, Timber Company's Stock represented a class of Georgia-Pacific's common stock. In connection with The Timber Company Merger, on October 5, 2001, Georgia-Pacific redeemed all of the outstanding shares of Timber Company Stock, or 82.3 million shares, in exchange for Units representing the ownership interest in The Timber Company. On October 6, 2001, the holders of Units received 1.37 shares of Plum Creek Common Stock for each Unit, or an aggregate of 112.7 million Plum Creek shares. Therefore, 112.7 million outstanding shares have been applied retroactively in computing basic earnings per share for all periods ending prior to The Timber Company Merger. Furthermore, the dilutive impact of 3.8 million options at prices ranging from \$15.29 to \$18.34 per share as of the merger date (after adjusting for the 1.37 to 1 exchange ratio) have been applied retroactively in computing diluted earnings per share for all periods ending prior to the merger date.

Basic earnings per share for 2001 was computed using the weighted average shares outstanding for the period giving effect to the 69.2 million shares deemed issued for accounting purposes to Plum Creek stockholders in the reverse acquisition on October 6, 2001.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Note 4. Timber and Timberlands and Property, Plant and Equipment and Inventory

Timber and timberlands consisted of the following (in millions):

	December 31, 2002	December 31, 2001
Timber and logging roads— net	\$ 2,352	\$ 2,267
Timberlands	1,247	1,213
Timber and Timberlands— net	\$ 3,599	\$ 3,480

Property, plant and equipment consisted of the following (in millions):

	December 31, 2002	December 31, 2001
Land, buildings and improvements	\$ 82	\$ 80
Machinery and equipment	285	271
	367	351
Accumulated depreciation	(60)	(35)
Property, Plant and Equipment— net	\$ 307	\$ 316

Inventories, accounted for using the lower of average cost or market, consisted of the following (in millions):

	December 31, 2002	December 31, 2001
Raw materials (logs)	\$ 17	\$ 17
Work-in-process	4	4
Finished goods	27	25
	48	46
Supplies	10	10
Total	\$ 58	\$ 56

Note 5. Income Taxes

Plum Creek has elected to be taxed as a REIT under sections 856–860 of the United States Internal Revenue Code. A REIT is generally not subject to corporate-level income tax if it satisfies certain requirements as set forth in the Internal Revenue Code. Under these sections, a REIT is permitted to deduct dividends paid to stockholders in computing its taxable income. If a company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years.

Plum Creek conducts its activities through various wholly owned operating partnerships. The activities of the operating partnerships primarily consist of sales of timber under pay-as-cut contracts, and the income from such sales is not subject to corporate income tax. In addition, our various taxable REIT subsidiaries (subchapter “C” corporations) harvest and sell logs, purchase and sell timber under pay-as-cut contracts or lump-sum sales, conduct our manufacturing operations and sell some higher and better use lands.

In 2001, The Timber Company, consisting of a group of taxable corporate entities, merged with and into Plum Creek. The Internal Revenue Code provides that when a REIT acquires a taxable (subchapter C) corporation, as with the merger of The Timber Company and Plum Creek, a company may qualify as a REIT only if, as of the close of the year of acquisition, such REIT has no undistributed “earnings and profits” acquired from such taxable corporation. As a result of The Timber Company Merger, Plum Creek succeeded to the earnings and profits of The

PLUM CREEK TIMBER COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Timber Company, and therefore, was required to distribute all such earnings and profits before January 31, 2002. This requirement was satisfied in part through the accelerated payment of the fourth quarter 2001 distribution made in December 2001. Normally, the fourth quarter 2001 dividend would have been paid at the end of February 2002.

As a consequence of The Timber Company Merger, which involved merging a taxable entity into a nontaxable entity, Plum Creek will generally be subject to corporate-level tax (built-in gains tax) only if it makes a taxable disposition of certain property acquired in The Timber Company Merger within the ten-year period following the merger date. The built-in gains tax only applies to gains from such asset sales to the extent that the fair value of the property exceeded its tax basis at the merger date. The built-in gains tax does not apply to income generated from the harvesting and sale of trees. In accordance with SFAS No. 109, "Accounting for Income Taxes," a tax benefit of \$216 million was recognized in the fourth quarter of 2001. This tax benefit represents the elimination of the deferred tax liability associated with temporary differences related primarily to timberlands that are not expected to be disposed of in transactions subject to built-in gains tax during a ten-year period following the merger.

The Timber Company was included in Georgia-Pacific's consolidated tax return through the date of The Timber Company Merger and in Plum Creek's tax return subsequent to the date of the merger. For periods prior to The Timber Company Merger, the provision for income taxes includes The Timber Company's allocated portion of Georgia-Pacific's income taxes currently payable and those deferred because of temporary differences between the financial statement basis and the tax basis of assets and liabilities through the merger date. For periods subsequent to The Timber Company Merger, the tax provision reflects the operations of Plum Creek's taxable REIT subsidiaries and any built-in gains tax associated with certain dispositions of property previously owned by The Timber Company. The provision (benefit) for income taxes consists of the following (in millions):

	Year Ended		
	December 31, 2002	December 31, 2001	December 30, 2000
Federal income taxes:			
Current	\$ 1	\$ 49	\$ 61
Deferred	1	17	27
State income taxes:			
Current	---	7	6
Deferred	---	1	3
Adjustment to deferred tax liability due to change in tax status	---	(216)	---
Provision (benefit) for income taxes	\$ 2	\$ (142)	\$ 97

The federal statutory income tax rate was 35%. As a REIT, the income generated by Plum Creek is generally not subject to federal and state income tax. The provision for income taxes is reconciled to the federal statutory rate as follows (in millions):

	Year Ended		
	December 31, 2002	December 31, 2001	December 30, 2000
Provision for income taxes computed at the Federal statutory tax rate	\$ 82	\$ 69	\$ 91
Adjustment to deferred tax liabilities for change in tax status at date of merger	---	(216)	---
REIT income not subject to Federal tax	(79)	(1)	---
State income taxes, net of Federal benefit	---	6	6
Permanent book-tax differences	(1)	---	---
Provision (benefit) for income taxes	\$ 2	\$ (142)	\$ 97

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Deferred income taxes are provided for net operating loss carryforwards and the temporary differences between the financial reporting basis and tax basis of the company's assets and liabilities. The components of net deferred income tax liabilities are as follows (in millions):

	December 31, 2002	December 31, 2001
Deferred income tax assets:		
Accrued compensation	\$ 13	\$ 12
Net operating loss carryforwards	8	5
Other accruals and reserves	11	12
	<hr/>	<hr/>
	32	29
Deferred income tax liabilities:		
Machinery and equipment	(62)	(62)
Timber and timberlands	(3)	(3)
	<hr/>	<hr/>
	(65)	(65)
Deferred income tax liability, net	<hr/>	<hr/>
	\$ (33)	\$ (36)

Deferred income tax liabilities at December 31, 2002 and 2001 are net of \$11 million and \$2 million, respectively, of deferred tax assets included in current assets.

Plum Creek conducts its activities through various wholly owned operating partnerships and through several taxable REIT subsidiaries. Plum Creek's taxable REIT subsidiaries file a consolidated federal income tax return. Operating loss carryforwards for the taxable REIT subsidiaries as of December 31, 2002 are approximately \$20 million expiring between 2020 and 2022.

The company filed its federal income tax return as part of Georgia-Pacific's (GP) consolidated tax return for all tax years up through the date of The Timber Company Merger. Under terms of its merger agreement with Plum Creek, the company remains liable to GP for any additional tax that would result from audit adjustments by the Internal Revenue Service (the "Service") for any open tax years. The Service has completed all examinations of GP's consolidated income tax returns through 1996. The Service has examined the years 1997 and 1998. Discussions are being held with respect to proposed adjustments. Management, however, believes there are adequate defenses against or sufficient reserves to provide for such adjustments. The Service has begun its examination of 1999 and 2000.

Additionally, the Service has begun examinations of the federal income tax return of Plum Creek Timber Company, Inc. (REIT) and the consolidated federal income tax return of the REIT's subsidiaries for the six months ended December 31, 1999 and for the year 2000. There are no other examinations of Plum Creek for periods prior to July 1, 1999 and there are no open tax years prior to 1999.

PLUM CREEK TIMBER COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Note 6. Borrowings

Long-term debt and the lines of credit consist of the following (in millions):

	December 31, 2002	December 31, 2001
Lines of Credit*:		
Revolving Line of Credit due 2005	\$ 599	\$ 369
364-day Revolving Line of Credit due 2003	70	---
Term Facility due September 2002	---	100
Senior Notes due 2007, 11.125% plus unamortized premium of \$7.9 at 12/31/02, effective rate 6.19%	79	96
First Mortgage Notes due 2007, 11.125% plus unamortized premium of \$7.0 at 12/31/02, effective rate 6.19%	71	86
Senior Notes due 2007, 5.31%	25	---
Senior Notes due 2009, 8.73% plus unamortized premium of \$9.0 at 12/31/02, effective rate 7.55%	159	160
Senior Notes due 2011, mature serially 2007 to 2011, 7.62% to 7.83%, plus unamortized premium of \$2.3 at 12/31/02, effective rates 6.96% to 7.84%	174	174
Senior Notes due 2013, mature serially 2006 to 2013, 6.96% to 7.76%, less unamortized discount of \$6.6 at 12/31/02, effective rates 6.95% to 8.04%	493	493
Senior Notes due 2016, mature serially 2006 to 2016, 7.74% to 8.05%, plus unamortized premium of \$2.5 at 12/31/02, effective rates 6.96% to 8.04%	202	203
Total Long-term Debt	\$ 1,872	\$ 1,681
Less: Current Portion	33	34
Long-term Portion	\$ 1,839	\$ 1,647

* At December 31, 2002, the lines of credit are comprised of a \$600 million revolving line of credit maturing on September 30, 2005 and a \$150 million 364-day revolving line of credit maturing on November 25, 2003. The rates for both revolving lines of credit are based on LIBOR plus 1.5%, which includes facility fees. Interest rates for both revolving lines are based on a series of borrowings with maturities that can range from one week to six month. The average interest rate for both facilities at December 31, 2002 was 3.6% and on January 2, 2003, the average rate was 3.0%. The average interest rates at December 31, 2001 were 3.6% for the revolving line of credit and 3.5% for the term facility.

Borrowings on the lines of credit fluctuate daily based on cash needs. Subject to customary covenants, the lines of credit allow for borrowings from time to time up to \$750 million, including up to \$50 million of standby letters of credit. As of December 31, 2002, \$80 million remained available for borrowing under the lines of credit and there were outstanding standby letters of credit of \$658,000. In January 2003, \$246 million of the borrowings under the line of credit was repaid. The 364-day Revolving Line of Credit was classified as long-term debt due to the company's intent and subsequent refinancing of these borrowings on a long-term basis.

PLUM CREEK TIMBER COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

On January 22, 2003, the company issued \$300 million of senior notes maturing serially in 2008 to 2013 consisting of the following (in millions):

Principal Amount	Interest Rate	Maturity
\$ 20	3-month LIBOR plus 1.445%	2008
47	4.96%	2008
55	5.48%	2010
178	6.18%	2013
\$300		

The proceeds from the issuance of these notes were used to repay a portion of the outstanding borrowings under the lines of credit and for general business funding purposes.

Principal payments of \$14 million are due on the Senior Notes due 2007 for each of the years between 2003 and 2007. Principal payments of \$13 million are due on the First Mortgage Notes due 2007 for each of the years between 2003 and 2007.

In connection with the purchase price allocation associated with The Timber Company Merger, a premium was recorded to reflect the difference between the market rate of interest and the stated interest rates. The unamortized premium was \$22 million and \$29 million at December 31, 2002 and 2001, respectively.

The Senior Notes (excluding the Senior Notes due 2011) and the First Mortgage Notes are redeemable prior to maturity subject to a premium on redemption, which is based upon interest rates of United States Treasury securities having similar average maturities as these notes. The premium that would have been due upon early retirement approximated \$229 million at December 31, 2002 and \$168 million at December 31, 2001. The six series of senior notes are unsecured. The First Mortgage Notes are collateralized by substantially all of the property, plant and equipment of the lumber, plywood and MDF manufacturing facilities. The Senior Notes due 2011 are not redeemable prior to maturity.

The aggregate maturities on the note agreements and the line of credit are as follows (in millions):

	Note Agreements	Lines of Credit
2003	\$ 33	
2004	33	
2005	32	\$ 599
2006	161	
2007	125	
Thereafter	819	70
Total	\$ 1,203	\$ 669

The note agreements and the line of credit contain certain restrictive covenants, including limitations on harvest levels, sales of assets, payment of cash dividends and the incurrence of indebtedness. In addition, the lines of credit require the maintenance of a required interest coverage ratio. The company was in compliance with such covenants at December 31, 2002.

The Timber Company was allocated \$1.0 billion of Georgia-Pacific total debt for financial statement purposes at June 30, 1997. Georgia-Pacific's debt was allocated to The Timber Company based upon a number of factors including expected future cash flows, volatility of earnings, and the ability to pay debt service and dividends. In addition, Georgia-Pacific considered certain measures of creditworthiness, such as coverage ratios and various tests of liquidity, as a means of ensuring that each group could continue to pay debt service during a business downcycle. Georgia-Pacific believed that such allocation was equitable and reasonable. Because The Timber

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Company's debt was an allocated amount (there was not a transfer of any debt securities or instruments to The Timber Company), there was no scheduled maturity. As of December 30, 2000, \$640 million of Georgia-Pacific's debt was allocated to The Timber Company. Interest was charged to The Timber Company in proportion to the respective amount of its debt at a rate equal to the weighted average interest rate of Georgia-Pacific's debt, excluding debt incurred in recent acquisitions, calculated on a quarterly basis and was 6.7% for the period December 31, 2000 to October 5, 2001, and 7.6% for 2000.

In connection with The Timber Company's 1999 sale of its timberlands in Northern California it received an installment note receivable. During 2000, the installment note was monetized by the issuance of commercial paper. Proceeds from the issuance of the commercial paper were used to reduce the amount of Georgia-Pacific's debt that was allocated to The Timber Company. At December 30, 2000, The Timber Company had \$342 million of commercial paper outstanding that was secured by the installment note. Prior to The Timber Company Merger, the installment note and commercial paper were transferred to Georgia-Pacific. See Note 8 of the Notes to Financial Statements.

In October 2001, Plum Creek replaced approximately \$650 million of Georgia-Pacific debt attributed to The Timber Company with third party debt following The Timber Company Merger. The first \$500 million of allocated debt was refinanced with fixed rate debt (Senior Notes due 2013) and the debt in excess of \$500 million was refinanced with variable rate bank debt.

Note 7. Financial Instruments

The carrying amounts of cash and cash equivalents and notes receivable approximate fair value due to the short-term maturities of these instruments. The estimated fair value of the company's debt, based on current interest rates for similar obligations with like maturities, was approximately \$2.00 billion and \$1.69 billion at December 31, 2002 and 2001, respectively. The carrying amount was \$1.87 billion and \$1.68 billion at December 31, 2002 and 2001, respectively. Unrealized holding losses relating to mutual fund investments held in a grantor trust were \$2.5 million at December 31, 2002. The change in unrealized holding losses has been recognized in the company's consolidated statement of income resulting in a loss of \$1.1 million in 2002 and gain of \$0.6 million in 2001, respectively. See Note 8 of the Notes to Financial Statements regarding hedging arrangements during 2002.

Note 8. Capital

At December 31, 2002, Plum Creek had the following authorized capital of which only 184.9 million shares of common stock were issued and outstanding:

- 300,000,000 shares of common stock, par value \$.01 per share;
- 150,000,001 shares of excess stock, par value \$.01 per share; and
- 75,000,000 shares of preferred stock, par value \$.01 per share.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

The changes in the company's capital accounts are as follows (in millions):

	Common Stock		Paid-in Capital	Retained Earnings	Other Equity	Parent's Equity	Total Equity
	Shares	Dollars					
January 1, 2000						\$ 127	\$ 127
Net Income						162	162
Cash Returned to G-P						(144)	(144)
December 30, 2000						145	145
Net Income December 31, 2000 to October 5, 2001						112	112
Cash Returned to G-P						(175)	(175)
Contributions from G-P						267	267
Balance on October 5, 2001						349	349
Acquisition of Plum Creek						1,849	1,849
Recapitalization in Connection with Merger	182	\$ 2	\$ 2,195		\$ 1	(2,198)	---
Net Income October 6, 2001 to December 31, 2001				\$ 226			226
Dividends				(209)			(209)
Stock Option Proceeds	2		32				32
December 31, 2001	184	2	2,227	17	1	---	2,247
Net Income				233			233
Dividends			(48)	(227)			(275)
Stock Option Proceeds	1		18				18
Deferred Compensation and Other Comprehensive Loss					(1)		(1)
December 31, 2002	185	\$ 2	\$ 2,197	\$ 23	\$ ---	\$ ---	\$ 2,222

During 2002, Plum Creek entered into two treasury-lock arrangements to secure current long-term interest rates on approximately \$100 million of the \$300 million fixed rate debt that was issued in January 2003. See Note 6 of the Notes to Financial Statements. The company designated these transactions as cash flow hedges. The company incurred a loss of approximately \$700,000 in connection with these arrangements. In accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", the loss is recorded as other comprehensive loss, which is included in Other Equity. Hedge ineffectiveness is reported in earnings and was not material in 2002. Reclassification adjustments to interest expense will occur over the life of the related debt.

During 2002, Plum Creek paid dividends of \$275 million or \$1.49 per share. A dividend of \$0.57 per share was paid in May 2002 and August 2002. A dividend of \$0.35 per share was paid in November 2002.

Prior to The Timber Company Merger in 2001, Timber Company's Stock represented a class of Georgia-Pacific's common stock. In connection with The Timber Company Merger, on October 5, 2001, Georgia-Pacific redeemed all of the outstanding shares of Timber Company Stock, or 82.3 million shares, in exchange for Units representing ownership interests in The Timber Company. On October 6, 2001, the holders of Units received 1.37 shares of Plum Creek Common Stock for each Unit, or an aggregate of 112.7 million Plum Creek shares. Furthermore, since The Timber Company Merger was accounted for as a reverse acquisition, The Timber Company was deemed, for accounting purposes, to have issued 69.2 million shares for the acquisition of Plum Creek. However, since Plum Creek was the surviving legal entity, Plum Creek had 181.9 million shares of its common stock issued and outstanding immediately after the merger.

Subsequent to The Timber Company Merger, Plum Creek paid dividends of \$209 million, or \$1.14 per share, during the fourth quarter of 2001. Dividends of \$0.57 per share were paid on November 30, 2001 and

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

December 28, 2001. The December 28, 2001 dividend represented the acceleration of our fourth quarter 2001 dividend that normally would have been paid in February 2002. The acceleration was due to a REIT requirement that the earnings and profits inherited in connection with the merger with The Timber Company be distributed. See Note 5 of the Notes to Financial Statements. See Note 9 of the Notes to Financial Statements for a historical summary of dividends paid to Plum Creek stockholders.

Timber Company Stock, a letter stock of Georgia-Pacific that tracked the performance of The Timber Company, historically paid a quarterly dividend of \$0.25 per share. Therefore, quarterly Timber Company Stock dividends are reflected in the above table as "Cash Returned to Georgia-Pacific."

Prior to the consummation of The Timber Company Merger, The Timber Company was required to transfer to Georgia-Pacific: (1) certain installment notes receivable and related commercial paper and deferred tax liabilities plus approximately \$85 million cash, and (2) approximately \$24 million cash for the cost of tax risk insurance. Accordingly, the following were transferred to Georgia-Pacific during the third quarter of 2001 (in millions):

Installment Notes	\$ 355
Commercial Paper	\$ 349
Deferred Income Tax Liability	\$ 200
Cash	\$ 109

The cash transfer of \$109 million was accounted for as a dividend and the net transfer of the installment notes and related commercial paper and deferred income tax liabilities of \$194 million were accounted for as a capital contribution.

In addition to the above dividends and capital contributions during 2001, The Timber Company had the following capital transactions with Georgia-Pacific prior to The Timber Company Merger: (1) The Timber Company distributed \$66 million cash to Georgia-Pacific primarily for dividends on Timber Company Stock, and (2) Georgia-Pacific contributed \$71 million cash related to proceeds from the exercise of options on Timber Company Stock and the purchase of certain lands near Georgia-Pacific's mills.

At December 31, 2002, there were 295,759 shares of Plum Creek common stock held in a trust to fund deferred incentive plan awards compared to 328,990 shares at December 31, 2001. At December 31, 2002, these shares were recorded at \$7 million compared to \$8 million at December 31, 2001. The related liability at December 31, 2002 and 2001 was \$9 million. The above amounts are shown net in the equity section of the consolidated balance sheet. Additionally, the cost of the restricted stock awards is recorded in equity as deferred compensation and is amortized over the restriction period. See Note 11 of the Notes to Financial Statements.

Note 9. REIT Disclosures

Plum Creek has elected to be taxed as a REIT under sections 856-860 of the United States Internal Revenue Code. For the years 2002 and 2000, Plum Creek elected to designate all taxable distributions as capital gain dividends. For the year 2001, Plum Creek distributed ordinary dividends sufficient to distribute the earnings and profits of The Timber Company acquired in connection with The Timber Company Merger. See Note 5 of the Notes to Financial Statements. Plum Creek elected to designate all remaining taxable distributions for the year 2001 as capital gain dividends. Accordingly, as of and for the years ended December 31, 2002, 2001 and 2000, Plum Creek has distributed all of its taxable income.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

The table below summarizes the historical tax character of distributions from the REIT to Plum Creek shareholders for the years ended:

	December 31, 2002	December 31, 2001	December 30, 2000
Capital gain dividend	\$ 1.20	\$ 1.42	\$ 0.94
Non-taxable return of capital	0.29	0.42	1.34
Ordinary dividend	—	1.01	—
Total distributions	\$ 1.49	\$ 2.85	\$ 2.28

Summarized below is the tax character of distributions made between October 6, 2001 and December 31, 2001 to former shareholders of Timber Company Stock that received shares of Plum Creek Timber Company, Inc. in connection with the merger with The Timber Company:

	October 6, 2001
Capital gain dividend	\$ 0.10
Non-taxable return of capital	0.03
Ordinary dividend	1.01
Total distributions	\$ 1.14

Note 10. Employee Pension and Retirement Plans

Prior to The Timber Company Merger on October 6, 2001, The Timber Company employees were generally covered by Georgia-Pacific's Defined Benefit Pension Plan, Defined Contribution Plan and Health Care and Life Insurance Benefit Plan. Under the terms of the merger agreement, Georgia-Pacific retained the obligation to fund and pay all vested benefits for the above plans, with the exception of an unfunded non-qualified supplemental pension plan for two officers of The Timber Company whose employment terminated in connection with the merger. Benefit obligations of \$2 million for the two officers remained with Plum Creek. The Timber Company employees became participants in Plum Creek's plans as of the merger date.

In connection with The Timber Company Merger, The Timber Company acquired Plum Creek's Defined Benefit Pension Plan and Defined Contribution Plan. In accordance with SFAS No. 141, "Business Combinations," The Timber Company recorded \$2 million for accrued pension liability (excess of projected benefit obligation over plan assets) in connection with the purchase price allocation. Furthermore, under the terms of the merger agreement, as a result of the employment of two of The Timber Company's officers terminating during the fourth quarter of 2001 due to the change in control, an expense of \$2 million was recorded for special termination benefits. As a result of The Timber Company adopting Plum Creek's pension and retirement plans and Georgia-Pacific retaining the vested pension and retirement benefit obligations of The Timber Company employees as of The Timber Company Merger date (except as described above), the following disclosure reflects the Plum Creek plans (inclusive of the supplemental pension benefits for the two former officers of The Timber Company) from October 6, 2001 to December 31, 2002 and the Georgia-Pacific Plans from January 1, 2000 to October 5, 2001.

PLUM CREEK TIMBER COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

PLUM CREEK PLANS

Pension Plan. The company provides defined benefit pension plans that cover substantially all employees of the company. The following tables provide a reconciliation of benefit obligations, plan assets, and funded status of the plans for the year ended December 31, 2002 and period from October 6, 2001 to December 31, 2001 (in millions):

	Year ended December 31, 2002	Period October 6, 2001 to December 31, 2001
Change in benefit obligation		
Benefit obligation at beginning of period	\$ 70	\$ 67
Service cost	5	1
Interest cost	5	1
Amendment	1	---
Special termination benefits	---	2
Actuarial loss	5	---
Benefits paid	(5)	(1)
	\$ 81	\$ 70
Change in plan assets		
Fair value of plan assets at beginning of period	\$ 65	\$ 58
Actual return on plan assets	(5)	4
Employer contributions	8	4
Benefits paid	(5)	(1)
	\$ 63	\$ 65

The funded status and the amounts recognized on the accompanying balance sheet are set forth in the following table (in millions):

	December 31, 2002	December 31, 2001
Funded status	\$ (18)	\$ (5)
Unrecognized net actuarial (gain) loss	14	(2)
Unrecognized prior service cost	1	---
	\$ (3)	\$ (7)

No minimum liability has been recorded at either December 31, 2002 or 2001 because the fair value of plan assets exceeded the accumulated benefit obligation (the approximate actuarially computed current pension obligation if the plans were discontinued) by \$1 million at December 31, 2002 and \$8 million at December 31, 2001.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

The components of pension cost were as follows for the year ended December 31, 2002 and period from October 6, 2001 to December 31, 2001 (in millions):

	Year ended December 31, 2002	Period October 6, 2001 to December 31, 2001
Components of net periodic benefit cost		
Service cost	\$ 5	\$ 1
Interest cost	5	1
Expected return on plan assets	(6)	(1)
Net periodic benefit cost	4	1
Special termination benefits	—	2
Total pension cost	\$ 4	\$ 3

The following assumptions were used in accounting for the pension plans as of December 31:

	2002	2001
Weighted average discount rate	6.75%	7.25%
Rate of increase in compensation levels	5.00%	5.00%
Expected long-term rate of return on plan assets	8.25%	9.00%

Most of the company's salaried and all hourly employees who complete one year of service in which they work at least 1,000 hours are eligible to participate in the plan. Participants vest after five years of service. Subsequent to The Timber Company Merger, the cash balance of benefits of salaried employees is determined based primarily on certain percentages of compensation, age, years of service and interest accrued based on the 30-year treasury bond rate. Furthermore, employees employed by the company on September 1, 2000 earn benefits based on the greater of the cash balance formula or the amount of a monthly pension benefit that is principally based on highest monthly average earnings during any consecutive sixty-month period and the number of years of service credit. The benefits of hourly employees are generally based on a fixed amount per year of service. Plum Creek's contributions to the plan vary from year to year, but the company has made at least the minimum contributions required by law in each year. Management intends to fund annually such that the fair value of plan assets equals or exceeds the actuarially computed accumulated benefit obligation. The plan assets consist of common stock, bonds and cash equivalents. The portfolio of investments during 2002 consisted of approximately 65% equity and 35% bonds.

Thrift and Profit Sharing Plan. The company sponsors an employee thrift and profit sharing plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all full-time employees. The company matches employee contributions of up to six percent of compensation at rates ranging from 35 to 100 percent, depending upon financial performance.

Amounts charged to expense relating to the Thrift and Profit Sharing Plan by the company were \$5 million for the year ended December 31, 2002 and \$2 million for the period October 6, 2001 to December 31, 2001, respectively. The employer match was 100% in 2002 and 2001.

Other Benefit Plans. Certain executives and key employees of the company participate in incentive benefit plans which provide for the granting of shares and/or cash bonuses upon meeting performance objectives. See Note 11 of the Notes to Financial Statements.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

GEORGIA–PACIFIC PLANS

Defined Benefit Pension Plans. Most of The Timber Company's employees participated in noncontributory defined benefit pension plans. These include plans that are administered solely by Georgia–Pacific. Georgia–Pacific's funding policy for solely administered plans is based on actuarial calculations and the applicable requirements of federal law.

Benefits under the majority of plans for hourly employees were related primarily to years of service. Georgia–Pacific had separate plans for salaried employees and officers under which benefits were related primarily to compensation and years of service. The officers' plan was not funded and is nonqualified for federal income tax purposes.

Plan assets consisted principally of common stocks, bonds, mortgage securities, interests in limited partnerships, cash equivalents and real estate.

The following table sets forth the change in projected benefit obligation and the change in plan assets for the solely administered plans allocated as described in Note 1 of the Notes to Financial Statements under "Basis of Presentation" (in millions):

	Year ended December 30, 2000
Change in benefit obligation	
Projected benefit obligation at beginning of year	\$ 16
Service cost	1
Interest cost	1
Actuarial gain	---
Benefits paid	(1)
Benefit obligation at end of period	<u>\$ 17</u>
Change in plan assets	
Fair value of plan assets at beginning of year	\$ 25
Actual return on plan assets	---
Employer contributions	---
Benefits paid	(1)
Fair value of plan assets at end of period	<u>\$ 24</u>

The funded status for the solely administered plans are set forth in the following table (in millions):

	December 30, 2000
Funded status	\$ 7
Unrecognized net actuarial gain	(7)
Unrecognized prior service cost	---
Unrecognized net (asset) obligation	---
Prepaid (accrued) benefit cost	<u>\$ ---</u>

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

The Timber Company's share of the net periodic pension cost for solely administered pension plans included the following (in millions):

	Year ended December 30, 2000
Service cost of benefits earned	\$ 1
Interest cost on projected benefit obligation	1
Expected return on plan assets	(2)
Net periodic pension cost	\$ ---

The following assumptions were used to determine the projected benefit obligation and net periodic pension cost:

	December 30, 2000
Weighted average discount rate	7.5%
Rate of increase in compensation levels	5.6%
Expected long-term rate of return on plan assets	9.5%

During the period December 31, 2000 to October 5, 2001, The Timber Company's net periodic pension cost was less than \$1 million. Except as described above, on October 6, 2001, in connection with The Timber Company Merger, The Timber Company's projected benefit obligation and plan assets were assumed by Georgia-Pacific.

Defined Contribution Plans. Georgia-Pacific sponsored several defined contribution plans to provide eligible employees with additional income upon retirement. Georgia-Pacific's contributions to the plans were based on employee contributions and compensation. The allocated portion of Georgia-Pacific's contributions related to The Timber Company totaled \$1 million for the period December 31, 2000 to October 5, 2001 and for 2000. Under the terms of The Timber Company Merger, Georgia-Pacific retained the obligation to fund and pay all vested benefits under this plan.

Health Care and Life Insurance Benefits. Georgia-Pacific provided certain health care and life insurance benefits to eligible retired employees. Salaried participants generally became eligible for retiree health care benefits after reaching age 55 with 10 years of service or after reaching age 65. Benefits, eligibility and cost-sharing provisions for hourly employees varied by location and/or bargaining unit. Generally, the medical plans paid a stated percentage of most medical expenses, reduced for any deductible and payments made by government programs and other group coverage. The plans were funded through a trust established for the payment of active and retiree benefits. Georgia-Pacific contributed to the trust in the amounts necessary to fund current obligations of the plans. Under the terms of The Timber Company Merger agreement, Georgia-Pacific retained the obligation to fund and pay all vested benefits under this plan.

The following tables set forth the change in projected benefit obligation (in millions):

	Year ended December 30, 2000
Change in projected benefit obligation:	
Projected benefit obligation at beginning of year	\$ 1
Actuarial losses	---
Projected benefit obligation at end of year	\$ 1

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

	December 30, 2000
Funded status	\$ (1)
Unrecognized actuarial losses	---
Unrecognized prior service cost	---
Unrecognized net obligation	---
Net accrued benefit cost	\$ (1)

The Timber Company's net periodic postretirement benefit cost consisted of service cost of benefits earned, interest cost on accumulated postretirement benefit obligation and amortization of gains and losses. Total net periodic benefit costs were less than \$1 million for the period December 31, 2000 to October 5, 2001 and for 2000.

For measuring the expected postretirement benefit obligation for 2000, Georgia-Pacific assumed separate annual rates of increase in the per capita claims costs for its pre-age 65 and older claims of 7.5% and 10.0% respectively. An annual rate of increase in per capita claims cost of 7% was assumed for 1999 for measuring the expected postretirement benefit obligation. The rates were assumed to decrease gradually to 5.5% in 2006 and remain at that level thereafter. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7% at December 30, 2000.

If the annual health care cost trend rate were increased by 1 percentage point, the accumulated postretirement benefit obligation would have increased by 10% as of December 30, 2000. The effect of this change on the aggregate of service and interest costs would be an increase of 15% for 2000.

If the annual health care cost trend rate were decreased by 1 percentage point, the accumulated postretirement benefit obligation would have decreased by 9% as of December 30, 2000. The effect of this change on the aggregate of service and interest costs would be a decrease of 13% for 2000.

Note 11. Stock-Based Compensation Plans

Prior to The Timber Company Merger in 2001, certain Timber Company and Georgia-Pacific employees received stock options with respect to Timber Company Stock. In accordance with the merger agreement for The Timber Company Merger, outstanding options with respect to Timber Company Stock were converted to Plum Creek options on October 6, 2001. The option price and number of options were adjusted for the 1.37 to 1 exchange ratio. Furthermore, in connection with The Timber Company Merger, The Timber Company acquired Plum Creek's long-term incentive plans. All Plum Creek incentive plans remained in effect and were accounted for in the purchase price allocation. Therefore, the disclosure below reflects the Plum Creek long-term incentive plans for the year ended December 31, 2002 and period from October 6, 2001 to December 31, 2001 and the Georgia-Pacific long-term incentive plans for the period from December 31, 2000 to October 5, 2001 and year ended December 30, 2000.

PLUM CREEK'S LONG-TERM INCENTIVE PLANS

Plum Creek has a Stock Incentive Plan (that was approved by its stockholders in May 2000) that provides for the award of non-qualified stock options, restricted stock, dividend equivalents and value management awards. There are 3.4 million shares of common stock reserved and eligible for issuance under the plan. In addition to the 3.4 million shares that are eligible for issuance under Plum Creek's Stock Incentive Plan, Plum Creek acquired 3.8 million (after adjustment for the exchange ratio) Timber Company Stock options in connection with The Timber Company Merger that were converted to Plum Creek stock options. No additional Plum Creek stock options may be granted under the Georgia-Pacific long-term incentive plans as a result of The Timber Company

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Merger. At December 31, 2002, there remains 0.9 million options of the 3.8 million options issued and outstanding.

At December 31, 2002, 1.2 million shares of the 3.4 million shares available for issuance under Plum Creek's Stock Incentive Plan have been used for the grant of non-qualified stock options, the exercise of non-qualified stock options or the grant of restricted stock. Shares issued in connection with dividend equivalents and value management awards are not determined until after the end of their respective performance period.

Stock Options. Under the plan, non-qualified stock options may be granted to any officer, director, employee, consultant or advisor of the company. Each stock option granted allows the recipient the right to purchase the company's common stock at the fair market value of the company's common stock on the date of the grant. Generally, the stock options have a ten-year term and vest over a four-year period at a rate of 25% per year. Under the plan, the exercise price of an option may not be reduced. See table below for summary of stock options granted, exercised and forfeited.

Restricted Stock. Under the plan, restricted stock of the company may be awarded to certain officers and employees of the company. Restricted stock may not be sold, assigned, transferred, pledged or otherwise disposed of for a period of time from the date on which the restricted stock was granted. The recipients of restricted stock generally have the rights of stockholders of the company with respect to voting and receipt of dividends during the restricted period. Termination of employment prior to the end of the restricted period will require the return of the restricted stock to the company. The company had 55,312 shares of restricted stock outstanding under this plan and prior arrangements as of December 31, 2002 compared to 40,000 shares of restricted stock as of December 31, 2001.

Dividend Equivalents. Under the plan, dividend equivalents may be granted in connection with stock options. Dividend equivalents represent the right to receive a payment equal in value to the per-share dividend paid over a five-year period by the company multiplied by the number of unexercised stock options. Each year during the five year performance period for each dividend equivalent right granted, a participant may earn an amount equal to the company's current year dividend plus prior year unearned dividends to the extent the company's total shareholder return on an annualized basis equals or exceeds 13% for 15 trading days out of any 30 trading day period in any given year. The total stockholder return computation consists of the company's stock price appreciation plus dividends paid. Payments related to the achievement of any performance goal will be made at the end of the five-year performance period, and will be made half in cash and half in the company's common stock. At December 31, 2002, 1.1 million dividend equivalents, net of forfeitures, had been granted to employees, officers and directors of the company compared to 0.7 million dividend equivalents at December 31, 2001.

If a participant terminates employment prior to the end of the five-year performance period, a cash payment will be made for any performance goals achieved in connection with vested stock options through the last day of employment. Payment related to unvested stock options and performance goals achieved after termination of employment are forfeited.

Value Management Awards. Under the plan, value management awards provide incentive compensation to participants that is contingent upon performance measured against the performance of a peer group of forest products companies over a three-year period. Value management awards are earned in whole or in part based on a sliding scale. No value management award is earned if the company's total stockholder return is below the 50th percentile of the peer group. The full value management award is earned if the company's total stockholder return is above the 75th percentile. A unit has a face value of \$100. The value of an award between the 50th and 75th percentile is a sliding scale between 0% and 200% of the face value. At the end of the performance period, the awards will be paid 50% immediately and 50% one year later. Each payment will be paid half in cash and half

PLUM CREEK TIMBER COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

in the company's common stock. Generally, to be entitled to the payment, a participant must be employed by the company on the award payment dates.

The performance period for value management awards granted in 2000 ended on December 31, 2002 and the company was above the 75th percentile. At December 31, 2002, 44,250 value management awards in connection with the 2000 grants, net of forfeitures, were outstanding. Half of the awards will be paid to participants in February 2003 and half in February 2004.

During 2002, value management awards with a performance period ending December 31, 2004 were granted. At December 31, 2002, 74,780 awards in connection with the 2002 grants, net of forfeitures, were outstanding.

Summary of Stock Option Activity. Presented below is a summary of stock option plan activity since the date of The Timber Company Merger. The balance at October 6, 2001 represents the Timber Company Stock options that were converted to Plum Creek stock options in connection with the merger.

PLUM CREEK COMMON STOCK OPTIONS

	Options outstanding	
	Number of shares	Wtd. avg. exercise price
Balance at October 6, 2001	3,841,394	\$ 16.57
Plum Creek options acquired in merger	583,700	25.94
Options granted	79,883	24.95
Options exercised/surrendered	(1,882,352)	16.86
Options cancelled/forfeited	(7,055)	20.96
Balance at December 31, 2001	2,615,570	18.70
Options granted	480,050	29.62
Options exercised/surrendered	(1,020,522)	16.66
Options cancelled/forfeited	(46,794)	24.50
Balance at December 31, 2002	2,028,304	\$ 22.18

The following table summarizes the options outstanding and exercisable:

Range of prices	Options Outstanding			Options Exercisable	
	Number	Wtd. avg. remaining life	Wtd. avg. exercise price	Number	Wtd. avg. exercise price
December 31, 2001					
\$15.29–\$26.25	2,615,570	6.0 years	\$ 18.70	2,056,162	\$ 16.75
December 31, 2002					
\$29.70–\$30.70	460,050	9.1 years	\$ 29.72	---	\$ ---
\$22.21–\$26.25	634,954	7.9 years	\$ 25.82	251,483	\$ 25.70
\$16.94–\$18.34	94,761	3.6 years	\$ 17.46	94,761	\$ 17.46
\$15.29–\$16.42	838,539	4.2 years	\$ 15.82	838,539	\$ 15.82
\$15.29–\$30.70	2,028,304	6.4 years	\$ 22.18	1,184,783	\$ 18.05

Accounting for Stock-Based Compensation. Compensation expense in connection with the company's stock-based compensation plans was \$8 million for the year ended December 31, 2002 and \$1 million for the period from October 6, 2001 to December 31, 2001. Effective January 1, 2002, the company has elected to adopt prospectively the fair value recognition provisions of SFAS No. 123, "Accounting for Stock Based Compensation" for its accounting of stock options. Approximately \$0.4 million of the \$8 million stock-based compensation expense for 2002 relates to the expensing of stock options that were granted during 2002.

PLUM CREEK TIMBER COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Prior to January 1, 2002, the company had adopted the disclosure-only provisions of FSAS No. 123, "Accounting for Stock-Based Compensation." Summarized below are the assumptions used in computing the pro forma amounts in Note 1 of the Notes to Financial Statements.

The weighted average measurement date fair values were computed using the Black-Scholes option valuation model with the following assumptions:

	Plum Creek Options			Timber Company Options
	Granted 2002	Granted 2001 subsequent to date of merger (A)	Outstanding at date of merger (B)	Converted at date of merger (C)
Expected life in years	7	7	7	5
Risk-free interest rates	3.5–4.8%	4.4%	6.5%	6.2%
Volatility	31%	25%	24%	34%
Dividend yield	6.0–7.7%	9.1%	8.4%	4.0%
Weighted average measurement date fair values per share	\$4.21–4.33	\$2.01	\$2.93	\$7.07

The following additional assumptions were used in computing the pro forma disclosures for 2001:

- (A) *Newly Granted Plum Creek Options.* Plum Creek options that were granted on October 8, 2001 were based on a fair value of \$2.01 per share as of the grant date. Pro forma net income was computed based on amortizing the fair value of these options over their vesting period.
- (B) *Outstanding Plum Creek Options.* Plum Creek options that were outstanding on the merger date were based on a weighted average fair value of \$2.93 per share as of the merger announcement date of July 18, 2000. Pro forma net income was computed based on amortizing the fair value of the unvested options over the remaining vesting period.
- (C) *Outstanding Timber Company Options.* Timber Company options that were converted to Plum Creek options in connection with The Timber Company Merger were based on a weighted average fair value of \$7.07 per share as of July 17, 2000, the date of the latest modification. Since The Timber Company options were all vested as of the merger date, the entire fair value was expensed in computing 2001 pro forma net income. Furthermore, a portion of the grant date fair value for The Timber Company options was amortized in computing 2001 pro forma net income for the period between December 31, 2000 and October 5, 2001.

GEORGIA-PACIFIC'S LONG-TERM INCENTIVE PLANS

Georgia-Pacific's authorized capital stock included 250 million shares of Timber Company Stock. In connection with the merger, holders of stock options to purchase Timber Company Stock received Plum Creek options using the exchange ratio of 1.37 to one.

1997 Long-Term Incentive Plans. Georgia-Pacific reserved 3,800,000 shares of Timber Company Stock for issuance under The Timber Company 1997 Long-Term Incentive Plan ("The Timber Company Plan"). Options covering 950 shares and 624,250 shares were granted under The Timber Company Plan on January 28, 1999 and January 21, 2000, respectively. These grants have a 10-year term and, initially, vested ratably over four and three-year periods, except that all grants vested in connection with The Timber Company Merger.

Employee Stock Purchase Plan. Georgia-Pacific reserved 1,500,000 shares of Timber Company Stock for issuance under the 2000 Employee Stock Purchase Plan (the "2000 Purchase Plan"), which offered employees the right to subscribe for shares of Timber Company Stock at a subscription price equal to 90% of the lower of the price per share on the first day or the last day of the purchase period. The purchase period for the initial one-year period

PLUM CREEK TIMBER COMPANY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

began on July 1, 2000 and ended on June 30, 2001. An employee could terminate his or her subscription at any time before he or she pays the full price of the shares subscribed and would receive in cash, the full amount withheld, without interest.

1995 Outside Directors Stock Plan. Georgia-Pacific reserved 200,000 shares of Timber Company common stock for issuance under the 1995 Outside Directors Stock Plan (the "Directors Plan"), which provided for the issuance of shares of common stock to non-employee directors of Georgia-Pacific on a restricted basis. Each non-employee director was issued 647 and 346 restricted shares of Timber Company common stock in 2000 and 1999, respectively. These shares were redeemed in connection with the merger.

Employee Stock Option Plans. The 1995 Shareholder Value Incentive Plan (the "SVIP") provided for the granting of stock options having a term of either 5 1/2 or 10 years to officers and key employees. Under the amended and restated SVIP, no further grants may be made. Options having a term of 10 years became exercisable in 9 1/2 years unless certain performance targets tied to Georgia-Pacific's common stock performance were met, in which case the holder could exercise such options after 3, 4 or 5 years from the grant date. Options having a term of 5 1/2 years could be exercised only if such performance targets were met in the third, fourth or fifth year after such grant date. At the time options were exercised, the exercise price was payable in cash or by surrender of shares of common stock already owned by the optionee. All options were vested as of February 2000.

The 1994 Employee Stock Option Plan (the "1994 Option Plan") provided for the granting of stock options to certain nonofficer key employees. Under the 1994 Option Plan, Georgia-Pacific issued 146,350 shares of Timber Company common stock in 1999. All remaining options were exercised in February 1999.

Following The Letter Stock Recapitalization, described in Note 1 of the Notes to Financial Statements, outstanding stock options under the SVIP and the 1994 Option Plan were converted into separately exercisable options to acquire a number of shares of Timber Company Stock, each of which equaled the number of shares of common stock specified in the original option. The exercise prices for the resulting Timber Company Stock options were calculated by multiplying the exercise price under the original option from which they were converted by a fraction, the numerator of which was the average of the high and low price of Timber Company common stock on December 17, 1997 and the denominator of which was the sum of such Georgia-Pacific Group and The Timber Company common stock prices. This was intended to ensure that the aggregate intrinsic value per share was not reduced.

Additional information relating to Georgia-Pacific's Timber Company employee common stock options is provided below. All amounts have been retroactively restated to reflect the 1.37 to 1 exchange ratio.

TIMBER COMPANY COMMON STOCK OPTIONS

	Options outstanding	
	Number of shares	Wtd. avg. exercise price
Balance at January 1, 2000	6,805,681	\$ 16.30
Options granted/converted	855,223	16.42
Options exercised/surrendered	(903,653)	15.74
Options cancelled/forfeited	(30,962)	16.18
Balance at December 30, 2000	6,726,289	16.39
Options granted	---	---
Options exercised/surrendered	(2,859,711)	16.15
Options cancelled/forfeited	(25,184)	16.43
Balance at October 5, 2001	3,841,394	
Options exercisable at December 30, 2000	5,552,298	\$ 16.28

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

The Timber Company elected to account for its participation in stock based compensation plans of Georgia-Pacific under APB Opinion No. 25 and disclose pro forma effects of the plans on net income and earnings per share as provided by SFAS No. 123. Accordingly, no compensation cost had been recognized for the SVIP, The Timber Company Plan of the 2000 Purchase Plan. Summarized below are the assumptions used in accounting for pro forma amounts disclosed in Note 1 of the Notes to Financial Statements.

Following are the weighted average assumptions used in connection with the Black-Scholes option valuation model to estimate the fair value of options granted in 2000 by The Timber Company:

	Year ended	
	Options	ESPP*
Expected life in years	10	1
Risk-free interest rates	6.7%	6.1%
Volatility	38%	38%
Dividend yield	4.4%	4.5%
Forfeiture rate	3%	8.6%
Weighted average grant date fair value per share	\$ 7.35	\$ 4.34

* Employee Stock Purchase Plan

The total pro forma compensation cost calculated under SFAS No. 123 was allocated between the Georgia-Pacific Group and The Timber Company based on the number of employees in each group for periods prior to December 17, 1997. Georgia-Pacific's management believed that this method of allocation was equitable and provided a reasonable estimate of the costs attributable to The Timber Company.

Note 12. Related-Party Transactions

TRANSACTIONS WITH GEORGIA-PACIFIC

Timber Sales. Prior to The Timber Company Merger on October 6, 2001, The Timber Company was a separate operating group of Georgia-Pacific, and as such, was engaged primarily in the growing and selling of timber on the approximately 4.7 million acres of timberlands that Georgia-Pacific owned or leased. A substantial portion of each year's harvest was sold to the Georgia-Pacific Group for consumption in their numerous mills. For the period December 31, 2000 to October 5, 2001 and for 2000, timber revenues from sales between The Timber Company and the Georgia-Pacific Group were based on prices intended to reflect fair market prices based on prices paid by independent purchasers and sellers for similar kinds of timber.

The Timber Company sold timber to the Georgia-Pacific Group totaling \$144 million for 2001 through the merger date, October 6, 2001, and \$239 million for the year ended December 30, 2000.

During the second quarter of 1998, Georgia-Pacific Group and The Timber Company revised the original terms of the operating policy with respect to sales of timber by The Timber Company to Georgia-Pacific Group. This revised policy was implemented on July 1, 1999 and remained in effect through 2000. Under the policy, The Timber Company was required to offer 70% of its projected annual harvest in southeast Arkansas and Mississippi and 80% of its projected annual harvest in most of its Southern forests to Georgia-Pacific Group, and Georgia-Pacific Group was required to purchase not less than 50% nor more than 70% of the projected annual harvests in southeast Arkansas and Mississippi, and not less than 60% nor more than 80% of the projected annual harvest in other Southern forest basins. The provisions in the policy were intended to cause prices paid by Georgia-Pacific Group for timber sold by The Timber Company to reflect market prices in particular forests, to allow Georgia-Pacific Group more flexibility in purchasing wood from third parties, and to allow The Timber Company flexibility in the timing of sales of its annual harvest on the open market.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

In 2000, the Georgia-Pacific Group and The Timber Company negotiated a new ten-year timber supply agreement, which became effective January 1, 2001 and was subject to an automatic ten-year renewal period, unless either party delivered a timely termination notice. This agreement covered four key southern timber basins: Southeast Arkansas, Mississippi, Florida, and Southeast Georgia. Under the agreement, The Timber Company had to offer to Georgia-Pacific Group specified percentages of its annual harvest, subject to absolute minimum and maximum limitations in each basin. Georgia-Pacific Group could elect between 36% and 51% of The Timber Company's annual harvest each year in Mississippi, Florida and Southeast Georgia, and between 52% and 65% in Southeast Arkansas. The total annual volume softwood was to range from a minimum of 2.7 million tons to a maximum of 4.2 million tons. The prices for such timber were to be negotiated at arm's length between The Timber Company and Georgia-Pacific Group every six months, and were to be set by third party arbitration if the parties could not agree. A new agreement on substantially the same terms was entered into with Plum Creek in conjunction with The Timber Company Merger.

The Timber Company and Georgia-Pacific Group also entered into a one-year supply agreement for 2001 under which The Timber Company delivered 42 million board feet of Douglas-fir and Western Hemlock sawtimber to Georgia-Pacific Group's sawmills at Coos Bay and Philomath, Oregon as well as 13 thousand green tons of pulpwood to the Georgia-Pacific Group Toledo pulp mill. Prices were based on prevailing market prices.

Other Recurring Transactions. In addition to timber sales between The Timber Company and the Georgia-Pacific Group, The Timber Company had the following recurring related-party transactions with the Georgia-Pacific Group as a result of The Timber Company being organized as a separate operating group of Georgia-Pacific:

- (1) *General and Administrative Expenses.* A portion of Georgia-Pacific's general and administrative expenses was allocated to The Timber Company. General and administrative expenses of \$2 million were allocated to The Timber Company for the period December 31, 2000 to October 5, 2001 and \$3 million for 2000. See Note 1 of the Notes to Financial Statements.
- (2) *Intercompany Debt and Related Interest Expense.* At June 30, 1997, \$1.0 billion of Georgia-Pacific's total debt was allocated to the Timber Company. Subsequent to the original allocation, The Timber Company's intercompany debt was increased or decreased by the amount of any net cash generated by, or required to fund, its operating activities, investing activities and financing activities. Intercompany allocated debt was \$644 million as of October 6, 2001 (the merger date) and \$640 million as of December 30, 2000. Interest expense was charged to The Timber Company in proportion to the respective amount of its debt at a rate equal to the weighted average interest rate of Georgia-Pacific's debt calculated on a quarterly basis. Net interest expense of \$31 million (net of \$18 million of interest income) was allocated to The Timber Company for the period December 31, 2000 to October 5, 2001 and \$44 million (net of \$28 million of interest income) for 2000. See Notes 1 and 6 of the Notes to Financial Statements.
- (3) *Employee Benefit Costs.* Prior to The Timber Company Merger on October 6, 2001, The Timber Company employees were generally covered by Georgia-Pacific's Defined Benefit Pension Plan, Defined Contribution Plan and Health Care and Life Insurance Benefit Plan. As a result, a portion of Georgia-Pacific's employee benefit costs were allocated to The Timber Company based on number of employees and allocated share of plan assets. Net periodic pension costs and net periodic postretirement benefit costs allocated to The Timber Company for period December 31, 2000 to October 5, 2001 and for 2000 were less than \$1 million. See Notes 1 and 10 of the Notes to Financial Statements.
- (4) *Capital Transactions.* Since The Timber Company was not a separate legal entity but rather an operating division of Georgia-Pacific, Timber Company's Stock, the only equity issued with respect to The Timber Company, represented a class of Georgia-Pacific's common stock. As a result, cash payments incurred by Georgia-Pacific with respect to dividends and the redemption of shares of Timber Company Stock were

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

allocated to The Timber Company. Furthermore, proceeds from the exercise of stock options with respect to Timber Company Stock were allocated to The Timber Company. Cash for the payment of dividends with respect to Timber Company Stock was \$61 million for the period December 31, 2000 to October 5, 2001 and \$81 million for 2000. Cash for the repurchase of stock with respect to Timber Company Stock was \$78 million for 2000. Cash proceeds with respect to the exercise of stock options and the purchase of employee stock for Timber Company Stock was \$58 million (which includes a benefit of \$12 million for the related tax deduction) for the period December 31, 2000 to October 5, 2001 and \$14 million for 2000.

- (5) *Income Taxes.* Georgia-Pacific filed consolidated federal and state income tax returns, and as a result, a portion of Georgia-Pacific's income tax expense was allocated to The Timber Company. The following amounts of Georgia-Pacific's consolidated income tax expense for the periods indicated were allocated to The Timber Company (in millions):

	Period from Dec. 30, 2000 to Oct. 5, 2001	Year Ended Dec. 30, 2000
Current Tax Expense	\$ 56	\$ 67
Deferred Tax Expense	\$ 13	\$ 30

Current taxes payable were settled quarterly between The Timber Company and the Georgia-Pacific Group. Therefore, there were no outstanding tax-related balances due to or from the Georgia-Pacific Group as of any balance sheet date. See Notes 1 and 5 of the Notes to Financial Statements.

Merger Related Transactions. In connection with The Timber Company Merger, The Timber Company had the following related-party transactions with the Georgia-Pacific Group:

- (1) *Merger Costs.* Georgia-Pacific Group allocated The Timber Company \$20 million of merger-related costs. These costs were capitalized by The Timber Company and included in the purchase price allocation.
- (2) *Installment Notes.* Certain installment notes receivable and related commercial paper and deferred income tax liabilities were transferred to the Georgia-Pacific Group in connection with the merger. The installment notes receivable and associated deferred income tax liabilities related to prior bulk sales of timberlands. The commercial paper relates to the monetization of the installment notes. Furthermore, in connection with the transfer, The Timber Company's intercompany allocated debt was increased by \$85 million which was approximately equal to the net present value of the installment notes, commercial paper and deferred income tax liabilities. The increase in intercompany allocated debt of \$85 million was accounted for as a dividend and the net book value of the installment notes, commercial paper and deferred tax liabilities was accounted for as a capital contribution. See Note 8 of the Notes to Financial Statements.
- (3) *Insurance Premiums.* Georgia-Pacific Group allocated The Timber Company \$24 million for the cost of tax risk insurance. The increase of allocated intercompany debt of \$24 million was accounted for as a dividend. See Note 8 of the Notes to Financial Statements.
- (4) *Property Sales.* The Timber Company sold some land to the Georgia-Pacific Group in close proximity to several of the Georgia-Pacific Group's mill sites for \$13 million less allocated income tax expense of \$5 million. The \$13 million purchase price was accounted for as a capital contribution and the related reimbursement for taxes was accounted for as a dividend. See Note 8 of the Notes to Financial Statements.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

TRANSACTIONS WITH FORMER GENERAL PARTNER

Plum Creek is party to a registration rights agreement with its former general partner, referred to as selling stockholders, pursuant to which Plum Creek agreed to register the selling stockholders' shares of the company's common stock under applicable federal and state securities laws under specific circumstances and at specific times. The registration rights agreement provides for cross-indemnification of the selling stockholders and the company and the directors, officers and controlling persons of the selling stockholders and the company, respectively, against specific liabilities arising in connection with the offer and sale of the company's common stock, including liabilities arising under the Securities Act of 1933, as amended. In November 2001, pursuant to the terms of the registration rights agreement, the selling stockholders asked the company to register for public sale under the Securities Act up to 9,851,633 shares of common stock of the company owned collectively by the selling stockholders. The company incurred costs relating to the registration of these securities of approximately \$425,000.

TRANSACTIONS WITH NORFOLK SOUTHERN RAILWAY CO.

Norfolk Southern Railway Company and its subsidiaries provide rail transportation services to the company and its subsidiaries at either published or negotiated rates. A director of the company, Mr. Tobias, is also a director and officer of Norfolk Southern Railway Company. The total amount paid by the company during 2002 for such services was \$488,000 and \$1,047,000 during 2001.

Note 13. Commitments and Contingencies

The company is subject to regulations regarding forest and harvest practices and is, from time to time, involved in various legal proceedings, including environmental matters, incidental to its business.

Environmental Contingencies. In its Annual Report on Form 10-K for the year ended December 31, 2001, the company disclosed that a review of capital improvement projects at its Columbia Falls and Evergreen manufacturing facilities to evaluate compliance with the Clean Air Act revealed four potential violations between 1988 and 1992. The company voluntarily disclosed this information to the Environmental Protection Agency ("EPA") under its Voluntary Disclosure and Cooperation Policy ("EPA Policy"), and to the state of Montana Department of Environmental Quality ("Montana DEQ") under the Montana Voluntary Disclosure Act ("Montana Act"). On meeting specified conditions and subject to the nature and seriousness of the offenses, both the EPA Policy and the Montana Act provide for elimination of any penalty.

The EPA and Montana DEQ have advised the company that no fine will be sought for the potential violations because the company complied with the EPA Policy and had gained no economic benefit from the potential violations.

In its Quarterly Report for the period ended June 30, 2002, the company reported that in the course of routine testing at its Evergreen manufacturing facility in Montana, company engineers discovered that certain "bags" designed to regulate particulate emissions from the facility had developed holes, resulting in elevated emission levels. The company immediately replaced the malfunctioning bags and notified Montana DEQ. Notwithstanding the company's corrective actions, the agency's enforcement division has advised the company that it will be fined \$36,800, which has been accrued in the financial statements.

While administration of current regulations and any new regulations or proceedings have elements of uncertainty, it is anticipated that no pending legal proceedings or regulatory matters will have a materially adverse effect on the financial position, results of operations or liquidity of the company.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Contractual Obligations. The company has contracted to source logs and supply fiber with customers under long-term agreements at prevailing market rates. The agreements range from one to 20 years with renewal options by either party for periods ranging from five years to 15 additional years. These agreements expire beginning in 2003 through 2023.

Lease Commitments. The company leases buildings and equipment under non-cancelable operating lease agreements. Operating lease expense was \$3 million in 2002 and \$1 million in each of the years 2001 and 2000. The company leases certain timberlands in which the company acquired title to the standing timber at the inception of the lease. The following summarizes the future minimum operating lease payments and obligations in connection with leasing timberlands (in millions):

	Operating Leases	Timber Obligations
2003	\$ 3	\$ 1
2004	1	1
2005	1	1
2006	1	1
2007	--	2
Thereafter	--	6
Total	\$ 6	\$ 12

Note 14. Segment Information

The company is organized into eight business units on the basis of both product line and geographic region. Each business unit has a separate management team due to geographic location, marketing strategies and/or production processes. In applying SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", these business units have been aggregated into five reportable segments based on similar long-term economic characteristics. The company's reportable segments are: (1) Northern Resources, (2) Southern Resources, (3) Real Estate, (4) Manufactured Products and (5) Other. Prior to The Timber Company Merger on October 6, 2001, The Timber Company had only one reportable segment. The segment information for The Timber Company has been restated to the beginning of 2000 to reflect these new segments.

The Northwest Resource unit and the Northeast Resource unit are aggregated into the Northern Resources Segment. The Northern Resources Segment consists primarily of timberlands located in Idaho, Maine, Michigan, Montana, Oregon, Pennsylvania, western Virginia, Washington, West Virginia and Wisconsin. The Northern Resources Segment grows timber primarily for sale in domestic regional markets. Additionally, some logs are sold in export markets, primarily the Pacific Rim countries and Canada. The Northern Resources Segment primarily sells softwood and hardwood sawlogs and softwood and hardwood pulpwood. Softwood sawlogs are primarily sold to regional lumber and plywood manufacturers. Logs harvested in Montana are primarily sold to our lumber and plywood mills (which are part of the Manufactured Products Segment). Hardwood sawlogs are primarily sold to furniture manufactures. Softwood and hardwood pulpwood is primarily sold to regional paper and packaging manufactures.

The South West Resource unit and the South East Resource unit are aggregated into the Southern Resources Segment. The Southern Resources Segment consists primarily of timberlands located in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and eastern Virginia. The Southern Resources Segment grows timber primarily for sale in domestic regional markets. The Southern Resources Segment primarily sells softwood sawlogs and pulpwood. Softwood sawlogs are primarily sold to regional lumber and plywood manufacturers. Softwood pulpwood is primarily sold to regional paper and packaging manufactures. The Southern Resources Segment leases timberlands to third parties on an annual basis for recreational purposes.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

The Real Estate Segment consists of sales of higher and better use timberlands and periodic sales of non-strategic timberlands. It is estimated that approximately 400,000 acres of the company's approximately 8 million acres of timberlands are located in recreational areas or near expanding population centers and may be better suited for conservation, residential or recreational purposes, rather than for long-term commercial timberland management. Furthermore, the company estimates that an additional 900,000 acres may also be suited for conservation, residential or recreational development. From time-to-time the company has identified non-strategic timberlands that have been disposed of in bulk sales.

The lumber and panel businesses are aggregated into the Manufactured Products Segment. The Manufactured Products Segment consists of four lumber mills, two plywood mills, two MDF facilities and one lumber remanufacturing facility in Montana, and one lumber remanufacturing facility in Idaho. The lumber facilities produce boards, studs, and dimension lumber and the panel facilities produce high-quality plywood and MDF panels. All of these products are targeted to domestic lumber retailers, home construction, and industrial customers, and to a lesser extent, Canada, Pacific Rim countries and Western Europe. Residual chips are sold to regional pulp and paper manufacturers. Revenues from manufactured products during 2002 were \$203 million for lumber, \$105 million for plywood and \$73 million of MDF. Revenues from manufactured products during 2001 were \$49 million for lumber, \$24 million for plywood and \$13 million for MDF. Prior to The Timber Company Merger, The Timber Company was not in the manufacturing business.

The Other Segment consists primarily of income associated with mineral extraction, natural gas production and communication and transportation rights of way. Mineral income consists of royalty revenue from the extraction of oil and gas, natural aggregates and coal. Additionally, through a joint venture, the company is in the process of exploring for and developing coalbed methane, which may be found on some of its properties in West Virginia and Virginia. As of December 31, 2002, the company has invested \$9 million in its coalbed methane joint venture compared to less than \$1 million invested as of December 31, 2001.

Segment data includes external revenues, intersegment revenues and operating income, as well as export revenue and depreciation, depletion and amortization. The company evaluates performance and allocates capital to the segments based on operating income before interest, unallocated corporate expenses and taxes. Asset information is not reported by segment, as the company does not produce such information internally.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

The table below presents information about reported segments for the years ending December 31, 2002, December 31, 2001 and December 30, 2000 (in millions):

	Northern Resources	Southern Resources	Real Estate	Manufactured Products	Other	Total
2002						
External revenues	\$ 226	\$ 423	\$ 98	\$ 381	\$ 9	\$ 1,137
Intersegment revenues	94	---	---	---	---	94
Export revenues	26	---	---	11	---	37
Depreciation, depletion and amortization	33	49	---	23	---	105
Operating income	80	227	64	1	7	379
2001						
External revenues	\$ 104	\$ 319	\$ 80	\$ 86	\$ 9	\$ 598
Intersegment revenues	32	---	---	---	---	32
Export revenues	4	---	---	3	---	7
Depreciation, depletion and amortization	13	38	---	4	---	55
Operating income	30	187	59	1	8	285
2000						
External revenues	\$ 79	\$ 303	\$ 103	\$ ---	\$ 8	\$ 493
Intersegment revenues	---	---	---	---	---	---
Export revenues	---	---	---	---	---	---
Depreciation, depletion and amortization	3	24	---	---	---	27
Operating income	27	198	85	---	8	318

In the fourth quarter of 2001, the company changed its accounting policy with respect to certain reforestation costs. See Note 1 of the Notes to Financial Statements for further details. The new accounting policy was applied retroactively to the beginning of 2001. As a result, the Northern Resources 2001 operating income increased by \$2 million and the Southern Resources 2001 operating income increased by \$16 million. A reconciliation of total operating income to income before income taxes, for the years 2002, 2001 and 2000 is presented below (in millions):

	2002	2001	2000
Total segment operating income	\$ 379	\$ 285	\$ 318
Interest expense, net	103	54	44
Corporate and other unallocated expenses	41	35	15
Income before income taxes	\$ 235	\$ 196	\$ 259

Intersegment sales prices are determined quarterly, based upon estimated market prices and terms in effect at the time. Export revenues consist of log sales, primarily to Japan and Canada, as well as manufactured product sales primarily to Canada, Western Europe and the Pacific Rim countries. The company does not hold any long-lived foreign assets. During 2002, 2001 and 2000, the company recognized revenues of \$195 million, \$170 million and \$239 million, respectively, from sales to Georgia-Pacific. Of the \$195 million sales to Georgia-Pacific in 2002, \$14 million were attributable to the Northern Resources Segment, \$152 million to the Southern Resources Segment and \$29 million to the Manufactured Products Segment. In 2001, \$26 million of the \$170 million sales to Georgia-Pacific were attributable to the Northern Resources Segment, \$138 million to the Southern Resources Segment and \$6 million to the Manufactured Products Segment. In 2000, \$50 million of the \$239 million sales to Georgia-Pacific were attributable to the Northern Resources Segment, \$189 million to the Southern Resources Segment. At December 31, 2002 and December 31, 2001 the company had net accounts receivable from Georgia-Pacific of \$10 million and \$8 million, respectively.

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS— (CONTINUED)

Note 15. Subsequent Event (Unaudited)

On January 28, 2003, the board of directors authorized Plum Creek Timber Company, Inc. to make a dividend distribution of \$0.35 per share. Total dividends approximated \$65 million and were paid on February 28, 2003 to stockholders of record on February 14, 2003.

Note 16. Unaudited Selected Quarterly Financial Data

(In Millions, Except Per Share Amounts)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr ^(A)
2002				
Revenues	\$ 275	\$ 271	\$ 310	\$ 281
Gross Profit	101	99	116	97
Operating Income	84	82	97	75
Net Income	56	53	70	54
Net Income per Share—Basic	\$ 0.30	\$ 0.29	\$ 0.38	\$ 0.29
Net Income per Share—Diluted	\$ 0.30	\$ 0.29	\$ 0.38	\$ 0.29
2001				
Revenues	\$ 117	\$ 100	\$ 141	\$ 240
Gross Profit	80	61	97	68
Operating Income	71	52	87	40
Net Income	37	27	48	226
Net Income per Share—Basic ^(B)	\$ 0.33	\$ 0.24	\$ 0.43	\$ 1.26
Net Income per Share—Diluted ^(B)	\$ 0.32	\$ 0.24	\$ 0.42	\$ 1.25

(A) In the fourth quarter of 2001, the company completed the merger with The Timber Company in a transaction that is being accounted for as a reverse acquisition. See Note 2 of the Notes to Financial Statements. A income tax benefit of approximately \$216 million was recorded in the results of operations. The benefit of approximately \$216 million represents the elimination of a deferred tax liability associated with temporary differences related primarily to timberlands. See Note 5 of the Notes to Financial Statements.

(B) Net income per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly net income per share does not equal the total computed for the year due to the issuance of shares during the fourth quarter of 2001 in connection with the merger. See Note 8 of the Notes to Financial Statements.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of

Plum Creek Timber Company, Inc.:

We have audited the accompanying consolidated balance sheet of Plum Creek Timber Company, Inc. as of December 31, 2002, and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Plum Creek Timber Company, Inc. for the year ended December 31, 2001 were audited by other auditors whose report dated January 29, 2002 expressed an unqualified opinion on those statements. The financial statements of Plum Creek Timber Company, Inc. for the year ended December 30, 2000 were audited by other auditors who have ceased operations and whose report dated October 8, 2001 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Plum Creek Timber Company, Inc at December 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Seattle, Washington

January 23, 2003
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of

Plum Creek Timber Company, Inc.:

In our opinion, the accompanying consolidated balance sheet as of December 31, 2001 and the related consolidated statements of income and of cash flows present fairly, in all material respects, the financial position of Plum Creek Timber Company, Inc. at December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the Company for the year ended December 30, 2000, were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated October 8, 2001.

As discussed in Note 1 of the Financial Statements, the Company changed its method of accounting for reforestation and silviculture costs effective January 1, 2001.

/s/ PRICEWATERHOUSECOOPERS LLP

Seattle, Washington

January 29, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Plum Creek Timber Company:

We have audited the accompanying combined balance sheets of The Timber Company (as described in Note 1) as of December 30, 2000 and January 1, 2000 and the related combined statements of income and cash flows for each of the two years in the period ended December 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Timber Company as of December 30, 2000 and January 1, 2000 and the results of their operations and their cash flows for each of the two years in the period ended December 30, 2000 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia

October 8, 2001

This audit report of Arthur Andersen LLP, our former independent public accountants, is a copy of the original report dated October 8, 2001 rendered by Arthur Andersen LLP on our consolidated financial statements included in our Form 10-K filed on March 25, 2002, and has not been reissued by Arthur Andersen LLP since that date. We are including this copy of the Arthur Andersen LLP audit report pursuant to Rule 2-02(e) of Regulation S-X under the Securities Act of 1933.

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REPORT OF MANAGEMENT

The management of Plum Creek Timber Company, Inc. is responsible for the preparation, fair presentation, and integrity of the information contained in the financial statements in this Annual Report. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts determined using management's best estimates and judgments.

The company maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are recorded properly to produce reliable financial records. The system of internal controls includes appropriate divisions of responsibility, established policies and procedures (including a code of conduct to promote strong ethics) that are communicated throughout the company, and careful selection, training and development of our people. The company conducts a corporate audit program to provide assurance that the system of internal controls is operating effectively.

Our independent certified public accountants have performed audit procedures deemed appropriate to obtain reasonable assurance that the financial statements are free of material misstatement.

The Board of Directors provides oversight to the financial reporting process through its Audit and Compliance Committee, which meets regularly with management, corporate audit, and the independent certified public accountants to review the activities of each and to ensure that each is meeting its responsibilities with respect to financial reporting and internal controls.

Finally, each of the undersigned has personally certified that the information contained in this Annual Report is accurate and complete in all material respects, and that there are in place sound disclosure controls designed to gather and communicate material information to appropriate personnel within the company.

/s/ RICK R. HOLLEY

RICK R. HOLLEY

President and Chief Executive Officer

/s/ WILLIAM R. BROWN

WILLIAM R. BROWN

Executive Vice President and Chief Financial Officer

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Previously disclosed.

Part III

Item 10. Directors and Executive Officers of the Registrant

Information with respect to directors, executive officers and 10% stockholders included in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 6, 2003, under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance", is incorporated herein by reference. The executive officers are presented in Part I of this Form 10-K.

Item 11. Executive Compensation

Information with respect to executive compensation included in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 6, 2003, under the caption "Executive Compensation", is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information with respect to security ownership of certain beneficial owners and management included in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 6, 2003, under the caption "Security Ownership of Certain Beneficial Owners and Management", is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information with respect to certain relationships and related transactions included in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 6, 2003, under the captions "Related-Party Transactions" and "Indebtedness of Management", is incorporated herein by reference.

Part IV

Item 14. Controls and Procedures

(A) Evaluation of Disclosure Controls and Procedures

As of March 4, 2003, an evaluation was performed under the supervision and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c)) under the Securities and Exchange Act of 1934, as amended. Based on that evaluation, the company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the company's disclosure controls and procedures were effective as of December 31, 2002.

(B) Changes in Internal Controls

Since March 4, 2003, there have been no significant changes in the company's internal controls or in other factors that could significantly affect internal controls.

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as a part of this report:

(1) *Financial Statements and Supplementary Financial Information*

The following consolidated financial statements of the company are included in Part II, Item 8 of this Form 10-K:

Consolidated Statements of Income	38
Consolidated Balance Sheets	39
Consolidated Statements of Cash Flows	40
Notes to Consolidated Financial Statements	41
Reports of Independent Auditors	76
Report of Management	79

(2) *Financial Statement Schedules*

All financial statement schedules have been omitted because they are not applicable, not material or the required information is shown in the consolidated financial statements or the notes thereto.

(3) *List of Exhibits*

Each exhibit set forth below in the Index to Exhibits is filed as a part of this report. All exhibits not filed herewith are incorporated herein by reference to a prior filing as indicated. Exhibits designated by a positive sign (“+”) indicates management contracts or compensatory plans.

INDEX TO EXHIBITS

Exhibit Designation	Nature of Exhibit
2.1	Purchase and Sale Agreement by and between S.D. Warren Company as seller and Plum Creek Timber Company, L.P. as purchaser dated as of October 5, 1998. (Form 10-Q, File No. 1-10239, for the quarter ended September 30, 1998).
2.2	Amended and Restated Agreement and Plan of Conversion, dated as of July 17, 1998, by and among Plum Creek Timber Company, Inc., Plum Creek Timber Company, L.P. and Plum Creek Management Company, L.P. (Form S-4, Regis. No. 333-71371, filed January 28, 1999).
2.3	Agreement and Plan of Merger, dated as of July 17, 1998, by and among Plum Creek Timber Company, L.P., Plum Creek Acquisitions Partners, L.P. and Plum Creek Timber Company, Inc. (Form S-4, Regis. No. 333-71371, filed January 28, 1999).
2.4	Agreement and Plan of Merger, dated as of July 17, 1998, by and among Plum Creek Timber Company, Inc. and Plum Creek Management Company, L.P. (Form S-4, Regis. No. 333-71371, filed January 28, 1999).
2.5	Agreement and Plan of Merger by and among Georgia-Pacific Corporation, North American Timber Corp., NPI Timber, Inc., GNN Timber, Inc., GPW Timber, Inc., LRF Timber, Inc., NPC Timber, Inc. and Plum Creek Timber Company, Inc. Form 8-K/A, File No. 1-10239, dated July 18, 2000). Amendment No. 1 to the Agreement and Plan of Merger, dated as of June 12, 2001 (Form 8-K, File No. 1-10239, dated June 12, 2001).
2.6	Purchase and Sale Agreement by and among North American Timber Corp., Georgia-Pacific Corporation and Hawthorne Timber Company, LLC dated as of October 29, 1999. (Form 10-K, File No. 1-10239, for the year ended December 31, 2001).
2.7	Purchase and Sale Agreement by and among Stora Enso North America Corp. as seller, Plum Creek Timberlands, L.P. and the other Plum Creek entities named therein as purchasers, dated as of September 19, 2002.
3.1	Certificate of Incorporation of Plum Creek Timber Company, Inc. (Form 8-K, File No. 1-10239, dated October 6, 2001).
3.2	Certificate of Amendment to the Plum Creek Timber Company, Inc. Certificate of Incorporation (Form 8-K, File No. 1-10239, dated October 6, 2001).
3.3	Amended and Restated By-laws of Plum Creek Timber Company, Inc. (Form 8-K, File No. 1-10239, dated October 6, 2001).
4.1	Senior Note Agreement, dated as of October 9, 2001, \$55,000,000 Series H due October 1, 2006, \$75,000,000 Series I due October 1, 2008, \$295,000,000 Series J due October 1, 2011, \$75,000,000 Series K due October 1, 2013. (Form 8-K, File No. 1-10239, dated October 6, 2001). First Amendment to Senior Note Agreement dated as of December 19, 2002, \$55,000,000 Series H due October 1, 2006, \$75,000,000 Series I due October 1, 2008, \$295,000,000 Series J due October 1, 2011, \$75,000,000 Series K due October 1, 2013.

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Exhibit Designation	Nature of Exhibit
4.2	Registration Rights Agreement, dated as of July 1, 1999, by and among PC Advisory Partners I, L.P. and PCMC Intermediate Holdings, L.P., and Plum Creek Timber Company, Inc. (Form S-3/A, Regis. No. 333-72522, filed November 15, 2001).
4.3	The registrant agrees that it will furnish the Commission a copy of any of its debt instruments not listed herein upon request.
10.1	Credit Agreement, dated as of October 9, 2001, among Plum Creek Timberlands, L.P., Bank of America, N.A., as Administrative Agent, First Union National Bank and The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, as Syndication Agents, Suntrust Bank, ScotiaBanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents, the Other Financial Institutions Party Thereto and Banc of America Securities LLC and First Union Securities, Inc., as Arrangers. (Form 8-K, File No. 1-10239, dated October 6, 2001). First Amendment to Credit Agreement dated as of November 26, 2002, among Plum Creek Timberlands, L.P., Bank of America, N.A., as Administrative Agent and the Other Financial Institutions Party Thereto.
10.2	Credit Agreement dated as of November 26, 2002, among Plum Creek Timberlands, L.P., Bank of America, N.A., as Administrative Agent, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch and Wachovia Bank, N.A., as Syndication Agents, Suntrust Bank, ScotiaBanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents and the Other Financial Institutions Party Thereto.
10.3+	Plum Creek Supplemental Benefits Plan (Form 10-K/ A, Amendment No. 1, File No. 1-10239, for the year ended December 31, 1994). First Amendment to the Plum Creek Supplemental Benefits Plan. (Form 10-Q, File No. 1-10239, for the quarter ended September 30, 1995).
10.4+	1994 Long-Term Incentive Plan, Plum Creek Management Company, L.P. (Form 10-K/ A, Amendment No. 1, File No. 1-10239, for the year ended December 31, 1993). First Amendment to the Plum Creek Management Company, L.P. Long-Term Incentive Plan (Form 10-Q, File No. 1-10239, for the quarter ended September 30, 1995).
10.5+	Plum Creek Timber Company, Inc. Executive and Key Employee Salary and Incentive Compensation Deferral Plan.
10.6+	Deferred Compensation Plan for Directors, PC Advisory Corp. I. (Form 10-K/ A, Amendment No. 1, File No. 1-10239, for the year ended December 31, 1994).
10.7+	Plum Creek Director Unit Ownership and Deferral Plan. (Form 10-K, File No. 1-10239, for the year ended December 31, 1996).
10.8	Voting Agreement and Consent by and among Plum Creek Timber Company, Inc., Georgia-Pacific Corporation, PC Advisory Partners I, L.P. and PCMC Intermediate Holdings, L.P. dated as of July 18, 2000, as amended on June 12, 2001 (Form S-4, Regis. No. 333-47708, filed July 13, 2001).
10.9	Tax Matters Agreement by and among Plum Creek Timber Company, Inc., Georgia-Pacific Corporation on behalf of itself and North American Timber, Corp, NPI Timber, Inc., GNN Timber, Inc., GPW Timber, Inc., LRFPTimber, Inc., and NPC Timber, Inc., dated as of June 12, 2001 (Form S-4, Regis. No. 333-47708, filed July 13, 2001).
10.10	Form of Primary Insurance Policy (Form S-4, Regis. No. 333-47708, filed July 13, 2001).
10.11+	Plum Creek Timber Company, Inc. 2000 Stock Incentive Plan (Appendix A to the corporation's definitive Proxy Statement on Schedule 14A, filed on March 31, 2000).
10.12+	Plum Creek Timber Company, Inc. Annual Incentive Plan. (Form 10-K, File No. 1-10239, for the year ended December 31, 2000).
10.13+	Employment Contract between Plum Creek Timber Company, Inc. and Thomas M. Lindquist.
10.14+	Executive Agreement between Plum Creek Timber Company, Inc. and Thomas M. Lindquist.
10.15+	Form of Executive Stock Option, Dividend Equivalent Right and Value Management Award Agreement.
10.16+	Form of Director Stock Option and Dividend Equivalent Award Agreement.
21	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of PricewaterhouseCoopers LLP.
23.3	Notice of Inability to Obtain Consent from Arthur Andersen LLP.
99.1	Certification of Rick R. Holley, President and Chief Executive Officer.
99.2	Certification of William R. Brown, Executive Vice President and Chief Financial Officer.

b) Reports on Form 8-K

None.

CERTIFICATIONS

I, Rick R. Holley, President and Chief Executive Officer, certify that:

- (1) I have reviewed this annual report on Form 10-K of Plum Creek Timber Company, Inc.;
- (2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934, as amended) for

the registrant and we have:

- (A) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (B) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - (C) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (A) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
 - (6) The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /s/ RICK R. HOLLEY

RICK R. HOLLEY
President and Chief Executive Officer

Date: March 11, 2003

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CERTIFICATIONS

I, William R. Brown, Executive Vice President and Chief Financial Officer, certify that:

- (1) I have reviewed this annual report on Form 10-K of Plum Creek Timber Company, Inc.;
- (2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934, as amended) for the registrant and we have:
 - (A) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (B) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - (C) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (A) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- (6) The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /s/ WILLIAM R. BROWN

WILLIAM R. BROWN
Executive Vice President and Chief Financial Officer

Date: March 11, 2003

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT (this "Agreement"), made as of September 19, 2002, by and between Plum Creek Timberlands, L.P., a Delaware limited partnership ("PC Timberlands"); Plum Creek Marketing, Inc., a Delaware corporation ("Marketing"); and Plum Creek Land Company, a Delaware corporation ("Land Company," and collectively with PC Timberlands and Marketing, "Purchaser"), and STORA ENSO NORTH AMERICA CORP., a Wisconsin corporation (hereinafter referred to as "Seller");

W I T N E S S E T H:

WHEREAS, Seller is the owner of the Assets (as hereinafter defined);
and

WHEREAS, Purchaser desires to purchase the Assets from Seller;

NOW, THEREFORE, the parties have agreed and as follows:

1. Agreement of Purchase and Sale. Subject to the provisions of this Agreement, and for consideration herein stated, Seller agrees to sell to Purchaser and Purchaser agrees to buy from Seller all of the following described property (collectively, the "Assets"):

(a) Timberlands. All of Seller's right, title and interest in and to certain real property owned by Seller in the States of Wisconsin and Michigan, as further described on Exhibit "A" attached hereto and incorporated herein by this reference as though fully set forth (hereinafter the "Timberlands"), and other rights related or appurtenant thereto, including but not limited to all of Seller's right, title, and interest (i) in and to the merchantable and unmerchantable timber, growing, lying, standing or felled, timber interests and timber rights located on or appurtenant to the Timberlands; (ii) in and to any mineral, sand, oil, gas, hydrocarbon substances and gravel and other hard rock rights on and under the Timberlands which have not previously been reserved or severed by Seller's predecessors in interest; and (iii) all rights of Seller in and to any development rights, air rights, water, water rights, ditch and ditch rights appurtenant to the Timberlands.;

(b) Leases and Contracts. All of Seller's right, title and interest in and to the leases, described on Exhibit B-1 attached hereto (collectively, the "Gravel Leases"), pursuant to which third parties have the right to use portions of the Timberlands for gravel and sand production and other incidental purposes, and all of Seller's right, title and interest in and to the contracts and other agreements identified on Exhibit B-2 attached hereto (collectively, the "Contracts").

(c) Offices. All of Seller's right, title and interest in and to certain real property described on Exhibit "C" attached hereto and incorporated herein by this reference as though fully set forth (hereinafter the "Offices," and together with the Timberlands, the "Real Property"), together with all buildings, structures and other improvements located thereon and all rights and appurtenances associated therewith.

(d) Access Rights and Easements. All rights of Seller in and to any access rights, rights-of-way and easements appurtenant to the Real Property, to the extent assignable ("Access Rights and Easements").

(e) Personal Property. Any and all personal property, tangible and intangible, including without limitation all furniture, fixtures, equipment, vehicles and tools, used primarily in connection with the operation of the Timberlands or located within the Offices; any and all of Seller's maps, seeds, property books, aerial photos, plans, drawings, specifications, renderings, engineering studies, biological studies, grading or drainage studies, environmental and hazardous waste studies and reports and related data and materials in Seller's possession relating to the Timberlands or the Offices, and all administrative software solely concerning the Timberlands, including the timber inventory and computerized forest inventory software program, data base software program and mapping software program ("GIS"), that can operate independent of Seller's mainframe and that Seller is permitted to license to Purchaser but excluding proprietary software of a type used by or which may be used by Seller in its mill operations ("Personal Property"). In the event that programs such as the timber inventory and GIS programs cannot operate independent of Seller's mainframe or Seller cannot license such software, Seller shall provide the electronic data contained in such programs to Purchaser. The Personal Property is described on Exhibit "D-1" attached hereto and incorporated herein by this reference as though fully set forth. Certain items of personal property associated with Seller's forestry resources operations which are not being sold to Purchaser are listed on Exhibit D-2 (the "Excluded Personal Property").

(f) Assets. The Timberlands, Offices, Access Rights and Easements and Personal Property are collectively referred to as the "Assets." The parties agree that if any portion of the Real Property is deleted or taken pursuant to either of paragraphs 6 or 7(c) below, then the term "Real Property" shall no longer include such deleted portion.

2. Purchase Price, Allocations and Purchase Price Adjustment.

(a) Purchase Price. The purchase price (the "Purchase Price") for the Assets will be One Hundred Forty-Two Million United States Dollars (\$142,000,000.00), subject to adjustment to the extent, if any, provided in paragraphs 6 and 7(b) hereof. The Purchase Price will be paid at the Closing (as hereinafter defined) by wire transfer of the full amount thereof in immediately available funds to an account designated by Seller.

(b) Purchase Price Allocation. The parties shall allocate the Purchase

Price among the Assets and Purchasers PC Timberlands, Marketing and Land Company in accordance with Section 1060 of the Internal Revenue Code and shall cooperate with each other and provide such information as may be requested in connection with the preparation of the allocation. The parties shall report the federal, state and local tax consequences of the purchase and sale contemplated hereby (including the filing of IRS Form 8594) in a manner consistent with such allocation.

(c) Purchase Price Adjustment. The amount of timber by species and product mix contemplated to be harvested from the Timberlands by Seller from April 1, 2002 to the Closing is set forth on the Harvest Schedule attached hereto as Exhibit "E" (the "Harvest Schedule"). Immediately following the Closing, Purchaser and its accountants shall be provided with reasonable access to all of Seller's books, records, accounting and other documents reasonably necessary to confirm the actual amount of timber harvested by species and product mix from the period commencing April 1, 2002 through the Closing. In the event that, based upon Purchaser's review of such books, records and documents, Purchaser determines that the actual amount of timber harvested by species and product mix exceeded the amounts contemplated to be harvested for each species and product mix pursuant to the Harvest Schedule on a pro-rated basis, Purchaser shall submit a harvesting report (the "Harvesting Report") to Seller setting forth the basis for this determination. Seller shall have 10 days to review the Harvesting Report and to deliver a notice of any dispute regarding the determination made by Purchaser ("Harvesting Dispute Notice"). In the event that Seller does not deliver a Harvesting Dispute Notice within such period, the Harvesting Report shall be deemed accepted by Seller, and Seller shall pay to Purchaser, within two (2) business days of the expiration of such review period, an amount equal to the fair market value of such excess harvested timber as of the Closing (based on volume and product mix). Such payment shall be made by wire transfer of immediately available funds in U.S. dollars. In the event Seller and Purchaser are unable to agree upon the fair market value for such timber, the provisions of Paragraph 25 shall apply.

3. Closing.

(a) The execution and delivery of the documents and instruments for the consummation of the purchase and sale pursuant hereto (the "Closing") will take place at 10:00 a.m., local time, on the date mutually selected by the parties which shall be as soon as practicable after (i) all regulatory approvals have been obtained and (ii) Purchaser has completed the tax planning it deems to be necessary or advisable as set forth in Section 28(d) hereof; provided, however, that the Closing will occur in any event on or before December 3, 2002 at the offices of Seller's counsel, Michael, Best & Friedrich, at 401 N. Michigan Ave., Chicago, Illinois, subject to any extension expressly provided for in this Agreement, or such earlier date and time, and/or such other location, as may be mutually agreeable to Seller and Purchaser.

(b) At the Closing, Seller will execute and/or deliver to Purchaser (i) special or limited warranty deeds (warranting only against claims arising by, through or under Seller) conveying the Real Property to Purchaser subject only to the Permitted Encumbrances (as hereinafter defined) (the "Deeds"), (ii) assignment and assumption agreements, in form and

substance reasonably satisfactory to Purchaser and Seller, pursuant to which Seller will assign to Purchaser all of Seller's right, title and interest under the Gravel Leases, and Purchaser will assume and agree to perform all of Seller's obligations and duties under the Gravel Leases and the Contracts (the "Assignments"), (iii) a Bill of Sale, in form and substance reasonably satisfactory to Purchaser and Seller, pursuant to which Seller will convey all of Seller's right, title and interest in and to the Personal Property, free and clear of all encumbrances and (iv) evidence, reasonably satisfactory to Purchaser and its title insurer, with respect to the power and authority of Seller to enter into and consummate this Agreement and the transactions contemplated hereby and of the persons executing documentation on behalf of Seller.

(c) At the Closing, Purchaser will execute and/or deliver to Seller (i) the Assignments, and (ii) evidence, satisfactory to Seller, with respect to the power and authority of Purchaser to enter into and consummate this Agreement and the transactions contemplated hereby and of the persons executing documentation on behalf of Purchaser.

(d) The parties agree to do such other acts and execute and deliver such other documents and instruments as are reasonably necessary for the consummation of the transactions contemplated hereby.

(e) Prior to the date of Closing, Seller shall have the right to continue harvesting timber in accordance with its normal operations pursuant to the Harvest Schedule. . Any timber severed and removed from the Timberlands in accordance with the Harvest Schedule prior to the Closing shall be the property of Seller.

4. Title.

(a) Seller agrees to convey to Purchaser fee simple title to the Real Property, free and clear of all liens, claims and encumbrances created by Seller, except for the matters set forth on Exhibit F attached hereto.

(b) Seller shall provide to Purchaser preliminary commitments for title insurance for the Real Property as soon as practical after execution hereof, including copies of all exception documents referred to in such title commitments (the "Title Commitments"). Purchaser shall have until close of business on the 30th day after receipt of such title commitments (the "Title Review Period") to notify Seller of any objections Purchaser has to any matters shown or referred to in the title commitments. Any title encumbrances or exceptions that are set forth in the title commitment to which Purchaser does not object during the period specified and the encumbrances described on Exhibit "F" shall be deemed to be permitted exceptions to the status of Seller's title (the "Permitted Encumbrances"). With regard to items to which Purchaser does object within the period specified, Seller shall attempt to cure and remove such items prior to Closing. If Seller is unable or fails to cure or remove such items by October 15, 2002, Purchaser may either waive its objection and proceed with closing, or terminate this Agreement with respect to the specific parcel(s) of Real Property subject to the objection(s) by written notice to Seller no later than October 18, 2002. In the event Purchaser terminates this Agreement with respect to specific parcel(s) of Real Property

pursuant to the provisions of this Paragraph, Purchaser shall receive a credit against the Purchase Price at Closing in the amount of the number of acres of Real Property so removed from Closing times the average price per acre paid for all acres that are the subject of this Agreement. The foregoing notwithstanding, in the event Purchaser objects to title matters within the Title Review Period and Seller is unable or unwilling to cure such title objections by October 15, 2002, and the value of the Real Property which is the subject of such title objections exceeds fifteen percent (15%) of the Purchase Price, then Purchaser may terminate this Agreement by giving written notice of such termination by October 18, 2002 to Seller, whereupon no party hereto will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein. Any determinations of such values will be mutually agreed upon by Purchaser and Seller, or if Purchaser and Seller are unable to agree, then such values will be determined pursuant to paragraph 25 below. If Purchaser fails to give such notice of termination to Seller within the times specified, the objection(s) shall be deemed waived by the Purchaser.

(c) At or prior to the Closing, Seller will cause any monetary liens, mortgages, deeds to secure debt and deeds of trust encumbering the Real Property to be satisfied or otherwise removed.

(d) Except for the Permitted Encumbrances and the matters shown in Exhibit F, so long as this Agreement remains in force, Seller will not lease, encumber or convey all or part of the Assets or any interest therein, without the prior written consent of Purchaser.

5. Inspection; Sale "AS IS".

(a) Purchaser and its agents and representatives will have the right prior to the Closing to enter upon and to inspect the Real Property, including the right to examine, survey and perform timber cruises, environmental assessments and other tests or surveys which it may deem necessary or advisable. Purchaser shall give reasonable advance notice to Seller prior to any such entry on the Real Property, and Seller shall have the right to have a representative of Seller accompany Purchaser or its agents or representatives during any such entry on the Real Property. Notwithstanding the foregoing, (i) unless legally compelled to do so, Purchaser will not discuss with or disclose to any governmental authority any matter relating to the Assets unless and until the written consent of Seller to such discussion or disclosure and contacting such governmental authority has been received by Purchaser, and (ii) Purchaser shall not conduct or cause to be conducted any physical testing of the Assets for hazardous substances (as defined in paragraph 6 below) unless and until Purchaser has executed an access agreement, which shall include a detailed description of the scope of the testing and the work to be performed and shall otherwise be in form and substance reasonably satisfactory to Seller.

(b) Seller agrees to make available to Purchaser, at Seller's offices in Rhinelander, Wisconsin, for reviewing and copying by Purchaser at Purchaser's expense, copies of various materials relating to the Assets, including maps, aerial photographs, surveys, timber inventory data, harvest schedules, environmental reports and studies, and any other materials reasonably requested by Purchaser.

(c) Except for the special or limited warranty to be included in the Deeds and except for the warranties and representations expressly made by Seller in this Agreement, Purchaser acknowledges and agrees as follows: (i) Purchaser is purchasing and Seller is selling the Assets "AS IS", "WHERE IS" and "WITH ALL FAULTS"; (ii) Seller has not made, does not make and specifically disclaims any representations, warranties, guaranties, commitments, promises or agreements of any kind, express or implied, with respect to the Assets, including, without limitation, governmental regulations, requirements or constraints, site or physical conditions, condition of the Assets, access to and from the Assets, matters affecting use or occupancy, profitability, volumes, age classes, species, merchantability, yields, acreage, access, availability, quantity or quality of water, environmental compliance, prospects for future improvements or future development, economic feasibility, marketability or any other matter relating to the Assets; (iii) Purchaser is relying on Purchaser's independent investigations and examinations relating to the Assets; and (iv) Purchaser waives, and releases Seller from, any and all claims, liabilities, losses, damages, costs and expenses, whether known or unknown, or foreseen or unforeseen, with respect to the condition of the Assets. The provisions of this paragraph 5(c) will survive the Closing and will survive any termination of this Agreement.

(d) Purchaser agrees to accept the transfer of the Managed Forest Law/Forest Crop Law designation(s) and contract(s) for the Real Property. Purchaser agrees that Purchaser is responsible for all costs and fees related to withdrawal subsequent to Closing of all or any portion of the Real Property from Managed Forest Law status or Forest Crop Law status for any reason.

(e) Purchaser acknowledges that dimensions, total square footage, total acreage and allocation of acreage information regarding the Real Property provided to Purchaser by Seller are approximate. The dimensions of the Real Property have not been verified by survey and Seller has no obligation to provide a survey or to locate corners on specific parcels of the Real Property.

6. Environmental Assessment. In the event that Purchaser obtains an environmental assessment of the Assets and such assessment reveals the existence of any material amount of a hazardous substance (as defined below) on or under a portion of the Real Property, Purchaser will have the right, exercisable at Purchaser's election by written notice to Seller received by Seller not later than the thirtieth (30th) day after the date of full execution hereof, to delete such portion from the Real Property. If Purchaser makes a timely election under the preceding sentence, then the Purchase Price will be reduced by an amount equal to the value of such deleted portion of Real Property, as mutually agreed upon by Purchaser and Seller, or if Purchaser and Seller are unable to agree within fifteen (15) days after Seller's receipt of Purchaser's election notice, then such value and the amount of such reduction will be determined pursuant to paragraph 25 below; provided, however, if the sum of the values of all such deletions under this paragraph 6, plus the values of all portions of the timber which are damaged or destroyed by fire, insect infestation or other casualty (paragraph 7(b) below) and the values of all portions of the Real Property which are taken or to be taken by condemnation or eminent domain

(paragraph 7(c) below), exceeds fifteen percent (15%) of the Purchase Price, then Purchaser may terminate this Agreement by promptly giving written notice of such termination to Seller, whereupon no party hereto will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein. Any determinations of such values will be mutually agreed upon by Purchaser and Seller, or if Purchaser and Seller are unable to agree, then such values will be determined pursuant to paragraph 25 below. The date of Closing will be extended to the extent necessary to permit any determination(s) of value pursuant to this paragraph. For purposes of this Agreement, the term "hazardous substance" means any chemical, compound, constituent, material, waste, contaminant or other substance as defined in and regulated by any of the following sources as amended from time to time: (i) the Resource Conservation and Recovery Act of 1976, 42 USC Section 6901 et seq. (RCRA); (ii) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC Section 9601 et seq. (CERCLA); (iii) the Hazardous Materials Transportation Act, 49 USC Section 1801, et seq.; (iv) the Toxic Substances Control Act, 15 USC Section 2601 et seq.; (v) the Clean Water Act, 33 USC Section 1251 et seq.; (vi) the Clean Air Act, 42 USC Section 1857 et seq.; (vii) applicable environmental laws of the States of Wisconsin and Michigan; and (viii) any federal, state or local regulation, rule or order issued or promulgated under or pursuant to any of the foregoing by any governmental department, agency or other administrative, regulatory or judicial body having jurisdiction over the Assets.

7. Condition of Assets; Damage; Condemnation.

(a) Seller agrees that at the Closing the Assets will be in the same condition as exists on the date hereof, subject to natural wear and tear, to condemnation, casualties and other circumstances beyond Seller's control, to Seller's use, operation and management of the Assets in the ordinary course of business, and to harvesting, cutting and removal of timber pursuant to paragraph 3(e) of this Agreement; provided, however, Seller covenants and agrees that it shall complete its planned operating and capital budgets for road construction and maintenance and planting and other silvicultural activities as disclosed in Seller's budgets attached hereto as Exhibit "G" (the "Operating and Capital Budgets").

(b) If at any time prior to the Closing, any material portion of the timber which is included as part of the Timberlands is destroyed or damaged by fire, insect infestation or other casualty, or if any of the Offices suffer material loss or damage, then the Purchase Price will be reduced by an amount equal to the value of the portions of such timber so damaged or destroyed or the value of the Offices so damaged as mutually agreed by Seller and Purchaser, or if Seller and Purchaser are unable to agree within fifteen (15) days after Purchaser's receipt of notice of the occurrence of such damage or destruction, such value and the amount of such reduction will be determined pursuant to paragraph 25 hereof; provided, however, if the sum of the values of all portions of such timber so damaged or destroyed, plus the values of all deletions pursuant to paragraph 6 above and the values of all portions of the Real Property which are taken or to be taken by condemnation or eminent domain (paragraph 7(c) below), exceeds fifteen percent (15%) of the Purchase Price, then Purchaser may terminate this Agreement by promptly giving written notice of such termination to Seller, whereupon no party hereto will have any further rights or obligations hereunder, except as may otherwise be expressly provided

herein. Any determinations of such values will be mutually agreed upon by Purchaser and Seller, or if Purchaser and Seller are unable to agree, then such values will be determined pursuant to paragraph 25 below. The date of Closing will be extended to the extent necessary to permit any determination(s) of value pursuant to the preceding sentence.

(c) If at any time prior to the Closing, any action or proceeding is filed or threatened under which any material portion of the Real Property is or may be taken pursuant to any law, ordinance or regulation by condemnation or the right of eminent domain, then Purchaser and Seller will proceed with the purchase and sale of the Assets (excluding any portion thereof so taken prior to Closing) pursuant to this Agreement, notwithstanding such action or proceeding, and the Purchase Price will not be reduced, but Purchaser will be entitled to receive all proceeds of any awards paid or payable to Seller with respect to such taking; provided, however, if the sum of the values of all portions of the Real Property so taken or to be taken, plus the values of all deletions pursuant to paragraph 6 above and the values of all portions of the timber or the Offices which are damaged or destroyed by fire, insect infestation or other casualty (paragraph 7(b) above), exceeds fifteen percent (15%) of the Purchase Price, then Purchaser may terminate this Agreement by promptly giving written notice of such termination to Seller, whereupon no party hereto will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein. Any determinations of such values will be mutually agreed upon by Purchaser and Seller, or if Purchaser and Seller are unable to agree, then such values will be determined pursuant to paragraph 25 below. The date of Closing will be extended to the extent necessary to permit any determination(s) of value pursuant to the preceding sentence.

8. Warranties and Representations.

(a) Seller hereby warrants and represents to Purchaser as follows:

(i) Seller is a corporation duly formed and validly existing under the laws of the State of Wisconsin and is duly qualified to do business in the State of Michigan, and is in good standing in the States of Wisconsin and Michigan, and Seller has the full capacity, power and authority to enter into this Agreement and fully perform its obligations hereunder.

(ii) This Agreement and the performance hereof by Seller will not contravene any law or contractual restriction binding on Seller.

(iii) No consent, approval, order or authorization of any court or other governmental entity is required to be obtained by Seller in connection with the execution and delivery of this Agreement or the performance hereof by Seller, except for any filing required under the HSR Act (as hereinafter defined).

(iv) This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against

Seller in accordance with its terms, subject to applicable bankruptcy, insolvency and other similar laws affecting the enforceability of creditors' rights generally and the discretion of the courts with respect to equitable remedies.

(v) Except for the matters set forth on the Disclosure Schedule attached hereto as Exhibit H, Seller warrants and represents, in each case to Seller's knowledge, as follows:

(A) Seller owns fee simple title to the Real Property, subject to the Permitted Encumbrances.

(B) Seller has made available for Purchaser's review at Seller's offices correct and complete copies of the Gravel Leases; other than the Gravel Leases and the Permitted Encumbrances, there are no leases, subleases, contracts, licenses or permits pursuant to which any person other than Seller has the right to use or occupy any of the Real Property; and there are no existing defaults by Seller under any of the Gravel Leases.

(C) Seller has provided to Purchaser complete copies of the Contracts, and there are no existing defaults by Seller under any of the Contracts.

(D) There is no pending or threatened action, suit or proceeding (including any condemnation or eminent domain proceeding) before any court, governmental agency or arbitrator which could materially and adversely affect the Assets.

(E) Seller has not received any notice from any Federal, State or local governmental authority having jurisdiction over the Real Property or the timberland business of Seller of any material violation of any such statute, ordinance, rule, regulation or order relating to the Real Property, nor does Seller have knowledge of any situation that could reasonably be expected to give rise to any such notice.

(F) No person other than Seller has any right to conduct timbering operations on the Real Property or any right, title or interest in or to any standing timber located on the Real Property.

(G) Except as set forth on EXHIBIT H and in the environmental reports identified on SCHEDULE 4.8:

(a) The Real Property has not at any time been used for the generation, transportation, management, handling, treatment, storage, manufacture, emission disposal, release or deposit of any hazardous substances or fill or other material containing hazardous

substances in material violation of levels permitted under applicable laws.

(b) There are no underground storage tanks on the Real Property.

(c) Seller has not received notification from any third party, including but not limited to any governmental agency, alleging that the Real Property is not materially in compliance with applicable environmental laws, and to Seller's knowledge, there is no pending notification.

(vi) Since the date of Seller's timber inventory, April 1, 2002, Seller has conducted its harvesting operations on the Timberlands and managed the Timberlands consistent with past practices and in compliance with the Harvest Schedule, and the Operating and Capital Budgets.

(vii) Except as set forth on EXHIBIT J attached hereto and made a part hereof, since the date of Seller's timber inventory, April 1, 2002, Seller has not sold, conveyed or transferred, or entered into any contracts for the sale, conveyance or transfer of any of Seller's right, title or interest in and to the Assets or any portion thereof.

As used in this paragraph 8(a)(v), the term "Seller's knowledge" means only the present, actual knowledge of Frederic J. Souba, Jr., Seller's Vice President-Forest Resources; John Anderson; Dan Bobbe; Mark Fries; Dick Kayser; Al Samz; Joe Schroeder; Dan Peterson; and Tim Tollefson.

(b) Purchaser hereby warrants and represents to Seller as follows:

(i) Purchaser Plum Creek Timberlands, L.P. is a limited partnership; Plum Creek Marketing, Inc. is a corporation; and Plum Creek Land Company is a corporation, each of which is duly formed and validly existing under the laws of the State of Delaware and has the full capacity, power and authority to enter into this Agreement and fully perform its obligations hereunder.

(ii) This Agreement and the performance hereof by Purchaser will not contravene any law or contractual restriction binding on Purchaser.

(iii) No consent, approval, order or authorization of any court or other governmental entity is required to be obtained by Purchaser in connection with execution and delivery of this Agreement or the performance hereof by Purchaser, except for any filing required under the HSR Act (as hereinafter defined).

(iv) This Agreement has been duly executed and delivered by Purchaser and constitutes the valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, subject to applicable bankruptcy,

insolvency and other similar laws affecting the enforceability of creditors' rights generally and the discretion of the courts with respect to equitable remedies.

(c) Subject to the limitations set forth in paragraph 8(d) below, Seller and Purchaser each agrees to indemnify and hold harmless the other from any damage, loss, liability, expense, cost and claim (including, without limitation, attorneys' fees and court costs) incurred by or asserted against the indemnified party as a result of the breach by the indemnifying party of any warranty or representation set forth in this paragraph 8.

(d) The indemnification obligations set forth in paragraph 8(c) above shall be subject to the following limitations: (i) such indemnification obligations will survive the Closing, but will expire and be of no further force or effect whatsoever on the first (1st) anniversary of the date of the Closing, except to the extent, if any, that Seller or Purchaser, as the case may be, has given to the other party, prior to expiration of such one-year period, written notice of a specific claim of a breach by such other party of a warranty or representation set forth in this paragraph 8; (ii) neither Seller nor Purchaser will have any liability for indemnification under paragraph 8(c) until the aggregate amount of all losses by the indemnified party for all breaches by the indemnifying party of warranties and representations set forth in paragraph 8(c) exceeds the sum \$1,000,000 and then only for the amount by which such losses exceeds such sum; and (iii) in no event will Seller or Purchaser have any liability for indemnification under paragraph 8(c) in excess of an aggregate amount of \$10,000,000. The foregoing notwithstanding, in the event of a breach of Seller's representation and warranty under Paragraph 8(a)(vi), the provisions of Paragraph 2(c) shall apply.

9. Operation of Assets Prior to Closing. Until the date of the Closing, Seller will continue to use, operate and manage the Assets in the ordinary course of business and consistent with past practice. This activity will include harvesting operations and site preparation, release and planting activities on the Real Property pursuant to the Harvest Schedule and the Operating and Capital Budgets.

10. Brokerage. At the Closing, Seller will pay to UBS Warburg LLC certain commissions, fees and/or expenses pursuant to the terms of a separate agreement between Seller and UBS Warburg LLC.(the "UBS Fee"). Seller and Purchaser each warrant and represent to the other that, except for the UBS Fee, which remains the sole responsibility of the Seller, neither has incurred any liability for any brokerage or finder's commission, fee or expense in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. Seller and Purchaser each agree to indemnify and hold harmless the other from any and all damage, loss, liability, expense, cost and claim (including but not limited to attorneys' fees and court costs) arising with respect to any such other commission, fee or expense which may be suffered by the indemnified party by reason of any action or agreement of the indemnifying party. The foregoing indemnification provision will survive the Closing and will survive any termination of this Agreement.

11. Prorations; Taxes; Expenses.

(a) Managed Forest Law, Forest Crop Law and ad valorem real property taxes on the Real Property for any applicable period in which the Closing occurs will be prorated between Seller and Purchaser as of the date of Closing. If actual tax bills for the calendar year of Closing are not available, said taxes will be prorated based on tax bills for the previous calendar year and such proration will be final. If any portion of the Real Property is not designated as a separate tax parcel, said taxes will be adjusted to an amount bearing the same relationship to the total tax bill which the acreage contained within such portion of the Real Property bears to the acreage contained within the property included within said tax bill.

(b) Purchaser will pay (i) all costs and expenses for any title examinations and all title insurance premiums and other charges in connection with any title insurance policy or policies obtained by Purchaser, and (ii) all costs and expenses in connection with any inspections, examinations, tests, surveys, cruises or assessments performed by or for Purchaser.

(c) Seller will pay all transfer taxes and any other taxes in connection with this transaction. Purchaser will pay all recording fees in connection with the recordation of the Deeds.

(d) Each party will pay its respective costs and expenses of legal representation.

(e) Purchaser shall be solely responsible and liable for any and all taxes, assessments and similar charges (including any and all fines, penalties and interest charges in connection therewith) that may be levied, assessed, recaptured or otherwise imposed with respect to the Assets or any part thereof which result from or arise out of any change in the use of, or other change in circumstances relating to, the Assets or any part thereof from and after the date of Closing. Seller shall be solely responsible and liable for any and all taxes, assessments and similar charges (including any and all fines, penalties and interest charges in connection therewith) that may be levied, assessed, recaptured or otherwise imposed with respect to the Assets or any part thereof which result from or arise out of any change in the use of, or other change in circumstances relating to, the Assets or any part thereof prior to Closing.

(f) The provisions of this paragraph 11 will survive the Closing.

12. Hart-Scott-Rodino. Seller and Purchaser acknowledge that the transaction contemplated by this Agreement may be subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and it will be a condition to the Closing hereunder that the parties obtain such approvals as may be required under the HSR Act. The parties agree to cooperate in good faith in exchanging relevant information and filing any documents required under the HSR Act, and each party will bear its own costs, fees and expenses in making such filing, provided that any filing fees payable in connection with such filings shall

be shared equally by Purchaser and Seller. If any approval required under the HSR Act has not been received on or before six months from the date hereof, then this Agreement shall automatically terminate, whereupon no party hereto will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein.

13. Default; Remedies. If the purchase and sale of the Assets contemplated hereby is not consummated because of a default under this Agreement by Purchaser or Seller, then the other party shall have the right, at its option, (a) to terminate this Agreement, whereupon neither party will have any further rights or obligations hereunder, except as may otherwise be expressly provided herein, or (b) to exercise any and all rights and remedies available at law or in equity, including, without limitation, an action or suit for monetary damages and/or specific performance; provided, however, that neither party shall be entitled to punitive or consequential damages.

14. Assignment; Direct Deeding Capability. Neither party hereto will have the right to assign its rights or obligations under this Agreement, in whole or in part, without the prior written consent of the other party, which consent shall not be unreasonably withheld; provided, however, Purchaser may, at its sole option:

(a) assign all or any portion of this Agreement to a designated qualified intermediary, exchange accommodation titleholder, or other special purpose entity pursuant to Paragraph 27(d) hereof;

(b) assign all or any portion of this Agreement to an affiliate of Purchaser; or

(c) require Seller to direct deed any or all of the Timberlands or Offices to any designee of Purchaser.

In the event of any such assignment or direct deeding, Purchaser shall remain liable for the complete performance of the terms and conditions hereunder. Any attempted assignment in violation of this paragraph will be deemed null and void.

15. No Waiver. No action or failure to act by any party hereto will constitute a waiver of any right or duty afforded to such party under this Agreement, nor will any such action or failure to act constitute an approval of or acquiescence in any breach of this Agreement except as may be specifically agreed in writing.

16. Governing Law. This Agreement will be governed by the laws of the State of Wisconsin.

17. Notice. Any and all notices, elections and communications required or permitted by this Agreement will be made or given in writing and will be delivered in person, sent by reputable overnight courier or facsimile, or sent by postage prepaid United States mail, certified or registered, return receipt requested, to the other parties at the addresses set forth

below, or such other address as may be furnished by notice in accordance with this paragraph. The date of notice given by personal delivery will be the date of such delivery. The effective date of notice by overnight courier or facsimile or by mail will be the date such notice is received by the addressee.

Seller: STORA ENSO NORTH AMERICA CORP.
510 High Street
Wisconsin Rapids, WI 54495
Attention: Carl H. Wartman
Facsimile: 715-422-3203

with a copy to: MICHAEL BEST & FRIEDRICH LLP
100 E. Wisconsin Ave.
Milwaukee, WI 53202-4108
Attention: Nancy Leary Haggerty
Facsimile: 414-277-0656

Purchaser: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 2300
Seattle, WA 98104
Attn: James A. Kraft, Sr. Vice President,
General Counsel and Secretary
Facsimile: 206-467-3799

Plum Creek Marketing, Inc.
999 Third Avenue, Suite 2300
Seattle, WA 98104
Attn: James A. Kraft, Sr. Vice President,
General Counsel and Secretary
Facsimile: 206-467-3799

Plum Creek Land Company
999 Third Avenue, Suite 2300
Seattle, WA 98104
Attn: James A. Kraft, Sr. Vice President,
General Counsel and Secretary
Facsimile: 206-467-3799

18. Entire Agreement. This Agreement and the documents delivered pursuant hereto contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior negotiations. None of the parties shall be bound by nor shall be deemed to have made any representations, warranties or commitments except those required to be made by the terms of this Agreement, or those which are contained herein or in the documents

delivered pursuant hereto. This Agreement may only be amended by a written instrument executed by both parties.

19. Captions. The captions of paragraphs in this Agreement are for convenience and reference only and are not part of the substance hereof.

20. Severability. In the event that any one or more of the provisions, paragraphs, words, clauses, phrases or sentences contained in this Agreement, or the application thereof in any circumstance is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, paragraph, word, clause, phrase or sentence in every other respect and of the remaining provisions, paragraphs, words, clauses, phrases or sentences of this Agreement, will not be in any way impaired, it being the intention of the parties that this Agreement will be enforceable to the fullest extent permitted by law.

21. Counterparts; Facsimile Delivery. This Agreement may be executed in counterparts either by original delivery or by facsimile transmission, each of which shall be deemed to be an original instrument. All such counterparts together shall constitute a fully executed Agreement.

22. No Third Party Beneficiaries; Binding Effect. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing contained herein will give or be construed to give to any party, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder. Subject to the foregoing and the provisions of paragraph 14 above, this Agreement will be binding upon and will inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

23. Time of Essence. Time is of the essence of this Agreement.

24. No Survival. Except to the extent otherwise expressly provided in this Agreement, the provisions of this Agreement will not survive any termination of this Agreement and will not survive the Closing and will be merged into the documents executed and delivered and the payment of all amounts made at the Closing.

25. Determination of Value.

(a) In the event that any provision of this Agreement refers to this paragraph 25 for a determination of the value of any portion(s) of the Real Property, any leasehold interest(s) under the Gravel Leases and/or any timber or improvements on the Real Property, Seller and Purchaser will promptly agree upon and jointly appoint an independent forestry consultant or appraiser, who will determine the fair market value thereof. The consultant will reach a decision within thirty (30) days after such appointment, and the decision of the consultant as to such value will be final and binding on Seller and Purchaser.

(b) In the event Seller and Purchaser are unable to agree on the appointment of a consultant under subparagraph (a) above, Seller and Purchaser will each promptly appoint an independent forestry consultant, each of which may be a consultant previously engaged by the appointing party with respect to the Assets, and such two consultants will in turn promptly select a third independent forestry consultant or appraiser to act with them in a panel to determine the fair market value of such portion(s), interest(s) and/or timber. The panel of consultants will reach a decision within thirty (30) days after the selection of the third consultant, and the decision of the panel of consultants as to such value will be final and binding on Seller and Purchaser.

(c) Seller and Purchaser will each bear one-half (1/2) of the cost of each consultant appointed hereunder. The date of Closing will be extended to the extent necessary to permit the final decision of the consultant or panel of consultants, as the case may be.

26. Incorporation of Exhibits. All exhibits referred to herein are hereby incorporated in this Agreement by this reference.

27. No Publicity; Confidentiality; Public Announcements; Return of Information. Subject to the provisions of Paragraph 27(c) below:

(a) Neither Seller nor Purchaser shall disclose the content or substance of this Agreement to any individual, firm, partnership, corporation, entity, governmental authority, or other party except advisors, agents, lenders and representatives assisting each respective party in connection with this transaction, until such disclosure is agreed upon in writing and then only to accomplish the consents and approvals required hereunder.

(b) No press releases or other public statements concerning this Agreement or the transactions contemplated hereby shall be made by either party without the prior written approval of the other, except as required by law.

(c) Each party hereto, its representatives, agents and employees shall hold in strict confidence and shall not use or disclose to any person or organization any information or data concerning this Agreement or the transaction contemplated hereby except to the extent that (i) said information has been published or constitutes a matter of public knowledge or record; (ii) such disclosure is reasonably necessary for communications with and reporting to the Board of Directors or other governing body of either party or reasonably appears to be required by a governmental agency having jurisdiction over the parties; (iii) such information is necessary in connection with any suit brought to enforce the obligations of any party hereunder; or (iv) if based upon the legal opinion of counsel for the disclosing party, that such counsel reasonably believes that disclosure is necessary or desirable to avoid conflict with or violation of any applicable law, rule, or regulation.

(d) In the event of termination of this Agreement for whatever reason, Purchaser will return all originals and copies of documents, work papers and other material

obtained hereunder, whether obtained before or after the execution hereof (subject to retention of true copies for litigation purposes as applicable), and Purchaser agrees that it will not disclose or divulge any such information to any other person without Seller's written consent, and will use its best efforts to keep any information so obtained confidential; provided, however, that (i) Purchaser may disclose this information to its employees, attorneys, accountants and prospective lenders who need to know such information in connection with this transaction and who have been informed of Purchaser's obligation to maintain the information as confidential; and (ii) Purchaser shall not be obligated to treat as confidential any information which was known to it at the time of disclosure or which becomes publicly known or available thereafter or is rightfully received by Purchaser from a third party.

28. Miscellaneous.

(a) Further Assurances. If, at any time after the Closing Date, either party shall consider or be advised that any further instruments or assurance or any other things are necessary or desirable to carry out the terms of this Agreement, the other party shall execute and deliver all such instruments and assurances and do all things reasonably necessary and proper to carry out the terms of this Agreement.

(b) Costs and Expenses. Each party to this Agreement shall pay its own costs and expenses (including, without limitation, the fees and expenses of its agents, representatives, counsel and accountants) incurred in connection with the closing of the transactions contemplated under this Agreement.

(c) Attorneys Fees and Other Costs. If either party initiates any proceeding in law, equity or arbitration concerning this Agreement or any of its provisions, the party that substantially prevails in such proceeding shall be paid by the party not so prevailing therein all costs and expenses incurred in such proceeding, including reasonable attorneys' fees at the pretrial, trial and appellate levels as determined by the court or courts considering the matter.

(d) Tax Cooperation. Purchaser may desire to complete this transaction as part of a Section 1031 tax-deferred exchange. Seller agrees to cooperate with Purchaser in documenting and completing such exchange. Purchaser may assign some or all of Purchaser's rights and obligations under this Agreement to a designated qualified intermediary, exchange accommodation titleholder, or other special purpose entity. Seller agrees to accept such designated qualified intermediary, exchange accommodation titleholder, or other special purpose entity as the assigned Purchaser of the Timberlands to be purchased by PC Timberlands under this Agreement. In addition, Seller shall cooperate with Purchaser with respect to Purchaser's efforts to structure the purchase and ownership of the Assets in a manner consistent with Purchaser's status as a Real Estate Investment Trust. Seller shall not incur additional expense or liability by such cooperation.

(e) Liabilities Not Assumed. Except for the obligations assumed pursuant to the Gravel Leases, and as otherwise set forth in this Agreement, Purchaser shall not

assume or be responsible for any liabilities of Seller.

(f) "Materiality" Defined. "Material" or "materiality" or "materially" or "materially and adversely affect" as used in this Agreement shall mean a claim, encumbrance or occurrence (including without limitation a breach of warranty or violation by Seller) that could lessen the value of the Assets by, or cause damages of, at least \$500,000 or encumber or adversely affect more than 1,000 acres of Timberlands in the aggregate.

IN WITNESS WHEREOF, this Agreement has been duly executed, sealed and delivered by the parties hereto as of the date first set forth above.

PLUM CREEK TIMBERLANDS, L.P.
By Plum Creek Timber I, L.L.C.
Its General Partner

By: _____
Title: _____

PLUM CREEK MARKETING, INC.

By: _____
Title: _____

PLUM CREEK LAND COMPANY

By: _____
Title: _____

SELLER:

STORA ENSO NORTH AMERICA CORP.

By: _____
Title: _____

INDEX OF EXHIBITS

Note: Plum Creek agrees that it will furnish to the Commission a copy of any of the following omitted schedules upon request.

- A. Description of Timberlands
 - B-1. Gravel Leases
 - B-2. Assumed Contracts
 - C. Description of Offices
 - D-1. Personal Property
 - D-2. Excluded Personal Property
 - E. Harvest Schedule
 - F. Permitted Encumbrances
 - G. Operating and Capital Budgets
 - H. Disclosure Schedule - Encumbrances
 - I. Disclosure Schedule - Environmental Matters
 - J. Real Estate Transactions
- Schedule 4.8 - Environmental Reports

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</TEXT>
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PLUM CREEK TIMBERLANDS, L.P.
999 Third Avenue, Suite 2300
Seattle, Washington 98104

As of December 19, 2002

To each of the Noteholders listed on the signature pages attached hereto

Dear Noteholder:

Plum Creek Timberlands, L.P., (together with any Person who succeeds to all or substantially all of Plum Creek Timberlands, L.P.'s assets and business, herein called the "Company"), a Delaware limited partnership has heretofore entered into that certain Senior Note Agreement, dated as of October 9, 2001 (the "Senior Note Agreements"), pursuant to which the Company issued its senior notes in the aggregate principal amount of \$500,000,000 (\$55,000,000 of 6.96% Series H Senior Notes due 2006, \$75,000,000 of 7.25% Series I Senior Notes due 2008, \$295,000,000 of 7.66% Series J Senior Notes due 2011 and \$75,000,000 of 7.76% Series K Senior Notes due 2013, all of which remain outstanding and are held by the institutions (individually a "Noteholder" and collectively the "Noteholders") listed on the signature pages attached hereto (the "Notes"). Terms used herein which are not otherwise defined herein have the meanings ascribed to them in the Senior Note Agreements, as amended by this Agreement.

The Company and the Noteholders wish to enter into this agreement (this "Agreement") in order to amend certain provisions of the Senior Note Agreements. Accordingly, the Company hereby agrees with the Noteholder as follows:

1. AMENDMENTS TO SENIOR NOTE AGREEMENTS.

(a) Clause (ix) of paragraph 6B(3) of the Senior Note Agreements is hereby amended to read in its entirety as follows:

(ix) make Investments not otherwise permitted by this paragraph 6B(3) in entities engaged solely in a Permitted Business or Permitted Ancillary Business, provided that the cumulative aggregate amount of such Investments, (calculated at original cost and including (A) the fair market value of property (other than cash invested as of the date of the Investment) as reasonably determined in good faith by the Responsible Representatives at the time such Investment was made and (B) the principal amount of any obligations guaranteed to the extent such guarantees are not otherwise permitted by this paragraph 6B(3)) outstanding from time to time made pursuant to this clause (ix) between the date of closing and any date thereafter shall not exceed the greater of \$300,000,000 or 60% of the average annual Pro Forma Free Cash Flow for the two fiscal years preceding such date;

(b) A new clause (x) is added at the end of paragraph 6B(3) of the Senior Note Agreements as follows:

Amendment to Series H,I,J & K
Senior Note Agreements

and; (x) make contributions of property to the capital of Persons in which the Company directly or indirectly holds an equity or other ownership interest to the extent that such contributions constitute Investments that are permitted by the provisions of clause (ix) above;

(c) Clause (iii) of paragraph 6B(5) of the Senior Note Agreements is hereby amended by adding the phrase "or a Permitted Ancillary Business" after the phrase "Permitted Business" in the seventh line thereof.

(d) Clause (iv) of paragraph 6B(5) of the Senior Note Agreements is hereby amended by adding the phrase "or a Permitted Ancillary Business" after the phrase "Permitted Business" in the eighteenth line thereof.

(e) Clause (viii) of paragraph 6B(5) of the Senior Note Agreements is hereby amended to read in its entirety as follows:

(viii) the Company and its Restricted Subsidiaries may otherwise sell for cash properties in an amount not less than the fair value thereof as determined in good faith by the Responsible Representatives, if and only if (a) immediately after giving effect to such proposed sale, no condition or event shall exist which constitutes an Event of Default or Material Default, (b) not less than 50% of the Net Proceeds of any such sale (x) are applied, within one year after such sale, to the repayment of Qualified Debt selected by the Company, which, in the case of the Notes, shall be a prepayment pursuant to paragraph 4B, or (y) are applied, within one year after such sale, to the purchase of productive assets in the same line of business, and (c) immediately after giving effect to such sale (giving effect on a pro forma basis to any proposed retirement of Qualified Debt out of the proceeds thereof), the Company could incur \$1 of additional Funded Debt or Current Debt pursuant to paragraph 6B(2)(ix); provided that, if any such sale constitutes a sale of more than 15% of the Company's Tangible Assets as of the end of the Company's most recently ended fiscal quarter, all the unapplied Net Proceeds of such sale less the amount, if any, of such Net Proceeds to be included in clause (a)(vii) of the definition of "Available Cash" in the calculation thereof for the calendar quarter of the Company in which the sale occurs shall be placed immediately in an escrow or cash collateral account or accounts, pursuant to an agreement or agreements in form and substance reasonably satisfactory to the holders of greater than 50% of the outstanding principal amount of Qualified Debt (which escrow agreement or agreements shall provide for a release from escrow of an amount equal to any additions to Available Cash pursuant to clause (a)(vii) of the definition of "Available Cash" with respect to such sale in calendar quarters of the Company subsequent to the calendar quarter in which such sale occurs), for the purpose of application in accordance with clause (b) above, and

(f) Paragraph 6C of the Senior Note Agreements is hereby amended by adding the phrase "or Permitted Ancillary Businesses" at the end of the first sentence thereof.

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(g) The following definitions set forth in paragraph 10B of the Senior Note Agreements are hereby amended to read in their entirety as follows:

"Assumption Agreements" shall mean those certain Assumption Agreements, dated as of October 9, 2001, executed as contemplated by (and in substantially the form designated as Exhibit 3H to) this Agreement, together with any Future Southern Timber Assumption Agreements or any Assumption Agreements executed by the Mississippi Subsidiary or any other Restricted Subsidiary in substantially the form of Exhibit 3H attached hereto.

"Available Cash" shall mean, with respect to any calendar quarter

(a) the sum of:

(i) the Company's net income (or net loss) (excluding gain on the sale of any Capital Asset) for such quarter,

(ii) the amount of depletion, depreciation, amortization and other noncash charges utilized in determining net income of the Company for such quarter,

(iii) the amount of any reduction in reserves of the Company of the types referred to in clause (b)(iv) below,

(iv) proceeds received by the Company from the sale of Designated Acres,

(v) any Cash from Capital Transactions received by the Company during such quarter in specific contemplation that such Cash from Capital Transactions will be used to refund or refinance any payment of Debt of the type specified in clause (b)(i) below which was made in either of the two immediately preceding quarters,

(vi) (A) with respect to the calendar quarter ended September 30, 2001 only, \$140,000,000 and (B) other Cash from Capital Transactions received by the Company during the relevant quarter up to an aggregate amount equal to \$200,000,000 for all calendar quarters, commencing with the calendar quarter that ended March 31, 2002, less the aggregate of other amounts of such \$200,000,000 utilized in the calculation of Available Cash for previous calendar quarters, and

(vii) without duplication in respect of clauses (a)(v) and (a)(vi) above, in the event of any Asset Sale, an amount equal to that portion of the Net Proceeds received from such sale that was applied to the repayment of the Qualified Debt in accordance with paragraph 6B(5)(viii) but not to exceed an amount equal to 50% of the Net Proceeds received from such sale; provided, that, the cumulative increase to Available Cash pursuant to this clause (a)(vii) (after giving effect to any current increase

Amendment to Series H,I,J & K
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in respect thereof) with respect to any Asset Sale shall not exceed, in any event, an amount equal to the Net Proceeds from such Asset Sale less the cumulative amount of such Net Proceeds applied to the repayment of Qualified Debt and to the purchase of productive assets in accordance with paragraph 6B(5)(viii);

less (b) the sum of:

(i) all payments of principal on Debt made by the Company in such quarter (excluding any payments of principal on Debt made with Cash from Capital Transactions received by the Company during such quarter or, to the extent such Cash from Capital Transactions remains available, received by the Company during the four immediately preceding quarters),

(ii) capital expenditures made by the Company during such quarter (excluding any capital expenditures for such quarter made with Cash from Capital Transactions received by the Company during such quarter or, to the extent such Cash from Capital Transactions remains available, received by the Company during the four immediately preceding quarters, and capital expenditures which the General Partner reasonably anticipates will be financed with Cash from Capital Transactions within 90 days from the end of such quarter),

(iii) the amount of any capital expenditures made by the Company in a prior quarter which was anticipated would be financed from Cash from Capital Transactions but which have not been financed from such source within 90 days from the end of such quarter,

(iv) the amount of any reserves of the Company established during such quarter which are necessary or appropriate (A) to provide funds for the future payment of items of the types specified in clauses (b)(i) and (b)(ii) above, (B) to provide additional working capital, (C) to provide funds for cash distributions with respect to any one or more of the next four quarters, or (D) to provide funds for the future payment of interest in an amount equal to the interest to be accrued in the next quarter,

(v) the amount of any noncash items of income utilized in determining net income of the Company for such quarter,

(vi) the amount of any Investments in the form of cash or cash equivalents (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) made by the Company during such quarter pursuant to clause (i), (viii) or (ix) of paragraph 6B(3) (or in the case of any Subsidiary, Investments in the form of cash or cash equivalents (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) of similar

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type) to the extent not included in capital expenditures or payments on principal on Debt made by the Company during such quarter (excluding (A) any such Investments for such quarter made with Cash from Capital Transactions received by the Company during such quarter or, to the extent such Cash from Capital Transactions remains available, received by the Company during the four immediately preceding quarters, and Investments which the General Partner reasonably anticipates will be financed with Cash from Capital Transactions within 90 days from the end of such quarter and (B) the Investments made pursuant to the Merger-Related Contributions), and

(vii) the amount of any Investments (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) made by the Company in a prior quarter pursuant to clause (i), (viii) or (ix) of paragraph 6B(3) (or in the case of any Subsidiary, Investments (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) of similar type) to the extent not included in capital expenditures made by the Company during such quarter which was anticipated would be financed from Cash from Capital Transactions but which have not been financed from such source within 90 days from the end of such quarter, other than any Investments made pursuant to the Merger-Related Contributions.

Notwithstanding the foregoing, "Available Cash" shall not take into account any reductions in reserves or disbursements made or reserves established after commencement of the dissolution and liquidation of the Company. In determining "Available Cash", (i) all items under clauses (a)(i), (ii), (iii), (iv), (v), (vi) and (vii) above and all items under clauses (b)(i), (ii), (iii), (iv), (v), (vi) and (vii) above shall be (A) calculated on a consolidated basis with any Subsidiary of the Company whose income is accounted for on a consolidated basis with the Company and (B) calculated on a consolidated basis with any other Person in which the Company directly or indirectly holds an equity or other ownership interest, and, in accordance therewith, "Available Cash" shall include a percentage of each such item of each such Subsidiary or such other Person equal to the Company's percentage ownership interest in such Subsidiary or such other Person, provided, however, that the items under clauses (a)(i), (ii), (iii), (iv), (v), (vi) and (vii) above shall only be included in Available Cash to the extent that the General Partner determines such amount to be legally available for dividends or distributions to the Company or a Subsidiary by such Subsidiary, and with respect to dividends or distributions to the Company or a Subsidiary by such other Person, that such dividends or distributions have been paid to the Company or such Subsidiary; (ii) the amount of net income and the amount of depletion, depreciation, amortization and other noncash charges, utilized in determining net income shall be determined, with respect to the Company, by the General Partner in accordance with generally accepted accounting principles and, with respect to any Subsidiary or such other Person in which the Company directly or indirectly holds an equity or other ownership interest, by its Board of Directors (or by such

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other body or Person which has the ultimate management authority of such Subsidiary or such other Person) in accordance with generally accepted accounting principles; (iii) the net income of any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest shall be determined on an after-tax basis; (iv) the amount of any reductions in, or additions to, reserves for purposes of clauses (a)(iii) and (b)(iv) above shall be determined, with respect to the Company, by the General Partner in its reasonable good faith judgment and, with respect to any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest, by its Board of Directors (or by such other body or Person which has the ultimate management authority of such Subsidiary or such Person) in its reasonable good faith judgment; and (v) any determination of whether any capital expenditures or investments are financed, or anticipated to be financed, with Cash from Capital Transactions for purposes of clause (b)(ii) or (b)(vi) above shall be made, with respect to the Company, by the General Partner in its reasonable good faith judgment and, with respect to any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest, by its Board of Directors (or by such other body or Person which has the ultimate management authority of such Subsidiary or such Person) in its reasonable good faith judgment.

Subject to the immediately succeeding sentence, any increase to Available Cash pursuant to clause (a)(vii) above shall be made in the calendar quarter in which Qualified Debt is repaid in accordance with such clause (irrespective of the calendar quarter in which the Asset Sale occurred). Notwithstanding the foregoing, the item under clause (a)(vii) above shall only be included in the calculation of Available Cash if (A) the Company has delivered to the Noteholders an Officers' Certificate demonstrating (with computations in reasonable detail) compliance by the Company with the provisions of clause (B) below for the calendar quarter in which the payment of Qualified Debt in accordance with clause (a)(vii) above is made, and (B) the ratio of Pro Forma Free Cash Flow to Maximum Pro Forma Annual Interest Charges as of the last day of such calendar quarter is not less than 2.50:1.0.

"Designated Acres" shall mean up to an aggregate 800,000 acres owned by the Company which (based on the good faith determination of the Responsible Representatives that such acres have at the time such determination is made a higher value as recreational, residential, grazing or agricultural property than for timber production) may be reasonably designated by the General Partner at the time of the sale thereof as constituting Designated Acres (such aggregate number of acres to be determined over the term of existence of this Agreement). The maximum number of Designated Acres as set forth above shall be adjusted from time to time as follows: (i) upon any acquisition of Timberlands made after September 30, 2002, the maximum number of Designated Acres shall be increased by an amount equal to five percent (5%) of the aggregate acreage of Timberlands so acquired, and (ii) upon any disposition or sale of Timberlands (other than a sale of Designated Acres) made after September 30, 2002, the

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maximum number of Designated Acres shall be decreased by an amount equal to five percent (5%) of the aggregate acreage of Timberlands so disposed or sold, provided, however, in no event may the number of Designated Acres be decreased below the number of Designated Acres previously sold as Designated Acres.

"Other Senior Notes" shall mean the following outstanding Senior Notes of the Company (other than the "Notes" as defined herein) (a) 8.73% Senior Notes due August 1, 2009, (b) 11-1/8% Senior Notes due June 8, 2007, (c) Senior Notes, Series A, B, C and D due November 13, 2006, 2008, 2011 and 2016, respectively, (d) Senior Notes, Series E, F and G due February 12, 2007, 2009 and 2011, respectively, (e) \$20,000,000 Floating Rate Notes Series L due 2008, \$47,000,000 4.96% Notes Series M due 2008, \$55,000,000 5.48% Notes Series N due 2010 and \$178,000,000 6.18% Notes Series O due 2013 and (f) 5.31% Senior Notes.

(h) The following new defined terms are hereby added to paragraph 10B of the Senior Note Agreements in the proper alphabetical order:

"Asset Sales" means any sale or disposition of properties (other than inventory in the ordinary course of business) of the Company, any of its Subsidiaries or any other Person in which the Company holds an equity or other ownership interest, by the Company, such Subsidiary or such other Person.

"5.31% Senior Notes" shall mean the Company's 5.31% Senior Notes due September 17, 2007, in the original principal amount of \$25,000,000.

"Net Proceeds" means proceeds in cash as and when received by the Person making a sale of property, net of: (a) the direct costs relating to such sale excluding amounts payable to the Company, any Affiliate of the Company or any other Person in which the Company holds an equity or other ownership interest, (b) sale, use or other transaction taxes paid or payable as a result thereof, and (c) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on Debt secured by a Lien on the asset which is the subject of such disposition.

"Permitted Ancillary Business" means the ownership, development, management and sale of property owned or previously owned by the Company or a Restricted Subsidiary that, based on the good faith determination of the Responsible Representatives at the time of determination, has a higher value as recreational, residential, grazing or agricultural property than for timber production.

(i) All references in the Senior Note Agreements to "net proceeds" shall be deemed to be references to "Net Proceeds."

2. CONDITIONS TO EFFECTIVENESS.

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Senior Note Agreements

The amendments set forth in paragraph 1 shall become effective (the "EFFECTIVE DATE") concurrently with the issuance of the Company's \$20,000,000 Floating Rate Notes Series L due 2008, \$47,000,000 4.96% Notes Series M due 2008, \$55,000,000 5.48% Notes Series N due 2010 and \$178,000,000 6.18% Notes Series O due 2013 (collectively, the "NEW NOTES"), subject to the satisfaction (or waiver) by the Required Holders of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES; NO DEFAULT. The representations and warranties contained in paragraph 3 hereof shall be true in all material respects on and as of the Effective Date; there shall exist on the Effective Date no Event of Default or Default; and the Company shall have delivered to you an Officer's Certificate, dated as of the Effective Date, to both such effects.

(b) PROCEEDINGS. All proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incident thereto shall be satisfactory in substance and form to you, and you shall have received all such counterpart originals or certified or other copies of such documents as you may reasonably request.

(c) NOTEHOLDER CONSENT. The Company shall have received executed counterparts of this Agreement from the Required Holders.

(d) AMENDMENT OF AGREEMENTS. The amendment of even date herewith of the agreements pursuant to which the Other Senior Notes were issued and the amendment of even date herewith of the Mortgage Note Agreements shall have been approved by the Required Holders in each such agreement.

3. REPRESENTATIONS AND WARRANTIES.

The Company represents and warrants as follows:

(a) NO DEFAULT. No Default or Event of Default has occurred and is continuing, and, after giving effect to the amendments contemplated hereby, no Default or Event of Default will exist.

(b) ORGANIZATION. The Company is a limited partnership, duly organized, validly existing and in good standing under the Delaware Revised Uniform Limited Partnership Act and has all requisite partnership power and authority to own and operate its properties, to conduct its business as currently conducted, to enter into this Agreement and to carry out the terms of this Agreement and after giving effect to the amendments contemplated hereby, the Senior Note Agreements and the Notes. The Restricted Subsidiaries, Manufacturing and the Facilities Operating Subsidiaries are each a duly organized and validly existing corporation, limited partnership or limited liability company, as applicable, and in good standing under its jurisdiction of incorporation or formation, as applicable, with all requisite corporate, partnership or limited liability company power and authority, as applicable, to own and operate its properties, to conduct its business as proposed to be conducted.

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(c) GENERAL PARTNER NET WORTH. As of the Effective Date, the General Partner will have a net worth (excluding its interest in the Company and any notes receivable from or payable to the Company) at least equal to the amount sufficient to meet the tax requirements, if any, for a general partner of a Delaware limited partnership (based on the fair market value of its assets).

(d) OWNERSHIP AND SUBSIDIARIES. The Corporation owns 100% of the membership interests in the General Partner. The General Partner owns the 1% general partnership interest in the Company and the Corporation owns the 99% limited partnership interest in the Company. The Company owns directly or indirectly, all of the issued and outstanding equity interests of all of its Subsidiaries, which interests will have been duly authorized and validly issued, fully paid and non-assessable and be owned free and clear of any Liens. There are no outstanding warrants or options to acquire, or instruments convertible into or exchangeable for, any equity interest in any such Subsidiary. As of the Effective Date, the Company will have no Subsidiaries other than the Subsidiaries listed on Exhibit A. The only general partner of the Company is the General Partner, which as of the Effective Date owns a 1% interest in the Company.

(e) CORPORATION. The Corporation is a corporation, duly formed, validly existing and in good standing under the laws of Delaware and has all requisite corporate power and authority to own and operate its properties, and to conduct its business as currently conducted. The Corporation is organized in conformity with the requirements for qualification as a real estate investment trust under the Code and its ownership and method of operation since July 1, 1999 has enabled it to meet the requirements for taxation as a real estate investment trust under the Code.

(f) QUALIFICATION. The Company and each of its Subsidiaries is duly qualified or registered for the transaction of business and in good standing as a foreign partnership, corporation or limited liability company, as the case may be, in each jurisdiction in which the failure to so qualify or be registered would have a Material Adverse Effect.

(g) BUSINESS; FINANCIAL STATEMENTS. The Company and its Subsidiaries have not engaged in any business or activities prior to the Effective Date other than (i) owning, acquiring and disposing of Timber and Timberlands, and (ii) owning and operating lumber mills, plywood and fiberboard manufacturing plants, wood chip plants and natural resource assets. The Company and its Subsidiaries do not have any significant assets other than Timber, Timberlands and the facilities described in clause (ii) above, cash and cash equivalents and general intangibles acquired, used or useful in connection with its Permitted Business, and as of the Effective Date will not have any significant liabilities other than the Notes, the Other Senior Notes, the Guarantee, the Mortgage Notes, indebtedness under the Bank of America Revolving Credit Agreement and the Company's 364-Day Revolving Credit Agreement dated as of November 26, 2002, as it may be amended, amended and restated, supplemented, modified, renewed or refinanced from time to time, and liabilities incurred in the ordinary course of business.

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(h) CHANGES, ETC. Except as contemplated by this Agreement, subsequent to December 31, 2001, (a) neither the Company nor the Facilities Subsidiary has incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions not in the ordinary course of business, except (i) the Company's 364-Day Revolving Credit Agreement dated as of November 26, 2002, as it may be amended, amended and restated, supplemented, modified, renewed or refinanced from time to time, (ii) the Purchase and Sale Agreement dated as of September 17, 2002 governing the terms of acquisition by the Company of approximately 309,000 acres of Timberlands from Stora Enso North America Corp. for the purchase price of \$142,000,000 and (iii) the Company's 5.31% \$25,000,000 Senior Notes due September 17, 2007; and (b) there has not been (i) any material adverse change in the condition (financial or other) or operations of the Company or the Facilities Subsidiary or (ii) any Restricted Payment of any kind declared, paid or made by the Company in violation of paragraph 6A of the Senior Note Agreements.

(i) ACTIONS PENDING. Except as set forth in Exhibit B attached hereto, there is no action, suit, investigation or proceeding pending or, to the Company's Knowledge, threatened against the Company, or any properties or rights of the Company, by or before any court, arbitrator or administrative or governmental body which questions the validity of this Agreement, the Senior Note Agreements or the Notes or any action taken or to be taken pursuant to this Agreement, the Senior Note Agreements or the Notes or which would be reasonably likely to result in any material adverse change in the business, property or assets, condition (financial or other) or operations of the Company, or in the inability of the Company to perform its obligations hereunder, under the Senior Note Agreements or under the Notes.

(j) COMPLIANCE WITH OTHER INSTRUMENTS, ETC. Neither the Company nor any Subsidiary of the Company is in violation of any term of the Partnership Agreement or of any term of any other agreement or instrument to which it is a party or by which it or any of its properties is bound or any term of any applicable law, ordinance, rule or regulation of any governmental authority or any term of any applicable order, judgment or decree of any court, arbitrator or governmental authority, the consequences of which violation would be reasonably likely to have a Material Adverse Effect, and the execution, delivery and performance by the Company of this Agreement, the Senior Note Agreements and the Notes will not result in any violation of or be in conflict with or constitute a default under any such term or result in the creation of (or impose any obligation on the Company to create) any Lien (other than the Liens contemplated by this Agreement) upon any of the properties or assets of the Company, pursuant to any such term except for Liens permitted by paragraph 6B(1) of the Senior Note Agreements; and there is no such term which materially adversely affects or in the future would be likely to materially adversely affect the business, property or assets, condition (financial or other) or operations of the Company, or the ability of the Company to perform its obligations under this Agreement, the Senior Note Agreements or the Notes.

(k) GOVERNMENTAL CONSENT. No consent, approval or authorization of, or declaration or filing with, any governmental authority is required for the valid execution, delivery and performance by the Company of this Agreement.

Amendment to Series H,I,J & K
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(l) DISCLOSURE. Neither this Agreement nor any other document, certificate or statement furnished to the Noteholders by or on behalf of the Company in writing, in connection herewith contains any untrue statement of a material fact or omits to state a material fact, in each case, as it relates to the Corporation, the Company or its Subsidiaries, necessary in order to make the statements contained herein and therein not misleading. There is no fact peculiar to the Company which materially adversely affects, or in the future may (so far as the Company can now reasonably foresee) materially adversely affect, the business, property or assets, condition or results of operations of the Company and which has not been set forth in this Agreement, the Corporation's periodic reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or in the other documents, certificates and statements in writing furnished to the holders of the Notes by or on behalf of the Company prior to the date hereof in connection with the transactions contemplated hereby.

(m) INCORPORATED REPRESENTATIONS AND WARRANTIES. All of the representations and warranties made in the Amendment to Mortgage Note Agreements dated of even date herewith are true and correct and are incorporated herein by reference with the same effect as if set forth at length herein.

4. EXPENSES; INDEMNIFICATION.

The Company shall, whether or not the transactions contemplated hereby are consummated, save each holder of the Notes harmless for all out-of-pocket expenses arising in connection with the execution and delivery or performance of this Agreement or any Assumption Agreement, including the reasonable fees and expenses of special counsel for the holders of the Notes but not any other legal fees incurred by any holder of the Notes. The Company shall also indemnify and save each holder of the Notes harmless from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever (including, without limitation, any taxes, and any additional taxes imposed on any amounts payable pursuant to this paragraph 4) which may at any time be imposed on, incurred by or asserted against any holder of the Notes in any way arising out of, relating to or resulting from this Agreement or the transactions contemplated hereby. The obligations of the Company under this paragraph 4 shall survive the transfer of any Note or portion thereof or interest therein by a holder of the Notes or any transferee and the payment of any Note.

5. MISCELLANEOUS.

(a) CONTINUITY AND INTEGRATION OF AGREEMENTS. The Senior Note Agreements, as supplemented and amended by this Agreement, shall remain in full force and effect and are hereby ratified and confirmed, and the Senior Note Agreements and this Agreement shall be deemed to be and construed as a single agreement. Without limitation of the foregoing, or any provision of the Senior Note Agreements, all

Amendment to Series H,I,J & K
Senior Note Agreements

representations and warranties made herein or in any certificate or document delivered in connection herewith shall for all purposes be deemed made by the Company on, and delivered by the Company pursuant to and in connection with, the Senior Note Agreements.

(b) SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained herein shall survive the execution and delivery of this Agreement, and the transfer of any Note by a holder thereof. Such representations and warranties may be relied upon by any transferee of a Note from a holder thereof.

(c) SUCCESSORS AND ASSIGNS. All covenants and agreements in this Agreement contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

(d) DESCRIPTIVE HEADINGS. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(e) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

(f) THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK.

[Signatures Appear on Next Page]

Amendment to Series H,I,J & K
Senior Note Agreements

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to the Company whereupon this letter shall become a binding agreement among us.

Very truly yours,

PLUM CREEK TIMBERLANDS, L.P., a
Delaware limited partnership

By: Plum Creek Timber I, L.L.C., a Delaware
limited liability company,
its General Partner

By: Plum Creek Timber Company, Inc., a
Delaware corporation, its sole
member

By: _____
Name: William R. Brown
Title: Executive Vice President and
Chief Financial Officer

Amendment to Series H, I, J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

MINNESOTA LIFE INSURANCE COMPANY

By: Advantus Capital Management, Inc.

By: _____
Name: _____
Title: _____

AMERICAN FIDELITY ASSURANCE COMPANY

By: Advantus Capital Management, Inc.

By: _____
Name: _____
Title: _____

FARM BUREAU LIFE INSURANCE COMPANY
OF MICHIGAN

By: Advantus Capital Management, Inc.

By: _____
Name: _____
Title: _____

MTL INSURANCE COMPANY

By: Advantus Capital Management, Inc.

By: _____
Name: _____
Title: _____

Amendment to Series H, I, J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

AIG LIFE INSURANCE COMPANY

By: AIG Global Investment Corp., as investment adviser

By: _____
Name: Gerald F. Herman

SUNAMERICA LIFE INSURANCE COMPANY

By: _____

Name: Gerald F. Herman

Title: Authorized Signatory

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

ALLIANCE CAPITAL MANAGEMENT CORPORATION

By: _____
Name: _____
Title: _____

Amendment to Series H, I, J & K
Senior Note Agreements

S-4

The foregoing Agreement is accepted
as of the date first above written

THE HANOVER INSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H, I, J & K
Senior Note Agreements

S-5

The foregoing Agreement is accepted
as of the date first above written

ALLSTATE LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ALLSTATE LIFE INSURANCE COMPANY OF NEW YORK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Amendment to Series H, I, J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

IDS LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H, I, J & K
Senior Note Agreements

S-7

The foregoing Agreement is accepted
as of the date first above written

THE CANADA LIFE ASSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H, I, J & K
Senior Note Agreements

S-8

The foregoing Agreement is accepted
as of the date first above written

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA Investments, Inc. (authorized agent)

By: _____
Name: _____
Title: _____

Amendment to Series H, I, J & K
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The foregoing Agreement is accepted
as of the date first above written

CLARICA LIFE INSURANCE COMPANY - U.S.

By: _____
Name: _____
Title: _____

Amendment to Series H, I, J & K
Senior Note Agreements

S-10

The foregoing Agreement is accepted
as of the date first above written

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

By: _____
Name: _____
Title: _____

GE EDISON LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

FIRST COLONY LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

GE LIFE AND ANNUITY ASSURANCE COMPANY

By: _____
Name: _____
Title: _____

GE GROUP ADMINISTRATORS, INC.

By: _____
Name: _____
Title: _____

GE GROUP LIFE ASSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H, I, J & K
Senior Note Agreements

S-11

The foregoing Agreement is accepted
as of the date first above written

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: _____
Name: _____
Title: _____

BERKSHIRE LIFE INSURANCE COMPANY OF AMERICA

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

GOLDEN AMERICA LIFE INSURANCE COMPANY
By: ING Investment Management LLC

By: _____
Name: _____
Title: _____

NORTHERN LIFE INSURANCE COMPANY
By: ING Investment Management LLC

By: _____
Name: _____
Title: _____

RELIASTAR LIFE INSURANCE COMPANY
By: ING Investment Management LLC

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

JEFFERSON PILOT FINANCIAL INSURANCE COMPANY

By: _____
Name: _____
Title: _____

JEFFERSON-PILOT LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

JOHN HANCOCK LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

INVESTORS PARTNER LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

SIGNATURE 5 L.P.

By: John Hancock Life Insurance Company,
as Portfolio Advisor

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

THRIVENT FINANCIAL FOR LUTHERANS

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-16

The foregoing Agreement is accepted
as of the date first above written

METROPOLITAN LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

METROPOLITAN INSURANCE AND ANNUITY COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-17

The foregoing Agreement is accepted
as of the date first above written

MODERN WOODMEN OF AMERICA

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-18

The foregoing Agreement is accepted
as of the date first above written

MONY LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-19

The foregoing Agreement is accepted
as of the date first above written

NATIONAL LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

LIFE INSURANCE COMPANY OF THE SOUTHWEST

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

NATIONWIDE LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

By: _____
Name: _____
Title: _____

NATIONWIDE MUTUAL INSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

NEW YORK LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-22

The foregoing Agreement is accepted
as of the date first above written

THE OHIO NATIONAL LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-23

The foregoing Agreement is accepted
as of the date first above written

PACIFIC LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

PRINCIPAL LIFE INSURANCE COMPANY,
an Iowa corporation

By: Principal Capital Management, LLC
a Delaware limited liability company,
its authorized signatory

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

CGU LIFE INSURANCE COMPANY OF AMERICA,
a Delaware corporation

By: Principal Capital Management, LLC
a Delaware limited liability company,
its attorney in fact

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

The foregoing Agreement is accepted
as of the date first above written

PROVIDENT MUTUAL LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-27

The foregoing Agreement is accepted
as of the date first above written

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: _____
Name: _____
Title: Vice President

Amendment to Series H,I,J & K
Senior Note Agreements

S-28

The foregoing Agreement is accepted
as of the date first above written

SECURITY FINANCIAL LIFE INSURANCE CO.

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-29

The foregoing Agreement is accepted
as of the date first above written

THE UNION CENTRAL LIFE INSURANCE COMPANY

By: Summit Investment Partners, LLC

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-30

The foregoing Agreement is accepted
as of the date first above written

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-31

The foregoing Agreement is accepted
as of the date first above written

THE TRAVELERS INSURANCE COMPANY

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

S-32

The foregoing Agreement is accepted
as of the date first above written

UNUM LIFE INSURANCE COMPANY OF AMERICA

By: Provident Investment Management, LLC
Its: Agent

By: _____
Name: _____
Title: _____

Amendment to Series H,I,J & K
Senior Note Agreements

EXHIBIT A

Subsidiaries

Plum Creek Timber II, L.L.C.
Plum Creek Maine Timberlands, L.L.C.
Plum Creek Southern Timber, L.L.C.
Plum Creek South Central Timberlands, L.L.C.
Plum Creek Manufacturing, L.P.
Plum Creek Manufacturing Holding Company, Inc.
Plum Creek Northwest Lumber, Inc.
Plum Creek Northwest Plywood, Inc.
Plum Creek MDF, Inc.
Plum Creek Southern Lumber, Inc.
Plum Creek Marketing, Inc.
Plum Creek Investment Company
Plum Creek Land Company
Plum Creek Maine Marketing, Inc.
Highland Resources Inc.
PC Timberland Investment Company

Amendment to Series H,I,J & K
Senior Note Agreements

Exhibit A-1

EXHIBIT B

Pending Actions

None.

Amendment to Series H,I,J & K
Senior Note Agreements

Exhibit B-1

</TEXT>
</DOCUMENT>

FIRST AMENDMENT
TO
CREDIT AGREEMENT

This FIRST AMENDMENT TO CREDIT AGREEMENT (this "First Amendment") is dated as of November 26, 2002, and is entered into among PLUM CREEK TIMBERLANDS, L.P., a Delaware limited partnership (the "Company"), each of the Banks (as defined in the Credit Agreement referred to below) signatory hereto, and BANK OF AMERICA, N.A., as administrative agent for the Banks (in its capacity as administrative agent, the "Administrative Agent").

RECITALS

A. The Company, the Banks, First Union National Bank and The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, as syndication agents for the Banks, SunTrust Bank, ScotiaBanc Inc., and Northwest Farm Credit Services, PCA, as documentation agents for the Banks, and Bank of America, N.A., as a letter of credit issuing bank and as a swingline bank, and the Administrative Agent are parties to the Credit Agreement, dated as of October 3, 2001 (as amended, the "Credit Agreement"), pursuant to which the Administrative Agent, the Issuing Bank and the Banks have extended certain credit facilities to the Company.

B. The Company has requested that the Banks agree to amendments to the Credit Agreement as set forth herein.

C. The Banks are willing to agree to the amendments to the Credit Agreement set forth herein subject to the terms and conditions of this First Amendment.

NOW, THEREFORE, in consideration of the agreements and provisions herein contained and for other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto do hereby agree as follows:

SECTION 1. DEFINITIONS. Any capitalized term used but not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

SECTION 2. AMENDMENTS TO CREDIT AGREEMENT. The Credit Agreement is hereby amended, effective as of the date of this First Amendment becomes effective in accordance with Section 4 hereof, as follows:

2.01 AMENDMENT TO SECTION 1.01 .

(a) The following defined terms are hereby added to Section 1.01 of the Credit Agreement in alphabetical order:

"Asset Sales" means any sale or disposition of Properties (other than inventory in the Ordinary Course of Business) of the Company, any of its Subsidiaries or any other Person in which the Company holds an equity or other ownership interest, by the Company, such Subsidiary or such other Person.

"Permitted Ancillary Business" means the ownership, development, management and sale of Property owned or previously owned by the Company or a Restricted Subsidiary that, based on the good faith determination of the Responsible Representatives at the time of determination, has a higher value as recreational, residential, grazing or agricultural property than for timber production.

"364-Day Revolving Credit Agreement" means the 364-Day Revolving Credit Agreement, dated as of November 26, 2002, among Plum Creek Timberlands, L.P., the lenders party thereto, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, and Wachovia Bank, N.A., as syndication agents, SunTrust Bank, Scotiabanc Inc. and Northwest Farm Credit Services, PCA, as documentation agents, and Bank of America, N.A., as administrative agent, as it may be amended, amended and restated, supplemented or modified or renewed or refinanced from time to time.

(b) The definition of "Available Cash" in Section 1.1 of the Credit Agreement is hereby amended by deleting such definition in its entirety and inserting the following new definition of "Available Cash" in replacement thereof:

"Available Cash" means, with respect to any calendar quarter, (i) the sum of:

(a) the Company's net income (or net loss) (excluding gain on the sale of any Capital Asset) for such quarter,

(b) the amount of depletion, depreciation, amortization and other noncash charges utilized in determining net income of the Company for such quarter,

(c) the amount of any reduction in reserves of the Company of the types referred to in clause (ii)(d) below,

(d) proceeds received by the Company from the sale of Designated Acres,

(e) any Cash from Capital Transactions received by the Company during such quarter in specific contemplation

that such Cash from Capital Transactions will be used to refund or refinance any payment of Indebtedness of the type specified in clause (ii)(a) below which was made in either of the two immediately preceding quarters,

(f) (A) with respect to the calendar quarter ended September 30, 2001, only, \$140,000,000 and (B) other Cash from Capital Transactions received by the Company during the relevant quarter up to an aggregate amount equal to \$200,000,000 for all calendar quarters, commencing with the calendar quarter that ended March 31, 2002, less the aggregate of other amounts of such \$200,000,000 utilized in the calculation Available Cash for previous calendar quarters; and

(g) without duplication in respect of clauses (i)(e) and (i)(f) above, in the event of any Asset Sale, an amount equal to that portion of the Net Proceeds received from such sale that was applied to the repayment of the Qualified Debt in accordance with Section 2.7(a)(i) or 8.2(i) but not to exceed an amount equal to 50% of the Net Proceeds received from such sale; provided, that, the cumulative increase to Available Cash pursuant to this clause (i)(g) (after giving effect to any current increase in respect thereof) with respect to any Asset Sale shall not exceed, in any event, an amount equal to the Net Proceeds from such Asset Sale less the cumulative amount of such Net Proceeds applied to the repayment of Qualified Debt and to the purchase of productive assets in accordance with Section 2.7(a)(i) or 8.2(i);

less (ii) the sum of:

(a) all payments of principal on Indebtedness made by the Company in such quarter (excluding any payments of principal on Indebtedness made with Cash from Capital Transactions received by the Company during such quarter or, to the extent such Cash from Capital Transactions remains available, received by the Company during the four immediately preceding quarters),

(b) capital expenditures made by the Company during such quarter (excluding any capital expenditures for such quarter made with Cash from Capital Transactions received by the Company during such quarter or, to the extent such Cash from Capital Transactions remains available, received by the Company during the four immediately preceding quarters, and capital expenditures which the General Partner reasonably

anticipates will be financed with Cash from Capital Transactions within 90 days from the end of such quarter),

(c) the amount of any capital expenditures made by the Company in a prior quarter which was anticipated would be financed from Cash from Capital Transactions but which have not been financed from such source within 90 days from the end of such quarter,

(d) the amount of any reserves of the Company established during such quarter which are necessary or appropriate (1) to provide funds for the future payment of items of the types specified in clauses (ii)(a) and (ii)(b) above, (2) to provide additional working capital, (3) to provide funds for cash distributions with respect to any one or more of the next four quarters, or (4) to provide funds for the future payment of interest in an amount equal to the interest to be accrued in the next quarter,

(e) the amount of any noncash items of income utilized in determining net income of the Company for such quarter,

(f) the amount of any Investments in the form of cash or cash equivalents (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) made by the Company during such quarter pursuant to subsections 8.4(a), (h) or (i) (or, in the case of any Subsidiary, Investments in the form of cash or cash equivalents (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) of similar type) to the extent not included in capital expenditures or payments on principal on Indebtedness made by the Company during such quarter (excluding (A) any such Investments for such quarter made with Cash from Capital Transactions received by the Company during such quarter or, to the extent such Cash from Capital Transactions remains available, received by the Company during the four immediately preceding quarters, and Investments which the General Partner reasonably anticipates will be financed with Cash from Capital Transactions within 90 days from the end of such quarter and (B) the Investments made pursuant to the Merger-Related Contributions), and

(g) the amount of any Investments (other than guarantees, contingent liabilities or endorsements, except to the

extent payments are actually made under such guarantees, contingent liabilities or endorsements) made by the Company in a prior quarter pursuant to subsections 8.4(a), (h) or (i) (or in the case of any Subsidiary, Investments (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) of similar type) to the extent not included in capital expenditures made by the Company during such quarter which was anticipated would be financed from Cash from Capital Transactions but which have not been financed from such source within 90 days from the end of such quarter, other than any Investments made pursuant to the Merger-Related Contributions.

Notwithstanding the foregoing, "Available Cash" shall not take into account any reductions in reserves or disbursements made or reserves established after commencement of the dissolution and liquidation of the Company. In determining "Available Cash," (i) all items under clauses (i)(a), (b), (c), (d), (e), (f) and (g) above and all items under clauses (ii)(a), (b), (c), (d), (e), (f) and (g) above shall be (A) calculated on a consolidated basis with any Subsidiary of the Company whose income is accounted for on a consolidated basis with the Company and (B) calculated on a consolidated basis with any other Person in which the Company directly or indirectly holds an equity or other ownership interest, and, in accordance therewith, "Available Cash" shall include a percentage of each such item of each such Subsidiary or such other Person equal to the Company's percentage ownership interest in such Subsidiary or such other Person; provided, however, that the items under clauses (i)(a), (b), (c), (d), (e), (f) and (g) above shall only be included in Available Cash to the extent that the General Partner determines such amount to be legally available for dividends or distributions to the Company of a Subsidiary by such Subsidiary or such other Person; (ii) the amount of net income and the amount of depletion, depreciation, amortization and other noncash charges utilized in determining net income shall be determined, with respect to the Company, by the General Partner in accordance with generally accepted accounting principals and, with respect to any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest, by its Board of Directors (or by such other body or person which has the ultimate management authority of such Subsidiary or such other Person) in accordance with generally accepted accounting principles; (iii) the net income of any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest shall be

determined on an after-tax basis; (iv) the amount of any reductions in, or additions to, reserves for purposes of clauses (i)(c) and (ii)(d) above shall be determined, with respect to the Company, by the General Partner in its reasonable good faith judgment and, with respect to any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest, by its Board of Directors (or by such other body or person which has the ultimate management authority of such Subsidiary or such Person) in its reasonable good faith judgment; and (v) any determination of whether any capital expenditures or Investments are financed, or anticipated to be financed, with Cash from Capital Transactions for purposes of clause (ii)(b) or (ii)(f) above shall be made, with respect to the Company, by the General Partner in its reasonable good faith judgment and, with respect to any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest, by its Board of Directors (or by such other body or person which has the ultimate management authority of such Subsidiary or such Person) in its reasonable good faith judgment.

Subject to the immediately succeeding sentence, any increase to Available Cash pursuant to clause (i)(g) above shall be made in the calendar quarter in which Qualified Debt is repaid in accordance with such clause (irrespective of the calendar quarter in which the Asset Sale occurred). Notwithstanding the foregoing, the item under clause (i)(g) above shall only be included in the calculation of Available Cash if (A) the Company has delivered to the Administrative Agent a Compliance Certificate in the form of Exhibit D for the calendar quarter in which the payment of Qualified Debt in accordance with clause (i)(g) above is made, and (B) the Pricing Leverage Ratio as the last day of such calendar quarter is less than 4.0 to 1.0.

(c) The definition of "Designated Acres" in Section 1.1 of the Credit Agreement is hereby amended by deleting such definition in its entirety and inserting the following new definition of "Designated Acres" in replacement thereof:

"Designated Acres" means up to an aggregate of 800,000 acres owned by the Company which (based on the good faith determination of the Responsible Representatives that such acres have at the time such determination is made a higher value as recreational, residential, grazing or agricultural property than for timber production) may be reasonably designated by the General Partner at the time of the sale thereof as constituting Designated Acres (such aggregate number of acres to be determined over the term of existence of the 2001 Senior Note Agreement).

(d) The definition of "Net Proceeds" in Section 1.1 of the Credit Agreement is hereby amended by deleting such definition in its entirety and inserting the following new definition of "Net Proceeds" in replacement thereof:

"Net Proceeds" means proceeds in cash as and when received by the Person making a sale of Property, net of: (a) the direct costs relating to such sale excluding amounts payable to the Company, any Affiliate of the Company or any other Person in which the Company holds an equity or other ownership interest, (b) sale, use or other transaction taxes paid or payable as a result thereof, and (c) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on Indebtedness secured by a Lien on the asset which is the subject of such disposition.

(e) The definition of "Qualified Debt" in Section 1.1 of the Credit Agreement is hereby amended by deleting such definition in its entirety and inserting the following new definition of "Qualified Debt" in replacement thereof:

"Qualified Debt" means, as to the Company, as of any date of determination, without duplication, all outstanding indebtedness of the Company for borrowed money, including Indebtedness represented by the Senior Notes, the 364-Day Revolving Credit Agreement, and this Agreement (including L/C Borrowings and Loans used to repay L/C Borrowings, but excluding L/C Obligations with respect to undrawn Letters of Credit).

2.02 AMENDMENT TO SECTION 2.7. Section 2.7(a)(i) of the Credit Agreement is hereby amended by deleting such Section 2.7(a)(i) in its entirety and inserting the following new Section 2.7(a)(i) in replacement thereof:

(i) Asset Dispositions. If the Company or any of its Restricted Subsidiaries shall at any time or from time to time make a sale of Properties permitted by subsection 8.2(i), then no less than 50% of the Net Proceeds of such sale shall either be paid by the Company as a prepayment of the Qualified Debt in accordance with the immediately following sentence or be reinvested in accordance with subsection 8.2(i). Prepayments under this subsection 2.7(a)(i) shall be applied as follows: first, to repay the outstanding 1989 Notes such that there shall be applied to the 1989 Notes (until the 1989 Notes are repaid in full) an amount equal to the total amount of the prepayment multiplied by a fraction, the numerator of which is the outstanding balance of principal and interest on the 1989 Notes immediately preceding the prepayment, and the denominator of which is the total amount of Indebtedness of the Company

immediately preceding the prepayment, and second, to repay any other outstanding Qualified Debt selected by the Company.

2.03 AMENDMENT TO SECTION 2.9. Section 2.9(c) of the Credit Agreement is hereby amended by deleting such Section 2.9(c) in its entirety and inserting the following new Section 2.9(c) in replacement thereof:

(c) If any amount payable by the Company under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable law, statute, rule, regulation and treaty. Furthermore, while any Event of Default exists, the Company shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable law, statute, rule, regulation and treaty. "Default Rate" means an interest rate equal to (a) the Base Rate plus (b) the Applicable Margin applicable to Base Rate Loans plus (c) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Margin) otherwise applicable to such Eurodollar Rate Loan plus 2% per annum, in each case to the fullest extent permitted by applicable law, statute, rule, regulation and treaty.

2.04 AMENDMENTS TO SECTION 8.2. Section 8.2 of the Credit Agreement is hereby amended as follows:

(a) Sections 8.2(c) and (d) of the Credit Agreement are hereby amended by deleting such Sections in their entirety and inserting the following new Sections 8.2(c) and (d) in replacement thereof:

(c) any Restricted Subsidiary may merge or consolidate with any other entity, provided that, immediately after giving effect to such merger or consolidation (i) the continuing or surviving entity of such merger or consolidation shall constitute a Restricted Subsidiary, (ii) no Event of Default or Material Default shall exist, and (iii) the continuing or surviving entity is not engaged in any business other than a Permitted Business and a Permitted Ancillary Business and, after giving effect on a pro forma basis to such merger or consolidation, the gross revenue contribution of pulp and paper manufacturing activities of the Company and its Subsidiaries on a consolidated basis for the 12 months preceding such merger or consolidation does not exceed

33% of the total revenues of the Company and its Subsidiaries on a consolidated basis;

(d) the Company may merge or consolidate with any other entity, provided that (i) the Company shall be the continuing or surviving entity and (ii) immediately after such merger or consolidation, (A) no Event of Default or Material Event of Default shall exist, (B) the Company could incur at least \$1 of additional Funded Debt pursuant to subsection 8.5(i), and (C) the Company is not engaged in any business other than a Permitted Business and a Permitted Ancillary Business and, after giving effect on a pro forma basis to such merger or consolidation, the gross revenue contribution of pulp and paper manufacturing activities of the merged or consolidated entity and its Subsidiaries on a consolidated basis for the 12 months preceding such merger or consolidation does not exceed 33% of total revenues of such merged or consolidated entity and its Subsidiaries on a consolidated basis;

(b) Sections 8.2(i), (j) and (k) of the Credit Agreement are hereby amended by deleting such Sections in their entirety and inserting the following new Sections 8.2(i), (j) and (k) in replacement thereof:

(i) the Company and its Restricted Subsidiaries may otherwise sell Properties for cash in an amount not less than the fair value thereof as determined in good faith by the Responsible Representatives, if and only if: (A) immediately after giving effect to such proposed sale, no condition or event shall exist which constitutes an Event of Default or Material Default, (B) not less than 50% of the Net Proceeds of any such sale (x) are applied, within one year after such sale to repayment of Qualified Debt in accordance with Section 2.7(a)(i), or (y) are applied, within one year after such sale, to the purchase of productive assets in the same line of business to be owned by the Company (or, if the sale is by a Restricted Subsidiary, by such Restricted Subsidiary or the Company), provided that, if any such sale constitutes a sale of more than 15% of the Company's Tangible Assets, all the unapplied Net Proceeds of such sale less the amount, if any, of such Net Proceeds to be included in clause (i)(g) of the definition of Available Cash in the calculation thereof for the calendar quarter of the Company in which the sale occurs shall be placed immediately in escrow or cash collateral account or accounts, pursuant to an agreement or agreements in form and substance reasonably satisfactory to the holders of greater than 50% of the outstanding principal amount of Qualified Debt (which escrow agreement or agreements shall provide for a release from escrow of an amount equal to any

additions to Available Cash pursuant to clause (i)(g) of the definition of Available Cash with respect to such sale in calendar quarters of the Company subsequent to the calendar quarter in which such sale occurs), for the purpose of application in accordance with clause (x) or (y) of this clause (B), and (C) immediately after giving effect to such sale (giving effect on a pro forma basis to any proposed retirement of Qualified Debt out of proceeds thereof), the Company could incur \$1 of additional Funded Debt pursuant to subsection 8.5(i);

(j) the Company and its Restricted Subsidiaries may make the Merger-Related Contributions;

(k) the Company may transfer or make contributions of Designated Acres to any Facility Subsidiary to the extent permitted pursuant to Section 8.4(a); and

(c) Section 8.2 of the Credit Agreement is hereby amended by adding the following new subsection (l) thereto:

(l) the Company and its Restricted Subsidiaries may make contributions of Property to the capital of Persons in which the Company directly or indirectly holds an equity or other ownership interest to the extent that such contributions constitute Investments that are permitted by the provisions of Section 8.4(i).

2.05 AMENDMENT TO SECTION 8.4. Section 8.4(i) of the Credit Agreement is hereby amended by deleting such Section 8.4(i) in its entirety and inserting the following new Section 8.4(i) in replacement thereof:

(i) make Investments not otherwise permitted by this Section 8.4 in entities engaged solely in a Permitted Business or Permitted Ancillary Business, provided that (x) the aggregate cumulative amount of such Investments, to the extent that such Investments are attributable to pulp and paper manufacturing (as proportionately attributed by multiplying the amount of an Investment by the percentage of revenues of the Person in whom such Investment is made during the 12 months preceding such Investment that are contributed by pulp and paper manufacturing), does not exceed the sum of \$50,000,000 (without giving effect to any write-down of such Investments), and (y) the cumulative aggregate amount of all such Investments including those subject to clause (x) at original cost (which shall include the fair market value of Property (other than cash invested as of the date of the Investment) as reasonably determined in good faith by the Responsible Representatives at the time such Investment was made, and which shall include the

principal amount of any obligations guaranteed to the extent such guarantees are not otherwise permitted by this Section 8.4) outstanding from time to time made pursuant to this subsection (i) between the closing date of the 1989 Senior Note Agreement and any date thereafter shall not exceed the greater of \$300,000,000 or 60% of the average annual Pro Forma Free Cash Flow for the two fiscal years preceding such date;

2.06 AMENDMENT TO SECTION 8.5. Section 8.5 of the Credit Agreement is hereby amended as follows:

(a) By deleting the word "and" after subsection (n) therein; and by deleting the period at the end of subsection (o) therein and inserting in replacement thereof a semicolon.

(b) By adding the following new subsections (p) and (q) to such Section:

(p) Indebtedness of the Company evidenced by the 364-Day Revolving Credit Agreement and any loan document executed in connection therewith and any refinancing thereof so long as such refinancing does not increase the principal amount thereof and is on terms no less favorable to the Company, and to the rights of the Administrative Agent and the Banks thereunder, than those contained in the 364-Day Revolving Credit Agreement and the loan documents executed in connection therewith; and

(q) Indebtedness of any Restricted Subsidiary evidenced by an assumption or guarantee of Indebtedness of the Company or another Restricted Subsidiary that is otherwise permitted pursuant to this Section 8.5.

2.07 AMENDMENT TO SECTION 8.10. Section 8.10 of the Credit Agreement is hereby amended by deleting such Section 8.10 in its entirety and inserting the following new Section 8.10 in replacement thereof:

8.10 Joint Ventures

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, enter into any Joint Venture, other than in Permitted Businesses and in Permitted Ancillary Businesses and, in each case, so long as any such Joint Venture is not entered into for the purposes of evading any covenant or restriction in any Loan Documents.

2.08 AMENDMENT TO SECTION 8.13. Section 8.13 of the Credit Agreement is hereby amended by deleting such Section 8.13 in its entirety and inserting the following new Section 8.13 in replacement thereof:

8.13 Restricted Payments

The Company shall not, and shall not permit or suffer any Subsidiary to, directly or indirectly pay, declare, order, make or set apart any sum for any Restricted Payment, except that the Company may make, pay or set apart during each calendar quarter one or more Restricted Payments if:

(a) such Restricted Payments are in an aggregate amount not exceeding the amount by which Available Cash with respect to the immediately preceding calendar quarter exceeds any amount contributed to Available Cash with respect to such immediately preceding calendar quarter by any Subsidiary if and to the extent that the payment of such amount as a dividend or distribution to the Company has not been made and is not at the time permitted by the terms of such Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary, provided that in determining Available Cash with respect to such immediately preceding calendar quarter, the Company will include in the amount of reserves established during such quarter pursuant to clause (ii)(d) of the definition of Available Cash an amount not less than (i) 50% of the aggregate amount of all interest in respect of the Other Senior Notes to be paid on the interest payment date immediately following such immediately preceding calendar quarter, (ii) 100% of the aggregate amount of all interest in respect of the Loans to be paid on the respective Interest Payment Dates for such Loans, (iii) 25% of the aggregate amount of all principal in respect of the 1989 Notes and the Series D Notes scheduled to be paid (determined in accordance with the Principal Repayment Proviso) during the 12 calendar months immediately following such immediately preceding calendar quarter, (iv) for the final two full calendar quarters preceding the Revolving Credit Termination Date, 25% of the average Effective Amount of Revolving Loans, Swingline Loans and L/C Obligations outstanding at any time during such quarter of computation, and (v) 100% of the aggregate amount of all interest in respect of the loans outstanding under the 364-Day Revolving Credit Agreement to be paid on the respective interest payment dates for such loans, and the Company will not reduce the amount of the reserves so included, in determining Available Cash for any calendar quarter subsequent to such immediately preceding calendar quarter pursuant to clause (i)(c) of the definition of Available Cash, unless and until (A) the amount of interest or principal in respect of which such amount has been reserved has in fact been paid and (B) in the case of clause (iv) of this subsection 8.13(a), the amount of the reserves so included exceeds fifty percent (50%) of the Effective Amount of

Revolving Loans, L/C Obligations and Swingline Loans at the end of such quarter of computation; and

(b) immediately after giving effect to any such proposed action no condition or event shall exist which constitutes an Event of Default or Material Default.

The Company will not, in any event, directly or indirectly declare, order, pay or make any Restricted Payment except in cash.

2.09 AMENDMENT TO SECTION 8.14. Section 8.14 of the Credit Agreement is hereby amended by deleting the first sentence therein in its entirety and inserting the following new first sentence in replacement thereof:

The Company shall not, and shall not suffer or permit any Subsidiary to, engage in any business other than Permitted Businesses and Permitted Ancillary Businesses.

2.10 AMENDMENT TO SECTION 8.17. Section 8.17 of the Credit Agreement is hereby amended by deleting such Section 8.17 in its entirety and inserting the following new Section 8.17 in replacement thereof:

8.17 Available Cash

The Company shall not at any time permit Available Cash to be less than zero. For purposes of this Section 8.17, in determining Available Cash with respect to the immediately preceding calendar quarter, the Company will include in the amount of reserves established during such quarter pursuant to clause (ii)(d)(1) (with respect to principal on Indebtedness) and clause (ii)(d)(4) of the definition of "Available Cash" an amount not less than (a) 50% of the aggregate amount of all interest in respect of the Other Senior Notes to be paid on the interest payment date immediately following such immediately preceding calendar quarter, (b) 100% of the aggregate amount of all interest in respect of the Loans to be paid on the respective Interest Payment Dates for such Loans, (c) 25% of the aggregate amount of all principal in respect of the 1989 Notes and the Series D Notes scheduled to be paid (determined in accordance with the Principal Repayment Proviso) during the 12 calendar months immediately following such immediately preceding calendar quarter, (d) for the final two full calendar quarters preceding the Revolving Credit Termination Date, 25% of the average Effective Amount of Revolving Loans, Swingline Loans and L/C Obligations outstanding at any time during such quarter of computation, and (e) 100% of the aggregate amount of all interest in respect of the loans outstanding under the 364-Day Revolving Credit Agreement to be paid on the respective interest payment dates for such loans, and the

Company will not reduce the amount of the reserves so included in determining Available Cash for any calendar quarter subsequent to such immediately preceding calendar quarter pursuant to clause (i)(c) of the definition of Available Cash, unless and until (i) the amount of interest or principal in respect of which such amount has been reserved has in fact been paid and (ii) in the case of clause (d) of this Section 8.17, the amount of the reserves so included exceeds fifty percent (50%) of the Effective Amount of Revolving Loans, L/C Obligations and Swingline Loans at the end of such quarter of computation.

2.11 AMENDMENT TO SECTION 9.1. Section 9.1(e) of the Credit Agreement is hereby amended by deleting such Section 9.1(e) in its entirety and inserting the following new Section 9.1(e) in replacement thereof:

(e) Cross-Default. (i) the Company or any of its Subsidiaries (A) fails to make any payment in respect of any Indebtedness (other than in respect of Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$5,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) beyond any period of grace provided with respect thereto; or (B) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness, if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness to be declared to be due and payable prior to its stated maturity, or with respect to any contingent obligations, to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (1) any event of default under such Swap Contract as to which the Company or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (2) any Termination Event (as so defined) as to which the Company or any Subsidiary is an Affected Party (as so defined), and, in either event, the Swap Termination Value owed by the Company or such Subsidiary as a result thereof is greater than \$5,000,000, or

2.12 AMENDMENT TO EXHIBIT D (COMPLIANCE CERTIFICATE). Exhibit D to the Credit Agreement is hereby amended by deleting Exhibit D in its entirety and inserting the new Exhibit D attached hereto as Exhibit A in replacement thereof.

SECTION 3. REPRESENTATIONS AND WARRANTIES. In order to induce the Administrative Agent and the Banks to enter into this First Amendment, the Company hereby represents and warrants that:

3.01 NO DEFAULT. At and as of the date of this First Amendment and at and as of the Effective Date and both prior to and after giving effect to this First Amendment, no Default or Event of Default exists.

3.02 REPRESENTATIONS AND WARRANTIES TRUE AND CORRECT. At and as of the date of this First Amendment and at and as of the Effective Date and both prior to and after giving effect to this First Amendment, each of the representations and warranties contained in the Credit Agreement and the other Loan Documents is true and correct in all respects.

3.03 CORPORATE POWER, ETC. The Company (i) has all requisite corporate power and authority to execute and deliver, and to perform its obligations under, this First Amendment and (ii) has taken all corporate action necessary to authorize the execution and delivery by it of, and the performance by it of its obligations under, this First Amendment.

3.04 NO CONFLICT. The execution, delivery and performance by the Company of this First Amendment will not (i) conflict with or result in any breach or violation of any provision of the certificate or articles of incorporation or by-laws (or other organizational documents) of the Company, any of its Subsidiaries or any of the Partner Entities, (ii) result in any breach or violation of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in the creation of a Lien upon any of the properties or assets of the Company, any of its Subsidiaries or any of the Partner Entities under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease agreement or other instrument or obligation to which the Company, any of its Subsidiaries or any of the Partner Entities is a party or to which any of their respective properties or assets are subject, (iii) require any consent, approval, authorization or permit of, or filing with or notification to, any third party or any Governmental Authority, or (iv) violate any order, writ, injunction, decree, judgment, ruling, law, statute, rule or regulation of any Governmental Authority.

3.05 BINDING EFFECT. This First Amendment has been duly executed and delivered by the Company, and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally, and (ii) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 4. CONDITIONS. This First Amendment and the effectiveness of the amendments set forth in Section 2 hereof shall be effective as of November 26, 2002 (the "Effective Date") upon the satisfaction in full in the judgment of the Administrative Agent and the Majority Banks of each of the following conditions precedent set forth in this Section 4:

4.01 EXECUTION OF THE FIRST AMENDMENT AND RECEIPT OF OTHER DOCUMENTS. The Company, the Administrative Agent and the Majority Banks shall have executed an original counterpart of this First Amendment and shall have delivered (including by way of facsimile transmission) the same to the Administrative Agent.

4.02 FEES AND EXPENSES. The Company shall have paid to the Administrative Agent all unpaid costs and expenses (including reasonable fees and expenses of counsel for the Administrative Agent) incurred by the Administrative Agent in connection with the Credit Agreement and any other Loan Document.

SECTION 5. GENERAL CONFIRMATIONS AND AMENDMENTS.

5.01 CONTINUING EFFECT. Except as specifically provided herein, the Credit Agreement and the other Loan Documents shall remain in full force and effect in accordance with their respective terms and are hereby ratified and confirmed in all respects.

5.02 NO WAIVER. This First Amendment is limited as specified and the execution, delivery and effectiveness of this First Amendment shall not operate as a modification, acceptance or waiver of any provision of the Credit Agreement or any other Loan Document, except as specifically set forth herein.

5.03 REFERENCES.

(a) From and after the Effective Date, (i) the Credit Agreement, the other Loan Documents and all agreements, instruments and documents executed and delivered in connection with any of the foregoing shall each be deemed amended hereby to the extent necessary, if any, to give effect to the provisions of this First Amendment and (ii) all of the terms and provisions of this First Amendment are hereby incorporated by reference into the Credit Agreement as if such terms and provisions were set forth in full therein.

(b) From and after the Effective Date, (i) all references in the Credit Agreement to "this Agreement", "hereto", "hereof", "hereunder" or words of like import referring to the Credit Agreement shall mean the Credit Agreement as amended hereby and (ii) all references in the Credit Agreement, the other Loan Documents or any other agreement, instrument or document executed and delivered in connection therewith to "Credit Agreement", "thereto", "thereof", "thereunder" or words of like import referring to the Credit Agreement shall mean the Credit Agreement as amended hereby.

SECTION 6. MISCELLANEOUS.

6.01 GOVERNING LAW. THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

6.02 SEVERABILITY. The provisions of this First Amendment are severable, and if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction,

then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this First Amendment in any jurisdiction.

6.03 COUNTERPARTS. This First Amendment may be executed in any number of counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

6.04 HEADINGS. Section headings in this First Amendment are included herein for convenience of reference only and shall not constitute a part of this First Amendment for any other purpose.

6.05 BINDING EFFECT; ASSIGNMENT. This First Amendment shall be binding upon and inure to the benefit of the Company, the Administrative Agent and the Banks and their respective successors and assigns; provided, however, that the rights and obligations of the Company under this First Amendment shall not be assigned or delegated without the prior written consent of the Administrative Agent and the Banks.

6.06 EXPENSES. The Company agrees to pay the Administrative Agent upon demand for all reasonable expenses, including reasonable fees of attorneys and paralegals for the Administrative Agent (who may be employees of the Administrative Agent), incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this First Amendment and any other document required to be furnished herewith.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

PLUM CREEK TIMBERLANDS, L.P.

By: Plum Creek Timber I, L.L.C.,
its General Partner

By: Plum Creek Timber Company, Inc.,
its Managing Member

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

WACHOVIA BANK, N.A., formerly known as
First Union National Bank

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

THE BANK OF TOKYO-MITSUBISHI, LTD.,
PORTLAND BRANCH

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

NORTHWEST FARM CREDIT SERVICES, PCA

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

SUNTRUST BANK

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

AGSTAR FINANCIAL SERVICES, PCA
D/B/A FCS COMMERCIAL FINANCE GROUP

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

BNP PARIBAS

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

COBANK, ACB

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

CREDIT LYONNAIS NEW YORK BRANCH

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

FARM CREDIT SERVICES OF MID-AMERICA, PCA

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

GREENSTONE FARM CREDIT SERVICES, ACA

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

KBC BANK, N.V., as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

KEYBANK NATIONAL ASSOCIATION

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

SCOTIABANC INC.

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

SOVEREIGN BANK

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

SUMITOMO MITSUI BANKING CORPORATION

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

THE BANK OF NEW YORK

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

THE DAI-ICHI KANGYO BANK, LTD.

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

WASHINGTON MUTUAL BANK

By: _____
Name:
Title:

[Signature page to First Amendment]

BANK:

WELLS FARGO BANK, N.A.

By: _____
Name:
Title:

[Signature page to First Amendment]

EXHIBIT A
TO FIRST AMENDMENT

EXHIBIT D

PLUM CREEK TIMBERLANDS, L.P.

COMPLIANCE CERTIFICATE

DATE: _____

Reference is made to that certain Credit Agreement, dated as of October 3, 2001 (as amended, the "Credit Agreement"), among Plum Creek Timberlands, L.P. (the "Company"), the Banks referred to therein, First Union National Bank and The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, as Syndication Agents, SunTrust Bank, Scotiabanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents, and Bank of America, N.A., as Administrative Agent. Unless otherwise defined herein, capitalized terms used herein have the respective meanings assigned to them in the Credit Agreement.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Company, and that, as such, he/she is authorized to execute and deliver this Certificate to the Banks and the Administrative Agent on the behalf of the Company and its Subsidiaries and not as an individual, and that:

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by subsection 7.1(a) of the Credit Agreement.]

1. Attached as Schedule 1 hereto are (a) a true and correct copy of the audited consolidated balance sheet of the Company as at the end of the fiscal year ended December 31, ____ and (b) the related consolidated statements of income and statement of cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of PricewaterhouseCoopers LLP or another nationally-recognized certified independent public accounting firm. Such opinion is not qualified or limited because of a restricted or limited examination by such accountant of any material portion of the Company's or any Subsidiary's records and is delivered to the Administrative Agent pursuant to a reliance agreement between the Administrative Agent and Banks and such accounting firm which you have advised us is in form and substance satisfactory to the Administrative Agent and the Majority Banks;

Exhibit D1

OR

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by subsection 7.1(b) of the Credit Agreement.]

Attached as Schedule 1 hereto are (a) a true and correct copy of the audited consolidating balance sheets of the Company and each of its Subsidiaries as at the end of the fiscal year ended December 31, ____ and (b) the related consolidating statements of income and statement of cash flows for such fiscal year, which financial statements were used in connection with the preparation of the audited consolidated balance sheet of the Company as of the end of such fiscal year and the related consolidated statements of income and statement of cash flows for such fiscal year.

OR

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by subsections 7.1(c) and (d) of the Credit Agreement.]

(a) Attached as Schedule 1A hereto is (i) a true and correct copy of the unaudited consolidated balance sheet of the Company and its consolidated Subsidiaries as of the end of the fiscal quarter ended , ____ and (ii) the related consolidated statements of income and statement of cash flows of the Company and its consolidated Subsidiaries for the period commencing on the first day and ending on the last day of such quarter, setting forth in each case in comparative form the figures for the previous year (subject to normal year-end audit adjustments).

(b) Attach as Schedule 1B hereto is (i) a true and correct copy of the unaudited consolidating balance sheets of the Company and each of its Subsidiaries as of the end of the fiscal quarter ended , ____ and (ii) the related consolidating statements of income and statement of cash flows for such quarter, which financial statements were used in connection with the preparation of the financial statements referred to in paragraph 1(a) above of this Certificate.

2. The undersigned has reviewed and is familiar with the terms of the Credit Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and conditions (financial or otherwise) of the Company during the accounting period covered by the attached financial statements.
3. The attached financial statements are complete and correct, and have been prepared in accordance with GAAP on a basis consistent with prior

Exhibit D2

periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

4. The attached financial statements are certified by a Responsible Officer and fairly state the financial position and results of operations of the Company and its consolidated Subsidiaries.
5. To the best of the undersigned's knowledge, the Company, during such period, has observed, performed or satisfied all of its covenants and other agreements, and satisfied every condition in the Credit Agreement to be observed, performed or satisfied by the Company, and the undersigned has no knowledge of any Default or Event of Default.
6. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.
7. For the fiscal quarter commencing , the Applicable Margin is (i) _____% in the case of Eurodollar Rate Loans, and (ii) _____% in the case of Base Rate Loans.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, 20__.

PLUM CREEK TIMBERLANDS, L.P.

By: Plum Creek Timber I, L.L.C.,
its General Partner

By: Plum Creek Timber Company, Inc.,
its Managing Member

By: _____
Name:
Title:

Exhibit D3

SCHEDULE 1
TO THE COMPLIANCE CERTIFICATE
[FINANCIALS]

Schedule 1

SCHEDULE 2
TO THE COMPLIANCE CERTIFICATE
(\$ IN 000'S)

Plum Creek Timberlands, L.P.
Schedule 2
Compliance Certificate Computation Statement
(\$ in Thousands)

1. INTEREST COVERAGE RATIO

I. EBITDA

A. Net Income or Loss _____

B. DDA _____

C. Interest Expense _____

D. Cost Basis for Designated Acres disposed of to the extent such aggregate cost basis, when added to the net income for such period arising from the sale of Designated Acres, does not exceed \$80,000,000 _____

E. Accrued Income Taxes _____

F. Adjustments to A through E based upon Timber acquisition (detailed certificate attached) _____

G. Sum of A through F _____

II. Interest Expense _____

A. 4 Otrs. Combined Interest Expense _____

B. Additions to A based upon Indebtedness Incurred to acquire Timber (detailed certificate attached) _____

C. Sum of A and B _____

Schedule 2-1

III. Interest Coverage Ratio

A. Required ratio not to be less than 2.75 to 1.00 _____

B. I.G divided by II.C _____

to 1.00

2. PRICING LEVERAGE RATIO

I. Funded Debt _____

A. Funded Debt as of _____

B. All Cash balances and cash equivalents as of _____

C. Amount, if any, by which B exceeds \$75,000 _____

D. A minus C _____

II. EBITDA _____

A. Net Income or Loss _____

B. DDA _____

C. Interest Expense _____

D. Cost Basis for Designated Acres disposed of to the extent such aggregate cost basis, when added to the net income for such period arising from the sale of Designated Acres, does not exceed \$80,000,000 _____

E. Accrued Income Taxes _____

F. Adjustments to A through E based upon Timber acquisition (detailed certificate attached) _____

G. Sum of A through F _____

III.	Pricing Leverage Ratio		
	I.D. divided by II.G		_____
3.	MAXIMUM LEVERAGE RATIO		
I.	Funded Debt		
	A. Funded Debt as of _____		_____
II.	Net Worth		
	A. Net Worth as of _____		_____
	B. Funded Debt as of _____		_____
	C. Sum of A and B		_____
III.	Maximum Leverage Ratio		
	A. Required: not to exceed 60%		
	B. Expressed as a percentage, I.A. divided by II.C		_____ %
4.	NEGATIVE COVENANTS		
I.	Section 8.2(f): Sale of Designated Acres		
	A. Designated Acres		800,000
	B. Aggregate Sales as of _____		_____
II.	Section 8.2(h): Asset Sales		
	A. Maximum Allowed		\$40,000
	B. Sales as of _____		_____

III. Section 8.3: Harvesting Restrictions (MCCF):

A. Maximum Allowable Harvest:

- | | |
|--|------------|
| 1. Fourth quarter of calendar year 2001 | 1,712 MCCF |
| 2. Calendar year 2002 | 6,850 MCCF |
| 3. Calendar years 2003-2006 | |
| (i) Maximum allowed is no more than 8% of Standing Inventory as of January 1, 20__ | ___MCCF |
| (ii) Standing Inventory as of January 1, 20__ | ___MCCF |
| (iii) 8% of the amount in clause 3(ii) above | ___MCCF |

Add: Lesser of B.5 and C.2

___MCCF

B. Prior Years:

- | | |
|---|---------|
| 1. Cumulative amount set forth in table (Section 8.3) for years preceding year of determination | ___MCCF |
| 2. 2000 MCCF | |
| 3. Sum of B.1 and B.2 | ___MCCF |
| 4. Cumulative amount actually harvested in such years preceding year of determination | ___MCCF |
| 5. Amount, if any, by which B.3 exceeds B.4 | ___MCCF |

C. Standing Inventory

- | | |
|---|---------|
| 1. Standing Inventory as of January 1, 20__ | ___MCCF |
| 2. 8% of the amount of C.1 | ___MCCF |

IV.	Section 8.4(i): Investments Not Otherwise Permitted	
	A. Maximum Pulp and Paper Investments	\$50,000
	B. Actual Cumulative Pulp and Paper Investments through _____	_____
	C. Actual Cumulative Investments in Permitted Businesses through _____	_____
	D. Actual Cumulative Investments in Permitted Ancillary Businesses through _____	\$_____
	E. 60% of the average annual Pro Forma Free Cash Flow for preceding two fiscal years	_____
	F. Greater of \$300 million or IV.E.	_____
	G. Outstanding 8.4(i) Investments	
	1. Cumulative Investments through _____	_____
	2. Repayment of Principal of such Investments through _____	_____
	3. IV.G.1 minus IV.G.2	_____
V.	Section 8.5(b): Funded Debt Incurred to Finance Capital Improvements	
	A. Maximum Allowed	\$50,000
	B. Outstanding at _____	_____
VI.	Section 8.5(d): Indebtedness Pursuant to a Bank Credit Facility	
	A. Maximum Allowed	\$50,000
	B. Outstanding at _____	_____

VII.	Section 8.5(f): Guarantee of Facilities Subsidiary Revolving Credit Facility	
	A. Maximum Allowed	\$20,000
	B. Outstanding at _____	_____
VIII.	Section 8.5(g): Guarantee of Facility Subsidiary Capital Improvement Funded Debt	
	A. Maximum Allowed	\$20,000
	B. Outstanding at _____	_____
IX.	Section 8.5(h): Aggregate Principal Amount of Indebtedness Secured by Purchase Money Liens	
	A. Book value of Tangible Assets of Company and its Restricted Subsidiaries as of _____	
	B. 5% of amount of A	_____
	C. Outstanding as of _____	_____
	D. Greater of B or C (Required: not to exceed the amount in B)	_____
X.	Section 8.5(i): Additional Funded Debt	
	Pro Forma Free Cash Flow to Maximum Pro Forma Annual Interest Charges	_____
	Ratio: (Not to be less than 2.25 to 1:00)	_____
XI.	Section 8.13(a): Restricted Payments	

Available Cash	
(i)(a) Net Income or Loss	_____
(a) Excluding Gain on sale of any Capital Assets	_____
Plus:	
(b) DDA _____	_____
(b) Other non-cash charges	_____
(c) Reduction in reserves of the types referred to in clause (ii)(d) below,	
Interest _____	
Principal _____	_____
(d) Proceeds received from the sale of Designated Acres	_____
(e) Cash from Capital Transactions used to refinance or refund Indebtedness	_____
(f) (A) other Cash from Capital Transactions received by the Company during such quarter up to an aggregate amount equal to \$200,000,000 for all calendar quarters, commencing with the calendar quarter that ended March 31, 2002	\$_____
(B) the aggregate of amounts of such \$200,000,000 utilized in the calculation of Available Cash for previous calendar quarters	\$_____
(f)(A) minus(f)(B)	_____
(g) an amount equal to that portion of the Net Proceeds received from such sale that was applied to the repayment of the Qualified Debt in accordance with Section 2.7(a)(i) or 8.2(i) but not to exceed an amount equal to 50% of	

the Net Proceeds received from such sale(1)	_____
Less (ii) the sum of:	
(a) All payments of principal on Indebtedness	_____
(b) Capital expenditures	_____
(c) Capital expenditures made in prior quarter, anticipated to financed, but have not been refinanced	_____
(d) Reserve for future principal payments (per Section 8.13)	_____
(d) Reserve for future capital expenditures	_____
(d) Reserve for additional working capital	_____
(d) Reserve for future distributions	_____
(d) Reserve for future interest payments (per Section 8.13)	_____
(e) Other noncash credits	_____
(f) The amount of any Investments	_____
(g) Any Investments made in prior quarter anticipated to be financed, but have not been refinanced	_____
Available Cash:	
Total Distribution:	_____

(1) Include such amount only if the Pricing Leverage Ratio as the last day of such calendar quarter is less than 4.0 to 1.0. See clause (i)(g) in the definition of Available Cash for limitation as to the amount that may be included in the calculation thereof.

CREDIT AGREEMENT

Dated as of November 26, 2002

among

PLUM CREEK TIMBERLANDS, L.P.,

THE FINANCIAL INSTITUTIONS PARTY HERETO
FROM TIME TO TIME AS LENDERS,
as the Lenders,

BANK OF AMERICA, N.A.,
as Administrative Agent,

THE BANK OF TOKYO-MITSUBISHI, LTD.,
PORTLAND BRANCH

and

WACHOVIA BANK, N.A.,
as Syndication Agents

SUNTRUST BANK,

SCOTIABANC INC.,

and

NORTHWEST FARM CREDIT SERVICES, PCA,
as Documentation Agents

BANC OF AMERICA SECURITIES LLC,
as Arranger

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CREDIT AGREEMENT

This CREDIT AGREEMENT is dated as of November 26, 2002, and entered into among PLUM CREEK TIMBERLANDS, L.P., a Delaware limited partnership (the "Company"), the financial institutions from time to time party to this Agreement as lenders (collectively, the "Lenders"; individually, a "Lender"), THE BANK OF TOKYO-MITSUBISHI, LTD., PORTLAND BRANCH, and WACHOVIA BANK, N.A., as syndication agents for the Lenders (collectively, the "Syndication Agents"; individually, a "Syndication Agent"), SUNTRUST BANK, SCOTIABANC INC. AND NORTHWEST FARM CREDIT SERVICES, PCA, as documentation agents for the Lenders (collectively, the "Documentation Agents"; individually, a "Documentation Agent"), and BANK OF AMERICA, N.A., as administrative agent for the Lenders.

WHEREAS, the Lenders have agreed to make available to the Company a revolving credit facility upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 DEFINED TERMS

In addition to the terms defined elsewhere in this Agreement, the following terms have the following meanings:

"Administrative Agent" means Bank of America in its capacity as administrative agent for the Lenders hereunder, or any successor administrative agent.

"Administrative Agent's Payment Office" means the address for payments set forth on Schedule 11.2 in relation to the Administrative Agent or such other address as the Administrative Agent may from time to time specify to the Company and the Lenders in accordance with Section 11.2.

"Administrative Agent-Related Persons" means Bank of America (including Bank of America in its capacity as the Administrative Agent) and Banc of America Securities (including Banc of America Securities in its capacity as the Arranger), together with their respective Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of

the management and policies of the other Person, whether through the ownership of voting securities, by contract or otherwise. Without limitation, any director, executive officer or beneficial owner of 5% or more of the equity of a Person shall for the purposes of this Agreement, be deemed to control the other Person. Notwithstanding the foregoing, no Lender shall be deemed an "Affiliate" of the Company or of any Subsidiary of the Company.

"Aggregate Commitment Percentage" means, at any time, with respect to each Lender, the percentage (carried out to the ninth decimal place) equivalent of (a) the aggregate amount of such Lender's Revolving Credit Commitment at such time (or, if such Lender's Revolving Credit Commitment shall have terminated, the aggregate Effective Amount of such Lender's Revolving Loans at such time) divided by (b) the Aggregate Commitments.

"Aggregate Commitments" means, at any time, the Aggregate Revolving Credit Commitment in effect at such time (or, if the Aggregate Revolving Credit Commitment shall have terminated, the aggregate Effective Amount of the Revolving Loans at such time).

"Aggregate Revolving Credit Commitment" means the combined Revolving Credit Commitments of the Lenders, as such amount may be terminated or reduced from time to time pursuant to this Agreement.

"Agreement" means this Credit Agreement, as amended from time to time in accordance with the terms hereof.

"Applicable Margin" means, in respect of all Loans outstanding on any date (A) for the period from the Closing Date through March 31, 2003, 1.175% for Eurodollar Rate Loans and 0.1750% for Base Rate Loans, and (B) from April 1, 2003, the percentage specified below opposite the Pricing Leverage Ratio (which ratio shall be calculated on a four quarter rolling basis for the relevant fiscal quarter) calculated for the periods described below.

PRICING LEVERAGE RATIO AT END OF FISCAL QUARTER -----	APPLICABLE MARGIN -----	
	Eurodollar Rate -----	Base Rate -----
Greater than or equal to 3.75	1.3500%	0.3500%
Less than 3.75 but greater than or equal to 3.00	1.1750%	0.1750%
Less than 3.00 but greater than or equal to 2.50	1.0000%	0.0000%
Less than 2.50 but greater than or equal to 2.00	0.8000%	0.0000%
Less than 2.00	0.6000%	0.0000%

The Applicable Margin for each fiscal quarter commencing on and after April 1, 2003 shall be calculated in reliance on the financial reports delivered pursuant to subsections 7.1(a) and 7.1(c) and the certificate delivered pursuant to subsection 7.2(b) with respect to the fiscal quarter ending one fiscal quarter before the fiscal quarter in question (e.g., June 30 financials determine the Applicable Margin for the fiscal quarter beginning October 1). If the Company fails to deliver such financial reports and certificate to the Administrative Agent for any fiscal quarter by the beginning of the second succeeding fiscal quarter (e.g., by October 1 for the fiscal quarter ending June 30), then the Applicable Margin for the following fiscal quarter (e.g., October 1 through December 31) shall equal the next higher Applicable Margin as set forth in the chart above immediately above the previously effective Applicable Margin; thus, for example, if the Applicable Margin had previously been 1.0000% for Eurodollar Rate Loans and 0.0000% for Base Rate Loans, a failure to deliver quarterly financials by the first day of the next fiscal quarter would cause the Applicable Margin to be 1.1750% and 0.1750%, respectively, for the duration of that quarter. In addition, if such financial reports and certificate when delivered indicate that the Applicable Margin for such period should have been higher than the Applicable Margin provided for in the previous sentence, then the Company shall pay on the date of delivery of such financial reports and certificate an amount equal to the positive difference, if any, between the interest that the Company should have paid hereunder had the financial reports and certificate been delivered on a timely basis over what the Company actually paid. The Applicable Margin shall be adjusted automatically as to all Loans then outstanding (without regard to the timing of Interest Periods) as of the effective date of any change in the Applicable Margin.

"Approved Fund" has the meaning specified in Section 11.8(g).

"Arranger" means Banc of America Securities LLC.

"Assessment Rate" has the meaning specified in Section 4.3(a).

"Asset Sales" means any sale or disposition of Properties (other than inventory in the Ordinary Course of Business) of the Company, any of its Subsidiaries or any other Person in which the Company holds an equity or other ownership interest, by the Company, such Subsidiary or such other Person.

"Assignment and Assumption Agreement" means an Assignment and Assumption Agreement substantially in the form of Exhibit F.

"Attorney Costs" means and includes all fees and disbursements of any law firm or other external counsel, the allocated cost of internal legal services and all disbursements of internal counsel.

"Available Cash" means, with respect to any calendar quarter, (i) the sum of:

(a) the Company's net income (or net loss) (excluding gain on the sale of any Capital Asset) for such quarter,

(b) the amount of depletion, depreciation, amortization and other noncash charges utilized in determining net income of the Company for such quarter,

(c) the amount of any reduction in reserves of the Company of the types referred to in clause (ii)(d) below,

(d) proceeds received by the Company from the sale of Designated Acres,

(e) any Cash from Capital Transactions received by the Company during such quarter in specific contemplation that such Cash from Capital Transactions will be used to refund or refinance any payment of Indebtedness of the type specified in clause (ii)(a) below which was made in either of the two immediately preceding quarters,

(f) (A) with respect to the calendar quarter ended September 30, 2001, only, \$140,000,000 and (B) other Cash from Capital Transactions received by the Company during the relevant quarter up to an aggregate amount equal to \$200,000,000 for all calendar quarters, commencing with the calendar quarter that ended March 31, 2002, less the aggregate of other amounts of such \$200,000,000 utilized in the calculation Available Cash for previous calendar quarters; and

(g) without duplication in respect of clauses (i)(e) and (i)(f) above, in the event of any Asset Sale, an amount equal to that portion of the Net Proceeds received from such sale that was applied to the repayment of the Qualified Debt in accordance with Section 2.7(a)(i) or 8.2(i) but not to exceed an amount equal to 50% of the Net Proceeds received from such sale; provided, that, the cumulative increase to Available Cash pursuant to this clause (i)(g) (after giving effect to any current increase in respect thereof) with respect to any Asset Sale shall not exceed, in any event, an amount equal to the Net Proceeds from such Asset Sale less the cumulative

amount of such Net Proceeds applied to the repayment of Qualified Debt and to the purchase of productive assets in accordance with Section 2.7(a)(i) or 8.2(i);

less (ii) the sum of:

(a) all payments of principal on Indebtedness made by the Company in such quarter (excluding any payments of principal on Indebtedness made with Cash from Capital Transactions received by the Company during such quarter or, to the extent such Cash from Capital Transactions remains available, received by the Company during the four immediately preceding quarters),

(b) capital expenditures made by the Company during such quarter (excluding any capital expenditures for such quarter made with Cash from Capital Transactions received by the Company during such quarter or, to the extent such Cash from Capital Transactions remains available, received by the Company during the four immediately preceding quarters, and capital expenditures which the General Partner reasonably anticipates will be financed with Cash from Capital Transactions within 90 days from the end of such quarter),

(c) the amount of any capital expenditures made by the Company in a prior quarter which was anticipated would be financed from Cash from Capital Transactions but which have not been financed from such source within 90 days from the end of such quarter,

(d) the amount of any reserves of the Company established during such quarter which are necessary or appropriate (1) to provide funds for the future payment of items of the types specified in clauses (ii)(a) and (ii)(b) above, (2) to provide additional working capital, (3) to provide funds for cash distributions with respect to any one or more of the next four quarters, or (4) to provide funds for the future payment of interest in an amount equal to the interest to be accrued in the next quarter,

(e) the amount of any noncash items of income utilized in determining net income of the Company for such quarter,

(f) the amount of any Investments in the form of cash or cash equivalents (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) made by the Company during such quarter pursuant to subsections 8.4(a), (h) or (i) (or, in the case of any Subsidiary, Investments in the form of cash or cash equivalents (other than guarantees, contingent liabilities or endorsements, except to the extent

payments are actually made under such guarantees, contingent liabilities or endorsements) of similar type) to the extent not included in capital expenditures or payments on principal on Indebtedness made by the Company during such quarter (excluding any such Investments for such quarter made with Cash from Capital Transactions received by the Company during such quarter or, to the extent such Cash from Capital Transactions remains available, received by the Company during the four immediately preceding quarters, and Investments which the General Partner reasonably anticipates will be financed with Cash from Capital Transactions within 90 days from the end of such quarter), and

(g) the amount of any Investments (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) made by the Company in a prior quarter pursuant to subsections 8.4(a), (h) or (i) (or in the case of any Subsidiary, Investments (other than guarantees, contingent liabilities or endorsements, except to the extent payments are actually made under such guarantees, contingent liabilities or endorsements) of similar type) to the extent not included in capital expenditures made by the Company during such quarter which was anticipated would be financed from Cash from Capital Transactions but which have not been financed from such source within 90 days from the end of such quarter.

Notwithstanding the foregoing, "Available Cash" shall not take into account any reductions in reserves or disbursements made or reserves established after commencement of the dissolution and liquidation of the Company. In determining "Available Cash," (i) all items under clauses (i)(a), (b), (c), (d), (e), (f) and (g) above and all items under clauses (ii)(a), (b), (c), (d), (e), (f) and (g) above shall be (A) calculated on a consolidated basis with any Subsidiary of the Company whose income is accounted for on a consolidated basis with the Company and (B) calculated on a consolidated basis with any other Person in which the Company directly or indirectly holds an equity or other ownership interest, and, in accordance therewith, "Available Cash" shall include a percentage of each such item of each such Subsidiary or such other Person equal to the Company's percentage ownership interest in such Subsidiary or such other Person; provided, however, that the items under clauses (i)(a), (b), (c), (d), (e), (f) and (g) above shall only be included in Available Cash to the extent that the General Partner determines such amount to be legally available for dividends or distributions to the Company of a Subsidiary by such Subsidiary or such other Person; (ii) the amount of net income and the amount of depletion, depreciation, amortization and other noncash charges utilized in determining net income shall be determined, with respect to the Company, by the General Partner in accordance with generally accepted accounting principals and, with respect to any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest, by its Board of Directors (or by such other body or person which has the ultimate management authority of such

Subsidiary or such other Person) in accordance with generally accepted accounting principles; (iii) the net income of any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest shall be determined on an after-tax basis; (iv) the amount of any reductions in, or additions to, reserves for purposes of clauses (i)(c) and (ii)(d) above shall be determined, with respect to the Company, by the General Partner in its reasonable good faith judgment and, with respect to any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest, by its Board of Directors (or by such other body or person which has the ultimate management authority of such Subsidiary or such Person) in its reasonable good faith judgment; and (v) any determination of whether any capital expenditures or Investments are financed, or anticipated to be financed, with Cash from Capital Transactions for purposes of clause (ii)(b) or (ii)(f) above shall be made, with respect to the Company, by the General Partner in its reasonable good faith judgment and, with respect to any Subsidiary or other Person in which the Company directly or indirectly holds an equity or other ownership interest, by its Board of Directors (or by such other body or person which has the ultimate management authority of such Subsidiary or such Person) in its reasonable good faith judgment.

Subject to the immediately succeeding sentence, any increase to Available Cash pursuant to clause (i)(g) above shall be made in the calendar quarter in which Qualified Debt is repaid in accordance with such clause (irrespective of the calendar quarter in which the Asset Sale occurred). Notwithstanding the foregoing, the item under clause (i)(g) above shall only be included in the calculation of Available Cash if (A) the Company has delivered to the Administrative Agent a Compliance Certificate in the form of Exhibit D for the calendar quarter in which the payment of Qualified Debt in accordance with clause (i)(g) above is made, and (B) the Pricing Leverage Ratio as the last day of such calendar quarter is less than 4.0 to 1.0.

"Banc of America Securities" means Banc of America Securities LLC, and its successor.

"Bank of America" means Bank of America, N.A., a national banking association, and its successor.

"Bank of America Fee Letter" means the letter agreement dated October 28, 2002, among Bank of America, Banc of America Securities and the Company, as it may be amended from time to time.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. Section 101, et seq.).

"Base Rate" means, for any day, a fluctuating rate per annum equal to the higher of:

(a) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate". The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate; and

(b) 0.50% per annum above the latest Federal Funds Rate.

Any change in the prime rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate.

"Board Foot" means a unit of measurement one foot square and one inch thick.

"Borrowing" means a borrowing hereunder consisting of Loans of the same Type made to the Company on the same day by the Lenders pursuant to Article II, and, other than in the case of Base Rate Loans, having the same Interest Period.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City or San Francisco are authorized or required by law to close and, if the applicable Business Day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"Capital Asset" means any asset on the Company's or any Subsidiary's balance sheet, as the case may be, other than inventory, accounts receivable or any other current asset and assets disposed of in connection with normal retirements or replacements.

"Capital Expenditure Tranche" has the meaning specified in Section 2.16.

"Capital Expenditure Tranche Loan" means a Loan allocated by the Company to the Capital Expenditure Tranche as provided in Section 2.16.

"Capital Lease" has the meaning specified in the definition of "Capital Lease Obligations".

"Capital Lease Obligations" means all monetary obligations of the Company or any of its Subsidiaries under any leasing or similar arrangement which, in accordance with GAAP, is classified as a capital lease ("Capital Lease").

"Capital Stock" means any and all shares, interests, participations, units or other equivalents (however designated) of capital stock of a corporation, and any and all equivalent ownership interests in a Person other than a corporation.

"Capital Transaction" means (i) borrowings and sales of debt securities (other than for working capital purposes and other than for items purchased on open account in the ordinary course of business) by the Company, (ii) sales of equity interests by the REIT the proceeds of which are contributed to the Company, and (iii) sales or other voluntary or involuntary dispositions of any assets of the Company (other than (x) sales or other dispositions of inventory in the ordinary course of business, (y) sales or other dispositions of other current assets including receivables and accounts and (z) sales or other dispositions of assets as a part of normal retirements or replacements), in each case prior to the commencement of the dissolution and liquidation of the Company, provided that in determining Cash from Capital Transactions, items (i), (ii) and (iii) above shall include, with respect to each Subsidiary of the Company whose income is accounted for on a consolidated basis with the Company, a percentage of each such item of such Subsidiary equal to the Company's percentage ownership interest in such Subsidiary.

"Cash Collateral Account Agreement" means an agreement or agreements entered into between the Company and the Administrative Agent substantially in the form of Exhibit E.

"Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Administrative Agent and the Lenders, as collateral for the Loans, cash or deposit account balances pursuant to a Cash Collateral Account Agreement. Derivatives of such term shall have corresponding meaning.

"Cash from Capital Transactions" means at any date, such amounts of cash as are determined by the General Partner to be cash made available to the Company from or by reason of a Capital Transaction.

"CERCLA" has the meaning specified in the definition of "Environmental Laws".

"Change of Control" means, with respect to any Person, an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all Capital Stock that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 30% or more of the Capital Stock of such Person entitled to vote for members of the board of directors or equivalent governing body of such Person on a partially-diluted basis (i.e., taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

"Closing Date" means November 26, 2002.

"Code" means the Internal Revenue Code of 1986, as amended from time, and regulations promulgated thereunder.

"Commitment" means, as to each Lender, such Lender's Revolving Credit Commitment.

"Company's Knowledge" or "Knowledge of the Company" shall mean the actual knowledge of any person holding any of the following offices as of the date of determination: (i) President, Chief Executive Officer, any Executive Vice President, Chief Financial Officer, General Counsel, Secretary, Vice President-Human Resources, and Environmental Engineer, and any successor to those offices, such persons being the principal persons employed by the Company ultimately responsible for environmental operations and compliance, ERISA and legal matters relating to the Company or (ii) the Treasurer or any other person having the

primary responsibility for the day-to-day administration of, and dealings with the Administrative Agent and the Lenders in connection with, this Agreement.

"Contractual Obligations" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Controlled Group" means the Company and all Persons (whether or not incorporated) under common control or treated as a single employer with the Company pursuant to Section 414(b), (c), (m) or (o) of the Code.

"Conversion/Continuation Date" means any date on which, under Section 2.4, the Company (a) converts Loans of one Type to another Type, or (b) continues as Loans of the same Type, but with a new Interest Period, Loans having Interest Periods expiring on such date.

"Credit Extension" means and includes the making of any Loan hereunder, including any conversion or continuation thereof.

"Cunit" means 100 cubic feet of wood.

"Debt Proceeds" means the proceeds of Indebtedness permitted by subsection 8.5(i), net of customary expenses payable to Persons that are not Affiliates of the Company.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Defaulting Lender" means any Lender who has failed to fund any portion of its Commitment required to be funded by it hereunder, during such failure.

"Default Rate" means an interest rate equal to (a) the Base Rate plus (b) the Applicable Margin applicable to Base Rate Loans plus (c) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Margin) otherwise applicable to such Eurodollar Rate Loan plus 2% per annum, in each case to the fullest extent permitted by applicable law, statute, rule, regulation and treaty.

"Designated Acres" means up to an aggregate of 800,000 acres owned by the Company which (based on the good faith determination of the Responsible Representatives that such acres have at the time such determination is made a higher value as recreational, residential, grazing or agricultural property than for timber production) may be reasonably designated by the General Partner at the time of the sale thereof as constituting Designated Acres (such aggregate number of

acres to be determined over the term of existence of the 2001 Senior Note Agreement).

"Designated Immaterial Subsidiary" means any entity which would otherwise be a Restricted Subsidiary and which at any time is designated by the Company as a Designated Immaterial Subsidiary, provided that no such designation of any entity as a Designated Immaterial Subsidiary shall be effective unless (i) at the time of such designation, such entity does not own any shares of stock or Indebtedness of any Restricted Subsidiary which is not simultaneously being designated as a Designated Immaterial Subsidiary, (ii) immediately after giving effect to such designation, (a) the Company could incur at least \$1 of additional Funded Debt pursuant to subsection 8.5(i), and (b) no condition or event shall exist which constitutes an Event of Default or Material Default, (iii) the Company is permitted to make the Investment in such entity resulting from such designation pursuant to, and within the limitations specified in, subsection 8.4(i), treating the aggregate book value (including equity in retained earnings) of the Investments of the Company and its Subsidiaries in such entity immediately prior to such designation as the cost of such Investment, and provided, further, that if at any time all Designated Immaterial Subsidiaries on a consolidated basis would be a "significant subsidiary" (assuming the Company is the registrant) within the meaning of Regulation S-X (17 C.F.R. Part 210) the Company shall designate one or more Designated Immaterial Subsidiaries which are directly owned by the Company and its Restricted Subsidiaries as Restricted Subsidiaries such that the condition in this proviso is no longer applicable and the entities so designated shall no longer be Designated Immaterial Subsidiaries. Any entity which has been designated a Designated Immaterial Subsidiary shall not thereafter become a Restricted Subsidiary except pursuant to a designation required by the last proviso in the preceding sentence, and any Designated Immaterial Subsidiary which has been designated a Restricted Subsidiary pursuant to the last proviso of the preceding sentence shall not thereafter be redesignated as a Designated Immaterial Subsidiary.

"Documentation Agent" or "Documentation Agents" has the meaning specified in the introductory paragraph of this Agreement.

"Dollars", "dollars" and "\$" each mean lawful money of the United States.

"Domestic Lending Office" means, with respect to each Lender, the office of such Lender designated as such in Schedule 11.2 or such other office of such Lender as it may from time to time specify to the Company and the Administrative Agent.

"EBITDA" means, for any period, for the Company and its Subsidiaries on a consolidated basis, determined in accordance with GAAP, the sum of (a) the net

income (or net loss) for such period, plus (b) all amounts treated as expenses for depreciation, depletion and interest and the amortization of intangibles of any kind to the extent included in the determination of such net income (or loss), plus (c) the cost basis for Designated Acres disposed of during such period to the extent such aggregate cost basis, when added to the net income for such period arising from the sale of Designated Acres, does not exceed \$80,000,000 for the four quarters then ending, plus (d) all accrued taxes on or measured by income to the extent included in the determination of such net income (or loss), plus or minus, as applicable, (e) in connection with any Timber previously acquired within such period, an amount equal to a good faith estimate of such additional amounts as would be included in clauses (a), (b), (c), or (d) above had such Timber been owned by the Company or one of its Subsidiaries for the entirety of such period, as certified (in a certificate containing such detail as the Administrative Agent or the Required Lenders may reasonably request) by a Responsible Officer based upon such Responsible Officer's good faith estimates of applicable revenues and expenses arising from such Timber and assuming aggregate timber harvests in an amount that does not require application of the proceeds thereof to the purchase of Timber or the repayment of Qualified Debt under Section 8.3; provided, however, that net income (or loss) shall be computed for purposes of computing EBITDA without giving effect to extraordinary losses or extraordinary gains.

"Effective Amount" means, with respect to any Loans, on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments thereof occurring on such date.

"Eligible Assignee" has the meaning specified in Section 11.8(g).

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment or threat to public health, personal injury (including sickness, disease or death), property damage, natural resources damage, or otherwise alleging liability or responsibility for damages (punitive or otherwise), cleanup, removal, remedial or response costs, restitution, civil or criminal penalties, injunctive relief, or other type of relief, resulting from or based upon (a) the presence, placement, discharge, emission or release (including intentional and unintentional, negligent and non-negligent, sudden or non-sudden, accidental or non-accidental placement, spills, leaks, discharges, emissions or releases) of any Hazardous Material at, in, or from Property, whether or not owned by such person, or (b) any other circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits

of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety, land use, conservation, and timber harvesting matters; including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Emergency Planning and Community Right-to-Know Act.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or 414(c) of the Code.

"ERISA Event" means (a) a Reportable Event with respect to a Qualified Plan or a Multiemployer Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Qualified Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA); (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan; (d) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA or the commencement of proceedings by the PBGC to terminate a Qualified Plan or Multiemployer Plan subject to Title IV of ERISA; (e) a failure by the Company or any ERISA Affiliate to make required contributions to a Qualified Plan or Multiemployer Plan; (f) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Qualified Plan or Multiemployer Plan; (g) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate; (h) an application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Plan; (i) a non-exempt prohibited transaction occurs with respect to any Plan for which the Company may be directly or indirectly liable; or

(j) a violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under Section 401(a) of the Code by any fiduciary or disqualified person with respect to any Plan for which the Company may be directly or indirectly liable.

"Eurocurrency Liabilities" has the meaning specified in the definition of "Eurodollar Rate".

"Eurodollar Rate" means for any Interest Period with respect to any Eurodollar Rate Loan, a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"Eurodollar Base Rate" means, for such Interest Period:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest (rounded upward to the next 1/100th of 1%) at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London branch to major banks in the London interbank eurodollar market at

their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period;

and where,

"Eurodollar Reserve Percentage" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, rounded unpaid to the next 1/100th of 1%) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Board of Governors of the Federal Reserve System of the U.S. for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency Liabilities"). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"Eurodollar Base Rate" has the meaning specified in the definition of "Eurodollar Rate".

"Eurodollar Lending Office" means, with respect to each Lender, the office of such Lender designated as such in Schedule 11.2 or such other office of such Lender as such Lender may from time to time specify to the Company and the Administrative Agent.

"Eurodollar Rate Loan" means any Loan that bears interest based on the Eurodollar Rate.

"Eurodollar Reserve Percentage" has the meaning specified in the definition of "Eurodollar Rate".

"Event of Default" means any of the events or circumstances specified in Section 9.1.

"Exchange Act" means the Securities and Exchange Act of 1934, as amended from time to time, and regulations promulgated thereunder.

"Existing Credit Agreement" means the Credit Agreement, dated as of October 3, 2001, among the Company, Bank of America, N.A., as issuing bank, swingline bank and administrative agent, First Union National Bank and The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, as syndication agents, SunTrust Bank, ScotiaBanc Inc., and Northwest Farm Credit Services, PCA, as documentation agents, and the other financial institutions party thereto, as the same may be amended, amended and restated, supplemented or modified or renewed or refinanced from time to time.

"Facilities Operating Subsidiaries" means, collectively, Plum Creek Marketing, Inc., a Delaware corporation, Holding, and the New Subsidiaries and a "Facilities Operating Subsidiary" shall mean any one of them.

"Facilities Subsidiary" means, collectively, Plum Creek Manufacturing, L.P., a Delaware limited partnership, Plum Creek Marketing, Inc., a Delaware corporation, Holding, the New Subsidiaries, and any other Subsidiary of Plum Creek Manufacturing, L.P. satisfying the requirements of clause (ii) of the definition of Wholly-Owned Subsidiary

"Facilities Subsidiary's Facility" means any facility pursuant to which Plum Creek Manufacturing, L.P. may incur Indebtedness for purposes of making capital improvements, additions to, or expansions of, property, plant and equipment of the Facilities Subsidiary or its Subsidiaries which are Restricted Subsidiaries.

"Facilities Subsidiary's Revolving Credit Facility" means any facility pursuant to which Plum Creek Manufacturing, L.P. or any of its Subsidiaries which is a Restricted Subsidiary may obtain revolving credit, take-down credit, the issuance of standby and payment letters of credit and backup for the issuance of commercial paper.

"Facility Fee" has the meaning specified in Section 2.11(b).

"Facility Fee Percentage" means (A) for the period from the Closing Date through March 31, 2003, 0.3250% and (B) from April 1, 2003, the percentage specified below opposite the Pricing Leverage Ratio (which ratio shall be calculated on a rolling four quarter basis for the relevant fiscal quarter) calculated for the periods described below.

PRICING LEVERAGE RATIO AT END OF FISCAL QUARTER	FACILITY FEE PERCENTAGE
Greater than or equal to 3.75	0.4000%
Less than 3.75 but greater than or equal to 3.00	0.3250%
Less than 3.00 but greater than or equal to 2.50	0.2500%
Less than 2.50 but greater than or equal to 2.00	0.2000%
Less than 2.00	0.1500%

The Facility Fee Percentage for each fiscal quarter commencing on and after April 1, 2003 shall be calculated in reliance on the financial reports delivered pursuant to subsections 7.1(a) and 7.1(c) and the certificate delivered pursuant to

subsection 7.2(b) with respect to the fiscal quarter before the fiscal quarter in question (e.g., June 30 financials determine the Facility Fee Percentage for the fiscal quarter beginning October 1). If the Company fails to deliver such financial reports and certificate to the Administrative Agent for any fiscal quarter by the beginning of the second succeeding fiscal quarter (e.g., by October 1 for the fiscal quarter ending June 30), then the Facility Fee Percentage for the following fiscal quarter (e.g., October 1 through December 31) shall equal the next higher Facility Fee Percentage as set forth in the chart above immediately above the previously effective Facility Fee Percentage; thus, for example, if the Facility Fee Percentage had previously been 0.2000%, a failure to deliver quarterly financials by the first day of the next fiscal quarter would cause the Facility Fee Percentage to be 0.2500% for the duration of that quarter. In addition, if such financial reports and certificate when delivered indicate that the Facility Fee Percentage for such period should have been higher than the Facility Fee Percentage provided for in the previous sentence, then the Company shall pay on the date of delivery of such financial reports and certificate an amount equal to the positive difference, if any, between the interest that the Company should have paid hereunder had the financial reports and certificate been delivered on a timely basis over what the Company actually paid.

"FDIC" means the Federal Deposit Insurance Corporation, or any entity succeeding to any of its principal functions.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.

"Foreign Lender" means, with respect to a Lender, such a Person that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code.

"Form W-8" has the meaning specified in subsection 4.1(g)(i)(A).

"Form W-8BEN" has the meaning specified in subsection 4.1(g)(i)(B).

"Form W-8ECI" has the meaning specified in subsection 4.1(g)(i)(A).

"Fund" has the meaning specified in Section 11.8(g).

"Funded Debt" means, without duplication, any Indebtedness, whether current or long-term, for borrowed money (including Obligations hereunder) and which Indebtedness bears interest.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such other entity as may be in general use by significant segments of the U.S. accounting profession, which are applicable to the circumstances as of the date of determination.

"General Partner" means Plum Creek Timber I, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware, and any successor managing general partner of the Company.

"Georgia-Pacific" means Georgia-Pacific Corporation, a Georgia corporation.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guarantee" means the guarantee in paragraph 7 of the Mortgage Note Agreement.

"Hazardous Materials" means all those substances which are regulated by, or which may form the basis of liability under, any Environmental Law, including all substances identified under any Environmental Law as a pollutant, contaminant, hazardous waste, hazardous constituent, special waste, hazardous substance, hazardous material, or toxic substance, or petroleum or petroleum derived substance or waste.

"Holding" shall mean Plum Creek Manufacturing Holding Company, Inc., a Delaware corporation.

"Indebtedness" of any Person means, as of any date of determination, without duplication, (a) all indebtedness of such Person for borrowed money or for

the deferred purchase price of property or services, (b) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds, banker's acceptances and other similar instruments guaranteeing payment or other performance of obligations by such Person, (c) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any Lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof, (d) lease obligations of such Person which, in accordance with GAAP, should be capitalized, (e) Synthetic Lease Obligations, (f) obligations payable out of the proceeds of production from property of such Person, even though such Person has not assumed or become liable for the payment thereof, (g) the Swap Termination Value with respect to Swap Contracts, and (h) any obligations of any other Person of the type described in the above clauses (a) through (g), inclusive, which are guaranteed or in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation, or to make payment for any property, securities, products, materials or supplies or for any transportation or services regardless of the non-delivery or nonfurnishing thereof, in any such case if the purpose or intent of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected against loss in respect thereof or to otherwise assure or hold harmless the holder of any primary obligation against loss in respect thereof. The amount of any obligations of the type described in clause (h) of this definition shall be deemed equal to the stated or determinable amount of the primary obligation in respect of which such obligation is made or, if not stated or if not determinable, the maximum reasonably anticipated liability in respect thereof.

"Indemnified Person" has the meaning specified in subsection 11.5.

"Indemnified Liabilities" has the meaning specified in subsection 11.5.

"Independent Auditor" has the meaning specified in subsection 7.1(a).

"Ineligible Securities" has the meaning specified in Section 8.7(b).

"Insolvency Proceeding" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of its creditors

generally or any substantial portion of its creditors; in each case (a) and (b) undertaken under U.S. Federal, State or foreign law, including the Bankruptcy Code.

"Interest Coverage Ratio" means, as measured quarterly on the last day of each fiscal quarter for the four fiscal quarter period then ending, the ratio of

(i) EBITDA

to

(ii) the consolidated interest expense (including capitalized interest) of the Company and its Subsidiaries for the four fiscal quarter period then ending calculated in accordance with GAAP, plus interest expense that would have been payable during such four fiscal quarters had any Indebtedness incurred during such period for the purpose of acquiring Timber and related assets been incurred at the beginning of such period, based upon the interest rate applicable to such Indebtedness at the end of such period.

"Interest Payment Date" means, (a) with respect to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date, and (b) with respect to any Base Rate Loan, the last Business Day of each calendar quarter and each date a Base Rate Loan is converted into another Type of Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the date which falls three months after the beginning of such Interest Period and after each Interest Payment Date thereafter shall also be an Interest Payment Date.

"Interest Period" means, with respect to any Eurodollar Rate Loan, the period commencing on the Business Day the Loan is disbursed or on the Conversion/Continuation Date on which the Loan is converted into or continued as a Eurodollar Rate Loan, and ending on the date that is one week or one, two, three or six months thereafter, as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation, as the case may be; provided that:

(i) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period pertaining to a Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which

there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period for any Revolving Loan shall extend beyond the Maturity Date.

"Investment Policy" means the Corporate Investment Policy of the Company, as it existed on April 5, 1993 and as attached hereto as Schedule 1.1 (without giving effect to any later amendments thereto).

"Investments" has the meaning specified in Section 8.4.

"Joint Venture" means a partnership, joint venture or other similar legal arrangement (whether created pursuant to contract or conducted through a separate legal entity) now or hereafter formed by the Company or any of its Restricted Subsidiaries with another Person in order to conduct a common venture or enterprise with such Person.

"Lender" has the meaning specified in the introductory clause hereto.

"Lending Office" means, with respect to any Lender, the office or offices of such Lender specified as its "Lending Office" or "Domestic Lending Office" or "Eurodollar Lending Office," as the case may be, opposite its name on Schedule 11.2, or such other office or offices of such Lender as it may from time to time notify the Company and the Administrative Agent.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien, preference or priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction).

"Loan" means an extension of credit by a Lender to the Company under Article II and shall be a Revolving Loan.

"Loan Documents" means, collectively, this Agreement, the Subsidiary Assumption Agreements, each Revolving Credit Promissory Note issued pursuant hereto, and all other documents delivered to the Administrative Agent in connection herewith and therewith.

"Loan Parties" means, collectively, the Company and each of the Company's Subsidiaries which is a party to any Loan Document; and each, a "Loan Party".

"Manufacturing Entities" has the meaning specified in Section 8.14.

"Margin Stock" means "margin stock" as such term is defined in Regulation T, U or X of the Federal Reserve Board.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, any of the operations, business, properties, condition (financial or otherwise) or prospects of the Company or the Company and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the Company or any other Loan Party to perform under any Loan Document and avoid any Event of Default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability of any Loan Document.

"Material Default" means any continuing Default as to which a written notice of such Default (which notice has not been rescinded) shall have been received by the Company, the General Partner or the REIT from the Administrative Agent or any Lender, or any continuing Event of Default.

"Maturity Date" means November 25, 2003.

"Maximum Leverage Ratio" has the meaning specified in Section 8.19.

"Maximum Pro Forma Annual Interest Charges" means, as of any date, the highest total amount payable during any period of four consecutive fiscal quarters, commencing with the fiscal quarter in which such date occurs and ending with the fiscal quarter in which the Revolving Credit Termination Date occurs, by the Company and its Restricted Subsidiaries on a consolidated basis, after eliminating all intercompany transactions, in respect of interest charges ((a) including amortization of debt discount and expense and imputed interest on Capital Lease Obligations and on other obligations included in Indebtedness which do not have stated interest, (b) assuming, in the case of fluctuating interest rates which cannot be determined in advance, that the rate in effect on such date will remain in effect throughout such period, and (c) treating the principal amount of all Indebtedness outstanding as of such date under a revolving credit or similar agreement as maturing and becoming due and payable on the scheduled maturity date thereof, without regard to any provision permitting such maturity date to be extended) on all Indebtedness of the Company and its Restricted Subsidiaries outstanding on such date (excluding the Guarantee and the guarantees of the Facilities Subsidiary's Facility and the Facilities Subsidiary's Revolving Credit Facility but including, to the extent not already included, all other Indebtedness outstanding on such date which is guaranteed or in effect guaranteed by the Company or any Restricted Subsidiaries), after giving effect to any Indebtedness proposed to be created on such date and to the concurrent retirement of any other Indebtedness.

"Maximum Rate" has the meaning specified in Section 11.17.

"MCCF" means one thousand Cunits.

"Measurement Period" has the meaning specified in the definition of "Pro Forma Free Cash Flow".

"Member" has the meaning specified in the Tax Matters Agreement.

"Merger" means, collectively, the merger of each Spinco with and into the REIT as provided in the Merger Agreement.

"Merger Agreement" means the Agreement and Plan of Merger dated as of July 18, 2000, among Georgia-Pacific, each of the Spinco's, and the REIT, as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of June 12, 2001.

"MMBF" means one million Board Feet.

"Mortgage Note Agreement" means the Mortgage Note Agreement, dated as of May 31, 1989, providing for the issuance and sale by Plum Creek Manufacturing, L.P. of its 11 1/8% First Mortgage Notes to the purchasers listed in the schedule of purchasers attached thereto, as amended by (a) the Mortgage Note Agreement Amendment, Consent and Waiver dated as of January 1, 1991, (b) the letter agreement dated April 22, 1993, (c) the Mortgage Note Agreement Amendment dated as of September 1, 1993, (d) the Mortgage Note Agreement Amendment dated as of May 20, 1994, (e) the Amendment to Mortgage Note Agreement dated as of June 15, 1995, (f) the Mortgage Note Agreements Amendment dated as of May 31, 1996, (g) the Mortgage Note Agreements Amendment dated as of April 15, 1997, (h) the Mortgage Note Agreements Amendment dated as of January 15, 1999, and (i) the Mortgage Note Agreements Amendment dated as of October 5, 2001.

"Mortgage Notes" means the 11 1/8% First Mortgage Notes of the Plum Creek Manufacturing, L.P. issued and sold pursuant to the Mortgage Note Agreement.

"Multiemployer Plan" means a "multiemployer plan" (within the meaning of Section 4001(a)(3) of ERISA) and to which the Company or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

"Net Proceeds" means proceeds in cash as and when received by the Person making a sale of Property, net of: (a) the direct costs relating to such sale excluding amounts payable to the Company, any Affiliate of the Company or any other Person in which the Company holds an equity or other ownership interest, (b) sale, use or other transaction taxes paid or payable as a result thereof, and (c) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on

Indebtedness secured by a Lien on the asset which is the subject of such disposition.

"New Subsidiaries" shall mean Plum Creek Northwest Lumber, Inc., a Delaware corporation, Plum Creek Northwest Plywood, Inc., a Delaware corporation, Plum Creek MDF, Inc., a Delaware corporation, and Plum Creek Southern Lumber, Inc., a Delaware corporation, and "New Subsidiary" shall mean any one of them.

"1989 Notes" means the senior promissory notes in the aggregate principal amount of \$165,000,000 issued and sold pursuant to the 1989 Senior Note Agreement.

"1989 Senior Note Agreement" means the Senior Note Agreement dated as of May 31, 1989, providing for the issuance and sale by the Company of the 1989 Notes to the purchasers listed in the schedule of purchasers attached thereto, as amended by (a) the Senior Note Agreement Amendment, Consent and Waiver dated as of January 1, 1991, (b) the letter agreement dated April 22, 1993, (c) the Senior Note Agreement Amendment dated as of September 1, 1993 (d) the Senior Note Agreement Amendment dated as of May 20, 1994, (e) the Senior Note Agreements Amendment dated as of May 31, 1996, (f) the Senior Note Agreements Amendment dated as of April 15, 1997, (g) the Senior Note Agreements Amendment dated as of January 15, 1999, and (h) the Senior Note Agreement Amendment dated as of October 5, 2001.

"1994 Notes" means the 8.73% Senior Notes due August 1, 2009 in the aggregate principal amount of \$150,000,000 issued and sold pursuant to the 1994 Senior Note Agreement.

"1994 Senior Note Agreement" means the Senior Note Agreement dated as of August 1, 1994 providing for the issuance and sale by the Company of the 1994 Notes to the purchasers listed in the schedule of purchasers attached thereto, as amended by (a) the Senior Note Agreement Amendment dated as of October 15, 1995, (b) the Senior Note Agreements Amendment dated as of May 31, 1996, (c) the Senior Note Agreements Amendment dated as of April 15, 1997, (d) the Senior Note Agreements Amendment dated as of January 15, 1999, and (e) the Senior Note Agreement Amendment dated as of October 5, 2001.

"1996 Notes" means the senior promissory notes in the aggregate principal amount of \$200,000,000 issued and sold pursuant to the 1996 Senior Note Agreement.

"1996 Senior Note Agreement" means the Senior Note Agreement dated as of November 13, 1996, providing for the issuance and sale by the Company of the 1996 Notes to the purchasers listed in the schedule of purchasers attached thereto,

as amended by (i) the Senior Note Agreements Amendment dated as of January 15, 1999 and (ii) the Senior Note Agreement Amendment dated as of October 5, 2001.

"1998 Notes" means the senior promissory notes in the aggregate principal amount of \$171,375,000 issued and sold pursuant to the 1998 Senior Note Agreement.

"1998 Senior Note Agreement" means the Senior Note Agreement dated as of November 12, 1998, providing for the issuance and sale by the Company of the 1998 Notes to SDW Timber 1, L.L.C., as amended by (i) the Senior Note Agreement dated as of April 1, 1999 and (ii) the Senior Note Agreement Amendment dated as of October 5, 2001.

"Non-Defaulting Lender" means and includes each Lender other than a Defaulting Lender.

"Notice of Borrowing" means a notice given by the Company to the Administrative Agent pursuant to Sections 2.3 in substantially the form of Exhibit A.

"Notice of Conversion/Continuation" means a notice given by the Company to the Administrative Agent pursuant to Section 2.4, in substantially the form of Exhibit B.

"Notice of Lien" means any "notice of lien" or similar document intended to be filed or recorded with any court, registry, recorder's office, central filing office or other Governmental Authority for the purpose of evidencing, creating, perfecting or preserving the priority of a Lien securing obligations owing to a Governmental Authority.

"Obligations" means all Loans, and other Indebtedness, advances, debts, liabilities, obligations, covenants and duties owing by the Company or any other Loan Party to any Lender, the Administrative Agent, the Syndication Agents, the Documentation Agents, the Arranger or any other Person required to be indemnified, that arises under any Loan Document, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment or assumption), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired and including interest and fees that accrue after the commencement by or against the Company, any other Loan Party or any Affiliate thereof of any Insolvency Proceeding naming such Person as the debtor in such Insolvency Proceeding, regardless of whether such interest and fees are allowed claims in such Insolvency Proceeding. The term "Obligations" includes all interest, charges, expenses, fees, attorneys' fees and

disbursements and any other sums chargeable to the Company or any other Loan Party under or in connection with this Agreement or any other Loan Document.

"Operating Lease" means, as applied to any Person, any lease of Property which is not a Capital Lease.

"Ordinary Course of Business" means, in respect of any transaction involving the Company or any Subsidiary of the Company, the ordinary course of such Person's business, as conducted by any such Person in accordance with past practice and undertaken by such Person in good faith and not for purposes of evading any covenant or restriction in any Loan Document.

"Organization Documents" means, (i) for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation; (ii) for any limited partnership, the certificate of limited partnership, the limited partnership agreement, and all applicable partnership resolutions; and (iii) for any limited liability company, the certificate of formation or articles of organization, the operating agreement or comparable document, and all other documents evidencing the authority and validity of actions taken by the limited liability company.

"Other Senior Notes" means the Senior Notes other than the Mortgage Notes.

"Other Taxes" has the meaning specified in subsection 4.1(b).

"Participant" has the meaning specified in Section 11.8(c).

"Partnership Agreement" means the Agreement of Limited Partnership of the Company as in effect, as the same may, from time to time, be amended, modified or supplemented in accordance with the terms thereof.

"Partner Entities" means, collectively, the REIT and the General Partner.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any of its principal functions under ERISA.

"Permitted Ancillary Business" means the ownership, development, management and sale of Property owned or previously owned by the Company or a Restricted Subsidiary that, based on the good faith determination of the Responsible Representatives at the time of determination, has a higher value as recreational, residential, grazing or agricultural property than for timber production.

"Permitted Business" means any business engaged in by the Company or the Facilities Subsidiary on the Closing Date, pulp and paper manufacturing, acquiring, selling and managing timberlands and related assets for a fee for third Persons, and any business substantially similar or related to any such business.

"Permitted Liens" has the meaning specified in Section 8.1.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, limited liability company, or Governmental Authority.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Company or any ERISA Affiliate sponsors or maintains or to which the Company or any ERISA Affiliate makes, is making or is obligated to make contributions, and includes any Multiemployer Plan or Qualified Plan.

"Plum Creek South Central" means Plum Creek South Central Timberlands, L.L.C., a Delaware limited liability company.

"Plum Creek South Central Assumption Agreement" means the Plum Creek South Central Timberlands, L.L.C. Assumption Agreement dated as of the date hereof and executed and delivered by Plum Creek South Central.

"Plum Creek Southern" means Plum Creek Southern Timber, L.L.C., a Delaware limited liability company.

"Plum Creek Southern Timber Assumption Agreement" means the Plum Creek Southern Timber, L.L.C. Assumption Agreement dated as of the date hereof and executed and delivered by Plum Creek Southern.

"Plum Creek Timber I" means Plum Creek Timber I, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware.

"Portfolio Interest Exemption Certificate" has the meaning specified in Section 4.1(g)(i)(B).

"Pricing Leverage Ratio" means, as measured quarterly on the last day of each fiscal quarter, the ratio of (a) an amount equal to (i) all Funded Debt of the Company and its Subsidiaries on a consolidated basis as of such day less (ii) the amount, if any, by which (A) the sum of the Company's and its Subsidiaries' cash balances and cash equivalents on a consolidated basis as of such date exceeds (B) \$75,000,000 to (b) EBITDA for the period of four fiscal quarters ending on such day. The Pricing Leverage Ratio shall be computed without giving effect to any write-up or write-down of the Funded Debt, or corresponding adjustments to interest expense in connection with such write-up or write-down, required under GAAP by virtue of the Merger.

"Principal Repayment Proviso" means that for any period of calculation, the aggregate amount of scheduled principal repayment on Indebtedness (x) shall not include voluntary prepayments of Indebtedness except to the extent such voluntary prepayments includes any amounts that would have been scheduled principal repayments during such period, and (y) shall not include the amount of any scheduled principal repayment to the extent the Company refinanced or rescheduled such scheduled repayments and the scheduled principal repayments due before the Revolving Credit Termination Date under the refinancing or rescheduling have been or will be included in the calculation of the aggregate amount of scheduled principal repayments for the periods in which they are due.

"Pro Forma Free Cash Flow" as of any date means (i) net income of the Company and its Restricted Subsidiaries on a pro forma consolidated basis (excluding (a) gain on the sale of any Capital Asset, (b) noncash items of income, and (c) any distributions or other income received from, or equity of the Company or any Restricted Subsidiary in the earnings of, any entity which is not a Restricted Subsidiary) for the period of four consecutive fiscal quarters immediately prior to such date (such period of four consecutive fiscal quarters being the "Measurement Period"), determined in accordance with GAAP plus depreciation, depletion, amortization and other noncash charges, interest expense on Indebtedness and provision for income taxes and up to \$80,000,000 in net cash proceeds received during the Measurement Period by the Company and its Restricted Subsidiaries from the sale of Designated Acres, minus (ii) capital expenditures made by the Company and its Restricted Subsidiaries during the Measurement Period, to maintain their respective operations; provided, however, if (A) the Company or a Restricted Subsidiary is acquiring a Restricted Subsidiary or assets and (B) Pro Forma Free Cash Flow is being determined in connection therewith, such Restricted Subsidiary shall be considered to have been a Restricted Subsidiary during the entire Measurement Period and such assets shall be considered to have been owned by the Company during the entire Measurement Period if net income attributable to such Restricted Subsidiary or such assets (as the case may be) for the entire Measurement Period is readily determinable and confirmed pursuant to an audit or a certification prepared in good faith by the Company's chief financial officer; further provided, however, that portion of Pro Forma Free Cash Flow allocable to such Restricted Subsidiary or assets shall be reduced on a pro rata basis to the extent Timber has been harvested by such Restricted Subsidiary or from such assets during the Measurement Period at a rate greater than the rate at which the Company has harvested Timber from its Timberlands during the Measurement Period, as certified in good faith by the chief financial officer of the Company; and finally provided, however, if Pro Forma Free Cash Flow is being determined for any Measurement Period and a Restricted Subsidiary or assets have been sold or otherwise disposed of at any time during such Measurement Period by the Company or any Restricted Subsidiary, such Restricted Subsidiary shall not be considered to have been a Restricted Subsidiary during any part of such

Measurement Period and such assets shall not be considered to have been owned by the Company during any part of such Measurement Period, and the net income that otherwise would have been attributable to such Restricted Subsidiary or asset during such Measurement Period shall be certified in good faith by the chief financial officer of the Company.

"Property" means any estate or interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Qualified Debt" means, as to the Company, as of any date of determination, without duplication, all outstanding indebtedness of the Company for borrowed money, including Indebtedness represented by the Senior Notes, the Existing Credit Agreement, and this Agreement.

"Qualified Plan" means a pension plan (as defined in Section 3(2) of ERISA) intended to be tax-qualified under Section 401(a) of the Code and which any ERISA Affiliate sponsors, maintains, or to which it makes, is making or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding period covering at least five (5) plan years, but excluding any Multiemployer Plan.

"Register" has the meaning specified in Section 11.8(b).

"REIT" means Plum Creek Timber Company, Inc., a Delaware corporation.

"REIT Contribution Agreements" means, collectively, (a) the Assignment and Contribution and Assumption Agreement, dated as of October 6, 2001, among the REIT, the General Partner and the Company; (b) the Assignment and Contribution and Assumption Agreement, dated as of October 6, 2001, among the REIT, the General Partner, the Company and Plum Creek South Central; (c) the Assignment and Contribution and Assumption Agreement, dated as of October 6, 2001, among the REIT, the General Partner, the Company and Plum Creek Southern; and (d) the Assignment and Contribution and Assumption Agreement, dated as of October 6, 2001, among the REIT, the General Partner, the Company, Plum Creek II, L.L.C, Plum Creek Manufacturing, L.P., and Holding.

"Reportable Event" means, as to any Plan, (a) any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC, (b) a withdrawal from a Plan described in Section 4063 of ERISA, or (c) a cessation of operations described in Section 4062(e) of ERISA.

"Required Lenders" means, at any time, Non-Defaulting Lenders holding 66-2/3% of the Aggregate Commitments at such time; provided, however, that for purposes of this definition, the Aggregate Commitments shall be recomputed without regard to each Defaulting Lender's Commitment and/or Loans held by it.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Responsible Officer" means the chief executive officer, the president or any vice president of the REIT acting in its capacity as the sole member of the General Partner, as general partner of the Company, or any other officer thereof having substantially the same authority and responsibility; or, with respect to compliance with financial covenants, the chief financial officer or the treasurer of the REIT acting in its capacity as the sole member of the General Partner, as general partner of the Company, or any other officer having substantially the same authority and responsibility.

"Responsible Representatives" means (a) in the case of any transaction in which the value of any assets disposed of or received have a value of less than \$25,000,000 or in which payments made are less than \$25,000,000, the chief executive officer, chief financial officer or chief operating officer of the REIT acting in its capacity as the sole member of the General Partner, as general partner of the Company, and (b) in the case of any other transaction, the Board of Directors of the REIT acting in its capacity as the sole member of the General Partner, as general partner of the Company.

"Restricted Payment" means (a) any dividend or other distribution, direct or indirect, on account of any shares of any class of stock of or other ownership interests in the Company, now or hereafter outstanding, except a dividend payable solely in shares of stock of or ownership interests in the Company, and (b) any redemption, retirement, purchase or other acquisition, direct or indirect, of any shares of any class of stock of or other ownership interests in the Company, now or hereafter outstanding, or of any warrants, rights or options to acquire any such shares or interests, except to the extent that the consideration therefor consists of shares of stock of or other ownership interests in the Company.

"Restricted Subsidiary" means any Wholly-Owned Subsidiary other than any Designated Immaterial Subsidiary.

"Revolving Credit Commitment" means, with respect to each Lender at any time, (a) the amount set forth opposite such Lender's name on Schedule 2.1 under the heading "Revolving Credit Commitment" or (b) if such Lender has entered into one or more Assignment and Assumption Agreements, the amount set forth for

such Lender in the Register maintained by the Administrative Agent pursuant to Section 11.8(b), as such amount may be terminated or reduced at or prior to such time pursuant to Section 2.5 or 9.2.

"Revolving Credit Commitment Percentage" means, as to any Lender, the percentage equivalent of the aggregate of such Lender's Revolving Credit Commitment divided by the Aggregate Revolving Credit Commitment.

"Revolving Credit Promissory Note" means a promissory note of the Company payable to the order of any Lender, in substantially the form of Exhibit G, evidencing the aggregate indebtedness of the Company to such Lender resulting from the Revolving Loans made by such Lender.

"Revolving Credit Pro Rata Share" means, as to any Lender, with respect to the payment of principal or interest on account of Revolving Loans, each Lender's pro rata share of the outstanding principal balance of the Revolving Loans with respect to which such payment is being made.

"Revolving Credit Termination Date" means the earlier to occur of:

(a) the Maturity Date; and

(b) the date on which the Aggregate Revolving Credit Commitment shall terminate in accordance with the provisions of this Agreement.

"Revolving Facility Tranche" has the meaning specified in Section 2.16.

"Revolving Facility Tranche Loan" means a Loan allocated by the Company to the Revolving Facility Tranche as provided in Section 2.16.

"Revolving Loan" has the meaning specified in Section 2.1, and may be a Eurodollar Rate Loan or a Base Rate Loan.

"SEC" means the Securities and Exchange Commission, or any entity succeeding to any of its principal functions.

"Section 20 Subsidiary" has the meaning specified in Section 8.7(b).

"Senior Notes" means, collectively, the 2001 Notes, the 1998 Notes, the 1996 Notes, the 1994 Notes, the 1989 Notes, and the Mortgage Notes.

"Senior Notes Agreements" means, collectively, the 2001 Senior Note Agreement, the 1998 Senior Note Agreement, the 1996 Senior Note Agreement, the 1994 Senior Note Agreement, the 1989 Senior Note Agreement, and the Mortgage Note Agreement.

"Series D Notes" means those 8.05% Senior Notes due November 13, 2016, Series D, in the original aggregate principal amount of \$25,000,000 issued and sold pursuant to the 1996 Senior Note Agreement.

"Solvent" means, as to any Person at any time, that (a) (i) in the case of a Person that is not a partnership, the fair value of the Property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities), and (ii) in the case of a Person that is a partnership, the sum of (A) the fair value of the Property of such Person plus (B) the sum of the excess of the fair value of each general partner's non-partnership Property over such partner's non-partnership debts (together, the "Applicable Property") is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities), as such value for purposes of both clauses (i) and (ii) is established and liabilities evaluated for purposes of Section 101(31) of the Bankruptcy Code and, in the alternative, for purposes of the Uniform Fraudulent Transfer Act; (b) the present fair saleable value of the Property of such Person (or, in the case of a partnership, the Applicable Property for such Person) is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its Property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's Property would constitute unreasonably small capital.

"Specified Taxes" means any tax liabilities specified in Section 4(a)(ii) of the Tax Matters Agreement.

"Spinco Assets" means all of the assets and properties of the Spinco's, which assets and properties the REIT acquired as a result of the Merger.

"Spinco's" has the meaning specified in the Merger Agreement; and each a "Spinco".

"Standing Inventory" has the meaning specified in Section 8.3.

"State Timberlands" has the meaning specified in Section 7.13.

"Subsidiary" of a Person means any corporation, partnership, limited liability company or other entity a majority of (i) the total combined voting power of all classes of Voting Stock of which or (ii) the outstanding equity interests of which shall, at the time of which any determination is being made, be owned by the Company either directly or through Subsidiaries.

"Subsidiary Assumption Agreements" means, collectively, the Plum Creek Southern Timber Assumption Agreement and the Plum Creek South Central Assumption Agreement.

"Swap Contract" means any agreement, whether or not in writing, relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined by the Company (or, for purposes of subsection 9.1(e), by the Required Lenders) based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include any Lender).

"Synthetic Lease Obligations" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"Tangible Assets" means assets that are considered to be tangible under GAAP.

"Tax Authority" has the meaning specified in the Tax Matters Agreement.

"Tax Claim" has the meaning specified in the Tax Matters Agreement.

"Taxes" has the meaning specified in subsection 4.1(a).

"Tax Matters Agreement" means the Tax Matters Agreement, dated as of June 12, 2001, among Georgia-Pacific, the REIT and the Spincos.

"Tax Opinion Insurance Policy" means the "Insurance Binder" (as such term is defined in the Merger Agreement).

"Timber" means standing trees not yet harvested.

"Timberlands" means the timberlands owned by the Company as of the Closing Date and any timberlands acquired by the Company or any Subsidiary after the Closing Date.

"Timber Proceeds" has the meaning specified in Section 8.14.

"Timber Properties" has the meaning specified in Section 8.14.

"Ton" means 2,000 pounds of green saw logs and pulpwood.

"Transferee" has the meaning specified in subsection 11.9.

"2001 Notes" means the senior promissory notes in the aggregate principal amount of \$500,000,000 issued and sold pursuant to the 2001 Senior Note Agreement.

"2001 Senior Note Agreement" means the Senior Note Agreement, dated as of October 9, 2001, providing for the issuance and sale by the Company of the 2001 Notes.

"Type" means either a Eurodollar Rate Loan or a Base Rate Loan.

"UCC" means the Uniform Commercial Code as in effect from time to time in the relevant jurisdiction.

"Unfunded Pension Liabilities" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used by the Plan's actuaries for funding the Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." each means the United States of America.

"Voting Stock" means, with respect to any corporation or other entity, any shares of capital stock or other ownership interests of such corporation or entity whose holders are entitled under ordinary circumstances to vote for the election of directors of such corporation or to manage any such other entity (irrespective of whether at the time stock or ownership interests of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Wholly-Owned Subsidiary" means any Subsidiary organized under the laws of any state of the United States which conducts the major portion of its business in the United States and (i) in the case of any Subsidiary, all of the stock or other ownership interests of which are owned by the Company either directly or through

Wholly-Owned Subsidiaries (other than Plum Creek Manufacturing, L.P. or one or any of its Subsidiaries) and (ii) at such time as the Mortgage Notes shall have been paid in full and retired, (x) Plum Creek Manufacturing, L.P. provided that all the stock and other ownership interests thereof are owned by the Company either directly or indirectly through Wholly-Owned Subsidiaries (other than a Subsidiary of Plum Creek Manufacturing, L.P.), (y) Holding provided that (1) Holding shall engage in no business except the ownership of its Subsidiaries and (2) all the outstanding stock and ownership interests thereof are owned by the Company either directly or indirectly through Plum Creek Manufacturing, L.P., and (z) any other Subsidiary of Plum Creek Manufacturing, L.P., provided that all the outstanding stock and ownership interests thereof are owned by the Company (either directly or indirectly through Wholly-Owned Subsidiaries of the type described in clause (i) above).

"Withdrawal Liabilities" means, as of any determination date, the aggregate amount of the liabilities, if any, pursuant to Section 4201 of ERISA if the Company and all ERISA Affiliates made a complete withdrawal from all Multiemployer Plans and any increase in contributions pursuant to Section 4243 of ERISA.

1.2 OTHER INTERPRETIVE PROVISIONS

(a) Defined Terms. Unless otherwise specified herein or therein, all terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms. Terms (including uncapitalized terms) not otherwise defined herein and that are defined in the UCC as in effect from time to time in the State of New York shall have the meanings therein described.

(b) The Agreement. The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, section, schedule and exhibit references are to this Agreement unless otherwise specified.

(c) Certain Common Terms.

(i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation."

(d) Performance; Time. Whenever any performance obligation hereunder (other than a payment obligation) shall be stated to be due or required to be satisfied on a day other than a Business Day, such performance shall be made or satisfied on the next succeeding Business Day. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding," and the word "through" means "to and including". If any provision of this Agreement refers to any action taken or to be taken by any Person, or which such Person is prohibited from taking, such provision shall be interpreted to encompass any and all means, direct or indirect, of taking, or not taking, such action.

(e) Contracts. Unless otherwise expressly provided herein, references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document.

(f) Laws. References to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(g) Captions. The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(h) Independence of Provisions. The parties acknowledge that this Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters, and that such limitations, tests and measurements are cumulative and must each be performed, except as expressly stated to the contrary in this Agreement.

(i) Interpretation. This Agreement is the result of negotiations among and has been reviewed by counsel to the Administrative Agent, the Company and other parties, and is the product of all parties hereto. Accordingly, this Agreement and the other Loan Documents shall not be construed against the Lenders, the Syndication Agents, the Documentation Agents, the Arranger or the Administrative Agent merely because of the Administrative Agent's, the Syndication Agents', the Documentation Agents', the Arranger's or Lenders' involvement in the preparation of such documents and agreements.

1.3 ACCOUNTING PRINCIPLES

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required

under this Agreement shall be made, in accordance with GAAP, consistently applied.

(b) References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Company.

(c) In preparing the financial statements, computations, and reports provided for herein, the Facilities Subsidiary and its Subsidiaries shall be considered as consolidated subsidiary entities of the Company (and not accounted for on the equity method of accounting or as an investment) notwithstanding that the Voting Stock thereof shall not be owned by the Company, either directly or indirectly, and without regard to whether they would be considered as such subsidiary entities under GAAP.

ARTICLE II THE CREDITS

2.1 AMOUNTS AND TERMS OF COMMITMENTS

Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make loans to the Company (each such loan, a "Revolving Loan") from time to time on any Business Day from the Closing Date to the Revolving Credit Termination Date, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Revolving Credit Commitment; provided, however, that, after giving effect to any Borrowings of Revolving Loans, the Effective Amount of all outstanding Revolving Loans shall not at any time exceed the Aggregate Revolving Credit Commitment; and provided, further, that the Effective Amount of the Revolving Loans of such Lender shall not at any time exceed such Lender's Revolving Credit Commitment. Within the limits of each such Lender's Revolving Credit Commitment, and subject to the other terms and conditions hereof, until the Revolving Credit Termination Date, the Company may borrow under this Section 2.1, prepay pursuant to Section 2.6 and reborrow pursuant to this Section 2.1.

2.2 EVIDENCE OF INDEBTEDNESS

(a) The Loans made by each Lender shall be evidenced by one or more loan accounts maintained by such Lender in the ordinary course of business. The loan accounts or records maintained by the Administrative Agent and each such Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Company, and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans and the other Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the

Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(b) Upon the request of any Lender made through the Administrative Agent, the Company shall execute and deliver to such Lender (through the Administrative Agent) a Revolving Credit Promissory Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Revolving Credit Promissory Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

2.3 PROCEDURE FOR BORROWING

(a) Each Borrowing of the Revolving Loans shall be made upon the Company's irrevocable written notice delivered to the Administrative Agent in accordance with Section 11.2 in the form of a Notice of Borrowing (which notice must be received by the Administrative Agent prior to 9:00 a.m. (San Francisco time)) (i) three Business Days prior to the requested Borrowing date, in the case of Eurodollar Rate Loans; and (ii) on the requested Borrowing date, in the case of Base Rate Loans, specifying:

(A) the amount of the Borrowing, which shall be in an aggregate minimum principal amount of five million Dollars (\$5,000,000) except in the case of Eurodollar Rate Loans with a proposed Interest Period of one week, in which case the aggregate minimum principal amount shall be twenty million Dollars (\$20,000,000) or, in either case, any multiple of five hundred thousand Dollars (\$500,000) in excess thereof;

(B) the requested Borrowing date, which shall be a Business Day;

(C) whether the Borrowing is to comprise Eurodollar Rate Loans or Base Rate Loans;

(D) the duration of the Interest Period applicable to the Borrowing described in such notice. If the Notice of Borrowing shall fail to specify the duration of the Interest Period for any Borrowing comprising Eurodollar Rate Loans, such Interest Period shall be 90 days or three months, respectively; and

(E) with respect to any Borrowing of Revolving Loans after the date the Company gives the notice regarding allocation of such Revolving Loans pursuant to Section 2.16, whether the Borrowing shall be allocated to the Revolving Facility Tranche or the Capital Expenditure Tranche.

(b) Upon receipt of the Notice of Borrowing, the Administrative Agent will promptly notify each Lender thereof and of the amount of such Lender's Revolving Credit Commitment Percentage of that Borrowing.

(c) Each Lender will make the amount of its Revolving Credit Commitment Percentage of the Borrowing available to the Administrative Agent for the account of the Company at the Administrative Agent's Payment Office by 12:00 noon (San Francisco time) on the Borrowing date requested by the Company in funds immediately available to the Administrative Agent. Upon satisfaction of the applicable conditions set forth in Article V, the proceeds of all such Loans will then be made available to the Company by the Administrative Agent at such office by crediting the account of the Company on the books of Bank of America with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

(d) Unless the Required Lenders shall otherwise agree, the Company may not elect to have a Loan made as a Eurodollar Rate Loan during the existence of a Default or an Event of Default.

(e) After giving effect to any Borrowing, there shall not be more than six different Interest Periods in effect in respect of all Eurodollar Rate Loans then outstanding.

2.4 CONVERSION AND CONTINUATION ELECTIONS FOR BORROWINGS

(a) The Company may upon irrevocable written notice to the Administrative Agent in accordance with subsection 2.4(b):

(i) elect to convert on any Business Day, any Base Rate Loans (or any part thereof in an amount not less than \$5,000,000 except in the case of a conversion into a Eurodollar Rate Loan with a proposed Interest Period of one week, which shall be in an amount not less than \$20,000,000, or that is in an integral multiple of \$500,000 in excess thereof) into Eurodollar Rate Loans;

(ii) elect to convert on the last day of the applicable Interest Period any Eurodollar Rate Loans having Interest Periods maturing on such day (or any part thereof in an amount not less than \$5,000,000, or that is in an integral multiple of \$500,000 in excess thereof) into Base Rate Loans;

(iii) elect to continue on the last day of the applicable Interest Period any Eurodollar Rate Loans having Interest Periods maturing on such day (or any part thereof in an amount not less than \$5,000,000 except in the case of a continuation of a Eurodollar Rate Loans with a proposed Interest Period of one week, which shall be in an amount not less than \$20,000,000, or that is in an integral multiple of \$500,000 in excess thereof);

provided, that if the aggregate amount of Eurodollar Rate Loans in respect of any Borrowing shall have been reduced, by payment, prepayment, or conversion of part thereof to be less than \$500,000, such Eurodollar Rate Loans shall automatically

convert into Base Rate Loans, and on and after such date the right of the Company to continue such Loans as, and convert such Loans into, Eurodollar Rate Loans shall terminate.

(b) The Company shall deliver a Notice of Conversion/Continuation in accordance with Section 11.2 to be received by the Administrative Agent not later than 9:00 a.m. (San Francisco time) (i) at least three Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Eurodollar Rate Loans; and (ii) on the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Loans, specifying:

(A) the proposed Conversion/Continuation Date;

(B) the aggregate amount of Loans to be converted or continued;

(C) the nature of the proposed conversion or continuation; and

(D) other than in the case of Base Rate Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Eurodollar Rate Loans, the Company has failed to select timely a new Interest Period to be applicable to such Eurodollar Rate Loans or if any Default or Event of Default shall then exist, the Company shall be deemed to have elected to convert such Eurodollar Rate Loans into Base Rate Loans effective as of the expiration date of such current Interest Period.

(d) Upon receipt of a Notice of Conversion/Continuation, the Administrative Agent will promptly notify each Lender thereof, or, if no timely notice is provided by the Company, the Administrative Agent will promptly notify each Lender of the details of any automatic conversion. All conversions and continuations shall be made pro rata according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Lender.

(e) Unless the Required Lenders shall otherwise agree, during the existence of a Default or Event of Default, the Company may not elect to have a Loan converted into or continued at the end of the applicable Interest Period as a Eurodollar Rate Loan.

(f) Notwithstanding any other provision contained in this Agreement, after giving effect to any conversion or continuation of any Loans, there shall not be more than six different Interest Periods in effect in respect of all Eurodollar Rate Loans then outstanding.

2.5 VOLUNTARY TERMINATION OR REDUCTION OF COMMITMENTS

The Company may, upon not less than five Business Days prior notice to the Administrative Agent, terminate or permanently reduce the Aggregate Revolving Credit Commitment by an aggregate minimum amount of \$5,000,000 or any multiple of \$5,000,000 in excess thereof; provided that no such reduction or termination shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the aggregate Effective Amount of all Revolving Loans would exceed the Aggregate Revolving Credit Commitment then in effect. Once reduced in accordance with this Section 2.5, the Aggregate Revolving Credit Commitment may not be increased. Any reduction of the Aggregate Revolving Credit Commitment shall be applied to each Lender's Revolving Credit Commitment in accordance with such Lender's Revolving Credit Commitment Percentage. All accrued commitment fees or Facility Fees to the effective date of any reduction or termination of the Aggregate Revolving Credit Commitment shall be paid on the effective date of such reduction or termination.

2.6 OPTIONAL PREPAYMENTS

Subject to Section 4.4, the Company may, at any time or from time to time, by written notice delivered to the Administrative Agent at least three Business Days prior to the proposed prepayment date in the case of Eurodollar Rate Loans and on the proposed prepayment date in the case of Base Rate Loans (in each case with respect to each of the foregoing notices, such written notice must be received by the Administrative Agent not later than 9:00 a.m. (San Francisco time)), ratably prepay the Revolving Loans, in whole or in part, in minimum principal amounts of \$5,000,000 or any multiple of \$1,000,000 in excess thereof. Such notice of prepayment shall specify (i) the date and amount of such prepayment, (ii) whether such prepayment is of Base Rate Loans or Eurodollar Rate Loans, or any combination thereof, and (iii) if applicable, whether such prepayment is of a Revolving Facility Tranche Loan or a Capital Expenditure Tranche Loan, or both. Such notice shall not thereafter be revocable by the Company and the Administrative Agent will promptly notify each Lender thereof and of such Lender's Revolving Credit Pro Rata Share of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to each such date on the amount prepaid and any amounts required pursuant to Section 4.4.

2.7 MANDATORY PREPAYMENTS OF LOANS; MANDATORY COMMITMENT REDUCTIONS

(a) Mandatory Prepayments.

(i) Asset Dispositions. If the Company or any of its Restricted Subsidiaries shall at any time or from time to time make a sale of Properties

permitted by subsection 8.2(i), then no less than 50% of the Net Proceeds of such sale shall either be paid by the Company as a prepayment of the Qualified Debt in accordance with the immediately following sentence or be reinvested in accordance with subsection 8.2(i). Prepayments under this subsection 2.7(a)(i) shall be applied as follows: first, to repay the outstanding 1989 Notes such that there shall be applied to the 1989 Notes (until the 1989 Notes are repaid in full) an amount equal to the total amount of the prepayment multiplied by a fraction, the numerator of which is the outstanding balance of principal and interest on the 1989 Notes immediately preceding the prepayment, and the denominator of which is the total amount of Indebtedness of the Company immediately preceding the prepayment, and second, to repay any other outstanding Qualified Debt selected by the Company.

(ii) Excess Harvesting. If the Company or any of its Restricted Subsidiaries shall at any time or from time to time harvest excess Timber permitted by Section 8.3, then the Net Proceeds from such excess harvest shall either be paid by the Company as a prepayment of the Qualified Debt in accordance with the immediately following sentence or be reinvested in accordance with Section 8.3. Prepayments under this subsection 2.7(a)(ii) shall be applied as follows: first, to repay the outstanding 1989 Notes such that there shall be applied to the 1989 Notes (until the 1989 Notes are repaid in full) an amount equal to the total amount of the prepayment multiplied by a fraction, the numerator of which is the outstanding balance of principal and interest on the 1989 Notes immediately preceding the prepayment, and the denominator of which is the total amount of Indebtedness of the Company immediately preceding the prepayment, and second, to repay any other outstanding Qualified Debt selected by the Company.

(iii) Revolving Facility Tranche Loans. If the Company has given a notice pursuant to Section 2.16 allocating all or a portion of the Loans to the Revolving Facility Tranche, the Company shall cause, for a period of at least 45 consecutive days during the 12 calendar month period after the effective date of such notice and during each successive 12 calendar month period prior to the Revolving Credit Termination Date and the aggregate principal amount of Revolving Facility Tranche Loans to be \$0.

(b) General.

(i) Any prepayments of any Loans pursuant to subsection 2.7(a) shall be applied first to any Base Rate Loans then outstanding, and second, at the Company's option, to Cash Collateralize or to prepay in the inverse order of their stated maturity Eurodollar Rate Loans. Subject to the immediately preceding sentence and so long as no Default or Event of Default shall then exist, if applicable, any such prepayments of any Loans shall be applied to Revolving Facility Tranche Loans and Capital Expenditure Tranche Loans as directed by the Company.

(ii) The Company shall pay, together with each prepayment under this Section 2.7, accrued interest on the amount prepaid and any amounts required pursuant to Section 4.4.

(iii) No prepayment under Section 2.6 or 2.7 shall in any way affect the obligations of the Company or any of its Subsidiaries under any Swap Contract; unless otherwise provided in such Swap Contract.

2.8 REPAYMENT

The Company hereby promises to pay, and shall repay, to the Lenders in full on the Revolving Credit Termination Date the Effective Amount of all Loans, together with all accrued and unpaid interest thereon and all other amounts owed hereunder with respect to such Loans.

2.9 INTEREST

(a) Subject to subsection 2.9(c), each Loan shall bear interest on the outstanding principal amount thereof from the date when made until it becomes due at a rate per annum equal to the Eurodollar Rate or the Base Rate, as the case may be, plus the Applicable Margin.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Loans pursuant to Section 2.6 and 2.7 for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof and, during the existence of any Event of Default, interest shall be paid on demand of the Administrative Agent at the request or with the consent of the Required Lenders.

(c) If any amount payable by the Company under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable law, statute, rule, regulation and treaty. Furthermore, while any Event of Default exists, the Company shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable law, statute, rule, regulation and treaty.

2.10 [INTENTIONALLY OMITTED]

2.11 FEES

(a) Administrative Agent Fees. The Company shall pay to the Administrative Agent for the Administrative Agent's account administrative agent fees, as required by the Bank of America Fee Letter in the amounts and at the times

set forth in the Bank of America Fee Letter. The foregoing fees shall be non-refundable for any reason whatsoever.

(b) Facility Fee. The Company shall pay to the Administrative Agent for the account of each Lender in accordance with such Lender's Aggregate Commitment Percentage, a facility fee (the "Facility Fee") equal to the Facility Fee Percentage times the actual daily amount of the Aggregate Commitments, regardless of usage. The Facility Fee shall accrue at all times from the Closing Date until the Revolving Credit Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Revolving Credit Termination Date. The Facility Fee shall be calculated quarterly in arrears, and if there is any change in the Facility Fee Percentage during any quarter, the actual daily amount shall be computed and multiplied by the Facility Fee Percentage separately for each period during such quarter that such Facility Fee Percentage was in effect. The Facility Fee shall accrue at all times, including at any time during which one or more of the conditions in Article V is not met.

(c) Lenders' Upfront Fee. On the Closing Date, the Company shall pay to each Lender an upfront fee in the amounts as agreed to between the Company and each Lender. Each upfront fee paid to each Lender is solely for such Lender's own account and is nonrefundable for any reason whatsoever.

(d) Structuring Fees. The Company shall pay to Bank of America for its account an arrangement, structuring and syndication fee in the amounts and at the times specified in the Bank of America Fee Letter. Such fees shall be fully earned when paid and shall be nonrefundable for any reason whatsoever.

2.12 COMPUTATION OF FEES AND INTEREST

(a) All computations of interest payable in respect of Base Rate Loans at all times that the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest under this Agreement shall be made on the basis of a 360-day year and actual days elapsed, which results in more interest being paid than if computed on the basis of a 365-day year. Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof. Any Loan that is repaid on the same day on which it is made shall, subject to Section 2.13(a), bear interest for one day.

(b) The Administrative Agent will, with reasonable promptness, notify the Company and the Lenders of each determination of a Eurodollar Rate; provided that any failure to do so shall not relieve the Company of any liability hereunder or

provide the basis for any claim against the Administrative Agent. Any change in the interest rate on a Loan resulting from a change in the Applicable Margin, Eurodollar Reserve Percentage, or the Assessment Rate shall become effective as of the opening of business on the day on which such change in the Applicable Margin, Eurodollar Reserve Percentage, or the Assessment Rate becomes effective. The Administrative Agent will with reasonable promptness notify the Company and the Lenders of the effective date and the amount of each such change, provided that any failure to do so shall not relieve the Company of any liability hereunder or provide the basis for any claim against the Administrative Agent.

(c) Each determination of an interest rate by the Administrative Agent pursuant hereto shall be conclusive and binding on the Company and the Lenders in the absence of manifest error.

2.13 PAYMENTS BY THE COMPANY

(a) All payments (including prepayments) to be made by the Company on account of principal, interest, fees and other amounts required hereunder shall be made without condition of deduction for any set-off, recoupment, defense or counterclaim; shall, except as otherwise expressly provided herein, be made to the Administrative Agent for the ratable account of the Lenders at the Administrative Agent's Payment Office, and shall be made in dollars and in immediately available funds, no later than 10:00 a.m. (San Francisco time) on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Revolving Credit Pro Rata Share (or other applicable share as expressly provided herein) of such principal, interest, fees or other amounts, in like funds as received. Any payment which is received by the Administrative Agent later than 10:00 a.m. (San Francisco time) shall be deemed to have been received on the immediately succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be; subject to the provisions set forth in the definition of "Interest Period" herein.

(c) Unless the Administrative Agent shall have received notice from the Company prior to the date on which any payment is due to the Lenders hereunder that the Company will not make such payment in full as and when required hereunder, the Administrative Agent may assume that the Company has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Company shall not have made such payment in full to the Administrative Agent,

each Lender shall repay to the Administrative Agent on demand such amount distributed to such Lender, together with interest thereon for each day from and including the date such amount is distributed to such Lender to the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate as in effect for each such day. A notice of the Administrative Agent submitted to any Lender under this subsection 2.13(c) shall be conclusive, absent manifest error.

2.14 PAYMENTS BY THE LENDERS TO THE ADMINISTRATIVE AGENT

(a) Unless the Administrative Agent shall have received notice from a Lender on the Closing Date or, with respect to each Borrowing after the Closing Date, at least one Business Day prior to the date of any proposed Borrowing, that such Lender will not make available to the Administrative Agent as and when required hereunder for the account of the Company the amount of that Lender's Revolving Credit Commitment Percentage of the Borrowing, the Administrative Agent may assume that each Lender has made such amount available to the Administrative Agent in immediately available funds on the Borrowing date and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Lender shall not have made its full amount available to the Administrative Agent in immediately available funds and the Administrative Agent in such circumstances has made available to the Company such amount, that Lender shall on the next Business Day following the date of such Borrowing make such amount available to the Administrative Agent, together with interest at the Federal Funds Rate for and determined as of each day during such period. A notice of the Administrative Agent submitted to any Lender with respect to amounts owing under this subsection 2.14(a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Administrative Agent shall constitute such Lender's Loan on the date of such Borrowing for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the next Business Day following the date of such Borrowing, the Administrative Agent shall notify the Company of such failure to fund and, upon demand by the Administrative Agent, the Company shall pay such amount to the Administrative Agent for the Administrative Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

(b) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Company by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article V are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(c) The obligations of the Lenders hereunder to make Loans are several and not joint. The failure of any Lender to make any Loan on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan.

(d) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.15 SHARING OF PAYMENTS, ETC.

If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall forthwith (a) notify the Administrative Agent of such fact (and the Administrative Agent shall, promptly after receipt thereof, send a copy of such notice to the Lenders), and (b) purchase from the other Lenders such participations in the Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's proportionate share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Company agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.9) with respect to such participation as fully as if such Lender were the direct creditor of the Company in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased pursuant to this Section 2.15 and will in each case notify the Lenders following any such purchases or repayments.

2.16 LOAN TRANCHES

The Company may, at any time and from time to time, upon at least five Business Days notice to the Administrative Agent, allocate all or a portion of Borrowings to a revolving credit facility tranche (the "Revolving Facility Tranche") or a capital expenditure tranche (the "Capital Expenditure Tranche"), or both; provided that:

(i) at no time shall the Effective Amount of all Revolving Loans allocated to the Revolving Facility Tranche exceed \$50,000,000;

(ii) at no time shall the Effective Amount of all Revolving Loans allocated to the Capital Expenditure Tranche exceed \$50,000,000;

(iii) upon allocation to the Revolving Facility Tranche or the Capital Expenditure Tranche, as case may be, Loans shall remain so allocated notwithstanding any conversion or continuation of Loans pursuant to Section 2.3; and

(iv) the Company and each of the Lenders agree that the establishment of the Revolving Facility Tranche and the Capital Expenditure Tranche is intended to assist the Company in its compliance with Section 8.5 and the corresponding provisions of the applicable Senior Notes Agreements. Accordingly, neither the failure by the Company to comply in any respect with this Section 2.16 nor the failure by the Administrative Agent or any Lender to identify or remedy such noncompliance shall give rise to any liability against the Administrative Agent or any Lender or any defense to compliance by the Company with Section 8.5.

Such notice of allocation shall specify (i) the effective date of such allocation which shall not be a date earlier than the date of such notice, (ii) the aggregate principal amount of Loans (identified by Type of Loan) to be allocated to the Revolving Facility Tranche, the Capital Expenditure Tranche, or both, as the case may be, and (iii) in the case of allocations to the Capital Expenditure Tranche, the Company shall represent and warrant that the proceeds of all Loans allocated thereto have been used solely to finance capital improvements, expansions and additions to the Company's property (including Timberlands), plant and equipment. The Administrative Agent will promptly notify the Lenders of such notice of allocation of Loans.

ARTICLE III
[INTENTIONALLY OMITTED]

ARTICLE IV
TAXES, YIELD PROTECTION AND ILLEGALITY

4.1 TAXES

(a) Subject to subsection 4.1(h), any and all payments by the Company to each Lender or the Administrative Agent under this Agreement shall be made free and clear of, and without deduction or withholding for, any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, such taxes (including income taxes or franchise taxes) as are imposed on or

measured by the Administrative Agent's or each Lender's, as the case may be, net income by the jurisdiction under the laws of which such Lender or the Administrative Agent, as the case may be, is organized or maintains a Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes").

(b) In addition, the Company shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Documents (hereinafter referred to as "Other Taxes").

(c) If the Company shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, the Company shall also pay to the Administrative Agent (for the account of such Lender) or to such Lender, at the time interest is paid, such additional amount that the Administrative Agent or such Lender, as the case may be, specifies is necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) such Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) Subject to subsection 4.1(h), the Company shall indemnify and hold harmless each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.1) paid by the Lender or the Administrative Agent and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days from the date the Lender or the Administrative Agent makes written demand therefor. Each Lender and the Administrative Agent, severally with respect to the amounts received by it from the Company as indemnification under this subsection 4.1(d), agrees upon the request of the Company and at the Company's expense, to use commercially reasonable efforts to obtain a refund of any Taxes or Other Taxes for which it received indemnification hereunder if such Taxes or Other Taxes were incorrectly or illegally asserted.

(e) If the Company shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Lender or the Administrative Agent, then, subject to subsection 4.1(h):

(i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.1) such Lender or the Administrative Agent, as the

case may be, receives an amount equal to the sum it would have received had no such deductions been made;

(ii) the Company shall make such deductions; and

(iii) the Company shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(f) Within 30 days after the date of any payment by the Company of Taxes or Other Taxes, the Company shall furnish to the Administrative Agent and such Lender the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Administrative Agent and such Lender.

(g) Each Lender which is not a "United States person" (as defined in the Code) hereby agrees that:

(i) such Lender shall, no later than the Closing Date (or, in the case of a Lender which becomes a party hereto pursuant to Section 11.8 after the Closing Date, the date upon which the Lender becomes a party hereto) deliver to the Company through the Administrative Agent (two originals):

(A) if its Lending Office is located in the United States of America, accurate and complete signed originals of Internal Revenue Service Form W-8ECI or any successor thereto ("Form W-8ECI") or other version of Internal Revenue Service Form W-8, as appropriate, or any successor thereto ("Form W-8"), and/or

(B) if its Lending Office is located outside the United States of America, accurate and complete signed originals of Internal Revenue Service Form W-8BEN or any successor thereto ("Form W-8BEN") or other appropriate Form W-8, and, in the case of a Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a certificate representing that such Lender is not a Lender for purposes of Section 881(c) of the Code, is not a 10% shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Company and is not a controlled foreign corporation related to the Company (within the meaning of Section 864(d)(4) of the Code) ("Portfolio Interest Exemption Certificate");

in each case indicating that such Lender is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of such Lending Office or Offices under this Agreement free from withholding of United States Federal income tax;

(ii) if at any time such Lender makes any changes necessitating a new Form W-8ECI, W-8BEN or other appropriate Form W-8, it shall with

reasonable promptness deliver to the Company through the Administrative Agent in replacement for, or in addition to, the forms previously delivered by it hereunder, two accurate and complete signed originals of Form W-8ECI, W-8BEN or other appropriate, Form W-8, as appropriate, and, if appropriate a Portfolio Interest Exemption Certificate, in each case indicating that such Lender is on the date of delivery thereof entitled to receive payments of principal, interest and fees under this Agreement free from withholding of United States Federal income tax;

(iii) such Lender shall, before or promptly after the occurrence of any event (including the passing of time but excluding any event mentioned in (ii) above) requiring a change in or renewal of the most recent Form W-8ECI, W-8BEN or other appropriate Form W-8, previously delivered by such Lender, deliver to the Company through the Administrative Agent two accurate and complete original signed copies of Form W-8ECI, W-8BEN or other appropriate Form W-8 in replacement for the forms previously delivered by such Lender; and

(iv) such Lender shall, promptly upon the Company's or the Administrative Agent's reasonable request to that effect, deliver to the Company or the Administrative Agent (as the case may be) such other forms or similar documentation as may be required from time to time by any applicable law, treaty, rule or regulation in order to establish such Lender's tax status for withholding purposes.

(h) The Company will not be required to pay any additional amounts in respect of United States Federal income tax pursuant to subsection 4.1(a), subsection 4.1(c), subsection 4.1(d) or subsection 4.1(e) to any Lender for the account of any Lending Office of such Lender:

(i) if the obligation to pay such additional amounts would not have arisen but for a failure by such Lender to comply with its obligations under subsection 4.1(g) in respect of such Lending Office;

(ii) if such Lender shall have delivered to the Company a Form W-8ECI or other appropriate Form W-8 in respect of such Lending Office pursuant to subsection 4.1(g), and such Lender shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or applicable tax treaty or regulations or in the official interpretation of such law, treaty or regulations by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form W-8ECI or other appropriate Form W-8; or

(iii) if the Lender shall have delivered to the Company a Form W-8BEN or other appropriate Form W-8 in respect of such Lending Office

pursuant to subsection 4.1(g), and such Lender shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or any applicable tax treaty or regulations or in the official interpretation of any such law, treaty or regulations by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form W-8BEN or other appropriate Form W-8.

(i) If, at any time, the Company requests any Lender to deliver any forms or other documentation pursuant to subsection 4.1(g)(iv), then the Company shall, on demand of such Lender through the Administrative Agent, reimburse such Lender for any costs and expenses (including Attorney Costs) reasonably incurred by such Lender in the preparation or delivery of such forms or other documentation.

(j) If the Company is required to pay additional amounts to any Lender or the Administrative Agent pursuant to subsection 4.1(e), then such Lender shall use its reasonable best efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Company which may thereafter accrue if such change in the judgment of such Lender is not otherwise disadvantageous to such Lender.

4.2 ILLEGALITY

(a) If any Lender shall determine that the introduction of any Requirement of Law, or any change in any Requirement of Law or in the interpretation or administration thereof, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, then, on notice thereof by such Lender to the Company through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans shall be suspended until such Lender shall have notified the Administrative Agent and the Company that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Company shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Company shall also pay accrued interest on the amount so prepaid or converted, together with any amounts required to be paid in connection therewith pursuant to Section 4.4.

(b) Before giving any notice to the Administrative Agent under this Section, the affected Lender shall designate a different Lending Office with respect to its Eurodollar Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Lender, be illegal or otherwise disadvantageous to the Lender.

4.3 INCREASED COSTS AND REDUCTION OF RETURN

(a) If any Lender shall determine that, due to either (i) the introduction of or any change after the date hereof (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the Eurodollar Rate or in respect of the assessment rate (the "Assessment Rate") payable by any Lender to the FDIC for insuring U.S. deposits) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans, then the Company shall be liable for, and shall from time to time, upon demand therefor by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender, additional amounts as are sufficient to compensate such Lender for such increased costs.

(b) If any Lender shall have determined that (i) the introduction of any Capital Adequacy Regulation after the date hereof, (ii) any change in any Capital Adequacy Regulation after the date hereof, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof after the date hereof, or (iv) compliance by the Lender (or its Lending Office) or any corporation controlling the Lender, with any Capital Adequacy Regulation, affects or would affect the amount of capital required or expected to be maintained by the Lender or any corporation controlling the Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitment, loans, credits or obligations under this Agreement, then, upon demand of such Lender (with a copy to the Administrative Agent), the Company shall upon demand pay to the Lender, from time to time as specified by the Lender, additional amounts sufficient to compensate the Lender for such increase.

4.4 FUNDING LOSSES

Upon demand of any Lender (with a copy to the Administrative Agent), the Company agrees to promptly reimburse each Lender and to hold each Lender harmless from any loss, cost or expense which the Lender may sustain or incur as a consequence of:

(a) the failure of the Company to make any payment or mandatory prepayment of principal of any Eurodollar Rate Loan (including payments made after any acceleration thereof);

(b) the failure of the Company to borrow, continue or convert a Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/Continuation;

(c) the failure of the Company to make any prepayment of any Loan after the Company has given a notice in accordance with Section 2.6;

(d) the prepayment (including pursuant to Section 2.6 or 2.7) of a Eurodollar Rate Loan on a day which is not the last day of the Interest Period with respect thereto; or

(e) the conversion of any Eurodollar Rate Loan to a Base Rate Loan on a day that is not the last day of the respective Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Eurodollar Rate Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained.

4.5 INABILITY TO DETERMINE RATES

If the Required Lenders shall have determined that for any reason adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan or that the Eurodollar Rate applicable pursuant to subsection 2.9(a) for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will forthwith give notice of such determination to the Company and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans, as the case may be, hereunder shall be suspended until the Administrative Agent upon the instruction of the Required Lenders revokes such notice in writing. Upon receipt of such notice, the Company may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Company does not revoke such notice, the Lenders shall make, convert or continue the Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Loans shall be made, converted or continued as Base Rate Loans instead of Eurodollar Rate Loans.

4.6 CERTIFICATE OF LENDER

Each Lender, if claiming reimbursement or compensation pursuant to this Article IV, shall deliver to the Company, a certificate setting forth in reasonable

detail the amount payable to such Lender hereunder and such certificate shall be conclusive and binding on the Company in the absence of manifest error.

4.7 SURVIVAL

The covenants, agreements and obligations of the Company in this Article IV shall survive the payment of all other Obligations and the termination of this Agreement and the Commitments.

ARTICLE V CONDITIONS PRECEDENT

5.1 CONDITIONS OF INITIAL CREDIT EXTENSIONS

The obligation of each Lender to make its initial Credit Extension hereunder is subject to the following conditions:

(a) the Administrative Agent shall have received on or before the Closing Date all of the following, in form and substance satisfactory to the Administrative Agent and, as to the items referenced in subsection 5.1(a)(vii), the Required Lenders, and in sufficient copies for each Lender:

(i) Credit Agreement. This Agreement executed by the Company, the Administrative Agent, each of the Syndication Agents, each of the Documentation Agents, and each of the Lenders;

(ii) Resolutions; Incumbency.

(A) Resolutions.

(1) Copies of the resolutions of the board of directors of the REIT, as the sole member of the General Partner, as general partner of the Company, approving and authorizing the execution, delivery and performance by such entities on behalf of the Company of this Agreement and the other Loan Documents to which the Company is a party to be delivered hereunder, and authorizing the borrowing of the Loans, certified as of the Closing Date by the Secretary or an Assistant Secretary of the REIT;

(2) Copies of the resolutions of the board of directors of the REIT, as the sole member of the General Partner, as general partner of the Company, as the sole member of Plum Creek Southern approving and authorizing the execution, delivery and performance by such entities on behalf of Plum Creek Southern of the Plum Creek Southern Timber Assumption Agreement to be delivered hereunder, certified as of the Closing Date by the Secretary or Assistant Secretary of the REIT; and

(3) Copies of the resolutions of the board of directors of the REIT, as the sole member of the General Partner, as general partner of the Company, as the sole member of Plum Creek South Central approving and authorizing the execution, delivery and performance by such entities on behalf of Plum Creek South Central of the Plum Creek South Central Assumption Agreement to be delivered hereunder, certified as of the Closing Date by the Secretary or Assistant Secretary of the REIT.

(B) Incumbency.

(1) A certificate of the Secretary or Assistant Secretary of the REIT certifying the names and true signatures of the duly authorized officers of the REIT, as the sole member of the General Partner, as general partner of the Company, authorized to execute, deliver and perform, as applicable, this Agreement on behalf of the Company, and all other Loan Documents to be delivered hereunder;

(2) A certificate of the Secretary or Assistant Secretary of the REIT certifying the names and true signatures of the duly authorized officers of the REIT, as the sole member of the General Partner, as general partner of the Company, as the sole member of Plum Creek Southern authorized to execute, deliver and perform the Southern Timber Assumption Agreement to be delivered hereunder; and

(4) A certificate of the Secretary or Assistant Secretary of the REIT certifying the names and true signatures of the duly authorized officers of the REIT, as the sole member of the General Partner, as general partner of the Company, as the sole member of Plum Creek South Central authorized to execute, deliver and perform the Plum Creek South Central Assumption Agreement to be delivered hereunder.

(iii) Articles of Incorporation; By-laws; Partnership Documents and Good Standing. Each of the following documents:

(A) the certificate of limited partnership of the Company, the certificate of formation of the General Partner, and the certificate of incorporation of the REIT, in each case as in effect on the Closing Date, certified by the Secretary of State or similar, applicable Governmental Authority of the state of formation, organization or incorporation, as the case may be, of such Persons as of a recent date, and by the Secretary or Assistant Secretary of the REIT, and a certificate of the Secretary or Assistant Secretary of the REIT attaching copies of the Organizational Documents of each of the Company, the General Partner and the REIT and certifying that such Organizational Documents are true, correct, and complete as of the Closing Date;

(B) the certificate of formation of Plum Creek Southern as in effect on the Closing Date, certified by the Secretary of State (or similar applicable Governmental Authority) of the state of organization of Plum Creek Southern as of a recent date, and by the Assistant Secretary or Secretary of the REIT, and a certificate of the Assistant Secretary or Secretary of the REIT attaching copies of the Organizational Documents of Plum Creek Southern and certifying that such Organizational Documents are true, correct and complete as of the Closing Date;

(C) the certificate of formation of Plum Creek South Central as in effect on the Closing Date, certified by the Secretary of State (or similar applicable Governmental Authority) of the state of organization of Plum Creek South Central as of a recent date, and by the Assistant Secretary or Secretary of the REIT and a certificate of the Assistant Secretary or Secretary of the REIT, attaching copies of the Organizational Documents of Plum Creek South Central and certifying that such Organizational Documents are true, correct and complete as of the Closing Date; and

(D) a good standing certificate for each Loan Party and each Partner Entity from the Secretary of State (or similar, applicable Governmental Authority) of its state of incorporation, formation or organization, as the case may be, as of a recent date.

(iv) Legal Opinion. An opinion of James A. Kraft, Vice President, General Counsel and Secretary of the REIT and the General Partner and counsel to the Loan Parties, dated as of the Closing Date and addressed to the Administrative Agent and the Lenders and substantially in the form of Exhibit C.

(v) Certificate. A certificate signed by a Responsible Officer, dated as of the Closing Date, stating that:

(A) the representations and warranties contained in Article VI are true and correct on and as of such date and as of the date hereof, as though made on and as of such date;

(B) no Default or Event of Default exists as of such date, or would result from the initial Credit Extension; and

(C) there has occurred since December 31, 2001, no event or circumstance that has resulted or would reasonably be expected to result in a material adverse change in, or a material adverse effect upon, the business, assets, liabilities (actual or contingent), operations, properties, condition (financial otherwise) or prospects of, or information regarding, the REIT, the Company and their respective Subsidiaries (taken as whole);

(D) there exists no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or Governmental Authority that (i) could reasonably be expected to (A) have a material adverse effect on the operations, business, properties, condition (financial or otherwise) or prospects of the Company or the Company and its Subsidiaries, taken as a whole, (B) adversely affect the ability of any Loan Party to perform its obligations under the Loan Documents to which such Loan Party is a party or (C) adversely affect the rights and remedies of the Administrative Agent and the Lenders under the Loan Documents, or (ii) adversely affects any aspect of the transactions contemplated hereby or any of the Loan Documents; and

(E) all governmental and third party consents and approvals necessary in connection with each aspect of the credit facility contemplated herein have been obtained and shall remain in effect; all applicable waiting periods shall have expired without any adverse action being taken by any competent authority; and no applicable law or regulation and no judgment, injunction, order or decree, shall, in each case, be applicable that prohibits, restrains, prevents, or imposes adverse conditions upon such credit facility.

(vi) Subsidiary Assumption Agreements.

(A) The Plum Creek Southern Timber Assumption Agreement duly executed by Plum Creek Southern, in form and substance satisfactory to the Administrative Agent and the Lenders; and

(B) The Plum Creek South Central Assumption Agreement duly executed by Plum Creek South Central, in form and substance satisfactory to the Administrative Agent and the Lenders;

(vii) Other Documents. Such other approvals, opinions, documents or materials as the Administrative Agent or the Required Lenders may reasonably request.

(b) Payment of Fees. The Company shall have paid all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with Attorney Costs of Bank of America to the extent invoiced prior to or on the Closing Date, together with such additional amounts of Attorney Costs as shall constitute Bank of America's reasonable estimate of Attorney Costs incurred or to be incurred through the closing proceedings, provided that such estimate shall not thereafter preclude final settling of accounts between the Company and Bank of America; including any such costs, fees and expenses arising under or referenced in Sections 2.11, 4.1 and 11.4.

(c) Revolving Credit Promissory Notes. If so requested by any Lender by November 25, 2002, the Company shall have delivered to such Lender the applicable Revolving Credit Promissory Note in respect of such Lender.

(d) Amendment to Existing Credit Agreement. The Existing Credit Agreement shall have been amended by the Company, the required "Banks" thereunder, and Bank of America, as administrative agent thereunder, to among other things, permit the credit facility contemplated by this Agreement and allow the Company to use a certain portion of net proceeds from asset sales in calculating Available Cash for purposes of making restricted payments.

5.2 CONDITIONS TO ALL CREDIT EXTENSIONS

The obligation of each Lender to make any Loans to be made by it (including its initial Loan) or to continue or convert any Loan pursuant to Section 2.4 is subject to the satisfaction of the following conditions precedent on the relevant date of Borrowing or Conversion/Continuation Date:

(a) Notice, Application. As to any Loan, the Administrative Agent shall have received (with, in the case of the initial Loan only, a copy for each Lender) a Notice of Borrowing or a Notice of Conversion/Continuation, as applicable;

(b) Continuation of Representations and Warranties. The representations and warranties made by the Company contained in Article VI shall be true and correct on and as of such date of Borrowing or Conversion/Continuation Date with the same effect as if made on and as of such date of Borrowing or Conversion/Continuation Date (except to the extent such representations and warranties specifically relate to an earlier date, in which case they shall be true and correct as of such earlier date); and

(c) No Existing Default. No Default or Event of Default shall exist or shall result from such Credit Extension.

Each Notice of Borrowing or Notice of Conversion/Continuation submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the date of each such notice, request or application and as of the date of each Borrowing or each Conversion/Continuation Date, as applicable, that the conditions in Section 5.2 are satisfied.

ARTICLE VI REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Administrative Agent and each Lender that:

6.1 CORPORATE EXISTENCE AND POWER

(a) The Company, each of its Subsidiaries, and each of the Partner Entities:

(i) is a limited partnership, limited liability company, or corporation, duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

(ii) is duly qualified as a foreign partnership, limited liability company, or corporation, as applicable, and licensed and in good standing, under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license; and

(iii) is in compliance with all Requirements of Law except where failure to so comply would not reasonably be expected to have a Material Adverse Effect.

(b) The Company, each of its Subsidiaries and each of the Partner Entities has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets and carry on its business; each Loan Party and each of the other Partner Entities has the power and authority and all governmental licenses, authorizations, consents and approvals to execute, deliver, and perform its obligations under the Loan Documents to which it is a party.

6.2 AUTHORIZATION; NO CONTRAVENTION

The execution, delivery and performance by each Loan Party of each of the Loan Documents to which such Person is party, and the consummation of the transactions contemplated by any of the Loan Documents have been duly authorized by all necessary corporate, limited liability company and/or partnership action, as the case may be, by such Person, and do not and will not:

(a) contravene the terms of the Organization Documents of any of the Company, any other Loan Party or any of the other Partner Entities;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its Property is subject; or

(c) violate any Requirement of Law.

6.3 GOVERNMENTAL AND THIRD PARTY AUTHORIZATION

Except as has been obtained by the Company prior to the date of this Agreement, no approval, consent, exemption, authorization, or other action by, or

notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Company, any of the Partner Entities, or any of their respective Subsidiaries of the Agreement or any other Loan Document, or for the consummation of any of the transactions contemplated by any of the Loan Documents.

6.4 BINDING EFFECT

This Agreement and each other Loan Document to which any Loan Party is a party constitute the legal, valid and binding obligations of each such Person party thereto, enforceable against each such Person in accordance with their respective terms except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally or by equitable principles relating to enforceability.

6.5 LITIGATION

There are no actions, suits, proceedings, claims or disputes pending, or to the Company's Knowledge and the knowledge of each of the Partner Entities, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Company, any of the Partner Entities or any of their respective Subsidiaries or any of their respective Properties which:

(a) purport to affect or pertain to this Agreement, any other Loan Document or any of the transactions contemplated by any of the Loan Documents; or

(b) have a reasonable probability of success on the merits and which, if determined adversely to the Company, any of the Partner Entities, or any of their respective Subsidiaries, would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that any of the transactions contemplated by any of the Loan Documents not be consummated as herein or therein provided.

6.6 NO DEFAULT

No Default or Event of Default exists or would result from the incurring of any Obligations by the Company. Neither the Company, nor any of the Partner Entities, nor any of their respective Subsidiaries is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, would reasonably be expected to have a Material Adverse Effect or that would, if such default had occurred after the Closing Date, create an Event of Default under subsection 9.1(e).

6.7 ERISA COMPLIANCE

(a) Schedule 6.7 lists all Plans as of the Closing Date and separately identifies Plans intended to be Qualified Plans and Multiemployer Plans.

(b) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state law, including all requirements under the Code or ERISA for filing reports (which are true and correct in all material respects as of the date filed), and benefits have been paid in accordance with the provisions of the Plan.

(c) Except as specifically disclosed in Schedule 6.7, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the Code, and the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the Code, and to the Company's Knowledge nothing has occurred which would cause the loss of such qualification or tax-exempt status.

(d) Except as specifically disclosed in Schedule 6.7, there is no outstanding liability under Title IV of ERISA (other than premiums due but not delinquent under Section 4007 of ERISA) with respect to any Plan maintained or sponsored by the Company or any ERISA Affiliate, nor with respect to any Plan to which the Company or any ERISA Affiliate contributes or is obligated to contribute, and which liability would reasonably be expected to have a Material Adverse Effect.

(e) Except as specifically disclosed in Schedule 6.7, no Plan subject to Title IV of ERISA has any Unfunded Pension Liability which would reasonably be expected to have a Material Adverse Effect.

(f) Except as specifically disclosed in Schedule 6.7, the Company and its ERISA Affiliates have not ever represented, promised or contracted (whether in oral or written form) to any current or former employee (either individually or to employees as a group) that such current or former employee(s) would be provided, at any cost to the Company or its ERISA Affiliates, with life insurance or employee welfare plan benefits (within the meaning of section 3(1) of ERISA) following retirement or termination of employment, other than benefits mandated by applicable law, including but not limited to, continuation coverage required to be provided under Section 4980B of the Code or Title I, Subtitle B, Part 6 of ERISA, and which cost would reasonably be expected to have a Material Adverse Effect. To the extent that the Company or its ERISA Affiliates have made any such representation, promise or contract, they have expressly reserved the right to amend or terminate such life insurance or employee welfare plan benefits with respect to claims not yet incurred.

(g) The Company and its ERISA Affiliates have complied in all material respects with the notice and continuation coverage requirements of Section 4980B of the Code.

(h) Except as specifically disclosed in Schedule 6.7, no ERISA Event has occurred or, to the Company's Knowledge is reasonably expected to occur with respect to any Plan which would reasonably be expected to have a Material Adverse Effect.

(i) There are no pending or, to the Company's Knowledge, threatened claims, actions or lawsuits, other than routine claims for benefits in the usual and ordinary course, asserted or instituted against (i) any Plan maintained or sponsored by the Company or its assets, (ii) the Company or its ERISA Affiliates with respect to any Qualified Plan, or (iii) any fiduciary with respect to any Plan for which the Company or its ERISA Affiliates may be directly or indirectly liable, through indemnification obligations or otherwise and which claim, action or lawsuit would reasonably be expected to have a Material Adverse Effect.

(j) Except as specifically disclosed in Schedule 6.7, neither the Company nor any ERISA Affiliate has incurred nor, to the Company's Knowledge, reasonably expects to incur (i) any liability (and, to the Company's Knowledge, no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan or (ii) any liability under Title IV of ERISA (other than premiums due and not delinquent under Section 4007 of ERISA) with respect to a Plan, and which liability would reasonably be expected to have a Material Adverse Effect.

(k) Except as specifically disclosed in Schedule 6.7, neither the Company nor any ERISA Affiliate has transferred any Unfunded Pension Liability to a Person other than the Company or an ERISA Affiliate or otherwise engaged in a transaction that is subject to Section 4069 or 4212(c) of ERISA.

(l) The Company has not engaged, directly or indirectly, in a non-exempt prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Plan which would reasonably be expected to have a Material Adverse Effect.

6.8 USE OF PROCEEDS; MARGIN REGULATIONS

The proceeds of the Loans are intended to be and shall be used solely for the purposes set forth in and permitted by Section 7.11, and are intended to be and shall be used in compliance with Section 8.7. Neither the Company, nor any of the Partner Entities, nor any of their respective Subsidiaries is generally engaged in the

business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

6.9 TITLE TO PROPERTIES

The Company and each of its Subsidiaries have good record and marketable title in fee simple to, or valid leasehold interests in, all real Property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. As of the Closing Date, the Property of the Company and its Subsidiaries is subject to no Liens, other than Permitted Liens.

6.10 TAXES

The Company, each of the Partner Entities and each of their respective Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their Properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP and no Notice of Lien has been filed or recorded. There is no proposed tax assessment against the Company, any of the Partner Entities or any of their respective Subsidiaries which would, if the assessment were made, have a Material Adverse Effect.

6.11 FINANCIAL CONDITION

(a) The audited consolidated financial statements of financial condition of the Company and its Subsidiaries dated December 31, 2001, and the related consolidated statements of income and consolidated statement of cash flows for the fiscal year ended on that date:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein;

(ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and results of operations for the period covered thereby; and

(iii) except as specifically disclosed in Schedule 6.22, show all material Indebtedness and other liabilities, direct or contingent of the Company and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes and material commitments.

(b) Since December 31, 2001, there has been no Material Adverse Effect.

6.12 ENVIRONMENTAL MATTERS

(a) Except as specifically disclosed in Schedule 6.12, the on-going operations of the Company, each of the Partner Entities, and each of their respective Subsidiaries comply in all respects with all Environmental Laws, except such non-compliance which would not (if enforced in accordance with applicable law) result in liability in excess of \$25,000,000 in the aggregate.

(b) Except as specifically disclosed in Schedule 6.12, the Company, each of the Partner Entities, and each of their respective Subsidiaries have obtained all licenses, permits, authorizations and registrations required under any Environmental Law ("Environmental Permits") and necessary for their respective ordinary course operations, all such Environmental Permits are in good standing, and the Company, each of the Partner Entities, and each of their respective Subsidiaries are in compliance with all terms and conditions of such Environmental Permits except where the failure to obtain, maintain in good standing or comply with such Environmental Permits would not reasonably be expected to have a Material Adverse Effect.

(c) Except as specifically disclosed in Schedule 6.12, none of the Company, the Partner Entities, any of their respective Subsidiaries or any of their respective present Property or operations, is subject to any outstanding written order from or agreement with any Governmental Authority, nor subject to any judicial or docketed administrative proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Material arising out of a violation or alleged violation of any Environmental Law.

(d) Except as specifically disclosed in Schedule 6.12, there are no Hazardous Materials or other conditions or circumstances existing with respect to any Property, or arising from operations prior to the Closing Date, of the Company, each of the Partner Entities, or any of their respective Subsidiaries that would reasonably be expected to give rise to Environmental Claims with a potential liability of the Company and its Subsidiaries in excess of \$25,000,000 in the aggregate for any such condition, circumstance or Property. In addition, except as specifically disclosed in Schedule 6.12, (i), neither the Company nor any of the Partner Entities nor any of their respective Subsidiaries has any underground storage tanks (x) that are not properly registered or permitted under applicable Environmental Laws, or (y) that are leaking or disposing of Hazardous Materials off-site, and (ii) the Company, the Partner Entities and their respective Subsidiaries have notified all of their employees of the existence, if any, of any health hazard arising from the conditions of their employment and have met all notification requirements under Title III of CERCLA and all other Environmental Laws.

6.13 REGULATED ENTITIES

None of the Company, any of the Partner Entities, any Person controlling the Company or any of the Partner Entities, or any Subsidiary of the Company or any of the Partner Entities, is (a) an "Investment Company" within the meaning of the Investment Company Act of 1940; or (b) subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

6.14 NO BURDENSOME RESTRICTIONS

Neither the Company, nor any of the Partner Entities nor any of their respective Subsidiaries is a party to or bound by any Contractual Obligation, or subject to any charter or corporate restriction, or any Requirement of Law, which would reasonably be expected to have a Material Adverse Effect.

6.15 SOLVENCY

The Company, the REIT, the General Partner, the Facilities Subsidiary, and the Restricted Subsidiaries are each Solvent.

6.16 LABOR RELATIONS

There are no strikes, lockouts or other labor disputes against the Company or any of its Subsidiaries, or, to the Company's Knowledge, threatened against or affecting the Company or any of its Subsidiaries which could reasonably be expected to, either individually or in the aggregate, have a Material Adverse Effect. There are no unfair labor practice complaints pending against the Company or any of its Subsidiaries or, to the Company's Knowledge, threatened against any of them before any Governmental Authority which have a reasonable probability of success on the merits and which, if determined adversely to the Company or any of its Subsidiaries, could reasonably be expected to, either individually or in the aggregate, have a Material Adverse Effect.

6.17 COPYRIGHTS, PATENTS, TRADEMARKS AND LICENSES, ETC.

The Company or its Subsidiaries own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights, other intellectual property, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the Company's Knowledge, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any of its Subsidiaries infringes upon any rights held by any other Person; no claim or litigation regarding any of the foregoing is

pending or, to the Company's Knowledge, threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the Company's Knowledge, proposed, which, in either case, would reasonably be expected to have a Material Adverse Effect.

6.18 SUBSIDIARIES

As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in part (a) of Schedule 6.18 and has no equity investments in any other corporation or entity other than those specifically disclosed in part (b) of Schedule 6.18. Except as disclosed in part (a) of Schedule 6.18, the Company owns 100% of the ownership interests of its Subsidiaries. The Facilities Subsidiary has issued no rights, warrants or options to acquire or instruments convertible into or exchangeable for any equity interest in the Facilities Subsidiary.

6.19 PARTNERSHIP INTEREST

The only general partner of the Company is the General Partner, which as of the Closing Date will own a 1% general partnership interest in the Company.

6.20 INSURANCE

The Properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Company, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar Properties in localities where the Company or such Subsidiary operates.

6.21 FULL DISCLOSURE

None of the representations or warranties made by the Company, the REIT, the General Partner, or any of their respective Subsidiaries in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in each exhibit, report, written statement or certificate furnished by or on behalf of the REIT, the Company, or any of their respective Subsidiaries in connection with the Loan Documents, contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

6.22 CHANGES, ETC.

From December 31, 2001 to the Closing Date, except as disclosed in Schedule 6.22, (a) the Company and its Subsidiaries have not incurred any material liabilities or obligations, direct or contingent, or entered into any material

transactions not in the ordinary course of business, and (b) there has not been any Restricted Payment of any kind declared, paid or made by the Company, other than regular quarterly declarations and payments to the REIT in accordance with Section 8.13 for distribution to the REIT's shareholders.

6.23 TAX MATTERS AGREEMENT; TAX OPINION INSURANCE POLICY

(a) Except as permitted by Section 8.20, the Company has not directly or indirectly assumed the obligations of the REIT under the Tax Matters Agreement or otherwise agreed to reimburse or indemnify the REIT for any of its obligations thereunder.

(b) The Tax Opinion Insurance Policy is in full force and effect and is not subject to cancellation for failure to pay the applicable premium.

ARTICLE VII AFFIRMATIVE COVENANTS

The Company covenants and agrees that, so long as any Lender shall have any Commitment hereunder or any Loan or other Obligation shall remain unpaid or unsatisfied, unless the Required Lenders waive compliance in writing:

7.1 FINANCIAL STATEMENTS

The Company shall deliver to the Administrative Agent and each Lender in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but not later than 90 days after the end of each fiscal year, a copy of the audited consolidated balance sheet of the Company as at the end of such year and the related consolidated statements of income and statements of cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of PricewaterhouseCoopers LLP, or another nationally-recognized independent public accounting firm ("Independent Auditor") which report shall state that such consolidated financial statements present fairly the financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years. Such opinion shall not be qualified or limited because of a restricted or limited examination by Independent Auditor of any material portion of the Company's or any Subsidiary's records and shall be delivered to the Administrative Agent pursuant to a reliance agreement in favor of the Administrative Agent and Lenders by such Independent Auditor in form and substance satisfactory to the Administrative Agent and the Required Lenders;

(b) as soon as available, but not later than 120 days after the end of each fiscal year, a copy of an audited consolidating balance sheet of the Company and each of its Subsidiaries as at the end of such fiscal year and the related

consolidating statements of income and statement of cash flows for such fiscal year, all in reasonable detail certified by an appropriate Responsible Officer as having been used in connection with the preparation of the financial statements referred to in subsection (a) of this Section 7.1;

(c) as soon as available, but not later than 45 days after the end of each of the first three fiscal quarters of each year, a copy of the unaudited consolidated balance sheet of the Company and its consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and statement of cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by an appropriate Responsible Officer as being complete and correct and fairly presenting, in accordance with GAAP, the financial position and the results of operations of the Company and the Subsidiaries;

(d) as soon as available, but not later than 45 days after the end of each of the first three fiscal quarters of each year, a copy of the unaudited consolidating balance sheets of the Company and each of its Subsidiaries, and the related consolidating statements of income and statement of cash flows for such quarter, all certified by an appropriate Responsible Officer as having been used in connection with the preparation of the financial statements referred to in subsection (c) of this Section 7.1;

(e) as soon as available, but not later than September 30 of each year, a business plan which shall include consolidated five year pro-forma projections of the Company's balance sheet, income statement and statement of cash flows, accompanied by appropriate assumptions on which such projections are based; and

(f) to the extent not delivered pursuant to any other clause of this Section 7.1, promptly upon transmission thereof, copies of all such financial statements, proxy statements, notices and reports as the Company or the REIT sends to its public security holders and copies of all registration statements (without exhibits) and all reports which either the Company or the REIT files with the SEC.

7.2 CERTIFICATES; OTHER INFORMATION

The Company shall furnish to the Administrative Agent and each Lender:

(a) concurrently with the delivery of the financial statements referred to in subsection 7.1(a) above, a certificate of the Independent Auditor stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsections 7.1(a) through (d) above, a certificate of a Responsible Officer substantially in the form of Exhibit D (i) stating that, to the best of such officer's

knowledge, each of the Company and each of the other Loan Parties, during such period, has observed and performed all of its covenants and other agreements, and satisfied every term and condition contained in this Agreement and the other Loan Documents to be observed, performed or satisfied by it, and that such officer has obtained no knowledge of any Default or Event of Default except as specified (by applicable subsection reference) in such certificate, (ii) stating the Applicable Margin to be in effect for the immediately following fiscal quarter, and (iii) showing in detail the calculations supporting such statement in respect of subsection 8.2(h), Section 8.3, subsection 8.4(i), Section 8.5, Section 8.13, Section 8.17, Section 8.18 and Section 8.19, and supporting the computation of the Pricing Leverage Ratio;

(c) promptly after the same are sent, copies of all financial statements and reports which the Company sends to its limited partners (excluding the Form K-1s); and promptly after the same are filed, copies of all financial statements and regular, periodical or special reports which the REIT or the Company may make to, or file with, the SEC or any successor or similar Governmental Authority; and

(d) promptly, such additional business, financial, corporate affairs and other information as the Administrative Agent, at the request of any Lender, may from time to time reasonably request.

(e) Notwithstanding Sections 7.1 and 7.2 to the contrary, reports required to be delivered pursuant to Section 7.1 or Section 7.2 shall be deemed to have been delivered to the Administrative Agent and the Lenders on the date on which the Company posts such reports either (i) on the Company's website on the Internet at the website address listed on Schedule 11.2 hereof or (ii) when such report is posted electronically on IntraLinks/IntraAgency or other relevant third-party commercial website (if any) on the Company's behalf; provided that (A) the Company shall deliver paper copies of such reports to the Administrative Agent and each Lender, (B) the Company shall notify by facsimile the Administrative Agent and each Lender of the posting of any such reports, and (C) in every instance the Company shall provide paper copies of the Compliance Certificate required by Section 7.2(b) to the Administrative Agent and each of the Lenders. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the reports referred to above.

7.3 NOTICES

The Company shall promptly upon becoming aware thereof notify the Administrative Agent and each Lender:

(a) (i) of the occurrence of any Default or Event of Default, (ii) of the occurrence or existence of any event or circumstance that foreseeably will become a Default or Event of Default, and (iii) of the occurrence or existence of any event

or circumstance that would cause the condition to Credit Extension set forth in subsection 5.2(b) not to be satisfied if a Credit Extension were requested on or after the date of such event or circumstance;

(b) of (i) any breach or non-performance of, or any default under, any Contractual Obligation of the Company, any of the Partner Entities, or any of their respective Subsidiaries which could result in a Material Adverse Effect; and (ii) any dispute, litigation, investigation, proceeding or suspension which may exist at any time between the Company, any of the Partner Entities, or any of their respective Subsidiaries and any Governmental Authority which could reasonably be expected to result in a Material Adverse Effect;

(c) of the commencement of, or any material development in, any litigation or proceeding affecting the Company, any of the Partner Entities or any of their respective Subsidiaries (i) which could reasonably be expected to have a Material Adverse Effect, or (ii) in which the relief sought is an injunction or other stay of the performance of this Agreement or any Loan Document;

(d) upon, but in no event later than 10 days after, becoming aware of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Company, any of the Partner Entities or any of their respective Subsidiaries or any of their respective Properties pursuant to any applicable Environmental Laws where, if adversely determined, the potential liability or expense relating thereto could exceed \$25,000,000 or the potential remedy with respect thereto would otherwise reasonably be expected to have a Material Adverse Effect, (ii) all other Environmental Claims which allege liability in excess of \$25,000,000 or have the possibility of remedies that would, if adversely determined, otherwise reasonably be expected to constitute a Material Adverse Effect, and (iii) any environmental or similar condition on any real property adjoining or in the vicinity of the property of the Company, any of the Partner Entities or any of their respective Subsidiaries that would reasonably be anticipated to cause such property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of such property under any Environmental Laws where the net book value of such property exceeds \$25,000,000;

(e) of any other litigation or proceeding affecting the Company, any of the Partner Entities or any of their respective Subsidiaries which the REIT or the Company would be required to report to the SEC pursuant to the Exchange Act, within four days after reporting the same to the SEC;

(f) of any of the following ERISA Events affecting the Company or any ERISA Affiliate (but in no event more than 20 days after such event or, in the case of an event relating to a Multiemployer Plan, no more than 30 days after the Company obtains knowledge of the occurrence of such an event), together with

(except in the case of a Multiemployer Plan) a copy of any notice with respect to such event that may be required to be filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company or any ERISA Affiliate with respect to such event:

(i) an ERISA Event which would reasonably be expected to have a Material Adverse Effect;

(ii) the adoption of any new Qualified Plan that is subject to Title IV of ERISA or section 412 of the Code that would reasonably be expected to generate annual liabilities in excess of \$10,000,000 by the Company or an ERISA Affiliate;

(iii) the adoption of any amendment to a Qualified Plan that is subject to Title IV of ERISA or section 412 of the Code that would reasonably be expected to generate annual liabilities in excess of \$10,000,000, if such amendment results in a material increase in benefits or unfunded liabilities; or

(iv) the commencement of contributions by the Company or an ERISA Affiliate to any Plan that is subject to Title IV of ERISA or section 412 of the Code that would reasonably be expected to generate annual liabilities in excess of \$10,000,000;

(g) any Material Adverse Effect subsequent to the date of the most recent audited financial statements of the Company delivered to the Lenders pursuant to subsection 7.1(a); and

(h) of any material labor controversy resulting in or threatening to result in any strike, work stoppage, boycott, shutdown or other labor disruption against or involving the Company or any of its Subsidiaries.

Each notice pursuant to this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action the Company proposes to take with respect thereto and at what time. Each notice under subsection 7.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been breached or violated.

7.4 PRESERVATION OF PARTNERSHIP EXISTENCE, ETC.

The Company shall, except as permitted by Section 8.2, and shall cause each of its Restricted Subsidiaries to:

(a) preserve and maintain in full force and effect its partnership, limited liability company, or corporate existence and good standing under the laws of its state or jurisdiction of formation or incorporation;

(b) preserve and maintain in full force and effect all rights, privileges, qualifications, permits, licenses and franchises necessary in the normal conduct of its business;

(c) use its reasonable efforts, in the Ordinary Course of Business, to preserve its business organization and preserve the goodwill and business of the customers, suppliers and others having material business relations with it; and

(d) preserve or renew all of its registered trademarks, trade names and service marks, and other intellectual property, the non-preservation of which would reasonably be expected to have a Material Adverse Effect.

7.5 MAINTENANCE OF PROPERTY

The Company shall maintain, and shall cause each of its Subsidiaries to maintain, and preserve all its Property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted.

7.6 INSURANCE

The Company shall maintain, and shall cause each of its Subsidiaries to maintain, with financially sound and reputable independent insurers, insurance with respect to its Properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

7.7 PAYMENT OF OBLIGATIONS

The Company shall, and shall cause its Subsidiaries to, pay and discharge as the same shall become due and payable, all their respective obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary; and

(b) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

7.8 COMPLIANCE WITH LAWS

The Company shall comply, and shall cause each of its Subsidiaries to comply with all Requirements of Law of any Governmental Authority having

jurisdiction over it or its business (including the Federal Fair Labor Standards Act) the non-compliance with which would reasonably be expected to have a Material Adverse Effect, except such as may be contested in good faith or as to which a bona fide dispute may exist.

7.9 INSPECTION OF PROPERTY AND BOOKS AND RECORDS

The Company shall maintain and shall cause each of its Subsidiaries to maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiaries. The Company shall permit, and shall cause each of its Subsidiaries to permit, representatives and independent contractors of the Administrative Agent or any Lender to visit and inspect any of their respective Properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants, all at the expense of the Company and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, however, when an Event of Default exists the Administrative Agent or any Lender may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice.

7.10 ENVIRONMENTAL LAWS

(a) The Company shall, and shall cause each of its Subsidiaries to, conduct its operations and keep and maintain its Property in compliance with all Environmental Laws, the non-compliance with which would reasonably be expected to have a Material Adverse Effect.

(b) Upon the written request of the Administrative Agent or any Lender, the Company shall submit and cause each of its Subsidiaries to submit, to the Administrative Agent and with sufficient copies for each Lender, at the Company's sole cost and expense, at reasonable intervals, a report providing an update of the status of any environmental, health or safety compliance, hazard or liability issue identified in any notice or report required pursuant to subsection 7.3(d), that could, individually or in the aggregate, result in liability in excess of \$25,000,000.

7.11 USE OF PROCEEDS

The Company shall use the proceeds of the Loans to finance working capital, capital expenditures, and other lawful general partnership purposes not in contravention of any Requirement of Law or of any Loan Document.

7.12 SOLVENCY

The Company shall at all times be, and shall cause each of its Restricted Subsidiaries to be, Solvent.

7.13 NOTICES AND INFORMATION RELATING TO SPECIFIED TAX LIABILITIES AND TAX CLAIMS

(a) The Company shall promptly upon becoming aware thereof or promptly after receipt by the REIT or any of its Subsidiaries thereof, notify the Administrative Agent and each Lender if (A) the REIT receives any notice from Georgia-Pacific pursuant to Section 6(a) of the Tax Matters Agreement of a Tax Claim against Georgia-Pacific or any Member with respect to Specified Taxes, or (B) any Tax Claim is made by any Tax Authority against the REIT with respect to Specified Taxes.

(b) If the Administrative Agent and the Lenders receive notification from the Company pursuant to subsection 7.13(a), the Company shall, and shall cause the REIT to, provide the Administrative Agent and each Lender on a monthly basis after such notification has been made, or as the Administrative Agent may request from time to time, a report, in form and substance satisfactory to the Administrative Agent, setting forth in detail (A) the progress and current status of any Tax Claim described in subsection 7.13(a) in a manner consistent with the requirements of Sections 6(b) and (c) of the Tax Matters Agreement, (B) what actions Georgia-Pacific, the REIT, the Company and/or any of their respective Subsidiaries propose to take with respect to such Tax Claim, and (C) such other information as the Administrative Agent may request in connection therewith.

ARTICLE VIII NEGATIVE COVENANTS

The Company hereby covenants and agrees that, so long as any Lender shall have any Commitment hereunder or any Loan or other Obligation shall remain unpaid or unsatisfied, unless the Required Lenders waive compliance in writing:

8.1 LIMITATION ON LIENS

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its Property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 7.7;

(b) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the Ordinary Course of Business which are not delinquent or remain payable without penalty or unless such lien is being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and if such accrual or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made incidental to the conduct of its business or the ownership of its Property including (i) pledges or deposits in connection with worker's compensation, unemployment insurance and other social security legislation, (ii) deposits to secure insurance, the performance of bids, tenders, contracts, leases, licenses, franchises and statutory obligations, each in the Ordinary Course of Business, and (iii) other obligations which were not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property and which do not in the aggregate materially detract from the value of its Property or materially impair the use of such Property in the operation of its business;

(d) any attachment or judgment Lien, unless the judgment it secures shall not, within 45 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 45 days after expiration of any such stay;

(e) easements, rights-of-way, restrictions, leases, sub-leases and other similar charges or encumbrances incurred in the Ordinary Course of Business which, in each case, and in the aggregate, do not materially interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiary;

(f) Liens on Property of any Restricted Subsidiary securing obligations of such Restricted Subsidiary owing to the Company or another Restricted Subsidiary;

(g) any Lien existing prior to the time of acquisition upon any Property acquired by the Company or any Restricted Subsidiary after the Closing Date through purchase, merger or consolidation or otherwise, whether or not assumed by the Company or such Subsidiary, or placed upon Property at (or within 30 days after) the later of the time of acquisition or the completion of construction by the Company or any Restricted Subsidiary to secure all or a portion of (or to secure Indebtedness incurred to pay all or a portion of) the purchase price thereof, provided that (i) any such Lien does not encumber any other property of the Company or such Restricted Subsidiary, (ii) the Indebtedness secured by such Lien is not prohibited by the provisions of Section 8.5, (iii) the aggregate principal amount (without duplication) of the Indebtedness secured by such Lien at no time exceeds 80% of the cost to the Company and its Restricted Subsidiaries of the Property subject to such Lien, and (iv) the aggregate outstanding principal amount

of the Indebtedness secured by all purchase money Liens permitted by this subsection 8.1(g) does not exceed five percent (5%) of the aggregate book value of the Tangible Assets of the Company and its Restricted Subsidiaries as of the end of the most recently ended fiscal quarter of the Company;

(h) Liens on the accounts, rights to payment for goods sold or services rendered that are evidenced by chattel paper or instruments, and rights against persons who guarantee payment or collection of the foregoing, and on the Company's inventory and on the proceeds (as defined in the UCC in any applicable jurisdiction) thereof securing the obligations of the Company permitted by subsection 8.5(d) and any extension, renewal, refunding or refinancing thereof;

(i) from and after the time the Facilities Subsidiary becomes a Restricted Subsidiary, Liens on (x) the accounts, rights to payment for goods sold or services rendered that are evidenced by chattel paper or instruments (and rights against persons who guarantee payment or collection of the foregoing) of Plum Creek Manufacturing, L.P. and its Subsidiaries which are Restricted Subsidiaries, (y) the inventory of Plum Creek Manufacturing, L.P. and its Subsidiaries which are Restricted Subsidiaries and (z) the proceeds (as defined in the UCC in any applicable jurisdiction) thereof, in each case securing the obligations of Plum Creek Manufacturing, L.P. and such Restricted Subsidiaries under the Facility Subsidiary's Revolving Credit Facility (and any extension, renewal, refunding or refinancing thereof);

(j) any Lien renewing, extending, refunding or refinancing any Lien permitted by subsection (i) of this Section, provided that the principal amount secured is not increased and the Lien is not extended to other Property and further provided that the maturity of the Lien is not extended beyond the maturity date of the Indebtedness which, at the time the Lien was initially placed upon the Property secured thereby, Responsible Representatives declare would have been the maturity date of Indebtedness customary for the type of Property being financed;

(k) Liens, other than those set forth above, that secure amounts that in the aggregate do not exceed \$1,000,000;

(l) with respect to the Spinco Assets transferred to the Company, Plum Creek Southern or Plum Creek South Central pursuant to, and in accordance with, the applicable REIT Contribution Agreement, Liens on such Spinco Assets existing at the time of the consummation of the Merger that do not materially impair the value of all the Spinco Assets and do not materially interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiary;

(m) Liens existing as of the Closing Date as described on Schedule 8.1;
and

(n) Liens created pursuant to the Loan Documents.

8.2 MERGER; DISPOSITION OF ASSETS

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, merge or consolidate with any Person or, directly or indirectly, sell, lease or transfer or otherwise dispose of (whether in one or a series of transactions) any Property (including accounts and notes receivable, with or without recourse) or enter into any agreement to do any of the foregoing, except that:

(a) any Restricted Subsidiary of the Company may merge with the Company (provided that the Company shall be the continuing or surviving corporation) or with any one or more other Restricted Subsidiaries;

(b) any Restricted Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Company; and any Restricted Subsidiary other than Plum Creek Southern and Plum Creek South Central may sell, lease, transfer or otherwise dispose of its assets to another Restricted Subsidiary;

(c) any Restricted Subsidiary may merge or consolidate with any other entity, provided that, immediately after giving effect to such merger or consolidation (i) the continuing or surviving entity of such merger or consolidation shall constitute a Restricted Subsidiary, (ii) no Event of Default or Material Default shall exist, and (iii) the continuing or surviving entity is not engaged in any business other than a Permitted Business and a Permitted Ancillary Business and, after giving effect on a pro forma basis to such merger or consolidation, the gross revenue contribution of pulp and paper manufacturing activities of the Company and its Subsidiaries on a consolidated basis for the 12 months preceding such merger or consolidation does not exceed 33% of the total revenues of the Company and its Subsidiaries on a consolidated basis;

(d) the Company may merge or consolidate with any other entity, provided that (i) the Company shall be the continuing or surviving entity and (ii) immediately after such merger or consolidation, (A) no Event of Default or Material Event of Default shall exist, (B) the Company could incur at least \$1 of additional Funded Debt pursuant to subsection 8.5(i), and (C) the Company is not engaged in any business other than a Permitted Business and a Permitted Ancillary Business and, after giving effect on a pro forma basis to such merger or consolidation, the gross revenue contribution of pulp and paper manufacturing activities of the merged or consolidated entity and its Subsidiaries on a consolidated basis for the 12 months preceding such merger or consolidation does not exceed 33% of total revenues of such merged or consolidated entity and its Subsidiaries on a consolidated basis;

(e) the Company or any Restricted Subsidiary may make dispositions of inventory in the Ordinary Course of Business;

(f) the Company or any Restricted Subsidiary may sell Designated Acres (or notes receivable arising from the sale of Designated Acres) for the fair value thereof as reasonably determined in good faith by the Responsible Representatives;

(g) the Company and its Restricted Subsidiaries may exchange Timberlands with other Persons in the Ordinary Course of Business, provided that (i) the fair value of the Timberlands plus any Net Proceeds received in such exchange is, in the good faith judgment of the Responsible Representatives, not less than the fair value of Timberlands exchanged plus any other consideration paid, (ii) such exchange would not materially and adversely affect the business, Property, condition or results of operations of the Company and its Restricted Subsidiaries on a consolidated basis or of the Facilities Subsidiary or impair the ability of the Company to perform its obligations hereunder and under any other Indebtedness, and (iii) any Properties shall be deemed sold to the extent of Net Proceeds received and such sales shall be allowed only to the extent otherwise permitted by this Section 8.2;

(h) the Company and its Restricted Subsidiaries may sell Properties for cash for not less than the fair value thereof as determined in good faith by the Responsible Representatives, provided that the aggregate Net Proceeds of such sales in any calendar year do not exceed \$40,000,000;

(i) the Company and its Restricted Subsidiaries may otherwise sell Properties for cash in an amount not less than the fair value thereof as determined in good faith by the Responsible Representatives, if and only if: (A) immediately after giving effect to such proposed sale, no condition or event shall exist which constitutes an Event of Default or Material Default, (B) not less than 50% of the Net Proceeds of any such sale (x) are applied, within one year after such sale to repayment of Qualified Debt in accordance with Section 2.7(a)(i), or (y) are applied, within one year after such sale, to the purchase of productive assets in the same line of business to be owned by the Company (or, if the sale is by a Restricted Subsidiary, by such Restricted Subsidiary or the Company), provided that, if any such sale constitutes a sale of more than 15% of the Company's Tangible Assets, all the unapplied Net Proceeds of such sale less the amount, if any, of such Net Proceeds to be included in clause (i)(g) of the definition of Available Cash in the calculation thereof for the calendar quarter of the Company in which the sale occurs shall be placed immediately in escrow or cash collateral account or accounts, pursuant to an agreement or agreements in form and substance reasonably satisfactory to the holders of greater than 50% of the outstanding principal amount of Qualified Debt (which escrow agreement or agreements shall provide for a release from escrow of an amount equal to any additions to Available Cash pursuant to clause (i)(g) of the definition of Available Cash with respect to such

sale in calendar quarters of the Company subsequent to the calendar quarter in which such sale occurs), for the purpose of application in accordance with clause (x) or (y) of this clause (B), and (C) immediately after giving effect to such sale (giving effect on a pro forma basis to any proposed retirement of Qualified Debt out of proceeds thereof), the Company could incur \$1 of additional Funded Debt pursuant to subsection 8.5(i);

(j) the Company may transfer or make contributions of Designated Acres to any Facility Subsidiary to the extent permitted pursuant to Section 8.4(a); and

(k) the Company and its Restricted Subsidiaries may make contributions of Property to the capital of Persons in which the Company directly or indirectly holds an equity or other ownership interest to the extent that such contributions constitute Investments that are permitted by the provisions of Section 8.4(i).

8.3 HARVESTING RESTRICTIONS

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, in the fourth calendar quarter of 2001 or any year thereafter, harvest Timber (the term "harvest" and correlative terms shall include, without duplication, both the harvesting activities to be conducted by the Company and sales of Timber to other Persons for current harvesting activities being conducted by such Persons) on the Timberlands then owned directly or indirectly by the Company in excess of the amount set forth for such calendar quarter or year, as the case may be, in the following table:

PERIOD -----	MAXIMUM MCCF TO BE HARVESTED -----
fourth quarter of calendar year 2001	1,712 MCCF
calendar year 2002	6,850 MCCF
calendar year 2003 and each calendar year thereafter	8% of Standing Inventory as of January 1 of the applicable related calendar year

plus, commencing with the calendar year 2002 and in each year thereafter, the lesser of (i) amount, if any, by which (a) the sum of (x) the cumulative amount set forth in the table above for the years (other than calendar year 2001) preceding such year of determination and (y) 2000 MCCF, exceeds (b) the cumulative amount actually harvested in such years preceding such year of determination or (ii) 8% of Standing Inventory as of January 1 of such calendar year;

unless the Net Proceeds from such excess harvest are either (A) applied, within 180 days after any such excess harvest to repayment of Qualified Debt in accordance with Section 2.7(a)(ii), or (B) applied, within 180 days after any such excess harvest, to purchase Timber (including Timber on Timberlands purchased) having a fair value (in the good faith judgment of the Responsible Representatives) not less than the fair value of the Timber subject to such excess harvest, provided that, if such excess harvest in any calendar year exceeds 15% of Standing Inventory as of January 1 of such calendar year (and such proceeds are not immediately applied in accordance with clause (A) or (B) above), all the Net Proceeds of such excess harvest shall be placed immediately in an escrow or cash collateral account or accounts, pursuant to an agreement or agreements in form and substance reasonably satisfactory to the holders of more than 50% of the outstanding principal amount of Qualified Debt, for the purpose of application in accordance with clause (A) or (B) above. For purposes of computing maximum harvest, Board Feet will be converted into Cunits at a ratio of 2.1 MCCF for each MMBF. For purposes of conversion of Timber in the Company's Maine timberlands, one million Tons shall equal 355 MCCF.

"Standing Inventory" shall mean an amount of Timber (stated in MCCF) equal to the volume of merchantable Timber as of January 1 of each calendar year of the Company and its Restricted Subsidiaries, as set forth in the REIT's Annual Report on Form 10-K as filed with the SEC for the fiscal year ending on the preceding December 31 (which amount contains adjustments for growth, harvesting and changes in land base through acquisitions and divestitures up to such date).

8.4 LOANS AND INVESTMENTS

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, make or commit to make or permit to remain outstanding any loan or advance to, or guarantee, endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the obligations, stock or dividends of, or own, purchase or acquire (or commit to own, purchase or acquire) any stock, obligations or securities of, or any other interest in (including, without limitation, the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person), or make or commit to make any capital contribution to, any Person (all of the foregoing being referred to herein as "Investments"), except that the Company or any Restricted Subsidiary may:

(a) make Investments in the form of cash or cash equivalents or contributions of Designated Acres, in either case in the Facilities Subsidiary, provided that the Company will not make or permit any Restricted Subsidiary to make any such Investment (including any guaranty of obligations of the Facilities Subsidiary otherwise permitted by this Section 8.4) unless (i) immediately prior to and after giving effect to such Investment, no Event of Default or Default shall exist, and (ii) immediately after giving effect to such Investment, the ratio of Pro

Forma Free Cash Flow to Maximum Pro Forma Annual Interest Charges is not less than 2.5 to 1.0;

(b) own, purchase or acquire real or personal property to be used in the Ordinary Course of Business;

(c) own, purchase or acquire investments of the type specified in, and in accordance with the requirements and limitations of, the Investment Policy;

(d) continue to own Investments owned on the Closing Date as set forth on Schedule 8.4;

(e) endorse negotiable instruments for collection in the Ordinary Course of Business;

(f) become and be obligated under the Guarantee and under the guarantees permitted by subsections 8.5(f) and (g), and acquire and own subordinated subrogation rights upon performance of such guarantees;

(g) make advances in the Ordinary Course of Business of the Company or any Restricted Subsidiary, including deposits permitted under subsection 8.1(c), advances to employees for travel, relocation and other employment related expenses, advances to contractors performing services for the Company or such Restricted Subsidiary, advances to owners of timber or timber properties to acquire rights to harvest timber and other similar advances;

(h) make Investments in the form of cash or cash equivalents in Restricted Subsidiaries, or any entity which immediately after such Investment will be a Restricted Subsidiary;

(i) make Investments not otherwise permitted by this Section 8.4 in entities engaged solely in a Permitted Business or Permitted Ancillary Business, provided that (x) the aggregate cumulative amount of such Investments, to the extent that such Investments are attributable to pulp and paper manufacturing (as proportionately attributed by multiplying the amount of an Investment by the percentage of revenues of the Person in whom such Investment is made during the 12 months preceding such Investment that are contributed by pulp and paper manufacturing), does not exceed the sum of \$50,000,000 (without giving effect to any write-down of such Investments), and (y) the cumulative aggregate amount of all such Investments including those subject to clause (x) at original cost (which shall include the fair market value of Property (other than cash invested as of the date of the Investment) as reasonably determined in good faith by the Responsible Representatives at the time such Investment was made, and which shall include the principal amount of any obligations guaranteed to the extent such guarantees are not otherwise permitted by this Section 8.4) outstanding from time to time made

pursuant to this subsection (i) between the closing date of the 1989 Senior Note Agreement and any date thereafter shall not exceed the greater of \$300,000,000 or 60% of the average annual Pro Forma Free Cash Flow for the two fiscal years preceding such date; and

(j) make Investments in Swap Contracts to the extent permitted pursuant to Section 8.5(1).

8.5 LIMITATION ON INDEBTEDNESS

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(a) Indebtedness of the Company represented by the Senior Notes and any refinancing thereof so long as such refinancing does not increase the principal amount thereof and is on terms no less favorable to the Company, and to the rights of the Administrative Agent and the Lenders hereunder, than those contained on the Closing Date in the Senior Notes and the documentation relating thereto;

(b) Funded Debt which is unsecured and is incurred by the Company to finance the making of capital improvements, expansions and additions to the Company's property (including Timberlands), plant and equipment, provided that the aggregate outstanding principal amount of such Funded Debt shall at no time exceed \$50,000,000;

(c) Indebtedness of any Restricted Subsidiary owing to the Company or to a Restricted Subsidiary;

(d) Indebtedness incurred by the Company pursuant to a bank credit facility which is unsecured or is secured by Liens permitted by subsection 8.1(h), not in excess of an aggregate principal amount of \$50,000,000 at any time outstanding, provided that the Company shall not suffer to exist any Indebtedness permitted by this subsection (d) on any day unless there shall have been a period of at least 45 consecutive days within the 12 months immediately preceding such day during which the Company shall have been free from all Indebtedness permitted by this subsection (d);

(e) Indebtedness represented by the Guarantee in an amount not greater than \$76,425,000 at any time, and any refinancing thereof so long as such refinancing does not increase the principal amount thereof and is on terms no less favorable to the Company, and to the rights of the Administrative Agent and the Lenders hereunder, than those contained on the Closing Date in the Guarantee and the documentation relating thereto;

(f) the Company's guarantee of obligations incurred by the Facilities Subsidiary pursuant to the Facilities Subsidiary's Revolving Credit Facility (and any extension, renewal, refunding or refinancing thereof permitted by clause (iv) of paragraph 6B(2) of the Mortgage Note Agreement), provided that the aggregate outstanding principal amount of such Indebtedness shall at no time exceed \$20,000,000, and provided further that such guarantee shall be subordinated to the 1989 Notes by subordination provisions substantially the same as those contained in paragraph 7I of the Mortgage Note Agreement;

(g) the Company's guarantee of Funded Debt (and related obligations not constituting Indebtedness) incurred by the Facilities Subsidiary to finance the making of capital improvements, expansions and additions to the Facilities Subsidiaries' Properties pursuant to the Facilities Subsidiary's Facility, provided that such guarantee shall be subordinated to the 1989 Notes by subordination provisions substantially the same as those contained in paragraph 7I of the Mortgage Note Agreement, and provided, further, that the aggregate outstanding principal amount of such Funded Debt shall at no time exceed \$20,000,000;

(h) Funded Debt of the Company or any Restricted Subsidiary secured by a Lien permitted by subsection 8.1(g), provided that immediately after the acquisition of the Property subject to such Lien or upon which such Lien is placed (or, if later, the incurrence of the Indebtedness secured by such Lien), the Company could incur at least \$1 of additional Funded Debt pursuant to subsection (i) below;

(i) Funded Debt of the Company (other than Funded Debt owing to a Restricted Subsidiary) in addition to that otherwise permitted by the foregoing subsections of this Section 8.5, including guarantees of Indebtedness to the extent permitted by Section 8.4 and not otherwise permitted by the foregoing subsections of this Section 8.5, provided that, on the date the Company becomes liable with respect to any such additional Funded Debt and immediately after giving effect thereto and to the concurrent retirement of any other Funded Debt, the ratio of Pro Forma Free Cash Flow to Maximum Pro Forma Annual Interest Charges is not less than 2.25 to 1.00;

(j) from and after the time that the Facilities Subsidiary becomes a Restricted Subsidiary, Indebtedness incurred by the Facilities Subsidiary pursuant to the Facilities Subsidiary's Revolving Credit Facility (and any extension, renewal, refunding or refinancing thereof, including any refunding or refinancing in an amount in excess of the principal amount then outstanding under the Facilities Subsidiary's Revolving Credit Facility) or any other Indebtedness incurred by the Facilities Subsidiary pursuant to a bank credit facility which is unsecured or is secured by Liens permitted by subsection 8.1(i), not in excess of an aggregate principal amount of \$20,000,000 at any time outstanding, provided that to the extent that the Facilities Subsidiary is a Restricted Subsidiary, the Facilities Subsidiary shall not suffer to exist any Indebtedness permitted by this

subsection (j) on any day unless there shall have been a period of at least 45 consecutive days within the 12 months immediately preceding such day during which the Facilities Subsidiary shall have been free from all Indebtedness permitted by this subsection (j);

(k) from and after the time that the Facilities Subsidiary or any Designated Immaterial Subsidiary becomes a Restricted Subsidiary, Indebtedness of the Facilities Subsidiary or any such Designated Immaterial Subsidiary outstanding at the time the Facilities Subsidiary or such Designated Immaterial Subsidiary becomes a Restricted Subsidiary, provided that (i) immediately after the Facilities Subsidiary or any such Designated Immaterial Subsidiary becomes a Restricted Subsidiary, the Company could incur at least \$1 of additional Funded Debt pursuant to subsection (i) above (the Facilities Subsidiary or any such Designated Immaterial Subsidiary shall be deemed to be a Restricted Subsidiary for the four consecutive fiscal quarters immediately prior to its becoming a Restricted Subsidiary for purposes of determining Pro Forma Free Cash Flow), and (ii) the aggregate amount (without duplication) of such Indebtedness and all other Indebtedness, in each case, secured by Liens permitted by subsection 8.1(g) does not violate subclause (iv) to the proviso to such subsection 8.1(g);

(l) Indebtedness of the Company representing the Swap Termination Value of Swap Contracts entered into in the ordinary course of business as bona fide hedging transactions;

(m) Indebtedness of Plum Creek Southern evidenced by the Plum Creek Southern Timber Assumption Agreement;

(n) Indebtedness of Plum Creek South Central evidenced by the Plum Creek South Central Assumption Agreement;

(o) Indebtedness of the Company evidenced by the Existing Credit Agreement and any loan document executed in connection therewith and any refinancing thereof so long as such refinancing does not increase the principal amount thereof and is on terms no less favorable to the Company, and to the rights of the Administrative Agent and the Lenders hereunder, than those contained on the Closing Date in the Existing Credit Agreement and the loan documents executed in connection therewith; and

(p) Indebtedness of any Restricted Subsidiary evidenced by an assumption or guarantee of Indebtedness of the Company or another Restricted Subsidiary that is otherwise permitted pursuant to this Section 8.5.

8.6 TRANSACTIONS WITH AFFILIATES

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, directly or indirectly engage in any transaction (including, without limitation, the purchase, sale or exchange of assets or the rendering of any service), with any Affiliate of the Company or of any such Restricted Subsidiary, except in the Ordinary Course of Business and pursuant to the reasonable requirements of the business of the Company or such Restricted Subsidiary and upon fair and reasonable terms that are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those which might be obtained in an arm's-length transaction at the time from Persons not an Affiliate of the Company or such Restricted Subsidiary.

8.7 USE OF PROCEEDS

(a) The Company shall not, and shall not suffer or permit any of its Subsidiaries to, use any portion of the proceeds of the Loans or other Credit Extension, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance indebtedness of the Company or others incurred to purchase or carry Margin Stock, (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock, or (iv) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act.

(b) The Company shall not, and shall not suffer or permit any of its Subsidiaries to, use any portion of the proceed of the Loans or other Credit Extension, directly or indirectly, (i) knowingly to purchase Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Securities, (ii) knowingly to purchase during the underwriting or placement period Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary, or (iii) to make payments of principal or interest on Ineligible Securities underwritten or privately placed by a Section 20 Subsidiary and issued by or for the benefit of the Company or any Affiliate of the Company. As used in this Section, "Section 20 Subsidiary" means the Subsidiary of the bank holding company controlling any Lender, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities; and "Ineligible Securities" means securities which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (as U.S.C. ss. 24, Seventh), as amended.

(c) After the date the Company has notified the Administrative Agent that the Company intends to allocate Loans to the Capital Expenditure Tranche and to qualify such Capital Expenditure Tranche Loans as Indebtedness permitted under subsection 8.5(b), the Company shall not, and shall not suffer or permit any of its Subsidiaries to, use the proceeds of Capital Expenditure Tranche Loans for

purposes other than to finance capital improvements, expansions and additions to the Company's property (including Timberlands), plant and equipment.

8.8 SALE OF STOCK AND INDEBTEDNESS OF SUBSIDIARIES

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, sell or otherwise dispose of, or part with control of, any shares of stock or Indebtedness of any Subsidiary, except to the Company or a Restricted Subsidiary, and except that all shares of stock and Indebtedness of any Subsidiary (other than the Facilities Subsidiary) at the time owned by or owed to the Company and its Restricted Subsidiaries may be sold as an entirety for a cash consideration which represents the fair value (as determined in good faith by a Responsible Officer) at the time of sale of the shares of stock and Indebtedness so sold, provided that the assets of such Subsidiary do not include any assets which could not be disposed of pursuant to the provisions of Section 8.2 unless the conditions to the sale of such assets set forth in Section 8.2 are complied with, and further provided that, at the time of such sale, such Subsidiary shall not own, directly or indirectly, any shares of stock or Indebtedness of any other Subsidiary (unless all of the shares of stock and Indebtedness of such other Subsidiary owned, directly or indirectly, by the Company and its Subsidiaries are simultaneously being sold as permitted by this Section 8.8).

8.9 CERTAIN CONTRACTS

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, enter into or be a party to:

(a) any contract providing for the making of loans, advances or capital contributions to any Person, or for the purchase of any Property from any Person, in each case in order primarily to enable such Person to maintain working capital, net worth or any other balance sheet condition or to pay debts, dividends or expenses; or

(b) any contract for the purchase of materials, supplies or other property or services if such contract (or any related document) requires that payment for such materials, supplies or other property or services shall be made regardless of whether or not delivery of such materials, supplies or other property or services is ever made or tendered, provided that nothing in this subsection (b) shall prevent the Company from (i) entering into take-or-pay contracts in the Ordinary Course of Business with the United States Forest Service, the Bureau of Land Management, the Bureau of Indian Affairs, the Washington Department of Natural Resources or similar state or federal governmental agencies, or (ii) making payments in satisfaction of contracts with such Persons which contracts are deemed by the Responsible Representatives to be disadvantageous to perform; or

(c) any contract to rent or lease (as lessee) any real or personal property if such contract (or any related document) provides that the obligation to make payments thereunder is absolute and unconditional under conditions not customarily found in commercial leases then in general use or requires that the lessee purchase or otherwise acquire securities or obligations of the lessor; or

(d) any contract for the sale or use of materials, supplies or other property, or the rendering of services, if such contract (or any related document) requires that payment for such materials, supplies or other property, or the use thereof, or payment for such services, shall be subordinated to any indebtedness (of the purchaser or user of such materials, supplies or other property or the Person entitled to the benefit of such services) owed or to be owed to any Person; or

(e) any other contract which in economic effect, is substantially equivalent to a guarantee,

except as permitted by the provisions of subsection 8.4(a), (e), (f), (g), (h), (i) or (j).

8.10 JOINT VENTURES

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, enter into any Joint Venture, other than in Permitted Businesses and in Permitted Ancillary Businesses and, in each case, so long as any such Joint Venture is not entered into for the purposes of evading any covenant or restriction in any Loan Documents.

8.11 COMPLIANCE WITH ERISA

The Company shall not, and shall not suffer or permit any of its Subsidiaries to, without the consent of the Required Lenders, (i) terminate any Plan subject to Title IV of ERISA so as to result in any material (in the opinion of the Required Lenders) liability to the Company or any ERISA Affiliate, (ii) permit to exist any ERISA Event with respect to any Plan other than a Multiemployer Plan, which presents the risk of a material (in the opinion of the Required Lenders) liability to the Company, (iii) make a complete or partial withdrawal (within the meaning of ERISA Section 4201) from any Multiemployer Plan so as to result in any material (in the opinion of the Required Lenders) liability to the Company or any ERISA Affiliate, (iv) enter into any new Plan or modify any existing Plan so as to increase its obligations thereunder which could result in any material (in the opinion of the Required Lenders) increase in its liability with respect to such Plan, or (v) permit the present value of all nonforfeitable accrued benefits under any Qualified Plan (determined using the actuarial assumptions utilized by the Plan's actuaries for funding the Plan pursuant to Section 412 of the Code) materially (in the opinion of the Required Lenders) to exceed the fair market value of Plan assets allocable to

such benefits, all determined as of the most recent valuation date for each such Plan.

8.12 SALE AND LEASEBACK

The Company shall not, and shall not suffer or permit any of its Restricted Subsidiaries to, enter into any arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by the Company or any Restricted Subsidiary of real or personal property which has been or is to be sold or transferred by the Company or any Restricted Subsidiary to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such property or rental obligations of the Company or any Restricted Subsidiary, provided that this Section 8.12 shall not apply to any property sold pursuant to subsection 8.2(h).

8.13 RESTRICTED PAYMENTS

The Company shall not, and shall not permit or suffer any Subsidiary to, directly or indirectly pay, declare, order, make or set apart any sum for any Restricted Payment, except that the Company may make, pay or set apart during each calendar quarter one or more Restricted Payments if:

(a) such Restricted Payments are in an aggregate amount not exceeding the amount by which Available Cash with respect to the immediately preceding calendar quarter exceeds any amount contributed to Available Cash with respect to such immediately preceding calendar quarter by any Subsidiary if and to the extent that the payment of such amount as a dividend or distribution to the Company has not been made and is not at the time permitted by the terms of such Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary, provided that in determining Available Cash with respect to such immediately preceding calendar quarter, the Company will include in the amount of reserves established during such quarter pursuant to clause (ii)(d) of the definition of Available Cash an amount not less than (i) 50% of the aggregate amount of all interest in respect of the Other Senior Notes to be paid on the interest payment date immediately following such immediately preceding calendar quarter, (ii) 100% of the aggregate amount of all interest in respect of the Loans to be paid on the respective Interest Payment Dates for such Loans, (iii) 25% of the aggregate amount of all principal in respect of the 1989 Notes and the Series D Notes scheduled to be paid (determined in accordance with the Principal Repayment Proviso) during the 12 calendar months immediately following such immediately preceding calendar quarter, (iv) for the final two full calendar quarters preceding the "Revolving Credit Termination Date", 25% of the average "Effective Amount" of the "Revolving Loans", "Swingline Loans" and "L/C Obligations" outstanding at any time during such quarter of computation (such terms in quotes in this clause (iv) shall have the

meanings given such terms in the Existing Credit Agreement), and (v) 100% of the aggregate amount of all interest in respect of the loans outstanding under the Existing Credit Agreement to be paid on the respective interest payment dates for such loans, and the Company will not reduce the amount of the reserves so included, in determining Available Cash for any calendar quarter subsequent to such immediately preceding calendar quarter pursuant to clause (i)(c) of the definition of Available Cash, unless and until (A) the amount of interest or principal in respect of which such amount has been reserved has in fact been paid and (B) in the case of clause (iv) of this subsection 8.13(a), the amount of the reserves so included exceeds fifty percent (50%) of the "Effective Amount" of the "Revolving Loans", "Swingline Loans" and "L/C Obligations" (such terms in quotes shall have the meanings given such terms in the Existing Credit Agreement) at the end of such quarter of computation; and

(b) immediately after giving effect to any such proposed action no condition or event shall exist which constitutes an Event of Default or Material Default.

The Company will not, in any event, directly or indirectly declare, order, pay or make any Restricted Payment except in cash.

8.14 CHANGE IN BUSINESS

The Company shall not, and shall not suffer or permit any Subsidiary to, engage in any business other than Permitted Businesses and Permitted Ancillary Businesses. In addition, the Company will not, and will not permit any Restricted Subsidiary to, (i) sell, transfer or otherwise dispose of any of its Timberlands or Timber (collectively, "Timber Properties") to Holding or any Subsidiary of Holding (whether or not at the time they are Restricted Subsidiaries, and herein collectively called the "Manufacturing Entities") unless such transaction is a transaction permitted under clause (f) or (h) of Section 8.2, or (ii) invest in or otherwise transfer to any of the Manufacturing Entities the proceeds ("Timber Proceeds") of the sale or disposition of any such Timber Properties (unless such proceeds are derived from a transaction permitted under clause (f) or (h) of Section 8.2). Any Timber Proceeds being used to "purchase productive assets in the same line of business" under the provisions of Section 8.2(i) shall not be used for any purpose except for the acquisition of Timber Properties to be owned directly by the Company or a Restricted Subsidiary which is not one of the Manufacturing Entities. Notwithstanding the foregoing, the Company and its Restricted Subsidiaries may sell Timber to the Manufacturing Entities in connection with, and in transactions which constitute part of, harvesting activities conducted in accordance with the requirements of Section 8.3. All acquisitions of Timber Properties by the Company and its Restricted Subsidiaries shall be made only by the Company directly or indirectly through Restricted Subsidiaries which are not Manufacturing Entities.

8.15 ISSUANCE OF STOCK BY SUBSIDIARIES

The Company shall not permit any Subsidiary to (either directly, or indirectly by the issuance of rights or options for, or securities convertible into, such shares) issue, sell or otherwise dispose of any shares of any class of its stock or partnership or other ownership interests (other than directors' qualifying shares) except to the Company or a Restricted Subsidiary, and except to the extent that holders of minority interests may be entitled to purchase stock by reason of preemptive rights.

8.16 AMENDMENTS

The Company shall not, and shall not suffer or permit any of its Subsidiaries to, amend, modify, supplement or waive any provision of any agreement evidencing Funded Debt in excess of \$35,000,000 which amendment, modification, supplement or waiver would reasonably be expected to impair the Administrative Agent's or the Lenders' rights hereunder or the ability of the Company to perform its obligations under any Loan Document.

8.17 AVAILABLE CASH

The Company shall not at any time permit Available Cash to be less than zero. For purposes of this Section 8.17, in determining Available Cash with respect to the immediately preceding calendar quarter, the Company will include in the amount of reserves established during such quarter pursuant to clause (ii)(d)(1) (with respect to principal on Indebtedness) and clause (ii)(d)(4) of the definition of "Available Cash" an amount not less than (a) 50% of the aggregate amount of all interest in respect of the Other Senior Notes to be paid on the interest payment date immediately following such immediately preceding calendar quarter, (b) 100% of the aggregate amount of all interest in respect of the Loans to be paid on the respective Interest Payment Dates for such Loans, (c) 25% of the aggregate amount of all principal in respect of the 1989 Notes and the Series D Notes scheduled to be paid (determined in accordance with the Principal Repayment Proviso) during the 12 calendar months immediately following such immediately preceding calendar quarter, (d) for the final two full calendar quarters preceding the "Revolving Credit Termination Date", 25% of the average "Effective Amount" of the "Revolving Loans", "Swingline Loans" and "L/C Obligations" outstanding at any time during such quarter of computation (such terms in quotes in this clause (d) shall have the meanings given such terms in the Existing Credit Agreement), and (e) 100% of the aggregate amount of all interest in respect of the loans outstanding under the Existing Credit Agreement to be paid on the respective interest payment dates for such loans, and the Company will not reduce the amount of the reserves so included in determining Available Cash for any calendar quarter subsequent to such immediately preceding calendar quarter pursuant to clause (i)(c) of the definition of Available Cash, unless and until (i) the amount of interest or principal in respect of

which such amount has been reserved has in fact been paid and (ii) in the case of clause (d) of this Section 8.17, the amount of the reserves so included exceeds fifty percent (50%) of the "Effective Amount" of the "Revolving Loans", "Swingline Loans" and "L/C Obligations" (such terms in quotes shall have the meanings given such terms in the Existing Credit Agreement) at the end of such quarter of computation.

8.18 INTEREST COVERAGE RATIO

The Company shall not permit its Interest Coverage Ratio as of the end of any fiscal quarter of the Company to be less than 2.75 to 1.00.

8.19 MAXIMUM LEVERAGE RATIO

The Company shall not permit the Maximum Leverage Ratio as of the end of any fiscal quarter of the Company to exceed sixty percent (60%).

"Maximum Leverage Ratio" means, at any date of determination, a quotient, expressed as a percentage, the numerator of which shall be the total Funded Debt of the Company and its Subsidiaries on a consolidated basis as of such date and the denominator of which shall be the net worth of the Company and its Subsidiaries on a consolidated basis plus the total Funded Debt of the Company and its Subsidiaries on a consolidated basis as of such date. The Maximum Leverage Ratio shall be computed without giving effect to any write-up or write-down of the Funded Debt, or corresponding adjustments to interest expense in connection with such write-up or write-down, required under GAAP by virtue of the Merger.

8.20 TAX MATTERS AGREEMENT

The Company shall not directly or indirectly assume the obligations of the REIT under the Tax Matters Agreement or agree to reimburse or indemnify the REIT for any of its obligations thereunder, excepting only an assumption of a specified amount of liability that is paid by the Company simultaneously with such assumption at a time when (1) no Default or Event of Default exists and (2) no Event of Default would exist under Section 8.17, 8.18, or 8.19 giving pro forma effect, as the last day of the most recent fiscal quarter for which financial statements have been delivered pursuant to Section 7.1, to the payment of the amount so assumed and to all Funded Debt incurred by the Company or any of its Subsidiaries since such date pursuant to subsection 8.5(i) that is not used for the concurrent retirement of other Funded Debt. For purposes of this determination of pro forma compliance with Section 8.18 (Interest Coverage Ratio), such Funded Debt incurred since the end of the period covered by those most recent financial statements shall be treated as though it had been outstanding for the four fiscal quarters then ending at the interest rate in effect at the date of determination and EBITDA shall be computed (pursuant to the procedures set forth in clause (e) of the

definition thereof) giving effect to any Timber acquired since the end of that period.

ARTICLE IX
EVENTS OF DEFAULT

9.1 EVENT OF DEFAULT

Any of the following shall constitute an "Event of Default":

(a) Non-Payment. The Company or any other Loan Party fails to pay, (i) when and as required to be paid herein, any amount of principal of any Loan or (ii) within 5 days after the same shall become due, any interest, fee or any other amount payable hereunder or pursuant to any other Loan Document; or

(b) Representation or Warranty. Any representation or warranty by the Company or any other Loan Party made or deemed made herein, in any Loan Document, or which is contained in any certificate, document or financial or other statement by the Company, any of the Responsible Representatives, any of the Responsible Officers, any other Loan Parties, or any of the Loan Parties' respective responsible officers and/or responsible representatives, furnished at any time under this Agreement, or in or under any Loan Document, shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) Specific Defaults. The Company fails to perform or observe any term, covenant or agreement contained in Section 7.3 or Section 7.9 or Article VIII; or

(d) Other Defaults. The Company or any other Loan Party fails to perform or observe any other term or covenant contained in the Loan Document to which such Loan Party is a party, and such default shall continue unremedied for a period of 20 days after the earlier of (i) the date upon which a Responsible Officer or Responsible Representative knew or should have known of such failure or (ii) the date upon which written notice thereof is given to the Company by the Administrative Agent or any Lender; or

(e) Cross-Default. (i) the Company or any of its Subsidiaries (A) fails to make any payment in respect of any Indebtedness (other than in respect of Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$5,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) beyond any period of grace provided with respect thereto; or (B) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such

Indebtedness, if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness to be declared to be due and payable prior to its stated maturity, or with respect to any contingent obligations, to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (1) any event of default under such Swap Contract as to which the Company or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (2) any Termination Event (as so defined) as to which the Company or any Subsidiary is an Affected Party (as so defined), and, in either event, the Swap Termination Value owed by the Company or such Subsidiary as a result thereof is greater than \$5,000,000, or

(f) Insolvency; Voluntary Proceedings. The Company, any of its Subsidiaries, or any Partner Entity (i) ceases or fails to be Solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; or

(g) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Company, any other Loan Party, the Facilities Subsidiary, any Restricted Subsidiary of the Company, or any Partner Entity, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Company's, any other Loan Party's, any of its Restricted Subsidiaries', any Partner Entities' or the Facilities Subsidiaries' Properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) the Company, any other Loan Party, any Partner Entity, the Facilities Subsidiary, or any of the Company's Restricted Subsidiaries admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the Company, any other Loan Party, any Partner Entity, any of the Company's Restricted Subsidiaries, or the Facilities Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its Property or business; or

(h) ERISA. (i) The Company or an ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under a Multiemployer Plan; (ii) any member of the Controlled Group shall fail to satisfy its contribution

requirements under Section 412(c)(11) of the Code, whether or not it has sought a waiver under Section 412(d) of the Code; (iii) in the case of an ERISA Event involving the withdrawal from a Plan of a "substantial employer" (as defined in Section 4001(a)(2) or Section 4062(e) of ERISA), the withdrawing employer's proportionate share of that Plan's Unfunded Pension Liabilities is more than \$10,000,000; (iv) in the case of an ERISA Event involving the complete or partial withdrawal from a Multiemployer Plan, the withdrawing employer has incurred a withdrawal liability in an aggregate amount exceeding \$10,000,000; (v) in the case of an ERISA Event not described in clause (iii) or (iv), the Unfunded Pension Liabilities of the relevant Plan or Plans exceed \$10,000,000; (vi) a Plan that is intended to be qualified under Section 401(a) of the Code shall lose its qualification, and the loss can reasonably be expected to impose on the Company or its ERISA Affiliates liability (for additional taxes, to Plan participants, or otherwise) in the aggregate amount of \$10,000,000 or more; (vii) the commencement or increase of contributions to, or the adoption of or the amendment of a Plan by, the Company or an ERISA Affiliate which commencement, increase or amendment shall result in a net increase in unfunded liabilities to the Company and the ERISA Affiliates in excess of \$10,000,000; (viii) the Company or an ERISA Affiliate engages in or otherwise becomes liable for a non-exempt prohibited transaction and the initial tax or additional tax under section 4975 of the Code relating thereto might reasonably be expected to exceed \$10,000,000; (ix) a violation of section 404 or 405 of ERISA or the exclusive benefit rule under section 401(a) of the Code if such violation might reasonably be expected to expose Company or its ERISA Affiliates to monetary liability in excess of \$10,000,000; (x) any member of the Controlled Group is assessed a tax under section 4980B of the Code in excess of \$10,000,000; or (xi) the occurrence of any combination of events listed in clauses (iii) through (x) that would reasonably be expected to result in a net increase to the Company and its ERISA Affiliates in aggregate Unfunded Pension Liabilities, unfunded liabilities, or any combination thereof, in excess of \$10,000,000; or

(i) Monetary Judgments. One or more non-interlocutory judgments, orders or decrees shall be entered against the Company or any of its Subsidiaries involving in the aggregate a liability (not fully covered by independent third-party insurance) as to any single or related series of transactions, incidents or conditions, of \$25,000,000 or more, and the same shall remain unsatisfied, unvacated to expose Company or its ERISA Affiliates to monetary liability in excess of \$10,000,000; or (xi) the occurrence of any combination of events listed in clauses (iii) through (x) that would reasonably be expected to result in a net increase to the Company and its ERISA Affiliates in aggregate Unfunded Pension Liabilities, unfunded liabilities, or any combination thereof, in excess of \$10,000,000; or

(j) Non-Monetary Judgments. Any non-monetary judgment, order or decree shall be rendered against the Company or any of its Subsidiaries which does or would reasonably be expected to have a Material Adverse Effect, and there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(k) Auditors. The Administrative Agent or any Lender shall receive notice from the Independent Auditor that the Administrative Agent and the Lenders should no longer use or rely upon any audit report or other financial data provided by the Independent Auditor; or

(l) Adverse Change. One of the following has occurred and the Administrative Agent, at the direction of the Required Lenders, shall so notify the Company: (i) a material adverse change in, or a material adverse effect upon, any of the operations, business, properties, or condition (financial or otherwise) of the Company or the Company and its Subsidiaries taken as a whole or as to any Restricted Subsidiary which materially impairs the ability of the Company to perform under any Loan Document and avoid any Event of Default, or (ii) a material adverse effect upon the legality, validity, binding effect or enforceability of any Loan Document; or

(m) Change of Control. One of the following has occurred (i) a Change of Control of the REIT; (ii) the REIT ceases for any reason to be the sole member of Plum Creek Timber I; (iii) the REIT ceases for any reason to own directly 99% of the limited partnership interests in the Company; or (iv) Plum Creek Timber I ceases for any reason to be the sole general partner of the Company; or

(n) Impairment of Certain Documents. Except as otherwise expressly permitted in any Loan Document, any of the Loan Documents shall terminate or cease in whole or in part to be the legally valid, binding, and enforceable obligation of the relevant Loan Party, or such Loan Party or any Person acting for or on behalf of any Loan Party, contests such validity, binding effect or enforceability, or purports to revoke any Loan Document.

9.2 REMEDIES

If any Event of Default occurs, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders do any one or more of the following:

(a) declare the Commitment of each Lender to make Loans to be terminated, whereupon such Commitments shall forthwith be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law or in equity;

provided, however, that upon the occurrence of any event specified in paragraph (f) or (g) of Section 9.1 (in the case of clause (i) of paragraph (g) upon the expiration of the 60-day period mentioned therein), the obligation of each Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid in subsections 9.2(a) and (b) shall automatically become due and payable, without further act of the Administrative Agent or any Lender.

9.3 RIGHTS NOT EXCLUSIVE

The rights, powers, privileges and remedies provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

ARTICLE X THE ADMINISTRATIVE AGENT

10.1 APPOINTMENT AND AUTHORIZATION

Each Lender hereby irrevocably (subject to Section 10.9) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto, including, without limitation, to enter into Cash Collateral Account Agreements from time to time in accordance with this Agreement, and to release funds to the Company in accordance with Section 1(b) of the Cash Collateral Account Agreement and, if applicable, pursuant to an Officer's Certificate substantially in the form attached thereto as Exhibit A. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "administrative agent" in this Agreement and the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead,

such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

10.2 DELEGATION OF DUTIES

The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

10.3 LIABILITY OF ADMINISTRATIVE AGENT

None of the Administrative Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any of the Lenders or participant for any recital, statement, representation or warranty made by the Company, any Loan Party or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company, any Loan Party or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Lender or any participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the Properties, books or records of the Company, any Loan Party or any of the Company's Subsidiaries or Affiliates.

10.4 RELIANCE BY ADMINISTRATIVE AGENT

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company or any other Loan Party), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document

unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders or all of the Lenders, if required hereunder, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders and participants. When this Agreement expressly permits or prohibits an action unless the Required Lenders otherwise determine, the Administrative Agent shall, and, in all other instances, the Administrative Agent may, but shall not be required to, initiate any solicitation for the consent or a vote of any of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 5.1, each Lender that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent or made available by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Lender, unless the Administrative Agent shall have received notice from the Lender prior to the initial Credit Extension specifying its objection thereto and either such objection shall not have been withdrawn by notice to the Administrative Agent to that effect or the Lender shall not have made available to the Administrative Agent the Lender's ratable portion of such Credit Extension.

10.5 NOTICE OF DEFAULT

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Article IX; provided, however, that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

10.6 CREDIT DECISION; DISCLOSURE OF INFORMATION BY ADMINISTRATIVE AGENT

Each Lender expressly acknowledges that none of the Administrative Agent-Related Persons has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Company, its Subsidiaries, any other Loan Party or any of their respective Affiliates, shall be deemed to constitute any representation or warranty by any Administrative Agent-Related Person to any Lender as to any matter including whether any Administrative Agent-Related Person has disclosed information in its possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company, its Subsidiaries and any other Loan Party, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Lender also represents that it will, independently and without reliance upon any Administrative Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company, any other Loan Party or any of their respective Affiliates which may come into the possession of any of the Administrative Agent-Related Persons.

10.7 INDEMNIFICATION OF ADMINISTRATIVE AGENT

Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand the Administrative Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, and hold harmless each Administrative Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that no Lender shall be liable for the payment to any Administrative Agent-Related Persons of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Administrative Agent-Related Person's own gross negligence or willful misconduct; provided, however, that no action taken in accordance with the directions of the Required

Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including reasonable Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Company. Without limiting the generality of the foregoing, if the Internal Revenue Service or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender hereunder (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, together with all costs and expenses and attorneys' fees (including reasonable Attorney Costs). The undertaking in this Section shall survive the termination of the Commitments of all the Lenders, the payment of all Obligations hereunder and the resignation of the Administrative Agent.

10.8 EACH AGENT IN INDIVIDUAL CAPACITY

Bank of America, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, Wachovia Bank, N.A., SunTrust Bank, Scotiabanc Inc., Northwest Farm Credit Services, PCA, and Banc of America Securities, and any of their respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though neither Bank of America, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, Wachovia Bank, N.A., SunTrust Bank, Scotiabanc Inc., Northwest Farm Credit Services, PCA, nor Banc of America Securities was the Administrative Agent, the Syndication Agent, the Documentation Agent and the Arranger, respectively, hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America, Banc of America Securities or their respective Affiliates may receive information regarding the Company, any other Loan Party or any of their respective Affiliates (including information that may be subject to confidentiality obligations in favor of the Company, such Subsidiary or such Affiliate) and acknowledge that the Administrative Agent shall be under no

obligation to provide such information to them. With respect to its Loans, Bank of America, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, Wachovia Bank, N.A., SunTrust Bank, Scotiabanc Inc., and Northwest Farm Credit Services, PCA shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent, the Syndication Agent, the Documentation Agent or the Arranger, as the case may be, and the terms "Lender" and "Lenders" shall include Bank of America, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, Wachovia Bank, N.A., SunTrust Bank, Scotiabanc Inc., and Northwest Farm Credit Services, PCA in their respective individual capacity.

10.9 SUCCESSOR ADMINISTRATIVE AGENT

The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders. If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Company, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative agent, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article X and Sections 11.4 and 11.5 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor administrative agent as provided for above.

10.10 SYNDICATION AGENTS, DOCUMENTATION AGENTS AND ARRANGER

None of the Lenders identified on the facing page or signature pages of this Agreement as a "syndication agent", "documentation agent" or "arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender

acknowledges that it has not relied, and will not rely, on any Lender or other Person so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

10.11 ADMINISTRATIVE AGENT MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Company and any other Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.11 and 11.4) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.11 and 11.4.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE XI
MISCELLANEOUS

11.1 AMENDMENTS AND WAIVERS

No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company or any other Loan Party therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders, the Company and acknowledged by the Administrative Agent, and then such waiver shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Lenders, the Company and acknowledged by the Administrative Agent, do any of the following:

(a) increase or extend the Commitment of any Lender (or reinstate any such Commitment terminated pursuant to subsection 9.2(a)), including, without limitation, any amendment to or waiver of any provision providing for a mandatory commitment reduction, or subject any Lender to any additional obligations;

(b) postpone or delay any date fixed for any payment or mandatory prepayments of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on any Loan, or (subject to clause (iii) below) the amount of any fees or other amounts payable hereunder or under any other Loan Document, or amend the definition of Pricing Leverage Ratio or any defined term used therein to the extent such amendment would have the effect of reducing the Applicable Margin; provided, however, that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Company to pay interest at the Default Rate;

(d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which shall be required for the Lenders or any of them to take any action hereunder;

(e) amend the definition of "Required Lenders";

(f) amend this Section 11.1, Section 2.15 or Section 11.7, or any provision providing for consent or other action by all Lenders; or

(g) amend Section 11.5 if such amendment will impair or otherwise limit any Lender's rights under such Section 11.5;

and, provided further that (i) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Required Lenders or all the Lenders, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document, and (ii) the Bank of America Fee Letter may be amended, or rights and privileges thereunder waived, in a writing executed by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

11.2 NOTICES

(a) General. All notices, requests and other communications provided for hereunder shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission, provided that any matter transmitted by the Company by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 11.2, and (ii) shall be followed promptly by a hard copy original thereof) and mailed, faxed or delivered to the applicable address, facsimile number or (subject to subsection (c) below) electronic mail address specified for notices on Schedule 11.2; or, as directed to the Company or the Administrative Agent, to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a written notice to the other parties, and as directed to each other party, at such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a written notice to the Company and the Administrative Agent.

All such notices, requests and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, three Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of subsection (c) below), when delivered; provided, however, notwithstanding the foregoing, notices to the Company or the Administrative Agent shall not be effective until actually received by the Company or the Administrative Agent, respectively. In no event shall a voicemail message be effective as a notice, communication or confirmation hereunder.

(b) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on all Loan Parties, the Administrative Agent and the Lenders. The Administrative Agent may also require

that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) Limited Use of Electronic Mail. Electronic mail and Internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information as provided in Section 7.2(e), and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose.

(d) Reliance by Administrative Agent and Lenders. The Company acknowledges and agrees that any agreement of the Administrative Agent and the Lenders in Article II herein to receive certain notices by telephone and facsimile is solely for the convenience and at the request of the Company. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Notice of Borrowing or Notice of Conversion/Continuation) purportedly given by or on behalf of the Company even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Administrative Agent and the Lenders shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Company to give such notice and the Administrative Agent and the Lenders shall not have any liability to the Company or other Person on account of any action taken or not taken by the Administrative Agent or the Lenders in reliance upon such telephonic or facsimile notice. The obligation of the Company to repay the Loans shall not be affected in any way or to any extent by any failure by the Administrative Agent and the Lenders to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent and the Lenders of a confirmation which is at variance with the terms understood by the Administrative Agent and the Lenders to be contained in the telephonic or facsimile notice. The Company shall indemnify each Administrative Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Company. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

11.3 NO WAIVER; CUMULATIVE REMEDIES

No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

11.4 COSTS AND EXPENSES

The Company shall, whether or not the transactions contemplated hereby shall be consummated:

(a) pay or reimburse Bank of America (including in its capacity as Administrative Agent) within five Business Days after demand (subject to subsection 5.1(b)) for all reasonable costs and expenses incurred by Bank of America (including in its capacity as Administrative Agent) in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other documents prepared in connection herewith or therewith, the initial assignments by Bank of America of its Loans and Commitments hereunder, and the consummation and administration of the transactions contemplated hereby and thereby, including expenses of outside experts, printing costs, and the reasonable Attorney Costs incurred by Bank of America (including in its capacity as Administrative Agent) with respect thereto; provided, however, that this subsection (a) shall not apply to any such costs and expenses incurred by Bank of America after any date that Bank of America is no longer the Administrative Agent hereunder and after any such date any references in this subsection (a) to Bank of America shall be deemed a reference to the successor Administrative Agent; and

(b) pay or reimburse each Lender, the Administrative Agent, and the Arranger within five Business Days after demand (subject to subsection 5.1(b)) for all costs and expenses incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies (including in connection with any "workout" or restructuring regarding the Loans and other Obligations, and including in any Insolvency Proceeding or appellate proceeding) under this Agreement, any other Loan Document, and any such other documents, including Attorney Costs and appraisal (including the allocated cost of internal appraisal services), audit, environmental inspection and review (including the allocated cost of such internal services), and search, filing and recording charges, costs, fees and expenses, incurred by the Administrative Agent, the Arranger and any Lender.

(c) The agreements in this Section 11.4 shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Revolving Credit Commitments, and the repayment, satisfaction or discharge of all the other Obligations.

11.5 INDEMNITY

Whether or not the transactions contemplated hereby shall be consummated, the Company shall pay, indemnify, and hold harmless each Administrative Agent-

Related Person, each Lender, the Administrative Agent, and each of their respective Affiliates, officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") from and against any and all liabilities, obligations, losses, damages, penalties, actions, claims, demands, judgments, suits, costs, charges, expenses and disbursements (including reasonable Attorney Costs) of any kind or nature which may at any time be imposed on, incurred by or asserted against any Indemnified Person in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment, Loan or the use or proposed use of the proceeds therefrom, (c) or any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Company, any Subsidiary of the Company or any other Loan Party, or any Environmental Liability related in any way to the Company, any Subsidiary of the Company, or any other Loan Party, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided that the Company shall have no obligation under this Section 11.5 to an Indemnified Person to the extent that any of such liabilities, obligations, losses, damages, penalties, actions, claims, demands, judgments, suits, costs, charges, expenses and disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from (i) the gross negligence or willful misconduct of such Indemnified Person or (ii) the breach by a Lender of its commitment to make loans hereunder pursuant to the terms of this Agreement. No Indemnified Party shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnified Party have any liability for any indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date). All amounts due under this Section 11.5 shall be payable within thirty days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Commitments, and the repayment, satisfaction or discharge of all the other Obligations.

11.6 MARSHALLING; PAYMENTS SET ASIDE

Neither the Administrative Agent nor the Lenders shall be under any obligation to marshal any assets in favor of the Company or any other Person or against or in payment of any or all of the Obligations. To the extent that any

payment or payments by or on behalf of the Company to the Administrative Agent or any of the Lenders, or the Administrative Agent or the Lenders enforce their Liens or exercise their rights of set-off, and such payment or payments or the proceeds of such enforcement or set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party in connection with any Insolvency Proceeding, or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its ratable share of the total amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

11.7 SUCCESSORS AND ASSIGNS

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Company may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Company without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Indemnified Person) any legal or equitable right, remedy or claim under or by reason of this Agreement.

11.8 ASSIGNMENTS, PARTICIPATIONS, ETC.

(a) Any Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that: (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption Agreement with respect to such assignment is delivered to the Administrative Agent, shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Company otherwise consents (each such consent not to be unreasonably withheld or delayed); (ii) each partial assignment shall be made as an assignment of a proportionate part

of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned; (iii) any assignment of a Commitment must be approved by the Administrative Agent unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption Agreement, together with a processing and recordation fee of \$3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (b) of this Section, from and after the effective date specified in each Assignment and Assumption Agreement, the Eligible Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 4.1, 4.3, 4.4, 11.4 and 11.5). Upon request, the Company (at its expense) shall execute and deliver new or replacement Notes evidencing Loans hereunder, if any, to the assigning Lender and the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (c) of this Section 11.8.

(b) The Administrative Agent, acting solely for this purpose as an agent of the Company, shall maintain at the Administrative Agent's office a copy of each Assignment and Assumption Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Company, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(c) Any Lender may, without the consent of, or notice to, the Company or the Administrative Agent, sell participations to one or more Lenders or other entities (a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely

responsible to the other parties hereto for the performance of such obligations and (iii) the Company, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification that would (i) postpone any date upon which any payment of money is scheduled to be paid to such Participant, or (ii) reduce the principal, interest, fees or other amounts payable to such Participant. Subject to subsection 11.8(d), the Company agrees that each Participant shall be entitled to the benefits of Sections 4.1, 4.3, 4.4 and 11.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (a) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.10 as though it were a Lender, provided such Participant agrees to be subject to Section 2.15 as though it were a Lender.

(d) A Participant shall not be entitled to receive any greater payment under Section 4.1, 4.3 or 4.4 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 4.1 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Company, to comply with Section 4.1(g) as though it were a Lender.

(e) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Revolving Credit Promissory Note evidencing the Loans, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or Farm Credit Bank; provided that no such pledge or assignment shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto. The Administrative Agent shall have no obligation nor shall it be required to acknowledge or execute any document evidencing any pledge or assignment by a Lender pursuant to this Section 11.8(e).

(f) If the consent of the Company to an assignment or to an Eligible Assignee is required hereunder (including a consent to an assignment which does not meet the minimum assignment threshold specified in clause (i) of the proviso to the first sentence of Section 11.8), the Company shall be deemed to have given its consent five Business Days after the date notice thereof has been delivered by the

assigning Lender (through the Administrative Agent) unless such consent is expressly refused by the Company prior to such fifth Business Day.

(g) As used herein, the following terms have the following meanings:

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural Person) approved by (i) the Administrative Agent and (ii) unless an Event of Default has occurred and is continuing, the Company (each such approval referred to in clauses (i) and (ii) not to be unreasonably withheld or delayed).

"Fund" means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

11.9 CONFIDENTIALITY

Each Lender agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" by the Company and provided to it by the Company or any Subsidiary of the Company, or by the Administrative Agent on such Company's or Subsidiary's behalf, in connection with this Agreement or any Loan Document, and neither it nor (if such Lender exercises its rights to disclose such information pursuant to clause (I) below) any of its Affiliates shall use any such information for any purpose or in any manner other than pursuant to the terms contemplated by this Agreement; provided, however, that any Lender may disclose such information (A) to the extent that such information was or becomes generally available to the public other than as a result of a disclosure by the Lender; (B) to the extent such information was or becomes available to such Lender to whom it was furnished on a non-confidential basis; (C) at the request or pursuant to any requirement of any Governmental Authority to which the Lender is subject or in connection with an examination of such Lender by any such authority; (D) pursuant to subpoena or other court or legal process; (E) when required to do so in accordance with the provisions of any applicable Requirement of Law; (F) to the extent reasonably required in connection with any litigation or proceeding to which the Administrative Agent, any Lender or their respective Affiliates may be party; (G) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (H) to such Lender's independent auditors and other

professional advisors; (I) to such Lender's Affiliates and to its and its Affiliates' directors, officers, employees and agents; (J) to any other party to this Agreement; (K) subject to an agreement containing provisions substantially the same as those of this Section, to any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Company or any other the Loan Party; or (L) to any Person with the consent of the Company. Notwithstanding the foregoing, the Company authorizes each Lender to disclose to any Participant or assignee Lender (each, a "Transferee") and to any prospective Transferee, such financial and other information in such Lender's possession concerning the Company or its Subsidiaries which has been delivered to the Administrative Agent or the Lenders pursuant to this Agreement or which has been delivered to the Administrative Agent or the Lenders by the Company in connection with the Lenders' credit evaluation of the Company prior to entering into this Agreement; provided that, unless otherwise agreed by the Company, such Transferee agrees in writing to such Lender to keep such information confidential to the same extent required of the Lenders hereunder. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement, the other Loan Documents, the Commitments, and the Credit Extensions.

11.10 SET-OFF

In addition to any rights and remedies of the Lenders provided by law, if an Event of Default exists, each Lender is authorized at any time and from time to time, without prior notice to the Company, any such notice being waived by the Company to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing to, such Lender and any of its Affiliates to or for the credit or the account of the Company against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Company and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 11.10 are subject to Section 2.15 and are in addition to the other rights and remedies (including other rights of set-off) which the Lender may have.

11.11 AUTOMATIC DEBITS OF FEES

With respect to any commitment fee, Facility Fee or other fee, or any other cost or expense (including Attorney Costs) due and payable to the Administrative Agent or Bank of America under the Loan Documents, the Company hereby irrevocably authorizes Bank of America to debit any deposit account of the Company with Bank of America in an amount such that the aggregate amount debited from all such deposit accounts does not exceed such fee or other cost or expense. If there are insufficient funds in such deposit accounts to cover the amount of the fee or other cost or expense then due, such debits will be reversed (in whole or in part, in Bank of America's sole discretion) and such amount not debited shall be deemed to be unpaid. No such debit under this Section 11.11 shall be deemed a setoff.

11.12 NOTIFICATION OF ADDRESSES, LENDING OFFICES, ETC.

Each Lender shall notify the Administrative Agent in writing of any changes in the address to which notices to the Lender should be directed, of addresses of its Eurodollar Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Administrative Agent shall reasonably request.

11.13 COUNTERPARTS

This Agreement may be executed by one or more of the parties to this Agreement in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Company and the Administrative Agent.

11.14 SEVERABILITY

The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

11.15 NO THIRD PARTIES BENEFITED

This Agreement is made and entered into for the sole protection and legal benefit of the Company, the Lender, the Syndication Agents, the Documentation Agents, the Arranger, and the Administrative Agent, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents. Neither the Administrative Agent,

the Syndication Agents, the Documentation Agents, the Arranger nor any Lender shall have any obligation to any Person not a party to this Agreement or other Loan Documents.

11.16 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All representations and warranties made by the Company in this Agreement and by each Loan Party in each other Loan Document shall survive the execution and delivery of this Agreement and such other Loan Documents. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

11.17 INTEREST RATE LIMITATION. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable law, statute, treaty, rule or regulation (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Company. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable law (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

11.18 GOVERNING LAW AND JURISDICTION

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDINGS WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND THE LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE

COMPANY, THE ADMINISTRATIVE AGENT AND THE LENDERS EACH IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY LOAN DOCUMENT RELATED HERETO OR THERETO. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO COMMENCE PROCEEDINGS OR BRING ANY ACTION OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY COURT OF ANY OTHER JURISDICTION.

11.19 SERVICE OF PROCESS

The Company agrees that service of all process in any action or proceeding referred to in Section 11.18 may be made by the mailing by registered or certified mail, postage prepaid, to the Company at its address provided in accordance with Section 11.2. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve process in any other manner permitted by law.

11.20 WAIVER OF JURY TRIAL

THE COMPANY, THE LENDERS AND THE ADMINISTRATIVE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF action BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY ADMINISTRATIVE AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE COMPANY, THE LENDERS AND THE ADMINISTRATIVE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, ANY OTHER LOAN DOCUMENT, OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

11.21 ENTIRE AGREEMENT

This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the Company, the Lenders, the Syndication Agents, the Documentation Agents, the Arranger and the Administrative Agent, and supersedes all prior or contemporaneous Agreements and understandings of such Persons, verbal or written, relating to the subject matter

hereof and thereof, except that (a) the Bank of America Fee Letter referenced in this Agreement and (b) any prior arrangements made with respect to the payment by the Company of (or any indemnification for) any fees, costs or expenses payable to or incurred (or to be incurred) by or on behalf of the Administrative Agent or the Lenders, shall, in each case, survive the execution and delivery of this Agreement.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

PLUM CREEK TIMBERLANDS, L.P.

By: Plum Creek Timber I, L.L.C.,
its General Partner

By: Plum Creek Timber Company, Inc.,
its Managing Member

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: BANK OF AMERICA, N.A., as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: THE BANK OF TOKYO-MITSUBISHI, LTD.,
PORTLAND BRANCH, as a Syndication Agent
and as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: WACHOVIA BANK, N.A., as a Syndication
Agent and as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: NORTHWEST FARM CREDIT SERVICES, PCA,
as a Documentation Agent and as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: SCOTIABANC INC., as a Documentation Agent
and as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: SUNTRUST BANK, as a Documentation Agent
and as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER:

AGSTAR FINANCIAL SERVICES PCA
D/B/A FCS COMMERCIAL FINANCIAL GROUP,
as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER:

COOPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK, B.A. "RABOBANK
INTERNATIONAL", NEW YORK
branch, as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: FARM CREDIT SERVICES OF MID-AMERICA, PCA,
as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: GREENSTONE FARM CREDIT SERVICES, ACA,
as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER:

KBC BANK, N.V., as a Lender

By: _____
Name: _____
Title:

By: _____
Name: _____
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: THE BANK OF NEW YORK, as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: WASHINGTON MUTUAL BANK, as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

LENDER: WELLS FARGO BANK, N.A., as a Lender

By: _____
Name:
Title:

[Signature page to Credit Agreement for Plum Creek Timberlands, L.P.]

SCHEDULE 1.1

CORPORATE INVESTMENT POLICY

SCHEDULE 1.1

Corporate Investment Policy

PLUM CREEK TIMBER COMPANY, L.P.
Corporate Investment Policy

DATED APRIL 5, 1993

I. OBJECTIVE

This policy provides guidelines for the management of the Company's cash. It is essential that these assets be invested in a high quality portfolio which:

- preserves principal
- meets liquidity needs
- allows for appropriate diversification of investments
- delivers good yield in relationship to the guidelines and market conditions

The Company is adverse to incurring market risk or credit risk, and will generally sacrifice yield in the interest of safety. Care must always be taken to insure that the Company's reported financial statements are never materially affected by decreases in the market value of securities held.

II. MATURITY OR PUT

Within the constraints provided throughout this document, or by addendum to this document, the maximum maturity or put or any investment instrument will be within two years from the purchase settlement date; however, the total portfolio must have an average maturity of less than 12 months.

III. PERMISSIBLE INVESTMENTS

- A. Investments will be made in U.S. Dollars only.
- B. The Company may own, purchase or acquire marketable direct obligations in the following:
 1. Obligations (fixed and floating rate) issued by, or unconditionally guaranteed by the U.S. Treasury, or any agency thereof, or issued by any political subdivision of any state or public agency thereof.
 2. Commercial paper rated as A-1 or better by Standard & Poor's, and P-1 or better by Moody's (or equivalent).

3. Floating rate and fixed rate obligations of corporations, banks and agencies including: medium term notes and bonds, deposit notes, and euro dollar/yankee notes and bonds.
 4. Certificates of deposit, bankers acceptances and time deposits of commercial banks, domestic or foreign, whose short term credit ratings are A-1/P-1 (or equivalent).
 5. Repurchase agreements collateralized by U.S. Treasury Contracts, or similar obligations.
 6. Insurance company Funding Agreements, Investment Contracts, or similar obligations.
 7. Asset backed and mortgage backed securities.
 8. Master Notes.
 9. Taxable money market preferreds.
 10. Tax exempt securities including municipal bonds/notes, money market preferreds, and variable rate demand notes.
- C. Issuing institutions shall be Corporations, Trusts, Partnerships, and Banks domiciled in the U.S., Canada, Japan and Western Europe, or Insurance Companies domiciled in the U.S.

IV. CREDIT REQUIREMENTS

Safety shall always be a primary consideration in structuring the Company's investment portfolio. Credit ratings should be tied to duration as prescribed below in order to combine safety, liquidity and acceptable market performance.

DURATION	MINIMUM CREDIT RATING	
	SP	Moody's
	---	-----
6 months or less	A-	A3
6 - 18 months	AA	Aa2
18 months or more	AAA	Aaa

Original issue securities allowable under this policy with less than twelve months to maturity may substitute the issuers short term credit rating if that rating is A-1/P-1 or better.

V. DIVERSIFICATION

To diversify risk, no more than \$2 million OR 10% of the portfolio can be invested with any one issuer. Exceptions are issues of the U.S. Treasury or agency securities, insured or government collateralized issues and daily money market funds.

SCHEDULE 2.1

COMMITMENTS

LENDERS	REVOLVING CREDIT COMMITMENT	REVOLVING CREDIT COMMITMENT PERCENTAGE
BANK OF AMERICA, N.A	\$ 10,000,000	6.666666667%
AGSTAR FINANCIAL SERVICES, PCA D/B/A FCS COMMERCIAL FINANCE GROUP	\$ 5,000,000	3.333333333%
COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK, B.A. "RABOBANK INTERNATIONAL", NEW YORK BRANCH	\$ 30,000,000	20.000000000%
FARM CREDIT SERVICES OF MID-AMERICA, PCA	\$ 10,000,000	6.666666667%
GREENSTONE FARM CREDIT SERVICES, ACA	\$ 10,000,000	6.666666667%
KBC BANK, N.V	\$ 5,000,000	3.333333333%
NORTHWEST FARM CREDIT SERVICES, PCA	\$ 15,000,000	10.000000000%
SCOTIABANC INC	\$ 10,000,000	6.666666667%
SUNTRUST BANK	\$ 10,000,000	6.666666667%
THE BANK OF TOYKO - MITSUBISHI, LTD., PORTLAND BRANCH	\$ 10,000,000	6.666666667%
THE BANK OF NEW YORK	\$ 5,000,000	3.333333333%
U.S. BANK NATIONAL ASSOCIATION	\$ 5,000,000	3.333333333%
WACHOVIA BANK, N.A	\$ 10,000,000	6.666666667%
WASHINGTON MUTUAL BANK	\$ 10,000,000	6.666666667%
WELLS FARGO BANK, N.A	\$ 5,000,000	3.333333333%
	-----	-----
TOTAL REVOLVING CREDIT COMMITMENTS:	\$150,000,000 =====	
TOTAL REVOLVING CREDIT COMMITMENT PERCENTAGE:		100% ===

SCHEDULE 6.7

Plans

QUALIFIED PLANS

PLUM CREEK PENSION PLAN

PLUM CREEK THRIFT AND PROFIT SHARING PLAN

PLUM CREEK WELFARE PLAN

- Includes the following Component Documents:

Plum Creek Health Care Program
Plum Creek FlexPlan
Plum Creek HealthFund
Plum Creek Dependent Care Reimbursement Plan
Plum Creek Retiree Medical Expense Plan
Plum Creek Severance Plan
ReliaStar Contract #GL-21096 (Life Insurance)
ReliaStar Contract #GL-21097-8 (Long Term Disability)
Administrative Services Contract between Premera Blue Cross and Plum Creek
Timberlands, L.P.
Life Insurance Company of North America #ABL656296 (Travel Accident)
Vydas Resources Inc. (employee assistance)

NON-QUALIFIED BENEFIT PLANS

PLUM CREEK SUPPLEMENTAL BENEFITS PLAN - PENSION (FOR EXECUTIVES)

PLUM CREEK TIMBER COMPANY, L.P. KEY EMPLOYEE SUPPLEMENTAL PENSION PLAN

NON-QUALIFIED COMPENSATION PLANS

PLUM CREEK TIMBER COMPANY, INC. 2000 STOCK INCENTIVE PLAN

PLUM CREEK MANAGEMENT COMPANY, L.P. EXECUTIVE AND KEY EMPLOYEE SALARY AND
INCENTIVE COMPENSATION DEFERRAL PLAN

PC ADVISORY CORP I DEFERRED COMPENSATION PLAN FOR DIRECTORS

PLUM CREEK DIRECTOR STOCK OWNERSHIP AND DEFERRAL PLAN

SCHEDULE 6.7 (CONTINUED)

Plans

NON-QUALIFIED COMPENSATION PLANS (CONTINUED)

PLUM CREEK DIRECTOR UNIT OWNERSHIP AND DEFERRAL PLAN

PLUM CREEK MANAGEMENT COMPANY, L.P. KEY EMPLOYEE LONG-TERM INCENTIVE PLAN
(Performance Period reached - payout status)

PLUM CREEK MANAGEMENT COMPANY, L.P. LONG-TERM INCENTIVE PLAN (Performance Period
reached- payout status)

SCHEDULE 6.12

Environmental Matters

1. As part of its environmental compliance program, in the summer of 2000 the Company undertook a historical review of capital improvement projects in its manufacturing facilities to evaluate compliance with New Source Review ("NSR") and Prevention of Significant Deterioration ("PSD") rules under the Clean Air Act. Upon discovering possible violations related to four projects that occurred at the Company's MDF facility and at its Evergreen Sawmill between 1988 and 1992, the Company voluntarily disclosed this information to the State of Montana Department of Environmental Quality ("DEQ") under the Montana Voluntary Disclosure Act ("Act"). The Act provides for a reduction of penalty fines for self-disclosure of violations. The Company is presently in discussions with the DEQ regarding the applicability of the Act to the potential violations. The Company believes that it has fully met the requirements of the Act and therefore qualifies for a reduction or elimination of penalty fines. In addition, the Company's subsequent actions have addressed the potential violations by securing permits or installing pollution control devices for more recent projects. The Company believes that there is a low likelihood that DEQ will levy fines or require additional pollution control equipment for the projects. However, the Company cannot with certainty predict the outcome of the enforcement case.
2. In the course of routine testing at the Company's Evergreen manufacturing facility in Montana, Company engineers discovered that certain "bags" designed to regulate particulate emissions from the facility had developed holes, resulting in elevated emission levels. The Company immediately replaced the malfunctioning bags and notified the DEQ. Notwithstanding the Company's corrective actions, the DEQ by letters dated May 13, and June 24, 2002, indicated that it would refer the matter to the agency's enforcement division since facility emissions exceeded permit limits. DEQ is now seeking a fine of \$36,800, which the Company is attempting to reduce through negotiations with the agency.
3. On July 11, 2002, an employee of one of the Company's independent contractors suffered a fatal accident at the Company's MDF facility in Montana. Following the accident, representatives of the Occupational Safety and Health Administration ("OSHA") conducted an investigation of the facility. Informal communications with OSHA following the investigation has led the Company to believe that OSHA will seek a fine of approximately \$300,000. A formal meeting between the Company and OSHA representatives is scheduled for December 3, 2002, at which OSHA will formally notify the Company of its intent to issue any specific citation or fine. The Company currently anticipates that it will vigorously contest any such citation or fine.

SCHEDULE 6.12 (CONTINUED)

Environmental Matters

4. The Company and its Subsidiaries maintain several underground storage tanks. Each storage tank is properly permitted and, to the Knowledge of the Company, none is currently leaking or disposing of Hazardous Materials off-site.

SCHEDULE 6.18

Subsidiaries

- (a) Plum Creek Timber II, L.L.C.
Plum Creek Maine Timberlands, L.L.C.
Plum Creek Southern Timber, L.L.C.
Plum Creek South Central Timberlands, L.L.C.
Plum Creek Manufacturing, L.P.
Plum Creek Manufacturing Holding Company, Inc.
Plum Creek Northwest Lumber, Inc.
Plum Creek Northwest Plywood, Inc.
Plum Creek MDF, Inc.
Plum Creek Southern Lumber, Inc.
Plum Creek Marketing, Inc.
PC Timberland Investment Company
Plum Creek Investment Company
Plum Creek Land Company
Plum Creek Maine Marketing, Inc.
Highland Resources Inc.
- (b) The Company owns 566 shares of common stock and 2,130 shares of preferred stock in IFA Nurseries, Inc. ("IFA"), a co-operative of forest nurseries. The Company received these shares of capital stock in IFA upon conversion of outstanding loans made by the Company to IFA to provide financial support. At the time of conversion, the aggregate outstanding principal amount of the loans was \$129,938.

SCHEDULE 6.22

Changes, Etc.

1. Purchase and Sale Agreement dated as of September 17, 2002 governing the terms of acquisition by the Company of approximately 309,000 acres of Timberlands from Stora Enso North America Corp. for the purchase price of \$142,000,000.
2. 5.31% Series A Senior Notes in the aggregate principal amount of \$25,000,000 due September 17, 2007 issued by the Company pursuant to the terms of a Private Shelf Agreement dated as of September 17, 1999, as amended.

SCHEDULE 8.1

Permitted Liens

Mortgage, Security Agreement and Fixture Filings dated July 1, 1999 recorded in the counties of Flathead, Lake and Lincoln in the state of Montana pursuant to the Mortgage Note Agreement.

SCHEDULE 8.4

Permitted Investments

1. Plum Creek Timber II, L.L.C. (sole member)
2. Plum Creek Maine Timberlands, L.L.C. (sole member)
3. Plum Creek Southern Timber, L.L.C. (sole member)
4. Plum Creek South Central Timberlands, L.L.C. (sole member)
5. Plum Creek Manufacturing, L.P. (100% interest, 98% direct and 2% indirect)
6. The Company owns 566 shares of common stock and 2,130 shares of preferred stock in IFA Nurseries, Inc. ("IFA"), a co-operative of forest nurseries. The Company received these shares of capital stock in IFA upon conversion of outstanding loans made by the Company to IFA to provide financial support. At the time of conversion, the aggregate outstanding principal amount of the loans was \$129,938.
7. The Company made a loan to Progressive Forestry Systems ("Progressive") in consideration of the purchase price for certain equipment sold by the Company to Progressive. The loan is evidenced by a promissory note in the principal amount of \$300,000. The current outstanding principal balance on the loan is \$224,095. The loan is scheduled to be paid in full on April 1, 2003.

SCHEDULE 11.2

ADDRESSES FOR NOTICES,
DOMESTIC AND EURODOLLAR LENDING OFFICES

PLUM CREEK TIMBERLANDS, L.P.

Address for Notices: 999 Third Avenue, Suite 2300
Seattle, WA 98104
Attn: Chief Financial Officer
Facsimile: (206) 467-3797
Tel: (206) 467-3600
www.plumcreek.com

BANK OF AMERICA, N.A.,
AS ADMINISTRATIVE AGENT

Address for Funding Notices: 1850 Gateway Blvd.
Concord, CA 94520
Agency Administrative Services #5596

Attn: Mark Garcia
Fax: (888) 969-2297
Tel: (925) 675-8416

Address for All Other Notices: 1455 Market Street
5th Floor
Agency Management
Mail Code: CA5-701-05-19
San Francisco, CA 94103

Attn: Joan Mok
Fax: (415) 503-5085
Tel: (415) 436-3496

Address for Payments: Bank of America, N.A.
1850 Gateway Boulevard
Concord, CA 94520

ABA #: 111000012
Acct #: 3750836479
Attn: Agency Administrative Services
#5596
Ref: Plum Creek Timberlands

BANK OF AMERICA, N.A.,
as a Lender,

Address for Notices 555 California Street, 12th Floor
(Bank of America as a Lender) Paper and Forest Products
Portfolio Management
San Francisco, CA 94104-1503

Attn: Michael Balok
Fax: (415) 622-4585
Tel: (415) 622-2018

Address for Payments: Bank of America, N.A.
1850 Gateway Boulevard
Concord, CA 94520

ABA #: 111000012
Acct #: 3750836479
Attn: Agency Administrative Services
#5596
Ref: Plum Creek Timberlands

Domestic and Eurodollar
Lending Office:

Same as notice address above.

AGSTAR FINANCIAL SERVICES, PCA D/B/A
FCS COMMERCIAL FINANCE GROUP,
as a Lender

Addresses for Notices:

Funding Notices: Interchange Tower
Suite 850
600 S. Highway 169
Minneapolis, MN 55426

Attn: Jamey Grafing
Fax: (952) 513-9956
Tel: (952) 513-0326, ext. 23

All Other Notices: 1921 Premier Drive
P.O. Box 4249
Mankato, MN 56002-4249

Attn: Karen Doyen
Fax: (507) 344-5081
Tel: (507) 345-5626

Address for Payments:

Agribank
St. Paul, MN

ABA: 096 0169 72
Ref: Plum Creek/Timberlands, L.P.
Same as Funding Notices address above.

Domestic and Eurodollar
Lending Office:

COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK, B.A. "RABOBANK
INTERNATIONAL", NEW YORK BRANCH, as a Lender

Addresses for Notices:

Funding Notices: Rabo Support Services, Inc.
10 Exchange Place, 16th Floor
Jersey City, NJ 07302

Attn: Ann McDonough
Fax: (201) 499-5318
Tel: (201) 499-5326

All Other Notices: Rabobank International
4 Embarcadero Center, Suite 3200
San Francisco, CA 94111

Attn: John McHugh
Fax: (415) 782-9810
Tel: (415) 986-8349

Attn: Terese Rowe
Fax: (415) 782-9811
Tel: (415) 986-8349

Address for Payments:

Bank of New York, New York
ABA #: 021-000018
Acct #: 8026002533
Ref: Plum Creek Timberlands, L.P.

Domestic and Eurodollar
Lending Office:

Rabobank International
245 Park Avenue, 36th Floor
New York, NY 10167

FARM CREDIT SERVICES OF MID-AMERICA, PCA,
as a Lender

Addresses for Notices:

Funding Notices: P. O. Box 34390
1601 UPS Drive (40223)
Louisville, KY 40232-4390

Attn: Sheila Kelly
Fax: (502) 420-3764
Tel: (502) 420-3891

All Other Notices: P.O. Box 34390
1601 UPS Drive (40223)
Louisville, KY 40232-4390

Attn: Steve Kluemper
Fax: (502) 420-3476
Tel: (502) 420-3776

Address for payments:

Agri Bank
St. Paul, MN

ABA #: 096016972
Acct. #: Mid-America
Account Name: Plum Creek Timberlands

Domestic and Eurodollar
Lending Office:

Same as Funding Notices address above.

GREENSTONE FARM CREDIT SERVICES, ACA,
as a Lender

Addresses for Notices:

Funding Notices: 1760 Abbey Road
Suite 200
East Lansing, MI 48823

Attn: Al Compton
Fax: (517) 318-1240
Tel: (517) 318-4128

Attn: R.A. Schroeder
Fax: (517) 318-1240
Tel: (517) 318-4106

All Other Notices: 1760 Abbey Road
Suite 200
East Lansing, MI 48823

Attn: Thomas Moskal
Fax: (517) 318-1240
Tel: (517) 318-4122

Attn: Kelly Wilkes
Fax: (517) 318-1240
Tel: (517) 318-4119

Letter of Credit Notices Same as Funding Notices address above.

Address for Payments:

Agribank FCB
St. Paul, MN

ABA #: 0960 1697 2
Account Name: GreenStone FCS
Ref: Plum Creek.

Domestic and Eurodollar
Lending Office:

Same as Funding Notices address above.

KBC BANK, N.V.,
as a Lender

Addresses for Notices:

Funding Notices: Los Angeles Representative Office
515 S. Figueroa Street
Suite 1920
Los Angeles, CA 90071

Attn: Tom Jackson
Fax: (213) 629-5801
Tel: (213) 624-0401

New York Branch
125 West 55th Street
10th Floor
New York, NY 10019

Attn: Robert Snauffer
Fax: (212) 956-5580
Tel: (212) 541-0700

All Other Notices: 125 West 55th Street
10th Floor
New York, NY 10019

Attn: Rose Pagan
Fax: (212) 956-5580
Tel: (212) 541-0657

Attn: Robert Pacifici
Fax: (212) 956-5580/5581
Tel: (212) 541-0671

KBC BANK, N.V.,
as a Lender (cont'd)

Address for payments:

KBC Bank N.V., New York Branch
125 West 55th Street
10th Floor
New York, NY 10019

ABA #: 026008248
Ref: Plum Creek
Attn: Loan Administration

Note: Please state whether
principal, interest or fees.

Domestic and Eurodollar
Lending Office:

Same as Funding Notices address
above.

NORTHWEST FARM CREDIT SERVICES, PCA,
as a Documentation Agent and as a Lender

Address for Notices:

Funding Notices: 1700 South Assembly St.
Spokane, WA 99224

Attn: Jim D. Allen
Fax: (509) 340-5503
Tel: (509) 340-5555

All Other Notices: 1700 South Assembly St.
Spokane, WA 99224

Attn: Technical Accounting
Fax: (509) 340-5364
Tel: 1 (800) 216-4535

Address for Payments:

AgAmerica, FCB
Sacramento, CA
ABA #: 125108298
Acct Name: AgAmer FCB Spok
Acct #: 1810220009879090
Attn: HQ Part Plum Creek

Domestic and Eurodollar
Lending Office:

Same as Funding Notices address above.

SCOTIABANC INC.,
as a Documentation Agent and as a Lender

Address for Notices:

Funding Notices: Scotia Capital, Portland Branch
888 SW 5th Avenue
Suite 750
Portland, OR 97204-2708

Attn: Patrik (Pat) Norris
Fax: (503) 222-5502
Tel: (503) 222-3348

All Other Notices: 600 Peachtree St. NE
Suite 2700
Atlanta, GA 30308

Attn: Donna Gardner
Fax: (404) 888-8998
Tel: (404) 877-1559

Attn: Cleve Bushey
Fax: (404) 888-8998
Tel: (404) 877-1555

Address for Payments:

The Bank of Nova Scotia,
New York Agency
ABA #: 026002532
Acct #: 0735639, For credit to
Scotiabanc, Inc.
Re: Plum Creek Timberlands L.P.

Domestic and Eurodollar
Lending Office:

Scotiabanc Inc
600 Peachtree St. NE
Suite 2700
Atlanta, GA 30308

SUNTRUST BANK,
as a Documentation Agent and as a Lender

Addresses for Notices:

Funding Notices: 303 Peachtree St., N.E.
Mail Code 1941
Atlanta, GA 30309

Attn: Robert Hickman
Fax: (404) 230-1940
Tel: (404) 581-1601

All Other Notices: 303 Peachtree St., N.E.
Mail Code 1921
Atlanta, GA 30309

Att: Scott Deviney
Fax: (404) 588-8833
Tel: (404) 658-4919

Address for Payments:

SunTrust Bank
Atlanta, GA
ABA #: 061000104
Acct #: 9088000112
Attn: Corporate Banking Support
Re: Plum Creek Timberlands LP

Domestic and Eurodollar
Lending Office:

Same as Funding Notices address above.

THE BANK OF NEW YORK,
as a Lender

Addresses for Notices:

Funding Notices: The Bank of New York
One Wall Street
22nd Floor
New York, NY 10005

Attn: Dawn Hertling
Fax: (212) 635-6399/6877
Tel: (212) 635-6742

All Other Notices: The Bank of New York
10990 Wilshire Blvd.
Suite 1125
Los Angeles, CA 90024

Attn: Elizabeth Ying
Fax: (310) 996-8667
Tel: (310) 996-8661

Address for Payments:

The Bank of New York
ABA #: 021000018
Acct #: GLA111556
Ref: Plum Creek Timberlands, L.P.
Att: Lorna Alleyne

Domestic and Eurodollar
Lending Office:

Same as Funding Notices address above.

THE BANK OF TOKYO-MITSUBISHI, LTD
PORTLAND BRANCH,
as a Syndication Agent and as a Lender

Address for Notices:

Funding Notices: 2300 Pacwest Center
1211 SW 5th Avenue
Portland, OR 97204

Attn: Ms. Penny Crisman
Fax: (503) 227-5372
Tel: (503) 222-3750

Attn: Ms. Christine Fountain
Fax: (503) 227-5372
Tel: (503) 222-3719

All Other Notices: 900 Fourth Avenue
Suite 4000
Seattle, WA 98164

Attn: Mr. Kosuke Takahashi
Fax: (206) 382-6067
Tel: (206) 382-6049

Attn: Mr. Eddy Chen
Fax: (206) 382-6067
Tel: (206) 382-6027

Address for Payments:

The Bank of Tokyo-Mitsubishi, Ltd.,
Portland Branch
Portland, OR

ABA #: 1230-0171-1
Acct #: 0097771589
Ref.: Plum Creek

Domestic and Eurodollar
Lending Office:

Same as Funding Notices address above.

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

Addresses for Notices:

Funding Notices: 555 SW Oak St.
PL0631
Portland, OR 97204

Attn: Craig Barron
Fax: (503) 275-8181
Tel: (503) 275-3632

All Other Notices: 1420 5th Avenue
11th Floor
Mail Stop: PD-WAT11C
Seattle, WA 98101

Attn: Gerald Sorenson
Fax: (206) 344-2332
Tel: (206) 344-3772

Address for Payments:

US Bank
ABA #: 123000220
Acct #: 00340012160600
Attn: US Bank, PL-7, Commercial Loan
Servicing West

Domestic and Eurodollar
Lending Office

Same as Funding Notices address above.

WACHOVIA BANK, N.A.
as a Syndication Agent and as a Lender

Addresses for Notices:

Funding Notices: 201 South College Street
CP-17 Charlotte Plaza
Charlotte, NC 28288-0760

Attn: Sherry Richards
Fax: (704) 374-2802
Tel: (704) 715-1459

All Other Notices: 191 Peachstreet N.E.
GA8050
Atlanta, GA 30303

Attn: Shawn Janko
Fax: (404) 332-4048
Tel: (404) 332-5884

Address for Payments:

First Union National Bank of North
Carolina Charlotte, NC

ABA #: 053000219
Acct #: 145916 8103011
Account Name: Natural Resources
Attn: Sherry Richards

Domestic Lending Office:

Same as Funding Notices address above.

Eurodollar Lending Office:

First Union London
3 Bishop's Gate
London, UK EC2N3AB

WASHINGTON MUTUAL BANK,
as a Lender

Addresses for Notices:

Funding Notices: 1201 Third Avenue
Suite 1445
Seattle, WA 98101

Attn: Bruce Kendrex
Fax: (206) 377-3812
Tel: (206) 377-3888

All Other Notices: 1201 Third Avenue
Suite 1445
Seattle, WA 98101

Attn: Richard J. Amendy, Jr.
Fax: (206) 377-3812
Tel: (206) 377-3889

Address for Payments:

Washington Mutual Bank
Seattle, WA
ABA #: 325070760
Acct. #20597-3409
Acct. Name: Wire Settlement Account
Ref: Plum Creek Timberlands, L.P. -364
Day
Attn: Toni Dale

Domestic and Eurodollar
Lending Office:

Same as Funding Notices address above.

WELLS FARGO BANK, N.A.,
as a Lender

Addresses for Notices:

Funding Notices: 201 Third Street
MAC A0187-081
San Francisco, CA 94103

Attn: Ginnie Padget
Fax: (415) 512-1943/(415) 979-0675
Tel: (415) 477-5374

All Other Notices: 999 Third Avenue
11th Floor
MAC P6540-11E
Seattle, WA 98104

Attn: Deborah Speer Watson
Fax: (206) 292-3595
Tel: (206) 292-3668

Address for Payments:

Wells Fargo Bank, N.A.
San Francisco, CA 94103
ABA #: 121-000-248
Acct #: 271-2507201
Credit To: MEMSYN
Ref.: Plum Creek Timberlands, L.P.

Domestic and Eurodollar
Lending Office:

Same as All Other Notices address above.

EXHIBIT A

NOTICE OF BORROWING

Date: _____

To: Bank of America, N.A., as Administrative Agent for the Lenders parties to the Credit Agreement, dated as of November 26, 2002 (as amended, the "Credit Agreement"), among Plum Creek Timberlands, L.P. (the "Company"), the Lenders party thereto, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, and Wachovia Bank, N.A., as Syndication Agents, SunTrust Bank, Scotiabanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents, and Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

The undersigned, Plum Creek Timberlands, L.P. (the "Company"), refers to the Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.3(a) of the Credit Agreement, of the Borrowing specified herein:

1. The aggregate amount of the proposed Borrowing is \$_____.
2. The Business Day of the proposed Borrowing is , 20__.
3. The Borrowing is to comprise \$_____ of [Eurodollar Rate] [Base Rate] Loans.
4. [If applicable] The duration of the Interest Period for the Eurodollar Rate Loans included in the Borrowing shall be [one week] [_____ months].
5. [If applicable] The Borrowing shall be allocated to the [Revolving Facility Tranche] [Capital Expenditure Tranche].

The undersigned hereby certifies that the following statements are true and correct on the date hereof, and will be true and correct on the date of the proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of the Company contained in Article VI of the Credit Agreement are true and correct as though made on and as of such date (except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true and correct as of such earlier date);

(b) no Default or Event of Default exists; and

(c) the proposed Borrowing will not cause the Effective Amount of all Revolving Loans to exceed the Aggregate Revolving Credit Commitment.

The Company has caused this Notice of Borrowing to be executed and delivered, and the certifications and warranties contained herein to be made, by its duly authorized officer on this ____ day of _____ 20__.

PLUM CREEK TIMBERLANDS, L.P.

By: Plum Creek Timber I, L.L.C.,
its General Partner

By: Plum Creek Timber Company, Inc.,
its Managing Member

By: _____
Name:
Title:

EXHIBIT B

NOTICE OF CONVERSION/CONTINUATION

Date: _____

To: Bank of America, N.A., as Administrative Agent for the Lenders parties to the Credit Agreement, dated as of November 26, 2002 (as amended, the "Credit Agreement"), among Plum Creek Timberlands, L.P. (the "Company"), the Lenders party thereto, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, and Wachovia Bank, N.A., as Syndication Agents, SunTrust Bank, Scotiabanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents, and Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

The undersigned, Plum Creek Timberlands, L.P. (the "Company"), refers to the Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.4 of the Credit Agreement, of the [conversion] [continuation] of the Loans specified herein, that:

1. The date of the [conversion] [continuation] is , 20__.
2. The aggregate amount of the Loans [converted] [continued] is \$_____.
3. The Loans are to be [converted into] [continued as] [Eurodollar Rate] [Base Rate] Loans.
4. [If applicable] The duration of the Interest Period for the Loans included in the [conversion] [continuation] shall be [one week] [_____ months].

The undersigned hereby certifies that the following statements are true and correct on the date hereof, and will be true and correct on the date of the proposed [conversion] [continuation], before and after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of the Company contained in Article VI of the Credit Agreement are true and correct as though made on and as of such date (except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true and correct as of such earlier date); and

(b) no Default or Event of Default exists.

The Company has caused this Notice of Conversion/Continuation to be executed and delivered, and the certifications and warranties contained herein to be made, by its duly authorized officer on this ____ day of _____ 20__.

PLUM CREEK TIMBERLANDS, L.P.

By: Plum Creek Timber I, L.L.C.,
its General Partner

By: Plum Creek Timber Company, Inc.,
its Managing Member

By: _____
Name:
Title:

EXHIBIT C

LEGAL OPINION OF COUNSEL FOR THE COMPANY

[Unless otherwise defined herein, capitalized terms used in this Exhibit C have the meanings assigned to them in the Agreement except that the following terms have the following meanings: "Loan Parties" means, collectively, the Company, the General Partner, Plum Creek Southern and Plum Creek South Central; and each, a "Loan Party".]

- (a) The Company is a limited partnership duly formed under the laws of the State of Delaware, with a stated term beyond the term of the Loan Documents (in those cases where the Loan Documents have a fixed term), and is duly qualified and in good standing in each state in which the failure to so qualify would have a Material Adverse Effect.
- (b) The General Partner is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, with a stated maturity beyond the term of the Loan Documents (in those cases where the Loan Documents have a fixed term), and is duly qualified and in good standing in each state in which the failure to so qualify would have a Material Adverse Effect.
- (c) Plum Creek Southern is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, with a stated maturity beyond the term of the Loan Documents (in those cases where the Loan Documents have a fixed term), and is duly qualified and in good standing in each state in which the failure to so qualify would have a Material Adverse Effect.
- (d) Plum Creek South Central is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, with a stated maturity beyond the term of the Loan Documents (in those cases where the Loan Documents have a fixed term) and is duly qualified and in good standing in each state in which the failure to so qualify would have a Material Adverse Effect.
- (e) Each Loan Party has the power and authority to execute and deliver, and to perform and observe the provisions of, each of the Loan Documents to which it is a party.
- (f) The execution, delivery and performance by each Loan Party of each of the Loan Documents to which it is a party have been duly authorized by all necessary corporate, limited liability company and/or partnership action, as the case may be.

- (g) Each Loan Document has been duly executed and delivered to the Administrative Agent and the Lenders by each Loan Party that is a party thereto.
- (h) Each Loan Document constitutes the valid and binding obligation of each Loan Party that is a party thereto enforceable against such Loan Party in accordance with its terms, except to the extent that enforcement thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity).
- (i) Each Loan Party and each of its Subsidiaries has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets and carry on its business, except for such governmental licenses, authorizations, consents and approvals, the lack thereof would not have a Material Adverse Effect.
- (j) No registration with, consent or approval of, notice to, or other action by, any Governmental Authority is required on the part of any Loan Party or any of its Subsidiaries for the execution, delivery or performance by each Loan Party of the Loan Documents to which such Loan Party is a party, or if required, such registration has been made, such consent or approval has been obtained, such notice has been given or such other appropriate action has been taken.
- (k) The execution, delivery and performance by each Loan Party of the Loan Documents to which such Loan Party is a party are not in violation of the Organizational Documents of such Loan Party.
- (l) The execution, delivery and performance by each Loan Party of the Loan Documents to which such Loan Party is a party will not violate or result in a breach of any of the terms of or constitute a default under or result in a creation of any Lien on any property or assets of any Loan Party, pursuant to the terms of any indenture, mortgage, deed of trust or other agreement to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject.
- (m) The execution, delivery and performance by each Loan Party of the Loan Documents to which such Loan Party is a party will not conflict with or contravene any of Regulations T, U and X promulgated by the Federal Reserve Board.
- (n) None of the Loan Parties nor or any Person controlling any Loan Party or any Subsidiary of any Loan Party is an "Investment Company" within the meaning of the Investment Company Act of 1940, as amended, or subject to

regulation under the Public Utility Holding Company Act of 1935, as amended.

- (o) There are no actions, suits, proceedings, claims or disputes pending or, to the best of my knowledge, threatened against any Loan Party or any of its Subsidiaries or any of its properties before any court, regulatory body, administrative agency, at law, in equity, in arbitration or before any Governmental Authority which (i) purport to affect or pertain to the Loan Documents, or any of the transactions contemplated thereby, or (ii) have a reasonable probability of success on the merits and which, if determined adversely to any Loan Party or its Subsidiaries would reasonably be expected to have a Material Adverse Effect.

EXHIBIT D

PLUM CREEK TIMBERLANDS, L.P.

COMPLIANCE CERTIFICATE

DATE: _____

Reference is made to that certain Credit Agreement, dated as of November 26, 2002 (as amended, the "Credit Agreement"), among Plum Creek Timberlands, L.P. (the "Company"), the Lenders party thereto, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, and Wachovia Bank, N.A., as Syndication Agents, SunTrust Bank, Scotiabanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents, and Bank of America, N.A., as Administrative Agent. Unless otherwise defined herein, capitalized terms used herein have the respective meanings assigned to them in the Credit Agreement.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Company, and that, as such, he/she is authorized to execute and deliver this Certificate to the Lenders and the Administrative Agent on the behalf of the Company and its Subsidiaries and not as an individual, and that:

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by subsection 7.1(a) of the Credit Agreement.]

1. Attached as Schedule 1 hereto are (a) a true and correct copy of the audited consolidated balance sheet of the Company as at the end of the fiscal year ended December 31, ____ and (b) the related consolidated statements of income and statement of cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of PricewaterhouseCoopers LLP or another nationally-recognized certified independent public accounting firm. Such opinion is not qualified or limited because of a restricted or limited examination by such accountant of any material portion of the Company's or any Subsidiary's records and is delivered to the Administrative Agent pursuant to a reliance agreement between the Administrative Agent and Lenders and such accounting firm which you have advised us is in form and substance satisfactory to the Administrative Agent and the Required Lenders;

OR

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by subsection 7.1(b) of the Credit Agreement.]

Exhibit D1

Attached as Schedule 1 hereto are (a) a true and correct copy of the audited consolidating balance sheets of the Company and each of its Subsidiaries as at the end of the fiscal year ended December 31, ____ and (b) the related consolidating statements of income and statement of cash flows for such fiscal year, which financial statements were used in connection with the preparation of the audited consolidated balance sheet of the Company as of the end of such fiscal year and the related consolidated statements of income and statement of cash flows for such fiscal year.

OR

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by subsections 7.1(c) and (d) of the Credit Agreement.]

(a) Attached as Schedule 1A hereto is (i) a true and correct copy of the unaudited consolidated balance sheet of the Company and its consolidated Subsidiaries as of the end of the fiscal quarter ended , ____ and (ii) the related consolidated statements of income and statement of cash flows of the Company and its consolidated Subsidiaries for the period commencing on the first day and ending on the last day of such quarter, setting forth in each case in comparative form the figures for the previous year (subject to normal year-end audit adjustments).

(b) Attach as Schedule 1B hereto is (i) a true and correct copy of the unaudited consolidating balance sheets of the Company and each of its Subsidiaries as of the end of the fiscal quarter ended , ____ and (ii) the related consolidating statements of income and statement of cash flows for such quarter, which financial statements were used in connection with the preparation of the financial statements referred to in paragraph 1(a) above of this Certificate.

2. The undersigned has reviewed and is familiar with the terms of the Credit Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and conditions (financial or otherwise) of the Company during the accounting period covered by the attached financial statements.
3. The attached financial statements are complete and correct, and have been prepared in accordance with GAAP on a basis consistent with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

Exhibit D2

4. The attached financial statements are certified by a Responsible Officer and fairly state the financial position and results of operations of the Company and its consolidated Subsidiaries.
5. To the best of the undersigned's knowledge, the Company, during such period, has observed, performed or satisfied all of its covenants and other agreements, and satisfied every condition in the Credit Agreement to be observed, performed or satisfied by the Company, and the undersigned has no knowledge of any Default or Event of Default.
6. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.
7. For the fiscal quarter commencing , the Applicable Margin is (i) _____% in the case of Eurodollar Rate Loans, and (ii) _____% in the case of Base Rate Loans.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, 20__.

PLUM CREEK TIMBERLANDS, L.P.

By: Plum Creek Timber I, L.L.C.,
its General Partner

By: Plum Creek Timber Company, Inc.,
its Managing Member

By: _____
Name:
Title:

Exhibit D3

SCHEDULE 1
TO THE COMPLIANCE CERTIFICATE
[FINANCIALS]

Schedule 1

SCHEDULE 2
TO THE COMPLIANCE CERTIFICATE
(\$ IN 000'S)

Plum Creek Timberlands, L.P.
Schedule 2
Compliance Certificate Computation Statement
(\$ in Thousands)

1. INTEREST COVERAGE RATIO

I. EBITDA

A.	Net Income or Loss	_____
B.	DDA	_____
C.	Interest Expense	_____
D.	Cost Basis for Designated Acres disposed of to the extent such aggregate cost basis, when added to the net income for such period arising from the sale of Designated Acres, does not exceed \$80,000,000	_____
E.	Accrued Income Taxes	_____
F.	Adjustments to A through E based upon Timber acquisition (detailed certificate attached)	_____
G.	Sum of A through F	_____

II. Interest Expense

A.	4 Otrs. Combined Interest Expense	_____
B.	Additions to A based upon Indebtedness Incurred to acquire Timber (detailed certificate attached)	_____
C.	Sum of A and B	_____

III. Interest Coverage Ratio

A. Required ratio not to be less than 2.75 to 1.00

B. I.G divided by II.C

_____ to 1.00

2. PRICING LEVERAGE RATIO

I. Funded Debt

A. Funded Debt as of _____

B. All Cash balances and cash equivalents as of _____

C. Amount, if any, by which B exceeds \$75,000

D. A minus C

II. EBITDA

A. Net Income or Loss

B. DDA

C. Interest Expense

D. Cost Basis for Designated Acres disposed of to the extent such aggregate cost basis, when added to the net income for such period arising from the sale of Designated Acres, does not exceed \$80,000,000

E. Accrued Income Taxes

F. Adjustments to A through E based upon Timber acquisition (detailed certificate attached)

G. Sum of A through F

III.	Pricing Leverage Ratio		
	I.D. divided by II.G		_____
3.	MAXIMUM LEVERAGE RATIO		
I.	Funded Debt		
	A. Funded Debt as of _____		_____
II.	Net Worth		
	A. Net Worth as of _____		_____
	B. Funded Debt as of _____		_____
	C. Sum of A and B		_____
III.	Maximum Leverage Ratio		
	A. Required: not to exceed 60%		
	B. Expressed as a percentage, I.A. divided by II.C		_____ %
4.	NEGATIVE COVENANTS		
I.	Section 8.2(f): Sale of Designated Acres		
	A. Designated Acres		800,000
	B. Aggregate Sales as of _____		_____
II.	Section 8.2(h): Asset Sales		

A. Maximum Allowed \$40,000

B. Sales as of _____

III. Section 8.3: Harvesting Restrictions (MCCF):

A. Maximum Allowable Harvest:

1. Fourth quarter of calendar year 2001	1,712 MCCF
2. Calendar year 2002	6,850 MCCF
3. Calendar years 2003-2006	
(i) Maximum allowed is no more than 8% of Standing Inventory as of January 1, 20__	____MCCF
(ii) Standing Inventory as of January 1, 20__	____MCCF
(iii) 8% of the amount in clause 3(ii) above	____MCCF
Add: Lesser of B.5 and C.2	____MCCF

B. Prior Years:

1. Cumulative amount set forth in table (Section 8.3) for years preceding year of determination	____MCCF
2. 2000 MCCF	
3. Sum of B.1 and B.2	____MCCF
4. Cumulative amount actually harvested in such years preceding year of determination	____MCCF
5. Amount, if any, by which B.3 exceeds B.4	____MCCF

C. Standing Inventory

1.	Standing Inventory as of January 1, 20__	___MCCF
2.	8% of the amount of C.1	___MCCF
IV.	Section 8.4(i): Investments Not Otherwise Permitted	
A.	Maximum Pulp and Paper Investments	\$50,000
B.	Actual Cumulative Pulp and Paper Investments through _____	_____
C.	Actual Cumulative Investments in Permitted Businesses through _____	_____
D.	Actual Cumulative Investments in Permitted Ancillary Businesses through _____	\$_____
E.	60% of the average annual Pro Forma Free Cash Flow for preceding two fiscal years	_____
F.	Greater of \$300 million or IV.E.	_____
G.	Outstanding 8.4(i) Investments	
1.	Cumulative Investments through _____	_____
2.	Repayment of Principal of such Investments through _____	_____
3.	IV.G.1 minus IV.G.2	_____
V.	Section 8.5(b): Funded Debt Incurred to Finance Capital Improvements	
A.	A. Maximum Allowed	\$50,000
B.	Outstanding at _____	
VI.	Section 8.5(d): Indebtedness Pursuant to a Bank Credit Facility	

	A.	Maximum Allowed	\$50,000
	B.	Outstanding at _____	_____
VII.		Section 8.5(f): Guarantee of Facilities Subsidiary Revolving Credit Facility	
	A.	Maximum Allowed	\$20,000
	B.	Outstanding at _____	_____
VIII.		Section 8.5(g): Guarantee of Facility Subsidiary Capital Improvement Funded Debt	
	A.	Maximum Allowed	\$20,000
	B.	Outstanding at _____	_____
IX.		Section 8.5(h): Aggregate Principal Amount of Indebtedness Secured by Purchase Money Liens	
	A.	Book value of Tangible Assets of Company and its Restricted Subsidiaries as of _____	
	B.	5% of amount of A	_____
	C.	Outstanding as of _____	_____
	D.	Greater of B or C (Required: not to exceed the amount in B)	_____
X.		Section 8.5(i): Additional Funded Debt	
		Pro Forma Free Cash Flow	
		to	
		Maximum Pro Forma Annual Interest Charges	_____
		Ratio:	_____
		(Not to be less than 2.25 to 1:00)	

XI. Section 8.13(a): Restricted Payments

Available Cash

(i)(a) Net Income or Loss _____

(a) Excluding Gain on sale of any Capital Assets _____

Plus:

(b) DDA _____

(b) Other non-cash charges _____

(c) Reduction in reserves of the types referred to in clause
(ii)(d) below, _____
Interest _____
Principal _____

(d) Proceeds received from the sale of Designated Acres

(e) Cash from Capital Transactions used to refinance or refund
Indebtedness _____

(f) (A) other Cash from Capital Transactions received by the
Company during such quarter up to an aggregate amount equal to
\$200,000,000 for all calendar quarters, commencing with the
calendar quarter that ended March 31, 2002 \$_____

(B) the aggregate of amounts of such \$200,000,000 utilized in
the calculation of Available Cash for previous calendar
quarters \$_____

(f)(A) minus (f)(B)

(g) an amount equal to that portion of the Net Proceeds received from such sale that was applied to the repayment of the Qualified Debt in accordance with Section 2.7(a)(i) or 8.2(i) but not to exceed an amount equal to 50% of the Net Proceeds received from such sale(1)

Less (ii) the sum of:

- (a) All payments of principal on Indebtedness
- (b) Capital expenditures
- (c) Capital expenditures made in prior quarter, anticipated to be financed, but have not been refinanced
- (d) Reserve for future principal payments (per Section 8.13)
- (d) Reserve for future capital expenditures
- (d) Reserve for additional working capital
- (d) Reserve for future distributions
- (d) Reserve for future interest payments (per Section 8.13)
- (e) Other noncash credits
- (f) The amount of any Investments
- (g) Any Investments made in prior quarter anticipated to be financed, but have not been refinanced

Available Cash:

Total Distribution:

(1) Include such amount only if the Pricing Leverage Ratio as the last day of such calendar quarter is less than 4.0 to 1.0. See clause (i)(g) in the definition of Available Cash for limitation as to the amount that may be included in the calculation thereof.

EXHIBIT E

FORM OF CASH COLLATERAL ACCOUNT AGREEMENT

This CASH COLLATERAL ACCOUNT AGREEMENT ("Agreement") is dated as of _____, 200_, and entered into by and between Plum Creek Timberlands, L.P., a Delaware limited partnership (the "Company"), and Bank of America, N.A., as administrative agent (solely in such capacity, "Administrative Agent") for the financial institutions from time to time parties to the Credit Agreement referred to below (such entities, together with their respective successors and assigns, being collectively referred to as the "Lenders").

RECITALS

A. The Company is party to that certain Credit Agreement, dated as of November 26, 2002 (as amended, the "Credit Agreement"), among the Company, the Lenders party thereto, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, and Wachovia Bank, N.A., as Syndication Agents, SunTrust Bank, Scotiabanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents and Bank of America, N.A., as Administrative Agent. Capitalized terms used herein without definition shall have the meanings given to them in the Credit Agreement.

B.

In accordance with Section 2.7(c) of the Credit Agreement, the Company is required to prepay or Cash Collateralize Eurodollar Rate Loans in an amount equal to \$_____ in a cash collateral account at Bank of America, N.A. ("Bank of America"). The Company has elected to Cash Collateralize such Loans which cash collateral amount shall be applied to repay Eurodollar Rate Loans at maturity thereof.

OR

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the Company and Administrative Agent hereby agree as follows:

1. CASH COLLATERAL ACCOUNT.

(a) Cash Collateral Account. For purposes of Section 2.7(c) of the Credit Agreement, the Company has established with Bank of America, for the benefit of Administrative Agent on behalf of itself and the Lenders, a special purpose restricted deposit account in the name of the Company, deposit account # (together with any successor account(s) that may be established from time to time in replacement thereof, the "Cash Collateral Account"). All parties agree that the Cash Collateral Account is a "deposit account" within the meaning of Article 9 of the Uniform Commercial Code of the State of New York as in effect from time to time in the State of New York (the

"NYUCC"). Bank of America has not and will not agree with any third party to comply with instructions or other directions concerning the Cash Collateral Account or the disposition of funds in the cash Collateral Account originated by such third party without the prior written consent of Administrative Agent and the Company. Bank of America will comply with instructions originated by Administrative Agent directing disposition of the funds in the Cash Collateral Account without further consent by the Company. Administrative Agent shall have exclusive control over the Cash Collateral Account and the sole right of withdrawal therefrom, except as expressly provided in Section 1(b) below. The Company agrees that the Cash Collateral Account shall be a blocked account, and upon the deposit of funds into the Cash Collateral Account by or at the direction of the Company, such deposit shall become (except as expressly provided in such Section 1(b) hereof) irrevocable and the Company shall have no right to withdraw, or direct the disposition of, amounts contained therein or interest accrued thereon except as provided in Section 1(b) hereof or upon the indefeasible payment in full of the Obligations; and until such indefeasible payment in full of the Obligations the Company waives (i) the right to make withdrawals from the Cash Collateral Account and (ii) the right to instruct Bank of America to honor drafts drawn against the Cash Collateral Account, except in each case as expressly provided in Section 1(b) hereof.

(b) Application to Loans. Subject to the prior application by Administrative Agent of amounts held hereunder pursuant to Section 2, on the maturity date of any Interest Period with respect to a Eurodollar Rate Loan, Administrative Agent shall apply any amounts remaining in the Cash Collateral Account to repay such Eurodollar Rate Loan, and the Company irrevocably directs Administrative Agent to apply such funds at such time to repay Eurodollar Rate Loans.

2. LIEN.

(a) The Cash Collateral Account, all funds and investments contained therein, all interest accrued thereon, and all proceeds thereof shall be held by Bank of America for the benefit of Administrative Agent on behalf of itself and the Lenders as cash collateral to secure the Company's Obligations. As security for the payment and performance of all obligations of the Company hereunder and under the Credit Agreement, the Company hereby grants to Administrative Agent on behalf of itself and the Lenders a first priority perfected security interest in all of its rights, title and interest now existing or hereafter arising in and to the Cash Collateral Account and any proceeds or products thereof. Administrative Agent and the Company hereby notify Bank of America of the foregoing lien, and Bank of America, by its signature below, acknowledges receipt of such notice.

(b) The Company shall be deemed in default under this Agreement upon the occurrence of an Event of Default, as that term is defined in the Credit

Agreement. Upon the occurrence of any such Event of Default, Administrative Agent may, at its option, and without notice to or demand on the Company and in addition to all rights and remedies available to Administrative Agent under the Credit Agreement, do any one or more of the following: (a) foreclose or otherwise enforce Administrative Agent's security interest in any manner permitted by law, or provided for in this Agreement; (b) dispose of the Cash Collateral Account on such terms and in such manner as Administrative Agent may determine; and (c) recover from the Company all costs and expenses, including, without limitation, Attorneys Costs, incurred or paid by Administrative Agent in exercising any right, power or remedy provided by this Agreement, the Loan Documents, or by law.

3. INVESTMENTS. Upon the Company's written instructions as provided in Section 4 below, if no Default or Event of Default exists, Administrative Agent shall invest the funds on deposit in the Cash Collateral Account in any of the permitted investments described in the Investment Policy attached as Schedule 1.1 to the Credit Agreement; provided that with respect to any instruction to invest funds in any investment that does not constitute a "deposit account" (as defined in the NYUCC) maintained with Bank of America, Administrative Agent shall take no action to effect such instructions to invest funds unless and until the Company has duly executed and delivered such documents and instruments and caused to be delivered such opinions of counsel as the Required Lenders may reasonably deem necessary or appropriate to perfect or to confirm the perfection and first priority status of Administrative Agent's security interest in such investments.
4. INVESTMENT DIRECTION. With respect to the investment of funds on deposit in the Cash Collateral Account pursuant to Section 3 above, Administrative Agent shall be entitled to rely upon the written instructions of those individuals whose signatures appear in the spaces provided in Schedule 2 attached hereto, or such other individuals as may hereafter be designated in writing by the Company.
5. COMPENSATION. Bank of America shall be entitled to compensation from the Company for the maintenance of and investment of funds contained in the Cash Collateral Account in accordance with its standard fees for such services in effect from time to time. Such compensation shall be payable upon demand.
6. NOTICES, ETC. Any notice or other communication herein required or permitted to be given shall be in writing and may be delivered in person, with receipt acknowledged, or sent by facsimile or by United States mail, registered or certified, return receipt requested, postage prepaid and addressed as set forth on Schedule I to this Agreement or at such other address as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. All such notices and communications shall be effective upon receipt. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration

or other communication to the persons designated above to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

7. TERMINATION. This Agreement shall terminate when transfers of amounts in the Cash Collateral Account pursuant to Section 1 hereof shall have reduced the balance of the Cash Collateral Account to zero.

8. SUCCESSORS AND ASSIGNS; GOVERNING LAW.

(a) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Company, Administrative Agent and the Lenders and their respective successors and assigns, except that the Company shall not have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of Administrative Agent and each Lender.

(b) Governing Law. Except as otherwise expressly provided herein or in any of the other Loan Documents, in all respects, including all matters of construction, validity and performance, this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York. The parties agree that New York is Bank of America's "bank's jurisdiction" for purposes of the NYUCC.

9. ENTIRE AGREEMENT; CONSTRUCTION; AMENDMENTS AND WAIVERS.

(a) Entire Agreement. This Agreement, the Credit Agreement and the other Loan Documents, taken together, constitute and contain the entire agreement among the parties and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(b) Construction. This Agreement is the result of negotiations between and has been reviewed by each of the Company, Administrative Agent and the Lenders and their respective counsel; accordingly, this Agreement shall be deemed to be the product of the parties hereto, and no ambiguity shall be construed in favor of or against the Company, Administrative Agent or the Lenders. The Company, Administrative Agent and the Lenders agree that they intend the literal words of this Agreement and that no parole evidence shall be necessary or appropriate to establish the Company's, Administrative Agent's or any Lender's actual intentions.

(c) Interpretation. The terms of this Agreement shall be interpreted in accordance with the provisions of Article I of the Credit Agreement, provided, however, that (a) any reference to a "Section" shall refer to the relevant Section to this Agreement, unless specifically indicated to the contrary and (b) the words "herein," "hereof" and "hereunder" and other words of similar import (including,

without limitation, in Article I of the Credit Agreement) shall refer to this Agreement as a whole, as the same may from time to time be amended, amended and restated, modified or supplemented, and not to any particular section, subsection or clause contained in this Agreement.

(d) Amendments; Waivers. No amendment, modification, discharge or waiver of, or consent to any departure by the Company from, any provision of this Agreement shall be effective unless the same shall be in writing and signed by the Administrative Agent with the written consent of the Required Lenders, and then such waiver shall be effective only in the specific instance and for the specific purpose for which given.

10. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be valid, legal and enforceable under the applicable law of any jurisdiction. Without limiting the generality of the foregoing sentence, in case any provision of this Agreement shall be invalid, illegal or unenforceable under the applicable law of any jurisdiction, the validity, legality and enforceability of the remaining provisions, or of such provision in any other jurisdiction, shall not in any way be affected or impaired thereby.
11. HEADINGS. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.
12. NO THIRD PARTIES BENEFITED. This Agreement is made and entered into for the sole protection and legal benefit of the Company, Administrative Agent, the Lenders, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement. Neither Administrative Agent nor any Lender shall have any obligation to any Person not a party to this Agreement.
13. COUNTERPARTS. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

PLUM CREEK TIMBERLANDS, L.P.

By: Plum Creek Timber I, L.L.C.,
its General Partner

By: Plum Creek Timber Company, Inc.,
its Managing Member

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____
Name:
Title:

Acknowledged and Received by:

BANK OF AMERICA, N.A.,
as depository bank

By: _____
Name:
Title:

[Signature page to Cash Collateral Agreement]

CASH COLLATERAL ACCOUNT AGREEMENT
SCHEDULE I
NOTICE ADDRESSES

Notice to be sent to:

PLUM CREEK TIMBERLANDS, L.P.

999 Third Avenue, Suite 2300
Seattle, WA 98104
Attn: Chief Financial Officer
Facsimile: (206) 467-3797
Tel: (206) 467-3600

BANK OF AMERICA, N.A.,
as Administrative Agent

1850 Gateway Blvd.
Concord, CA 94520
Attn: Agency Administrative Services #5596
Facsimile: (888) 969-2297
Tel: (925) 675-8416
Attention: Mark Garcia

BANK OF AMERICA, N.A.,
as Depository

1850 Gateway Blvd.
Concord, CA 94520
Attn: Agency Administrative Services #5596
Facsimile: (888) 969-2297
Tel: (925) 675-8416
Attention: Mark Garcia

CASH COLLATERAL ACCOUNT AGREEMENT
SCHEDULE 2
AUTHORIZED REPRESENTATIVES OF THE COMPANY
(FOR PURPOSES OF SECTION 4)

[Names of authorized officers and their signatures]

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EXHIBIT F

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (this "Assignment") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____ [and is an Affiliate/Approved Fund(2)]
3. Company: _____
4. Administrative Agent: _____, as the Administrative Agent under the Credit Agreement referred to below
5. Credit Agreement: Credit Agreement, dated as of November 26, 2002, among Plum Creek Timberlands, L.P., the Lenders party thereto, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, and Wachovia Bank, N.A., as Syndication Agents, SunTrust Bank, Scotiabanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents, and Bank of America, N.A., as Administrative Agent, as the same may be amended from time to time.

(2) Select as applicable.

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6. Assigned Interest:

Facility Assigned -----	Aggregate Amount of Commitment/Loans for all Lenders -----	Amount of Commitment/Loans Assigned -----	Percentage Assigned of Commitment/Loans (3) -----
_____	\$ _____	\$ _____	_____ %
_____	\$ _____	\$ _____	_____ %
_____	\$ _____	\$ _____	_____ %

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____

Name:
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____

Name:
Title:

[Consented to and] (4) Accepted:
BANK OF AMERICA, N.A., as
Administrative Agent

By: _____

Name:
Title:

[Consented to:] (5)

By: _____

Name:
Title:

-
- (3) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
 - (4) To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
 - (5) To be added only if the consent of the Company is required by the terms of the Credit Agreement.

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION AGREEMENT

Credit Agreement, dated as of November 26, 2002, among Plum Creek Timberlands, L.P., the Lenders party thereto, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, and Wachovia Bank, N.A., as Syndication Agents, SunTrust Bank, Scotiabanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents, and Bank of America, N.A., as Administrative Agent, as the same may be amended from time to time.

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT
AND ASSUMPTION AGREEMENT

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with any Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document delivered pursuant thereto, other than this Assignment (as each may be amended from time to time, herein collectively, the "Credit Documents"), or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section ___ thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest on the basis of which it has made such analysis and decision, and (v) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender.

1.3 Assignee's Address for Notices, etc. Attached hereto as Schedule 1 is all contact information, address, account and other administrative information relating to the Assignee.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. General Provisions. This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment by telecopy or facsimile shall be effective as delivery of a manually executed counterpart of this Assignment. This Assignment shall be governed by, and construed in accordance with, the law of the State of New York.

SCHEDULE 1
TO
ASSIGNMENT AND ASSUMPTION AGREEMENT

ADMINISTRATIVE DETAILS

(Assignee to list names of credit contacts, addresses, phone and facsimile numbers, electronic mail addresses and account and payment information)

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EXHIBIT G

FORM OF REVOLVING CREDIT PROMISSORY NOTE

[\$_____]

New York, New York
[_____] , 20__]

For value received, the undersigned, PLUM CREEK TIMBERLANDS, L.P. (the "Company"), hereby unconditionally promises to pay to the order of (the "Lender") at the office of Bank of America, N.A., as Administrative Agent under the Credit Agreement referred to below (the "Administrative Agent"), specified in the Credit Agreement, in lawful money of the United States of America and in immediately available funds, the principal sum of [_____] Dollars (\$_____) or, if less, the aggregate unpaid principal amount of the Revolving Loans made to the Company by the Lender pursuant to Section 2.1 of the Credit Agreement, at such times as are specified in, and in accordance with, the provisions of the Credit Agreement.

The Company also promises to pay interest on the unpaid principal amount hereof from time to time outstanding from the date hereof until maturity (whether by acceleration or otherwise) and, after maturity, until paid, at the rates per annum and on the dates specified in the Credit Agreement.

This Revolving Credit Promissory Note is one of the Revolving Credit Promissory Notes referred to in, and was executed and delivered pursuant to, the Credit Agreement, dated as of November 26, 2002 (as amended, the "Credit Agreement"), among the Company, the Lenders party thereto, The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, and Wachovia Bank, N.A., as Syndication Agents, SunTrust Bank, Scotiabanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents, and the Administrative Agent. Capitalized terms used but not otherwise defined herein are used in this Revolving Credit Promissory Note as defined in the Credit Agreement. This Revolving Credit Promissory Note is entitled to the benefits of the Credit Agreement. The Credit Agreement, among other things, (i) provides the terms and conditions under which the loan evidenced hereby is made, on which the Company is permitted and required to make prepayments and repayments of principal of each Revolving Loan outstanding and on which the Revolving Loans may be declared to be or shall automatically become immediately due and payable and (ii) provides for a statement of the Lender's remedies upon the occurrence of an Event of Default.

The Revolving Loans owing to the Lender by the Company, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto or any continuation thereof, which is part of this Revolving Credit Promissory Note; provided, however, that the failure of the Lender to so record any such information or any error in so recording any such information shall not, however, limit or otherwise affect the obligations of the Company hereunder or under any other Loan Document.

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This Revolving Credit Promissory Note may only be assigned as provided in the Credit Agreement.

The Company promises to pay all costs of collection, including reasonable attorneys' fees, incurred in the collection of this Revolving Credit Promissory Note.

The Company hereby waives demand, presentment and protest and notice of demand, presentment, protest and nonpayment.

THIS REVOLVING CREDIT PROMISSORY NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

PLUM CREEK TIMBERLANDS, L.P.

By: Plum Creek Timber I, L.L.C.,
its General Partner

By: Plum Creek Timber Company, Inc.,
its Managing Member

By: _____
Name:
Title:

PLUM CREEK TIMBER
COMPANY, INC.

EXECUTIVE AND KEY EMPLOYEE
SALARY AND INCENTIVE COMPENSATION DEFERRAL PLAN

(AN AMENDMENT AND RESTATEMENT OF THE PLUM CREEK MANAGEMENT COMPANY
KEY EMPLOYEE SALARY AND INCENTIVE COMPENSATION DEFERRAL PLAN).

AS AMENDED AND RESTATED DECEMBER 6, 2002

PLUM CREEK TIMBER COMPANY, INC.

EXECUTIVE AND KEY EMPLOYEE
SALARY AND INCENTIVE COMPENSATION DEFERRAL PLAN

SECTION 1 - RESTATEMENT, PURPOSE, AND EFFECTIVE DATE

1.1 Restatement. Plum Creek Timber Company, Inc., a Delaware corporation (the "Company"), hereby amends and restates the Plum Creek Management Company, L.P. Executive And Key Employee Salary And Incentive Compensation Deferral Plan, and renames it the "Plum Creek Timber Company, Inc. Salary and Incentive Compensation Deferral Plan" (the "Plan"). The Plan is for the benefit of a select group of management or highly compensated employees (as described in Section 201(a) of the Employee Retirement Income Security Act of 1974, as amended) of the Company and its Subsidiaries.

1.2 Purpose. The purpose of the Plan is to help attract and retain the services of executive and key employees of the Company and its Subsidiaries by providing them with the opportunity to defer receipt of all or some part of their Salary and/or Incentive Compensation.

1.3 Effective Date. This restatement and amendment shall be effective December 6, 2002.

SECTION 2 - DEFINITIONS

2.1 Definitions. When used in the Plan, the following terms shall have the meanings specified below.

(a) "Beneficiary" means the person or persons to whom payments are to be made pursuant to the terms of the Plan in the event of the Participant's death. The designation shall be on a form provided by the Plan Committee, executed by the Participant, and delivered to the Plan Committee. A Participant may change his or her Beneficiary designation at any time. If no Beneficiary is designated, the designation is ineffective, or in the event the Beneficiary dies before the balance of the Memorandum Account is paid, the balance shall be paid to the Participant's estate, and to the extent required by community property law, to his or her surviving spouse.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986 (or any successor to such Code), as amended and in effect at the time of reference.

(d) "Committee" means a committee of two or more Board members appointed by the Board, none of whom is eligible to participate in the Plan.

(e) "Common Stock" means the common stock, par value \$0.01 per share, of the Company.

(f) "Company" means Plum Creek Timber Company, Inc., a Delaware corporation (or any successor).

(g) "Eligible Employees" means an Executive Employee or Key Employee (Grade 38 or higher) of the Company and/or a Subsidiary.

(h) "Employees" means employees regularly employed on a salaried basis by the Company and/or a Subsidiary.

(i) "Executive Employee" means an employee with the title of Vice President or higher.

(j) "Participant" means an Eligible Employee who has elected to participate in the Plan.

(k) "Permanent Disability" means a condition that results in the Participant's being totally disabled, whether due to physical or mental causes, to the extent that he or she is prevented from engaging in further employment with the Company or a Subsidiary and the condition is likely to be permanent and continuous during the remainder of the Participant's life, as determined by the Plan Committee, upon the basis of medical evidence.

(l) "Plan" means the Plum Creek Timber Company, Inc., Executive and Key Employee Salary and Incentive Compensation Deferral Plan as restated and amended and set forth herein and, where appropriate, any predecessor plan thereto.

(m) "Plan Committee" means a committee of two or more officers of the Company appointed by the Committee.

(n) "Plan Year" means the calendar year.

(o) "Salary and/or Incentive Compensation" means the base salary being paid to a Participant for the Plan Year or partial year, and/or incentive compensation to be paid to the Participant during the same Plan Year under the terms of any incentive or bonus arrangement provided by the Company or any of its Subsidiaries, including amounts payable to Participants in shares of Common Stock.

(p) "Subsidiary" (A) any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations (other than the last corporation) in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain or (B) any partnership in which the Company and/or any Subsidiary owns more than 50% of the capital or profits interests.

(q) "Trust" means any trust established in connection with the Plan.

(r) "Trustee" means the trustee of the Trust.

SECTION 3 - ADMINISTRATION

3.1 Administration. The Plan Committee shall be responsible for the administration of the Plan. The Plan Committee, by majority action thereof, is authorized to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company and any Subsidiary, and to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Determinations, interpretations, or other actions made or taken by the Plan Committee under the Plan, that have been approved by the Committee, shall be final and binding for all purposes and upon all persons whomsoever.

3.2 Indemnification of Plan Committee. The Company shall indemnify each member of the Plan Committee (which, for purposes of this Section 3.2, includes anyone to whom duties have been delegated) against any and all claims, losses, damages, expenses, including counsel fees, incurred by the Plan Committee, and any liability, including any amounts paid in settlement with the Company's approval, arising from the member's or the Plan Committee's action or failure to act, except when the same is judicially determined to be attributable to the gross negligence or willful misconduct of such member. The right of indemnity described in the preceding sentence shall be conditioned upon (a) the timely receipt of notice by the Company of any claim asserted against the Plan Committee member, which notice, in the event of a lawsuit shall be given within 10 days after receipt by the Plan Committee member, and (b) the timely receipt by the Company of an offer from the Plan Committee member of an opportunity to participate in the settlement or defense of such claim.

SECTION 4 - ELIGIBILITY AND PARTICIPATION

4.1 Eligibility and Participation. Eligible Employees may elect to begin participation in the Plan on the first of the month following the month in which they become Eligible Employees or on the first day of any calendar year.

SECTION 5 - DEFERRALS

5.1 Deferred Payment. Before January 1 of any calendar year (or, with respect to individuals who first become Participants during a year, on or before the date on which they become Participants) or such other date as the Plan Committee may determine in its discretion, each Participant may elect to have the payment of all or a portion of his or her Salary for the year beginning January 1 (or, if later, so much of the year as commences on the day following the date on which the individual becomes a Participant) and/or Incentive Compensation, payable during that calendar year, deferred until his or her retirement, death, Permanent Disability, resignation or any other termination of employment with the Company. The election shall be made on a form prescribed by the Plan Committee. The election shall apply only to that calendar year or partial year. The Participant may designate how payments will be made, in accordance with the provisions in Section 5.4. If a Participant has not made an election, the Salary and/or Incentive Compensation paid to him or her shall be paid in accordance with the Company's or the applicable Subsidiary's customary payroll practices. Notwithstanding the foregoing, in no case shall a Participant be permitted to defer compensation (whether cash, stock-based or both) with respect to a Plan Year with a value (determined by the Plan Committee) in excess of the sum of the Participant's (a) then current base salary and (b) maximum annual cash bonus potential under the terms of any incentive or bonus arrangement provided by the Company or any of its Subsidiaries (whether or not paid). The value of deferred Common Stock shall be determined as of the date the Common Stock would otherwise have paid to the Participant but for the deferral. If any deferral (whether cash, stock-based or both) exceeds the limitation described herein, then the Plan Committee shall reduce such deferral in a manner that it deems appropriate.

5.2 Memorandum Account. The Company shall establish a ledger account (the "Memorandum Account") for each Participant who has elected to defer the receipt of some or all of his or her Salary and/or Incentive Compensation for the purpose of reflecting the Company's obligation to pay the deferred Salary and/or Incentive Compensation as provided in Sections 5.4 and 5.5. The Memorandum Account shall be comprised of a Cash Account and a Stock Account. A Participant's Cash Account shall be credited with a notional amount equal to the amount otherwise payable (but for the deferral) to the Participant in cash and a Participant's Stock account shall be credited with a number of notional shares equal to the number of shares of Common Stock otherwise (but for the deferral) payable to the

Participant. Investment rate(s) of return shall accrue on a Participant's Cash Account to the date of distribution, and shall be credited to the Cash Account at the end of each calendar quarter or such other periods as may be determined by the Plan Committee. The Plan Committee shall determine the investment rate(s) of return periodically and in so doing may take into account the earnings, losses, appreciation or depreciation attributable to any discretionary investments made pursuant to section 5.3. The Plan Committee shall credit a number of notional shares to a Participant's Stock Account effective as of the date shares of Common Stock would otherwise have been paid to the Participant but for the deferral. If dividends are paid on the Common Stock from and after the date notional shares are credited to a Participant's Stock Account, the Plan Committee shall credit the Participant's Cash Account to reflect the dividends that would have been paid to the Participant if the Participant actually held a number of shares of Common Stock equal to the number of notional shares then credited to his or her Stock Account. The Plan Committee shall make appropriate adjustments to Stock Accounts if the Common Stock shall be changed (or converted into other consideration) as a result of stock splits, combinations or exchanges of shares, or through reorganization, merger, consolidation or similar events.

5.3 Discretionary Investment by Company. The deferred Salary and/or Incentive Compensation to be paid to Participants is an unfunded obligation of the Company. The Plan Committee may annually direct that an amount equal to the deferred Salary and/or Incentive Compensation for that year held in Cash Accounts shall be invested as the Plan Committee shall determine and may approve certain fixed and variable rates of return which are to be credited to the Participant Memorandum Accounts under the Plan. The Plan Committee may set investment rate(s) of return equal to those earned by various mutual funds. The Plan Committee in its sole discretion may determine that all or some portion of an amount equal to the deferred Salary and/or Incentive Compensation shall be paid into one or more grantor Trusts to be established by the Company or a Subsidiary of which it shall be the beneficiary, and to the assets of which it shall become entitled as and to the extent that Participants receive benefits under this Plan. The Plan Committee may designate an investment advisor to direct investments and reinvestment of the funds, including investments paid into any grantor trusts hereunder.

5.4 Payment of Cash Accounts. Upon the retirement, Permanent Disability, resignation, or termination of employment of a Participant who has a Cash Account, the Company shall pay to such Participant an amount equal to the balance of the Participant's Cash Account, as (a) a lump sum cash payment or (b) in annual installments over a period of years to be determined by the Plan Committee. Upon the death of a Participant with a Cash Account, the Company shall pay to his or her Beneficiary an amount equal to the balance of the Participant's Cash Account as a lump sum cash payment. Lump sum payments shall commence as soon as

practicable after the Participant's retirement, Permanent Disability, resignation or other termination of employment or death. Annual installment payments are valued December 31 (or the last trade date of the year) and paid in January of the following year.

5.5 Payment of Stock Accounts. Upon the retirement, Permanent Disability, resignation, or termination of employment of a Participant who has a Stock Account, the Company shall deliver to such Participant a number of shares of Common Stock equal to the balance of the Participant's Stock Account, as (a) a lump sum payment or (b) in annual installments of shares of Common Stock over a period of years to be determined by the Plan Committee. Upon the death of a Participant who has a Stock Account, the Company shall pay to his or her Beneficiary an amount of shares of Common Stock equal to the balance of notional shares in the Participant's Stock Account as a lump sum payment. Lump sum payments shall commence as soon as practicable after the Participant's retirement, Permanent Disability, resignation or other termination of employment or death. Each Common Stock installment payment shall be paid in the month of January. Shares of Common Stock delivered in respect of a deferral under this Plan shall be paid pursuant to an equity plan of the Company that provides for the payment of shares of Common Stock and such shares shall count against the Common Stock share reserve of such plan. Any fractional shares shall be settled in cash.

5.6 Selection of Payment Option. Before January 1 of any calendar year, the Plan Committee may allow each Participant to change the payment provisions for past and current amounts deferred, provided, however, that the Participant must remain employed by the Company or a Subsidiary for one (1) year prior to the changes taking effect.

5.7 Hardship. In the event the Committee, upon written request of a Participant, determines in its sole discretion that the Participant has suffered an unforeseeable financial emergency, the Committee may pay to a Participant as soon as practicable following such determination, an amount from the Participant's Memorandum Account that shall not exceed the minimum amount necessary to satisfy the emergency. For purposes of this Plan, an unforeseeable financial emergency is an unanticipated emergency that is caused by an event beyond the control of the Participant as may result from illness, casualty loss or sudden financial reversal and that would result in severe financial hardship to the Participant if the emergency distribution were not permitted. Financial needs arising from foreseeable events, such as the purchase of a residence or education expenses for children, shall not be considered a financial emergency. A Participant who receives a hardship distribution pursuant to this Section 5.7 shall be ineligible to make any additional deferrals under the Plan for the balance of the Plan Year in which the hardship distribution occurs and for the immediately following Plan Year.

5.8 Incapacity of Participant or Beneficiary. If the Plan Committee finds that any Participant or Beneficiary to whom a payment is payable under the Plan is unable to care for his or her affairs because of illness or accident or is under a legal disability, any payment due (unless a prior claim therefore shall have been made by a duly appointed legal representative), may at the discretion of the Plan Committee, be paid to the spouse, child, parent or brother or sister of such Participant or Beneficiary. Any such payment shall be a complete discharge of the obligations of the Company under the provisions of the Plan.

5.9 Nonassignment. The right of a Participant or Beneficiary to the payment of any amounts under the Plan may not be assigned, transferred, pledged or encumbered nor shall such right or other interests be subject to attachment, garnishment, execution or other legal process.

SECTION 6 - UNFUNDED OBLIGATION

6.1 Unfunded Obligation. The deferred amounts to be paid to Participants pursuant to this Plan are unfunded obligations of the Company. The Company is not required to segregate any monies from its general funds, to issue any shares of Common Stock, to create any trusts, or to make any special deposits with respect to this obligation. Title to and beneficial ownership of any investments including trust investments which the Company or Related Companies may make to fulfill this obligation shall at all times remain in the Company or its Subsidiaries, as the case may be. Any investments and the creation or maintenance of any trust or memorandum accounts shall not create or constitute a trust or a fiduciary relationship between the Committee, or the Company and/or any Subsidiary, and a Participant, or otherwise create any vested or beneficial interest in any Participant, or his or her Beneficiary, or his or her creditors, in any assets of the Company or any Subsidiary whatsoever. Participants shall have no claim against the Company or any Subsidiary for any changes in the value of any assets which may be invested or reinvested by the Company with respect to this Plan or with respect to any changes in value of shares of Common Stock.

SECTION 7 - RIGHTS OF EMPLOYMENT

7.1 Employment. Nothing in this Plan shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary.

SECTION 8 - CLAIMS PROCEDURE

8.1 Claims Appeal Procedure. After first discussing any claims that a Participant may have under the Plan with the Company's Vice President of Human Resources, the Participant may then make a claim under this Plan in writing to the Plan Committee. The Plan Committee shall make all determinations concerning such claim. Any decision by the Plan Committee denying such claim shall be in writing and shall be delivered to the Participant, or if applicable, anyone who makes a claim in respect of the Participant. Such decision shall set forth the reasons for denial in plain language. Pertinent provisions of the Plan shall be cited and, where appropriate, an explanation as to how the claimant can perfect the claim will be provided. This notice of denial of the claim will be provided within 90 days of the Plan Committee's receipt of the claimant's claim. If the Plan Committee fails to notify the claimant of its decision regarding the claim, the claim shall be considered denied, and the claimant shall then be permitted to proceed with the appeal as provided in Section 8.2.

8.2 Appeal of Claim. A claimant who has been completely or partially denied a claim shall be entitled to appeal a denial of his/her claim by filing a written statement of his/her position with the Committee no later than sixty (60) days after receipt of the written notification of such claim denial. The Committee shall schedule an opportunity for a full and fair review of the issue within thirty (30) days of receipt of the appeal. The decision on review shall set forth specific reasons for the decision, and shall cite specific references to the pertinent Plan provisions on which the decision is based. Following the review of any additional information submitted by the claimant, either through the hearing process or otherwise, the Committee shall render a decision on the review of the denied claim. The Committee shall make its decision regarding the merits of the denied claim within 60 days following receipt of the request for review (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). The Committee shall deliver the decision to the claimant in writing. If an extension of time for reviewing the appealed claim is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. If the decision on review is not furnished within the prescribed time, the claim shall be deemed denied on review. The decision on review shall set forth specific reasons for the decision, and shall cite specific references to the pertinent Plan provisions on which the decision is based.

SECTION 9 - TERMINATION AND AMENDMENT

9.1 Termination and Amendment. The Committee may from time to time amend, suspend or terminate the Plan, in whole or in part, and if the Plan is

suspended or terminated, the Committee may reinstate any or all of its provisions. No such amendment, suspension, or termination: (a) may impair the right of a Participant or designated Beneficiary to receive the deferred Salary and/or Incentive Compensation benefit accrued prior to the effective date of such amendment, suspension or termination; or (b) shall be effective for a Plan Year with respect to which a deferral election has been made under Section 5.

SECTION 10 - WITHHOLDING TAXES

10.1 Withholding Taxes. Appropriate payroll taxes shall be withheld from all amounts required to be paid or credited pursuant to this Plan.

SECTION 11 - REQUIREMENTS OF LAW AND GOVERNING LAW

11.1 Requirements of Law. The operation and administration of the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

11.2 Governing Law. The Plan and all agreements under the Plan shall be constructed in accordance with and governed by the laws of the State of Washington.

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November 1, 2001

Mr. Thomas Lindquist
[Address Omitted]

Fax [number omitted]

Dear Tom:

I am very pleased to offer you an important key management role with Plum Creek Timber Company, Inc. (the "Company"). We hope you will find challenge and satisfaction as a member of our senior executive team. This letter serves to confirm the key terms of our employment offer to you:

POSITION:	Executive Vice President - Real Estate/Strategic Business Development
REPORTS TO:	Rick Holley, President & Chief Executive Officer
START DATE:	As soon as reasonably possible, but no later than January 14, 2002.
ANNUAL BASE SALARY:	Initial base salary of \$275,000. Thereafter, your base salary will be reviewed each January along with other senior executives of the Company.
ANNUAL INCENTIVE:	You will be eligible for a performance driven annual incentive of up to 100% of your base salary. For 2001 or 2002, as the case may be, the incentive will be prorated for time in the position.
LONG TERM INCENTIVE:	On your start date, 35,000 stock options will be granted under the terms of the Plum Creek Stock Incentive Plan along with an equal number of Dividend Equivalent Rights (DERs). In January 2003, you will be eligible to receive an additional stock option grant and DERs. Also, on your start date, you will be granted 1,500 units under the 2000 Value Management Plan (VMP) and this coming January, you would be eligible for additional unit awards under the

VMP (anticipated to be no less than 5,000), upon Board approval following the annual January Board of Directors meeting.

RESTRICTED STOCK GRANT: On your start date, you will receive a restricted stock grant of 10,000 shares issued as of your start date. Additionally, if and to the extent your current employer does not pay you your 2001 bonus and long-term incentive of \$550,000, then the Company will issue you additional restricted stock in an amount necessary to compensate you for this non-payment. In no event, however, will the value of the total grant under this restricted stock grant section exceed \$550,000. These shares of restricted stock will vest three years after your start date with the Company. Dividends on these shares are unrestricted and paid quarterly.

ADDITIONAL INCENTIVE: In consideration of your forfeiting stock options with your current employer, at the conclusion of three years of employment with the Company, Rick Holley, in the exercise of his sole discretion, may decide to issue you additional Company common stock equal in value of up to \$250,000 as a result of your individual performance at the Company, provided that you are still employed with the Company. In the event that Rick Holley is no longer employed by the Company as of such third anniversary, and you are employed by the Company at that time, then you would receive Company common stock equal to no less than \$100,000 in value.

NOTICE: If you accept our offer, we acknowledge and accept your desire not to disclose such acceptance for a reasonable period of time, not to exceed thirty days from the date of your acceptance. Following such period of time, a press release, approved by you, will be issued.

OTHER BENEFITS: Participation in the other corporate fringe benefits including pension, 401(k), medical, dental, disability, and life insurance is available to you. Vacations, holiday, and benefits are established by Company policy. Under the current policy, you will be eligible for five weeks of vacation a year.

You will also be permitted to obtain a company car (\$40,000 allowance toward purchase) for which the Company will pay for insurance and operating costs. The Company will also reimburse you for a membership in an athletic or luncheon club and provide annual tax preparation and financial consultations.

EXECUTIVE AGREEMENT: You will be covered by an executive agreement in a form specified by the Company and agreed to by you (the "Executive Agreement"). Certain key terms of the agreement are as follows:

Mr. Thomas Lindquist
Page 3
November 1, 2001

- Cash Compensation: Upon termination for a reason other than "cause," you will be entitled to an amount equal to one year of your then current annual salary and bonus from the preceding fiscal year.
- Acceleration: All of your Company restricted stock would immediately accelerate and vest upon the occurrence of such termination.
- Term: Two years.

Tom, I am very excited about working with you on the Plum Creek team. This is an exciting time for the Company and I believe this is a great opportunity for you and us. I would appreciate your response to our proposal by no later than 5:00 p.m. (PST) on Tuesday, November 6, 2001.

Sincerely,

/s/ Rick Holley

Agreed to and accepted as of November 5, 2001.

/s/ Thomas Lindquist

Mr. Thomas Lindquist

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November 20, 2001

Mr. Thomas Lindquist
[Address Omitted]

Fax [number omitted]

Dear Tom:

You ("Executive") have previously agreed to be employed by Plum Creek Timber Company, Inc. (the "Company" or "Plum Creek") pursuant to the terms referred to in my letter to you dated November 1, 2001. This letter sets forth the "Executive Agreement" referenced in that letter.

EXECUTIVE AGREEMENT

The Company may terminate Executive's employment and this Executive Agreement at any time for "Cause" (as hereinafter defined) immediately upon written notice to Executive. As used herein, the term "Cause" shall mean that Executive shall have in the reasonable judgment of the Board of Directors of the Company (i) committed a criminal act or a single act of fraud, embezzlement, breach of trust, or other act of gross misconduct, or (ii) violated any material written Company policy or rules of the Company, unless rectified by Executive within 45 days following written notice thereof to Executive or (iii) refused to follow the reasonable written directions given by the Board or the Company's Chief Executive Officer from time to time or breached any covenant or obligation under this Executive Agreement or other agreement with the Company, unless rectified by Executive within 45 days following written notice thereof to Executive.

The Company may terminate Executive's employment and this Executive Agreement Without Cause (as hereinafter defined) upon written notice to Executive. Termination "Without Cause" shall mean termination of employment on any basis (including no reason or cause) other than termination of Executive's employment for Cause, voluntary resignation, death or permanent disability.

If your employment with Plum Creek is terminated Without Cause or if terminated following a Change in Control (as hereinafter defined), in either case in the first two years from your date of hire, Plum Creek will pay you as severance, the equivalent of one year's base salary (at the level in effect at the date of termination) plus an amount equal to the bonus paid with respect to the full calendar year preceding the year in which Executive's employment was terminated. If the termination Without Cause or following a Change in Control takes place prior to the first year bonus being paid to Executive, then such bonus will be based upon the average bonus paid to similarly situated executives of Plum Creek. In addition, upon such termination, all outstanding stock options will become immediately vested and

Mr. Thomas Lindquist
Page 2
November 20, 2001

all restrictions on restricted stock will lapse (provided, however, that the lapsing of such restrictions and accelerated vesting will not occur prior to the date which is six months from your date of hire).

As used herein, "Change in Control" means the occurrence of any of the following events:

(i) any Person is or becomes after the effective date hereof the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its affiliates) representing 50% or more of the combined voting power of the Company's then outstanding securities; or

(ii) a majority of the directors elected at any annual or special meeting of shareholders of Plum Creek are not individuals nominated by Plum Creek's then incumbent Board of Directors; or

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than 50% of the combined voting power of the Company's then outstanding securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

Tom, if the foregoing is acceptable to you, please execute in the space provided below and return one copy to me.

Sincerely,

Rick R. Holley
President and Chief Executive Officer

/s/ Rick R. Holley

Agreed to and accepted as of November 20, 2001.

/s/ Thomas Lindquist
Mr. Thomas Lindquist

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STOCK OPTION DIVIDEND EQUIVALENT AND VALUE MANAGEMENT AWARD AGREEMENT

AGREEMENT made as of the _____ day of _____ 200__, between Plum Creek Timber Company, Inc., a Delaware corporation (the "Company"), and _____ ("Employee"), an employee of Plum Creek Timberlands, L.P., a subsidiary of the Company. Terms used herein, unless otherwise defined herein, shall have the meanings ascribed to them in the Plum Creek Timber Company, Inc. 2000 Stock Incentive Plan (the "Plan"). To carry out the purposes of the Plan by affording Employee the opportunity to purchase shares of common stock, par value \$.01 per share, of the Company ("Stock") and to receive certain other benefits under the Plan, and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Employee hereby agree as follows:

A. STOCK OPTION AWARD.

1. Grant of Option. The Company hereby grants to Employee the right and option (the "Option") to purchase all or any part of an aggregate of _____ shares of Stock, on the terms and conditions set forth herein and in the Plan, which Plan is incorporated herein by reference as a part of this Agreement. The Option shall not be treated as an incentive stock option within the meaning of section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price. The purchase price of any Stock purchased pursuant to the exercise of the Option shall be \$_____ per share, which was the closing price of a share of Stock on the date hereof.

3. Exercise of Option. Subject to the earlier expiration of the Option as herein provided, the Option may be exercised by written notice to the Company at its principal executive office addressed to the attention of the Stock Option Plan Administrator, but, except as otherwise provided below, the Option shall not be exercisable for more than a percentage of the aggregate number of shares offered by the Option determined by the number of full years from the date of grant hereof to the date of such exercise, in accordance with the following vesting schedule:

Number of Full Years (Date)	Percentage of Shares
-----	-----
Less than 1 year	0%
1 year (Date)	25%
2 years (Date)	50%
3 years (Date)	75%
4 years (Date)	100%

The Option is not transferable otherwise than by will or the laws of descent and distribution, or pursuant to a "qualified domestic relations order" as defined by the Code, and may be exercised during Employee's lifetime only by Employee, Employee's guardian or legal representative or a transferee under a qualified domestic relations order. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Option or of such rights contrary to the provisions hereof or the Plan, or upon the levy of any attachment or similar process upon the Option or such rights, the Option and such rights shall immediately become null and void. The Option may be exercised only while Employee remains an employee of the Company, subject to the following exceptions:

(a) If Employee's employment with the Company terminates by reason of disability (disability being defined as being physically or mentally incapable of performing either the Employee's usual duties or any other duties that the Company reasonably makes available and such condition is likely to remain continuously and permanently, as determined by the Company or an employing subsidiary of the Company), the vested portion of the Option may be exercised by Employee (or Employee's estate or the person who acquires the Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) at any time during the period of three years following such termination.

(b) If Employee dies while in the employ of the Company, Employee's estate, or the person who acquires the Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee, may exercise the vested portion of the Option at any time during the period of three years following the date of Employee's death.

(c) If Employee's employment with the Company terminates by reason of normal retirement at or after age 65 or early retirement with the consent of the Company's Compensation Committee (the "Committee"), the portion of the Option vested on the date of such retirement may be exercised by Employee at any time during the period ending on the Expiration Date (as defined below). If Employee dies after such retirement, the vested portion of the Option may be exercised by Employee's estate (or the person who acquires the Option by will or the laws of descent and distribution or otherwise by reason of the death of the Employee) during the period ending on the earlier of the Expiration Date or the third anniversary of the date of Employee's death.

(d) If Employee's employment with the Company terminates for any reason other than those set forth in subparagraphs (a) through (c) above, the portion of the Option vested at the time of such termination may be exercised by Employee at any time during the period of 30 days following such termination, or by Employee's estate (or the person who acquires the Option by will or the laws of descent and distribution or otherwise by reason of the death of the Employee) during a period of six months following Employee's death if Employee dies during such 30-day period.

Notwithstanding any other provision of this Agreement, the Option shall not be exercisable after the expiration of ten years from the date of grant hereof (the "Expiration Date"). The purchase price of shares as to which the Option is exercised shall be paid in full at the time of exercise (a) in cash (including check, bank draft or money order payable to the order of the Company), (b) by delivering to the Company shares of Stock having a fair market value equal to the purchase price, or (c) by a combination of cash or Stock. Payment may also be made by delivery (including by facsimile transmission) to the Company of a properly executed and irrevocable Notice of Exercise form, coupled with irrevocable instructions to a broker-dealer to simultaneously sell a sufficient number of the shares as to which the Option is exercised and deliver directly to the Company that portion of the sales proceeds representing the exercise price and applicable minimum withholding taxes ("Cashless Exercise") or by such other similar process approved by the Committee.

No fraction of a share of Stock shall be issued by the Company upon exercise of an Option or accepted by the Company in payment of the purchase price thereof; rather, Employee shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Stock. Unless and until a certificate or certificates representing such shares shall have been issued by the Company to Employee, Employee (or the person permitted to

exercise the Option in the event of Employee's death) shall not be or have any of the rights or privileges of a shareholder of the Company with respect to shares acquirable upon an exercise of the Option.

4. Withholding of Tax. Except when using the Cashless Exercise procedure, Employee shall deliver to the Company at the time of such exercise or disposition such amount of money or shares of Stock as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is hereby authorized to withhold from any cash or Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income. Upon exercise of all or a portion of the Option, the Company is further authorized in its sole discretion to satisfy any such withholding requirement out of any cash or shares of Stock to be distributed to Employee upon such exercise.

5. Status of Stock. Notwithstanding any other provision of this Agreement, in the absence of an effective registration statement under the Securities Act of 1933, as amended (the "Act"), for issuance of the Stock acquirable upon exercise of the Option, or an available exemption from registration under the Act, issuance of shares of Stock acquirable upon exercise of the Option will be delayed until registration of such shares is effective or an exemption from registration under the Act is available. The Company intends to use its best efforts to ensure that no such delay will occur. In the event exemption from registration under the Act is available upon an exercise of the Option, Employee (or the person permitted to exercise the Option in the event of Employee's death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Employee agrees that the shares of Stock which Employee may acquire by exercising the Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable securities laws, whether federal or state. Employee also agrees (i) that the certificates representing the shares of Stock purchased under the Option may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under the Option on the stock transfer records of the Company if such proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the shares of Stock purchased under the Option.

B. DIVIDEND EQUIVALENTS.

1. Grant of Dividend Equivalents. The Company hereby grants to Employee in connection with the grant of the Option _____ Dividend Equivalents, defined in the Plan to mean a 5-year right to receive cash and Stock equal in value to dividends paid with respect to the number of shares of Stock underlying such Option, together with interest earned thereon, subject to the attainment of Performance Goals.

2. Non-transferable. Employee may not sell, transfer, pledge or assign Dividend Equivalents.

3. Performance Goals. The Performance Goal for the Dividend Equivalents granted hereby is ___% Total Shareholder Return, based upon the Company's Stock price and dividends paid, on an annualized basis. The Performance Period for the Dividend Equivalents granted hereby shall commence on January 1, 200__ and shall end on December 31, 200__. In order for the Performance Goal to be met with respect to any current year, as well as prior-period unearned Dividend Equivalents, Total Shareholder Return, on a compounded basis, must be at or above the ___% target for 15 trading days out of any 30 trading day period in that year. Once the Performance Goal is met in any given year, dividends for such year, and for prior years to the extent not yet earned, shall be credited to a Memorandum Account on Employee's behalf (at such time as such dividends are determinable) and shall earn interest thereafter at a market rate selected from time to time by the Committee.

4. Effect of Stock Option Exercise. Upon any exercise of the Option, the Dividend Equivalents granted hereunder shall immediately terminate with respect to the corresponding number of shares underlying the portion of the Option so exercised, and the opportunity to earn additional dividends with respect to such shares shall cease. .

5. Payment of Dividend Equivalents. Amounts credited to Employee's Memorandum Account, including any interest earned thereon, shall be paid within a reasonable time following the end of the Performance Period set forth in paragraph B.3 above, and shall be paid 50% in Stock and 50% in cash, less any required tax withholding.

6. Termination of Employment. Within a reasonable period of time following termination of employment, Employee shall receive an amount in cash equal to the amount credited to Employee's Memorandum Account with respect to vested Stock Options. ALL DIVIDEND EQUIVALENTS PREVIOUSLY CREDITED TO EMPLOYEE'S MEMORANDUM ACCOUNT RELATING TO NON-VESTED STOCK OPTIONS SHALL BE FORFEITED.

C. VALUE MANAGEMENT AWARD.

1. Grant. The Company hereby grants to Employee _____ Value Management Award Units, each Unit with a face value of \$100 (the "VMA"). The aggregate face amount of the VMA is thus \$_____.

2. Performance Goals. The Performance Goals shall constitute a measure of Total Shareholder Return over the three year Performance Period from January 1, 200__ through December 31, 200__, relative to a peer group of companies selected by the Committee, as set forth below:

TOTAL SHAREHOLDER RETURN -----	VALUE MANAGEMENT AWARD EARNED -----
At or above the 75th percentile	200% of face value
Between the 50th and 75th percentiles	Sliding scale between 0 and 200%
Below the 50th percentile	0% of face value

Following completion of the Performance Period, the Committee will calculate the Total Shareholder Return of the Company and that of each of the companies in the peer group, and will rank the Company's performance by percentile. Upon a determination by the Committee of the Company's relative performance, an amount will be credited to the Participant's Memorandum Account equal to (a) the aggregate face amount of the VMA multiplied by (b) the percentage amount corresponding to the identified percentile ranking as set forth above, which amount shall earn interest thereafter at a market rate selected from time to time by the Committee.

3. Time and Form of Payment. All payments of amounts credited to Employee's Memorandum Account with respect to the Value Management Award shall be made 50% at the beginning of the 1st year following the end of the Performance Period and 50% at the beginning of the 2nd year following the end of the Performance Period, with each such payment to be paid 50% in cash and 50% in Stock, less any required withholding.

4. Termination of Employment. Unless otherwise determined by the Committee and except as otherwise provided under the Plan, IF EMPLOYEE'S EMPLOYMENT TERMINATES FOR ANY REASON (OTHER THAN DEATH OR DISABILITY), INCLUDING TERMINATION FOR CAUSE, PRIOR TO THE PAYMENT OF THE ABOVE VALUE MANAGEMENT AWARD, NO VALUE MANAGEMENT AWARD SHALL BE PAYABLE TO EMPLOYEE, AND ALL AMOUNTS CREDITED TO EMPLOYEE'S MEMORANDUM ACCOUNT SHALL BE FORFEITED. However, should Employee die or become Disabled at any time during a Performance Period, a pro rata award may be paid based upon Employee's number of full months of active service during the Performance Period.

D. MISCELLANEOUS.

1. Employment Relationship. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, a parent or subsidiary corporation (as defined in section 424 of the Code) of the Company, or a corporation or a parent or subsidiary of such corporation, assuming or substituting a new option for the Option. Any question as to whether and when there has been a termination of such employment, and the cause of any such termination, shall be determined by the Committee in its sole discretion, and such determination shall be final.

2. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

3. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Washington.

STOCK OPTION DIVIDEND EQUIVALENT AND VALUE MANAGEMENT
AWARD AGREEMENT ACCEPTANCE

You have been granted _____ under the Plum Creek Timber Company, Inc. 2000 Stock Incentive Plan (the "Plan"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Plan.

AWARD SUMMARY:

Award Agreement Date: _____ day of _____ 200__

Purchase Price per Section A(2) shall be \$_____ per share

Vesting schedule per Section A(3):

Number of Full Years (Date) -----	Percentage of Shares -----
Less than 1 year	0%
1 year (Date)	25%
2 years (Date)	50%
3 years (Date)	75%
4 years (Date)	100%

GRANTS:

- You have been granted _____ Stock Options under the Plan.
- You have been granted Dividend Equivalents of _____ in connection with your Stock Options under the Plan.
- You have been granted a Value Management Award of _____.

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be duly executed by its officer thereunto duly authorized, and Employee has executed this Agreement, all as of the day and year first above written.

Plum Creek Timber Company, Inc.

By: _____
Barbara L. Crowe
Vice President, Human Resources

Employee Signature _____

STOCK OPTION AND DIVIDEND EQUIVALENT AWARD AGREEMENT

AGREEMENT made as of the ____ day of _____, 200____, between Plum Creek Timber Company, Inc., a Delaware corporation (the "Company"), and _____ ("Director"). Terms used herein, unless otherwise defined herein, shall have the meanings ascribed to them in the Plum Creek Timber Company, Inc. 2000 Stock Incentive Plan (the "Plan"). To carry out the purposes of the Plan by affording Director the opportunity to purchase shares of common stock, par value \$.01 per share, of the Company ("Stock") and to receive certain other benefits under the Plan, and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Director hereby agree as follows:

A. Stock Option Award.

1. Grant of Option. The Company hereby grants to Director the right and option (the "Option") to purchase all or any part of an aggregate of _____ shares of Stock, on the terms and conditions set forth herein and in the Plan, which Plan is incorporated herein by reference as a part of this Agreement. The Option shall NOT be treated as an incentive stock option within the meaning of section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price. The purchase price of any Stock purchased pursuant to the exercise of the Option shall be \$_____ per share, which was the closing price of a share of Stock on the date hereof.

3. Exercise of Option. Subject to the earlier expiration of the Option as herein provided, the Option may be exercised by written notice to the Company at its principal executive office addressed to the attention of the Stock Option Plan Administrator, but, except as otherwise provided below, the Option shall not be exercisable for more than a percentage of the aggregate number of shares offered by the Option determined by the number of full years from the date of grant hereof to the date of such exercise, in accordance with the following vesting schedule:

Number of Full Years (Date)	Percentage of Shares
-----	-----
Less than 1 year	0%
1 year (Date)	25%
2 years (Date)	50%
3 years (Date)	75%
4 years (Date)	100%

The Option is not transferable otherwise than by will or the laws of descent and distribution, or pursuant to a "qualified domestic relations order" as defined by the Code, and may be exercised during Director's lifetime only by Director, Director's guardian or legal representative or a transferee under a qualified domestic relations order. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Option or of such rights contrary to the provisions hereof or the Plan, or upon the levy of any attachment or similar process upon the Option or such rights, the Option and such rights shall immediately become null and void. The Option may be exercised only while Director remains a Director of the Company, subject to the following exceptions:

(a) If Director's term of office as a director of the Company is terminated due to disability (disability being defined as being physically or mentally incapable of performing either the Director's usual duties or any other duties that the Company reasonably makes available and such condition is likely to remain continuously and permanently, as determined by the Company), the vested portion of the Option may be exercised by Director (or Director's estate or the person

who acquires the Option by will or the laws of descent and distribution or otherwise by reason of the death of Director) at any time during the period of three years following such termination.

(b) If Director's term of office as a director of the Company terminates by reason of Director's death or for any reason other than as set forth in subparagraph (a) above, the portion of the Option vested at the time of such termination may be exercised by Director or, in the case of Director's death, by Director's estate (or the person who acquires the Option by will or the laws of descent and distribution or otherwise by reason of Director's death) at any time during the period of one year following the date of such death or termination.

Notwithstanding any other provision of this Agreement, the Option shall not be exercisable after the expiration of ten years from the date of grant hereof (the "Expiration Date"). The purchase price of shares as to which the Option is exercised shall be paid in full at the time of exercise (a) in cash (including check, bank draft or money order payable to the order of the Company), (b) by delivering to the Company shares of Stock having a fair market value equal to the purchase price, or (c) by a combination of cash or Stock. Payment may also be made by delivery (including by facsimile transmission) to the Company of a properly executed and irrevocable Notice of Exercise form, coupled with irrevocable instructions to a broker-dealer to simultaneously sell a sufficient number of the shares as to which the Option is exercised and deliver directly to the Company that portion of the sales proceeds representing the exercise price and applicable minimum withholding taxes ("Cashless Exercise") or by such other similar process approved by the Committee.

No fraction of a share of Stock shall be issued by the Company upon exercise of an Option or accepted by the Company in payment of the purchase price thereof; rather, Director shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Stock. Unless and until a certificate or certificates representing such shares shall have been issued by the Company to Director, Director (or the person permitted to exercise the Option in the event of Director's death) shall not be or have any of the rights or privileges of a shareholder of the Company with respect to shares acquirable upon an exercise of the Option.

4. Withholding of Tax. Except when using the Cashless Exercise procedure, Director shall deliver to the Company at the time of such exercise or disposition such amount of money or shares of Stock as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Director fails to do so, the Company is hereby authorized to withhold from any cash or Stock remuneration then or thereafter payable to Director any tax required to be withheld by reason of such resulting compensation income. Upon exercise of all or a portion of the Option, the Company is further authorized in its sole discretion to satisfy any such withholding requirement out of any cash or shares of Stock to be distributed to Director upon such exercise.

5. Status of Stock. Notwithstanding any other provision of this Agreement, in the absence of an effective registration statement under the Securities Act of 1933, as amended (the "Act"), for issuance of the Stock acquirable upon exercise of the Option, or an available exemption from registration under the Act, issuance of shares of Stock acquirable upon exercise of the Option will be delayed until registration of such shares is effective or an exemption from registration under the Act is available. The Company intends to use its best efforts to ensure that no such delay will occur. In the event exemption from registration under the Act is available upon an exercise of the Option, Director (or the person permitted to exercise the Option in the event of Director's death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Director agrees that the shares of Stock that Director may acquire by exercising the Option will not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable securities laws, whether federal or state. Director also agrees (i) that the certificates representing the shares of Stock purchased under the Option may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under the Option on the stock transfer records of the Company if such proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the shares of Stock purchased under the Option.

B. Dividend Equivalents.

1. Grant of Dividend Equivalents. The Company hereby grants to Director in connection with the grant of the Option _____ Dividend Equivalents, defined in the Plan to mean a 5-year right to receive cash and Stock equal in value to dividends paid with respect to the number of shares of Stock underlying such Option, together with interest earned thereon, subject to the attainment of Performance Goals.

2. Non-transferable. Director may not sell, transfer, pledge or assign Dividend Equivalents.

3. Performance Goals. The Performance Goal for the Dividend Equivalents granted hereby is ___% Total Shareholder Return, based upon the Company's Stock price and dividends paid, on an annualized basis. The Performance Period for the Dividend Equivalents granted hereby shall commence on January 1, 200__ and shall end on December 31, 200__. In order for the Performance Goal to be met with respect to any current year, as well as prior-period unearned Dividend Equivalents, Total Shareholder Return, on a compounded basis, must be at or above the ___% target for 15 trading days out of any 30 trading day period in that year. Once the Performance Goal is met in any given year, dividends for such year, and for prior years to the extent not yet earned, shall be credited to a Memorandum Account on Director's behalf (at such time as such dividends are determinable) and shall earn interest thereafter at a market rate selected from time to time by the Committee.

4. Effect of Stock Option Exercise. Upon any exercise of the Option, the Dividend Equivalents granted hereunder shall immediately terminate with respect to the corresponding number of shares underlying the portion of the Option so exercised, and the opportunity to earn additional dividends with respect to such shares shall cease.

5. Payment with respect to Dividend Equivalents. Amounts credited to Director's Memorandum Account, including any interest earned thereon, shall be paid within a reasonable time following the end of the Performance Period set forth in paragraph B.3 above, and shall be paid 50% in Stock and 50% in cash, less any required tax withholding.

6. Termination. Within a reasonable period of time following termination of Director's term as a director of the Company, Director shall receive an amount in cash equal to the amount credited to Director's Memorandum Account with respect to vested Stock Options. ALL AMOUNTS PREVIOUSLY CREDITED TO DIRECTOR'S MEMORANDUM ACCOUNT IN CONNECTION WITH THE DIVIDEND EQUIVALENTS GRANTED HEREBY RELATING TO NON-VESTED STOCK OPTIONS SHALL BE FORFEITED.

C. Miscellaneous.

1. Relationship. For purposes of this Agreement, Director shall be considered to be a director of the Company as long as Director remains a director of either the Company, a parent or subsidiary corporation (as defined in section 424 of the Code) of the Company, or a corporation or a parent or subsidiary of such corporation, assuming or substituting a new option for the Option. Any question as to whether and when there has been a termination of Director's role as a director, and the cause of any such termination, shall be determined by the Committee in its sole discretion, and such determination shall be final.

2. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Director.

3. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Washington.

STOCK OPTION AND DIVIDEND EQUIVALENT
AWARD AGREEMENT ACCEPTANCE

You have been granted _____ under the Plum Creek Timber Company, Inc. 2000 Stock Incentive Plan (the "Plan"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Plan.

AWARD SUMMARY:

Award Agreement Date: ____ day of _____ 200__

Purchase Price per Section A(2) shall be \$_____ per share

Vesting schedule per Section A(3):

Number of Full Years (Date) -----	Percentage of Shares -----
Less than 1 year	0%
1 year (Date)	25%
2 years (Date)	50%
3 years (Date)	75%
4 years (Date)	100%

GRANTS:

You have been granted _____ Stock Options under the Plan.

You have been granted _____ Dividend Equivalents of in connection with your Stock Options under the Plan.

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be duly executed by its officer thereunto duly authorized, and Director has executed this Agreement, all as of the day and year first above written.

Plum Creek Timber Company, Inc.

By: _____

Barbara L. Crowe
Vice President, Human Resources

Director Signature _____

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Subsidiaries of the Registrant

State of Organization

Plum Creek Timberlands, L.P.	Delaware
Plum Creek Timber I, L.L.C.	Delaware
Plum Creek Timber II, L.L.C.	Delaware
Plum Creek Manufacturing, L.P.	Delaware
Plum Creek Maine Timberlands, L.L.C.	Delaware
Plum Creek Southern Timber, L.L.C.	Delaware
Plum Creek South Central Timberlands, L.L.C.	Delaware
Plum Creek Manufacturing Holding Company, Inc.	Delaware
Plum Creek Marketing, Inc.	Delaware
Plum Creek Northwest Lumber, Inc.	Delaware
Plum Creek Northwest Plywood, Inc.	Delaware
Plum Creek MDF, Inc.	Delaware
Plum Creek Southern Lumber, Inc.	Delaware
PC Timberland Investment Company	Delaware
Plum Creek Investment Company	Oregon
Plum Creek Land Company	Delaware
Plum Creek Maine Marketing, Inc.	Delaware
Highland Resources Inc.	Delaware
Cypress Creek Ranch, L.L.C.	Delaware

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Consent of Ernst & Young LLP, Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-67382, as amended), in the Registration Statement (Form S-8 No. 333-71192) pertaining to the Georgia-Pacific Corporation 1995 Shareholder Value Incentive Plan and Georgia-Pacific Corporation/Timber Group 1997 Long-term Incentive Plan, and in the Registration Statement (Form S-8 No. 333-59812) pertaining to the 2000 Stock Incentive Plan of Plum Creek Timber Company, Inc. of our report dated January 23, 2003, with respect to the consolidated financial statements of Plum Creek Timber Company, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ Ernst & Young LLP
Seattle, Washington
March 6, 2003

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-67382) and Forms S-8 (Nos. 333-59812 and 333-71192) of Plum Creek Timber Company, Incorporated of our report dated January 29, 2002 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Seattle, Washington
March 7, 2003

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NOTICE OF INABILITY TO OBTAIN CONSENT FROM ARTHUR ANDERSEN LLP

Because the merger with The Timber Company was accounted for as a reverse acquisition, the financial statements of The Timber Company became the Company's financial statements as of October 6, 2001, the date that the merger with The Timber Company was consummated. Arthur Andersen LLP audited the financial statements for and as of the year ended December 30, 2000 included in the Annual Report on Form 10-K for the year ended December 31, 2002. These financial statements are incorporated by reference into the following registration statements under the Securities Act of 1933, as amended: 333-67382, 333-71192 and 333-59812. After reasonable efforts, the Registrant has not been able to obtain the consent of Arthur Andersen LLP to the incorporation by reference of its audit report dated October 8, 2001 into our registration statements under the Securities Act of 1933, as amended. Accordingly, Arthur Andersen LLP will not be liable to investors under Section 11(a) of the Securities Act because it has not consented to being named as an expert in these registration statements, and therefore such lack of consent may limit the recovery by investors from Arthur Andersen LLP.

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CERTIFICATION OF CEO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Plum Creek Timber Company, Inc. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Rick R. Holley, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Rick R. Holley

Rick R. Holley
Chief Executive Officer
March 11, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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CERTIFICATION OF CEO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Plum Creek Timber Company, Inc. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William R. Brown, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William R. Brown

William R. Brown
Chief Financial Officer
March 11, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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