



**Humboldt Redwood**  
COMPANY, LLC

Wednesday, July 30, 2008

Post Immediately

To All Employees:

Today MRC and Marathon executed the Plan of Reorganization approved by Federal Bankruptcy Judge Richard M. Schmidt and transferred all of the assets of the former Pacific Lumber Company. The 140 year history and heritage of Pacific Lumber Company is well established and will maintain an appropriate meaningful place in the hearts of the many families it supported, and the lives it touched. Most important of these is the Town of Scotia; a historic landmark that will continue to thrive for generations to come.

Tomorrow begins the first official day for two successor companies, Humboldt Redwood Company, LLC, and Town of Scotia Company, LLC. We think both HRC and the Town of Scotia have a very positive future, and we also recognize there is significant work ahead.

We want to share some information about a variety of important employment related items:

1. Final Paychecks

Final paychecks were issued today to all employees. These final paychecks included:

- All regularly earned wages thru the Effective Date
- Any earned but unpaid incentive monies (the non-officer retention bonuses put in place and approved by the Bankruptcy Court in 2007)
- Accrued vacation thru the Effective Date

2. Timing of Employment Offers

Today we began extending initial Offers of Employment to current Palco/Scopac employees. This process will continue through the week with the goal to have a fully staffed new team of employees as soon as possible, and in any event, within seven working days or less. In an effort to assure continuity of employment and earnings for as many future HRC employees as possible; all Palco/Scopac employees who begin actively working for HRC within the first two weeks following the Effective Date of the MRC/Marathon Plan of Reorganization will begin earning their wages the first full day after the Effective Date. The schedule for regular payroll dates for HRC will be established soon after the Effective Date.

3. Process and Results of HRC Wage Rates for Hourly Positions

Employee Total Compensation Guiding Principles for HRC are based on the same principles employed by MRC and affiliates over time. Most important of these is "Employee Total Compensation will be at or near market; with potential to be better than market as actual financial performance of the business provides." Extensive effort has been expended over the past several weeks to ensure we follow these principles using the best available information. MRC recently conducted a market study for hourly wage positions planned for HRC to understand how Palco's existing wage structure compares to market. Based on the study, we found that for mill, fenceline, and skill trade jobs:

- Palco's pay rates for about 25% of the positions were "at market." These employees offered jobs with HRC will receive hourly base wages equal to the most recent wages paid for those jobs.
- Palco's pay rates for about 35% of the positions were "below market." These employees offered jobs with HRC will receive hourly base wages higher than the most recent wages paid for those jobs.
- Palco's pay rates for about 40% of the positions were "above market." These employees offered jobs with HRC will receive hourly base wages that are less than the most recent wages Palco paid for these positions.

In recognition of the change that will be required for those new HRC employees whose Palco pay rates were above market, HRC will make a one-time transition adjustment payment. Transition adjustment payments will approximate the difference between an employees former Palco pay rate (based on one year's worth of their former annual straight time earnings at the previous Palco pay rate) and their estimated annual straight time earnings using the HRC "at market" rate. Transition adjustment payments will be paid in a single lump sum to appropriate individual HRC employees within 30 days after the employees' first work day with HRC.

#### 4. Salaried Wage Rates

The MRC team is currently working through the final stages of a process for salaried wage rates that is similar to the process employed for the hourly wage rates described above. Market competitive salary wage offers will be made on an individual basis based on the "Timing of Employment Offers" reference above.

Thank you for your patience as we work to conclude all offers of employment as quickly as possible. Of all the transition tasks in front of us, concluding these employment offers and providing all former Palco and Scopac employees with clear resolution on the path ahead is the most important thing we are doing.

Sincerely,

Richard Higgenbottom  
CEO