



Humboldt Redwood  
COMPANY, LLC

May 1, 2009

To: All Employees and their Families, and Other Stakeholders:

We thought it would be helpful to recap employee meetings conducted yesterday at each of our California businesses. We recognize this information is of importance to a much larger audience, including employees unable to attend, employee families, local vendors, contractors, loggers, and the greater Mendocino and Humboldt County community. Following is a summary of key points:

Macroeconomics are outside of what any of us have expected, and continue to adversely impact our businesses. Resulting depressed lumber markets have us holding unusually high inventories of logs and lumber. We are now four months into the year and in the middle of our peak selling season. This provides us a good base of information to more accurately forecast lumber sales, production and corresponding log harvest needs.

Based on the data we have, harvest requirements from our timberlands are now expected to be 60 to 70 million board feet for the combined companies from the beginning of 2009 through the end of 2010, which is approximately one-third of our normally planned harvest. In accordance, Forestry staffing will be adjusted by a combination of furloughs and layoffs, with the vast majority being furloughs (anticipate business conditions could allow, but not guarantee, a return to active status within the next 18 months). Staffing impacts for HRC and MRC are approximately 30 employees each, with an additional 3 at MFP. Expectations for the mills are continued downtime as necessary to align production and sales while still supporting customer needs, and will be determined on a month-to-month basis. We continue to strive to maintain the most jobs possible in a very tough environment.

In recent months, we have added a significant number of new redwood customers, greatly expanded our Douglas fir lumber sales program, and are outgrowing our Sacramento area distribution center. We will continue to provide meaningful dedicated support to our sales initiatives. Through a coordinated effort with our affiliate companies, Allweather Wood and Coos Head Forest Products, we are reaching an expanded customer base not only here in California but in Colorado and all of the Northwest.

We recognize the many sacrifices being made by our immediate and extended business families. A special thanks to all of our employees for their exemplary efforts during this most difficult of times. For those who are furloughed and want to return, we will be working hard to be able to call you back to work. To our loggers, haulers, contractors, vendors, and broader business associates, we say thank you and look forward to a return to better times. If any of you have specific questions, please reach out to your normal contact at the company.

As for the forest, we remain committed to the Standards of Forestry we have previously established at both Mendocino Redwood Company and Humboldt Redwood Company.

Sincerely,

Richard Higgenbottom  
CEO