



Humboldt Redwood
COMPANY, LLC

Main Office
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Scotia, CA 95565
(707) 764-2222

Sales Office
P.O. Box 565
Scotia, CA 95565
(707) 764-8888

To Pacific Lumber Company Customers:

As many of you may have heard, the Pacific Lumber (or PALCO) and Scotia Pacific bankruptcy cases were concluded on July 30th. In accordance with a plan of reorganization approved by Federal Bankruptcy Court Judge Richard M. Schmidt, the Scotia Pacific timberlands and the Scotia sawmill were transferred to a new company, Humboldt Redwood Company, LLC (HRC) which will be largely owned by an affiliate of Mendocino Redwood Company, LLC (MRC) and Mendocino Forest Products Company, LLC (MFP).

Two important goals were set early on for Humboldt Redwood Company; to position the Scotia sawmill to be successful for the long-term, and to bring Mendocino Redwood Company's forestry practices to the former Pacific Lumber Co. / Scopac forestlands.

For the mill, we will change the philosophy from a cost driven approach to a market driven approach. For customers, we hope this will have the practical result of allowing us to reliably provide the product you want, when you want it, with excellent and predictable service at a fair price. For those of you who are familiar with Mendocino Forest Products, this is the same approach we have employed with our Ukiah sawmill over the last ten years.

On the forestland side, we will implement the forestry practices that have been accepted on the MRC lands, and immediately seek Forest Stewardship Counsel certification of the Humboldt Redwood Company lands. The MRC and HRC lands will total 440,000 acres, and so if and when we attain FSC certification of the Humboldt lands, we will have a much more significant supply of FSC certified redwood and likely Douglas fir lumber available for customers.

A number of important logistical items -

First, HRC expects to hire close to 250 former Palco and Scopac employees, and the hiring process will take several days to complete. Operation of the Scotia sawmill will be briefly suspended while we work through all appropriate personnel matters, and we hope to be up and running some time this week. We will also complete an inventory of logs and lumber this week.

Starting Monday Aug 4th, the former Palco sales office will be staffed with HRC employees and we will be ready to accept phone calls. Please contact the sales office main line at (707) 764-8888 or Julie Wright on her direct line at (707) 764-4450. If you need further assistance you can reach Carolyn DePucci at (707) 764-4446. All existing sales orders that are "on the books" at PALCO will be honored by HRC once we are up and operational. Finally, while Palco will soon cease to exist legally as a result of the conclusion of the bankruptcy process, the new Humboldt Redwood Company will make every effort to serve your lumber needs.

The Scotia Sawmill will be operational on Wednesday August 6th and lumber shipments for existing orders will be available on Thursday August 7th.

We appreciate your patience and understanding during this time of transition to a successor to the Pacific Lumber Company, and we look forward to communicating with you on a more personal basis in the near future. If you want to stay current on the bankruptcy process or know more details on how we emerged with a favorable ruling, please feel free to visit our website at www.mrc.com and look at the court filings under the main page on Palco. All updates concerning the bankruptcy process, as well as communications to employees and the community are updated as quickly as possible on the HRC website at www.hrcllc.com.

Sincerely,

Richard Higgenbottom
CEO