



September 9, 2008

To: All Employees

Re: Wildfire Update

It has been some time since we updated you with developments from the historic lightning fires that began June 20 and burned into July. Much has happened so it is appropriate to report up-to-date information about what is known and actions taken by Mendocino Redwood Company, LLC, both in fighting the fires and in the ongoing recovery effort.

Here are some highpoints:

- As of this writing all of the 129 reported fires in Mendocino County have been extinguished. In total, 53,300 acres burned in the County of which 23,196 acres were on Mendocino Redwood Company, LLC lands. As of July 19 all the fires were officially contained. Resources to achieve this included a coordinated effort between landowners and Cal Fire. MRC used 17 independent contractors with 50 pieces of equipment, a Columbia firefighting helicopter, and Grayback Forestry engines and crews totaling 103 fire fighters. At the height of suppression activities in the Mendocino Lightning Complex there were over 2000 people involved in this effort.
- Significant progress has been made restoring lands damaged by fire-line construction. Through a coordinated effort with Cal Fire, fire suppression repair work has been completed in Rockport, Albion, the South Coast, and nearly completed in the Navarro/Masonite Road area. This includes road reconstruction, improving damaged drainage facilities, excavating soil and debris from stream crossings and mulching sensitive burned ground.
- It may be years before we fully understand the total ecological impacts from this fire event, but our assessment is well underway. To accomplish this we are utilizing the techniques of remote satellite sensing, supported with on-the-ground field review, to begin the process of understanding the impact and benefits of the fires. A high percentage of the fires burned only in the understory clearing out brush and slash. These low intensity ground fires damaged some trees, but potentially benefited the forest by making them less susceptible to future wildfire. Our forest management staff has been identifying opportunities for planting in areas where small trees have been burned, and our reforestation forester has been in contact with nurseries to discuss future seedling requirements.
- MRC wildlife biologists are still assessing the impacts from the fires on critical wildlife habitat. For example, 20 of 129 Northern Spotted Owl activity centers on MRC lands were burned over. Fortunately a recent post-fire survey discovered that some owls displaced during the fires are apparently reoccupying many sites. Since forest fires are a natural part of forest ecosystems, it is recognized that the fires may have actually benefited some species. Our wildlife biologists are already designing studies to assess and better understand all impacts, both negative and positive. One Six Sigma project will establish and document scientific criteria to be used for selecting damaged redwood trees for salvage harvesting vs. allowing the tree to continue to grow for future harvest.

- Our foresters have established a prioritization of salvage harvesting activities based on 1) improving and cleaning up fire breaks; 2) concentrating in areas where stream crossings are currently in place; and 3) equipment is in close proximity. Where possible we have substituted already planned harvesting with replacement salvage harvests. This adjustment in our harvest scheduling will result in approximately 6 million board feet of salvage timber which will represent about 15% of our annual harvest volume. On these plans, we are only harvesting substantially damaged trees while ensuring retention of important forest attributes including snags and wildlife trees. We will conduct additional salvage harvesting in the 2009 season. This delay will allow us the opportunity to assess which trees may successfully recover from the fire.
- We recognize the significance of this unprecedented wildfire event. For future generations we are documenting the heroic efforts, and interesting stories of those who worked tirelessly to control and contain the fires. This collection of audio, video, writing accounts and documents will be carefully compiled and stored. As time allows, we will make much of this available on our MRC website.

The assessment and recovery effort is a ways from being completed. Many of the same great professionals who worked so hard to defend MRC forestlands from these fires are providing the leadership efforts to analyze the resulting ecological impacts. What we learn from this experience will, over time, make us better stewards of the forest.

We remain very grateful to all who have worked so hard to help defend and protect these beautiful redwood forests that are so important to our company and region.

Sincerely,



Richard Higgenbottom
CEO

REH/lg