

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 30, 2005

OR

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

For the transition period from _____ to _____

Commission File Number 1-566

GREIF, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

425 Winter Road, Delaware, Ohio
(Address of principal executive offices)

31-4388903
(I.R.S. Employer
Identification No.)

43015
(Zip Code)

Registrant's telephone number, including area code (740) 549-6000

Not Applicable

Former name, former address and former fiscal year, if changed since last report.

Indicated 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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of each of the issuer's classes of common stock at the close of business on April 30, 2005 was as follows:

| | |
|----------------------|-------------------|
| Class A Common Stock | 11,537,381 shares |
| Class B Common Stock | 11,561,189 shares |

PART I. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)**

(Dollars in thousands, except per share amounts)

| | Three months ended April 30, | | Six months ended April 30, | |
|--|---------------------------------|-----------|-------------------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales | \$612,960 | \$542,189 | \$1,195,524 | \$1,011,049 |
| Cost of products sold | 515,042 | 452,928 | 1,008,880 | 852,338 |
| Gross profit | 97,918 | 89,261 | 186,644 | 158,711 |
| Selling, general and administrative expenses | 56,068 | 55,745 | 115,789 | 106,770 |
| Restructuring charges | 10,621 | 12,278 | 17,807 | 27,537 |
| Gain on sale of assets | 4,194 | 1,122 | 14,538 | 5,231 |
| Operating profit | 35,423 | 22,360 | 67,586 | 29,635 |
| Interest expense, net | 10,693 | 10,716 | 20,786 | 22,963 |
| Debt extinguishment charge | 2,828 | — | 2,828 | — |
| Other income, net | 1,973 | 694 | 1,207 | 916 |
| Income before income tax expense and equity in earnings of affiliates and minority interests | 23,875 | 12,338 | 45,179 | 7,588 |
| Income tax expense | 7,001 | 3,800 | 12,966 | 2,337 |
| Equity in earnings of affiliates and minority interests | (107) | (89) | (310) | (168) |
| Net income | \$ 16,767 | \$ 8,449 | \$ 31,903 | \$ 5,083 |
| Basic earnings per share: | | | | |
| Class A Common Stock | \$ 0.58 | \$ 0.30 | \$ 1.12 | \$ 0.18 |
| Class B Common Stock | \$ 0.88 | \$ 0.45 | \$ 1.67 | \$ 0.27 |
| Diluted earnings per share: | | | | |
| Class A Common Stock | \$ 0.57 | \$ 0.30 | \$ 1.09 | \$ 0.18 |
| Class B Common Stock | \$ 0.88 | \$ 0.45 | \$ 1.67 | \$ 0.27 |

See accompanying Notes to Consolidated Financial Statements

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

ASSETS

| | <u>April 30,</u> 2005 | <u>October 31,</u> 2004 |
|--|--------------------------|----------------------------|
| | (Unaudited) | |
| Current assets | | |
| Cash and cash equivalents | \$ 52,029 | \$ 38,109 |
| Trade accounts receivable – less allowance of \$8,972 in 2005 and \$11,454 in 2004 | 282,564 | 307,750 |
| Inventories | 222,149 | 191,457 |
| Net assets held for sale | 14,630 | 14,753 |
| Deferred tax assets | 5,738 | 6,636 |
| Other current assets | 66,567 | 53,977 |
| | <u>643,677</u> | <u>612,682</u> |
| Long-term assets | | |
| Goodwill | 235,853 | 237,803 |
| Other intangible assets, net of amortization | 25,454 | 27,524 |
| Other long-term assets | 56,363 | 54,547 |
| | <u>317,670</u> | <u>319,874</u> |
| Properties, plants and equipment | | |
| Timber properties, net of depletion | 130,263 | 129,141 |
| Land | 69,522 | 68,349 |
| Buildings | 322,978 | 321,183 |
| Machinery and equipment | 860,804 | 851,800 |
| Capital projects in progress | 42,404 | 37,192 |
| | <u>1,425,971</u> | <u>1,407,665</u> |
| Accumulated depreciation | (568,957) | (526,983) |
| | <u>857,014</u> | <u>880,682</u> |
| | <u>\$1,818,361</u> | <u>\$1,813,238</u> |

See accompanying Notes to Consolidated Financial Statements

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

| | <u>April 30,</u> 2005 | <u>October 31,</u> 2004 |
|--|--------------------------|----------------------------|
| | <u>(Unaudited)</u> | |
| Current liabilities | | |
| Accounts payable | \$ 241,930 | \$ 281,265 |
| Accrued payrolls and employee benefits | 41,913 | 49,633 |
| Restructuring reserves | 14,252 | 17,283 |
| Short-term borrowings | 23,506 | 11,621 |
| Other current liabilities | 77,369 | 77,416 |
| | <u>398,970</u> | <u>437,218</u> |
| Long-term liabilities | | |
| Long-term debt | 466,215 | 457,415 |
| Deferred tax liability | 149,177 | 148,639 |
| Pension liability | 46,420 | 44,036 |
| Postretirement benefit liability | 49,401 | 48,667 |
| Other long-term liabilities | 34,583 | 46,444 |
| | <u>745,796</u> | <u>745,201</u> |
| Minority interest | <u>1,290</u> | <u>1,725</u> |
| Shareholders' equity | | |
| Common stock, without par value | 41,147 | 27,382 |
| Treasury stock, at cost | (69,438) | (65,360) |
| Retained earnings | 734,773 | 711,919 |
| Accumulated other comprehensive income (loss): | | |
| - foreign currency translation | 13,627 | 5,655 |
| - interest rate derivatives | (4,399) | (7,097) |
| - minimum pension liability | (43,405) | (43,405) |
| | <u>672,305</u> | <u>629,094</u> |
| | <u>\$1,818,361</u> | <u>\$1,813,238</u> |

See accompanying Notes to Consolidated Financial Statements

GREIF, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Dollars in thousands)

For the six months ended April 30,

| | 2005 | 2004 |
|---|-----------|-----------|
| Cash flows from operating activities: | | |
| Net income | \$ 31,903 | \$ 5,083 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation, depletion and amortization | 50,174 | 52,807 |
| Asset impairments | 3,896 | 2,252 |
| Deferred income taxes | 2,832 | 3,851 |
| Gain on disposals of properties, plants and equipment, net | (14,538) | (5,231) |
| Equity in earnings of affiliates, net of dividends received, and minority interests | 310 | (1,328) |
| Increase (decrease) in cash from changes in certain assets and liabilities: | | |
| Trade accounts receivable | 25,041 | (8,200) |
| Inventories | (30,829) | 8,153 |
| Other current assets | (12,609) | (5,615) |
| Other long-term assets | (200) | (6,674) |
| Accounts payable | (39,254) | (2,167) |
| Accrued payroll and employee benefits | (7,720) | (8,423) |
| Restructuring reserves | (3,031) | 2,939 |
| Other current liabilities | (7) | (11,502) |
| Postretirement benefit liability | 3,118 | 179 |
| Other long-term liabilities | (12,362) | (4,607) |
| Net cash (used in) provided by operating activities | (3,276) | 21,517 |
| Cash flows from investing activities: | | |
| Purchases of properties, plants and equipment | (26,200) | (28,096) |
| Proceeds on disposals of properties, plants and equipment | 17,687 | 5,666 |
| Net cash used in investing activities | (8,513) | (22,430) |
| Cash flows from financing activities: | | |
| Proceeds from (payments on) long-term debt | 11,217 | (21,952) |
| Proceeds from short-term borrowings | 12,880 | 4,252 |
| Dividends paid | (9,049) | (7,774) |
| Acquisitions of treasury stock | (5,291) | (29) |
| Exercise of stock options | 14,767 | 6,166 |
| Net cash provided by (used in) financing activities | 24,524 | (19,337) |
| Effects of exchange rates on cash | 1,185 | 75 |
| Net increase (decrease) in cash and cash equivalents | 13,920 | (20,175) |
| Cash and cash equivalents at beginning of period | 38,109 | 49,767 |
| Cash and cash equivalents at end of period | \$ 52,029 | \$ 29,592 |

See accompanying Notes to Consolidated Financial Statements

GREIF, INC. AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2005

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the consolidated balance sheets as of April 30, 2005 and October 31, 2004 and the consolidated statements of income and cash flows for the three-month and six-month periods ended April 30, 2005 and 2004 of Greif, Inc. and subsidiaries (the "Company"). These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for its fiscal year ended October 31, 2004 (the "2004 Form 10-K").

The Company's fiscal year begins on November 1 and ends on October 31 of the following year. Any references to the year 2005 or 2004, or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ending in that year.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates.

Certain prior year amounts have been reclassified to conform to the 2005 presentation.

Stock-Based Compensation

At April 30, 2005, the Company had various stock-based compensation plans as described in Note 10 to the Notes to Consolidated Financial Statements in the 2004 Form 10-K. The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. If compensation cost would have been determined based on fair values at the date of grant under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," pro forma net income and earnings per share would have been as follows (Dollars in thousands, except per share amounts):

| | Three months ended April 30, | | Six months ended April 30, | |
|--|---------------------------------|----------|-------------------------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| Net income as reported | \$ 16,767 | \$ 8,449 | \$ 31,903 | \$ 5,083 |
| Deduct total stock option expense determined under fair value method, net of tax | 331 | 467 | 604 | 944 |
| Pro forma net income | \$ 16,436 | \$ 7,982 | \$ 31,299 | \$ 4,139 |
| <u>Earnings per share:</u> | | | | |
| <u>Class A Common Stock:</u> | | | | |
| Basic – as reported | \$ 0.58 | \$ 0.30 | \$ 1.12 | \$ 0.18 |
| Basic – pro forma | \$ 0.57 | \$ 0.28 | \$ 1.10 | \$ 0.15 |
| Diluted – as reported | \$ 0.57 | \$ 0.30 | \$ 1.09 | \$ 0.18 |
| Diluted – pro forma | \$ 0.56 | \$ 0.28 | \$ 1.07 | \$ 0.15 |
| <u>Class B Common Stock:</u> | | | | |
| Basic – as reported | \$ 0.88 | \$ 0.45 | \$ 1.67 | \$ 0.27 |
| Basic – pro forma | \$ 0.86 | \$ 0.42 | \$ 1.63 | \$ 0.22 |
| Diluted – as reported | \$ 0.88 | \$ 0.45 | \$ 1.67 | \$ 0.27 |
| Diluted – pro forma | \$ 0.86 | \$ 0.42 | \$ 1.63 | \$ 0.22 |

NOTE 2 – RECENT ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board issued a revision to SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). This revision will require the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost will be recognized over the period during which an employee is required to provide service in exchange for the award. SFAS No. 123R was effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. However, based on a new rule by the Securities and Exchange Commission, companies are allowed to implement SFAS No. 123R at the beginning of their next fiscal year instead of the next reporting period that begins after June 15, 2005 (November 1, 2005 for the Company). SFAS No. 123R will apply to all awards granted after the required effective date and to awards modified, repurchased or canceled after that date. As of the required effective date, the Company will apply SFAS No. 123R using a modified version of prospective application. Under this transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123R for either recognition or pro forma disclosures. For periods before the required effective date, the Company has elected not to apply a modified version of retrospective application under which financial statements for prior periods are adjusted by SFAS No. 123R. Adoption of SFAS No. 123R is expected to result in compensation cost of approximately \$1.0 million in the consolidated statements of income in 2006, assuming no additional stock options are granted during 2005 or 2006.

NOTE 3 – SALE OF EUROPEAN ACCOUNTS RECEIVABLE

To further reduce borrowing costs, the Company entered into an arrangement to sell on a regular basis up to €55 million (\$70.8 million at April 30, 2005) of certain outstanding accounts receivable of its European subsidiaries to a major international bank. At April 30, 2005, €42.9 million (\$55.2 million) of accounts receivable were sold under this arrangement. The Company will continue to service these accounts receivable, although no interests have been retained. The acquiring international bank has full title and interest to the accounts receivable, will be free to further dispose of the accounts receivable sold to it and will be fully entitled to receive and retain for its own account the total collections of such accounts receivable. These accounts receivable have been removed from the balance sheet since they meet the applicable criteria of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."

NOTE 4 – INVENTORIES

Inventories are summarized as follows (Dollars in thousands):

| | April 30, 2005 | October 31, 2004 |
|--|-------------------|---------------------|
| Finished goods | \$ 66,446 | \$ 60,615 |
| Raw materials and work-in-process | 190,993 | 168,477 |
| | 257,439 | 229,092 |
| Reduction to state inventories on last-in, first-out basis | (35,290) | (37,635) |
| | <u>\$222,149</u> | <u>\$191,457</u> |

NOTE 5 – NET ASSETS HELD FOR SALE

Net assets held for sale represent land, buildings and land improvements less accumulated depreciation for locations that meet the classification requirements of net assets held for sale as defined in SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." As of April 30, 2005, there were 10 facilities held for sale. The net assets held for sale are being marketed for sale and it is the Company's intention to complete these sales within the upcoming year.

NOTE 6 – GOODWILL AND OTHER INTANGIBLE ASSETS

The Company periodically reviews goodwill and indefinite-lived intangible assets for impairment as required by SFAS No. 142, "Goodwill and Other Intangible Assets." The Company has performed the required impairment tests and has concluded that no impairment exists at this time.

Changes to the carrying amount of goodwill for the six-month period ended April 30, 2005 are as follows (Dollars in thousands):

| | Industrial Packaging & Services | Paper, Packaging & Services | Total |
|-----------------------------|---------------------------------------|-----------------------------------|-----------|
| Balance at October 31, 2004 | \$ 204,975 | \$ 32,828 | \$237,803 |
| Goodwill adjustments | (1,510) | — | (1,510) |
| Currency translation | (440) | — | (440) |
| Balance at April 30, 2005 | \$ 203,025 | \$ 32,828 | \$235,853 |

The goodwill adjustment was recorded during the second quarter of 2005 to recognize a deferred tax asset related to Van Leer Industrial Packaging prior to its acquisition by the Company in 2001.

All other intangible assets for the periods presented, except for \$3.4 million, net, related to the Tri-Sure Trademark, are subject to amortization and are being amortized using the straight-line method over periods that range from two to 20 years. The detail of other intangible assets by class as of April 30, 2005 and October 31, 2004 are as follows (Dollars in thousands):

| | Gross Intangible Assets | Accumulated Amortization | Net Intangible Assets |
|--------------------------|-------------------------------|-----------------------------|-----------------------------|
| April 30, 2005: | | | |
| Trademarks and patents | \$ 18,077 | \$ 6,727 | \$ 11,350 |
| Non-compete agreements | 9,525 | 8,561 | 964 |
| Customer relationships | 7,425 | 748 | 6,677 |
| Other | 10,417 | 3,954 | 6,463 |
| Total | \$45,444 | \$ 19,990 | \$25,454 |
| October 31, 2004: | | | |
| Trademarks and patents | \$ 18,077 | \$ 6,043 | \$ 12,034 |
| Non-compete agreements | 9,525 | 7,731 | 1,794 |
| Customer relationships | 7,425 | 458 | 6,967 |
| Other | 10,417 | 3,688 | 6,729 |
| Total | \$45,444 | \$ 17,920 | \$27,524 |

During the first six months of 2005, there were no acquisitions of other intangible assets. Amortization expense for the six months ended April 30, 2005 and 2004 was \$2.1 million and \$2.0 million, respectively. Amortization expense for the next five years is expected to be \$3.7 million in 2005, \$3.0 million in 2006, \$2.5 million in 2007, \$2.5 million in 2008 and \$2.4 million in 2009.

NOTE 7 – INVESTMENT IN AFFILIATES

The Company has an investment in Balmer Lawrie-Van Leer (40%) that is accounted for under the equity method. During the third quarter of 2004, the Company's investment in Socer-Embalagens, Lda. (25%), which was previously accounted for under the equity method, was sold. The Company's share of earnings for these affiliates is included in income as earned.

The summarized unaudited financial information below represents the combined results of those entities accounted for by the equity method (Dollars in thousands):

| | Three months ended April 30, | | Six months ended April 30, | |
|--------------|---------------------------------|----------|-------------------------------|---------|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales | \$ 3,784 | \$ 4,259 | \$7,522 | \$8,191 |
| Gross profit | \$ 592 | \$ 928 | \$1,176 | \$1,806 |
| Net income | \$ 276 | \$ 157 | \$ 549 | \$ 296 |

NOTE 8 – RESTRUCTURING CHARGES

During 2003, the Company began its transformation initiatives, which continue to enhance long-term organic sales growth, generate productivity improvements and achieve permanent cost reductions. As a result, the Company incurred restructuring charges of \$60.7 million in 2003 and \$54.1 million in 2004, and \$14.0 million during the first six months of 2005 related to the transformation initiatives. As previously disclosed, the Company expects a total of \$15 million to \$20 million in restructuring charges in 2005 related to transformation activities already begun prior to October 31, 2004. However, the Company is continuing to evaluate future rationalization options based on the progress of the transformation initiatives to-date.

As part of the transformation initiatives, the Company closed two company-owned plants (Industrial Packaging & Services segment) during the first six months of 2005 and four company-owned plants (three in the Industrial Packaging & Services segment and one in the Paper, Packaging & Services segment) during the first six months of 2004. All of the plants were located in North America. In addition, corporate and administrative staff reductions have been made throughout the world. As a result of the transformation initiatives, during the first six months of 2005, the Company recorded restructuring charges of \$14.0 million, consisting of \$7.0 million in employee separation costs, \$0.1 million in asset impairments, \$2.3 in professional fees directly related to the transformation initiatives and \$4.6 million in other restructuring costs. During the second quarter of 2005, the Company also recorded \$3.8 million of restructuring charges related to the impairment of two facilities, which are currently held for sale, that were closed during previous restructuring programs. During the first six months of 2004, the Company recorded restructuring charges of \$27.5 million, consisting of \$9.0 million in employee separation costs, \$2.3 million in asset impairments, \$12.1 million in professional fees directly related to the transformation initiatives and \$4.1 million in other restructuring costs. The asset impairment charges, related to the write-down to fair value of buildings and equipment, were based on recent buy offers, market comparables and/or data obtained from the Company's commercial real estate broker.

A total of approximately 1,500 employees have been or will be terminated in connection with the transformation initiatives, 1,445 of which have been terminated as of April 30, 2005.

For each business segment, costs incurred in 2005, the cumulative amounts incurred from the start of the transformation initiatives through April 30, 2005 and

total costs expected to be incurred in connection with the transformation initiatives are as follows (Dollars in thousands):

| | Amounts Incurred in the Current Period | Cumulative Amounts Incurred to Date | Total Amounts Expected to be Incurred |
|---|---|--|--|
| Industrial Packaging & Services: | | | |
| Employee separation costs | \$ 6,630 | \$ 51,173 | \$ 51,173 |
| Asset impairments | 153 | 9,821 | 9,821 |
| Professional fees | 1,684 | 24,021 | 25,654 |
| Other restructuring costs | 4,362 | 20,713 | 24,513 |
| | <u>12,829</u> | <u>105,728</u> | <u>111,161</u> |
| Paper, Packaging & Services: | | | |
| Employee separation costs | 406 | 7,409 | 7,409 |
| Asset impairments | — | 5,340 | 5,340 |
| Professional fees | 566 | 5,742 | 6,291 |
| Other restructuring costs | 235 | 4,121 | 4,121 |
| | <u>1,207</u> | <u>22,612</u> | <u>23,161</u> |
| Timber: | | | |
| Employee separation costs | 6 | 160 | 160 |
| Asset impairments | — | 39 | 39 |
| Professional fees | 19 | 224 | 242 |
| Other restructuring costs | 3 | 162 | 162 |
| | <u>28</u> | <u>585</u> | <u>603</u> |
| Total | <u>\$ 14,064</u> | <u>\$ 128,925</u> | <u>\$ 134,925</u> |

Following is a reconciliation of the beginning and ending restructuring reserve balances for the six-month period ended April 30, 2005 (Dollars in thousands):

| | Balance at October 31, 2004 | Costs Incurred and Charged to Expense | Costs Paid or Otherwise Settled | Balance at April 30, 2005 |
|---------------------------|-----------------------------------|---|--|---------------------------------|
| Cash charges: | | | | |
| Employee separation costs | \$ 15,230 | \$ 6,316 | \$ 8,928 | \$ 12,618 |
| Other restructuring costs | 2,053 | 7,595 | 8,014 | 1,634 |
| | <u>17,283</u> | <u>13,911</u> | <u>16,942</u> | <u>14,252</u> |
| Non-cash charges: | | | | |
| Asset impairments | — | 3,896 | 3,896 | — |
| Total | <u>\$ 17,283</u> | <u>\$ 17,807</u> | <u>\$ 20,838</u> | <u>\$ 14,252</u> |

NOTE 9 – LONG-TERM DEBT

Long-term debt is summarized as follows (Dollars in thousands):

| | April 30, 2005 | October 31, 2004 |
|---|-------------------|---------------------|
| Credit Agreement | \$ 129,390 | \$ — |
| Senior Secured Credit Agreement | — | 81,398 |
| 8 ⁷ / ₈ percent Senior Subordinated Notes | 249,867 | 253,960 |
| Trade accounts receivable credit facility | 86,958 | 103,857 |
| Other long-term debt | — | 18,200 |
| | <u>\$ 466,215</u> | <u>\$ 457,415</u> |

Credit Agreement

As of March 2, 2005, the Company and certain of its international subsidiaries, as borrowers, entered into a \$350 million Credit Agreement (the “Credit Agreement”) with a syndicate of financial institutions, as lenders, Deutsche Bank AG, New York Branch, as administrative agent, Deutsche Bank Securities Inc., as joint lead arranger and sole book-runner, KeyBank National Association, as joint lead arranger and syndication agent and National City Bank, Fleet National Bank and ING Capital LLC, as co-documentation agents. The Credit Agreement provides for a \$350 million revolving multicurrency credit facility. The revolving multicurrency credit facility is available for ongoing working capital and general corporate purposes and to refinance amounts outstanding under the Senior Secured Credit Agreement, which is described in the next section. Interest is based on a Eurocurrency rate or an alternative base rate that resets periodically plus a calculated margin amount. As a result, a debt extinguishment charge of \$2.8 million was recorded during the second quarter of 2005.

On March 3, 2005, \$189.4 million was borrowed under the revolving multicurrency credit facility in order to prepay the obligations outstanding under the Senior Secured Credit Agreement and certain costs and expenses incurred in connection with the Credit Agreement. As of April 30, 2005, \$129.4 million was outstanding under the revolving multicurrency credit facility.

Senior Secured Credit Agreement

On August 23, 2002, the Company and certain international subsidiaries entered into a \$550 million Amended and Restated Senior Secured Credit Agreement (the “Senior Secured Credit Agreement”) with a syndicate of lenders, which was replaced on March 2, 2005, as described above. A portion of the proceeds from the Senior Secured Credit Agreement was used to refinance amounts outstanding under the Company’s then existing \$900 million senior secured credit agreement. The Senior Secured Credit Agreement originally provided for a \$300 million term loan and a \$250 million revolving multicurrency credit facility. The revolving multicurrency credit facility was available for working capital and general corporate purposes. On February 11, 2004, the Company amended its term loan

under the Senior Secured Credit Agreement. As a result of the amendment, the term loan was increased from its balance then outstanding of \$226 million to \$250 million and the applicable margin was lowered by 50 basis points while maintaining the existing maturity schedule. The incremental borrowings under the term loan were used to reduce borrowings under the revolving multicurrency credit facility, which was permanently reduced to \$230 million. Interest was based on either a London InterBank Offered Rate (“LIBOR”) or an alternative base rate that was reset periodically plus a calculated margin amount.

Senior Subordinated Notes

On July 31, 2002, the Company issued Senior Subordinated Notes in the aggregate principal amount of \$250 million, receiving net proceeds of approximately \$248 million before expenses. At April 30, 2005, the outstanding balance of \$249.9 million included gains on fair value hedges the Company had in place to hedge interest rate risk. Interest on the Senior Subordinated Notes is payable semi-annually at the annual rate of 8.875 percent. The Senior Subordinated Notes do not have required principal payments prior to maturity on August 1, 2012. However, the Senior Subordinated Notes are redeemable at the option of the Company beginning August 1, 2007, at the redemption prices set forth below (expressed as percentages of principal amount), plus accrued interest, if any, to the redemption date:

| <u>Year</u> | <u>Redemption Price</u> |
|---------------------|-------------------------|
| 2007 | 104.438% |
| 2008 | 102.958% |
| 2009 | 101.479% |
| 2010 and thereafter | 100.000% |

In addition, prior to August 1, 2007, the Company may redeem the Senior Subordinated Notes by paying a specified “make-whole” premium.

A description of the guarantors of the Senior Subordinated Notes by the Company’s United States subsidiaries is included in Note 17.

Trade Accounts Receivable Credit Facility

On October 31, 2003, the Company entered into a five-year, up to \$120.0 million, credit facility with an affiliate of a bank in connection with the securitization of certain of the Company’s United States trade accounts receivable. The credit facility is secured by certain of the Company’s United States trade accounts receivable and bears interest at a variable rate based on LIBOR plus a margin or other agreed upon rate (2.85 percent interest rate as of April 30, 2005). The Company also pays a commitment fee. The Company can terminate this facility at any time upon 60 days prior written notice. In connection with this transaction, the Company established Greif Receivables Funding LLC, which is included in the Company’s consolidated financial statements. This entity purchases and services the Company’s trade accounts receivable that are subject to this credit facility. As of April 30, 2005, there was a total of \$87.0 million outstanding under the trade accounts receivable credit facility.

NOTE 10 – FINANCIAL INSTRUMENTS

The Company had interest rate swap agreements with an aggregate notional amount of \$290 million at April 30, 2005 with various maturities through 2012. Under certain of these agreements, the Company receives interest quarterly from the counterparties equal to LIBOR and pays interest at a weighted average rate of 5.93 percent over the life of the contracts. The Company is also party to agreements in which the Company receives interest semi-annually from the counterparty equal to a fixed rate of 8.875 percent and pays interest based on LIBOR plus a margin. A net liability for the loss on interest rate swap contracts, which represented their fair values at that time, in the amount of \$4.4 million (\$2.9 million, net of tax) at April 30, 2005 was recorded.

At April 30, 2005, the Company had outstanding foreign currency forward contracts in the notional amount of \$33.7 million. The fair value of these contracts at April 30, 2005 resulted in a loss of \$0.5 million recorded in the consolidated statements of income. The purpose of these contracts is to hedge the Company's short-term intercompany loan balances with its international businesses.

While the Company may be exposed to credit losses in the event of nonperformance by the counterparties to its derivative financial instrument contracts, its counterparties are established banks and financial institutions with high credit ratings. The Company has no reason to believe that such counterparties will not be able to fully satisfy their obligations under these contracts.

The fair values of all derivative financial instruments are estimated based on current settlement prices of comparable contracts obtained from dealer quotes. The values represent the estimated amounts the Company would pay or receive to terminate the agreements at the reporting date.

NOTE 11 – CAPITAL STOCK

Class A Common Stock is entitled to cumulative dividends of 1 cent a share per year after which Class B Common Stock is entitled to non-cumulative dividends up to ½ cent per share per year. Further distribution in any year must be made in proportion of 1 cent a share for Class A Common Stock to 1 ½ cents a share for Class B Common Stock. The Class A Common Stock has no voting rights unless four quarterly cumulative dividends upon the Class A Common Stock are in arrears. The Class B Common Stock has full voting rights. There is no cumulative voting for the election of directors.

The following table summarizes the Company's Class A and Class B common and treasury shares at the specified dates:

| | Authorized Shares | Issued Shares | Outstanding Shares | Treasury Shares |
|--------------------------|----------------------|------------------|-----------------------|--------------------|
| April 30, 2005: | | | | |
| Class A Common Stock | 32,000,000 | 21,140,960 | 11,537,381 | 9,603,579 |
| Class B Common Stock | 17,280,000 | 17,280,000 | 11,561,189 | 5,718,811 |
| October 31, 2004: | | | | |
| Class A Common Stock | 32,000,000 | 21,140,960 | 11,025,466 | 10,115,494 |
| Class B Common Stock | 17,280,000 | 17,280,000 | 11,661,189 | 5,618,811 |

NOTE 12 – DIVIDENDS PER SHARE

The following dividends per share were paid during the periods indicated:

| | Three months ended April 30, | | Six months ended April 30, | |
|----------------------|---------------------------------|---------|-------------------------------|---------|
| | 2005 | 2004 | 2005 | 2004 |
| Class A Common Stock | \$ 0.16 | \$ 0.14 | \$ 0.32 | \$ 0.28 |
| Class B Common Stock | \$ 0.24 | \$ 0.21 | \$ 0.47 | \$ 0.41 |

NOTE 13 – CALCULATION OF EARNINGS PER SHARE

The Company has two classes of common stock and, as such, applies the "two-class method" of computing earnings per share as prescribed in SFAS No. 128, "Earnings Per Share." In accordance with the Statement, earnings are allocated first to Class A and Class B Common Stock to the extent that dividends are actually paid and the remainder allocated assuming all of the earnings for the period have been distributed in the form of dividends.

The following is a reconciliation of the average shares used to calculate basic and diluted earnings per share:

| | Three months ended April 30, | | Six months ended April 30, | |
|-------------------------------------|---------------------------------|------------|-------------------------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Class A Common Stock: | | | | |
| Basic shares | 11,377,891 | 10,783,122 | 11,248,592 | 10,701,627 |
| Assumed conversion of stock options | 435,858 | 238,269 | 387,701 | 234,908 |
| Diluted shares | 11,813,749 | 11,021,391 | 11,636,293 | 10,936,535 |
| Class B Common Stock: | | | | |
| Basic and diluted shares | 11,561,189 | 11,661,789 | 11,600,974 | 11,661,892 |

There were no stock options and 12,000 stock options that were antidilutive for the three-month and six-month periods ended April 30, 2005, respectively, and 20,000 stock options that were antidilutive for the three-month and six-month periods ended April 30, 2004.

NOTE 14 – COMPREHENSIVE INCOME

Comprehensive income is comprised of net income and other charges and credits to equity that are not the result of transactions with the Company's owners. The components of comprehensive income, net of tax, are as follows (Dollars in thousands):

| | Three months ended April 30, | | Six months ended April 30, | |
|---|---------------------------------|----------|-------------------------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| Net income | \$16,767 | \$ 8,449 | \$31,903 | \$ 5,083 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | (2,716) | 6,541 | 7,972 | 4,765 |
| Change in market value of interest rate derivatives, net of tax | 1,017 | 2,283 | 2,698 | 2,668 |
| Minimum pension liability adjustment, net of tax | — | — | — | (497) |
| Comprehensive income | \$15,068 | \$17,273 | \$42,573 | \$12,019 |

NOTE 15 – RETIREMENT PLANS AND POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

The components of net periodic pension cost include the following (Dollars in thousands):

| | Three months ended April 30, | | Six months ended April 30, | |
|--|---------------------------------|----------|-------------------------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| Service cost | \$ 3,169 | \$ 3,070 | \$ 6,334 | \$ 6,140 |
| Interest cost | 6,608 | 6,110 | 13,227 | 12,221 |
| Expected return on plan assets | (7,383) | (7,069) | (14,770) | (14,138) |
| Amortization of prior service cost, initial net asset and net actuarial gain | 1,161 | 749 | 2,324 | 1,498 |
| | \$ 3,555 | \$ 2,860 | \$ 7,115 | \$ 5,721 |

The Company made \$8.8 million in pension contributions in the first half of 2005. Based on minimum funding requirements, \$16.6 million of pension contributions are estimated for the entire 2005 fiscal year.

The components of net periodic cost for postretirement healthcare and life insurance benefits include the following (Dollars in thousands):

| | Three months ended April 30, | | Six months ended April 30, | |
|--|---------------------------------|--------|-------------------------------|---------|
| | 2005 | 2004 | 2005 | 2004 |
| Service cost | \$ 6 | \$ 15 | \$ 11 | \$ 29 |
| Interest cost | 784 | 833 | 1,571 | 1,666 |
| Amortization of net prior service cost and recognized actuarial loss | (57) | (31) | (116) | (63) |
| | \$ 733 | \$ 817 | \$1,466 | \$1,632 |

NOTE 16 – BUSINESS SEGMENT INFORMATION

The Company operates in three business segments: Industrial Packaging & Services; Paper, Packaging & Services; and Timber.

Operations in the Industrial Packaging & Services segment involve the production and sale of industrial packaging and related services. These products are manufactured and sold in over 40 countries throughout the world.

Operations in the Paper, Packaging & Services segment involve the production and sale of containerboard, both semi-chemical and recycled, corrugated sheets, corrugated containers and multiwall bags and related services. These products are manufactured and sold in North America.

Operations in the Timber segment involve the management and sale of timber in the southeastern United States (approximately 281,000 acres of timberland were owned at April 30, 2005). The Company also owns approximately 35,000 acres of timberland in Canada, which are not actively managed at this time. In May 2005, the Company completed the first phase of the sale of 56,000 acres of timberland, timber and associated assets for approximately \$90 million, subject to closing adjustments. In this first phase, 35,000 acres of the Company's timberland holdings in Florida, Georgia and Alabama were sold for approximately \$51 million in the third quarter of 2005. The second phase of this transaction is expected to occur in several installments during 2006. For further information, see Note 18 – Subsequent Event.

The Company's reportable segments are strategic business units that offer different products. The accounting policies of the reportable segments are substantially the same as those described in the "Description of Business and Summary of Significant Accounting Policies" note (see Note 1) in the 2004 Form 10-K.

The following segment information is presented for the periods indicated (Dollars in thousands):

| | Three months ended April 30, | | Six months ended April 30, | |
|---|---------------------------------|-------------------|-------------------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales: | | | | |
| Industrial Packaging & Services | \$ 458,404 | \$ 399,689 | \$ 887,446 | \$ 737,080 |
| Paper, Packaging & Services | 150,034 | 138,043 | 298,239 | 263,337 |
| Timber | 4,522 | 4,457 | 9,839 | 10,632 |
| Total net sales | \$ 612,960 | \$ 542,189 | \$ 1,195,524 | \$ 1,011,049 |
| Operating profit: | | | | |
| Operating profit before restructuring charges and timberland gains: | | | | |
| Industrial Packaging & Services | \$ 29,411 | \$ 27,760 | \$ 47,090 | \$ 36,611 |
| Paper, Packaging & Services | 10,372 | 2,435 | 19,963 | 7,788 |
| Timber | 2,868 | 3,079 | 6,875 | 7,475 |
| Operating profit before restructuring charges and timberland gains | 42,651 | 33,274 | 73,928 | 51,874 |
| Restructuring charges: | | | | |
| Industrial Packaging & Services | 8,809 | 9,540 | 15,607 | 21,563 |
| Paper, Packaging & Services | 1,764 | 2,665 | 2,141 | 5,834 |
| Timber | 48 | 73 | 59 | 140 |
| Total restructuring charges | 10,621 | 12,278 | 17,807 | 27,537 |
| Timberland gains: | | | | |
| Timber | 3,393 | 1,364 | 11,465 | 5,298 |
| Total | \$ 35,423 | \$ 22,360 | \$ 67,586 | \$ 29,635 |
| Depreciation, depletion and amortization expense: | | | | |
| Industrial Packaging & Services | \$ 16,176 | \$ 17,019 | \$ 32,312 | \$ 34,078 |
| Paper, Packaging & Services | 8,322 | 8,486 | 16,774 | 17,311 |
| Timber | 694 | 592 | 1,088 | 1,418 |
| Total depreciation, depletion and amortization expense | \$ 25,192 | \$ 26,097 | \$ 50,174 | \$ 52,807 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Assets: | | | | |
| Industrial Packaging & Services | | | \$ 1,223,950 | \$ 1,201,689 |
| Paper, Packaging & Services | | | 291,556 | 303,245 |
| Timber | | | 142,741 | 130,688 |
| Total segment | | | 1,658,247 | 1,635,622 |
| Corporate and other | | | 160,114 | 177,616 |
| Total assets | | | \$ 1,818,361 | \$ 1,813,238 |

The following table presents net sales to external customers by geographic area (Dollars in thousands):

| | Three months ended April 30, | | Six months ended April 30, | |
|------------------------|---------------------------------|-------------------|-------------------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales: | | | | |
| North America | \$ 332,515 | \$ 305,470 | \$ 649,691 | \$ 573,494 |
| Europe | 191,316 | 159,001 | 367,486 | 291,947 |
| Other | 89,129 | 77,718 | 178,347 | 145,608 |
| Total net sales | \$ 612,960 | \$ 542,189 | \$ 1,195,524 | \$ 1,011,049 |

The following table presents total assets by geographic area (Dollars in thousands):

| | April 30, 2005 | October 31, 2004 |
|---------------------|---------------------|---------------------|
| Assets: | | |
| North America | \$ 1,151,074 | \$ 1,136,781 |
| Europe | 436,918 | 469,094 |
| Other | 230,369 | 207,363 |
| Total assets | \$ 1,818,361 | \$ 1,813,238 |

NOTE 17 – SUMMARIZED CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

The Senior Subordinated Notes, more fully described in Note 8 – Long-Term Debt, are fully guaranteed, jointly and severally, by the Company’s United States subsidiaries (“Guarantor Subsidiaries”). The Company’s non-United States subsidiaries are not guaranteeing the Senior Subordinated Notes (“Non-Guarantor Subsidiaries”). Presented below are summarized condensed consolidating financial statements of Greif, Inc. (the “Parent”), which includes certain of the Company’s operating units, the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and the Company on a consolidated basis.

On November 1, 2004, the Company restructured certain of its United States operations and subsidiaries. As a result, the condensed consolidating financial statements at April 30, 2005 and for the three-month and six-month periods ended April 30, 2005 reflect these changes.

Presented below are condensed consolidating financial statements of the Parent, the Guarantor Subsidiaries and the non-Guarantor Subsidiaries at April 30, 2005 and October 31, 2004, and for the three-month and six-month periods ended April 30, 2005 and 2004. These summarized condensed consolidating financial statements are prepared using the equity method. Separate financial statements for the Guarantor Subsidiaries are not presented based on management’s determination that they do not provide additional information that is material to investors.

Condensed Consolidating Statements of Income
For the three months ended April 30, 2005

| | <u>Parent</u> | <u>Guarantor Subsidiaries</u> | <u>Non-Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|-----------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ 1,326 | \$ 328,866 | \$ 311,844 | \$ (29,076) | \$ 612,960 |
| Cost of products sold | 994 | 279,135 | 263,989 | (29,076) | 515,042 |
| Gross profit | 332 | 49,731 | 47,855 | — | 97,918 |
| Selling, general and administrative expenses | 304 | 30,650 | 25,114 | — | 56,068 |
| Restructuring charges | — | 4,670 | 5,951 | — | 10,621 |
| Gain on sale of assets | — | 3,029 | 1,165 | — | 4,194 |
| Operating profit | 28 | 17,440 | 17,955 | — | 35,423 |
| Interest expense, net | — | 8,707 | 1,986 | — | 10,693 |
| Debt extinguishment charge | — | 2,828 | — | — | 2,828 |
| Other income (expense), net (1) | 4 | (3,494) | 5,463 | — | 1,973 |
| Income before income tax expense and equity in earnings of affiliates and minority interests | 32 | 2,411 | 21,432 | — | 23,875 |
| Income tax expense | 9 | 754 | 6,238 | — | 7,001 |
| Equity in earnings of affiliates and minority interests | 16,744 | — | (107) | (16,744) | (107) |
| Net income (loss) | <u>\$16,767</u> | <u>\$ 1,657</u> | <u>\$ 15,087</u> | <u>\$ (16,744)</u> | <u>\$ 16,767</u> |

For the six months ended April 30, 2005

| | <u>Parent</u> | <u>Guarantor Subsidiaries</u> | <u>Non-Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|-----------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ 2,592 | \$ 646,223 | \$ 607,240 | \$ (60,531) | \$1,195,524 |
| Cost of products sold | 1,929 | 551,509 | 515,973 | (60,531) | 1,008,880 |
| Gross profit | 663 | 94,714 | 91,267 | — | 186,644 |
| Selling, general and administrative expenses | 605 | 60,733 | 54,451 | — | 115,789 |
| Restructuring charges | — | 9,155 | 8,652 | — | 17,807 |
| Gain on sale of assets | — | 13,453 | 1,085 | — | 14,538 |
| Operating profit | 58 | 38,279 | 29,249 | — | 67,586 |
| Interest expense, net | — | 17,682 | 3,104 | — | 20,786 |
| Debt extinguishment charge | — | 2,828 | — | — | 2,828 |
| Other income (expense), net (1) | 6 | (6,542) | 7,743 | — | 1,207 |
| Income before income tax expense and equity in earnings of affiliates and minority interests | 64 | 11,227 | 33,888 | — | 45,179 |
| Income tax expense | 18 | 3,222 | 9,726 | — | 12,966 |
| Equity in earnings of affiliates and minority interests | 31,857 | — | (310) | (31,857) | (310) |
| Net income (loss) | <u>\$31,903</u> | <u>\$ 8,005</u> | <u>\$ 23,852</u> | <u>\$ (31,857)</u> | <u>\$ 31,903</u> |

(1) Includes amounts that relate to intercompany royalty arrangements.

Condensed Consolidating Statement of Income
For the Three months ended April 30, 2004

| | <u>Parent</u> | <u>Guarantor Subsidiaries</u> | <u>Non-Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ 168,899 | \$ 152,821 | \$ 284,337 | \$ (63,868) | \$ 542,189 |
| Cost of products sold | 144,371 | 132,585 | 239,840 | (63,868) | 452,928 |
| Gross profit | 24,528 | 20,236 | 44,497 | — | 89,261 |
| Selling, general and administrative expenses | 23,002 | 5,643 | 27,100 | — | 55,745 |
| Restructuring charges | 1,841 | 9,583 | 854 | — | 12,278 |
| Gain on sale of assets | — | 882 | 240 | — | 1,122 |
| Operating profit (loss) | (315) | 5,892 | 16,783 | — | 22,360 |
| Interest expense, net | 9,346 | 425 | 945 | — | 10,716 |
| Other income (expense), net (1) | (10,153) | 9,735 | 1,112 | — | 694 |
| Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests | (19,814) | 15,202 | 16,950 | — | 12,338 |
| Income tax expense (benefit) | (6,102) | 4,682 | 5,220 | — | 3,800 |
| Equity in earnings of affiliates and minority interests | 22,161 | — | (89) | (22,161) | (89) |
| Net income (loss) | \$ 8,449 | \$ 10,520 | \$ 11,641 | \$ (22,161) | \$ 8,449 |

For the Six months ended April 30, 2004

| | <u>Parent</u> | <u>Guarantor Subsidiaries</u> | <u>Non-Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ 322,689 | \$ 283,979 | \$ 524,091 | \$ (119,710) | \$ 1,011,049 |
| Cost of products sold | 280,059 | 245,141 | 446,848 | (119,710) | 852,338 |
| Gross profit | 42,630 | 38,838 | 77,243 | — | 158,711 |
| Selling, general and administrative expenses | 47,961 | 9,443 | 49,366 | — | 106,770 |
| Restructuring charges | 5,049 | 18,991 | 3,497 | — | 27,537 |
| Gain on sale of assets | — | 4,901 | 330 | — | 5,231 |
| Operating profit (loss) | (10,380) | 15,305 | 24,710 | — | 29,635 |
| Interest expense, net | 19,518 | 1,489 | 1,956 | — | 22,963 |
| Other income (expense), net (1) | (19,042) | 14,614 | 5,344 | — | 916 |
| Income (loss) before income tax expense (benefit) and equity in earnings of affiliates and minority interests | (48,940) | 28,430 | 28,098 | — | 7,588 |
| Income tax expense (benefit) | (15,073) | 8,756 | 8,654 | — | 2,337 |
| Equity in earnings of affiliates and minority interests | 38,950 | — | (168) | (38,950) | (168) |
| Net income (loss) | \$ 5,083 | \$ 19,674 | \$ 19,276 | \$ (38,950) | \$ 5,083 |

(1) Includes amounts that relate to intercompany royalty arrangements.

Condensed Consolidating Balance Sheets
April 30, 2005

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|--------------------|---------------------------|-------------------------------|-----------------------|--------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ — | \$ 25,440 | \$ 26,589 | \$ — | \$ 52,029 |
| Trade accounts receivable | 805 | 138,190 | 143,569 | — | 282,564 |
| Inventories | 282 | 65,655 | 156,212 | — | 222,149 |
| Other current assets | 1,826 | 16,878 | 68,231 | — | 86,935 |
| | <u>2,913</u> | <u>246,163</u> | <u>394,601</u> | <u>—</u> | <u>643,677</u> |
| Long-term assets | | | | | |
| Goodwill and other intangible assets | — | 141,526 | 119,781 | — | 261,307 |
| Other long-term assets | 1,101,769 | 614,353 | 13,768 | (1,673,527) | 56,363 |
| | <u>1,101,769</u> | <u>755,879</u> | <u>133,549</u> | <u>(1,673,527)</u> | <u>317,670</u> |
| Properties, plants and equipment, net | 2,009 | 575,760 | 279,245 | — | 857,014 |
| | <u>\$1,106,691</u> | <u>\$1,577,802</u> | <u>\$ 807,395</u> | <u>\$ (1,673,527)</u> | <u>\$1,818,361</u> |
| LIABILITIES & SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 92 | \$ 101,335 | \$ 140,503 | \$ — | \$ 241,930 |
| Short-term borrowings | — | — | 23,506 | — | 23,506 |
| Other current liabilities | 4,663 | 21,106 | 107,765 | — | 133,534 |
| | <u>4,755</u> | <u>122,441</u> | <u>271,774</u> | <u>—</u> | <u>398,970</u> |
| Long-term liabilities | | | | | |
| Long-term debt | 429,527 | — | 36,688 | — | 466,215 |
| Other long-term liabilities | 104 | 199,955 | 79,522 | — | 279,581 |
| | <u>429,631</u> | <u>199,955</u> | <u>116,210</u> | <u>—</u> | <u>745,796</u> |
| Minority interest | — | 35 | 1,255 | — | 1,290 |
| Shareholders' equity | 672,305 | 1,255,371 | 418,156 | (1,673,527) | 672,305 |
| | <u>\$1,106,691</u> | <u>\$1,577,802</u> | <u>\$ 807,395</u> | <u>\$ (1,673,527)</u> | <u>\$1,818,361</u> |

October 31, 2004

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|--------------------|---------------------------|-------------------------------|-----------------------|--------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ — | \$ 13,784 | \$ 24,325 | \$ — | \$ 38,109 |
| Trade accounts receivable | 87,737 | 62,196 | 157,817 | — | 307,750 |
| Inventories | 11,626 | 49,328 | 130,503 | — | 191,457 |
| Other current assets | 16,320 | 8,913 | 50,133 | — | 75,366 |
| | <u>115,683</u> | <u>134,221</u> | <u>362,778</u> | <u>—</u> | <u>612,682</u> |
| Long-term assets | | | | | |
| Goodwill and other intangible assets | 113,291 | 28,556 | 123,480 | — | 265,327 |
| Other long-term assets | 808,519 | 399,106 | 26,687 | (1,179,765) | 54,547 |
| | <u>921,810</u> | <u>427,662</u> | <u>150,167</u> | <u>(1,179,765)</u> | <u>319,874</u> |
| Properties, plants and equipment, net | 231,337 | 360,376 | 288,969 | — | 880,682 |
| | <u>\$1,268,830</u> | <u>\$ 922,259</u> | <u>\$ 801,914</u> | <u>\$ (1,179,765)</u> | <u>\$1,813,238</u> |
| LIABILITIES & SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 26,990 | \$ 86,895 | \$ 167,380 | \$ — | \$ 281,265 |
| Short-term borrowings | — | — | 11,621 | — | 11,621 |
| Other current liabilities | 4,477 | 51,339 | 88,516 | — | 144,332 |

| | | | | | |
|------------------------------|--------------------|-------------------|-------------------|----------------------|--------------------|
| | 31,467 | 138,234 | 267,517 | — | 437,218 |
| Long-term liabilities | | | | | |
| Long-term debt | 437,863 | — | 19,552 | — | 457,415 |
| Other long-term liabilities | 170,406 | 38,378 | 79,002 | — | 287,786 |
| | 608,269 | 38,378 | 98,554 | — | 745,201 |
| Minority interest | — | — | 1,725 | — | 1,725 |
| Shareholders' equity | 629,094 | 745,647 | 434,118 | (1,179,765) | 629,094 |
| | <u>\$1,268,830</u> | <u>\$ 922,259</u> | <u>\$ 801,914</u> | <u>\$(1,179,765)</u> | <u>\$1,813,238</u> |

Condensed Consolidating Statements of Cash Flows
For the six months ended April 30, 2005

| | <u>Parent</u> | <u>Guarantor Subsidiaries</u> | <u>Non-Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Cash flows from operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$(11,644) | \$ 3,893 | \$ 4,475 | \$ — | \$ (3,276) |
| Cash flows from investing activities: | | | | | |
| Purchases of properties, plants and equipment | — | (8,857) | (17,343) | — | (26,200) |
| Proceeds on disposals of properties, plants and equipment | — | 16,620 | 1,067 | — | 17,687 |
| Net cash provided by (used in) investing activities | — | 7,763 | (16,276) | — | (8,513) |
| Cash flows from financing activities: | | | | | |
| Proceeds from issuance of long-term debt | 11,217 | — | — | — | 11,217 |
| Proceeds on short-term borrowings | — | — | 12,880 | — | 12,880 |
| Other, net | 427 | — | — | — | 427 |
| Net cash provided by financing activities | 11,644 | — | 12,880 | — | 24,524 |
| Effects of exchange rates on cash | — | — | 1,185 | — | 1,185 |
| Net increase in cash and cash equivalents | — | 11,656 | 2,264 | — | 13,920 |
| Cash and cash equivalents at beginning of period | — | 13,784 | 24,325 | — | 38,109 |
| Cash and cash equivalents at end of period | \$ — | \$ 25,440 | \$ 26,589 | \$ — | \$ 52,029 |

For the six months ended April 30, 2004

| | <u>Parent</u> | <u>Guarantor Subsidiaries</u> | <u>Non-Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Cash flows from operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$ 30,450 | \$ (14,719) | \$ 5,786 | \$ — | \$ 21,517 |
| Cash flows from investing activities: | | | | | |
| Purchases of properties, plants and equipment | (6,861) | (12,853) | (8,382) | — | (28,096) |
| Proceeds on disposals of properties, plants and equipment | — | 5,666 | — | — | 5,666 |
| Net cash used in investing activities | (6,861) | (7,187) | (8,382) | — | (22,430) |
| Cash flows from financing activities: | | | | | |
| Payments on long-term debt | (21,952) | — | — | — | (21,952) |
| Proceeds from short-term borrowings | — | — | 4,252 | — | 4,252 |
| Other, net | (1,637) | — | — | — | (1,637) |
| Net cash provided by (used in) financing activities | (23,589) | — | 4,252 | — | (19,337) |
| Effects of exchange rates on cash | — | — | 75 | — | 75 |
| Net increase (decrease) in cash and cash equivalents | — | (21,906) | 1,731 | — | (20,175) |
| Cash and cash equivalents at beginning of period | — | 26,421 | 23,346 | — | 49,767 |
| Cash and cash equivalents at end of period | \$ — | \$ 4,515 | \$ 25,077 | \$ — | \$ 29,592 |

NOTE 18 – SUBSEQUENT EVENT

On March 28, 2005, Soterra LLC (a wholly owned subsidiary of the Company) entered into two Real Estate Purchase and Sale Agreements with Plum Creek Timberlands, L.P. (“Plum Creek”) to sell approximately 56,000 acres of timberland and related assets located primarily in Florida for an aggregate purchase price of approximately \$90 million, subject to closing adjustments. In connection with the closing of one of these agreements, on May 23, 2005, Soterra LLC sold approximately 35,000 acres of timberland and associated assets in Florida, Georgia and Alabama and the purchase price of approximately \$51 million was paid in the form of cash and a purchase note (the “Purchase Note”). The remaining acres will be sold in several installments during 2006. The Company will recognize significant timberland gains in its consolidated statements of income in the periods that these transactions occur.

On May 31, 2005, STA Timber LLC (“STA Timber”), one of the Company’s indirect wholly-owned subsidiaries, issued \$43 million 5.20 percent Senior Secured Notes due August 5, 2020 (the “Monetization Notes”). In connection with the sale thereof, STA Timber entered into Note Purchase Agreements with the purchasers of the Monetization Notes (the “Note Purchase Agreements”) and related documentation. The Monetization Notes are secured by a pledge of the Purchase Note in the principal amount of \$50.9 million dated May 31, 2005, issued by Timberlands SPE, L.L.C. (the “Payor”) payable to the order of Soterra LLC and contributed and assigned to STA Timber. The Payor is an indirect subsidiary of Plum Creek. The proceeds from the sale of the Monetization Notes will be used for general corporate purposes, including the repayment of indebtedness.

The Monetization Notes (as well as the Purchase Note) are also secured by the Deed of Guarantee issued by Bank of America, N.A., London Branch, in an amount not to exceed \$52.3 million as a guarantee of the due and punctual payment of principal and interest on the Purchase Note.

Neither Greif, Inc. nor any of its other consolidated subsidiaries have extended any form of guaranty of the principal or interest on the Monetization Notes. Accordingly, neither Greif, Inc. nor any of its other consolidated subsidiaries will become directly or contingently liable for the payment of the Monetization Notes at any time.

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

GENERAL

The purpose of this section is to discuss and analyze our consolidated financial condition, liquidity and capital resources and results of operations. This analysis should be read in conjunction with the consolidated financial statements, which appear elsewhere in this Form 10-Q. The terms "Greif," "our company," "we," "us" and "our" as used in this discussion refer to Greif, Inc. and its subsidiaries. Our fiscal year begins on November 1 and ends on October 31 of the following year. Any references in this Form 10-Q to the years 2005 or 2004, or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ending in that year.

BUSINESS SEGMENTS

We operate in three business segments: Industrial Packaging & Services; Paper, Packaging & Services; and Timber.

We are a leading global provider of industrial packaging products such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products and polycarbonate water bottles. We seek to provide complete packaging solutions to our customers by offering a comprehensive range of products and services on a global basis. We sell our products to customers in industries such as chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical and mineral, among others.

We sell our containerboard, corrugated sheets and other corrugated products and multiwall bags to customers in North America in industries such as packaging, automotive, food and building products. Our corrugated container products are used to ship such diverse products as home appliances, small machinery, grocery products, building products, automotive components, books and furniture, as well as numerous other applications. Our full line of multiwall bag products is used to ship a wide range of industrial and consumer products, such as fertilizers, chemicals, concrete, flour, sugar, feed, seed, pet foods, popcorn, charcoal and salt, primarily for the agricultural, chemical, building products and food industries.

As of April 30, 2005, we owned approximately 281,000 acres of timberland in the southeastern United States, which is actively managed, and approximately 35,000 acres of timberland in Canada. Our timber management is focused on the active harvesting and regeneration of our timber properties to achieve sustainable long-term yields on our timberland. While timber sales are subject to fluctuations, we seek to maintain a consistent cutting schedule, within the limits of market and weather conditions. During May 2005, after the end of the second quarter, 35,000 acres of our timberland holdings in Florida, Georgia and Alabama were sold for approximately \$51 million as part of a \$90 million transaction. For further information, see Liquidity and Capital Resources — Real Estate Transactions; Monetization Notes.

CRITICAL ACCOUNTING POLICIES

The 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 (“GAAP”). The preparation of these consolidated financial statements, in accordance with these principles, require us to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements.

A summary of our significant accounting policies is included in Note 1 to the Notes to Consolidated Financial Statements included in our 2004 Form 10-K. We believe that the consistent application of these policies enables us to provide readers of the consolidated financial statements with useful and reliable information about our results of operations and financial condition. The following are the accounting policies that we believe are most important to the portrayal of our results of operations and financial condition and require our most difficult, subjective or complex judgments.

Allowance for Accounts Receivable. We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer’s inability to meet its financial obligations to us, we record a specific allowance for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. In addition, we recognize allowances for bad debts based on the length of time receivables are past due with allowance percentages, based on our historical experiences, applied on a graduated scale relative to the age of the receivable amounts. If circumstances change (e.g., higher than expected bad debt experience or an unexpected material adverse change in a major customer’s ability to meet its financial obligations to us), our estimates of the recoverability of amounts due to us could change by a material amount.

Inventory Reserves. Reserves for slow moving and obsolete inventories are provided based on historical experience and product demand. We continuously evaluate the adequacy of these reserves and make adjustments to these reserves as required.

Net Assets Held for Sale. Net assets held for sale represent land, buildings and land improvements less accumulated depreciation for locations that have been closed. We record net assets held for sale in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” at the lower of carrying value or fair value less cost to sell. Fair value is based on the estimated proceeds from the sale of the facility utilizing recent buy offers, market comparables and/or data obtained from our commercial real estate broker. Our estimate as to fair value is regularly reviewed and subject to changes in the commercial real estate markets and our continuing evaluation as to the facility’s acceptable sale price.

Properties, Plants and Equipment. Depreciation on properties, plants and equipment is provided on the straight-line method over the estimated useful lives of our assets.

We own timber properties in the southeastern United States and in Canada. With respect to our United States timber properties, which consisted of 281,000 acres at April 30, 2005, depletion expense is computed on the basis of cost and the estimated recoverable timber acquired. Our land costs are maintained by tract. Merchantable timber costs are maintained by five product classes, pine sawtimber, pine chip-n-saw, pine pulpwood, hardwood sawtimber and hardwood pulpwood, within a "depletion block," with each depletion block based upon a geographic district or subdistrict. Currently, we have 12 depletion blocks. These same depletion blocks are used for pre-merchantable timber costs. Each year, we estimate the volume of our merchantable timber for the five product classes by each depletion block. These estimates are based on the current state in the growth cycle and not on quantities to be available in future years. Our estimates do not include costs to be incurred in the future. We then project these volumes to the end of the year. Upon acquisition of a new timberland tract, we record separate amounts for land, merchantable timber and pre-merchantable timber allocated as a percentage of the values being purchased. These acquisition volumes and costs acquired during the year are added to the totals for each product class within the appropriate depletion block(s). The total of the beginning, one-year growth and acquisition volumes are divided by the total undepleted historical cost to arrive at a depletion rate, which is then used for the current year. As timber is sold, we multiply the volumes sold by the depletion rate for the current year to arrive at the depletion cost. Our Canadian timberlands, which consisted of approximately 35,000 acres at April 30, 2005, did not have any depletion expense since they are not actively managed at this time.

We believe that the lives and methods of determining depreciation and depletion are reasonable; however, using other lives and methods could provide materially different results.

Restructuring Reserves. Restructuring reserves are determined in accordance with appropriate accounting guidance, including SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," and Staff Accounting Bulletin No. 100, "Restructuring and Impairment Charges," depending upon the facts and circumstances surrounding the situation. Restructuring reserves are further discussed in Note 6 to the Notes to Consolidated Financial Statements included in our 2004 Form 10-K.

Pension and Postretirement Benefits. Pension and postretirement benefit expenses are determined by our actuaries using assumptions about the discount rate, expected return on plan assets, rate of compensation increase and health care cost trend rates. Further discussion of our pension and postretirement benefit plans and related assumptions is contained in Notes 12 and 13 to the Notes to Consolidated Financial Statements included in our 2004 Form 10-K. The results would be different using other assumptions.

Income Taxes. Our effective tax rate, taxes payable and the tax bases of our assets and liabilities reflect current tax rates in our domestic and foreign tax jurisdictions and our best estimate of the ultimate outcome of ongoing and potential future tax audits. Valuation allowances are established where expected future taxable income does not support the realization of the deferred tax assets.

Environmental Cleanup Costs. We expense environmental expenditures related to existing conditions caused by past or current operations and from which no current or future benefit is discernable. Expenditures that extend the life of the related property, or mitigate or prevent future environmental contamination, are capitalized.

Our reserves for environmental liabilities at April 30, 2005 amounted to \$9.0 million, which included a reserve of \$4.9 million related to our facility in Lier, Belgium and \$4.1 million for asserted and unasserted environmental litigation, claims and/or assessments at several manufacturing sites and other locations where we believe the outcome of such matters will be unfavorable to us. The environmental exposures for those sites included in the \$4.1 million reserve were not individually significant. The reserve for the Lier, Belgium site is based on environmental studies that have been conducted at this location. The Lier, Belgium site is being monitored by the Public Flemish Waste Company ("PFWC"), which is the Belgian body for waste control. PFWC must approve all remediation efforts that are undertaken by us at this site.

We anticipate that cash expenditures in future periods for remediation costs at identified sites will be made over an extended period of time. Given the inherent uncertainties in evaluating environmental exposures, actual costs may vary from those estimated at April 30, 2005. Our exposure to adverse developments with respect to any individual site is not expected to be material. Although environmental remediation could have a material effect on results of operations if a series of adverse developments occur in a particular quarter or fiscal year, we believe that the chance of a series of adverse developments occurring in the same quarter or fiscal year is remote. Future information and developments will require us to continually reassess the expected impact of these environmental matters.

Contingencies. Various lawsuits, claims and proceedings have been or may be instituted or asserted against us, including those pertaining to environmental, product liability, and safety and health matters. We are continually consulting legal counsel and evaluating requirements to reserve for contingencies in accordance with SFAS No. 5, "Accounting for Contingencies." While the amounts claimed may be substantial, the ultimate liability cannot currently be determined because of the considerable uncertainties that exist. Based on the facts currently available, we believe the disposition of matters that are pending will not have a material effect on the consolidated financial statements.

Goodwill, Other Intangible Assets and Other Long-Lived Assets. Goodwill and indefinite-lived intangible assets are no longer amortized, but instead are periodically reviewed for impairment as required by SFAS No. 142, "Goodwill and Other Intangible Assets." The costs of acquired intangible assets determined to have definite lives are amortized on a straight-line basis over their estimated economic lives of two to 20 years. Our policy is to periodically review other intangible assets subject to amortization and other long-lived assets based upon the evaluation of such factors as the occurrence of a significant adverse event or change in the environment in which the business operates, or if the expected future net cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related assets.

Other Items. Other items that could have a significant impact on the financial statements include the risks and uncertainties listed in this Form 10-Q under “Forward-Looking Statements; Certain Factors Affecting Future Results” below. Actual results could differ materially using different estimates and assumptions, or if conditions are significantly different in the future.

RESULTS OF OPERATIONS

The following comparative information is presented for the three-month and six-month periods ended April 30, 2005 and 2004. Historically, revenues or earnings may or may not be representative of future operating results due to various economic and other factors.

The non-GAAP financial measure of operating profit, before restructuring charges and timberland gains, is used throughout the following discussion of our results of operations (except with respect to the segment discussions for Industrial Packaging & Services and Paper, Packaging & Services, where timberland gains are not applicable). Operating profit, before restructuring charges and timberland gains, is equal to the GAAP operating profit plus restructuring charges less timberland gains. We use operating profit, before restructuring charges and timberland gains, because we believe that this measure provides a better indication of our operational performance than the corresponding GAAP measure because it excludes restructuring charges, which are not representative of ongoing operations, and timberland gains, which are volatile from period to period, and it provides a more stable platform on which to compare our historical performance.

Second Quarter Results

Overview

Net sales rose 13 percent (10 percent excluding the impact of foreign currency translation) to \$613.0 million for the second quarter of 2005 from \$542.2 million for the same quarter of 2004. The net sales improvement was attributable to the Industrial Packaging & Services segment (\$58.7 million increase) and the Paper, Packaging & Services segment (\$12.0 million increase). Higher selling prices, primarily in response to increased costs of steel and resin, drove this improvement.

Operating profit before restructuring charges and timberland gains increased 28 percent to \$42.7 million for the second quarter of 2005 compared with \$33.3 million for the second quarter of 2004. This was primarily attributable to the Paper, Packaging & Services segment (\$7.9 million increase) and the Industrial Packaging & Services segment (\$1.7 million increase), partially offset by the Timber segment (\$0.2 million decrease). There were \$10.6 million and \$12.3 million of restructuring charges and \$3.4 million and \$1.4 million of timberland gains during the second quarter of 2005 and 2004, respectively. GAAP operating profit was \$35.4 million for the second quarter of 2005 compared with \$22.4 million for the same period last year.

The following table sets forth the net sales and operating profit for each of our business segments (Dollars in thousands):

| For the three months ended April 30, | 2005 | 2004 |
|---|-------------------|-------------------|
| Net Sales | | |
| Industrial Packaging & Services | \$ 458,404 | \$ 399,689 |
| Paper, Packaging & Services | 150,034 | 138,043 |
| Timber | 4,522 | 4,457 |
| Total net sales | \$ 612,960 | \$ 542,189 |
| Operating Profit | | |
| Operating profit, before restructuring charges and timberland gains: | | |
| Industrial Packaging & Services | \$ 29,411 | \$ 27,760 |
| Paper, Packaging & Services | 10,372 | 2,435 |
| Timber | 2,868 | 3,079 |
| Total operating profit before restructuring charges and timberland gains | 42,651 | 33,274 |
| Restructuring charges: | | |
| Industrial Packaging & Services | 8,809 | 9,541 |
| Paper, Packaging & Services | 1,764 | 2,665 |
| Timber | 48 | 72 |
| Total restructuring charges | 10,621 | 12,278 |
| Timberland gains: | | |
| Timber | 3,393 | 1,364 |
| Total operating profit | \$ 35,423 | \$ 22,360 |

Segment Review

Industrial Packaging & Services

In the Industrial Packaging & Services segment, we offer a comprehensive line of industrial packaging products, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products and polycarbonate water bottles throughout the world. The key factors influencing profitability in the second quarter of 2005 compared to the second quarter of 2004 in the Industrial Packaging & Services segment were:

- Higher selling prices;
- Generally lower sales volumes for steel and fibre drums;
- Benefits from transformation initiatives;
- Higher raw material costs, especially steel and resin;
- Lower restructuring charges; and
- Impact of foreign currency translation.

In this segment, net sales rose 15 percent (11 percent excluding the impact of foreign currency translation) to \$458.4 million for the second quarter of 2005 from \$399.7 million for the same period last year. Selling prices rose primarily in response to higher average raw material costs, especially steel and resin, compared to the same quarter last year. However, sales volumes were generally lower for steel and fibre drums.

Operating profit before restructuring charges rose to \$29.4 million for the second quarter of 2005 from \$27.8 million for the same period a year ago. Restructuring

charges were \$8.8 million for the second quarter of 2005 compared with \$9.5 million a year ago. The Industrial Packaging & Services segment's gross profit margin was 15.6 percent versus 17.8 percent in the second quarter of 2005 and 2004, respectively, due to generally lower sales volumes and higher raw material costs, partially offset by improved selling prices and labor and other manufacturing efficiencies related to the transformation initiatives. GAAP operating profit was \$20.6 million for the second quarter of 2005 compared with \$18.2 million for the second quarter of 2004.

Paper, Packaging & Services

In the Paper, Packaging & Services segment, we sell containerboard, corrugated sheets and other corrugated products and multiwall bags in North America. The key factors influencing profitability in the second quarter of 2005 compared to the second quarter of 2004 in the Paper, Packaging & Services segment were:

- Higher selling prices;
- Generally lower sales volumes for containerboard, corrugated sheets and corrugated containers; and
- Lower restructuring charges.

In this segment, net sales rose 9 percent to \$150.0 million for the second quarter of 2005 from \$138.0 million for the same period last year due to improved selling prices for this segment's products. Sales volumes for containerboard, corrugated sheets and corrugated containers were down on a quarter-over-quarter comparison.

Operating profit before restructuring charges was \$10.4 million for the second quarter of 2005 compared with \$2.4 million the prior year. Restructuring charges were \$1.8 million for the second quarter of 2005 versus \$2.7 million a year ago. The increase in operating profit before restructuring charges was primarily due to improved selling prices, partially offset by generally lower sales volumes and higher transportation and energy costs in the containerboard operations. GAAP operating profit was \$8.6 million for the second quarter of 2005 compared with a loss of \$0.2 million for the second quarter of 2004.

Timber

As of April 30, 2005, we owned approximately 281,000 acres of timber properties in southeastern United States, which were actively harvested and regenerated, and approximately 35,000 acres in Canada. The key factors influencing profitability in the second quarter of 2005 compared to the second quarter of 2004 in the Timber segment were:

- Consistent level of timber sales; and
- Higher gain on sale of timberland.

Timber net sales were \$4.5 million for the second quarter of 2005 and 2004. Operating profit before restructuring charges and timberland gains was \$2.9 million for the second quarter of 2005 compared to \$3.1 million a year ago. Restructuring charges were insignificant for the second quarter in both years. Timberland gains were \$3.4 million for the second quarter of 2005 and \$1.4 million for the same quarter last year. GAAP operating profit was \$6.2 million for the second quarter of 2005 compared with \$4.4 million for the second quarter of 2004.

As previously discussed in May 2005, we completed the first phase of the sale of 56,000 acres of timberland, timber and associated assets for \$90 million. In this first phase, 35,000 acres of our timberland holdings in Florida, Georgia and Alabama were sold for approximately \$51 million in the third quarter of 2005. The second phase of this transaction is expected to occur in several installments during our 2006 fiscal year. We will recognize significant timberland gains in our consolidated statements of income in the periods that these transactions occur. For further information, see Liquidity and Capital Resources — Real Estate Transactions; Monetization Notes.

Other Income Statement Changes

Cost of Products Sold

The cost of products sold, as a percentage of net sales, increased to 84.0 percent for the second quarter of 2005 from 83.5 percent for the second quarter of 2004. The principal factors impacting this increase were generally lower sales volumes and higher raw material costs, partially offset by improved selling prices and labor and other manufacturing efficiencies from the ongoing transformation initiatives.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses were \$56.1 million, or 9.1 percent of net sales, for the second quarter of 2005 compared to \$55.7 million, or 10.3 percent of net sales, for the same period a year ago. While certain SG&A expenses, such as employee benefits and professional fees, primarily related to compliance matters regarding Section 404 of the Sarbanes-Oxley Act of 2002, were higher on a quarter-over-quarter comparison, certain other SG&A expenses were reduced compared to the second quarter of 2004.

Restructuring Charges

Our transformation initiatives, which began in 2003, continue to enhance long-term organic sales growth, generate productivity improvements and achieve permanent cost reductions. We incurred restructuring charges of \$60.7 million in 2003, \$54.1 million in 2004, and \$14.0 million during the first half of 2005. We are pleased with the progress of the transformation initiatives to-date and are continuing to evaluate future rationalization options based on that progress.

As part of the transformation initiatives, we closed one company-owned plant in the Industrial Packaging & Services segment during the second quarter of 2005 and one company-owned plant in the Industrial Packaging & Services segment during the second quarter of 2004. Both of the plants were located in North America. In addition, corporate and administrative staff reductions have been made throughout the world. As a result of the transformation initiatives, during the second quarter of 2005, we recorded restructuring charges of \$6.8 million, consisting of \$3.8 million in employee

separation costs, \$1.2 million in professional fees directly related to the transformation initiatives and \$1.8 million in other restructuring costs. In the second quarter of 2005, we also recorded \$3.8 million of restructuring charges related to the impairment of two facilities, currently held for sale, that were closed during previous restructuring programs. During the second quarter of 2004, we recorded restructuring charges of \$12.3 million, consisting of \$2.1 million in employee separation costs, \$0.1 million in asset impairments, \$7.5 million in professional fees directly related to the transformation initiatives and \$2.6 million in other restructuring costs. The asset impairment charges related to the write-down to fair value of buildings and equipment based on recent buy offers, market comparables and/or data obtained from our commercial real estate broker.

A total of approximately 1,500 employees have been or will be terminated in connection with the transformation initiatives, 1,445 of which have been terminated as of April 30, 2005.

Upon completion of the transformation initiatives, we believe that annual contributions to earnings from these actions will be approximately \$115 million.

For further information, see Note 8 – Restructuring Charges in the Notes to Consolidated Financial Statements included in this Form 10-Q.

Gain on Sale of Assets

Gain on sale of assets increased to \$4.2 million in the second quarter of 2005 as compared to \$1.1 million in the second quarter of 2004 primarily due to \$2.0 million higher gains on sale of timber properties.

Interest Expense, Net

Interest expense, net was \$10.7 million for the second quarter of 2005 and 2004. Lower average debt outstanding was offset by higher interest rates during the second quarter of 2005 compared to the second quarter of 2004.

Debt Extinguishment Charge

During the second quarter of 2005, we entered into a new revolving credit facility to improve pricing and financial flexibility. As a result, we recorded a \$2.8 million debt extinguishment charge.

Other Income, Net

Other income, net increased \$1.3 million in the second quarter of 2005 as compared to the second quarter of 2004 primarily due to higher rental income and foreign exchange costs.

Income Tax Expense

The effective tax rate was 29.3% and 30.8% in the second quarter of 2005 and 2004, respectively. The lower effective tax rate resulted from a change in the mix of income outside the United States.

Equity in Earnings of Affiliates and Minority Interests

Equity in earnings of affiliates and minority interests was a negative \$0.1 million for the second quarter of 2005 and 2004.

Net Income

Based on the foregoing, we recorded net income of \$16.8 million for the second quarter of 2005 compared to a net income of \$8.4 million in the same period last year.

Year-to-Date Results

Overview

Net sales rose 18 percent (15 percent excluding the impact of foreign currency translation) to \$1.2 billion for the first half of 2005 from \$1.0 billion for the same period of 2004. The net sales improvement was attributable to the Industrial Packaging & Services segment (\$150.4 million increase) and the Paper, Packaging & Services segment (\$34.9 million increase), partially offset by the Timber segment (\$0.8 million decrease). Higher selling prices, primarily in response to increased costs of steel and resin, drove this improvement.

Operating profit before restructuring charges and timberland gains increased 43 percent to \$73.9 million for the first half of 2005 compared with \$51.9 million for the first half of 2004. This was primarily attributable to the Paper, Packaging & Services segment (\$12.2 million increase) and the Industrial Packaging & Services segment (\$10.5 million increase), partially offset by the Timber segment (\$0.6 million decrease). There were \$17.8 million and \$27.5 million of restructuring charges and \$11.5 million and \$5.3 million of timberland gains during the first half of 2005 and 2004, respectively. GAAP operating profit was \$67.6 million for the first half of 2005 compared with \$29.6 million for the same period last year.

The following table sets forth the net sales and operating profit for each of our business segments (Dollars in thousands):

| For the six months ended April 30, | 2005 | 2004 |
|---|---------------------|---------------------|
| Net Sales | | |
| Industrial Packaging & Services | \$ 887,446 | \$ 737,080 |
| Paper, Packaging & Services | 298,239 | 263,337 |
| Timber | 9,839 | 10,632 |
| Total net sales | \$ 1,195,524 | \$ 1,011,049 |
| Operating Profit | | |
| Operating profit, before restructuring charges and timberland gains: | | |
| Industrial Packaging & Services | \$ 47,090 | \$ 36,611 |
| Paper, Packaging & Services | 19,963 | 7,788 |
| Timber | 6,875 | 7,475 |
| Total operating profit before restructuring charges and timberland gains | 73,928 | 51,874 |
| Restructuring charges: | | |
| Industrial Packaging & Services | 15,607 | 21,563 |
| Paper, Packaging & Services | 2,141 | 5,834 |
| Timber | 59 | 140 |
| Total restructuring charges | 17,807 | 27,537 |
| Timberland gains: | | |
| Timber | 11,465 | 5,298 |
| Total operating profit | \$ 67,586 | \$ 29,635 |

Segment Review

Industrial Packaging & Services

In the Industrial Packaging & Services segment, we offer a comprehensive line of industrial packaging products, such as steel, fibre and plastic drums, intermediate bulk containers, closure systems for industrial packaging products and polycarbonate water bottles throughout the world. The key factors influencing profitability in the first half of 2005 compared to the first half of 2004 in the Industrial Packaging & Services segment were:

- Higher selling prices;
- Generally lower sales volumes for steel and fibre drums;
- Benefits from transformation initiatives;
- Higher raw material costs, especially steel and resin;
- Lower restructuring charges; and
- Impact of foreign currency translation.

In this segment, net sales rose 20 percent (16 percent excluding the impact of foreign currency translation) to \$887.4 million for the first half of 2005 from \$737.1 million for the same period last year. Selling prices rose primarily in response to higher average raw material costs, especially steel and resin, compared to the same quarter last year. However, sales volumes were generally lower for steel and fibre drums.

Operating profit before restructuring charges rose to \$47.1 million for the first half of 2005 from \$36.6 million for the same period a year ago. Restructuring charges were \$15.6 million for the first half of 2005 compared with \$21.6 million a year ago. The Industrial Packaging & Services segment's gross profit was 15.0 percent versus 16.3

percent in the first half of 2005 and 2004, respectively, due to generally lower sales volumes and higher raw material costs, partially offset by improved average selling prices and labor and other manufacturing efficiencies related to the transformation initiatives. GAAP operating profit was \$31.5 million for the first half of 2005 compared with \$15.0 million for the first half of 2004.

Paper, Packaging & Services

In the Paper, Packaging & Services segment, we sell containerboard, corrugated sheets and other corrugated products and multiwall bags in North America. The key factors influencing profitability in the first half of 2005 compared to the first half of 2004 in the Paper, Packaging & Services segment were:

- Higher selling prices;
- Generally lower sales volumes for containerboard, corrugated sheets and corrugated containers; and
- Lower restructuring charges.

In this segment, net sales rose 13 percent to \$298.2 million for the first half of 2005 from \$263.3 million for the same period last year due to improved selling prices for this segment's products. Sales volumes for containerboard, corrugated sheets and corrugated containers were down versus the same period last year.

Operating profit before restructuring charges was \$20.0 million for the first half of 2005 compared with \$7.8 million the prior year. Restructuring charges were \$2.1 million for the first half of 2005 versus \$5.8 million a year ago. The increase in operating profit before restructuring charges was primarily due to improved selling prices, partially offset by generally lower sales volumes and higher transportation and energy costs in the containerboard operations. GAAP operating profit was \$17.8 million for the first half of 2005 compared with \$2.0 million for the first half of 2004.

Timber

As of April 30, 2005, we owned approximately 281,000 acres of timber properties in southeastern United States, which were actively harvested and regenerated, and approximately 35,000 acres in Canada. The key factors influencing profitability in the first half of 2005 compared to the first half of 2004 in the Timber segment were:

- Consistent level of timber sales; and
- Higher gain on sale of timberland.

Timber net sales were \$9.8 million for the first half of 2005 compared to \$10.6 million for the first half of 2004. Operating profit before restructuring charges and timberland gains was \$6.9 million for the first half of 2005 compared to \$7.5 million a year ago. Restructuring charges were insignificant for the first half in both years. Timberland gains were \$11.5 million for the first half of 2005 and \$5.3 million for the same period last year. GAAP operating profit was \$18.3 million for the first half of 2005 compared with \$12.6 million for the first half of 2004.

Other Income Statement Changes

Cost of Products Sold

The cost of products sold, as a percentage of net sales, increased to 84.4 percent for the first half of 2005 from 84.3 percent for the first half of 2004. The principal factors impacting this increase were generally lower sales volumes and higher raw material costs, partially offset by improved selling prices and labor and other manufacturing efficiencies the ongoing transformation initiatives.

Selling, General and Administrative Expenses

SG&A expenses were \$115.8 million, or 9.7 percent of net sales, for the first half of 2005 compared to \$106.8 million, or 10.6 percent of net sales, for the same period a year ago. While certain SG&A expenses, such as employee benefits and professional fees, primarily related to compliance matters regarding Section 404 of the Sarbanes-Oxley Act of 2002, were higher versus the same period last year, certain other SG&A expenses were reduced compared to the first six months of 2004.

Restructuring Charges

As part of the transformation initiatives, we closed two company-owned plants in the Industrial Packaging & Services segment during the first half of 2005, and four company-owned plants (three in the Industrial Packaging & Services segment and one in the Paper, Packaging & Services segment) during the first half of 2004. All of the plants are located in North America. In addition, corporate and administrative staff reductions have been made throughout the world. As a result of the transformation initiatives, during the first half of 2005, we recorded restructuring charges of \$14.0 million, consisting of \$7.0 million in employee separation costs, \$0.1 million in asset impairments, \$2.3 million in professional fees directly related to the transformation initiatives and \$4.6 million in other restructuring costs. In the second quarter of 2005, we also recorded \$3.8 million of restructuring charges related to the impairment of two facilities, currently held for sale, that were closed during previous restructuring programs. During the first half of 2004, we recorded restructuring charges of \$27.5 million, consisting of \$9.0 million of in employee separation costs, \$2.3 million in asset impairments, \$12.1 million in professional fees directly related to the transformation initiatives and \$4.1 million in other restructuring costs. The asset impairment charges related to the write-down to fair value of buildings and equipment based on recent buy offers, market comparables and/or data obtained from our commercial real estate broker. For further information, see Second Quarter Results – Other Income Statement Changes – Restructuring Charges above and Note 8 – Restructuring Charges in the Notes to Consolidated Financial Statements in this Form 10-Q.

Gain on Sale of Assets

Gain on sale of assets increased to \$14.5 million in the first half of 2005 as compared to \$5.2 million in the first half of 2004, primarily due to \$6.2 million higher gains from the sale of timber properties and the gain on a facility sale that was included in net assets held for sale at October 31, 2004.

Interest Expense, Net

Interest expense, net declined to \$20.8 million for the first half of 2005 from \$23.0 million for the same period last year. Lower average debt outstanding was partially offset by higher interest rates during the first half of 2005 compared to the same period last year.

Debt Extinguishment Charge

During the second quarter of 2005, we entered into a new revolving credit facility to improve pricing and financial flexibility. As a result, we recorded a \$2.8 million debt extinguishment charge.

Other Income, Net

Other income, net was \$1.2 million in the first half of 2005 versus \$0.9 million in the first half of 2004.

Income Tax Expense

The effective tax rate was 28.7% and 30.8% in the first half of 2005 and 2004, respectively, resulting in an income tax expense of \$13.0 million for the first half of 2005 and an income tax expense of \$2.3 million for the first half of 2004. The lower effective tax rate resulted from a change in the mix of income outside the United States.

Equity in Earnings of Affiliates and Minority Interests

Equity in earnings of affiliates and minority interests was a negative \$0.3 million for the first half of 2005 as compared to a negative \$0.2 million in the same period of 2004.

Net Income

Based on the foregoing, we recorded net income of \$31.9 million for the first half of 2005 compared to net income of \$5.1 million in the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are operating cash flows, the proceeds from our Senior Subordinated Notes, trade accounts receivable credit facility, sale of our European accounts receivable and borrowings under our Credit Agreement, further discussed below. We have used these sources to fund our working capital needs, capital expenditures, cash dividends, common stock repurchases and acquisitions. We anticipate continuing to fund these items in a like manner. We currently expect that operating cash flows, the proceeds from our Senior Subordinated Notes, trade accounts receivable credit facility and borrowings under our Credit Agreement will be sufficient to fund our working capital, capital expenditures, debt repayment and other liquidity needs for the foreseeable future.

Capital Expenditures

During the first half of 2005, we invested \$24.9 million in capital expenditures, excluding timberland purchases of \$1.3 compared with capital expenditures of \$23.5 million, excluding timberland purchases of \$4.6 million, during the same period last year.

We expect capital expenditures to be approximately \$75 million in 2005, which would be approximately \$25 million below our anticipated depreciation expense of approximately \$100 million.

Balance Sheet Changes

The \$25.1 million reduction in trade accounts receivable was primarily due to lower net sales in the second quarter of 2005 compared to the fourth quarter of 2004, the sale of certain European accounts receivable and improved collection efforts, partially offset by the impact of foreign currency translation.

The \$30.7 million increase in inventories was primarily due to higher raw material costs coupled with the impact of foreign currency translation.

Properties, plants and equipment, net decreased \$9.5 million primarily due to depreciation expense (\$47.2 million) and depletion expense (\$0.9 million) partially offset by the impact of foreign currency translation and the second half of 2005 capital expenditures.

The \$39.3 million decrease in accounts payable was mostly due to lower cost of products sold in the second quarter of 2005 compared to the fourth quarter of 2004 and the timing of payments made to our suppliers, partially offset by higher raw material costs.

Accrued payroll and employee benefits were lower by \$7.7 million primarily due to the timing of the annual bonus and long-term incentive accruals, which were accrued at October 31, 2004 and paid during the first quarter of 2005, and timing of other employee-related accruals.

Long-term debt increased \$6.9 million due to weak operating cash flows for the six months ended April 30, 2005.

Borrowing Arrangements

Credit Agreement

As of March 2, 2005, we and certain of our international subsidiaries, as borrowers, entered into a \$350 million Credit Agreement (the "Credit Agreement") with a syndicate of financial institutions, as lenders, Deutsche Bank AG, New York Branch, as administrative agent, Deutsche Bank Securities Inc., as joint lead arranger and sole book-runner, KeyBank National Association, as joint lead arranger and syndication agent and National City Bank, Fleet National Bank and ING Capital LLC, as co-documentation agents. The Credit Agreement provides for a \$350 million revolving multicurrency credit facility. The revolving multicurrency credit facility is available for ongoing working capital and general corporate purposes and to refinance amounts outstanding under the Senior Secured Credit Agreement. Interest is based on a Eurocurrency rate or an alternative base rate that resets periodically plus a calculated margin amount. On March 3, 2005, \$189.4 million was borrowed under the revolving multicurrency credit facility in order to prepay the obligations outstanding under the Senior Secured Credit Agreement and certain costs and expenses incurred in connection with the Credit Agreement. As of April 30, 2005, \$129.4 million was outstanding under the revolving multicurrency credit facility.

The Credit Agreement contains certain covenants, which include financial covenants that require us to maintain a certain leverage ratio and a minimum coverage of interest expense. The leverage ratio generally requires that at the end of any fiscal quarter we will not permit the ratio of (a) our total consolidated indebtedness less cash and cash equivalents plus aggregate cash proceeds received from an unrelated third party from a permitted receivables transaction to (b) our consolidated net income plus depreciation, depletion and amortization, interest expense (including capitalized interest), income taxes, and minus certain extraordinary gains and non-recurring gains (or plus certain extraordinary losses and non-recurring losses) for the preceding twelve months ("EBITDA") to be greater than 3.5 to 1. The interest coverage ratio generally requires that at the end of any fiscal quarter we will not permit the ratio of (a) our EBITDA to (b) our interest expense (including capitalized interest) for the preceding twelve months to be less than 3 to 1. On April 30, 2005, we were in compliance with these covenants. The terms of the Credit Agreement limit our ability to make "restricted payments," which include dividends and purchases, redemptions and acquisitions of our equity interests. The repayment of this facility is secured by a pledge of the capital stock of substantially all of our United States subsidiaries and, in part, by the capital stock of the international borrowers. However, in the event that we receive an investment grade rating from either Moody's Investors Service, Inc. or Standard & Poor's Corporation, we may request that such collateral be released.

8^{7/8} percent Senior Subordinated Notes

On July 31, 2002, we issued Senior Subordinated Notes in the aggregate principal amount of \$250 million, receiving net proceeds of approximately \$248 million before expenses. Interest on the Senior Subordinated Notes is payable semi-annually at the annual rate of 8.875 percent. The Senior Subordinated Notes do not have required principal payments prior to maturity on August 1, 2012. As of April 30, 2005, there was a total of \$249.9 million outstanding under the Senior Subordinated Notes. The increase in the balance as compared to the proceeds originally received was primarily due to the recording of gains on fair value hedges we have in place to hedge interest rate risk. The Indenture pursuant to which the Senior Subordinated Notes were issued contains certain covenants. At April 30, 2005, we were in compliance with these covenants. The terms of the Senior Subordinated Notes also limit our ability to make "restricted payments," which include dividends and purchases, redemptions and acquisitions of equity interests.

Trade Accounts Receivable Credit Facility

On October 31, 2003, we entered into a five-year, up to \$120.0 million, credit facility with an affiliate of a bank in connection with the securitization of certain of our United States trade accounts receivable. The facility is secured by certain of our United States trade accounts receivable and bears interest at a variable rate based on LIBOR plus a margin or other agreed upon rate. We also pay a commitment fee. We can terminate this facility at any time upon 60 days prior written notice. In connection with this transaction, we established Greif Receivables Funding LLC, which is included in our consolidated financial statements. This entity purchases and services our trade accounts receivable that are subject to this credit facility. As of April 30, 2005, there was a total of \$87.0 million outstanding under the trade accounts receivable credit facility.

The trade accounts receivable credit facility provides that in the event we breach any of our financial covenants under the Credit Agreement, and the majority of the lenders thereunder consent to a waiver thereof, but the provider of the trade accounts receivable credit facility does not consent to any such waiver, then we must within 90 days of providing notice of the breach, pay all amounts outstanding under the trade accounts receivable credit facility.

Sale of European Accounts Receivable

To further reduce borrowing costs, we entered into an arrangement to sell on a regular basis up to €55 million (\$70.8 million at April 30, 2005) of certain European accounts receivable of our European subsidiaries to a major international bank. At April 30, 2005, €42.9 million (\$55.2 million) of accounts receivable were sold under this arrangement. We will continue to service these accounts receivable, although no interest therein has been retained. The acquiring international bank has full title and interest to the accounts receivable, will be free to further dispose of the accounts receivable sold to it and will be fully entitled to receive and retain for its own account the total collections of such accounts receivable. These accounts receivable have been removed from the balance sheet since they meet the applicable criteria of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."

Real Estate Transactions; Monetization Notes

On March 28, 2005, we entered into two real estate purchase and sale agreements with Plum Creek Timberlands, L.P. ("Plum Creek") to sell approximately 56,000 acres of timberland and related assets located primarily in Florida for an aggregate purchase price of approximately \$90 million, subject to closing adjustments. In connection with the closing of one of these agreements, on May 23, 2005, we sold approximately 35,000 acres of timberland and associated assets in Florida, Georgia and Alabama for a purchase price of approximately \$51 million. The purchase price was paid in the form of cash and a \$50.9 million purchase note payable by an indirect subsidiary of Plum Creek (the "Purchase Note"). The Purchase Note is secured by a Deed of Guarantee issued by Bank of America, N.A., London Branch, in an amount not to exceed \$52.3 million (the "Deed of Guarantee"), as a guarantee of the due and punctual payment of principal an interest on the Purchase Note. The remaining acres will be sold in several installments during 2006. We will recognize significant timberland gains in its consolidated statements of income in the periods that these transactions occur.

On May 31, 2005, STA Timber LLC ("STA Timber"), one of our indirect wholly-owned subsidiaries, issued in a private placement \$43 million 5.20 percent Senior Secured Notes due August 5, 2020 (the "Monetization Notes"). In connection with the sale of the Monetization Notes, STA Timber entered into note purchase agreements with the purchasers of the Monetization Notes (the "Note Purchase Agreements") and related documentation. The Monetization Notes are secured by a pledge of the Purchase Note and the Deed of Guarantee. The Monetization Notes may be accelerated in the event of a default in payment or a breach of the other obligations set forth therein or in the Note Purchase Agreements or related documents, subject in certain cases to any applicable grace periods, or upon the occurrence of certain insolvency or bankruptcy related events. The Monetization Notes are subject to a mechanism that may cause them, subject to certain conditions, to be extended to November 5, 2020. The proceeds from the sale of the Monetization Notes will be used for general corporate purposes, including the repayment of indebtedness. Neither Greif, Inc. nor any of its other consolidated subsidiaries have extended any form of guaranty of the principal or interest on the Monetization Notes. Accordingly, neither Greif, Inc. nor any of its other consolidated subsidiaries will become directly or contingently liable for the payment of the Monetization Notes at any time.

Contractual Obligations

As of April 30, 2005, we had the following contractual obligations (Dollars in millions):

| | Total | Payments Due By Period | | | |
|---|--------------|------------------------|--------------|---------------|---------------|
| | | Less than 1 year | 1-3 years | 3-5 years | After 5 years |
| Long-term debt | \$466 | \$ — | \$ — | \$ 216 | \$ 250 |
| Short-term borrowings | 24 | 24 | — | — | — |
| Non-cancelable operating leases | 61 | 9 | 24 | 13 | 15 |
| Total contractual cash obligations | \$551 | \$ 33 | \$ 24 | \$ 229 | \$ 265 |

Stock Repurchase Program

Our Board of Directors has authorized us to purchase up to two million shares of Class A Common Stock or Class B Common Stock or any combination of the foregoing (the "Common Stock"). During the first six months of 2005, we repurchased 100,000 shares of Class B Common Stock. As of April 30, 2005, we had repurchased 864,680 shares, including 486,476 shares of Class A Common Stock and 378,204 shares of Class B Common Stock, under this program. The total cost of the shares repurchased from 1999 through April 30, 2005 was \$28 million.

Recent Accounting Standards

In December 2004, the Financial Accounting Standards Board issued a revision to SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). This revision will require us to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost will be recognized over the period during which an employee is required to provide service in exchange for the award. SFAS No. 123R was effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. However, based on a new rule by the Securities and Exchange Commission, companies are allowed to implement SFAS No. 123R at the beginning of their next fiscal year instead of the next reporting period that begins after June 15, 2005 (November 1, 2005 for us). SFAS No. 123R will apply to all awards granted after the required effective date and to awards modified, repurchased or canceled after that date. As of the required effective date, we will apply SFAS No. 123R using a modified version of prospective application. Under this transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123R for either recognition or pro forma disclosures. For periods before the required effective date, we have elected not to apply a modified version of retrospective application under which financial statements for prior periods are adjusted by SFAS No. 123R. Adoption of SFAS No. 123R is expected to result in compensation cost of approximately \$1.0 million in the consolidated statements of income in 2006, assuming no additional stock options are granted during 2005 or 2006.

Forward-Looking Statements; Certain Factors Affecting Future Results

All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs, goals and plans and objectives of management for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "project," "believe," "continue" or "target" or the negative thereof or variations thereon or similar terminology. All forward-looking statements made in this Form 10-Q are based on information presently available to our management. Although we believe that the expectations reflected in forward-looking statements have a reasonable basis, we can give no assurance that these expectations will prove to be correct. Forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. Such risks and uncertainties that could cause a difference include, but are not limited to: general economic and business conditions, including a prolonged or substantial economic downturn; changing trends and demands in the industries in which we compete, including industry over-capacity; industry competition; the continuing consolidation of our customer base for industrial packaging, containerboard and corrugated products; political instability in

those foreign countries where we manufacture and sell our products; foreign currency fluctuations and devaluations; availability and costs of raw materials for the manufacture of our products, particularly steel, resins, pulpwood, old corrugated containers for recycling and containerboard, and price fluctuations in energy costs; costs associated with litigation or claims against us pertaining to environmental, safety and health, product liability and other matters; work stoppages and other labor relations matters; property loss resulting from wars, acts of terrorism, or natural disasters; the frequency and volume of sales of our timber and timberland; and the deviation of actual results from the estimates and/or assumptions used by us in the application of our significant accounting policies. These and other risks and uncertainties that could materially affect our consolidated financial results are further discussed in our filings with the Securities and Exchange Commission, including our Form 10-K for the year ended October 31, 2004. We assume no obligation to update any forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There has not been a significant change in the quantitative and qualitative disclosures about the Company's market risk from the disclosures contained in the Company's Form 10-K for the year ended October 31, 2004.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of the Chief Executive Officer and Chief Financial Officer, the Company's management conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures, as such term is defined under Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in timely making known to them material information required to be included in the Company's periodic filings with the Securities and Exchange Commission.

There has been no change in the Company's internal controls over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

(a.) Exhibits

| <u>Exhibit No.</u> | <u>Description of Exhibit</u> |
|--------------------|--|
| 10.1 | Real Estate Purchase and Sale Agreement (\$51,046,945) dated March 28, 2005 between Soterra LLC (seller) and Plum Creek Timberlands, L.P. (purchaser). |
| 10.2 | Real Estate Purchase and Sale Agreement (\$38,953,055) dated March 28, 2005 between Soterra LLC (seller) and Plum Creek Timberlands, L.P. (purchaser). |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934. |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934. |
| 32.1 | Certification of Chief Executive Officer required by Rule 13a - 14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code. |
| 32.2 | Certification of Chief Financial Officer required by Rule 13a - 14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

Greif, Inc.

(Registrant)

Date: June 8, 2005

/s/ Donald S. Huml

Donald S. Huml, Chief Financial
Officer (Duly Authorized Signatory)

GREIF, INC.

Form 10-Q

For Quarterly Period Ended April 30, 2005

EXHIBIT INDEX

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REAL ESTATE PURCHASE AND SALE AGREEMENT**No. 510-2.05-0070****(WITH EARNEST MONEY PROVISION)****Soterra Florida Timberlands**

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT ("Agreement") is made and entered into this 28th day of March, 2005, by and between Soterra LLC, a Delaware limited liability company, whose street address is 439A Katherine Drive, Flowood, Mississippi 39232, and whose mailing address is Post Office Box 18, Jackson, MS 39205 (hereinafter "Seller"), and Plum Creek Timberlands, L.P., a Delaware limited partnership whose address is 999 Third Avenue, Suite 4300, Seattle, Washington 98104 ("Purchaser").

The parties agree to the following terms and conditions:

1. Timberlands and Other Property to be Acquired.

1.1 Description of Assets. In consideration of the mutual covenants set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and subject to all terms of this Agreement, Seller agrees to sell and convey to the Purchaser and the Purchaser agrees to purchase from the Seller and take title to the following:

(a) Real Property. That certain real property situated in Gadsen, Holmes, Jackson, Santa Rosa, Walton and Washington Counties, State of Florida; Decatur County, Georgia; and Geneva County, Alabama, shown on the maps attached hereto as **Exhibit "A"** and incorporated herein by this reference as though fully set forth, being a portion of the Florida Timberlands of Seller (the "Property"), including Seller's rights, privileges, advantages, and appurtenances thereunto belonging or in any way appertaining thereto, but only to the extent belonging or appertaining to the Property, including but not limited to all of Seller's right, title, and interest (i) in and to the reproduction, merchantable, pre-merchantable and unmerchantable timber, growing, lying, standing or felled, timber interests and timber rights located on or appurtenant to the Property; (ii) in and to any mineral, sand, oil, gas, hydrocarbon substances and gravel and other rights on and under the Property which have not previously been reserved, severed or conveyed by Seller or 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 Property but subject to the exceptions and reservations described in this Agreement.

(b) Contracts. All contracts relating to the operation of the Property, including without limitation operating contracts, stumpage contracts, leases, permits, licenses, governmental consents and agreements, approvals and clearances, agreements for construction of

roads or other improvements, rights under any payment, performance, or bonds relating to or associated with the Property, to the extent assignable (hereinafter, the "Contracts"). A schedule of timber cutting contracts that were "open contracts" as of July 2, 2004 and thereafter including deeds conveying real property, other than easements and rights of way, since July 2, 2004 is attached as **Schedule 1.1(b)** and incorporated herein by this reference as though fully set forth (the "Timber Cutting Contracts").

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

(d) Personal Property. Seller's maps, property books, aerial photos, plans, drawings, specifications, renderings, engineering studies, biological studies particular to the Property, grading or drainage studies, environmental and hazardous waste studies and reports and related data and materials in Seller's possession relating to the Property, and timber inventory, GIS and IFMS data with respect to the Property (not including proprietary software) ("Personal Property"). Purchaser agrees to make all Personal Property available to Seller upon Seller's request and to not destroy the same for five (5) years from the date of the Closing without the prior written permission of Seller.

1.2 Assets. The Property, Contracts, Access Rights and Easements and Personal Property are sometimes collectively referred to as the "Assets." Before Closing, Seller and Purchaser shall agree upon an allocation of the Purchase Price among the Assets (land, timber, and personal property) and shall utilize the agreed upon allocation for all income tax purposes for this transaction.

2. Purchase Price.

(a) The purchase price for the Assets is Fifty One Million Forty-Six Thousand Nine Hundred Forty-Five Dollars (\$51,046,945.00) ("Purchase Price"). The Purchase Price is subject to adjustment pursuant to Paragraphs 5(b), 5(d), 6(d), 6 (f) and 10. The Purchase Price shall be payable in immediately available funds in cash for the personal property and minerals according to paragraph 1.2 with the balance to be paid by, at Seller's option, immediately available funds or one or more installment notes on the Closing Date for the sale and acquisition of the Assets as follows:

- (i) The Closing (the "Closing") will consist of Assets valued at Fifty One Million Forty-Six Thousand Nine Hundred Forty-Five Dollars (\$51,046,945.00), as may be adjusted as described in Paragraph 2(a). No later than ten (10) days prior to the Closing, Seller shall specify whether the portion of the Purchase Price attributable to the Installment Note Closing shall be paid in the form of cash and/or one or more installment notes in amounts mutually agreed.

- (ii) CASH TRANSACTION. In the event that Seller specifies that part or all of the Purchase Price shall be payable in cash, Purchaser shall wire transfer the funds consistent with Seller's wire transfer instructions.
- (iii) INSTALLMENT NOTE TRANSACTION. In the event that Seller specifies that part or all of the Purchase Price shall be payable in the form of one or more installment notes ("Installment Notes"), the parties shall complete the portion of the transaction involving the issuance of installment notes ("Installment Note Transaction") in a commercially reasonable manner consistent with similar transactions involving the sale of timberlands of similar value that are financed with installment notes. Although the precise terms of the Installment Note Transaction and the documentation concerning the Installment Note Transaction may vary according to the bank ("Bank") selected by Seller to provide the credit enhancement for the installment notes, Purchaser and Seller acknowledge that Purchaser will acquire the Assets in exchange for one or more Installment Notes according to customary and commercially reasonable terms, including those required by Bank in connection with its provision of the credit enhancement. Other obligations arising out of the Installment Note Transaction will be set forth in a Reimbursement Agreement, Pledge Agreement and other documents typically included in Installment Note Transactions according to customary and commercially reasonable terms required by Bank. At Closing, Purchaser shall deliver to Seller, for the purpose of securing Purchaser's obligations under the Installment Notes, separate irrevocable standby letters of credit or bank guarantees (the "Letters of Credit") issued by Bank. The Letters of Credit, Reimbursement Agreement, and Pledge Agreement (collectively the "LC Documents") delivered at Closing shall be consistent with those typically included in Installment Note Transactions and incorporate customary and commercially reasonable terms required by Bank. At the option of Seller, for the purpose of securing Purchaser's obligations under the Installment Notes, there may be substituted and delivered at Closing in lieu of LC Documents, a guaranty and ancillary security documents utilizing commercially reasonable terms required by Bank.
- (iv) COOPERATION REGARDING TRANSACTION STRUCTURE. Purchaser agrees to cooperate in structuring an Installment Note Transaction in a tax efficient and cost-effective manner. Seller agrees to cooperate with Purchaser to structure the Installment Note Transaction to be reasonably acceptable to Purchaser including the assets of Buyer LLC being sufficient to pay Buyer LLC's reasonably scheduled expenses. In the event that Seller uses such Installment Note Transaction, Purchaser shall bear all expenses and costs related to structuring and closing the transaction on an Installment Note basis, but with regard to such costs and expenses of Purchaser, Seller shall reimburse Purchaser for all of Purchaser's

reasonable out-of-pocket expenses and costs to accomplish the Closing relating to the structuring and closing on an Installment Note basis, including, but not limited to, the costs of outside legal counsel. Seller and Purchaser agree to obtain firm estimates (where possible) for any costs to be incurred including, but not limited to, legal fees from firms reasonably acceptable to Seller and Purchaser based upon proposed drafts of documents to be provided by Seller to Purchaser and with the parties to select one or more of such firms based upon the estimate. Purchaser agrees to use commercially reasonable efforts to minimize the costs of obtaining required legal opinions.

3. Earnest Money Receipt. Purchaser hereby deposits with the escrow described in Paragraph 4 herein, the amount of One Million Twenty Thousand Nine Hundred Thirty-Nine Dollars (\$1,020,939.00), in cash, paid or delivered as earnest money (together with any interest earned thereon, the "Earnest Money") being 2% of the Purchase Price.

4. Time and Place of Phased Closings; Escrow.

(a) Upon mutual execution, the parties shall deposit a copy of this Agreement, and such other documents and monies, including Earnest Money, as are required hereby into escrow established with Stewart Title Guaranty Company, 1000 Second Avenue, Suite 1620, Seattle, Washington 98104 (the "Escrow Agent") pursuant to an escrow agreement ("Escrow Agreement") attached as **Exhibit B**. At the Closing, the Earnest Money shall be returned to Purchaser.

(b) The Closing shall occur not later than June 15, 2005. The Closing shall take place at the offices of the Escrow Agent. Closing shall mean the point at which all executed documentation and monies required to close the transaction have been delivered to escrow, including signed escrow instructions.

5. Condition of Title and Title Insurance.

(a) As of the Closing Date, title to the Property is to be free of all encumbrances or defects except those listed in the preliminary commitments for title insurance acceptable to Purchaser as described herein.

(b) Seller shall provide one set of title commitments to the Property to Purchaser at Seller's expense issued by Stewart Title Guaranty Company ("Stewart"). Seller shall pay any fees to update title from the date of the title commitments if Closing occurs on a date that is later than ninety (90) days from the date of such commitments. Seller and Purchaser shall each pay one-half of the title insurance premiums for a standard owner's title insurance policy. Purchaser agrees to acquire an Owner's or Lender's policy of title insurance (i.e., extended coverage) from Stewart, or if Purchaser desires to decline title insurance or acquire title insurance from a title company other than Stewart, Purchaser agrees to reimburse Seller all

fees and expenses incurred by Seller in providing the title commitments including but not limited to search and exam fees, commitment fees and cancellation fees. Purchaser shall have until close of business on the thirtieth (30th) day after Purchaser's receipt of all of the title commitments and copies of substantially all of the exception documents referenced therein (the "Title Review Period") to notify Seller in writing of any objections Purchaser has to any matters shown or referred to in the title commitments; provided, however, that Purchaser shall have until the close of business on the tenth (10th) day after Purchaser's receipt of any missing documents to notify Seller in writing of any objections Purchaser has to those documents. Monetary encumbrances to be discharged by Seller shall be paid from Seller's funds at the Closing, and shall not be subject to the "Floor" as hereinafter described. Purchaser shall not object to and shall accept the following matters which shall be deemed to be Permitted Exceptions (as hereinafter defined):

(i) liens for taxes, assessments and other governmental charges which are not yet due and payable as of the Closing;

(ii) all land use (including but not limited to forestry, environmental and wetlands), building and zoning laws, regulations, codes and ordinances affecting the Property;

(iii) any rights of the United States of America, the State in which the Property is located or others in the use and continuous flow of any brooks, streams or other natural water courses or water bodies within, crossing or abutting the Property, or title to the submerged lands including, without limitation, riparian rights and navigational servitudes;

(iv) title to that portion of the Property, if any, lying below the mean high water mark of abutting tidal waters;

(v) all easements, rights-of-way, licenses and other such similar encumbrances apparent or of record;

(vi) all existing public and private roads and streets and all railroad and utility lines, pipelines, service lines and facilities;

(vii) all encroachments, overlaps, boundary line disputes, shortages in area, persons in possession, cemeteries and burial grounds and other matters not of record which would be disclosed by an accurate survey of the Property;

(viii) prior reservations or conveyances of mineral rights or mineral leases of every kind and character; and

(ix) any loss or claim due to lack of access to any portion of the Property, provided that lack of access does not affect more than ten percent (10%) of the acres of the Property with lack of access being limited to tracts or parcels identified by Purchaser where the Seller has neither legal access nor permissive access (although unrecorded). Seller shall on or before the delivery of the title commitments furnish Purchaser information to Seller's knowledge on all tracts lacking legal access identifying the tract, any recorded easements or rights-of-way, any unrecorded written or verbal consents to access the tract and whether or not access has been refused attaching a map for each tract identified by Seller.

Furthermore, any title encumbrances or exceptions that are set forth in the title commitment to which Purchaser does not object during the Title Review Period (as may be extended with respect to missing documents as described above) shall be deemed to be permitted exceptions to the status of Seller's title (together with the items listed above shall be the "Permitted Exceptions"). With regard to items to which Purchaser does object in writing within the period specified, Seller shall attempt to cure and remove such items. If Seller is unable or fails to cure or remove such items within ten (10) business days of Seller's receipt of Purchaser's written objections, Purchaser may either: (i) waive its objection and proceed with closing of the affected tract or parcel; or, (ii) give Seller notice to delete the affected tract or parcel and adjust the Purchase Price as set forth herein. Any notice to Seller shall be in writing and shall be given no later than five (5) business days after expiration of Seller's 10-day cure period. If Purchaser fails to give such notice to Seller within the time specified, the objection(s) shall be deemed waived by the Purchaser. The value of any adjustment to the Purchase Price will be determined by a computation of the number of acres utilizing the specific values reflected on the chart attached hereto as **Schedule 5 (b)** and incorporated herein by this reference as though fully set forth. Any such excluded acreage shall be aggregated with such surrounding acreage not to exceed forty (40) acres unless the excluded tract exceeds forty (40) acres or Seller establishes that a larger tract is reasonably necessary to create an economically marketable parcel, as reasonably determined by Seller and Purchaser. In the event Seller and Purchaser are unable to agree upon the specific acreage to be excluded, the parties agree to resolve the dispute through arbitration with Larson & McGowan, Inc. making a final determination as sole arbitrator, to which the parties agree to be bound. The parties shall close as scheduled on the transaction contemplated by this Agreement, adjusting the purchase price by the disputed amount, escrowing the disputed amount and close on the disputed amount and Property upon the conclusion of arbitration (the "Arbitration Process"). In the event of any such carve-outs, Seller shall reserve or Purchaser shall grant such rights for ingress, egress and utilities as may be required to access such parcel. For the purposes of all adjustments to Purchase Price arising out of title claims or defects and environmental claims or defects, Purchaser shall not be entitled to request and obtain an adjustment to the Purchase Price until the claims, or defects, arising from title and environmental claims or defects individually or collectively could lessen the value of the Assets by, or cause damage of, at least six-tenths of one percent (0.6%) of the Purchase Price (the "Floor"). If title or environmental claims individually or in the aggregate do not exceed the Floor, there shall be no adjustment to the Purchase Price. If title or environmental claims exceed the Floor, the Purchase Price shall be adjusted for title and environmental claims by reducing the Purchase Price by the amount of the claims above the Floor subject to the Ceiling for claims of ten percent (10%) of the Purchase Price ("Title and Environmental Claim Ceiling"). If the total title and environmental claims exceed the Claim Ceiling, either Seller or Purchaser may terminate this Agreement, the Earnest Money shall be returned to Purchaser with neither Seller nor Purchaser having any further liability to each other.

(c) Seller has provided Purchaser with copies of all encumbrances not of record that affect the Property that Seller anticipates would survive each Closing (the "Temporary Encumbrances"). Purchaser agrees to accept the Temporary Encumbrances

provided the Temporary Encumbrances are of the type and nature customarily accepted by a purchaser in a large timberland transaction. At Closing, Seller shall assign and Purchaser shall assume Seller's rights, duties, obligations and liabilities under the Temporary Encumbrances accepted by Purchaser pursuant to an Assignment and Assumption Agreement substantially in the form attached hereto as **Exhibit C**. Any income from the Temporary Encumbrances shall be pro-rated to the Date of Closing. Notices of the assignment shall be executed by Seller and Purchaser at Closing and mailed to the third party benefiting from the Temporary Encumbrances.

(d) Purchaser and Seller agree to amend this Agreement with formal legal descriptions as Exhibit "A" prior to Closing. During the Title Review Period, Purchaser has the right to verify the maps attached hereto as Exhibit "A" against the legal descriptions contained in the title commitments. In the event of discrepancies causing Purchaser to believe acres depicted as owned by Seller on the maps are not included within deed acres from the legal descriptions ("Missing Acres"), then Purchaser shall have the right to treat the Missing Acres as a title claim pursuant to the procedures and subject to the limitations set forth in the immediately preceding paragraph, *provided however*, Seller shall have the right to offset any title claim of Missing Acres by any additional acres Seller believes are included in deed acres from the legal descriptions that are not depicted on the maps ("Additional Acres"). In the event the total Additional Acres exceed six/tenths of one percent (0.6%) of the Purchase Price ("the Floor"), then the Purchase Price shall be adjusted upward for amount of the Additional acreage above the Floor pursuant to the prices set forth on **Schedule 5(b)**. If Additional Acreage does not exceed the Floor, there shall be no adjustment to the Purchase Price.

(e) At Closing, the Seller shall execute and deliver to Purchaser a Special Warranty Deed (the "Deed") for each county in which the Property is located, warranting title against the claims of all persons claiming by, through or under Seller, but against none other. All mineral rights shall be conveyed by quitclaim rather than special warranty. The Deed shall be free of encumbrances or defects except (i) such encumbrances or defects that may attach after the Closing Date through any person other than the Seller, and (ii) the Permitted Exceptions. The Deeds shall be in the form attached hereto as **Composite Exhibit D** and incorporated herein by this reference as though fully set forth and shall be delivered to Purchaser, or a person or entity designated by Purchaser.

6. Inspection; Condition of Property; Subsequent Acts.

(a) Subject to Seller's representations and warranties set forth herein and in the Deeds and Assignment and Assumption Agreement, Purchaser accepts the Assets "as is" and "where is," subject to the risks of all defects and conditions. Seller has no obligation to repair or make any improvements to the Premises. The Purchaser acknowledges that full inspection of the Property has been made or will have been made by the Closing Date and that neither the Seller nor its agents, officers, employees or assigns shall be held to any covenant respecting the condition of the Property or any improvements thereon nor shall the Purchaser or Seller or the assigns of either be held to any covenant or agreement for alterations, improvements or repairs unless the covenant or agreement relied on is contained herein or is in writing and attached to

and made a part of this Agreement. Purchaser acknowledges and agrees that any documents, cruises, compilations, timber inventories, environmental audits, assessments, surveys, plans, specifications, reports and studies (the "Information") made available to Purchaser by Seller are or have been provided as information only and Seller makes no warranty whatsoever with respect to the accuracy or completeness of the Information. Without limiting the generality of the foregoing, SELLER EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY, AS WELL AS ANY WARRANTY WHATSOEVER WITH RESPECT TO THE MARKETABILITY, HARVESTABILITY, AGE, SPECIES MIX, SITE CLASSIFICATION, BOUNDARIES OF THE TIMBER OR THE PROPERTY, QUANTITIES, TIMBER GRDS, OR QUALITY OF ANY TIMBER ON THE PROPERTY OR SOILS STABILITY OR CONDITIONS.

(b) Between the date of this Agreement and the Closing Date, the Seller shall maintain and keep the Property in substantially the same condition as existed on the date of this Agreement except Seller shall have the right to cut timber pursuant to the Timber Cutting Contracts and in accordance with Paragraph 6(f). Seller shall not extend any timber cutting contracts without the permission of Purchaser. Further, Seller shall manage and maintain the Property to a commercially reasonable standard and shall continue to conduct silvicultural activities to a commercially reasonable standard, subject to the provisions of this paragraph. The Seller shall not and shall not allow others to remove or in any way permit the removal of any timber, harvestable crops, improvements, or other items from the Property other than as provided in the Timber Cutting Contracts or as specifically agreed in writing by Purchaser. Further, Seller may not encumber the Property without the prior written consent of Purchaser, which consent cannot be unreasonably withheld. Certain costs incurred by Seller may be reimbursable at Closing as follows:

- (i) As site prep, planting, herbicide treatment, or any other silvicultural activity is planned to be performed on any portion of the Property prior to Closing, Seller shall submit any plans for any site prep, planting, herbicide treatment, or any other silvicultural activity to Purchaser for prior approval, such approval to not be unreasonably withheld. Seller must provide Purchaser at least ten (10) business days' notice of any such planned activity and its associated costs to Purchaser. If Purchaser objects to such activity, Purchaser must notify Seller in writing of the objection within five (5) business days of receipt of the notice or Purchaser shall be deemed to have approved the activity and Seller shall have the right to undertake the planned activity. Seller shall pay for such silvicultural activity conducted prior to Closing; provided, however that Seller shall receive a credit at Closing for all costs actually expended for reforestation and silvicultural activity that has been approved by Purchaser.
- (c) Seller is not aware of Seller being in possession of any environmental audits, assessments or reports pertaining to the Property.

(d) Purchaser, its agents and representatives, shall have the right, from the date hereof until thirty (30) days from the date of this Agreement to go on the Property and around and in the Buildings at reasonable times to conduct an environmental audit and other land, soil and engineering inspections, tests and feasibility studies utilizing current ASTM standards ("Purchaser's Environmental Evaluation"). Seller agrees to cooperate with Purchaser in the conduct of Purchaser's Environmental Evaluation. In the event the Purchaser's Environmental Evaluation reveals a commercially reasonable adverse environmental condition (other than promiscuous dumps containing household refuse and white goods of one-half acre or less for each dump site) existing upon the Property, then Purchaser shall notify Seller in writing of any such adverse environmental condition within ten (10) days after the end of the foregoing thirty (30) day period. In no event shall Purchaser report any such adverse environmental condition to any governmental authority without first affording Seller the right to review the information on said condition and to make independent notification to said governmental authority if Seller believes such notification is required. Purchaser shall have the right to delete the affected acreage affected by commercially reasonable adverse environmental condition (other than promiscuous dumps containing household refuse and white goods of one-half acre or less for each dump site) from Closing; provided, however, if the affected area is not large enough to constitute a marketable parcel, Seller shall have the right to enlarge the area not to exceed forty (40) acres unless the excluded tract exceeds forty (40) acres or Seller establishes that a larger tract is reasonably necessary to create an economically marketable parcel, as reasonably determined by Seller and Purchaser. In the event Seller and Purchaser are unable to agree upon the specific acreage to be excluded, the parties agree to comply with the Arbitration Process described in the above Section 5(b). In the event a survey is required to create such parcel, Seller and Purchaser shall share equally in the cost of any such survey by a licensed professional surveyor meeting minimum standards or other standards approved by Seller provided that Seller's costs shall in no event exceed Twenty-Five Thousand Dollars (\$25,000.00). In addition, Seller shall be entitled to reserve easements for access and utilities to such affected parcel. The Purchase Price will be reduced by a computation of the number of acres utilizing the specific values reflected on the chart attached as **Schedule 5 (b)** for any acres deleted (subject to expansion to a marketable parcel as aforesaid) as a result of Purchaser's Environmental Evaluation. For the purposes of all adjustments to Purchase Price arising out of title claims or defects and environmental claims or defects, Purchaser shall not be entitled to request and obtain an adjustment to the Purchase Price until the claims, or defects, arising from title and environmental claims or defects individually or collectively could lessen the value of the Assets by, or cause damage of, at least six-tenths of one percent (0.6%) of the Purchase Price (the "Floor"). If title or environmental claims individually or in the aggregate do not exceed the Floor, there shall be no adjustment to the Purchase Price. If title or environmental claims exceed the Floor, the Purchase Price shall be adjusted for title and environmental claims by reducing the Purchase Price by the amount of the claims above the Floor subject to the Ceiling for claims of ten percent (10%) of the Purchase Price ("Title and Environmental Claim Ceiling"). If the total title and environmental claims exceed the Claim Ceiling, either Seller or Purchaser may terminate this Agreement, the Earnest Money shall be returned to Purchaser with neither Seller nor Purchaser having any further liability to each other.

(e) Purchaser's Indemnification of Seller Arising From Inspections. Purchaser agrees to come in, defend, hold harmless and indemnify Seller from any loss, claim or damage arising out of Purchaser's or Purchaser's agents, employees, or contractors inspections or operations on the Property prior to Closing. If the Closing does not occur, Purchaser shall also repair any damage to the Property arising out of Purchaser's or Purchaser's agents, employees, or contractors inspections or operations on the Property. The obligation of this paragraph shall survive closing of this transaction or termination of this Agreement.

(f) Credits at Closing. In addition to the potential adjustments to the Purchase Price as contained in Paragraphs 5(b), 5(d), 6(d) and 10, the Purchaser shall receive a credit at Closing in the amount of \$546,945.00 for contract 346-1085. Further, Purchaser shall receive a credit at Closing for any funds received by Seller after July 2, 2004 and prior to Closing under any pay-as-cut contracts affecting the Property.

7. Representations and Warranties of Seller. Seller represents and warrants to Purchaser as of this date and as of the date of the Closing:

7.1 Organization. Seller is a Delaware limited liability company which is duly organized and validly existing under the laws of the State of Delaware.

7.2 Good Standing. Seller is qualified to conduct business in the States of Florida and Alabama.

7.3 Power and Authority for Transaction. Seller has the limited liability company power and authority to execute, deliver and perform this Agreement and the transactions contemplated herein in accordance with the terms hereof.

7.4 Authorization; No Violation or Conflicts. The execution and delivery by Seller of this Agreement and the due consummation of the transactions contemplated herein have been duly and validly authorized by all necessary limited liability company actions on the part of Seller and this Agreement constitutes a valid and legally binding agreement of Seller except as enforceability may be limited by bankruptcy, insolvency, and other similar laws affecting claims and rights generally or by general equitable principles. Neither the execution and delivery of this Agreement by Seller nor the consummation by Seller of the transactions contemplated herein constitute a violation of Seller's certificate of formation, operating agreement or other organizational documentation or agreements or result in the breach of, or the imposition of any lien on any assets of Seller pursuant to, or constitute a default under, any indenture or bank loan or credit agreement, or other agreement or instrument to which Seller is a party or by which it or any of its properties may be bound or affected. Except for consents, approvals, or authorizations which will have been obtained or actions which will have been taken on or prior to the Closing Date, no consent, approval, authorization or action by any governmental authority or any person or entity having legal rights against or jurisdiction over Seller is required in connection with the execution and delivery by Seller of this Agreement or for consummation by Seller of the transactions contemplated herein.

7.5 No Defaults. To Seller's knowledge (as hereinafter defined), the Contracts and Access Rights and Easements are valid and in full force and effect except as would not materially and adversely affect the Assets. To Seller's knowledge, neither Seller nor any other party thereto has breached any material provision of, or is in default in any material respect under, the terms of any Contract.

7.6 Condemnation Proceedings. Seller has not received notice of any condemnation proceeding. To Seller's knowledge, no condemnation proceeding is pending or threatened which would materially preclude or impair the use of the Property for the respective purposes for which such properties are currently used.

7.7 Environmental Matters. To Seller's knowledge, except as set forth on Schedule 7.7:

(a) the 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 allowed under applicable laws;

(b) there are no underground storage tanks on the Property; and

(c) Seller has not received notification from any third party, including but not limited to governmental agency alleging that the Property is not materially in compliance with applicable environmental laws.

Subject to Seller's warranty set forth in this Paragraph 7.7, the liability for which Seller remains responsible pursuant to the terms of this Agreement, Purchaser releases Seller, its parent company and affiliates (for the purposes of this paragraph "Seller") from all costs, losses, liabilities, obligations and claims, of any nature whatsoever, known and unknown, that Purchaser may have against Seller or that may arise after the date of Closing based in whole or in part upon (i) Seller's failure to comply with any environmental laws applicable to the Assets; or (ii) the presence, release or disposal of any hazardous substance, solid waste, or any other environmental contamination on, within, or from the Assets before, as of, or after the Closing Date. The above-referenced release does not cover or apply to any statutory or common law claim for contribution or indemnity that may arise to the extent Purchaser suffers any liabilities or obligations from future claims of any third party (private or government) arising out of (a) or (b) above.

As used herein, the term "environmental laws" shall mean all applicable federal, state or local laws, rules, regulations, governmental permits or other binding determinations of any governmental authority relating to or addressing the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), and the Resource Conservation and Recovery Act, as amended ("RCRA"), the Toxic Substances Control Act, as amended ("TSCA"), the Clean Water Act, as amended ("CWA"), the Clean Air Act, as amended ("CAA"), and the Oil Pollution

Control Act of 1990, as amended (“OPA”). As used herein, the terms “hazardous substance” and “release” (as it relates to the release of hazardous substances as opposed to the release of claims) have the meanings specified in CERCLA and the terms “solid waste” and “disposal” (or “disposed”) have the meanings specified in RCRA. If either CERCLA or RCRA is amended to broaden the meaning of any term defined thereby, the broader meaning shall apply to this paragraph 7.7 after the effective date of the amendment. Moreover, to the extent that applicable State law establishes a meaning for “hazardous substance,” “release,” “solid waste,” or “disposal” that is broader than that specified in either CERCLA or RCRA, the broader meaning shall apply.

7.8 Suits, Actions or Proceedings. Except as disclosed in **Schedule 7.8**, to Seller’s knowledge, there is (i) no court or administrative judgment or order which adversely affects the Assets or current operations thereof; and (ii) no legal, administrative or other suit, action, proceeding or arbitration, or governmental investigation pending or threatened which would reasonably be expected to materially and adversely affect the Assets or current operations thereof. To Seller’s knowledge, there is no suit, action, arbitration or other proceeding threatened or pending before any court or governmental agency, which may result in the restraint or prohibition of the consummation of the transactions contemplated by this Agreement.

7.9 Compliance. Except as disclosed on **Schedule 7.9**, Seller has not received notification from any governmental agency within five (5) years of the date of this Agreement alleging that the Property or other properties comprising the Assets are not in compliance with applicable laws (other than environmental laws which are covered in Paragraph 7.7) as would materially and adversely affect the Assets. To Seller’s knowledge, there are no such violations relating to the use of the Property.

7.10 Schedules. Seller has delivered to Purchaser herewith the Schedules referred to in this Agreement. The Schedules that have been delivered to Purchaser by Seller and attached hereto are applicable to both this Agreement and another agreement between Seller and Purchaser pertaining to the remainder of Seller’s Florida Timberlands. Within two weeks from the date of this Agreement, Seller and Purchaser shall revise the Schedules by creating new Schedules containing information applying only to the applicable contract, and shall amend this Agreement accordingly.

7.11 Marketable Title. Subject to the Permitted Exceptions and the Temporary Encumbrances, to Seller’s knowledge, Seller has good and marketable title to the Assets and at Closing such Assets will be free and clear of all liens, security interests, charges and encumbrances.

7.12 Disposition of Assets. Seller has not harvested, nor has Seller allowed the harvest of, any portion of the Property, nor has Seller disposed or contracted for the disposal or sale of any of the Property, other than rights of way and easements in the ordinary course of business, since July 2, 2004 except under contracts on **Schedule 1.1(b)**.

8. Representations and Warranties of Purchaser. Purchaser represents and warrants to Seller that as of this date and as of the date of the Closing:

8.1 Organization. Purchaser is a limited partnership and is duly organized and validly existing under the laws of the State of Delaware and has the corporate power to enter into this Agreement and to carry out the transactions contemplated herein in accordance with the terms hereof.

8.2 Good Standing. Purchaser is qualified to conduct business in the States of Delaware, Alabama, Georgia and Florida.

8.3 Power and Authority for Transaction. Purchaser has the power and authority to execute, deliver and perform this Agreement and the transactions contemplated herein in accordance with the terms hereof.

8.4 Authorization; No Violation or Conflicts. The execution and delivery of this Agreement by Purchaser and the due consummation of the transactions contemplated herein have been duly and validly authorized by all necessary action on the part of Purchaser, and this Agreement constitutes a valid and legally binding agreement of Purchaser. Neither the execution and delivery of this Agreement by Purchaser nor the consummation by Purchaser of the transactions contemplated herein constitute a violation of Purchaser's partnership agreement or other organizational documentation or agreements or result in the breach of, or the imposition of any lien on any assets of Purchaser pursuant to, or constitute a default under, any indenture or bank loan or credit agreement, or other agreement or instrument to which Purchaser is a party or by which it or any of its properties may be bound or affected. Except for consents, approvals, or authorizations which will have been obtained or actions which will have been taken on or prior to the Closing Date, no consent, approval, authorization or action by any governmental authority or any person or entity having legal rights against or jurisdiction over Purchaser is required in connection with the execution and delivery by Purchaser of this Agreement or for consummation by Purchaser of the transactions contemplated herein.

8.5 Suits, Actions or Proceedings. To Purchaser's knowledge (as hereinafter defined) there is no suit, action, arbitration or other proceeding threatened or pending before any court or governmental agency, which may result in the restraint or prohibition of the consummation of the transactions contemplated by this Agreement.

8.6 Insolvency. To Purchaser's knowledge, there are no attachments, executions, assignments for the benefit of creditors, or proceedings in bankruptcy or under any other debtor relief laws contemplated by, pending, or threatened by or against Purchaser.

8.7 Financial Capability. Purchaser has or at Closing will have the financial capability to complete the transactions contemplated under this Agreement.

8.8 Installment Notes. If applicable because of an Installment Note transaction structure, the execution, delivery, and performance of this Agreement, the Reimbursement Agreement, the Pledge Agreement and the Installment Note will have been duly authorized by all necessary corporate action on the part of Purchaser, and upon execution and delivery this Agreement, the Assignment of Purchaser's Interest, the Reimbursement Agreement, the Pledge Agreement and the Installment Note will constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms except as enforceability may be limited by bankruptcy, insolvency, and other similar laws affecting claims and rights generally or by general equitable principles.

8.9 Purchaser's Assignment. If applicable because of an Installment Note transaction structure, and the Purchaser enters into an Assignment pursuant to such installment note structure, that the execution, delivery and performance of such Assignment will have been duly authorized by all necessary action on the part of Purchaser, and upon execution and delivery the Assignment will constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, and other similar laws affecting claims and rights generally or by general equitable principles.

9. Survival; Knowledge and Materiality.

(a) Survival. The respective representations and warranties of Seller, Purchaser and Guarantor contained herein or in any Schedule, certificate or other instrument delivered by or on behalf of such party pursuant to this Agreement excluding the environmental matters set forth in Paragraph 7.7, shall survive Closing for a period of twelve (12) months, and shall survive Closing for a period of eighteen (18) months as to Paragraph 7.7 for environmental matters, and thereafter shall expire and terminate, and each party shall be forever released from liability to the other based upon such representations and warranties except as to matters for which written notice has been given by a party of the inaccuracy or breach of any representation or warranty on or prior to such termination date. Seller and Purchaser shall deliver a certificate to each other at Closing concerning the accuracy of their representations and warranties at Closing.

(b) Knowledge Defined. "Knowledge" as used in this Agreement with respect to the:

- (i) Seller shall mean actual current knowledge (as opposed to constructive or imputed knowledge) of the fact or matter in question by Matthew B. Bonham (Vice President, Timberland Operations), Terry Porter (Regional Manager), and J. R. Baker (Vice President of Property Administration), all three of the above being employees of Seller, without their having any duty to conduct further investigation.

- (ii) Purchaser shall mean actual current knowledge (as opposed to constructive or imputed knowledge) of the fact or matter in question by Sheri L. Ward and David Lambert, both being employees of Purchaser, without their having any duty to conduct further investigation.

(c) Limitation as to Warranty Claims. In the event of any claim by Purchaser against Seller for breach of warranty under this Agreement (other than with respect to covenants and agreements to be performed by Seller after Closing), no claim shall be made by Purchaser or payable by Seller until the amount of loss or damage of Purchaser exceeds six/tenths of one percent (0.6%) (the "Cushion") and Seller shall be obligated only in respect to the amount of the claims exceeding the Cushion. The aggregate amount paid by the Seller for breach of warranty shall not exceed seven percent (7%) of the Purchase Price (the "Warranty Claims Ceiling"). Notwithstanding the foregoing Cushion and Warranty Claims Ceiling, no such limits shall apply or be effective with respect to any claim arising from the intentional breach or fraud of Seller.

10. Condemnation; Risk of Loss. Risk of loss or damage to the Property by condemnation, eminent domain or similar proceedings (or deed in lieu thereof), or by fire or any other casualty, from the date hereof through the Closing Date will be on Purchaser for the first one-half of one percent (0.5%) of the Purchase Price. The remaining risk of loss or damage prior to Closing shall be on Seller. However, should the loss or damage exceed ten percent (10%) of the Purchase Price, either Seller or Purchaser may terminate this Agreement and the Earnest Money shall be returned with neither party having any liability to the other. If, prior to Closing, a portion of the Property has been taken by condemnation or eminent domain proceedings (or deed in lieu thereof) but the ten percent (10%) maximum loss has not been realized, Purchaser shall consummate the transaction and receive an assignment of all proceeds of insurance or condemnation awards attributable to such damage or taking, less reimbursement to Seller of the reasonable costs it incurred in procuring such proceeds or awards. At Closing, the Purchaser assumes all hazards of damage to or destruction of the Property or improvements hereafter placed thereon, and of the taking of the Property or any part thereof for public use; and agrees that no such damage, destruction or taking shall constitute a failure of consideration.

11. Contingencies.

(a) Seller's obligation to consummate the transactions contemplated hereby is contingent as follows:

- (i) Any approvals that may be required under the HSR Act (as defined in Paragraph 31 below);
- (ii) Purchaser performing its obligations under the Agreement; and,
- (iii) Purchaser having executed and delivered a Real Estate Purchase and Sale Agreement for the purchase and sale by Seller to Purchaser of Seller's remaining Florida Timberlands in the price of

Thirty Nine Million Five Hundred Thousand Dollars (\$39,500,000.00).

(b) In addition to Purchaser's timely due diligence investigations as set forth herein, Purchaser's obligation to consummate the transactions contemplated hereby is contingent as follows:

- (i) Any approvals that may be required under the HSR Act (as defined in Paragraph 31 below);
- (ii) Seller performing its obligations under the Agreement; and,
- (iii) Seller having executed and delivered a Real Estate Purchase and Sale Agreement for the purchase and sale by Seller to Purchaser of Seller's remaining Florida Timberlands in the price of Thirty Nine Million Five Hundred Thousand Dollars (\$39,500,000.00).

(c) If the contingencies described above have not been met or waived by Closing, this Agreement will terminate; provided, however, that Closing will be extended for an amount of time required to obtain any consents that may be required under the HSR Act, subject to the provisions of Paragraph 31 hereof.

12. Closing

12.1 Closing Costs.

(a) Seller shall pay the following costs and expenses in connection with this transaction:

- (i) Seller's attorney fees, if any;
- (ii) All special assessment installments and local improvement district assessment installments against the Property that are due prior to the Closing Date;
- (iii) Search and exam fees to prepare title commitments;
- (iv) One-half of escrow fees;
- (v) One-half of transfer taxes due on the conveyance;
- (vi) Seller's costs and expenses associated with an Installment Note;
- (vii) One-half of the filing fees associated with a Hart Scott Rodino filing, if any;
- (viii) One-half of the title insurance premiums for standard owner's coverage.

(b) Purchaser shall pay the following costs and expenses in connection with this transaction:

- (i) Purchaser's attorney fees, if any;

- (ii) One-half of escrow fees;
- (iii) Recording fee for Deeds;
- (iv) One-half of the Title insurance premiums for standard owner's coverage;
- (v) One-half of the filing fees associated with a Hart Scott Rodino filing, if any;
- (vi) One-half of transfer taxes due on the conveyance; Purchaser's costs and expenses associated with the Installment Note (as provided in this Agreement).

12.2. Closing Instruments.

(a) Seller shall deliver to Escrow Agent the following on or before Closing Date:

- (i) Deeds;
- (ii) Assignment and Assumption Agreement;
- (iii) Escrow instructions;
- (iv) Certified copies of organizational documents, if required;
- (v) Consents or resolutions authorizing the Transaction contemplated by this Agreement including, if applicable, the Installment Note transaction, and the execution and delivery of this Agreement;
- (vi) Seller's Certificate of Non-Foreign Status;
- (vii) Seller's Closing Certificate as to Seller's warranties being true and correct as of Closing;
- (viii) Affidavits required by the title insurance company;
- (ix) Certificates of Good Standing for the States of Delaware and where the Property is located;
- (x) Closing Statement;
- (xi) Incumbency Certificate.

(b) Purchaser shall deliver to Escrow Agent the following on or before 8:00 am PST on the Closing Date.

- (i) Cash in the amount of the Purchase Price and Purchaser's share of closing costs and prorations;
- (ii) Assignment and Assumption Agreement;
- (iii) Escrow instructions;
- (iv) Certified copies of organizational documents, if required;
- (v) Consents or resolutions authorizing the Transaction contemplated by this Agreement including, if applicable, the Installment Note transaction, and the execution and delivery of this Agreement;

- (vi) Purchaser's Closing Certificate as to Purchaser's warranties being true and correct as of Closing;
- (vii) Affidavits required by the title insurance company, if any;
- (viii) Certificates of Good Standing for the States of Delaware and where the Property is located, if required;
- (ix) Closing Statement;
- (x) Incumbency Certificate;
- (xi) If applicable, the Installment Note transactional documents including but not limited to the Pledge Agreement, Reimbursement Agreement and other attachments and Purchaser shall make the deposit in the amount of the Installment Note as required thereunder and opinions regarding the purchaser assignee and enforceability opinions regarding the LC Documents, each required by the installment note transaction.

12.3 Pro Rations and Post-Closing Taxes. Property taxes for the current year, assessments, rents, water and other utilities constituting liens and applicable Temporary Encumbrances shall be pro-rated as of Closing. Seller shall be responsible for the payment in full of all taxes for all periods prior to the Closing, and Purchaser shall be responsible for the payment in full of all taxes for all periods subsequent to Closing. Purchaser shall be responsible for all of the roll-back or other taxes, if any, (whenever assessed against Purchaser or Seller) imposed as a result of any change of use by Purchaser or Purchaser's assignee in title.

13. Commission. Purchaser and Seller each represent and warrant to the other that no broker, agent or finder, licensed or otherwise has been engaged by it, respectively, in connection with the transaction contemplated by this Agreement. In the event of any such claim for broker's, agent's or finder's fee or commission in connection with the negotiation, execution or consummation of this transaction, the party upon whose alleged statement, representation or agreement such claim or liability arises shall indemnify, hold harmless and defend the other party from and against such claim and liability, including without limitation, reasonable attorney's fees and court costs. Purchaser and Seller acknowledge that the representations and warranties contained in this Paragraph shall survive the Closing.

14. Possession. Unless a different date is provided for herein, the Purchaser, subject to the easements, encumbrances, exceptions, restrictions, and reservations set forth above, shall be entitled to possession of the Property on the Closing Date.

15. Default. If Seller defaults (that is, fails to perform the acts required of it) in its contractual performance herein, Purchaser shall be entitled to (i) a return of the Earnest Money; and (ii) the right to seek specific performance pursuant to the terms of this Agreement.

Purchaser acknowledges that if Purchaser fails to purchase the Property so as to constitute a default by Purchaser hereunder, for any reason other than the breach of Seller, Seller

shall be entitled to compensation from Purchaser (as its sole remedy) for the detriment resulting from the removal of the Property from the market, and entering into this Agreement rather than selling to other potential purchasers. Therefore, in the event of Purchaser's failure to purchase the Property so as to constitute Purchaser's default hereunder, Seller shall have, as Seller's exclusive option, the right to receive and retain the Earnest Money as liquidated damages and not a penalty, which sum shall represent liquidated damages for breach and not a penalty therefore. The parties acknowledge and agree that the Earnest Money is presently a reasonable estimate of Seller's damages, considering all of the circumstances existing on the date of this Agreement, including the relationship of the sum to the range of harm to Seller that reasonably could be anticipated and the expectation that proof of actual damages would be impractical or extremely difficult. Factors taken into consideration by the parties include Seller's loss of opportunity during the pendency of this Agreement to sell the Property to others on better terms, or at a higher price; Seller's risk of loss of a bargain if the market turns negative; Seller's damages related to its continuing obligations for the payment of taxes and insurance; and Seller's loss of earnings on the amount of the purchase price resulting from a delay in closing. Purchaser hereby waives all rights or benefits of any law, rule or regulation, now or hereafter existing, which would allow Purchaser, following Purchaser's failure to purchase the Property so as to constitute Purchaser's default, to claim a refund of the Earnest Money as unearned Earnest Money, a penalty or for any other purpose.

16. Attorneys' Fees. If either party hereto is required to retain an attorney to enforce any provision of this Agreement, whether or not a legal proceeding is commenced, the substantially prevailing party shall be entitled to reasonable attorneys' fees regardless of whether at trial, on appeal, in any bankruptcy proceeding, in an arbitration or without resort to suit.

17. Governing Law. This Agreement shall be interpreted, construed and enforced according to the laws of the State of Florida.

18. Notices. Subject to the requirements of any applicable statute, any notices required or permitted by law or under this Agreement shall be in writing and shall be (i) personally delivered, (ii) sent by first class certified or registered mail, return receipt requested, with postage prepaid, or (iii) dispatched by facsimile transmission (accompanied with reasonable evidence of receipt of transmission and with a confirmation copy mailed no later than the day after transmission) to the parties' addresses set forth below. Either party may change such address for notice. All notices which are so addressed and paid for shall be deemed effective when personally delivered, or, if mailed, on the earlier of receipt or five (5) days after deposit thereof in the U.S. mail; or if sent via facsimile, the date upon which such facsimile was transmitted and confirmation of such transmission has been received. Notices shall be addressed as follows:

If to Seller: Soterra LLC
 439A Katherine Drive
 Flowood, MS 39232
 Attn: Matthew B. Bonham
 Facsimile: 601-933-0099

with a copy to: Greif, Inc.
425 Winter Road
Delaware, OH 43015
Attn: Gary R. Martz
Facsimile: 740-549-6101

and a copy to: Adams and Reese LLP
111 East Capitol Street, Suite 350
Jackson, MS 39201
Attn: Powell G. Ogletree, Jr.
Facsimile: 601-355-9708

If to Purchaser: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: William R. Brown
Facsimile: 206-467-3790

with a copy to: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: Sheri L. Ward
Facsimile: 206-467-3799

19. Time of Performance. Time is of the essence of this Agreement and of all acts required to be done and performed by the parties hereto, including, but not limited to, the proper tender of each of the sums required by the terms hereof to be paid.

20. Paragraph Headings. The word or words appearing at the commencement of paragraphs and subparagraphs of this Agreement are included only as a guide to the contents thereof and are not to be considered as controlling, enlarging or restricting the language or meaning of those paragraphs or subparagraphs.

21. Invalidity. In the event any portion of this Agreement should be held to be invalid by any court of competent jurisdiction, such holding shall not affect the remaining provisions hereof unless the court's ruling includes a determination that the principal purpose and intent of this Agreement are thereby defeated.

22. Legal Relationships. The parties to this Agreement execute the same solely as a seller and a purchaser. No partnership, joint venture or joint undertaking shall be construed from

these presents, and except as herein specifically provided, neither party shall have the right to make any representation for, act on behalf of, or be liable for the debts of the other. All terms, covenants and conditions to be observed and performed by either of the parties hereto shall be joint and several if entered into by more than one person on behalf of such party, and a default by any one or more of such persons shall be deemed a default on the part of the party with whom said person or persons are identified. No third party is intended to be benefited by this Agreement.

23. Assignment; Successors. Subject to the provisions of Paragraph 30, Purchaser may not sell, transfer, assign, pledge or encumber its interest in this Agreement without the prior written consent of Seller, which may be withheld in Seller's sole discretion. Subject to the restrictions contained herein, the rights and obligations of the Seller and Purchaser shall inure to the benefit of and be binding upon their respective estates, heirs, executors administrators, successors, successors-in-trust and assigns.

24. Entire Agreement. All understandings and agreements previously existing between the parties, if any, are merged into this Agreement, which alone fully and completely expresses their agreement, and the same is entered into after full investigation, neither party relying upon any statement or representation made by the other not embodied herein. This Agreement may be modified only by a written amendment executed by all parties.

25. Interpretation. This Agreement has been reviewed by both parties and each party has had the opportunity to consult with independent counsel with respect to the terms hereof and has done so to the extent that such party desired. No stricter construction or interpretation of the terms hereof shall be applied against either party as the drafter hereof.

26. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original instrument. All such counterparts together shall constitute a fully executed Agreement.

27. Survival. All representations and warranties set forth in this Agreement and all provisions of this Agreement, the full performance of which is not required prior to Closing, shall survive closing for the time set forth in this Agreement and shall not be merged in any deed and be fully enforceable thereafter.

28. Amendment. This Agreement may not be modified or amended except by the written agreement of the parties.

29. Confidentiality. Subject to the provisions of Paragraph (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, 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. The parties agree that they will work with each other in good faith to prepare a joint release or approve a singular release as requested by one party.

(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 governmental law, rule or regulation.

30. Purchaser Assignment of Agreement. Purchaser may assign its rights and obligations under this Agreement to an entity that is a subsidiary of Purchaser and wholly owned by Purchaser or another Plum Creek related entity reasonably satisfactory to Seller ("Purchaser Subsidiary"); and (ii) Purchaser Subsidiary may assign its rights and obligations under this Agreement to a purchaser assignee provided that purchaser assignee is one or more special purpose entities incorporated in the State of Delaware pursuant to a purchaser assignee's Operating Agreement satisfactory to Seller ("Purchaser Assignee").

30.1 Assignment by Purchaser. Purchaser has indicated that it intends to assign its obligations under this Agreement to a Purchaser Subsidiary and that the Purchaser Subsidiary further intends to assign its obligations under this Agreement to a Purchaser Assignee prior to the Closing. Such assignments shall occur only pursuant to an Assignment and Assumption Agreement in a form customarily used in the industry and consistent with similar timberland transactions and acceptable to Bank (the "Assignment of Purchaser's Interest"). An assignment to a Purchaser Assignee shall be entered into among Purchaser Subsidiary, Purchaser Assignee, and the parent entity of Purchaser Subsidiary (the "Assignee Parent") reasonably satisfactory to Seller and Bank. Any Purchaser Assignee shall have the further right to assign its rights and obligations under this Agreement, in whole or in part, to one or more affiliates of such Purchaser Assignee provided that any such assignment is subject to the terms and conditions of the Assignment of Purchaser's Interest previously entered into by such Purchaser Assignee.

30.2 Assignment and Assumption Agreement Terms. The Assignment of Purchaser's Interest shall provide that Purchaser Assignee(s) assume(s) all obligations of

Purchaser hereunder and shall include, among other matters, the following obligations of Assignee Parent:

- (a) **GUARANTY.** Contemporaneously with its execution of any Assignment of Purchaser's Interest, Assignee Parent will absolutely, unconditionally, and irrevocably guaranty the due and punctual performance of the terms, conditions, undertakings, covenants, and obligations to be performed or observed by Purchaser Assignee under the Agreement and under applicable law, excepting only Purchaser Assignee's obligations under the Installment Notes, Letters of Credit, Reimbursement Agreement or Pledge Agreement, or any other liability with respect to the payment of the Purchase Price (such obligations of performance by Purchaser Assignee hereinafter referred to as "Purchaser Performance Obligations").
- (b) **WAIVER.** Assignee Parent in entering into the Assignment of Purchaser's Interest waives (i) promptness, presentment, demand, protest, diligence, and any other notice with respect to any of the Purchaser Performance Obligations and Assignee Parent's obligations under Subsection (a).
- (c) **PROHIBITED ASSIGNEE PARENT ACTIVITIES.** During the term of the Purchase Notes:
 - (i) without the prior written consent of Seller (which consent may be withheld by Seller in its sole discretion), neither the Assignee Parent nor the Manager of the Purchaser Assignee shall make any modification or amendment to, or grant any waiver under, Purchaser Assignee's Operating Agreement;
 - (ii) without the prior written consent of Seller (which consent shall not be unreasonably withheld, conditioned, or delayed), the Assignee Parent shall not sell, assign or transfer its interest in Purchaser Assignee to any Person nor shall the Manager of the Purchaser Assignee resign (except that written consent of Seller shall not be required for the required resignation contemplated by Section 16 of the Purchaser Assignee's Operating Agreement);
 - (iii) without the prior written consent of Seller (which consent may be withheld by Seller in its sole discretion), neither the Assignee Parent nor the Manager of the Purchaser Assignee shall make any election that would cause Purchaser Assignee to be treated as an association taxable as a corporation for federal income tax purposes; or

- (iv) without the prior written consent of Seller (which consent may be withheld by Seller in its sole discretion) neither the Assignee Parent nor the Manager of the Purchaser Assignee shall fail to remain in substantial compliance with the terms of the Purchaser Assignee's Operating Agreement, or cause or permit Purchaser Assignee to engage in any activities inconsistent with the purposes of Purchaser Assignee as provided in Purchaser Assignee's Operating Agreement;

provided, however, that the foregoing shall only be applicable to the Assignee Parent prior to the transfer of Assignee Parent's interest in Purchaser Assignee and to the Manager of the Purchaser Assignee prior to resignation of the Manager of Purchaser Assignee, in each case in compliance with the provisions of this Subsection (c). Assignee Parent's right to transfer its membership interest in Purchaser Assignee and the Manager's right to resign (if the member to which Assignee Parent transfers its interest determines to replace the Manager) shall be subject to the additional condition that Assignee Parent has obtained the consent of its transferee and of the replacement Manager (if there shall be one) to be bound by the provisions of the Assignment of Purchaser's Interest and this Section 30.2(c) as if such transferee were Assignee Parent and the replacement Manager were the Manager named therein and herein.

- (d) **RELEASE OF PURCHASER.** Except for the obligations of Purchaser that will remain in effect so long as it is either (i) Manager of the Purchaser Assignee or (ii) is the Assignee Parent, whichever the case may be, Seller, in entering into the Assignment of Purchaser's Interest, shall thereby release Purchaser from any obligation it has to Seller under this Agreement and acknowledge that Purchaser shall have no further liability therefore.

30.3 **Exchange.** In the event that Seller does not specify that part or all of the Purchase Price shall be payable in the form of one or more installment notes, each party may desire to complete all or a portion of this transaction as part of a Section 1031 tax-deferred exchange. Each party agrees to cooperate with the other in documenting and completing such exchange by agreeing that each party may transfer their respective rights and obligations under this Agreement to their respective qualified intermediary. Each party shall bear its own costs associated with such assignment and exchange.

31. **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 including investigation of applicable exemptions to filing and the parties agree to cooperate in filing any documents required under the HSR Act. Each party will bear its own costs, fees and expenses in making such filing. If the parties agree that no exemption applies and filing is required and any approval required under the HSR Act has not been received on or before six (6) 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.

32. Excluded Assets. Purchaser acknowledges that any assets or property owned by Seller that is not specifically described in this Agreement is not subject to this Agreement, including but not limited to, previously reserved or severed mineral rights.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

SELLER:

SOTERRA LLC

Attest:

By: _____
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

PURCHASER:

PLUM CREEK TIMBERLANDS, L.P.

By Plum Creek Timber I, L.L.C.

Its General Partner

Attest:

By _____
Name _____
Title _____

By _____
Name _____
Title _____

Exhibits

- A. Maps Depicting Property
- B. Escrow Agreement
- C. Assignment and Assumption Agreement
- D. Deeds

Schedules

- 1.1 (b) Timber Cutting Contracts
- 5 (b) Value of Acres and Timber
- 7.7 Environmental Matters
- 7.8 Suits, Actions or Proceedings
- 7.9 Governmental Compliance

EXHIBIT "A"

Maps of Property

EXHIBIT "B"

ESCROW AGREEMENT

STEWART TITLE GUARANTY COMPANY

This Escrow Agreement is made as of the day of March, 2005, by and among Soterra LLC (as "Seller"), and Plum Creek Timberlands, L.P. (as "Purchaser"), and Stewart Title Guaranty Company (as "Escrow Holder").

RECITALS

Recital No. 1: Seller and Purchaser have entered into a certain Real Estate Purchase and Sale Agreement ("Purchase and Sale Agreement") concerning real property located in Holmes, Jackson, Walton and Washington Counties, State of Florida; and Geneva County, Alabama, pursuant to that Purchase and Sale Agreement dated March 18, 2005.

Recital No. 2: Seller and Purchaser have requested Stewart Title Guaranty Company to receive funds to be held in escrow and applied in accordance with the terms and conditions of this Escrow Agreement.

Recital No. 3: Escrow Holder has been handed a copy of the Purchase and Sale Agreement or such other documents and any Addendums, as constitute the Agreement to sell and purchase this property. Acting in accordance therewith, Escrow Holder is directed to close the transaction, and shall perform said closing in accordance with the following instructions.

Recital No. 4: In the event there is a variance between the terms of the Purchase and Sale Agreement and the final terms of the sale as evidenced by the documents delivered under these or other instructions, and the closing statements agreed to by the parties, closing shall be in accordance with such documents, instructions and closing statements. All principals to this escrow acknowledge and agree that all terms and conditions of that certain Purchase and Sale Agreement and all Addendums thereto, have been met, waived, or satisfied, or will be resolved outside of escrow and Escrow Holder shall not be responsible for same, and they are no longer to be considered as conditions to this closing.

NOW, THEREFORE, in consideration of the above recitals, the mutual promises set forth herein and other good and valuable consideration, the parties agree as follows:

1. STEWART TITLE GUARANTY COMPANY hereby agrees to act as Escrow Holder in accordance with the terms and conditions hereof.

2. Purchaser herein has deposited \$1,020,939.00 in U.S. funds as Earnest Money with Escrow Holder; and hands Escrow Holder herewith, and/or through their lender will deliver to Escrow Holder, funds sufficient to close. Any additional amounts deposited with Escrow Holder shall be added to the initial deposit and together with the initial deposit shall be referred to as the Escrow Fund. Purchaser further hands Escrow Holder, or will cause to be delivered to Escrow Holder, such documents as may be required of Escrow Holder to close this transaction pursuant to the terms of an Escrow Instruction Letter signed by Seller and Purchaser ("Escrow Instruction Letter"). Escrow Holder is instructed to disburse or pay out said funds when Escrow Holder has received the necessary conveying

document and/or such other documents as required by this transaction, **and can cause to be issued a policy of title insurance as called for in the Purchase and Sale agreement, and as may be required by the Purchaser and its lender, if any, insuring title in the named Purchaser, free from encumbrance other than matters attaching by, through or under the Purchaser as set forth in the Escrow Instruction Letter.**

3. Seller authorizes deduction and payment of all encumbrances except those to be excepted from coverage in the title insurance policy and to pay all other disbursements and charges as itemized on the estimated closing statement (the "Closing Statement").

4. All pro-rating is to be done as of Recording of Documents, on the basis of a 360-day year. Pro-rate taxes only on real property (not personal property) based on the latest available tax figures.

5. Neither the matter of possession of the property nor the condition thereof or suitability for its intended use shall be in any way an obligation of the Escrow Holder.

6. Escrow Holder is authorized to fill in the date of close of escrow and such other necessary dates on any documents, which require same to correct any typing, or scrivener's errors on any documents delivered into escrow. Date of closing means the date on which instruments referred to herein are recorded. Recording of any instrument delivered into this escrow, if necessary or proper in the issuance of policies of title insurance called for is hereby authorized.

7. Escrow Holder may disburse all or any portion of the Escrow Fund in accordance with and in reliance upon the Escrow Instruction Letter from both Seller and Purchaser. All disbursements shall be in U.S. funds and shall be by Escrow Holder's check, or by wire transfer. Escrow Holder is hereby instructed to deposit the Escrow Funds into an interest-bearing account for the benefit of Purchaser and, upon the depository instructions request, the Seller and/or Purchaser will execute the appropriate IRS documentation for the giving of taxpayer identification information relating to this account. All interest will accrue to and be reported to the IRS for the account of:

| | |
|------------|---|
| Name: | Plum Creek Timberlands, L.P. |
| Attn: | Attn: William R. Brown |
| Address: | 999 Third Avenue, Suite 4300 Seattle, WA 98104 |
| Telephone: | (206) 467-3600 |
| EIN: | _____ |

Escrow Holder and its affiliates may receive from some of the depository institutions an array of banking services, accommodations or other benefits. Escrow Holder and its affiliates also may elect to enter into other business transactions with or obtain loans for investment or other purposes from some of the depository institutions. All of such services, accommodations and other benefits shall accrue, directly or indirectly to Escrow Holder and its affiliates and they shall have no obligation to account to the parties to this escrow for the value of such services, accommodations or other benefits.

8. Parties hereto understand and agree that all funds delivered into escrow are subject to immediate deposit and shall be by wire transfer into Escrow Holder's trust account.

9. In the event this escrow fails to close, a sum sufficient to pay title commitment and escrow cancellation charges shall be paid, and as appropriate, may be deducted from funds held.

10. In the event any dispute shall arise involving a party to this escrow concerning the property covered by these instructions, or in the event conflicting demands or claims are made with respect to this escrow or the rights of any of the parties hereto, it is expressly agreed that Escrow Holder shall have the absolute right, at its election, to do any, or all of the following: Withhold and stop all further proceedings in performance of this escrow; file suit in interpleader with a court of competent jurisdiction within the State of Florida and obtain an order from the court requiring the parties to interplead and litigate their claims and rights among themselves; or issue a check to either Seller or Purchaser made payable jointly to Seller and Purchaser in the amount of the sums in dispute. In the event an interpleader suit is brought, Escrow Holder shall be immediately fully released and discharged from all obligations to further perform any and all duties or obligations imposed upon it in this escrow. Purchaser agrees jointly and severally with Seller to pay Escrow Holder all costs, damages, judgments and expenses suffered, expended or incurred by Escrow Holder in connection with or arising out of this escrow, including, but not limited to, reasonable attorneys' fees. In the event written notice of default or dispute is given to the Escrow Holder by any party, or if Escrow Holder receives contrary written instructions from any party, then Escrow Holder will promptly notify all other parties of such notice.

11. Any additional instructions given to the Escrow Holder herein shall be presented in writing. Purchaser and Seller further understand that contemporaneously herewith there may be instructions by third parties that are necessary for the completion of this escrow and are, therefore, made a part hereof; namely, such instructions as may be received from a lender, grantor, vendor, or others, affecting the property that is the subject of this escrow.

12. These escrow instructions, and amendments hereto, may be executed in one or more counterparts, each of which independently shall have the same affect as if it were the original, and all of which taken together shall constitute one and the same instruction.

13. Title to equipment, fixtures, personal property or encumbrances or liens thereon or personal property tax or sales tax associated therewith are not a part of this escrow and will be handled outside of escrow, if applicable.

14. The parties hereto authorize Escrow Holder to destroy these instructions and all records of this escrow, regardless of date of same, at any time after seven (7) years from the date of these instructions without liability on Escrow Holder's part, or need of further notice to or from Seller and/or Purchaser.

15. Notices shall be sent to the following:

If to Seller: Soterra LLC
439A Katherine Drive
Flowood, MS 39232
Attn: Matthew B. Bonham
Facsimile: 601-933-0099

with a copy to: Greif, Inc.
425 Winter Road
Delaware, OH 43015
Attn: Gary R. Martz
Facsimile: 740-549-6101

and a copy to: Adams and Reese LLP
111 East Capitol Street, Suite 350
Jackson, MS 39201
Attn: Powell G. Ogletree, Jr.
Facsimile: 601-355-9708

If to Purchaser: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: William R. Brown
Facsimile: (206) 467-3790

with a copy to: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: Sheri L. Ward
Facsimile: 206-467-3790

If to Escrow Holder: Stewart Title
1000 2nd Avenue, # 1620
Seattle, WA 98104
Attn: Vicki Dorfman
Facsimile: 206-260-9182

16. The parties agree to execute a Privacy Policy Notice under Title V of the Gramm-Leach-Bliley Act.
17. This Agreement shall be binding upon and inure to the benefit of the parties respective successors and assigns.
18. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

Seller:

SOTERRA LLC, a Delaware limited liability company

By: _____

Name: Robert S. Zimmerman

Title: Vice President and Treasurer

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

Purchaser:

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

By: _____
Name: _____
Its: _____

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

Escrow Holder:

STEWART TITLE GUARANTY COMPANY

By: _____
Name: _____
Its: _____

EXHIBIT "C"

ASSIGNMENT AND ASSUMPTION OF CONTRACTS, LEASES AND PERMITS

This Assignment and Assumption of Contracts, Leases and Permits (the "Assignment") is made and entered into this _____ day of _____, 2005, by and between Soterra LLC, ("Assignor") and Plum Creek Timberlands, L.P., a Delaware limited partnership ("Assignee").

WITNESSETH:

WHEREAS, Assignor and Assignee entered into a Real Estate Purchase and Sale Agreement dated as of March __, 2005 (the "Agreement"); and

WHEREAS, Assignor is a party with the parties (each a "Contracting Party", collectively, the "Contracting Parties") set forth on the contracts, leases and permits which are referenced as "Temporary Encumbrances" in the Agreement, which are further identified on Exhibit A attached hereto, and which are hereby incorporated herein by this reference (each a "Contract" collectively, the "Contracts"); and

WHEREAS, the Agreement provides that Assignor's interest in the Contracts are to be assigned to Assignee, and Assignee is to assume all of Assignor's responsibilities under the Contracts; and

WHEREAS, Assignor desires to assign to Assignee all of its right, title, and interest as the Assignor under the Contracts, and Assignee desires to accept such assignment and assume all of Assignor's obligations under the Contracts, all pursuant to the terms of the Agreement.

NOW, THEREFORE, for Ten Dollars (\$10.00), and other good and valuable consideration, including the entering into of the Agreement, the receipt and sufficiency of which are hereby acknowledged, it is understood and agreed as follows:

1. Assignor does hereby convey, assign, transfer, and set over unto Assignee, its successors and assigns, all of Assignor's right, title, and interest in and to each Contract.

2. Assignee hereby accepts the foregoing assignment and transfer and agrees to faithfully perform all covenants, stipulations, agreements, and obligations of the Assignor under each Contract which has been assigned to such Assignee hereunder.

3. The provisions of this Assignment and Assumption Agreement are subject, in all respects, to the terms and conditions of the Agreement and all of the representations and warranties, covenants and agreements of the parties thereto contained therein. All of the terms of the Agreement relating to this Assignment and Assumption Agreement shall survive the execution and delivery of this Assignment and Assumption Agreement, to the extent indicated in the Agreement. Further, to the extent any of the Contracts may be considered encumbrances on

title, such Contracts are hereby accepted by Assignee as Permitted Encumbrances under the Deeds, as such term is defined in the Agreement, notwithstanding that such Contracts are not and will not be specifically identified as exceptions to the warranty of title in the Deeds. Assignee, for itself and its successors and assigns, shall indemnify and hold Assignor harmless with respect to any claims against Seller's special warranty of title contained in the Deeds with respect to the Contracts .

4. Assignee hereby indemnifies and holds harmless Assignor from and against any and all claims, causes of action or damages (including attorney's fees, expenses of litigation and costs of appeal), if any, arising out of Assignee's assumption of Assignor's rights and obligations pursuant to the Contracts which arise after the date hereof. Assignor hereby indemnifies and holds harmless Assignee from and against any and all claims, causes of action or damages (including attorney's fees, expenses of litigation and costs of appeal), if any, arising out of liabilities incurred or Assignor's failure to perform any condition or covenant of any Contract which arose prior to the date hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption of Contracts, Leases and Permits to be executed on the day and year first above written.

ASSIGNOR:

ASSIGNEE:

PLUM CREEK TIMBERLANDS, L.P.

By Plum Creek Timber I, L.L.C., its General Partner

Attest:

By _____
Name _____
Title _____

By _____
Name _____
Title _____

EXHIBIT "D"

Form of Deed

STATE OF ALABAMA

COUNTY OF GENEVA

LIMITED WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS:

That **FOR AND IN CONSIDERATION** of the sum of Ten Dollars (\$10.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, SOTERRA LLC, a Delaware limited liability company, duly authorized to do business in the State of Alabama, whose address and telephone number is Post Office Box 18, Jackson, Mississippi 39205-0018; (601) 933-0088, hereinafter referred to as the "GRANTOR", does hereby GRANT, BARGAIN, SELL and CONVEY, subject to the reservations described hereinbelow, unto PLUM CREEK TIMBERLANDS, L.P., a Delaware limited partnership, whose address and telephone number is 999 Third Avenue, Suite 4300, Seattle, Washington 98104 (206) 467-3600, hereinafter referred to as the "GRANTEE", its successors and assigns, that certain real property situated in Geneva County, Alabama, legally described on Exhibit "A" attached hereto and incorporated herein by this reference as though fully set forth (the "Property"), including Grantor's rights, privileges, advantages, and appurtenances thereunto belonging or in any way appertaining thereto, but only to the extent belonging or appertaining to the Property, including but not limited to all of Grantor's right, title, and interest (i) in and to the reproduction, merchantable, pre-merchantable and unmerchantable timber, growing, lying, standing or felled, timber interests and timber rights located on or appurtenant to the Property; (ii) all rights of Grantor in and to any development rights, air rights, water, water rights, ditch and ditch rights appurtenant to the Property but subject to the exceptions and reservations described in this Agreement; and (iii) all rights of Grantor in and to any access rights, rights-of-way and easements appurtenant to the Property.

This conveyance is subject to the following:

*[Insert here Permitted Title Exceptions as described in Section 5 (b)
of the Real Estate Purchase and Sale Agreement.]*

For the same consideration, Grantor quitclaims unto Grantee any mineral, sand, oil, gas, hydrocarbon substances and gravel and other rights on and under the Property which have not previously been reserved, severed or conveyed by Grantor or Grantor's predecessors in interest.

Subject to the representations and warranties set forth herein, or as otherwise agreed upon in writing between the Grantor and Grantee, Grantee accepts the Property "as is" and "where is," subject to the risks of all defects and conditions. Without limiting the generality of the foregoing, and subject to the representations and warranties set forth herein, GRANTOR EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY, AS WELL AS ANY WARRANTY WHATSOEVER WITH RESPECT TO THE MARKETABILITY, HARVESTABILITY, AGE, SPECIES MIX, SITE CLASSIFICATION, BOUNDARIES OF THE PROPERTY, QUANTITIES, TIMBER GRDS, OR QUALITY OF ANY TIMBER ON THE PROPERTY OR SOILS STABILITY OR CONDITIONS.

TO HAVE AND TO HOLD the within described Property, together with the privileges and appurtenances thereunto properly belonging, and subject only to the exceptions, reservations and restrictions herein contained, unto the Grantee, its successors and assigns forever. Grantor will warrant and defend the right and title to the Property unto Grantee against the lawful claims of all persons claiming by, through, or under Grantor, and none other.

IN WITNESS WHEREOF the Grantor, **SOTERRA LLC**, has hereto set its hand and seal on this the _____ day of _____, 2005.

GRANTOR:

SOTERRA LLC

a Delaware limited liability company

Attest:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

STATE OF _____

COUNTY OF _____

I, the undersigned, a Notary Public in and for said County and State, hereby certify that _____ and _____, whose names as _____ and _____ of **SOTERRA LLC**, a Delaware limited liability company, are signed to the foregoing instrument and who are known to me, acknowledged before me on this day, that being informed of the contents of said instrument, they, with full authority as such officers, executed the same voluntarily for and as the act of said limited liability company.

Given under my hand and official seal on this _____ day of _____, 2005.

NOTARY PUBLIC

My Commission Expires:

This instrument prepared by:

_____, Esq.
ADAMS AND REESE LLP
111 East Capitol Street, Suite 350
Jackson, Mississippi 39201
Telephone: (601) 353-3234

Form of Deed

STATE OF FLORIDA

COUNTY OF _____

SPECIAL WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS:

That **Soterra LLC**, a Delaware limited liability company, authorized to do business in the State of Florida, whose address and telephone number is Post Office Box 18, Jackson, Mississippi 39205-0018; (601) 933-0088, hereinafter called **GRANTOR**, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration hereby acknowledged to have been paid to the Grantor by **PLUM CREEK TIMBERLANDS, L.P.**, a Delaware limited partnership, whose address and telephone number is 999 Third Avenue, Suite 4300, Seattle, Washington 98104, () , hereinafter called **GRANTEE**, does hereby GRANT, BARGAIN SELL AND CONVEY unto said Grantee that certain real property situated in Calhoun, Gadsen, Holmes, Jackson, Liberty, Santa Rosa, Walton and Washington Counties, State of Florida legally described on **Exhibit "A"** attached hereto and incorporated herein by this reference as though fully set forth (the "Property"), including Grantor's rights, privileges, advantages, and appurtenances thereunto belonging or in any way appertaining thereto, but only to the extent belonging or appertaining to the Property, including but not limited to all of Grantor's right, title, and interest (i) in and to the reproduction, merchantable, pre-merchantable and unmerchantable timber, growing, lying, standing or felled, timber interests and timber rights located on or appurtenant to the Property; and (ii) all rights of Grantor in and to any development rights, air rights, water, water rights, ditch and ditch rights appurtenant to the Property but subject to the exceptions and reservations described in this Agreement.

This conveyance is subject to the following:

[Insert here Permitted Title Exceptions as described in Section 5 (b) of the Real Estate Purchase and Sale Agreement.]

For the same consideration, Grantor quitclaims unto Grantee any mineral, sand, oil, gas, hydrocarbon substances and gravel and other rights on and under the Property which have not previously been reserved, severed or conveyed by Grantor or Grantor's predecessors in interest.

Subject to the representations and warranties set forth herein, or as otherwise agreed upon in writing between the Grantor and Grantee, Grantee accepts the Property "as is" and "where is," subject

to the risks of all defects and conditions Without limiting the generality of the foregoing and subject to the representations and warranties set forth herein, GRANTOR EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY, AS WELL AS ANY WARRANTY WHATSOEVER WITH RESPECT TO THE MARKETABILITY, HARVESTABILITY, AGE, SPECIES MIX, SITE CLASSIFICATION, BOUNDARIES OF THE PROPERTY, QUANTITIES, TIMBER GRDS, OR QUALITY OF ANY TIMBER ON THE PROPERTY OR SOILS STABILITY OR CONDITIONS.

TO HAVE AND TO HOLD the within described property, together with the privileges and appurtenances thereunto properly belonging, and subject only to the exceptions and reservations herein contained, unto the Grantee, its successors and assigns forever. The Grantor does hereby warrant and will defend the title to the Property against the lawful claims of all persons claiming by, through or under Grantor, but none other.

IN WITNESS WHEREOF the Grantor, **SOTERRA LLC**, has hereto set its hand and seal on this the _____ day of _____, 2005.

GRANTOR:
SOTERRA LLC
a Delaware limited liability company

Attest:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Signed, sealed and delivered
in the presence of the following witnesses:

Print: _____

Print: _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 2005, by _____ and _____, as _____ and _____ of **SOTERRA LLC**, a Delaware limited liability company, who are personally known to me or who have produced _____ as identification and who did not take an oath.

My Commission Expires:

NOTARY PUBLIC
Printed Name of Notary Public:

STATE OF FLORIDA

COUNTY OF _____

This instrument prepared by:

_____, Esq.
ADAMS AND REESE LLP
111 East Capitol Street, Suite 350
Jackson, Mississippi 39201
Telephone: (601) 353-3234

EXHIBIT "D" (continued)

Form of Deed

Please Record and Return To:

_____, Esq.
ADAMS & REESE LLP
111 East Capitol Street, Suite 350
Jackson, Mississippi 39201
Telephone: (601) 353-3234

LIMITED WARRANTY DEED

State of Georgia
County of Decatur

THIS INDENTURE, made this _____ day of _____, 2005 between **SOTERRA LLC**, a corporation organized and existing under the laws of the State of Delaware, and having a place of business at Delaware, _____ County, Ohio, duly authorized to do business in the State of Georgia, hereinafter referred to as the Grantor, and **PLUM CREEK LAND COMPANY**, a Delaware corporation duly authorized to do business in the State of Georgia, hereinafter referred to as the Grantee.

WITNESSETH: That the said Grantor, for and in consideration of Ten Dollars (\$10.00) and other valuable consideration, at and before the sealing and delivery of these presents, the receipt and sufficiency whereof is hereby acknowledged, has granted, bargained, sold, released, conveyed and confirmed, and by these presents does grant, bargain, sell, release, convey and confirm unto the said Grantee, its successors and assigns that certain real property situated in Decatur County, Georgia, legally described on Exhibit "A" attached hereto and incorporated herein by this reference as though fully set forth (the "Property"), including Grantor's rights, privileges, advantages, and appurtenances thereunto belonging or in any way appertaining thereto, but only to the extent belonging or appertaining to the Property, including but not limited to all of Grantor's right, title, and interest (i) in and to the reproduction, merchantable, pre-merchantable and unmerchantable timber, growing, lying, standing or felled, timber interests and timber rights located on or appurtenant to the Property; (ii) in and to any mineral, sand, oil, gas, hydrocarbon substances and gravel and other rights on and under the Property which have not previously been reserved, severed or conveyed by Seller or Seller's predecessors in interest; (iii) all rights of Seller in and

to any development rights, air rights, water, water rights, ditch and ditch rights appurtenant to the Property but subject to the exceptions and reservations described herein, and; (iv) all rights of Grantor in and to any access rights, rights of way and easements appurtenant to the Property.

This conveyance is subject to the following:

[Insert here Permitted Title Exceptions as described in Section 5 (b) of the Real Estate Purchase and Sale Agreement.]

For the same consideration, Grantor quitclaims unto Grantee any mineral, sand, oil, gas, hydrocarbon substances and gravel and other rights on and under the Property which have not previously been reserved, severed or conveyed by Grantor or Grantor's predecessors in interest.

Subject to the representations and warranties set forth herein, or as otherwise agreed upon in writing between the Grantor and Grantee, Grantee accepts the Property "as is" and "where is," subject to the risks of all defects and conditions. Without limiting the generality of the foregoing, and subject to the representations and warranties set forth herein, GRANTOR EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY, AS WELL AS ANY WARRANTY WHATSOEVER WITH RESPECT TO THE MARKETABILITY, HARVESTABILITY, AGE, SPECIES MIX, SITE CLASSIFICATION, BOUNDARIES OF THE PROPERTY, QUANTITIES, TIMBER GRDS, OR QUALITY OF ANY TIMBER ON THE PROPERTY OR SOILS STABILITY OR CONDITIONS.

TO HAVE AND TO HOLD THE WITHIN DESCRIBED PROPERTY, TOGETHER WITH THE PRIVILEGES AND APPURTENANCES THEREUNTO PROPERLY BELONGING, AND SUBJECT ONLY TO THE EXCEPTIONS AND RESERVATIONS HEREIN CONTAINED, UNTO THE GRANTEE, ITS SUCCESSORS AND ASSIGNS FOREVER. THE GRANTOR DOES HEREBY SPECIALLY WARRANT AND WILL DEFEND THE TITLE TO THE PROPERTY AGAINST THE LAWFUL CLAIMS OF ALL PERSONS CLAIMING BY, THROUGH OR UNDER GRANTOR, BUT NONE OTHER.

IN WITNESS WHEREOF, the said Grantor, SOTERRA LLC, acting by and through its duly authorized officers, has signed, sealed, and delivered these presents this _____ day of _____, 2005.

**GRANTOR:
SOTERRA LLC**

a Delaware limited liability company

Attest:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Signed, sealed, and delivered in the presence of
the undersigned this _____ day of _____, 2005:

Witness: _____

Notary: _____

Notary Public in and for the State of _____
My appointment expires: _____

SCHEDULE 1.1(b)

TIMBER CUTTING CONTRACTS

Dated: 3.24.05

SCHEDULE OF CONTRACTS 1.1 (b)

| <u>PURCHASER</u> | <u>DATE SIGNED</u> | <u>DURATION</u> | <u>COUNTY</u> | <u>DESCRIPTION</u> |
|-------------------------------|--------------------|-------------------------|----------------------------------|---|
| Coastal Lumber Company | 7/9/2002 | 18 months | Holmes County, Florida | 160 acres, Secs. 16 and 17, T4N, R16W |
| | 1/7/2004 | 7/9/2004 | | |
| | 6/25/2004 | 1/9/2005 | | |
| | 1/6/2005 | 7/9/2005 | | |
| Coastal Lumber Company | 5/15/2003 | 18 months | Washington County, Florida | 75 acres, Sec. 28, T3N, R14W |
| | 11/8/2004 | 5/11/2005 | | |
| Coastal Lumber Company | 8/14/2003 | 18 months | Gadsden County, Florida | 306 acres, Sec. 1, T3N, R5W, and Secs. 35 & 36, T4N, R5W |
| | 2/3/2005 | 4/14/2005 | | |
| Coastal Plywood Company | 2/7/2005 | 18 months 8/7/2006 | Gadsden County, Florida | 246 acres, Sec. 18, T3N, R5W, Secs. 13 & 24, T3N, R6W |
| Coastal Plywood, Inc. | 7/20/2004 | 18 months 1/20/2006 | Gadsden County, Florida | 114 acres, in Secs. 26 & 27, T3N, R6W |
| Coastal Plywood, Inc. | 7/20/2004 | 18 months 1/20/2006 | Gadsden County, Florida | 233 acres, Secs. 11 & 12, T3N, R6W |
| Coastal Plywood, Inc. | 11/4/2004 | 18 months 5/4/2006 | Gadsden County, Florida | 408 acres, Secs. 14, 15, 22, 23 & 27, T3N, R6W |
| Georgia - Pacific Corporation | 9/7/2004 | 12 months 9/7/2005 | Washington County, Florida | 128 acres, E1/2 of NW1/4 of NE1/4 of SW1/4, Sec. 1, T3N, R15W |
| Hercules Incorporated | 10/18/2004 | 12 months 10/18/2005 | Holmes County, Florida | 125 acres, in Sec. 25, T5N, R16W |
| Howell Plywood Corporation | 1/23/2004 | 18 months 7/23/2005 | Jackson County, Florida | 79 acres, in Sec. 35, T7N, R11W |
| M. C. Dixon Lumber Company | 10/3/2002 | 18 months | Holmes County, Florida | 238 acres, Secs. 24, 25 & 36, T5N, R15W |
| | 3/4/2004 | 10/3/2004 | | |
| | 9/29/2004 | 4/3/2005 | | |

| | | | | |
|---------------------------------------|--|--|--|--|
| M. C. Dixon Lumber Company | 10/2/2002 3/4/2004 9/29/2004 | 18 months 10/2/2004 4/2/2005 | Jackson County, Florida | 200 acres, Sec. 21, T4N, R9W |
| Metcalf Lumber Company Inc. | 1/27/2004 | 18 months 7/27/2005 | Holmes County, Florida | 389 acres, Secs. 4 & 5, T5N, R16W, Sec. 33, T6N, R16W |
| Metcalf Lumber Company, Inc. | 5/7/2004 | 18 months 11/7/2005 | Gadsden County, Florida | 229 acres, Secs. 5 & 6, T2N, R6W |
| Metcalf Lumber Company, Inc. | 6/16/2004 | 18 months 12/16/2005 | Holmes County, Florida | 194 acres, Secs. 24 & 25, T5N, R16W |
| Metcalf Lumber Company, Inc. | 3/23/2004 | 18 months 9/23/2005 | Jackson County, Florida | 375 acres, Sec. 31, T4N, R9W |
| Metcalf Lumber Company, Inc. | 1/8/2001 12/11/2003 6/10/2004 12/10/2004 2/21/2005 | 18 months 6/30/2004 12/30/2004 3/1/2005 9/1/2005 | Holmes County, Florida | 246 acres, Secs. 28 & 33, T6N, R16W |
| Metcalf Lumber Company, Inc. | 10/8/2002 3/10/2004 9/29/2004 | 18 months 10/8/2004 4/8/2005 | Holmes County, Florida | 120 acres, Sec. 25, T6N, R15W |
| Metcalf Lumber Company, Inc. | 8/18/2003 2/3/2005 | 18 months 8/18/2005 | Jackson County, Florida | 40 acres, Sec. 19, T4N, R9W |
| North Florida Woodlands Company Inc. | 10/1/2002 3/04/2004 9/29/2004 | 18 months 10/1/2004 4/1/2005 | Holmes County, Florida | 80 acres, Sec. 10, T4N, R17W |
| North Florida Woodlands Company Inc. | 3/27/2003 9/15/2004 | 18 months 9/27/2006 | Holmes County, Florida | 80 acres, Sec. 34, T6N, R16W |
| North Florida Woodlands Company Inc. | 8/5/2003 1/17/2005 | 18 months 8/5/2005 | Holmes County, Florida | 200 acres, Secs. 16 & 17, T6N, R15W |
| North Florida Woodlands Company, Inc. | 7/11/2002 1/7/2004 6/25/2004 12/21/2004 | 18 months 7/11/2004 1/10/2005 7/10/2005 | Holmes County, Florida | 40 acres, Sec 32, T5N, R15W |
| North Florida Woodlands Company, Inc. | 8/18/2003 2/3/2005 | 18 months 8/18/2005 | Jackson County, Florida | 141 acres, Secs. 4, 5, 8 & 9, T2N, R10W |
| North Florida Woodlands Company, Inc. | 7/10/2001 1/7/2004 6/25/2004 1/7/2005 | 18 months 7/10/2004 1/10/2005 6/30/2005 | Calhoun County, Florida and Jackson County, Florida | 324 acres, Sec. 34, T3N, R8W, and Sec. 3, T2N, R8W |

| | | | | |
|---------------------------------------|--|---|----------------------------------|--|
| North Florida Woodlands Company, Inc. | 4/8/2002 9/29/2003 5/3/2004 9/29/2004 | 18 months 4/8/2004 10/8/2004 4/8/2005 | Jackson County, Florida | 183 acres, Sec. 33, T3N, R8W |
| North Florida Woodlands Company, Inc. | 1/2/2003 6/10/2004 12/21/2004 | 18 months 1/1/2005 7/1/2005 | Gadsden County, Florida | 225 acres, Secs. 29 & 30, T3N, R6W |
| North Florida Woodlands, Inc. | 3/23/2004 | 18 months 9/23/05 | Holmes County, Florida | 212 acres, in Sec. 19, T4N, R16W |
| North Florida Woodlands, Inc. | 11/4/2003 | 18 months 5/4/2005 | Gadsden County, Florida | 298 acres, in Secs. 2, 3, 10, 11 and 14, T3N, R6W |
| North Florida Woodlands, Inc. | 2/23/2004 | 18 months 8/23/2005 | Jackson County, Florida | 319 acres, in Sec. 1, T4N, R12W, Secs. 35 & 36, T5N, R12W |
| North Florida Woodlands, Inc. | 5/5/2004 | 18 months 11/5/2005 | Holmes County, Florida | 121 acres, Sec. 18, T5N, R15W, Sec. 13, T5N, R16W |
| North Florida Woodlands, Inc. | 4/14/2004 | 18 months 10/14/2005 | Holmes County, Florida | 40 acres, NE1/4 of NE 1/4, Sec. 22, T5N, R16W |
| Southern Timber Company | 1/24/2003 7/8/2004 1/10/2005 | 18 months 1/24/2005 7/24/2005 | Holmes County, Florida | 80 acres, Sec. 2, T6N, R15W and also in Sec. 35, T7N, R15W |
| Southern Timber Company | 4/23/2002 9/24/2003 3/16/2004 9/29/2004 | 18 months 4/23/2004 10/23/2004 4/23/2005 | Washington County, Florida | 87 acres, Sec. 17, T3N, R15W |
| Southern Timber Company | 1/24/2003 7/8/2004 1/10/2005 | 18 months 1/24/2005 7/26/2005 | Washington County, Florida | 56 acres, Sec. 15, T3N, R15W |
| Spanish Trail Lumber Company | 10/26/2004 | 18 months 4/26/2006 | Jackson County, Florida | 122 acres, Sec. 8, T2N, R10W |
| Whitfield Timber Company, Inc. | 9/7/2004 | 12 months 9/7/2005 | Washington County, Florida | 120 acres, E1/2 of SW1/4 of SW1/4 of SW1/4, Sec. 8, T3N, R14W |

SCHEDULE OF CONTRACTS 1.1 (b) SUPPLEMENTAL
CONTRACTS

| <u>PURCHASER</u> | <u>DATE SIGNED</u> | <u>DURATION</u> | <u>COUNTY</u> | <u>DESCRIPTION</u> |
|---------------------------------------|--|---|---------------------------------------|--|
| North Florida Woodlands Company, Inc. | 07/10/2001 01/06/2003 06/09/2003 01/07/2004 06/25/2004 | 18 months 07/10/2003 01/10/2004 07/10/2004 01/10/2005 | Holmes County, Florida | 196 acres, Sec. 14, T5N, R15W |
| North Florida Woodlands Company, Inc. | 01/7/2002 06/06/2003 01/07/2004 06/25/2004 | 18 months 01/07/2004 07/07/2004 01/07/2005 | Washington County, Florida | 117 acres, Sec. 5, T4N, R15W |
| Balfour Timber Company, Inc. | 10/04/2002 03/16/2004 | 18 months 10/04/2004 | Jackson County, Florida | 77 acres, Sec. 25, T3N, R8W |
| Coastal Lumber Company | 12/23/2002 | 18 months | Gadsden County, Florida | 365 acres, Secs. 14 & 23, T3N, R6W |
| Timmy Hall Timber Company, Inc. | 06/25/2003 | 18 months | Washington County, Florida | 169 acres, Sec. 31, T4N, R14W |
| Coastal Lumber Company | 06/19/2003 | 18 months | Gadsden County, Florida | 164 acres, Sec. 10, T3N, R6W |
| Coastal Lumber Company | 08/14/2003 | 18 months | Gadsden County, Florida | 35 acres, Sec. 15, T3N, R6W |
| Coastal Lumber Company | 08/14/2003 | 18 months | Gadsden County, Florida | 312 acres, Secs. 34 & 35, T4N, R5W |
| North Florida Woodlands Company, Inc. | 02/25/2004 | 18 months | Holmes County, Florida | 159 acres, Secs. 24 & 25, T5N, R16W |
| Whitfield Timber Company, Inc. | 10/07/2002 10/06/2003 03/16/2004 | 12 months 04/07/2004 10/07/2004 | Washington County, Florida | 88 acres, W 1/2 of SW 1/4, Sec. 15, NW 1/4 of NW 1/4, Sec. 22, T2N, R16W |
| Canal Wood, LLC | 6/27/2003 | 6/15/2004 | Holmes County, Florida | 55 acres, Sec. 3, T5N, R16W |
| Kennedy Forest Products | 4/28/2003 | 18 months | Holmes County, Florida | 200 acres, Sec. 9, T5N, R16W |
| Kennedy Forest Products | 4/24/2003 | 18 months | Holmes County, Florida | 308 acres, Secs. 11 & 14, T5N, R16W |
| North Florida Woodlands Company, Inc. | 7/10/2001 1/6/2003 6/9/2003 1/7/2004 | 18 months 7/10/2003 1/10/2004 7/10/2004 | Holmes County, Florida | 205 acres, Sec. 15, T5N, R15W |
| Balfour Timber Company | 7/1/2002 6/10/2004 12/10/2004 | 24 months 1/2/2005 3/1/2005 | Jackson and Washington Counties | 520 acres, Sec. 19, T5N, R12W and Sec. 24, T5N, R13W |
| Coastal Lumber Company | 10/2/2002 | 18 months | Jackson County, Florida | 195 acres, Sec. 35, T3N, R8W |

SCHEDULE OF CONTRACTS 1.1 (b) SUPPLEMENTAL DEEDS

| <u>PURCHASER</u> | <u>DATE SIGNED</u> | <u>ACREAGE</u> | <u>COUNTY</u> | <u>DESCRIPTION</u> |
|-------------------------------------|--------------------|----------------|-------------------------|-------------------------------------|
| Leslie E. Darby and wife, Kim Darby | 11/11/04 | Approx. 10.5 | Jackson County, Florida | Approx. 10.5 acres in S19, T4N, R9W |
| Jai Alai, Inc. | 11/8/04 | Approx. 0.77 | Gadsden County, Florida | Approx. 0.77 acres in S34, T3N, R6W |

SCHEDULE 5(b)

VALUE OF ACRES AND TIMBER

| <u>Closing</u> | <u>Value/acre</u> |
|----------------|-------------------|
| First Closing | \$ 1430/acre |

SCHEDULE 7.7

ENVIRONMENTAL MATTERS

Note: This Schedule 7.7 Environmental Matters is prepared based upon the knowledge of Matthew B. Bonham (Vice President, Timberland Operations) and J. R. Baker (Vice President of Property Administration). Pursuant to the agreement of Seller and Purchaser, Terry Porter (Florida Regional Forester), will furnish any additional information known to him within seven (7) days of the execution of the Agreement to which this Schedule 7.7 Environmental Matters is attached, and this Schedule and Agreement shall be amended accordingly.

Pursuant to Paragraph 7.7 of the Real Estate Purchase and Sale Agreement by and between Soterra LLC ("Seller") and Plum Creek Timberlands, L.P. ("Purchaser"), Seller informs Purchaser of Seller's knowledge of the following Environmental Matters:

1. Unauthorized Trash Sites: The Florida Timberlands are managed as timberlands and are subject to unauthorized disposal of trash. When unauthorized trash sites are found, Seller takes appropriate action.
2. Governmental Dumps Adjacent to the Properties. Seller's property may be adjacent to governmental dumps. Seller is aware that the City of Chattahoochee, Florida established a governmental dump site on property adjacent to property included within the Agreement. The governmental dump site is surrounded on three sides by Seller's property. The governmental dump site is located on the tract referenced as Florida Stave Company, J.R. Bell #2 K-859. It is located in the SW ¼ of the SW ¼ of Section 11, T3N, R6W, Gadsden County, FL.
3. Abandoned County Landfills. Seller is aware of abandoned county landfills on its property including: abandoned county landfill site located in Section 7, T4N, R17W, Holmes County, FL (Unit 300, Stand 42); abandoned county landfill site located in Section 21, T3N, R10W, Jackson County, FL (Unit 332, Stand 5); abandoned county landfill site located in Section 25, T5N, R17W, Holmes County, FL (Unit 304, Stand 1); abandoned county landfill site located in Section 31, T4N, R9W (Unit 336, Stand 20); abandoned landfill site located in Section 26, T5N, R16W, Holmes County, FL (Unit 312, Stand 10).
4. Notices of Potential Violation of Law. Seller receives communication from governmental entities concerning its properties and operations on its properties. Seller is aware that on February 28, 1989 Soterra Corporation received a letter from the Northwest Florida Water Management District alleging violations of Florida law concerning required authorizations for stream crossings and obstructions of the stream channel with tree tops. Seller believes this matter was satisfactorily resolved years ago.
5. Storm Water Runoff. Seller has property adjacent to other land used in a manner that may involve storm water runoff. Seller is aware that in 1994 the Best Western Hotel along Interstate 10 discharged storm water or other waters onto Seller's property in the SW ¼ of the NW ¼ of Section 30, T4N, R9W, Jackson County, Florida. This

unauthorized discharge was brought to the attention of local authorities and subsequently the motel owner ceased the discharge.

6. Pipelines: A number of pipelines cross the property. Seller is not aware of problems with the pipelines but has not inspected the pipelines or the property on which they are located.
7. Past Oil and Gas Leases: Some of the property has been leased for oil, gas and mineral exploration and development. Seller is not aware of the existence of any ongoing oil and gas wells or abandoned wells but has not inspected the property on which the past leases were located.
8. Chemical Use: Seller uses forestry chemicals in the normal course of its silvicultural operations. Seller no longer owns the properties where these chemicals were stored by Seller. Seller now contracts out forestry activities concerning the application of chemicals including but not limited to the application of herbicides and pesticides. Seller also has yard and garden and household chemicals in its Florida Timberlands office in Mariana, Florida.
9. Above Ground Storage Tank. Seller owned a 1,000 gallon above ground storage tank that was portable and moved from site to site in the operation of its silvicultural activities. The tank contained diesel fuel oil. Seller no longer uses above ground storage tanks.
10. Former Pulpwood Yard: Seller previously leased a portion of its timberlands under a Woodyard Lease dated March 30, 1973 to Great Northern Paper Company, a division of Great Northern Nekoosa Corporation. The property was used as a woodyard. The lease expired on March 19, 1978 although company records indicated the lease was cancelled prior to that date. The property was located in the S ½ of the SE ¼ of SE ¼, Section 1, T3N, R15W, Washington County, Florida.
11. Former Mill Site: Seller is aware that Seller leased a mill site known as the Cottondale Mill to Jimmy Williams (d/b/a Williams Veneer Mill) pursuant to a lease dated September 8, 1988. Seller's predecessor in title previously leased the same property to Lloyd Williams, believed to be the father of Jimmy Williams. Prior leases include leases dated November 20, 1961 and November 29, 1969. Seller understands the property was used as a veneer mill site. Seller's records indicate the property was not rented after 1988. The property is located in the SE ¼ of NE 1/4 , Section 36, T5N, R12W, South of the L & N RR and North of U. S. Highway 80 in the City of Cottondale. Seller does not know whether the tenant complied with EPA standards although Seller has a letter indicating the tenant will try to comply with the same. Seller believes that at one time there were storage tanks on the property, including but not limited to one 8,000 gallon above-ground tank for #5 heating oil. There may have been an underground storage tank. The mill was closed in the late 1980's and the site is now planted in pine trees.

SCHEDULE 7.8

SUITS, ACTIONS OR PROCEEDINGS

Note: This Schedule 7.8 Suits, Actions or Proceedings is prepared based upon the knowledge of Matthew B. Bonham (Vice President, Timberland Operations) and J. R. Baker (Vice President of Property Administration.) Pursuant to the agreement of Seller and Purchaser, Terry Porter (Florida Regional Forester), will furnish any additional information known to him within seven (7) days of the execution of the Agreement to which this Schedule 7.8 Suits, Actions or Proceedings is attached, and this Schedule and Agreement shall be amended accordingly.

Pursuant to Paragraph 7.8 of the Real Estate Purchase and Sale Agreement by and between Soterra LLC (“Seller”) and Plum Creek Timberlands, L.P. (“Purchaser”), Seller informs Purchaser of Seller’s knowledge of the following Suits, Actions or Proceedings “pending or threaten”:

1. Third Party Claims/Boundary Lines: Seller periodically conducts boundary line maintenance, surveys, or other examination of or along boundary lines. In the course of these actions Seller may note evidences of possession or potential encroachments. These included:

| <u>Name</u> | <u>Tract</u> | <u>GIS Block No.</u> | <u>S-T-R</u> | <u>County</u> | <u>Description</u> |
|-------------------------|--------------|----------------------|--------------|---------------|---|
| J. P. Hinson No. 1 | H-6636 | Unit 340 | 25-3N-8W | Jackson | Five Acres in Stands 31, 32 and 33 of the E ½ of SE ¼ |
| T. G. Hinson | H-4014 | 314 | 11-3N-16W | Washington | Two Acres in SW ¼ of NW ¼; NE ¼ of SW ¼ |
| C. J. Williams | H-877 | 314 | 4-3N-14W | Washington | Five Acres in NW ¼ of NW ¼ |
| A. L. Dyson | H-1496 | 312 | 30-5N-15W | Holmes | Three Acres in SE ¼ of SW ¼ |
| J. P. Hinson | H-6647 | 340 | 30-3N-7W | Jackson | Three Acres in NW ¼ of SE ¼ |
| Interstate L&T Company | H-379 | 310 | 35-7N-15W | Holmes | Eight Acres in SW ¼ of SW ¼ |
| Alford Bros. Co. No. 10 | H-2375 | 326 | 23-5N-14W | Holmes | Six Acres along South and North line of N ½ of NW ¼ |
| W. W. Wester Estate | H-1200 | 336 | 18-4N-9W | Jackson | One to Two Acres in NE ¼ of NE ¼ of SE ¼ |
| Luceil Strickland | H-544 | 328 | 1-3N-12W | Jackson | One to Two Acres in SE ¼ of NE ¼ |

2. Third Party Claims/Title:

| | | | | | |
|------------------|--------|------|----------|---------|---------------------------------|
| Hezekiah Carroll | H-8337 | 342I | 31-3N-6W | Gadsden | One Acre in SW ¼ of SE 1/4 |
| C. E. Murray | H-416 | 336 | 19-4N-9W | Jackson | Five Acres in NE ¼ of SW 1/4 |

SCHEDULE 7.9

GOVERNMENTAL COMPLIANCE

Note: This Schedule 7.9 Governmental Compliance is prepared based upon the knowledge of Matthew B. Bonham (Vice President, Timberland Operations) and J. R. Baker (Vice President of Property Administration). Pursuant to the agreement of Seller and Purchaser, Terry Porter (Florida Regional Forester), will furnish any additional information known to him within seven (7) days of the execution of the Agreement to which this Schedule 7.9 Governmental Compliance is attached, and this Schedule and Agreement shall be amended accordingly.

Pursuant to Paragraph 7.9 of the Real Estate Purchase and Sale Agreement by and between Soterra LLC ("Seller") and Plum Creek Timberlands, L.P. ("Purchaser"), Seller informs Purchaser, that in addition to the matters disclosed in Schedule 7.7, Seller has knowledge of the following Governmental Compliance matters subject to disclosure under the Agreement:

1. Notices of Potential Violation of Law. Seller receives communication from governmental entities concerning its properties and operations on its properties. Seller is aware that on February 28, 1989 Soterra Corporation received a letter from the Northwest Florida Water Management District alleging violations of Florida law concerning required authorizations for stream crossings and obstructions of the stream channel with tree tops. Seller believes this matter was satisfactorily resolved years ago.

REAL ESTATE PURCHASE AND SALE AGREEMENT

No. _____

(WITH EARNEST MONEY PROVISION)**Soterra Florida Timberlands**

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT ("Agreement") is made and entered into this 28th day of March, 2005, by and between Soterra LLC, a Delaware limited liability company, whose street address is 439A Katherine Drive, Flowood, Mississippi 39232, and whose mailing address is Post Office Box 18, Jackson, MS 39205 (hereinafter collectively "Seller"), and Plum Creek Timberlands, L.P., a Delaware limited partnership whose address is 999 Third Avenue, Suite 4300, Seattle, Washington 98104 ("Purchaser").

The parties agree to the following terms and conditions:

1. Timberlands and Other Property to be Acquired.

1.1 Description of Assets. In consideration of the mutual covenants set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and subject to all terms of this Agreement, Seller agrees to sell and convey to the Purchaser and the Purchaser agrees to purchase from the Seller and take title to the following:

(a) Real Property. That certain real property situated in Holmes, Gadsden, Jackson, Calhoun and Liberty Counties, State of Florida, as shown on Exhibit "A-1, A-2, A-3, A-4" and incorporated herein by this reference as though fully set forth, being a portion of the Florida Timberlands of Seller (the "Property"), including Seller's rights, privileges, advantages, and appurtenances thereunto belonging or in any way appertaining thereto, but only to the extent belonging or appertaining to the Property, including but not limited to all of Seller's right, title, and interest (i) in and to the reproduction, merchantable, pre-merchantable and unmerchantable timber, growing, lying, standing or felled, timber interests and timber rights located on or appurtenant to the Property; (ii) in and to any mineral, sand, oil, gas, hydrocarbon substances and gravel and other rights on and under the Property which have not previously been reserved, severed or conveyed by Seller or 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 Property but subject to the exceptions and reservations described in this Agreement.

(b) Contracts. All contracts relating to the operation of the Property, including without limitation operating contracts, stumpage contracts, leases, permits, licenses, governmental consents and agreements, approvals and clearances, agreements for construction of roads or other

improvements, rights under any payment, performance, or bonds relating to or associated with the Property, to the extent assignable (hereinafter, the "Contracts"). A schedule of timber cutting contracts that were "open contracts" as of July 2, 2004 and thereafter including deeds conveying real property, other than easements and rights of way, since July 2, 2004 is attached as **Schedule 1.1(b)** and incorporated herein by this reference as though fully set forth (the "Timber Cutting Contracts").

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

(d) **Personal Property.** Seller's maps, property books, aerial photos, plans, drawings, specifications, renderings, engineering studies, biological studies particular to the Property, grading or drainage studies, environmental and hazardous waste studies and reports and related data and materials in Seller's possession relating to the Property, furniture or office equipment (other than electronic equipment including, but not limited to, televisions, refrigerators and computers, which shall remain property of the Seller, but Seller shall remove said property from the Buildings prior to the closing of parcel A-4) located within the Buildings, other personal property and equipment used by Seller in its Florida operations, and timber inventory, GIS and IFMS data with respect to the Property (not including proprietary software) and one (1) truck selected by Seller ("Personal Property"). Purchaser agrees to make all forest management (silvicultural) records available to Seller upon Seller's request and to not destroy the same for five (5) years from the date of the Closing without the prior written permission of Seller.

(e) **Buildings.** The buildings located at 4962 Old Spanish Trail, Marianna, Florida, 32448, being the location of Seller's Florida Timberlands operations (hereinafter, the "Buildings").

1.2 **Assets.** The Property, Contracts, Access Rights and Easements, Personal Property and Buildings are sometimes collectively referred to as the "Assets." Before Closing, Seller and Purchaser shall agree upon an allocation of the Purchase Price among the Assets (land, timber, and personal property) and shall utilize the agreed upon allocation for all income tax purposes for this transaction.

2. **Purchase Price.**

(a) The purchase price for the Assets is Thirty Eight Million Nine Hundred Fifty-Three Thousand Fifty-Five Dollars (\$38,953,055) ("Total Purchase Price"). The Total Purchase Price is subject to adjustment pursuant to Paragraphs 5(b), 5(d), 6(d), 6(f) and 10 hereof. The Assets may be purchased in more than one phase (each, a "Closing") and will consist of sales of four (4) tracts, with a specified value for each tract being the purchase price ("Purchase Price") for that tract, (as mentioned above and legally described on Exhibit "A-1, A-2, A-3, A-4" attached). The Purchase Price shall be payable in immediately available funds on the Closing Date for the sale and the acquisition of the Assets as follows:

- (i) Each Closing will consist of Assets valued according to Schedule 5(b).

- (ii) CASH TRANSACTION. Purchaser shall wire transfer the funds consistent with the Escrow Instructions.
- (iii) NOTICE OF CLOSING. Closings on each of the four (4) tracts are scheduled to occur on the following dates (unless accelerated as provided herein): November 15, 2005, February 15, 2006, May 15, 2006, and August 16, 2006 (respectively, the "Closing Dates"). Seller has the right, in its sole discretion, to accelerate one or more of the Closing Dates and advance a Closing Date by providing Purchaser with a written Notice of Closing, at least sixty (60) days prior to said Closing. Seller's Notice of Closing shall be sent to Purchaser, with a copy to the Escrow Agent, substantially in the form attached as **Exhibit B**. The four (4) tracts, described on Exhibit "A-1, A-2, A-3, A-4", will be closed in the order indicated on the Exhibit. The foregoing notwithstanding, parties may mutually agree to hold a Closing on an agreed upon date prior to any initially scheduled Closing Date. While Closings on the four (4) tracts may take place before the scheduled Closing Date, all Closings shall occur on or before August 16, 2006 unless otherwise mutually agreed.

3. **Earnest Money Receipt.** Purchaser hereby deposits with the escrow described in Paragraph 4 herein, the amount of Seven Hundred Seventy-Nine Thousand Sixty-One Dollars (\$779,061.00), in cash, paid or delivered as earnest money (together with any interest earned thereon, the "Earnest Money"), being 2% of the Purchase Price. One-Fourth (1/4) of the Earnest Money shall be applied at each Closing (described below).

4. **Time and Place of Phased Closings; Escrow.**

(a) Upon mutual execution, the parties shall deposit a copy of this Agreement, and such other documents and monies, including Earnest Money, as are required hereby into escrow established with Stewart Title Guaranty Company, 1000 Second Avenue, Suite 1620, Seattle, Washington 98104 (the "Escrow Agent") pursuant to an escrow agreement ("Escrow Agreement") attached as **Exhibit B-1**. At each Closing of each of the 4 tracts, the Earnest Money (prorated as described in Section 3) shall be returned to Purchaser.

(b) The Closings shall occur on November 15, 2005, February 15, 2006, May 15, 2006 and August 16, 2006, with Seller having the right, in its sole discretion, to accelerate a Closing and advance a Closing Date by providing Purchaser with a written Notice of Closing, at least sixty (60) days prior to said Closing, indicating Seller's intention to advance a particular Closing. Each Closing shall take place at the offices of the Escrow Agent. Closing shall mean the point at which all executed documentation and monies required to close the transaction have been delivered to escrow, including signed escrow instructions.

5. Condition of Title and Title Insurance.

(a) As of the Closing Date, title to the Property is to be free of all encumbrances or defects except those listed in the preliminary commitments for title insurance acceptable to Purchaser as described herein.

(b) Seller shall provide one set of global title commitments issued by Stewart Title Guaranty Company to the Property (A-1, A-2, A-3, and A-4) to Purchaser at Seller's expense within 60 days of execution of this Agreement. Seller shall provide Purchaser with one updated title commitment at Seller's expense, which shall accompany Seller's Notice of Closing. Purchaser shall pay any fees to update title from the date of the updated title commitments. Seller and Purchaser shall each pay one-half of the title insurance premiums for a standard owner's title insurance policy. Should Purchaser acquire an extended Owner's or Lender's policy of title insurance, Purchaser must acquire these title insurance policies from Stewart Title Guaranty Company or if Purchaser elects to decline title insurance or to acquire title insurance from another company other than Stewart, Purchaser agrees to reimburse Seller all fees and expenses incurred by Seller in providing the title commitments including but not limited to search and exam fees, commitment fees and cancellation fees. Purchaser shall have until close of business on the thirtieth (30th) day after Purchaser's receipt of the global title commitments and copies of substantially all of the exception documents referenced therein to notify Seller in writing of any objections Purchaser has to any matters shown or referred to in the title commitments. As to any updated title commitments, Purchaser shall have until close of business on the thirtieth (30th) day after Purchaser's receipt of the updated title commitments and copies of substantially all of the updated exception documents referenced therein to notify Seller in writing of any objections Purchaser has to any new matters and/or changes shown or referred to in the updated title commitments that were not reflected on the global title commitment. Purchaser shall have until the close of business on the tenth (10th) day after Purchaser's receipt of any missing exception documents to notify Seller in writing of any objections Purchaser has to those updated documents. Monetary encumbrances to be discharged by Seller shall be paid from Seller's funds at the Closing and shall not be subject to the "Floor" as hereinafter described. Purchaser shall not object to and shall accept the following matters which shall be deemed to be permitted exceptions:

(i) liens for taxes, assessments and other governmental charges which are not yet due and payable as of the Closing;

(ii) all land use (including but not limited to forestry, environmental and wetlands), building and zoning laws, regulations, codes and ordinances affecting the Property;

(iii) any rights of the United States of America, the State in which the Property is located or others in the use and continuous flow of any brooks, streams or other natural water courses or water bodies within, crossing or abutting the Property, or title to the submerged lands including, without limitation, riparian rights and navigational servitudes;

- (iv) title to that portion of the Property, if any, lying below the mean high water mark of abutting tidal waters;
- (v) all easements, rights-of-way, licenses and other such similar encumbrances apparent or of record;
- (vi) all existing public and private roads and streets and all railroad and utility lines, pipelines, service lines and facilities;
- (vii) all encroachments, overlaps, boundary line disputes, shortages in area, persons in possession, cemeteries and burial grounds and other matters not of record which would be disclosed by an accurate survey of the Property;
- (viii) prior reservations or conveyances of mineral rights or mineral leases of every kind and character; and
- (ix) any loss or claim due to lack of access to any portion of the Property, provided that lack of access does not affect more than ten percent (10%) of the acres of the Property with lack of access being limited to tracts or parcels identified by Purchaser where the Seller has neither legal access nor permissive access (although unrecorded). Seller shall on or before the delivery of the title commitments furnish Purchaser information to Seller's knowledge on all tracts lacking legal access identifying the tract, any recorded easements or rights-of-way, any unrecorded written or verbal consents to access the tract and whether or not access has been refused attaching a map for each tract identified by Seller.

Furthermore, any title encumbrances or exceptions that are set forth in the title commitment to which Purchaser does not object during the Title Review Period (as may be extended with respect to missing documents as described above) shall be deemed to be permitted exceptions to the status of Seller's title (together with the items listed above shall be the "Permitted Exceptions"). With regard to items to which Purchaser does object in writing within the period specified, Seller shall attempt to cure and remove such items. If Seller is unable or fails to cure or remove such items within ten (10) business days of Seller's receipt of Purchaser's written objections, Purchaser may either: (i) waive its objection and proceed with closing of the affected tract or parcel; or, (ii) give Seller notice to delete the affected tract or parcel and adjust the Purchase Price as set forth herein. Any notice to Seller shall be in writing and shall be given no later than five (5) business days after expiration of Seller's 10-day cure period. If Purchaser fails to give such notice to Seller within the time specified, the objection(s) shall be deemed waived by the Purchaser. The value of any adjustment to the Purchase Price will be determined by a computation of the number of acres utilizing the specific values reflected on the chart attached hereto as **Schedule 5 (b)** and incorporated herein by this reference as though fully set forth. Any such excluded acreage shall be aggregated with such surrounding acreage not to exceed forty (40) acres unless the excluded tract exceeds forty (40) acres or Seller establishes that a larger tract is reasonably necessary to create an economically marketable parcel, as reasonably determined by Seller and Purchaser. In the event Seller and Purchaser are unable to agree upon the specific acreage to be excluded, the parties agree to resolve the dispute through arbitration with Larson & McGowan, Inc. making a final determination as sole arbitrator, to which the parties agree to be bound. The parties shall close as scheduled on the transaction contemplated by this Agreement, adjusting the purchase price by the disputed amount,

escrowing the disputed amount and close on the disputed amount and Property upon the conclusion of arbitration (the "Arbitration Process"). In the event of any such carve-outs, Seller shall reserve or Purchaser shall grant such rights for ingress, egress and utilities as may be required to access such parcel. For the purposes of all adjustments to Purchase Price arising out of title claims or defects and environmental claims or defects, Purchaser shall not be entitled to request and obtain an adjustment to the Purchase Price until the claims, or defects, arising from title and environmental claims or defects individually or collectively could lessen the value of the Assets by, or cause damage of, at least six/tenths of one percent (0.6%) of the Purchase Price of each tract (the "Floor"). If title or environmental claims individually or in the aggregate do not exceed the Floor, there shall be no adjustment to the Purchase Price. If title or environmental claims exceed the Floor, the Purchase Price shall be adjusted for title and environmental claims by reducing the Purchase Price by the amount of the claims above the Floor subject to the Ceiling for claims of ten percent (10%) of the Purchase Price of each tract ("Title and Environmental Claim Ceiling"). If the total title and environmental claims exceed the Claim Ceiling, either Seller or Purchaser may terminate this Agreement, the Earnest Money shall be returned to Purchaser with neither Seller nor Purchaser having any further liability to each other.

(c) Seller has provided Purchaser with copies of all encumbrances not of record that affect the Property that Seller anticipates would survive each Closing (the "Temporary Encumbrances"). Purchaser agrees to accept the Temporary Encumbrances provided the Temporary Encumbrances are of the type and nature customarily accepted by a purchaser in a large timberland transaction. At Closing, Seller shall assign and Purchaser shall assume Seller's rights, duties, obligations and liabilities under the Temporary Encumbrances accepted by Purchaser pursuant to an Assignment and Assumption Agreement substantially in the form attached hereto as **Exhibit C**. Any income from the Temporary Encumbrances shall be pro-rated to the Date of Closing. Notices of the assignment shall be executed by Seller and Purchaser at Closing and mailed to the third party benefiting from the Temporary Encumbrances.

(d) Purchaser and Seller agree to amend this Agreement with formal legal descriptions as Exhibit "A-1, A-2, A-3, A-4" prior to Closing. During the Title Review Period, Purchaser has the right to verify the maps attached hereto as Exhibit "A-1, A-2, A-3, A-4" against the legal descriptions contained in the title commitments and the acres contained within the Timber Inventory. In the event of discrepancies causing Purchaser to believe acres depicted as owned by Seller on the maps are not included within deed acres from the legal descriptions ("Missing Acres"), then Purchaser shall have the right to treat the Missing Acres as a title claim for the applicable tract pursuant to the procedures and subject to the limitations set forth in the immediately preceding paragraph, *provided however*, Seller shall have the right to offset any title claim of Missing Acres by any additional acres Seller believes are included in deed acres from the legal descriptions that are not depicted on the maps for the applicable tract ("Additional Acres"). In the event the total Additional Acres exceed six/tenths of one percent (0.6%) of the Purchase Price ("the Floor"), then the Purchase Price shall be adjusted upward for amount of the Additional acreage above the Floor pursuant to the prices set forth on **Schedule 5(b)**. If

Additional Acreage does not exceed the Floor, there shall be no adjustment to the Purchase Price.

(e) At each Closing, the Seller shall execute and deliver to Purchaser a Special Warranty Deed (the "Deed") for each county in which the Property is located, warranting title against the claims of all persons claiming by, through or under Seller, but against none other. All mineral rights shall be conveyed by quitclaim rather than special warranty. The Deed shall be free of encumbrances or defects except (i) such encumbrances or defects that may attach after the applicable Closing Date through any person other than the Seller, and (ii) the Permitted Exceptions. The Deeds shall be in the form attached hereto as **Composite Exhibit D** and incorporated herein by this reference as though fully set forth and shall be delivered to Purchaser, or a person or entity designated by Purchaser.

6. Inspection; Condition of Property; Subsequent Acts.

(a) Subject to Seller's representations and warranties set forth herein and in the Deeds and Assignment and Assumption Agreement, Purchaser accepts the Assets "as is" and "where is," subject to the risks of all defects and conditions. Seller has no obligation to repair or make any improvements to the Premises. The Purchaser acknowledges that full inspection of the Property has been made or will have been made by the Closing Date and that neither the Seller nor its agents, officers, employees or assigns shall be held to any covenant respecting the condition of the Property or any improvements thereon nor shall the Purchaser or Seller or the assigns of either be held to any covenant or agreement for alterations, improvements or repairs unless the covenant or agreement relied on is contained herein or is in writing and attached to and made a part of this Agreement. Purchaser acknowledges and agrees that any documents, cruises, compilations, timber inventories, environmental audits, assessments, surveys, plans, specifications, reports and studies (the "Information") made available to Purchaser by Seller are or have been provided as information only and Seller makes no warranty whatsoever with respect to the accuracy or completeness of the Information. Without limiting the generality of the foregoing, SELLER EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY, AS WELL AS ANY WARRANTY WHATSOEVER WITH RESPECT TO THE MARKETABILITY, HARVESTABILITY, AGE, SPECIES MIX, SITE CLASSIFICATION, BOUNDARIES OF THE TIMBER OR THE PROPERTY, QUANTITIES, TIMBER GRDS, OR QUALITY OF ANY TIMBER ON THE PROPERTY OR SOILS STABILITY OR CONDITIONS.

(b) Between the date of this Agreement and the Closing Date, the Seller shall maintain and keep the Property in substantially the same condition as existed on the date of this Agreement except Seller shall have the right to cut timber pursuant to the Timber Cutting Contracts and in accordance with Paragraph 6(f). Seller shall not extend any Timber Cutting Contracts without the permission of Purchaser. Further, Seller shall manage and maintain the Property to a commercially reasonable standard and shall continue to conduct silvicultural activities to a commercially reasonable standard, subject to the provisions of this paragraph. The Seller shall not and shall not allow others to remove or in any way permit the removal of any

timber, harvestable crops, improvements, or other items from the Property other than as provided in the Timber Cutting Contracts or as specifically agreed in writing by Purchaser. Further, Seller may not encumber the Property without the prior written consent of Purchaser, which consent cannot be unreasonably withheld. Certain costs incurred by Seller may be reimbursable at Closing as follows:

- (i) As site prep, planting, herbicide treatment, or any other silvicultural activity is planned to be performed on any portion of the Property prior to Closing, Seller shall submit any plans for any site prep, planting, herbicide treatment, or any other silvicultural activity to Purchaser for prior approval, such approval to not be unreasonably withheld. Seller must provide Purchaser at least ten (10) business days' notice of any such planned activity and its associated costs to Purchaser. If Purchaser objects to such activity, Purchaser must notify Seller in writing of the objection within five (5) business days of receipt of the notice or Purchaser shall be deemed to have approved the activity and Seller shall have the right to undertake the planned activity. Seller shall pay for such silvicultural activity conducted prior to Closing; provided, however that Seller shall receive a credit at Closing for all costs actually expended for reforestation and silvicultural activity that has been approved by Purchaser.
- (ii) As capital improvements (including without limitation road installation but not ordinary repair and maintenance) are planned to be performed on any portion of the Property prior to Closing, Seller shall submit any plans for capital improvements to Purchaser for prior approval, such approval to not be unreasonably withheld. Seller must provide Purchaser at least ten (10) business days notice of any such planned activity and its associated costs to Purchaser. The cost to Purchaser shall be limited to the amount of the cost to be amortized over the remaining beneficial life of the capital improvement excluding the amortization amount for the current year (the "Cost"). If Purchaser objects to such activity, Purchaser must notify Seller in writing of the objection within five (5) business days of receipt of the notice or Purchaser shall be deemed to have approved the activity and Seller shall have the right to undertake the planned activity. Seller shall pay for such activity conducted prior to each Closing; provided, however, that Seller shall receive a credit at Closing for the Cost of each activity that has been approved by Purchaser excluding the amortization amount for the current year.
- (c) Seller is not aware of Seller being in possession of any environmental audits, assessments or reports pertaining to the Property.
- (d) Purchaser, its agents and representatives, shall have the right, from the date hereof until thirty (30) days from the date of this Agreement to go on the Property and around and in the Buildings at reasonable times to conduct an environmental audit and other land, soil and engineering inspections, tests and feasibility studies utilizing current ASTM

standards ("Purchaser's Environmental Evaluation"). Seller agrees to cooperate with Purchaser in the conduct of Purchaser's Environmental Evaluation. In the event the Purchaser's Environmental Evaluation reveals a commercially reasonable adverse environmental condition (other than promiscuous dumps containing household refuse and white goods of one-half acre or less for each dump site) existing upon the Property, then Purchaser shall notify Seller in writing of any such adverse environmental condition within ten (10) days after the end of the foregoing thirty (30) day period. Purchaser shall also have the right, from the date of Purchaser's Environmental Evaluation until thirty (30) days from the date of Purchaser's receipt of Seller's Notice of Closing, to update Purchaser's Environmental Evaluation ("Purchaser's Updated Environmental Evaluation") as to matters occurring after the date of Purchaser's Environmental Evaluation. In no event shall Purchaser report any such adverse environmental condition to any governmental authority without first affording Seller the right to review the information on said condition and to make independent notification to said governmental authority if Seller believes such notification is required. Purchaser shall have the right to delete the affected acreage affected by commercially reasonable adverse environmental condition (other than promiscuous dumps containing household refuse and white goods of one-half acre or less for each dump site) from Closing; provided, however, if the affected area is not large enough to constitute a marketable parcel, Seller shall have the right to enlarge the area not to exceed forty (40) acres unless the excluded tract exceeds forty (40) acres or Seller establishes that a larger tract is reasonably necessary to create an economically marketable parcel, as reasonably determined by Seller and Purchaser. In the event Seller and Purchaser are unable to agree upon the specific acreage to be excluded, the parties agree to comply with the Arbitration Process described in the above Section 5(b). In the event a survey is required to create such parcel, Seller and Purchaser shall share equally in the cost of any such survey by a licensed professional surveyor meeting minimum standards or other standards approved by Seller provided that Seller's costs shall in no event exceed Twenty-Five Thousand Dollars (\$25,000.00) for all tracts combined. In addition, Seller shall be entitled to reserve easements for access and utilities to such affected parcel. The Purchase Price will be reduced by a computation of the number of acres utilizing the specific values reflected on the chart attached as **Schedule 5 (b)** for any acres deleted (subject to expansion to a marketable parcel as aforesaid) as a result of Purchaser's Environmental Evaluation. For the purposes of all adjustments to Purchase Price arising out of title claims or defects and environmental claims or defects, Purchaser shall not be entitled to request and obtain an adjustment to the Purchase Price until the claims, or defects, arising from title and environmental claims or defects individually or collectively could lessen the value of the Assets by, or cause damage of, at least six-tenths of one percent (0.6%) of the Purchase Price of each tract (the "Floor"). If title or environmental claims individually or in the aggregate do not exceed the Floor, there shall be no adjustment to the Purchase Price. If title or environmental claims exceed the Floor, the Purchase Price shall be adjusted for title and environmental claims by reducing the Purchase Price by the amount of the claims above the Floor subject to the Ceiling for claims of ten percent (10%) of the Purchase Price of each tract ("Title and Environmental Claim Ceiling"). If the total title and environmental claims exceed the Claim Ceiling, either Seller or Purchaser may terminate this Agreement, the Earnest Money shall be returned to Purchaser with neither Seller nor Purchaser having any further liability to each other.

(e) Purchaser's Indemnification of Seller Arising From Inspections. Purchaser agrees to come in, defend, hold harmless and indemnify Seller from any loss, claim or damage arising out of Purchaser's or Purchaser's agents, employees, or contractors inspections or operations on the Property prior to Closing. If the Closing does not occur, Purchaser shall also repair any damage to the Property arising out of Purchaser's or Purchaser's agents, employees, or contractors inspections or operations on the Property. The obligation of this paragraph shall survive closing of this transaction or termination of this Agreement.

(f) Credits at Closing. In addition to the potential adjustments to the Purchase Price as contained in Paragraphs 5(b), 5(d), 6(d) and 10 hereof, the Purchaser shall receive a credit at Closing in the amount of \$269,444.00 for contract 322-1058. Further, Purchaser shall receive a credit at Closing for any funds received by Seller after July 2, 2004 and prior to Closing under any pay-as-cut contracts affecting the Property.

7. Representations and Warranties of Seller. Seller represents and warrants to Purchaser as of this date and as of the date of the Closing:

7.1 Organization. Seller is a Delaware limited liability company which is duly organized and validly existing under the laws of the State of Delaware.

7.2 Good Standing. Seller is qualified to conduct business in the States of Florida and Georgia.

7.3 Power and Authority for Transaction. Seller has the limited liability company power and authority to execute, deliver and perform this Agreement and the transactions contemplated herein in accordance with the terms hereof.

7.4 Authorization; No Violation or Conflicts. The execution and delivery by Seller of this Agreement and the due consummation of the transactions contemplated herein have been duly and validly authorized by all necessary limited liability company actions on the part of Seller and this Agreement constitutes a valid and legally binding agreement of Seller except as enforceability may be limited by bankruptcy, insolvency, and other similar laws affecting claims and rights generally or by general equitable principles. Neither the execution and delivery of this Agreement by Seller nor the consummation by Seller of the transactions contemplated herein constitute a violation of Seller's certificate of formation, operating agreement or other organizational documentation or agreements or result in the breach of, or the imposition of any lien on any assets of Seller pursuant to, or constitute a default under, any indenture or bank loan or credit agreement, or other agreement or instrument to which Seller is a party or by which it or any of its properties may be bound or affected. Except for consents, approvals, or authorizations which will have been obtained or actions which will have been taken on or prior to the Closing Date, no consent, approval, authorization or action by any governmental authority or any person or entity having legal rights against or jurisdiction over Seller is required in connection with the execution and delivery by Seller of this Agreement or for consummation by Seller of the transactions contemplated herein.

7.5 No Defaults. To Seller's knowledge (as hereinafter defined), the Contracts and Access Rights and Easements are valid and in full force and effect except as would not materially and adversely affect the Assets. To Seller's knowledge, neither Seller nor any other party thereto has breached any material provision of, or is in default in any material respect under, the terms of any Contract.

7.6 Condemnation Proceedings. Seller has not received notice of any condemnation proceeding. To Seller's knowledge, no condemnation proceeding is pending or threatened which would materially preclude or impair the use of the Property for the respective purposes for which such properties are currently used.

7.7 Environmental Matters. To Seller's knowledge, except as set forth on Schedule 7.7:

(a) the 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 allowed under applicable laws;

(b) there are no underground storage tanks on the Property; and

(c) Seller has not received notification from any third party, including but not limited to governmental agency alleging that the Property is not materially in compliance with applicable environmental laws.

Subject to Seller's warranty set forth in this Paragraph 7.7, the liability for which Seller remains responsible pursuant to the terms of this Agreement, Purchaser releases Seller, its parent company and affiliates (for the purposes of this paragraph "Seller") from all costs, losses, liabilities, obligations and claims, of any nature whatsoever, known and unknown, that Purchaser may have against Seller or that may arise after the date of Closing based in whole or in part upon (i) Seller's failure to comply with any environmental laws applicable to the Assets; or (ii) the presence, release or disposal of any hazardous substance, solid waste, or any other environmental contamination on, within, or from the Assets before, as of, or after the Closing Date. The above-referenced release does not cover or apply to any statutory or common law claim for contribution or indemnity that may arise to the extent Purchaser suffers any liabilities or obligations from future claims of any third party (private or government) arising out of (a) or (b) above.

As used herein, the term "environmental laws" shall mean all applicable federal, state or local laws, rules, regulations, governmental permits or other binding determinations of any governmental authority relating to or addressing the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), and the Resource Conservation and Recovery Act, as amended ("RCRA"), the Toxic Substances Control Act, as amended ("TSCA"), the Clean Water Act, as amended ("CWA"), the Clean Air Act, as amended ("CAA"), and the Oil Pollution

Control Act of 1990, as amended (“OPA”). As used herein, the terms “hazardous substance” and “release” (as it relates to the release of hazardous substances as opposed to the release of claims) have the meanings specified in CERCLA and the terms “solid waste” and “disposal” (or “disposed”) have the meanings specified in RCRA. If either CERCLA or RCRA is amended to broaden the meaning of any term defined thereby, the broader meaning shall apply to this paragraph 7.7 after the effective date of the amendment. Moreover, to the extent that applicable State law establishes a meaning for “hazardous substance,” “release,” “solid waste,” or “disposal” that is broader than that specified in either CERCLA or RCRA, the broader meaning shall apply.

7.8 Suits, Actions or Proceedings. Except as disclosed in **Schedule 7.8**, to Seller’s knowledge, there is (i) no court or administrative judgment or order which adversely affects the Assets or current operations thereof; and (ii) no legal, administrative or other suit, action, proceeding or arbitration, or governmental investigation pending or threatened which would reasonably be expected to materially and adversely affect the Assets or current operations thereof. To Seller’s knowledge, there is no suit, action, arbitration or other proceeding threatened or pending before any court or governmental agency, which may result in the restraint or prohibition of the consummation of the transactions contemplated by this Agreement.

7.9 Compliance. Except as disclosed on **Schedule 7.9**, Seller has not received notification from any governmental agency within five (5) years of the date of this Agreement alleging that the Property or other properties comprising the Assets are not in compliance with applicable laws (other than environmental laws which are covered in Paragraph 7.7) as would materially and adversely affect the Assets. To Seller’s knowledge, there are no such violations relating to the use of the Property.

7.10 Schedules. Seller has delivered to Purchaser herewith the Schedules referred to in this Agreement. The Schedules that have been delivered to Purchaser by Seller and attached hereto are applicable to both this Agreement and another agreement between Seller and Purchaser pertaining to the remainder of Seller’s Florida Timberlands. Within two weeks from the date of this Agreement, Seller and Purchaser shall revise the Schedules by creating new Schedules containing information applying only to the applicable contract.

7.11 Marketable Title. Subject to the Permitted Exceptions and the Temporary Encumbrances, to Seller’s knowledge, Seller has good and marketable title to the Assets and at Closing such Assets will be free and clear of all liens, security interests, charges and encumbrances.

7.12 Disposition of Assets. Seller has not harvested, nor has Seller allowed the harvest of, any portion of the Property, nor has Seller disposed or contracted for the disposal or sale of any of the Property, other than rights of way and easements in the ordinary course of business, since July 2, 2004 except under contracts on **Schedule 1.1(b)**.

8. Representations and Warranties of Purchaser. Purchaser represents and warrants to Seller that as of this date and as of the date of the Closing:

8.1 Organization. Purchaser is a limited partnership and is duly organized and validly existing under the laws of the State of Delaware and has the corporate power to enter into this Agreement and to carry out the transactions contemplated herein in accordance with the terms hereof.

8.2 Good Standing. Purchaser is qualified to conduct business in the States of Delaware, Alabama, Georgia and Florida.

8.3 Power and Authority for Transaction. Purchaser has the power and authority to execute, deliver and perform this Agreement and the transactions contemplated herein in accordance with the terms hereof.

8.4 Authorization; No Violation or Conflicts. The execution and delivery of this Agreement by Purchaser and the due consummation of the transactions contemplated herein have been duly and validly authorized by all necessary action on the part of Purchaser, and this Agreement constitutes a valid and legally binding agreement of Purchaser. Neither the execution and delivery of this Agreement by Purchaser nor the consummation by Purchaser of the transactions contemplated herein constitute a violation of Purchaser's partnership agreement or other organizational documentation or agreements or result in the breach of, or the imposition of any lien on any assets of Purchaser pursuant to, or constitute a default under, any indenture or bank loan or credit agreement, or other agreement or instrument to which Purchaser is a party or by which it or any of its properties may be bound or affected. Except for consents, approvals, or authorizations which will have been obtained or actions which will have been taken on or prior to the Closing Date, no consent, approval, authorization or action by any governmental authority or any person or entity having legal rights against or jurisdiction over Purchaser is required in connection with the execution and delivery by Purchaser of this Agreement or for consummation by Purchaser of the transactions contemplated herein.

8.5 Suits, Actions or Proceedings. To Purchaser's knowledge (as hereinafter defined) there is no suit, action, arbitration or other proceeding threatened or pending before any court or governmental agency, which may result in the restraint or prohibition of the consummation of the transactions contemplated by this Agreement.

8.6 Insolvency. To Purchaser's knowledge, there are no attachments, executions, assignments for the benefit of creditors, or proceedings in bankruptcy or under any other debtor relief laws contemplated by, pending, or threatened by or against Purchaser.

8.7 Financial Capability. Purchaser has or at Closing will have the financial capability to complete the transactions contemplated under this Agreement.

9. Survival; Knowledge and Materiality.

(a) Survival. The respective representations and warranties of Seller, Purchaser and Guarantor contained herein or in any Schedule, certificate or other instrument

delivered by or on behalf of such party pursuant to this Agreement excluding the environmental matters set forth in Paragraph 7.7, shall survive each Closing for a period of twelve (12) months, and shall survive each Closing for a period of eighteen (18) months as to Paragraph 7.7 for environmental matters, and thereafter shall expire and terminate, and each party shall be forever released from liability to the other based upon such representations and warranties except as to matters for which written notice has been given by a party of the inaccuracy or breach of any representation or warranty on or prior to such termination date. Seller and Purchaser shall deliver a certificate to each other at each Closing concerning the accuracy of their representations and warranties at Closing for the applicable tract.

(b) Knowledge Defined. "Knowledge" as used in this Agreement with respect to the:

- (i) Seller shall mean actual current knowledge (as opposed to constructive or imputed knowledge) of the fact or matter in question by Matthew B. Bonham (Vice President, Timberland Operations), Terry Porter (Regional Manager), and J. R. Baker (Vice President of Property Administration), all three of the above being employees of Seller, without their having any duty to conduct further investigation.
- (ii) Purchaser shall mean actual current knowledge (as opposed to constructive or imputed knowledge) of the fact or matter in question by Sheri L. Ward and David Lambert, both being employees of Purchaser, without their having any duty to conduct further investigation.

(c) Limitation as to Warranty Claims. In the event of any claim by Purchaser against Seller for breach of warranty under this Agreement (other than with respect to covenants and agreements to be performed by Seller after Closing), no claim shall be made by Purchaser or payable by Seller until the amount of loss or damage of Purchaser exceeds six/tenths of one percent (0.6%) of the value of the applicable tract (the "Cushion") and Seller shall be obligated only in respect to the amount of the claims exceeding the Cushion. The aggregate amount paid by the Seller for breach of warranty shall not exceed seven percent (7%) of the Purchase Price for the applicable tract (the "Warranty Claims Ceiling"). Notwithstanding the foregoing Cushion and Warranty Claims Ceiling, no such limits shall apply or be effective with respect to any claim arising from the intentional breach or fraud of Seller.

10. Condemnation; Risk of Loss. Risk of loss or damage to the Property for each Closing by condemnation, eminent domain or similar proceedings (or deed in lieu thereof), or by fire or any other casualty, from the date hereof through the Closing Date for the applicable tract will be on Purchaser for the first one-half of one percent (0.5%) of the Purchase Price. Thereafter, such risk of loss or damage prior to Closing shall be on Seller. However, should the loss or damage exceed ten percent (10%) of the Purchase Price, either Seller or Purchaser may terminate this Agreement and the Earnest Money shall be returned with neither party having any

liability to the other. If, prior to Closing, a portion of the Property has been taken by condemnation or eminent domain proceedings (or deed in lieu thereof) but the ten percent (10%) maximum loss has not been realized, Purchaser shall consummate the transaction and receive an assignment of all proceeds of insurance or condemnation awards attributable to such damage or taking, less reimbursement to Seller of the reasonable costs it incurred in procuring such proceeds or awards. At Closing, the Purchaser assumes all hazards of damage to or destruction of the Property or improvements hereafter placed thereon, and of the taking of the Property or any part thereof for public use; and agrees that no such damage, destruction or taking shall constitute a failure of consideration.

11. Contingencies.

(a) Seller's obligation to consummate the transactions contemplated hereby is contingent as follows:

- (i) Any approvals that may be required under the HSR Act (as defined in Paragraph 31 below);
- (ii) Purchaser performing its obligations under the Agreement;
- (iii) Purchaser having executed and delivered a Real Estate Purchase and Sale Agreement for the purchase and sale by Seller to Purchaser of Seller's remaining Florida Timberlands in the price of Fifty Million Five Hundred Thousand Dollars (\$50,500,000.00); and,
- (iv) Purchaser having closed on each of the scheduled Closings provided in this Agreement or the Closing being extended as provided herein.

(b) In addition to Purchaser's timely due diligence investigations as set forth herein, Purchaser's obligation to consummate the transactions contemplated hereby is contingent as follows:

- (i) Any approvals that may be required under the HSR Act (as defined in Paragraph 31 below);
- (ii) Seller performing its obligations under the Agreement;
- (iii) Seller having executed and delivered a Real Estate Purchase and Sale Agreement for the purchase and sale by Seller to Purchaser of Seller's remaining Florida Timberlands in the price of Fifty Million Five Hundred Thousand Dollars (\$50,500,000.00); and,
- (iv) Seller having closed on each of the scheduled Closings provided in this Agreement or the Closing being extended as provided herein.

(c) If the contingencies described above have not been met or waived by Closing, this Agreement will terminate; provided, however, that Closing will be extended for an amount of time required to obtain any consents that may be required under the HSR Act, subject to the provisions of Paragraph 31 hereof.

12. Closing

12.1 Closing Costs.

(a) Seller shall pay the following costs and expenses in connection with this transaction:

- (i) Seller's attorney fees, if any;
- (ii) All special assessment installments and local improvement district assessment installments against the Property that are due prior to the Closing Date;
- (iii) Search and exam fees to prepare title commitments;
- (iv) One-half of escrow fees;
- (v) One-half of transfer taxes due on the conveyance;
- (vi) One-half of the filing fees associated with a Hart Scott Rodino filing, if any;
- (vii) One-half of the title insurance premiums for standard owner's coverage.

(b) Purchaser shall pay the following costs and expenses in connection with this transaction:

- (i) Purchaser's attorney fees, if any;
- (ii) One-half of escrow fees;
- (iii) Recording fee for Deeds;
- (iv) One-half of the Title insurance premiums for standard owner's coverage;
- (v) One-half of the filing fees associated with a Hart Scott Rodino filing, if any; and
- (vi) One-half of transfer taxes due on the conveyance.

12.2. Closing Instruments.

(a) Seller shall deliver to Escrow Agent the following on or before Closing Date:

- (i) Deeds;
- (ii) Assignment and Assumption Agreement;
- (iii) Escrow instructions;
- (iv) Certified copies of organizational documents, if required;
- (v) Consents or resolutions authorizing the Transaction contemplated by this Agreement;
- (vi) Seller's Certificate of Non-Foreign Status;

- (vii) Seller's Closing Certificate as to Seller's warranties being true and correct as of Closing;
 - (viii) Affidavits required by the title insurance company;
 - (ix) Certificates of Good Standing for the States of Delaware and where the Property is located;
 - (x) Closing Statement;
 - (xi) Incumbency Certificate;
 - (xii) Bill of Sale (for Personal Property);
 - (xiii) Title (for the truck).
- (b) Purchaser shall deliver to Escrow Agent the following on or before 8:00 am PST on the Closing Date.
- (i) Cash in the amount of the Purchase Price and Purchaser's share of closing costs and prorations;
 - (ii) Assignment and Assumption Agreement;
 - (iii) Escrow instructions;
 - (iv) Certified copies of organizational documents, if required;
 - (v) Consents or resolutions authorizing the Transaction contemplated by this Agreement;
 - (vi) Purchaser's Closing Certificate as to Purchaser's warranties being true and correct as of Closing;
 - (vii) Affidavits required by the title insurance company, if any;
 - (viii) Certificates of Good Standing for the States of Delaware and where the Property is located, if required;
 - (ix) Closing Statement;
 - (x) Incumbency Certificate;
 - (xi) If applicable, the 1031 transactional documents.

12.3 Pro Rations and Post-Closing Taxes. Property taxes for the current year, assessments, rents, water and other utilities constituting liens and applicable Temporary Encumbrances shall be pro-rated as of each Closing for the applicable tract. Seller shall be responsible for the payment in full of all taxes for all periods prior to the Closing, and Purchaser shall be responsible for the payment in full of all taxes for all periods subsequent to each Closing for the applicable tract. Purchaser shall be responsible for all of the roll-back or other taxes, if any, (whenever assessed against Purchaser or Seller) imposed as a result of any change of use by Purchaser or Purchaser's assignee in title.

13. Commission. Purchaser and Seller each represent and warrant to the other that no broker, agent or finder, licensed or otherwise has been engaged by it, respectively, in connection with the transaction contemplated by this Agreement. In the event of any such claim for broker's, agent's or finder's fee or commission in connection with the negotiation, execution or consummation of this transaction, the party upon whose alleged statement, representation or agreement such claim or liability arises shall indemnify, hold harmless and defend the other

party from and against such claim and liability, including without limitation, reasonable attorney's fees and court costs. Purchaser and Seller acknowledge that the representations and warranties contained in this Paragraph shall survive the Closing.

14. Possession. Unless a different date is provided for herein, the Purchaser, subject to the easements, encumbrances, exceptions, restrictions, and reservations set forth above, shall be entitled to possession of the Property described in each tract on the Closing Date for that tract.

15. Default. If Seller defaults (that is, fails to perform the acts required of it) in its contractual performance herein, Purchaser shall be entitled to (i) a return of the Earnest Money; and (ii) the right to seek specific performance pursuant to the terms of this Agreement.

Purchaser acknowledges that if Purchaser fails to purchase the Property so as to constitute a default by Purchaser hereunder, for any reason other than the breach of Seller, Seller shall be entitled to compensation from Purchaser (as its sole remedy) for the detriment resulting from the removal of the Property from the market, and entering into this Agreement rather than selling to other potential purchasers. Therefore, in the event of Purchaser's failure to purchase the Property so as to constitute Purchaser's default hereunder, Seller shall have, as Seller's exclusive option, the right to receive and retain the Earnest Money (or the remaining portion thereof) as liquidated damages and not a penalty, which sum shall represent liquidated damages for breach and not a penalty therefore. The parties acknowledge and agree that the Earnest Money in total and as allocated 25% each to each tract is presently a reasonable estimate of Seller's damages, considering all of the circumstances existing on the date of this Agreement, including the relationship of the sum to the range of harm to Seller that reasonably could be anticipated and the expectation that proof of actual damages would be impractical or extremely difficult. Factors taken into consideration by the parties include Seller's loss of opportunity during the pendency of this Agreement to sell the Property to others on better terms, or at a higher price; Seller's risk of loss of a bargain if the market turns negative; Seller's damages related to its continuing obligations for the payment of taxes and insurance; and Seller's loss of earnings on the amount of the purchase price resulting from a delay in closing. Purchaser hereby waives all rights or benefits of any law, rule or regulation, now or hereafter existing, which would allow Purchaser, following Purchaser's failure to purchase the Property so as to constitute Purchaser's default, to claim a refund of the Earnest Money (or remaining portion thereof) as unearned Earnest Money, a penalty or for any other purpose.

16. Attorneys' Fees. If either party hereto is required to retain an attorney to enforce any provision of this Agreement, whether or not a legal proceeding is commenced, the substantially prevailing party shall be entitled to reasonable attorneys' fees regardless of whether at trial, on appeal, in any bankruptcy proceeding, in an arbitration or without resort to suit.

17. Governing Law. This Agreement shall be interpreted, construed and enforced according to the laws of the State of Florida.

18. Notices. Subject to the requirements of any applicable statute, any notices required or permitted by law or under this Agreement shall be in writing and shall be (i) personally delivered, (ii) sent by first class certified or registered mail, return receipt requested, with postage prepaid, or (iii) dispatched by facsimile transmission (accompanied with reasonable evidence of receipt of transmission and with a confirmation copy mailed no later than the day after transmission) to the parties' addresses set forth below. Either party may change such address for notice. All notices which are so addressed and paid for shall be deemed effective when personally delivered, or, if mailed, on the earlier of receipt or five (5) days after deposit thereof in the U.S. mail; or if sent via facsimile, the date upon which such facsimile was transmitted and confirmation of such transmission has been received. Notices shall be addressed as follows:

If to Seller: Soterra LLC
439A Katherine Drive
Flowood, MS 39232
Attn: Matthew B. Bonham
Facsimile: 601-933-0099

with a copy to: Greif, Inc.
425 Winter Road
Delaware, OH 43015
Attn: Gary R. Martz
Facsimile: 740-549-6101

and a copy to: Adams and Reese LLP
111 East Capitol Street, Suite 350
Jackson, MS 39201
Attn: Powell G. Ogletree, Jr.
Facsimile: 601-355-9708

If to Purchaser: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: William R. Brown
Facsimile: 206-467-3790

with a copy to: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: Sheri L. Ward
Facsimile: 206-467-3799

19. Time of Performance. Time is of the essence of this Agreement and of all acts required to be done and performed by the parties hereto, including, but not limited to, the proper tender of each of the sums required by the terms hereof to be paid.

20. Paragraph Headings. The word or words appearing at the commencement of paragraphs and subparagraphs of this Agreement are included only as a guide to the contents thereof and are not to be considered as controlling, enlarging or restricting the language or meaning of those paragraphs or subparagraphs.

21. Invalidity. In the event any portion of this Agreement should be held to be invalid by any court of competent jurisdiction, such holding shall not affect the remaining provisions hereof unless the court's ruling includes a determination that the principal purpose and intent of this Agreement are thereby defeated.

22. Legal Relationships. The parties to this Agreement execute the same solely as a seller and a purchaser. No partnership, joint venture or joint undertaking shall be construed from these presents, and except as herein specifically provided, neither party shall have the right to make any representation for, act on behalf of, or be liable for the debts of the other. All terms, covenants and conditions to be observed and performed by either of the parties hereto shall be joint and several if entered into by more than one person on behalf of such party, and a default by any one or more of such persons shall be deemed a default on the part of the party with whom said person or persons are identified. No third party is intended to be benefited by this Agreement.

23. Assignment; Successors. Subject to the provisions of Paragraph 30, Purchaser may not sell, transfer, assign, pledge or encumber its interest in this Agreement without the prior written consent of Seller, which consent shall not be unreasonably withheld. Subject to the restrictions contained herein, the rights and obligations of the Seller and Purchaser shall inure to the benefit of and be binding upon their respective estates, heirs, executors administrators, successors, successors-in-trust and assigns.

24. Entire Agreement. All understandings and agreements previously existing between the parties, if any, are merged into this Agreement, which alone fully and completely expresses their agreement, and the same is entered into after full investigation, neither party relying upon any statement or representation made by the other not embodied herein. This Agreement may be modified only by a written amendment executed by all parties.

25. Interpretation. This Agreement has been reviewed by both parties and each party has had the opportunity to consult with independent counsel with respect to the terms hereof and has done so to the extent that such party desired. No stricter construction or interpretation of the terms hereof shall be applied against either party as the drafter hereof.

26. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original instrument. All such counterparts together shall constitute a fully executed Agreement.

27. Survival. All representations and warranties set forth in this Agreement and all provisions of this Agreement, the full performance of which is not required prior to Closing, shall survive closing for the time set forth in this Agreement and shall not be merged in any deed and be fully enforceable thereafter.

28. Amendment. This Agreement may not be modified or amended except by the written agreement of the parties.

29. Confidentiality. Subject to the provisions of Paragraph (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, 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. The parties agree that they will work with each other in good faith to prepare a joint release or approve a singular release as requested by one party.

(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 governmental law, rule or regulation.

30. Exchange. Each party may desire to complete all or a portion of this transaction as part of a Section 1031 tax-deferred exchange. Each party agrees to cooperate with the other in documenting and completing such exchange by agreeing that each party may transfer their respective rights and obligations under this Agreement to their respective qualified intermediary. Each party shall bear its own costs associated with such assignment and exchange. Except for a transfer of rights pursuant to Section 1031, neither party may assign this Agreement without the prior written consent of the other party.

31. 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 including investigation of applicable exemptions to filing and the parties agree to cooperate in filing any documents required under the HSR Act. Each party will bear its own costs, fees and expenses in making such filing. If the parties agree that no exemption applies and filing is required and any approval required under the HSR Act has not been received on or before six (6) 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.

32. Excluded Assets and Covenant to Convey all Commercial Timberland in the State of Florida. Purchaser acknowledges that any assets or property owned by Seller that is not specifically described in this Agreement is not subject to this Agreement, including but not limited to, previously reserved or severed mineral rights. The foregoing notwithstanding, it is the intention of Seller and Purchaser for Seller to convey to Purchaser all of Seller’s real property in the State of Florida managed by Seller as commercial timberlands, excluding previously reserved or severed mineral rights on land where Seller has no fee simple interest. Seller covenants to revise the maps attached as Exhibit “A-1, A-2, A-3, A-4” to include the legal description of all Seller’s commercial timberlands in the State of Florida included within the global title commitments prepared by Stewart Title Guaranty Company not depicted on the maps and not previously conveyed by Seller to Purchaser pursuant to a Real Estate Purchase and Sale Agreement in the amount of \$50,500,000.00.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

SELLER:

SOTERRA LLC

Attest:

By: _____
Name: Robert S. Zimmerman
Title: Vice President and Treasurer

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

PURCHASER:

PLUM CREEK TIMBERLANDS, L.P.

By Plum Creek Timber I, L.L.C.

Its General Partner

Attest:

By _____
Name _____
Title _____

By _____
Name _____
Title _____

Exhibits

- A. A-1, A-2, A-3, A-4 Maps Depicting Property
- B. Notice of Closing Letter
- B-1 Escrow Agreement
- C. Assignment and Assumption Agreement
- D. Deeds (Florida and Georgia)

Schedules

- 1.1 (b) Timber Cutting Contracts
- 5 (b) Value of Acres and Timber
- 7.7 Environmental Matters
- 7.8 Suits, Actions or Proceedings
- 7.9 Governmental Compliance

EXHIBIT "A"

A-1, A-2, A-3, A-4 Maps of Property

EXHIBIT "B"

SELLER'S NOTICE OF CLOSING

_____, 200__

To: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: William Brown
(Via Certified Mail, Return Receipt Requested, or Facsimile 206.467.3790)

Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: Sheri Ward
(Via Certified Mail, Return Receipt Requested, or Facsimile 206.467.3790)

Stewart Title Guaranty Company
1000 2nd Avenue, # 1620
Seattle, WA 98104
Attn: Vicki Dorfman
(Via Certified Mail, Return Receipt Requested, or Facsimile 206.260.9182)

In accordance with Paragraph 2(a)(iii) of the Real Estate Purchase and Sale Agreement (the "Agreement") dated March __, 2005, by and between Soterra LLC ("Seller") and Plum Creek Timberlands, L.P. ("Purchaser"), Seller sends this Seller's Notice of Closing to inform the Purchaser and Stewart Title Guaranty Company (the Escrow Agent), of Seller's intent to close on the property described below on _____ (the "Closing").

Said Closing will cover the tract(s) legally described on {either Exhibit "A-1", Exhibit "A-2", Exhibit "A-3" and/or Exhibit "A-4"} of the Agreement.

Seller has enclosed an updated title commitment to cover a search date within up to 90 days of the Closing. A copy of the updated commitment and any updated exception documents are attached.

Any revisions to exhibits and schedules attached to the Agreement are attached: {attach schedules and exhibits if applicable}

SOTERRA LLC

By _____
Name _____
Title _____

EXHIBIT "B-1"

ESCROW AGREEMENT

STEWART TITLE GUARANTY COMPANY

This Escrow Agreement is made as of the day of March, 2005, by and among Soterra LLC (as "Seller"), and Plum Creek Timberlands, L.P. (as "Purchaser"), and Stewart Title Guaranty Company (as "Escrow Holder").

RECITALS

Recital No. 1: Seller and Purchaser have entered into a certain Real Estate Purchase and Sale Agreement ("Purchase and Sale Agreement") concerning real property located in Holmes, Jackson, Walton and Washington Counties, State of Florida; and Geneva County, Alabama, pursuant to that Purchase and Sale Agreement dated March 18, 2005.

Recital No. 2: Seller and Purchaser have requested Stewart Title Guaranty Company to receive funds to be held in escrow and applied in accordance with the terms and conditions of this Escrow Agreement.

Recital No. 3: Escrow Holder has been handed a copy of the Purchase and Sale Agreement or such other documents and any Addendums, as constitute the Agreement to sell and purchase this property. Acting in accordance therewith, Escrow Holder is directed to close the transaction, and shall perform said closing in accordance with the following instructions.

Recital No. 4: In the event there is a variance between the terms of the Purchase and Sale Agreement and the final terms of the sale as evidenced by the documents delivered under these or other instructions, and the closing statements agreed to by the parties, closing shall be in accordance with such documents, instructions and closing statements. All principals to this escrow acknowledge and agree that all terms and conditions of that certain Purchase and Sale Agreement and all Addendums thereto, have been met, waived, or satisfied, or will be resolved outside of escrow and Escrow Holder shall not be responsible for same, and they are no longer to be considered as conditions to this closing.

NOW, THEREFORE, in consideration of the above recitals, the mutual promises set forth herein and other good and valuable consideration, the parties agree as follows:

1. STEWART TITLE GUARANTY COMPANY hereby agrees to act as Escrow Holder in accordance with the terms and conditions hereof.

2. Purchaser herein has deposited \$779,061.00 in U.S. funds as Earnest Money with Escrow Holder; and hands Escrow Holder herewith, and/or through their lender will deliver to Escrow Holder, funds sufficient to close. Any additional amounts deposited with Escrow Holder shall be added to the initial deposit and together with the initial deposit shall be referred to as the Escrow Fund. Purchaser further hands Escrow Holder, or will cause to be delivered to Escrow Holder, such documents as may be required of Escrow Holder to close this transaction pursuant to the terms of an Escrow Instruction Letter signed by Seller and Purchaser ("Escrow Instruction Letter"). Escrow Holder is instructed to disburse or pay out said funds when Escrow Holder has received the necessary conveying document and/or such other documents as required by this transaction, **and can cause to be issued a policy of title insurance**

as called for in the Purchase and Sale agreement, and as may be required by the Purchaser and its lender, if any, insuring title in the named Purchaser, free from encumbrance other than matters attaching by, through or under the Purchaser as set forth in the Escrow Instruction Letter.

3. Seller authorizes deduction and payment of all encumbrances except those to be excepted from coverage in the title insurance policy and to pay all other disbursements and charges as itemized on the estimated closing statement (the "Closing Statement").

4. All pro-rating is to be done as of Recording of Documents, on the basis of a 360-day year. Pro-rate taxes only on real property (not personal property) based on the latest available tax figures.

5. Neither the matter of possession of the property nor the condition thereof or suitability for its intended use shall be in any way an obligation of the Escrow Holder.

6. Escrow Holder is authorized to fill in the date of close of escrow and such other necessary dates on any documents, which require same to correct any typing, or scrivener's errors on any documents delivered into escrow. Date of closing means the date on which instruments referred to herein are recorded. Recording of any instrument delivered into this escrow, if necessary or proper in the issuance of policies of title insurance called for is hereby authorized.

7. Escrow Holder may disburse all or any portion of the Escrow Fund in accordance with and in reliance upon the Escrow Instruction Letter from both Seller and Purchaser. All disbursements shall be in U.S. funds and shall be by Escrow Holder's check, or by wire transfer. Escrow Holder is hereby instructed to deposit the Escrow Funds into an interest-bearing account for the benefit of Purchaser and, upon the depository instructions request, the Seller and/or Purchaser will execute the appropriate IRS documentation for the giving of taxpayer identification information relating to this account. All interest will accrue to and be reported to the IRS for the account of:

Name: Plum Creek Timberlands, L.P.
Attn: Attn: William R. Brown
Address: 999 Third Avenue, Suite 4300
Seattle, WA 98104
Telephone: (206) 467-3600
EIN: _____

Escrow Holder and its affiliates may receive from some of the depository institutions an array of banking services, accommodations or other benefits. Escrow Holder and its affiliates also may elect to enter into other business transactions with or obtain loans for investment or other purposes from some of the depository institutions. All of such services, accommodations and other benefits shall accrue, directly or indirectly to Escrow Holder and its affiliates and they shall have no obligation to account to the parties to this escrow for the value of such services, accommodations or other benefits.

8. Parties hereto understand and agree that all funds delivered into escrow are subject to immediate deposit and shall be by wire transfer into Escrow Holder's trust account.

9. In the event this escrow fails to close, a sum sufficient to pay title commitment and escrow cancellation charges shall be paid, and as appropriate, may be deducted from funds held.

10. In the event any dispute shall arise involving a party to this escrow concerning the property covered by these instructions, or in the event conflicting demands or claims are made with respect to this escrow or the rights of any of the parties hereto, it is expressly agreed that Escrow Holder shall have the absolute right, at its election, to do any, or all of the following: Withhold and stop all further proceedings in performance of this escrow; file suit in interpleader with a court of competent jurisdiction within the State of Florida and obtain an order from the court requiring the parties to interplead and litigate their claims and rights among themselves; or issue a check to either Seller or Purchaser made payable jointly to Seller and Purchaser in the amount of the sums in dispute. In the event an interpleader suit is brought, Escrow Holder shall be immediately fully released and discharged from all obligations to further perform any and all duties or obligations imposed upon it in this escrow. Purchaser agrees jointly and severally with Seller to pay Escrow Holder all costs, damages, judgments and expenses suffered, expended or incurred by Escrow Holder in connection with or arising out of this escrow, including, but not limited to, reasonable attorneys' fees. In the event written notice of default or dispute is given to the Escrow Holder by any party, or if Escrow Holder receives contrary written instructions from any party, then Escrow Holder will promptly notify all other parties of such notice.

11. Any additional instructions given to the Escrow Holder herein shall be presented in writing. Purchaser and Seller further understand that contemporaneously herewith there may be instructions by third parties that are necessary for the completion of this escrow and are, therefore, made a part hereof; namely, such instructions as may be received from a lender, grantor, vendor, or others, affecting the property that is the subject of this escrow.

12. These escrow instructions, and amendments hereto, may be executed in one or more counterparts, each of which independently shall have the same affect as if it were the original, and all of which taken together shall constitute one and the same instruction.

13. Title to equipment, fixtures, personal property or encumbrances or liens thereon or personal property tax or sales tax associated therewith are not a part of this escrow and will be handled outside of escrow, if applicable.

14. The parties hereto authorize Escrow Holder to destroy these instructions and all records of this escrow, regardless of date of same, at any time after seven (7) years from the date of these instructions without liability on Escrow Holder's part, or need of further notice to or from Seller and/or Purchaser.

15. Notices shall be sent to the following:

If to Seller: Soterra LLC
439A Katherine Drive
Flowood, MS 39232
Attn: Matthew B. Bonham
Facsimile: 601-933-0099

with a copy to: Greif, Inc.
425 Winter Road
Delaware, OH 43015
Attn: Gary R. Martz
Facsimile: 740-549-6101

and a copy to: Adams and Reese LLP
111 East Capitol Street, Suite 350
Jackson, MS 39201
Attn: Powell G. Ogletree, Jr.
Facsimile: 601-355-9708

If to Purchaser: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: William R. Brown
Facsimile: (206) 467-3790

with a copy to: Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, WA 98104
Attn: Sheri L. Ward
Facsimile: 206-467-3790

If to Escrow Holder: Stewart Title
1000 2nd Avenue, # 1620
Seattle, WA 98104
Attn: Vicki Dorfman
Facsimile: 206-260-9182

16. The parties agree to execute a Privacy Policy Notice under Title V of the Gramm-Leach-Bliley Act.
17. This Agreement shall be binding upon and inure to the benefit of the parties respective successors and assigns.
18. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

Seller:

SOTERRA LLC, a Delaware limited liability company

By: _____

Name: Robert S. Zimmerman

Title: Vice President and Treasurer

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

Purchaser:

PLUM CREEK TIMBERLANDS, L.P

By Plum Creek Timber I, L.L.C.

Its General Partner

By: _____

Name: _____

Its: _____

IN WITNESS WHEREOF, the parties hereto have executed this instrument in duplicate the day and year first above written.

Escrow Holder:

STEWART TITLE GUARANTY COMPANY

By: _____
Name: _____
Its: _____

EXHIBIT "C"

ASSIGNMENT AND ASSUMPTION OF CONTRACTS, LEASES AND PERMITS

This Assignment and Assumption of Contracts, Leases and Permits (the "Assignment") is made and entered into this _____ day of _____, 2005, by and between Soterra LLC, ("Assignor") and Plum Creek Timberlands, L.P., a Delaware limited partnership ("Assignee").

WITNESSETH:

WHEREAS, Assignor and Assignee entered into a Real Estate Purchase and Sale Agreement dated as of March __, 2005 (the "Agreement"); and

WHEREAS, Assignor is a party with the parties (each a "Contracting Party", collectively, the "Contracting Parties") set forth on the contracts, leases and permits which are referenced as "Temporary Encumbrances" in the Agreement, which are further identified on Exhibit A attached hereto, and which are hereby incorporated herein by this reference (each a "Contract" collectively, the "Contracts"); and

WHEREAS, the Agreement provides that Assignor's interest in the Contracts are to be assigned to Assignee, and Assignee is to assume all of Assignor's responsibilities under the Contracts; and

WHEREAS, Assignor desires to assign to Assignee all of its right, title, and interest as the Assignor under the Contracts, and Assignee desires to accept such assignment and assume all of Assignor's obligations under the Contracts, all pursuant to the terms of the Agreement.

NOW, THEREFORE, for Ten Dollars (\$10.00), and other good and valuable consideration, including the entering into of the Agreement, the receipt and sufficiency of which are hereby acknowledged, it is understood and agreed as follows:

1. Assignor does hereby convey, assign, transfer, and set over unto Assignee, its successors and assigns, all of Assignor's right, title, and interest in and to each Contract.

2. Assignee hereby accepts the foregoing assignment and transfer and agrees to faithfully perform all covenants, stipulations, agreements, and obligations of the Assignor under each Contract which has been assigned to such Assignee hereunder.

3. The provisions of this Assignment and Assumption Agreement are subject, in all respects, to the terms and conditions of the Agreement and all of the representations and warranties, covenants and agreements of the parties thereto contained therein. All of the terms of the Agreement relating to this Assignment and Assumption Agreement shall survive the execution and delivery of this Assignment and Assumption Agreement, to the extent indicated in the Agreement. Further, to the extent any of the Contracts may be considered encumbrances on

title, such Contracts are hereby accepted by Assignee as Permitted Encumbrances under the Deeds, as such term is defined in the Agreement, notwithstanding that such Contracts are not and will not be specifically identified as exceptions to the warranty of title in the Deeds. Assignee, for itself and its successors and assigns, shall indemnify and hold Assignor harmless with respect to any claims against Seller's special warranty of title contained in the Deeds with respect to the Contracts.

4. Assignee hereby indemnifies and holds harmless Assignor from and against any and all claims, causes of action or damages (including attorney's fees, expenses of litigation and costs of appeal), if any, arising out of Assignee's assumption of Assignor's rights and obligations pursuant to the Contracts which arise after the date hereof. Assignor hereby indemnifies and holds harmless Assignee from and against any and all claims, causes of action or damages (including attorney's fees, expenses of litigation and costs of appeal), if any, arising out of liabilities incurred or Assignor's failure to perform any condition or covenant of any Contract which arose prior to the date hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption of Contracts, Leases and Permits to be executed on the day and year first above written.

ASSIGNOR:

ASSIGNEE:

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

Attest:

By _____
Name _____
Title _____

By _____
Name _____
Title _____

EXHIBIT "D" (continued)

Form of Deed

STATE OF FLORIDA

COUNTY OF _____

SPECIAL WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS:

That Soterra LLC, a Delaware limited liability company, authorized to do business in the State of Florida, whose address and telephone number is Post Office Box 18, Jackson, Mississippi 39205-0018; (601) 933-0088, hereinafter called GRANTOR, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration hereby acknowledged to have been paid to the Grantor by PLUM CREEK TIMBERLANDS, L.P., a Delaware limited partnership, whose address and telephone number is 999 Third Avenue, Suite 4300, Seattle, Washington 98104, (_____) _____, hereinafter called GRANTEE, does hereby GRANT, BARGAIN SELL AND CONVEY unto said Grantee that certain real property situated in Calhoun, Gadsen, Holmes, Jackson, Liberty, Santa Rosa, Walton and Washington Counties, State of Florida legally described on Exhibit "A" attached hereto and incorporated herein by this reference as though fully set forth (the "Property"), including Grantor's rights, privileges, advantages, and appurtenances thereunto belonging or in any way appertaining thereto, but only to the extent belonging or appertaining to the Property, including but not limited to all of Grantor's right, title, and interest (i) in and to the reproduction, merchantable, pre-merchantable and unmerchantable timber, growing, lying, standing or felled, timber interests and timber rights located on or appurtenant to the Property; (ii) in and to any mineral, sand, oil, gas, hydrocarbon substances and gravel and other rights on and under the Property which have not previously been reserved, severed or conveyed by Seller or Seller's predecessors in interest; (iii) all rights of Seller in and to any development rights, air rights, water, water rights, ditch and ditch rights appurtenant to the Property but subject to the exceptions and reservations described herein, and; (iv) all rights of Grantor in and to any access rights, rights of way and easements appurtenant to the Property.

This conveyance is subject to the following:

[Insert here Permitted Title Exceptions as described in Section 5 (b) of the Real Estate Purchase and Sale Agreement.]

For the same consideration, Grantor quitclaims unto Grantee any mineral, sand, oil, gas, hydrocarbon substances and gravel and other rights on and under the Property which have not previously been reserved, severed or conveyed by Grantor or Grantor's predecessors in interest.

Subject the representations and warranties set forth herein, or as otherwise agreed upon in writing between the Grantor and Grantee, Grantee accepts the Property "as is" and "where is," subject to the risks of all defects and conditions. Without limiting the generality of the foregoing and subject to the representations and warranties set forth herein,, GRANTOR EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY, AS WELL AS ANY WARRANTY WHATSOEVER WITH RESPECT TO THE MARKETABILITY, HARVESTABILITY, AGE, SPECIES MIX, SITE CLASSIFICATION, BOUNDARIES OF THE PROPERTY, QUANTITIES, TIMBER GRDS, OR QUALITY OF ANY TIMBER ON THE PROPERTY OR SOILS STABILITY OR CONDITIONS.

TO HAVE AND TO HOLD the within described property, together with the privileges and appurtenances thereunto properly belonging, and subject only to the exceptions and reservations herein contained, unto the Grantee, its successors and assigns forever. The Grantor does hereby warrant and will defend the title to the Property against the lawful claims of all persons claiming by, through or under Grantor, but none other.

IN WITNESS WHEREOF the Grantor, **SOTERRA LLC**, has hereto set its hand and seal on this the _____ day of _____, 2005.

GRANTOR:
SOTERRA LLC
a Delaware limited liability company

Attest:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Signed, sealed and delivered
in the presence of the following witnesses:

Print: _____

Print: _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 2005, by _____ and _____, as _____ and _____ of **SOTERRA LLC**, a Delaware limited liability company, who are personally known to me or who have produced _____ as identification and who did not take an oath.

My Commission Expires:

NOTARY PUBLIC

Printed Name of Notary Public:

Exhibit A to Special Warranty Deed: Legal Description

STATE OF FLORIDA

COUNTY OF _____

This instrument prepared by:

_____, Esq.

ADAMS AND REESE LLP
111 East Capitol Street, Suite 350
Jackson, Mississippi 39201
Telephone: (601) 353-3234

SCHEDULE 1.1(b)

TIMBER CUTTING CONTRACTS

Dated: 3.24.05

SCHEDULE OF CONTRACTS 1.1 (b)

| <u>PURCHASER</u> | <u>DATE SIGNED</u> | <u>DURATION</u> | <u>COUNTY</u> | <u>DESCRIPTION</u> |
|-------------------------------|---|---|----------------------------------|---|
| Coastal Lumber Company | 7/9/2002 1/7/2004 6/25/2004 1/6/2005 | 18 months 7/9/2004 1/9/2005 7/9/2005 | Holmes County, Florida | 160 acres, Secs. 16 and 17, T4N, R16W |
| Coastal Lumber Company | 5/15/2003 11/8/2004 | 18 months 5/11/2005 | Washington County, Florida | 75 acres, Sec. 28, T3N, R14W |
| Coastal Lumber Company | 8/14/2003 2/3/2005 | 18 months 4/14/2005 | Gadsden County, Florida | 306 acres, Sec. 1, T3N, R5W, and Secs. 35 & 36, T4N, R5W |
| Coastal Plywood Company | 2/7/2005 | 18 months 8/7/2006 | Gadsden County, Florida | 246 acres, Sec. 18, T3N, R5W, Secs. 13 & 24, T3N, R6W |
| Coastal Plywood, Inc. | 7/20/2004 | 18 months 1/20/2006 | Gadsden County, Florida | 114 acres, in Secs. 26 & 27, T3N, R6W |
| Coastal Plywood, Inc. | 7/20/2004 | 18 months 1/20/2006 | Gadsden County, Florida | 233 acres, Secs. 11 & 12, T3N, R6W |
| Coastal Plywood, Inc. | 11/4/2004 | 18 months 5/4/2006 | Gadsden County, Florida | 408 acres, Secs. 14, 15, 22, 23 & 27, T3N, R6W |
| Georgia - Pacific Corporation | 9/7/2004 | 12 months 9/7/2005 | Washington County, Florida | 128 acres, E1/2 of NW1/4 of NE1/4 of SW1/4, Sec. 1, T3N, R15W |
| Hercules Incorporated | 10/18/2004 | 12 months 10/18/2005 | Holmes County, Florida | 125 acres, in Sec. 25, T5N, R16W |
| Howell Plywood Corporation | 1/23/2004 | 18 months 7/23/2005 | Jackson County, Florida | 79 acres, in Sec. 35, T7N, R11W |
| M. C. Dixon Lumber Company | 10/3/2002 3/4/2004 9/29/2004 | 18 months 10/3/2004 4/3/2005 | Holmes County, Florida | 238 acres, Secs. 24, 25 & 36, T5N, R15W |

| | | | | |
|---------------------------------------|--|--|-------------------------------|--|
| M. C. Dixon Lumber Company | 10/2/2002 3/4/2004 9/29/2004 | 18 months 10/2/2004 4/2/2005 | Jackson County, Florida | 200 acres, Sec. 21, T4N, R9W |
| Metcalf Lumber Company Inc. | 1/27/2004 | 18 months 7/27/2005 | Holmes County, Florida | 389 acres, Secs. 4 & 5, T5N, R16W, Sec. 33, T6N, R16W |
| Metcalf Lumber Company, Inc. | 5/7/2004 | 18 months 11/7/2005 | Gadsden County, Florida | 229 acres, Secs. 5 & 6, T2N, R6W |
| Metcalf Lumber Company, Inc. | 6/16/2004 | 18 months 12/16/2005 | Holmes County, Florida | 194 acres, Secs. 24 & 25, T5N, R16W |
| Metcalf Lumber Company, Inc. | 3/23/2004 | 18 months 9/23/2005 | Jackson County, Florida | 375 acres, Sec. 31, T4N, R9W |
| Metcalf Lumber Company, Inc. | 1/8/2001 12/11/2003 6/10/2004 12/10/2004 2/21/2005 | 18 months 6/30/2004 12/30/2004 3/1/2005 9/1/2005 | Holmes County, Florida | 246 acres, Secs. 28 & 33, T6N, R16W |
| Metcalf Lumber Company, Inc. | 10/8/2002 3/10/2004 9/29/2004 | 18 months 10/8/2004 4/8/2005 | Holmes County, Florida | 120 acres, Sec. 25, T6N, R15W |
| Metcalf Lumber Company, Inc. | 8/18/2003 2/3/2005 | 18 months 8/18/2005 | Jackson County, Florida | 40 acres, Sec. 19, T4N, R9W |
| North Florida Woodlands Company Inc. | 10/1/2002 3/04/2004 9/29/2004 | 18 months 10/1/2004 4/1/2005 | Holmes County, Florida | 80 acres, Sec. 10, T4N, R17W |
| North Florida Woodlands Company Inc. | 3/27/2003 9/15/2004 | 18 months 9/27/2006 | Holmes County, Florida | 80 acres, Sec. 34, T6N, R16W |
| North Florida Woodlands Company Inc. | 8/5/2003 1/17/2005 | 18 months 8/5/2005 | Holmes County, Florida | 200 acres, Secs. 16 & 17, T6N, R15W |
| North Florida Woodlands Company, Inc. | 7/11/2002 1/7/2004 6/25/2004 12/21/2004 | 18 months 7/11/2004 1/10/2005 7/10/2005 | Holmes County, Florida | 40 acres, Sec 32, T5N, R15W |
| North Florida Woodlands Company, Inc. | 8/18/2003 2/3/2005 | 18 months 8/18/2005 | Jackson County, Florida | 141 acres, Secs. 4, 5, 8 & 9, T2N, R10W |

| | | | | |
|---------------------------------------|--|---|--|---|
| North Florida Woodlands Company, Inc. | 7/10/2001 1/7/2004 6/25/2004 1/7/2005 | 18 months 7/10/2004 1/10/2005 6/30/2005 | Calhoun County, Florida and Jackson County, Florida | 324 acres, Sec. 34, T3N, R8W, and Sec. 3, T2N, R8W |
| North Florida Woodlands Company, Inc. | 4/8/2002 9/29/2003 5/3/2004 9/29/2004 | 18 months 4/8/2004 10/8/2004 4/8/2005 | Jackson County, Florida | 183 acres, Sec. 33, T3N, R8W |
| North Florida Woodlands Company, Inc. | 1/2/2003 6/10/2004 12/21/2004 | 18 months 1/1/2005 7/1/2005 | Gadsden County, Florida | 225 acres, Secs. 29 & 30, T3N, R6W |
| North Florida Woodlands, Inc. | 3/23/2004 | 18 months 9/23/05 | Holmes County, Florida | 212 acres, in Sec. 19, T4N, R16W |
| North Florida Woodlands, Inc. | 11/4/2003 | 18 months 5/4/2005 | Gadsden County, Florida | 298 acres, in Secs. 2, 3, 10, 11 and 14, T3N, R6W |
| North Florida Woodlands, Inc. | 2/23/2004 | 18 months 8/23/2005 | Jackson County, Florida | 319 acres, in Sec. 1, T4N, R12W, Secs. 35 & 36, T5N, R12W |
| North Florida Woodlands, Inc. | 5/5/2004 | 18 months 11/5/2005 | Holmes County, Florida | 121 acres, Sec. 18, T5N, R15W, Sec. 13, T5N, R16W |
| North Florida Woodlands, Inc. | 4/14/2004 | 18 months 10/14/2005 | Holmes County, Florida | 40 acres, NE1/4 of NE 1/4, Sec. 22, T5N, R16W |
| Southern Timber Company | 1/24/2003 7/8/2004 1/10/2005 | 18 months 1/24/2005 7/24/2005 | Holmes County, Florida | 80 acres, Sec. 2, T6N, R15W and also in Sec. 35, T7N, R15W |
| Southern Timber Company | 4/23/2002 9/24/2003 3/16/2004 9/29/2004 | 18 months 4/23/2004 10/23/2004 4/23/2005 | Washington County, Florida | 87 acres, Sec. 17, T3N, R15W |
| Southern Timber Company | 1/24/2003 7/8/2004 1/10/2005 | 18 months 1/24/2005 7/26/2005 | Washington County, Florida | 56 acres, Sec. 15, T3N, R15W |
| Spanish Trail Lumber Company | 10/26/2004 | 18 months 4/26/2006 | Jackson County, Florida | 122 acres, Sec. 8, T2N, R10W |
| Whitfield Timber Company, Inc. | 9/7/2004 | 12 months 9/7/2005 | Washington County, Florida | 120 acres, E1/2 of SW1/4 of SW1/4 of SW1/4, Sec. 8, T3N, R14W |

SCHEDULE OF CONTRACTS 1.1 (b)
 SUPPLEMENTAL CONTRACTS

| <u>PURCHASER</u> | <u>DATE SIGNED</u> | <u>DURATION</u> | <u>COUNTY</u> | <u>DESCRIPTION</u> |
|---------------------------------------|--|---|---------------------------------------|--|
| North Florida Woodlands Company, Inc. | 07/10/2001 01/06/2003 06/09/2003 01/07/2004 06/25/2004 | 18 months 07/10/2003 01/10/2004 07/10/2004 01/10/2005 | Holmes County, Florida | 196 acres, Sec. 14, T5N, R15W |
| North Florida Woodlands Company, Inc. | 01/7/2002 06/06/2003 01/07/2004 06/25/2004 | 18 months 01/07/2004 07/07/2004 01/07/2005 | Washington County, Florida | 117 acres, Sec. 5, T4N, R15W |
| Balfour Timber Company, Inc. | 10/04/2002 03/16/2004 | 18 months 10/04/2004 | Jackson County, Florida | 77 acres, Sec. 25, T3N, R8W |
| Coastal Lumber Company | 12/23/2002 | 18 months | Gadsden County, Florida | 365 acres, Secs. 14 & 23, T3N, R6W |
| Timmy Hall Timber Company, Inc. | 06/25/2003 | 18 months | Washington County, Florida | 169 acres, Sec. 31, T4N, R14W |
| Coastal Lumber Company | 06/19/2003 | 18 months | Gadsden County, Florida | 164 acres, Sec. 10, T3N, R6W |
| Coastal Lumber Company | 08/14/2003 | 18 months | Gadsden County, Florida | 35 acres, Sec. 15, T3N, R6W |
| Coastal Lumber Company | 08/14/2003 | 18 months | Gadsden County, Florida | 312 acres, Secs. 34 & 35, T4N, R5W |
| North Florida Woodlands Company, Inc. | 02/25/2004 | 18 months | Holmes County, Florida | 159 acres, Secs. 24 & 25, T5N, R16W |
| Whitfield Timber Company, Inc. | 10/07/2002 10/06/2003 03/16/2004 | 12 months 04/07/2004 10/07/2004 | Washington County, Florida | 88 acres, W 1/2 of SW 1/4, Sec. 15, NW 1/4 of NW 1/4, Sec. 22, T2N, R16W |
| Canal Wood, LLC | 6/27/2003 | 6/15/2004 | Holmes County, Florida | 55 acres, Sec. 3, T5N, R16W |
| Kennedy Forest Products | 4/28/2003 | 18 months | Holmes County, Florida | 200 acres, Sec. 9, T5N, R16W |
| Kennedy Forest Products | 4/24/2003 | 18 months | Holmes County, Florida | 308 acres, Secs. 11 & 14, T5N, R16W |
| North Florida Woodlands Company, Inc. | 7/10/2001 1/6/2003 6/9/2003 1/7/2004 | 18 months 7/10/2003 1/10/2004 7/10/2004 | Holmes County, Florida | 205 acres, Sec. 15, T5N, R15W |
| Balfour Timber Company | 7/1/2002 6/10/2004 12/10/2004 | 24 months 1/2/2005 3/1/2005 | Jackson and Washington Counties | 520 acres, Sec. 19, T5N, R12W and Sec. 24, T5N, R13W |
| Coastal Lumber Company | 10/2/2002 | 18 months | Jackson County, Florida | 195 acres, Sec. 35, T3N, R8W |

SCHEDULE OF CONTRACTS 1.1 (b)
SUPPLEMENTAL DEEDS

| <u>PURCHASER</u> | <u>DATE SIGNED</u> | <u>ACREAGE</u> | <u>COUNTY</u> | <u>DESCRIPTION</u> |
|-------------------------------------|------------------------|----------------|-------------------------------|-------------------------------------|
| Leslie E. Darby and wife, Kim Darby | 11/11/04 | Approx. 10.5 | Jackson County, Florida | Approx. 10.5 acres in S19, T4N, R9W |
| Jai Alai, Inc. | 11/8/04 | Approx. 0.77 | Gadsden County, Florida | Approx. 0.77 acres in S34, T3N, R6W |

SCHEDULE 5(b)

VALUE OF TIMBERLANDS AND ADJUSTMENT VALUE OF ACRES AND TIMBER

Purchase Price of Tracts

| | |
|-----|--------------|
| A-1 | \$ 9,126,351 |
| A-2 | \$10,204,172 |
| A-3 | \$ 9,927,994 |
| A-4 | \$ 9,694,538 |

Adjustment Value for Tracts

| <u>Closing</u> | <u>Value/acre</u> |
|----------------|-------------------|
| A-1 | \$1353/acre |
| A-2 | \$2524/acre |
| A-3 | \$2186/acre |
| A-4 | \$1709/acre |

SCHEDULE 7.7

ENVIRONMENTAL MATTERS

Note: This Schedule 7.7 Environmental Matters is prepared based upon the knowledge of Matthew B. Bonham (Vice President, Timberland Operations) and J. R. Baker (Vice President of Property Administration). Pursuant to the agreement of Seller and Purchaser, Terry Porter (Florida Regional Forester), will furnish any additional information known to him within seven (7) days of the execution of the Agreement to which this Schedule 7.7 Environmental Matters is attached, and this Schedule and Agreement shall be amended accordingly.

Pursuant to Paragraph 7.7 of the Real Estate Purchase and Sale Agreement by and between Soterra LLC ("Seller") and Plum Creek Timberlands, L.P. ("Purchaser"), Seller informs Purchaser of Seller's knowledge of the following Environmental Matters:

1. Unauthorized Trash Sites: The Florida Timberlands are managed as timberlands and are subject to unauthorized disposal of trash. When unauthorized trash sites are found, Seller takes appropriate action.
2. Governmental Dumps Adjacent to the Properties. Seller's property may be adjacent to governmental dumps. Seller is aware that the City of Chattahoochee, Florida established a governmental dump site on property adjacent to property included within the Agreement. The governmental dump site is surrounded on three sides by Seller's property. The governmental dump site is located on the tract referenced as Florida Stave Company, J.R. Bell #2 K-859. It is located in the SW ¼ of the SW ¼ of Section 11, T3N, R6W, Gadsden County, FL.
3. Abandoned County Landfills. Seller is aware of abandoned county landfills on its property including: abandoned county landfill site located in Section 7, T4N, R17W, Holmes County, FL (Unit 300, Stand 42); abandoned county landfill site located in Section 21, T3N, R10W, Jackson County, FL (Unit 332, Stand 5); abandoned county landfill site located in Section 25, T5N, R17W, Holmes County, FL (Unit 304, Stand 1); abandoned county landfill site located in Section 31, T4N, R9W (Unit 336, Stand 20); abandoned landfill site located in Section 26, T5N, R16W, Holmes County, FL (Unit 312, Stand 10).
4. Notices of Potential Violation of Law. Seller receives communication from governmental entities concerning its properties and operations on its properties. Seller is aware that on February 28, 1989 Soterra Corporation received a letter from the Northwest Florida Water Management District alleging violations of Florida law concerning required authorizations for stream crossings and obstructions of the stream channel with tree tops. Seller believes this matter was satisfactorily resolved years ago.
5. Storm Water Runoff. Seller has property adjacent to other land used in a manner that may involve storm water runoff. Seller is aware that in 1994 the Best Western Hotel along Interstate 10 discharged storm water or other waters onto Seller's property in the SW ¼ of the NW ¼ of Section 30, T4N, R9W, Jackson County, Florida. This

unauthorized discharge was brought to the attention of local authorities and subsequently the motel owner ceased the discharge.

6. Pipelines: A number of pipelines cross the property. Seller is not aware of problems with the pipelines but has not inspected the pipelines or the property on which they are located.
7. Past Oil and Gas Leases: Some of the property has been leased for oil, gas and mineral exploration and development. Seller is not aware of the existence of any ongoing oil and gas wells or abandoned wells but has not inspected the property on which the past leases were located.
8. Chemical Use: Seller uses forestry chemicals in the normal course of its silvicultural operations. Seller no longer owns the properties where these chemicals were stored by Seller. Seller now contracts out forestry activities concerning the application of chemicals including but not limited to the application of herbicides and pesticides. Seller also has yard and garden and household chemicals in its Florida Timberlands office in Mariana, Florida.
9. Above Ground Storage Tank. Seller owned a 1,000 gallon above ground storage tank that was portable and moved from site to site in the operation of its silvicultural activities. The tank contained diesel fuel oil. Seller no longer uses above ground storage tanks.
10. Former Pulpwood Yard: Seller previously leased a portion of its timberlands under a Woodyard Lease dated March 30, 1973 to Great Northern Paper Company, a division of Great Northern Nekoosa Corporation. The property was used as a woodyard. The lease expired on March 19, 1978 although company records indicated the lease was cancelled prior to that date. The property was located in the S ½ of the SE ¼ of SE ¼, Section 1, T3N, R15W, Washington County, Florida.
11. Former Mill Site: Seller is aware that Seller leased a mill site known as the Cottdale Mill to Jimmy Williams (d/b/a Williams Veneer Mill) pursuant to a lease dated September 8, 1988. Seller's predecessor in title previously leased the same property to Lloyd Williams, believed to be the father of Jimmy Williams. Prior leases include leases dated November 20, 1961 and November 29, 1969. Seller understands the property was used as a veneer mill site. Seller's records indicate the property was not rented after 1988. The property is located in the SE ¼ of NE 1/4 , Section 36, T5N, R12W, South of the L & N RR and North of U. S. Highway 80 in the City of Cottdale. Seller does not know whether the tenant complied with EPA standards although Seller has a letter indicating the tenant will try to comply with the same. Seller believes that at one time there were storage tanks on the property, including but not limited to one 8,000 gallon above-ground tank for #5 heating oil. There may have been an underground storage tank. The mill was closed in the late 1980's and the site is now planted in pine trees.

SCHEDULE 7.8**SUITS, ACTIONS OR PROCEEDINGS**

Note: This Schedule 7.8 Suits, Actions or Proceedings is prepared based upon the knowledge of Matthew B. Bonham (Vice President, Timberland Operations) and J. R. Baker (Vice President of Property Administration.) Pursuant to the agreement of Seller and Purchaser, Terry Porter (Florida Regional Forester), will furnish any additional information known to him within seven (7) days of the execution of the Agreement to which this Schedule 7.8 Suits, Actions or Proceedings is attached, and this Schedule and Agreement shall be amended accordingly.

Pursuant to Paragraph 7.8 of the Real Estate Purchase and Sale Agreement by and between Soterra LLC ("Seller") and Plum Creek Timberlands, L.P. ("Purchaser"), Seller informs Purchaser of Seller's knowledge of the following Suits, Actions or Proceedings "spending or threaten":

1. Third Party Claims/Boundary Lines: Seller periodically conducts boundary line maintenance, surveys, or other examination of or along boundary lines. In the course of these actions Seller may note evidences of possession or potential encroachments. These included:

| Name | Tract | GIS Block No. | S-T-R | County | Description |
|-------------------------|--------------|----------------------|--------------|---------------|---|
| J. P. Hinson No. 1 | H-6636 | Unit 340 | 25-3N-8W | Jackson | Five Acres in Stands 31, 32 and 33 of the E ½ of SE ¼ |
| T. G. Hinson | H-4014 | 314 | 11-3N-16W | Washington | Two Acres in SW ¼ of NW ¼; NE ¼ of SW ¼ |
| C. J. Williams | H-877 | 314 | 4-3N-14W | Washington | Five Acres in NW ¼ of NW ¼ |
| A. L. Dyson | H-1496 | 312 | 30-5N-15W | Holmes | Three Acres in SE ¼ of SW ¼ |
| J. P. Hinson | H-6647 | 340 | 30-3N-7W | Jackson | Three Acres in NW ¼ of SE ¼ |
| Interstate L&T Company | H-379 | 310 | 35-7N-15W | Holmes | Eight Acres in SW ¼ of SW ¼ |
| Alford Bros. Co. No. 10 | H-2375 | 326 | 23-5N-14W | Holmes | Six Acres along South and North line of N ½ of NW ¼ |
| W. W. Wester Estate | H-1200 | 336 | 18-4N-9W | Jackson | One to Two Acres in NE ¼ of NE ¼ of SE ¼ |
| Luceil Strickland | H-544 | 328 | 1-3N-12W | Jackson | One to Two Acres in SE ¼ of NE ¼ |

2. Third Party Claims/Title:

| | | | | | |
|------------------|--------|------|----------|---------|---------------------------------|
| Hezekiah Carroll | H-8337 | 342I | 31-3N-6W | Gadsden | One Acre in SW ¼ of SE 1/4 |
| C. E. Murray | H-416 | 336 | 19-4N-9W | Jackson | Five Acres in NE ¼ of SW 1/4 |

SCHEDULE 7.9

GOVERNMENTAL COMPLIANCE

Note: This Schedule 7.9 Governmental Compliance is prepared based upon the knowledge of Matthew B. Bonham (Vice President, Timberland Operations) and J. R. Baker (Vice President of Property Administration). Pursuant to the agreement of Seller and Purchaser, Terry Porter (Florida Regional Forester), will furnish any additional information known to him within seven (7) days of the execution of the Agreement to which this Schedule 7.9 Governmental Compliance is attached, and this Schedule and Agreement shall be amended accordingly.

Pursuant to Paragraph 7.9 of the Real Estate Purchase and Sale Agreement by and between Soterra LLC ("Seller") and Plum Creek Timberlands, L.P. ("Purchaser"), Seller informs Purchaser, that in addition to the matters disclosed in Schedule 7.7, Seller has knowledge of the following Governmental Compliance matters subject to disclosure under the Agreement:

1. Notices of Potential Violation of Law. Seller receives communication from governmental entities concerning its properties and operations on its properties. Seller is aware that on February 28, 1989 Soterra Corporation received a letter from the Northwest Florida Water Management District alleging violations of Florida law concerning required authorizations for stream crossings and obstructions of the stream channel with tree tops. Seller believes this matter was satisfactorily resolved years ago.

CERTIFICATION

I, Michael J. Gasser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greif, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2005

/s/ Michael J. Gasser

Michael J. Gasser, Chairman
and Chief Executive Officer
(Principal executive officer)

CERTIFICATION

I, Donald S. Huml, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greif, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2005

/s/ Donald S. Huml

Donald S. Huml, Chief Financial
Officer (Principal financial officer)

**Certification Required by Rule 13a – 14(b) of the Securities Exchange Act of 1934
and Section 1350 of Chapter 63 of Title 18 of the United States Code**

In connection with the Quarterly Report of Greif, Inc. (the “Company”) on Form 10-Q for the quarterly period ended April 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Gasser, the chief executive officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 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.

Date: June 8, 2005

/s/ Michael J. Gasser

Michael J. Gasser, Chairman
and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Greif, Inc. and will be retained by Greif, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification Required by Rule 13a – 14(b) of the Securities Exchange Act of 1934
and Section 1350 of Chapter 63 of Title 18 of the United States Code**

In connection with the Quarterly Report of Greif, Inc. (the “Company”) on Form 10-Q for the quarterly period ended April 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Donald S. Huml, the chief financial officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 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.

Date: June 8, 2005

/s/ Donald S. Huml

Donald S. Huml, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Greif, Inc. and will be retained by Greif, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.