



COMMUNICATION POSTED AT PALCO AND SCOPAC 7/18/08

---



---

THE PACIFIC LUMBER COMPANY  
P.O. Box 37 Scotia, CA 95565  
T: (707) 764-2222 www.palco.com

## Memo

Friday, July 18, 2008

To: Fellow Palco Employees

It has been a few weeks since you heard from me but a lot of things have happened. Most importantly is that Judge Schmidt finally affirmed that MRC and Marathon have prevailed the bankruptcy case. While the timber noteholders still have an opportunity to appeal to the U.S. Fifth Circuit Court of Appeals in New Orleans, the likelihood of success in that effort looks increasingly remote.

In view of that, therefore, we are moving aggressively to assist MRC and Marathon in any way we can as they prepare to take over Palco. Right now the earliest and most likely date for that to happen is Monday, July 28, 2008. Between now and then, one thing MRC is going to do is to hold Employment Opportunity Meetings with all interested employees. A notice from Richard Higgenbottom, MRC's CEO, is attached and it explains their process. I encourage all employees to take advantage of this process if you are interested in continuing with the reorganized company.

I know this is a stressful time for everyone and I want you to know that anyone can contact me, or Pierce Baymiller, at any time with any questions. The good news is the company has a great future and all of the uncertainty is nearly over.

We will communicate more next week as things continue to unfold in court but in the meantime, please read the attached note from Richard Higgenbottom.

Yours,

George O'Brien  
President & CEO