



June 25, 2008

To All Employees:

Late last Friday night, June 20th, much of Northern California encountered a major dry electrical storm. In a twenty-four hour period there were more than 5,000 lightning strikes recorded leaving 850 wildfires in the storms aftermath. This "unprecedented" natural occurrence has already consumed 13,000 acres in Mendocino County and with 121 fires still burning this number will surely rise.

We have 32 known separate fires that have affected 10,000 acres of MRC redwood forestland. Three of these fires have either passed or approached 2,000 acres in size and are at varying levels of containment, but all far from being controlled. The largest fire started in the South Coast region of our property along Cliff Ridge (in the Elk River drainage). This fire has steadily moved through steep terrain to the east and crossed into the Greenwood Creek watershed. It is nearing homes and will soon become a high priority area for Cal Fire. Several aggressive fires in the eastern portion of our Rockport tract are merging and consuming acreage at a fairly fast pace burning through at least 2000 acres in the past 24 hours. There have been some successes however as a large fire that started in the neighboring Salmon Creek watershed has been more than 50% contained at the 1700 acre level.

As you can imagine the statewide demand for support from Cal Fire is past their ability to supply, and industrial timberlands such as ours are necessarily a lower priority than any life or property (homes) risk. We are currently relying on our forestry staff, outside logging crews, local fire departments, and a significant but limited number of Cal Fire employees to contain these fires. We currently have about 100 personnel involved in some level of fire suppression activities, plus 35 MRC employees providing logistical support, and 38 equipment operators (Cats, water trucks, bulldozers, Fire trucks, etc.) Our entire MRC team is responding appropriately to contain these fires, and their leadership is doing all that can be done while also making sure we keep safety as our first priority. Working closely with Cal Fire, MRC has brought in out-of-state professionals to support our own folks who have been working so hard since early Saturday morning. One large contract helicopter is dropping ocean water on the Rockport fire, and a team of 50 firefighting professionals from Oregon and Montana will be here to help by tonight. These firefighting resources are regularly used by the Federal Agencies and we were fortunate to find them available to help us here in the redwoods.

Near-term we are doing everything possible to protect the trees, forestland habitat, and restoration work that has been achieved over the past ten years. The long-term impacts and costs resulting from these fires will take months, if not years to accurately assess. Thanks to all for your thoughts, wellwishes, prayers, and support. A special thanks goes to the many who have been working on the frontlines near-continuously to protect our redwood forestlands.

For more information on these fires, go to www.oes.ca.gov or http://cdfdata.fire.ca.gov/incidents/incidents_current. We will also provide updates and news articles on our website at www.mrc.com.

Sincerely,
Richard Higgenbottom

CEO
Mendocino Redwood Co., LLC