

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

<b>IN RE:</b>	§	<b>JOINTLY ADMINISTERED</b>
	§	
<b>SCOTIA DEVELOPMENT LLC, ET AL.,</b>	§	<b>Case No. 07-20027-C-11</b>
	§	
<b>Debtors.</b>	§	<b>Chapter 11</b>

THIS PLEADING APPLIES ONLY TO  
SCOTIA PACIFIC COMPANY LLC, CASE NO. 07-20032

**NOTEHOLDER GROUP'S EMERGENCY MOTION TO STRIKE UNTIMELY  
PLEADINGS FILED BY THE "PALCO DEBTORS"  
[Related Docket Nos. 541 & 542]**

The Ad Hoc Group of Timber Noteholders (the member of which hold or manage, as of the date hereof, more than 95% in principal aggregate amount outstanding of the Timber Notes, the "Noteholder Group")<sup>1</sup> in the above-captioned chapter 11 case, respectfully submits its *Emergency Motion To Strike Untimely Pleadings Filed By The "Palco Debtors"* (the "Motion").

In support of this Motion, the Noteholder Group states as follows:

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<sup>1</sup> The current members of the Noteholder Group include: Angelo, Gordon & Co. L.P., on behalf of certain managed accounts and funds; Avenue Investments, L.P.; Avenue International, Ltd.; Avenue Special Situations Fund III, L.P.; Avenue-CDP Global Opportunities Fund, L.P. US; Avenue Special Situations Fund IV, L.P.; Banc of America Securities, Inc.; Camulos Master Fund LP; CarVal Investors LLC; Citigroup Global Markets Inc.; CSG Investments, Inc.; Davidson Kempner Capital Management LLC, on behalf of certain affiliated investment funds; Deutsche Bank Securities Inc.; D. E. Shaw Laminar Portfolios, L.L.C.; funds managed by GSO Capital Partners LP; Intermarket Corp.; J.P. Morgan Securities Inc.; Lehman Brothers Inc.; Murray Capital Management (on behalf of certain managed accounts and funds); Northeast Investors Trust; Par IV Capital; Phoenix Investment Partners; Plainfield Special Situations Master Fund Limited; QDRF Master Ltd; QVT Financial LP; RockView Capital; TCW Credit Mortgage and Watershed Asset Management, L.L.C. The members of the Noteholder Group each act in their own individual interests, and neither the individual members nor the Group as a whole purport to act on behalf of or to represent any other holder of Timber Notes.

1. On March 29, 2007, at approximately 6:30 p.m., the "Palco Debtors" filed 38 pages of pleadings<sup>2</sup> objecting (collectively, the "38-Page Objection") to the Noteholder Group's Motion for (A) Determination That Scotia Pacific Company LLC Is A Single Asset Real Estate Debtor and (B) Order Requiring That Scotia Pacific Comply With The Requirements Of Bankruptcy Code § 362(d) (3) (the "SAR Motion"). See Docket Nos. 541 & 542.

2. This 38-Page Objection should be stricken because it was untimely filed according to the Local Bankruptcy Rules and to the Scheduling Order set by the parties and approved by this Court. Pursuant to Local Bankruptcy Rule 9013(b), the SAR Motion contained the following notice:

THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. ***YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 20 DAYS OF THE DATE THIS WAS SERVED ON YOU.*** YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU . . . .

S.D. TEX. LBR. 9013(b). The SAR Motion was served on February 6, 2007. As such, under Local Bankruptcy Rule 9013(b), the response deadline to the SAR Motion was ***February 26, 2007.***

3. The Scheduling Order suggested by the parties and approved by this Court moved this response deadline for the SAR Motion to ***March 1, 2007***, and set the hearing on the SAR Motion for ***March 30, 2007***. See Docket No. 327, a copy of which is attached as Exhibit A.

4. The "Palco Debtors" were clearly notified of these deadlines. They were not only properly served the SAR Motion but were present at all hearings in these cases and at every

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<sup>2</sup> Calling a 38-page pleading a "joinder" is disingenuous and sanctionable for a lack of candor to this Court.

status conference on the SAR Motion. (The minutes from these status conferences are copied on the attached Exhibit B.) It should be noted, though, that, although they were present at every status conference on the SAR Motion, the Palco Debtors did not participate in one.

5. Notwithstanding this notice, the 38-Page Objection was not filed with this Court until *after 6:00 p.m. on March 29, 2007*, which is *28 days after* the response deadline set by the parties and ordered by this Court and *less than one day before* the trial date requested by the debtors and ordered by this Court.

6. This untimely 38-Page Objection should be stricken by this Court. The Noteholder Group recognizes that 11 U.S.C. § 1109 grants certain parties a right to be heard on issues in a case under chapter 11. But it asserts that right is not unfettered; instead, it is tempered by the due-process protections protected by the constitution, the applicable procedural rules, and the scheduling orders that govern every case under chapter 11 of the Bankruptcy Code, all of which were designed and should be construed to result in a just, speedy, and inexpensive determination of every issue in every case. Refusing to strike this 38-Page Objection would not only violate the Southern District's Local Bankruptcy Rules and this Court's Scheduling Order but would unduly prejudice the Noteholder Group and reward the trial-by-ambush and abuse-of-process tactics continually used by the debtors in these cases. Such tactics should not be allowed by this Court.

WHEREFORE, the Noteholder Group respectfully requests that this Court enter an order striking the 38-Page Objection and awarding it such other and further relief that this Court deems just and proper.

Dated: March 30, 2007

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