



Humboldt Redwood
COMPANY, LLC

January 28, 2010

Ref: May 1, 2009 *Letter to All Employees, their Families, and Other Stakeholders*
http://www.hrcllc.com/Uploads/documents/20090501_Ltr_All_Employees_Families_other_Stakeholders.pdf

To: All Employees, their Families, and Other Stakeholders

Once again, we thought it would be helpful to recap recent on-site employee communication meetings held at each of our affiliated company locations across several states. We recognize much of this information is of interest to you, as well as to a larger audience, including furloughed employees, employees who were unable to attend the meetings, employee families, vendors, contractors, loggers, and our local communities. Following is a summary of key points.

While we think it best to temper our optimism, there are many good reasons for 2010 to be a year of Good News!

With that lead-in, it is my pleasure to publically announce Humboldt Redwood Co., LLC (HRC) achieved FSC certification of our lands by the Forest Stewardship Council (FSC). Consistent with the certification process of our affiliate company, Mendocino Redwood Company, LLC (MRC), we used the auditing services of Scientific Certification Systems in Emeryville, CA, and Smartwood from New York City. The team reports from the audit are posted on our website, as well as additional information on our forest management and certification efforts (www.hrcllc.com).

Management of these forestlands in an exemplary and environmentally appropriate manner has been a long-sought goal for many stakeholders. We recognize that FSC certification of the approximate 210,000 acres of HRC lands, added to the 230,000 FSC-certified acres of MRC lands, is a major milestone and accomplishment. Over the next several days, we will try to reach out and personally say “thank you” to everyone that has helped make this one time dream a reality.

Across all our companies, our products are sold to and through the very Best-In-Class retail and industrial accounts. We have long been proud of the customer partnerships we have developed, and, in these difficult times, their support is affirming our belief in them. Our customers’ success, supported by our productive sales efforts and initiatives, resulted in better than anticipated sales for 2009.

At this time, our unusually high inventory of logs and lumber from the spring of 2009 are at appropriate levels to support sales. Just seven months ago, we expected our combined company log harvest for 2009 and 2010 would be 70 million board feet—less than one-third of our normal harvest. Our average harvests for 2009 and 2010 will be above our estimate from last spring, while still being well within our long-term stewardship goals.

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In the next few weeks, we will be reaching out to local forest landowners to determine their needs and planned log harvest levels for the year. We think it is important to engage our regular log suppliers in the process before we finalize our harvest plans for 2010. This should be good news to our loggers, haulers, contractors, vendors, and broader business associates who have been patiently waiting for a return to better times.

During our recent meetings, we communicated our "Path Back" priorities. We see these as steps forward; complete one, then on to the next one. Absent another collapse of the softwood timber markets, we do not expect downtime in any of our operations due to lack of sales. On the contrary, we think 2010 will be a busy and productive year for all our employees. In fact, we have already recalled most of our furloughed employees, and begun to fill open positions that we put on hold early last year. With the days of extended downtime behind us, our furloughed employees coming back to work, and a return to historic individual base earning levels, we are moving forward in a positive direction. As our business health continues, our employees will once again be able to participate in gain-sharing programs.

On the product side of the business, we are excited about our brands, some of which are now being exclusively promoted by major distributors. Allweather Wood and Coos Head Forest Products remain preferred brands in the markets they serve. The HRC brand is very new, but already recognized for quality service and premium products. FSC certification now enhances both our Mendocino and HRC brands, particularly for Redwood and Douglas fir. Now more than ever, when you go to premium retail lumber yards or stores, you will find our brands prominently and proudly displayed. Major initiatives for 2010 will include a new expanded site for our Woodland Distribution Center to support growing sales and maintain excellent service levels.

On behalf of our entire team, thank you for the shared sacrifices you made to help get us through the economic difficulties of 2009. We have many good and valid reasons to believe that the worst is behind us. While we are cautiously optimistic, we believe 2010 will be a year of Good News.

To those of you receiving this letter via US Mail, enclosed is a copy of the October 2009 issue of National Geographic Magazine featuring "The Tallest Trees". If you have not done so already, please enjoy this story of the redwoods. After reading it, you will find more reasons to feel optimistic about the future and your connection to these treasured forestlands.

Sincerely,

Richard Higgenbottom
CEO

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Enclosure