

The Palco Community Corporation Reorganization Plan

(This is the amended Heartlands Reorganization Plan)

"Correspondence"

Honorable Judge Richard S. Schmidt,
United States Courthouse
Corpus Christi, Texas

April 20th, 2008

07-20027

Your Honor,

We would like to request the Court's indulgence in our Palco Bankruptcy submissions as we haven't had time enough to find ourselves legal representation to represent Palco Community Corporation at court at Corpus Christi. As partners with the Heartlands Commission, we had been relying on obtaining the services of the hoped-for Heartlands project sponsor, the Bear River Band of Rohnerville Rancheria and their tribal lawyer, but that was stopped after the March tribal election and Bear River decided not to pursue their claim in the Palco bankruptcy at this time.

We've had to regroup from this set-back that occurred about three weeks ago but haven't regrouped yet to the point of having funds to afford a bankruptcy lawyer in Texas. But as former Palco employees ourselves we do represent Palco employees' direct interests so we would ask you to read our submissions as if they were tendered to you from high-priced lawyers like the other fellows have instead from a legal novice.

As you may have noted from the original Heartlands Reorganization Plan we submitted in time for the January deadline, more than half of that proposal deals with our Heartlands lottery project funding the formation of a Palco Community Corporation, a Palco workers' ESOP buy-out of Palco and Scotia-Pacific as well as funding a major diversification of Palco mill, town of Scotia, and various under-utilized company assets.

Unlike the other Palco reorganization plans, our Palco Community Corporation Plan will create more Palco jobs instead of eliminating jobs as Mendocino Redwood Company/Marathon's Reorganization Plan that calls for downsizing the current Palco workforce of around 350 people to 250 people.

We think people here are in such a hurry to get rid of Maxxam that they are more eager than they should be to accept a far less beneficial package to our Humboldt community from the front-runner Plan, Mendocino Redwood Company/Marathon's.

We think MRC basically wants to pick up Palco's redwoods to gain control of Humboldt's commercial redwood stands to create a commercial redwood monopoly for a Fisher family trophy. The same can be said for the Beal plan. It's like Palco has become a rich man's trophy, like an expensive painting to be collected. Meanwhile real people's lives are held in the balance of these corporate forces beyond their control.

Our Palco Community Corporation Plan with Pal-Lotto Systems gives Palco workers a chance to compete with these heavily funded competitors. So we ask the Court to consider these things in any decision that will impact Palco employees' lives and the local timber industry here in Humboldt County.

Moving forward as Palco Community Corporation and Pal-Lotto Systems.

We have regrouped and are now ready to move forward in the resolution of the Palco bankruptcy as the **Palco Community Corporation Reorganization Plan**.

Ironically, we learned this past month that the Bear River tribe cannot legally run a lottery as they told us their Compact with the State of California allowing them to operate their casino disallows them to run a lottery operation as well. The Native American gaming rights that allow the creation of our proposed "Redwood Lottery" can still be used by another tribe who haven't given away their lottery operation rights.

We had actually already established such a relationship with another Tribe, one that was interested last year in our lottery operation and one with far more name recognition to help promote our Native American inter-tribal ancestral land and sacred sites recovery lottery system. The Oglala Sioux have said they will work in partnership with us as they can use our lottery system to regain a buffer zone around their sacred mountain, Bear Butte and other Black Hills ancestral land.

Why is our lottery operation important in this Palco bankruptcy? Because this lottery system that uses Native American gaming rights has the potential to fund a complete buy-out of Palco and all its debts perhaps within months, and reasonably assured within a year at the most which is why we were able to attract Chinese investor interest in 2005 when we revived the Heartlands Project. The Chinese too saw the immense potential of our NA lottery system. By immense we mean a capacity to make over a billion dollars a year.

Digital Corporation, before they were swallowed up by first Compaq and then H-P, did a market study of our lottery's potential earnings in 1997 as they wanted to get the contract to set up the complex lottery processing center our first Headwaters Lottery system would use. Digital told us if we set the lottery up right it could make over a billion/year.

As most know, state lotteries do good business with California's state lottery making 3.6 billion last year. Back in 1997 before they got their California Lottery management contract, the nation's largest lottery management company, GTECH, told our Heartlands Project team that they were interested in our Native American special Headwaters Lottery.

In 2005, we contacted United Lottery and Totalizer Company, GTECH's European equivalent, and now they are also watching to see if we start this Native American lottery to see how well our new satellite-lotto phone system works. India has begun cell-phone lotteries and our satellite phone lottery system is the next generation step and we've already taken it and are well ahead in planning for such a system.

Actually, we have four different lottery systems options in our Pal-Lotto Systems operation. We know we have something potentially huge in this lottery system and it is now all Palco Community Corporation's project, the Bear River tribe having quit for legal reasons and internal conflict about the Heartlands project.

Palco Community Corporation's buy-out of Palco and Scotia-Pacific can be accomplished relatively fast with 100% of all Palco and Scotia-Pacific creditor debts paid in full by our Pal-Lotto Systems lottery operation's ability to attract large investors such as the Commercial Bank of China. Back in 2005, pitching our Heartlands project for the first time to potential Chinese investors we were surprised at how quickly and easily an offer to provide an interim loan for \$800 million was tendered. We know all Palco debts could be cleared in one fell swoop with an interim loan from just one of the large Chinese banks or a consortium of Chinese investors.

We were also surprised at how eager our first Chinese investment prospects were to locate other investment opportunities through us although that enthusiasm admittedly cooled rather quickly when China's image across America came under scrutiny for badly made goods, a problem still pursuing them.

But make no mistake. China is capital rich and has capital to spend and we believe we can access it just as well as many foreign nations such as France are doing despite China's bad image.

We also believe the more American companies have ties with China the more American values will influence Chinese leadership for the good of both countries and the world. America and China are the world's biggest polluting nations. Addressing this problem will open up a major Palco Community Corporation new product line, Palco CommuniKits that use wood and aluminum together to create industrial strength but beautiful wood boards, ones easily assembled into Palco CommuniKits or "Pal-Kits", ranging from low-cost, high-quality modular housing kits, to community building kits, commercial building kits, to complete village and town physical infra-structure kits .

Our new Palco Community Corporation could provide a whole line of state-of-the-art alternative technology low-energy community self-sufficiency kits that will provide good jobs for the strong local alternative technology- talented people who live here in Humboldt County. And by good jobs, what could be better than providing emergency emergency aid disaster shelters, new village housing, industrial state-of-the-art self-sufficiency systems to 3rd World peoples caught behind the curve of progress of 1st World industrialized nations?

We will have Palco teams that will help set up community self-sufficiency systems that give otherwise hopeless people a chance to live and live with dignity, knowing they are always working towards providing what we believe is the coming need for people everywhere in the world—community self-sufficiency. Using our systems, next year, these people will be able to feed themselves.

The Palco Community Corporation aims to become a world leader in providing community self-sufficiency systems. Who will pay for these large community systems? National and international public and private humanitarian aid and community development organizations will be our customers.

Pal-Lotto Systems **A Division of Palco Community Corporation**

Pal-Lotto Systems will be a division of Palco Community Corporation, the reorganized and diversified new Palco company. Pal-Lotto Systems will be a lottery management company that contracts out to Native American tribes to set up and operate special tribal lotteries to regain ancestral land and sacred sites. Following California's lottery management fee of roughly 15% of the California Lotto earnings, we expect our Pal-Lotto operation capable of earning a minimum of 150 million dollars per year. This would be about twice what Palco will earn per year with proposed timber harvesting scaled back for forest recovery and environmental protection reasons. We honestly think Palco cannot be run profitably without an additional income source and certainly Palco cannot diversify and expand without something like our Pal-Lotto Systems to attract major investment capital.

The Palco Community Corporation Reorganization Plan in Summary:

- **Our Plan is a Palco Employees' Reorganization Plan, written by a former Palco employee for the long-term benefit of Palco employees, not the short-term benefit of creditors or environmentalists waiting like vultures to pick up pieces at bargain basement prices of the company they've helped bring to the point of bankruptcy along with the poor management of Palco under Maxxam ownership.**

- **It will provide for a Full Buy-out of Palco and Scotia-Pacific properties and a full repayment (100%) of all Palco and Scotia-Pacific debts within one year.**
- **It will put Palco and Scotia-Pacific back together as a working intact lumber mill with its land and town of Scotia retained as a single corporate entity but allowing individual ownership of Scotia homes and business sites. Scotia will remain a company town.**
- **It will reestablish Palco's former reputation as a well-known, well-respected lumber company for local secure employment at good salaries and great company benefits.**
- **It will Diversify Palco products to make a company that is not totally dependent on lumber production to sustain company profits.**
- **It will create a Consortium of Palco Community Corporation divisions, beginning with Palco-Kits.**
- **Palco-Kits will be community self-sufficiency systems in kit form for overall greatly reduced construction costs because of reliance on new systems using local material and local energy sources. We will be creating a leader in the field of low-cost eco-friendly community self-sufficiency systems which we believe will replace current environmentally sub-standard home and commercial construction methods. We think this will help create a company that is better able to compete economically while current mainstream American residential and commercial construction still lags far behind at the end of day in saleability as well as in reduced energy consumption and overall environmental friendliness.**
- **Former Palco employees will have preference in hiring.**
- **Our Plan will provide for More Jobs-Not fewer. No downsizing. Increased employment instead of job loss with new product lines and services fueling economic recovery for our area.**
- **It will provide employee benefits equal to or exceeding the best years of Pacific Lumber Co. under the Murphy family ownership.**
- **It will create Pal-Lotto Systems. Pal-Lotto Systems and New Product Lines will attract investment capital to fund PCC product lines and services to begin with. Pal-Lotto Systems profits afterwards will cover interim loan repayment, then company economic self-sufficiency with Pal-Lotto System profits alone potentially able to generate more yearly income for PCC than Palco's most heavily logged years under Maxxam's ownership ever did.**
- **It will establish more stringent environmental protection measures on Palco Community Corporation land than any of the other submitted Reorganization Plans because the Pal-Lotto System profits of an estimated \$150 million per year relieve Palco's old Maxxam debt burdens from being met by cutting too many trees.**
- **It will create Palco Watershed Stewardships for local college students to learn environmental forestry, stream restoration, etc, working in partnership with Palco Community Corporation instead of the previous antagonism over environmental protection issues.**
- **It will pay these students for their work thus helping relieve the financial burden of higher education costs for local forestry, environmental science, and alternative engineering**

students. This type of program can also apply to film students working directly at our proposed Scotia Studios.

- **It will provide for Endangered Species Recovery Areas to promote the restoration of indigenous species throughout Palco Community Corporation lands.**
- **It will Fully Utilize existing Palco assets to increase Palco Community Corporation product lines.**
- **It will create Scotia Studios and Palco Productions using the empty huge Mill A buildings as movie sound stages giving a place for Humboldt Film Commission clients to film, a place for new studios to lease, a place for the Media talent in Humboldt County to finally express itself with industrial strength. And successful films can make a lot of money. Film production will call for stage carpenters which can provide a transition for loggers displaced for economic or environmental reasons.**
- **It will make Palco Community Corporation's Scotia Inn once again an operating hotel and center for tourists visiting Headwaters Forest, our proposed close-by new inter-tribal Northern California Native American Park (insert local NA name to be determined), Humboldt State Park and Rockefeller Forest, the town of Ferndale, the Bear River Casino, Humboldt Bay, Old Town Eureka and other popular local tourist destinations.**
- **It will create a Palco Emporium at the old Pacific Lumber Co. site in Fortuna. The Palco Emporium would work in partnership with the Bear River tribe and/or other local tribes using their sovereignty rights to reduce import duties on overseas consumer goods. Also, Pal-Lotto's generating a large amount of capital per year would allow volume buying passing savings on to customers just like any Walmart but all locally owned with money staying in the community instead of going out to outside corporate pockets.**
- **It will create a Palco Community Corporation Industrial Park at the old Carlotta mill site providing as well as providing economic incubator new business start-up funding.**
- **Palco Community Corporation will have a Pal-Arts Division. Humboldt County is home to many creative individuals and we aim to provide jobs and/or funding and space for business start-ups under the Palco Community Corporation umbrella to reduce operating expenses for each participant.**
- **It will convert and utilize Palco's in-house print shop as the core for a new Palco Publishing Company servicing the many local authors in Humboldt County.**
- **It will create an inter-tribal California Native American Park where individual local northern California tribes will have areas within the ancient trees to recreate California Native American village life and tourists can stay in real Indian dwellings and learn about original Native American village life firsthand from authentic teachers.**
- **It will guarantee that all ancestral tribal sites of cultural importance on Palco Community Corporation lands will be fully protected from commercial logging operations or recreational or planned community development. It will give the Bear River tribe first option to purchase ancestral land under Palco Community Corporation ownership that is of cultural importance to them.**

- **It will pursue cooperative manufacturing partnership possibilities already discussed with Evergreen Pulp Co. to create new Palco Pulp Products such as insulation panels using wood waste product and new uses for cardboard.**
- **It will reinstate Palco's beloved call-to-work steam whistle that seems to have broken down recently.**

A request for local ownership and control of Palco

Your Honor, our community has suffered far too long from outside ownership and management of Palco's forest assets that have only one goal—to make as much money as possible from harvesting trees in as short a time frame as possible. This has resulted in environmental degradation and has resulted in another timber company on the ropes of existence.

Our Palco Community Corporation Reorganization Plan is the only Reorganization Plan that is aimed at benefiting Palco employees, not banks, not corporate money managers, nor extremely wealthy individuals who have no stake in our community other than extracting as much profit from it as possible. We are here for the long term duration and we urge you to value our efforts even though we haven't been able to field a representative to your Corpus Christi bankruptcy court to speak for us.

This isn't about lawyers but about remaking Palco into a viable company once again and we are the ones who know the issues here far better than those coming into them cold from outside the area. We ask you to give Palco workers a chance to be heard. This is the Palco workers' effort to be rightfully included as stakeholders in the Palco bankruptcy case.

Sincerely,

Stephen Lewis

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Palco Community Corporation*

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President

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