



Humboldt Redwood
COMPANY, LLC

Tuesday, July 29, 2008

Post Immediately

To All Employees:

We are pleased to announce we have begun to implement the MRC/Marathon Plan of Reorganization for Pacific Lumber Co. and Scotia Pacific. The Plan of Reorganization is expected to be consummated tomorrow, Wednesday, July 30, 2008, thereby becoming the Effective Date of the plan.

We have been helped by many supporters over the last several months, and we extend our sincere thanks to each and every one of them. We also thank all of you, the employees of Palco and Scopac, who have waited patiently for the future of the businesses to be determined through the bankruptcy process.

Over the past two weeks we issued a series of documents specifically addressing employment transition issues; copies of these documents may be obtained from Palco Human Resources.

- Employee Total Compensation Guiding Principles
- Highlights of our non-wage compensation titled "Highlights as of July 2008." This document compared Palco/Scopac current benefits to HRC benefits.
- Letter to Palco and Scopac Employees, July 23, 2008, from George O'Brien, Joan Kramer and Richard Higgenbottom (available on www.hrcllc.com).

Your last day of employment with Palco or Scopac is directly tied to the last day of business for these respective companies (which will be Wednesday, July 30, 2008). Palco/Scopac employees will be compensated through tomorrow, and every attempt is being made to issue full and final payroll checks by end of day the last business day.

We consider our recent Employment Opportunity Meetings to be a very successful first step in the formation of Humboldt Redwood Company (HRC). Our team was most impressed with the professionalism, skill and helpful positive attitudes of all applicants. HRC and Town of Scotia will be extending job offers to most of the current employees, and to some non-current employees. Some time ago our estimated employment levels were in the range of 250 HRC employees, plus 50 Town of Scotia employees. While still being finalized, these original estimates appear very reasonable. We recognize that the MRC/Marathon Reorganization Plan for Pacific Lumber Company has the potential for employees to be covered under the Worker Adjustment and Retraining Notification Act (WARN). Once all job offers are extended and all open position filled, there will be a final determination on whether or not the WARN Act applies. If at any time WARN Act obligations are required to be fulfilled by either the former or new companies, they will be done promptly in the appropriate and legally required manner.

Please continue to monitor our website www.hrcllc.com, as we are starting a Bulletin Board for posting of short informative messages.

Sincerely,

Richard Higgenbottom
CEO