



March 28, 2000

Mr. Robert Hight
Director
California Department of Fish and Game
1416 Ninth Street, 12th Floor
Sacramento, CA 95814

Dr. Andrea Tuttle
Director
California Department of Forestry
P.O. Box 944246
Sacramento, CA 94244-2460

Dear Bob and Andrea:

Attached is a copy of a letter that was forwarded to us that causes great concern. It is a letter from Mr. Clay Brandow of CDF in Sacramento, whom I do not know, to a Mr. Alan Cook. Mr. Cook is a very active opponent of all of Pacific Lumber Company's activities in and around the Freshwater drainage and before the Regional Water Quality Control Board. I have also attached a copy of the letter to CDF from Mr. Cook, which precipitated the answer.

The disturbing part of the letter to Mr. Cook is in the fourth paragraph; it says "it is CDF's intent not to approve new THPs in Freshwater Creek until such time as we have an approved level two watershed analysis".

My recollection is that this issue was raised at the principals' meeting on January 18 and resolved. Andrea requested that Pacific Lumber Company provide CDF with new relevant information and developments since CDF imposed a "moratorium" on THP review and approval in that and other "impaired" areas on January 21, 1999. It was agreed the moratorium would be lifted with that information. We have provided that information by letters of March 14, 2000 from Mr. Jim Adams to Mr. David Driscoll respecting the Fresh-Power THP in the Freshwater Creek watershed, and the memo of January 21, 2000 from the PALCO science team to Mr. Craig Anthony respecting the Elk River watershed, which was forwarded to CDF.

More importantly, it should be borne in mind that CDF's imposition of this moratorium is not supported any rule of law; and it is directly contrary to the requirement

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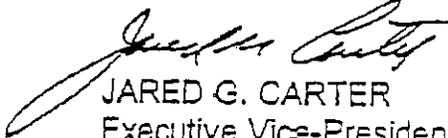
of the Forest Practices Act (§ 4555) that allows only the Board of Forestry to impose emergency rules such as moratoriums. Most importantly, the EIS/EIR and the HCP/SYP were completed after CDF's self-imposed moratorium and considered all of the factors involved with the imposition of a moratorium. The IA implementing the HCP, to which CDF is a signatory, states that the aquatics conservation strategy imposed all feasible mitigation measures upon timber harvesting that were possible and necessary to protect environmental interests, including aquatics interests. That is, as a result of a comprehensive environmental study completed after CDF's imposition of its moratorium, a conclusion was reached that harvesting consistent with the interim strategy in the HCP will not cause environmental damage, including damage of the type of concern to CDF in its letter of January 21, 1999.

We believe it is vitally important that this information be promulgated throughout CDF and other responsible agencies so that the "moratorium" position will not be repeated. It is certainly undesirable, and inconsistent with the last paragraph of the September, 1996 Headwaters Agreement¹, to construct a "paper trail" that would support litigation against HCP plans in these areas. In the "Hayes/Garcia" letter of March, 1999, signed by the Davis Administration, California agreed to implement the HCP in a manner designed to assure our economic viability. We have to have plans reviewed and approved in the so-called "impaired" watersheds to meet our operating requirements. This is not a matter that is simply desirable to us, it is a necessity.

If it is advisable to review this issue again comprehensively with all parties concerned we would be more than happy to come to Sacramento to review it with you and the other principals at the earliest possible time. We are hopeful, however, that you share our recollection of the January principals' meeting and that you can instruct CDF staff accordingly.

Sincerely,

THE PACIFIC LUMBER COMPANY



JARED G. CARTER

Executive Vice-President and General Counsel

¹ In the event that a claim or action is brought or threatened by a third party challenging the legality, enforceability or validity of this Agreement, or any portion thereof, including the HCP, Permit or SYP, the Parties agree to cooperate and act in good faith to preserve diligently this Agreement, HCP, Permit or SYP against such third party challenge.

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JGC:mis CC:
attachment

Susan Kennedy
Ross Johnson

THE PACIFIC LUMBER COMPANY