

**EXHIBIT 4 – SUPPLEMENT TO THE DEBTORS’ SECOND AMENDED JOINT PLAN OF
REORGANIZATION**

AGREEMENT AND PLAN OF MERGER FOR PALCO DEBTORS

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "Agreement") dated as of _____, 2008, among The Pacific Lumber Company a Delaware corporation ("Palco"), Britt Lumber Co., a California corporation ("Britt"), Salmon Creek LLC., a Delaware limited liability company ("Salmon Creek"), Scotia Development LLC, a Texas limited liability company ("Scotia Development"), and Scotia Inn Inc., a Delaware corporation ("Scotia Inn"), and collectively with Britt, Salmon Inn and Scotia Development, the "Merged Entities").

WITNESSETH:

WHEREAS, the parties desire to merge the Merged Entities with and into Palco, with Palco surviving, pursuant to the terms and conditions of this Agreement (the "Merger"); and

WHEREAS, the Merger has been approved by each of Palco, Britt, Salmon Inn, Scotia Development and Scotia Inn in accordance with the laws of the jurisdiction under which each is organized and their respective constituent documents.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties agree as follows:

ARTICLE I MERGER AND NAME OF SURVIVING CORPORATION

(a) The parties to the Merger are (i) Palco, (ii) Britt, (iii) Salmon Creek, (iv) Scotia Development and (v) Scotia Inn.

(b) The entity surviving the Merger is Palco, which will continue its existence as a corporation governed by the laws of the State of Delaware (the "Surviving Corporation").

(c) The certificate of incorporation of Palco in effect immediately before the Merger shall be amended as set forth on Exhibit A and shall be the certificate of incorporation of the Surviving Corporation until such time as it may be amended in accordance with applicable law.

(c) As provided in the Certificates of Merger to be filed with the Secretary of State of the State of Delaware, the State of California and the State of Texas, attached hereto as Exhibit B, C, and D, respectively, the filing of the Certificate of Merger with the Secretary of State of the State of Delaware will be the Merger's effective time (the "Effective Time").

(d) At the Effective Time:

(1) the property, real, personal and mixed, of each of the Merged Entities will vest in the Surviving Corporation, and the debts, liabilities and obligations of each of the Merged Entities will be the debts, liabilities and obligations of the Surviving Corporation; and

(2) without any action on the part of the Merged Entities, Palco or any other person or entity, all of the outstanding shares of Common Stock of the Merged Entities that are issued and outstanding immediately prior to the Effective Time, shall by virtue of the Merger be automatically canceled. At the Effective Time, without any action on the part of Merged Entities, Palco or any other person or entity, all outstanding shares of Common Stock of Palco in existence immediately before the Effective Time will be unaffected and unimpaired by the Merger and remain outstanding.

(e) The Surviving Corporation will be responsible for the payment of all fees and taxes, if any, Palco or any of the Merged Entities relating to the Merger.

(f) The Merged Entities, Palco and MAXXAM, Inc., a Delaware corporation and indirect parent of the Merged Entities and Palco, intend that the Merger be a tax free reorganization under the Internal Revenue Code of 1986, as amended from time to time.

(g) The Merged Entities and Palco intend to treat the ordering of the Merger as occurring first with Britt, followed by Salmon Creek, followed by Scotia Development and ending with Scotia Inn.

ARTICLE II MISCELLANEOUS

(a) This Agreement will be governed by and construed in accordance with the laws of the State of Delaware without regard to any conflicts of law provisions that would result in the application of the laws of any other jurisdiction.

(b) Each of the parties will take all such lawful action as may be necessary or appropriate to effect the transactions described in this Agreement. If at any time the Surviving Corporation considers or is advised that any further assignment, assurance or other action is necessary or desirable to vest in the Surviving Corporation the title to any property or right of each of the Merged Entities or otherwise to carry out the purposes of this Agreement, the proper officers or representatives of each of the Merged Entities will execute and make all such proper assignments or assurances and take such other actions. The proper officers or representatives of the Surviving Corporation are authorized in the name of each of the Merged Entities or otherwise, to take any and all such action.

[Remainder of page intentionally left blank; signature page follows.]

IN WITNESS WHEREOF, the undersigned have caused this Agreement and Plan of Merger to be executed as of the date first written above.

THE PACIFIC LUMBER COMPANY

By: _____
Name:
Title:

BRITT LUMBER CO.

By: _____
Name:
Title:

SALMON CREEK LLC

By: _____
Name:
Title:

SCOTIA DEVELOPMENT LLC

By: _____
Name:
Title:

SCOTIA INN INC.

By: _____
Name:
Title: