



Humboldt Redwood  
COMPANY, LLC

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March 18, 2011

To All Employees:

Since some of you may have seen articles or heard radio reports about our company's recent involvement with The Wildlife Conservation Board (the "WCB") in Sacramento, I thought it would be a good idea to tell you what has been happening directly.

The WCB is a state organization whose primary purpose is to review and fund conservation throughout California. Their funds come from bond initiatives, such as Prop 84, paid for with tax dollars over an extended period of time. As practitioners of conservation on our own forestlands, we supported Prop 84, which made \$450 million available for wildlife habitat protection, forest conservation, and other projects.

As the program has unfolded we have come to believe that the appraisal process for publicly funded conservation projects is weak and needs to be reformed, particularly given the fiscal circumstances of California. In the last four years, we have voiced concern by letter and in person on this topic to the WCB (letters we have sent are available on our website). We believe we have a responsibility to continue to speak up constructively about forest economics in Mendocino County and the conservation projects funded here.

Perhaps as a result of our concerns, the WCB recently chose to delay action on two good sized conservation easements in this county: Redwood Forest Foundation's Usal Forest and The Conservation Fund's Gualala project. We requested that the appraisals supporting expenditure of almost \$40 million of public funds be made available to the public *before* the transactions closed.

We have questions revolving around the ecological merits of buying land parcels or purchasing development rights in remote areas of the North Coast that will likely never be developed. Our real time conservation and restoration experience tells us that more could be achieved, ecologically speaking, through forest restoration. Our main point to the WCB, however, is that if bond money is going to be spent buying more land on the North Coast, the process should be transparent *in advance*. With transparency a more open process is created, inviting in broader expertise and opinions than is now the practice. Our suggestions would allow everyone the opportunity to comment before the decisions have been made, and result in an ability to understand that the prices paid are reasonable and fair.

If you have questions on this topic visit [www.mrc.com](http://www.mrc.com) and see what we have communicated to the WCB, or ask me, Mike Jani or Jim Holmes.

Sincerely,

Sandy Dean  
Chairman