

# The Sunday Press DEMOCRAT

Oct. 12, 2008

---

## Timber's New Dawn

By Derek J. Moore

---

Vow by new company to protect Humboldt's old-growth forests, use sustainable logging practices may spell end to generation of acrimony

Sandy Dean walked a hidden Humboldt County trail in a windbreaker and jeans as morning fog lifted to reveal a breathtaking stand of ancient redwood trees.

Sandy Dean, Humboldt Redwood Co. chairman, is bringing to Humboldt County the timber practices he and his partners brought to Mendocino County 10 years ago.

The 43-year-old chairman of the newly formed Humboldt Redwood Co. had arrived the night before from San Francisco and was making his first visit to the iconic Nanning Creek grove, which is on a hillside overlooking the historic mill town of Scotia, about 25 miles south of Eureka.

A timber executive's presence here used to raise alarm among activists who for two

decades battled the forest's former owners -  
- Houston-based

Maxxam – over the company's timber harvest plans, which included felling some of the grove's oldest redwoods.

But Dean, whose sneakers and hip glasses contrasted sharply with the boots and suits worn by executives of what was then Pacific Lumber Co., has promised not to cut old-growth trees anywhere on the 210,000 acres now under his control. The change in ownership occurred officially in July.

Dean made similar promises in Mendocino County, where he and his partners -- the Fisher family, heirs to The Gap retail fortune – bought 222,000 acres a decade ago and established the Mendocino Redwood Co. Combined, the two companies form the dominant redwood producer from Ukiah to Eureka, a huge territory in which they hope to rewrite the

rules of corporate timber harvesting and in the process end decades of mistrust.

Gone are the corporate barons that dominated logging for a generation, igniting the timber wars with environmental activists that drew national attention even as the resource economy virtually collapsed. Now, a single ownership with San Francisco roots is attempting to forge a new future for timber country, saying they're in it for the long haul.

The plan emphasizes sustainable logging, healthy forest ecosystems, progressive employee policies and greater transparency of company plans and operations.

Whether this brings lasting peace in a place where the roots of animosity run deep is a question of acute interest not just to eco-warriors, but to hundreds of millworkers and loggers whose futures depend on the outcome.

For now, Dean and his management team are being welcomed as heroes, which explains the reception that he and Mike Jani, chief forester and president of the new company, received at the Nanning Creek grove.

Led on the once-secret path by a woman in flowing dreadlocks, Dean and Jani were brought to the foot of "Spoooner," a 300-foot mammoth redwood at least 1,500 years old where the last of the tree sitters was making preparations for coming down.

"This is clearly an example of being a good steward," Dean said of his decision to spare the giant. "Leave it better than you found it. This is irreplaceable."

## **20 years of clashes**

Few envisioned such a moment at the site of one of the iconic environmental battles of the past 20 years.

In 1986, Houston financier Charles Hurwitz, helped by former junk bond king Michael Milken, purchased Pacific Lumber in a

leveraged buyout that sent shock waves through the North Coast. Members of the Murphy family, which had owned or operated Pacific Lumber for generations, tried to block the takeover, but their minority stake failed to sway the company's board.

The ensuing anger was directed at Hurwitz's company, Maxxam, for greatly increasing Pacific Lumber's harvest of redwoods in order to meet annual interest-only payments on \$850 million in junk bond debt, a figure that later grew to \$950 million.

"The headlines when I arrived were, 'Maxxam takes over Pacific Lumber,' " said Darryl Cherney, a former Earth First activist who played a prominent role in the drama. "I was flabbergasted that ancient redwoods were being logged. I didn't know it was legal."

The 1990 car bomb blast that nearly killed Cherney and Judi Bari brought international attention to the timber war. The pair were driving in Oakland, recruiting volunteers for protests they dubbed Redwood Summer, when a bomb exploded under the front seat of their car, shattering Bari's pelvis.

Other high-profile events followed: Humboldt County sheriff's deputies swabbing protesters' eyes with pepper spray in 1997; the 1998 death of an activist who was killed by a tree cut down by an angry logger; and the two-year tree-sit by Julia "Butterfly" Hill that ended in 1999.

"Almost all of our dealings were through litigation. There wasn't any hope of having an actual conversation with the company," said Paul Mason, the former director of the Environmental Protection Information Center, or EPIC, in Garberville and currently deputy director of the Sierra Club. "They were taking the position of getting to any stick they could get to. It was not productive to have any frank, friendly

conversations about how to do this without it being so divisive to the community."

### **Other side's memories**

Bruce Reback remembers the same events differently. A third-generation millworker, he was recruited as a "blocker" to prevent activists from entering Maxxam's corporate office in Scotia.

He said Cherney was among the protesters he confronted at the office door.

"HRC has a lot of scars to heal,"

Reback said of the new company while having dinner recently at the Scotia Inn with his wife and their two children.

John Sneed, who was chief forester for Pacific Lumber, remembers clearly the song protesters greeted him with when he was working in the forest.

"Hang down your head, John Sneed, hang down your head and cry," went one of the verses. "You take this personally," he said.

This is the bitter history Dean must contend with as he tries to convince old antagonists that Humboldt Redwood is a kinder, gentler timber company.

Dean's partner is John Fisher, son of The Gap founder Don Fisher. The family formed the investment company that acquired the Mendocino and now Humboldt County lands. While the Fishers are primary investors in the ventures, they are not involved in day-to-day management of the properties and declined comment for this story.

In June, a Texas judge approved a \$530 million cash deal that allowed Mendocino Redwood and an East Coast hedge fund to acquire Pacific Lumber, which had declared bankruptcy in 2007 after it was unable to its debt payments.

Mendocino Redwood's partner -- Marathon Structure Finance Fund of New York -- loaned Pacific Lumber \$160 million after the company put the company town of Scotia up as security. Marathon solicited Mendocino Redwood to become a partner in a plan to take over the bankrupt company.

The court-approved deal calls for Mendocino Redwood to manage timber operations, while Marathon pursues the sale of residential and commercial properties to current occupants and other potential buyers.

Dean's challenge is to turn a profit while harvesting a third fewer trees annually than Pacific Lumber did, and doing so in the more environmentally friendly manner that he's touted as a hallmark of the new regime.

The lofty goals are stated clearly on the Web site for Mendocino Redwood Co.: "We will be a different kind of forest products company, one for which the community, our neighbors and employees can be justifiably proud and supportive."

To do this in Humboldt County, Dean said the plans include combining timber and mill operations to improve efficiency and better meet the needs of the company's customers, which include Home Depot.

Dean said Humboldt Redwood took on about \$325 million in debt as a result of the acquisition. That's about a third of what Pacific Lumber had to contend with on an annual basis.

The lower debt, plus the Fisher family's view of Humboldt Redwood as a long-term investment, reduces the pressure for quick profits, he said. He estimates the company will generate about \$30 million in annual cash flow.

"For sure, the things we are doing here means a lower cash profit in the short

term," he said. "But this is a good, long-term investment."

### **Environmentalists hopeful**

The strategy seems wise, given the current meltdown on Wall Street. It also buoys the hopes of environmentalists that other timber companies might one day follow suit.

"The thing that tends to drive bad forest management is excessive debt and the need to service that debt by excessive logging," Mason said.

For environmentalists, Dean's promise not to log old-growth redwoods – which, as the oldest and tallest of the trees, provide shade for forest habitats – is taken as the best example of the company's intentions. These trees have been bitterly fought over for decades.

In 1999, Pacific Lumber sold 10,000 acres of the Headwaters Forest to the state and federal governments, a controversial deal that protected several old-growth forests but was criticized as a heavy price to pay.

"At the time, I thought \$500 million was way too much money to pay," Cherney said. "But that was before the Iraq war. That's about as much money as we spend on a single bomb."

Nanning Creek was another battleground. The timber harvest plan for the area was nicknamed "Bonanza" by Pacific Lumber's former owners, a reflection of the financial windfall they expected to reap from felling the massive trees.

Dean estimated that a single large redwood could fetch as much as \$45,000 in the current market.

### **Three-year effort**

Three years ago, Santa Clara Valley transplant Amy Arcuri climbed Spooner and lived there off and on for three years to keep loggers away. She and about two dozen other

activists ferried supplies in at night to avoid confrontations, in what amounted to an exhausting mile-long journey that is mostly uphill.

After Humboldt Redwood took over, the new owners provided Arcuri with her own padlock and combination on the gate leading to the path and allowed her and other activists free passage.

Such moves have convinced her that the new company will deliver on its promises.

"They have a history," Arcuri said. "We're dealing with real people who can talk to me."

The last of the tree-sitters, 23-year-old Missouri Ozarks native Billy

Stoetzer, rappelled from his perch atop Spooner to shake hands with Jani and Dean. Stoetzer had been in the tree for 10 months.

"It's been a life-changing experience," he said.

But some say it's too early to call this the end of the timber wars.

"We've all said we'll end up on the opposite side of a courtroom at some point. I think there has been a sort of glib take that the war is over and we'll never fight again," said Scott Greacen, the current executive director of EPIC.

But Greacen said for the most part, he's been impressed with Humboldt Redwood's plans.

"There's no question that they're trying to reach out and create a good impression of themselves," he said. "As Sandy Dean has said many times now, that also means that if they don't hold to the statements they've made, they risk wrecking that image."

In Scotia, the town whistle is blowing again at 6:30 a.m. every day to summon mill hands to work. After the acquisition, Dean agreed to honor employees' years of service, including paid vacations, and offer generally better benefits, including improved health care options.

Many employees seemed bewildered by their good fortune after so many years of uncertainty and stress.

"It used to be you'd go into the CEO's office and get chewed out for nothin' " said Sam Bartlett, an electrician for Pacific Lumber since 1972. "These people are nice to deal with."

Still, there's lingering sadness that there are only 320 employees, down from 1,700 in Pacific Lumber's heyday. Bartlett's 23-year-old son, Nick, is working at the town power plant, but said he plans to get out soon.

"There's no future here," Nick Bartlett said.

Dean and the new owners of Humboldt Redwood will have to allay a lot of fears and suspicion while managing the volatile timber market.

A decade ago, three companies – Louisiana-Pacific, Georgia-Pacific and Maxxam – controlled most of redwood country. Today, two families – the Fishers and Seattle-based Simpsons – oversee much of that same area.

Green Diamond Resource Co., the Simpson holding, touts itself as an environmentally friendly company, despite continuing the practice of clear-cutting, which involves felling almost all of the trees in a harvest area and is anathema to forest activists. Dean has vowed not to clear-cut on any of his company's holdings.

The dwindling number of timber companies raises concerns about price increases for consumers, who use redwood primarily for decking and fencing.

Dean counters that redwood is used in less than 5 percent of decks and fences nationwide. "It's hard to have a monopoly with a 5 percent market share," he said.

Asked if anyone should doubt that a San Francisco-based company can successfully manage a 125-year-old logging operation in a community seemingly a world apart, Dean repeatedly pointed to what the company has accomplished in Mendocino County.

### **Mendocino gains**

A decade after Mendocino Redwood Co. was formed, Dean said, the standing inventory of redwood and Doug-las-fir trees has increased by more than 25 percent; 40,000 acres that had been overgrown with tan oak have been treated so that a conifer forest will again emerge in the next 30 to 40 years; and an investment of \$11 million in sediment and erosion control has kept almost 700,000 cubic yards of sediment (the equivalent of almost 70,000 dump trucks) from fouling streams and rivers running through the forest.

Mendocino Redwood practices have won praise from local environmental groups, state and federal regulators and lawmakers. There are those who believe that success can be duplicated.

"I think the next chapter is going to be fascinating in terms of seizing the opportunity to restore an absolutely outstanding natural resource while demonstrating that you can achieve desired economic returns with desired environmental outcomes," said Laurie Wayburn, president of Pacific Forest Trust.

"If you look at what Mendocino Redwood Company has done, it's a good track record. It's indeed a new day in California."