



SmartWood

Practical conservation through certified forestry

SmartWood Forest Management Annual Audit Report

Operation Name: Mendocino Redwood Company

Official Audit Year: 2003

SW-FM/COC- 128

1. PUBLIC SUMMARY INFORMATION

Note to FMO: Section 1.0 will be attached to the public summary of the certified operation as an addendum and will be posted on the SmartWood website.

1.1. Audit Process

A. Audit year: 2003

B. Dates of Audit: September 24 & 25, 2003

C. Audit Team:

Walter Smith, Team leader, Forest Management Practices. Walter is Senior Technical Specialist for the Rainforest Alliance SmartWood certification program. Walter has 17 years experience in logging, training and forest resource management and 12 years experience in Forest Stewardship Council (FSC) forest management and chain of custody certification. He is a founding member of the FSC and was on the original FSC Principles and Criteria Working Group. Walter began working with SmartWood in 1995. Since then he has been a team leader on over 100 forest management and chain of custody assessments and audits in

Canada, China, India, Indonesia, Nepal, Japan, Malaysia, Philippines, Singapore, Vietnam and all regions of the United States. He is a principal instructor for the SmartWood Assessor Training Program and has participated in 18 training workshops in North America and Asia and is the co-author of a book on certification with Chris Maser.

Robert Hrubes, Ph.D., RPF, Forest Management and Economics. Robert is Senior Vice-President of Scientific Certification Systems. He is a registered professional forester and forest economist with 26 years of professional experience in both public and private forest management issues. He served as team leader for the initial MRC Forest certification evaluation. Robert worked in collaboration with SCS to develop the programmatic protocol that guide all SCS Forest Conservation Program evaluations. Robert has led numerous SCS Forest Conservation Program evaluations of North American (U.S. and Canada) industrial forest ownerships, as well as operations in Scandinavia, Chile, and Japan. He also has professional work experiences in Brazil, Germany, Guam (U.S.), Hawaii (U.S.), and Malaysia.

A. Audit Overview: The primary objective of this SmartWood audit is to verify that the corrective action requests (CARs) required to be completed by the 2003 annual audit of Mendocino Redwood Company, LLC (MRC) are being met. In addition, the International Forest Stewardship Council (FSC) Board of Directors has endorsed the FSC Pacific Coast Working Group (PCWG) standards; therefore the auditor reviewed the MRC management with regards to their compliance with these standards. To accomplish this objective a SmartWood team consisting of Walter Smith and Dr. Robert Hrubes conducted interviews with MRC staff, reviewed documents and MRC website and conducted a field review of forest management practices.

The original assessment and subsequent audits have been a joint effort by SmartWood and Scientific Certification Systems (SCS). Both of the FSC accredited certifiers share the same audit team members. Dr. Hrubes is the team leader for the SCS report and Mr. Smith is the team leader for SmartWood and is the principal author of this report. Dr. Hrubes is a SmartWood team member and contributed his observations and expertise to this report.

The MRC stakeholder consultation process was shortened considerably during the 2003 audit. The auditors determined that the extensive stakeholder consultation that had taken place during the assessment and two subsequent audits had revealed most of the critical issues that the public has been concerned about. Additionally, MRC has gained a significant amount of trust from local stakeholders over the past 4 years of their ownership. Public concerns about their management practices have decrease substantially. The few stakeholders interviewed during this audit were those who were contacted or notified by MRC during the year because they were directly involved in MRC forest management activities.

At the conclusion of the 2002 audit, Mr. Smith and Dr. Hrubes revised all of the remaining conditions and outstanding CARs. The purpose of the revision was two-fold: First, more clearly written conditions and CARs were needed so that MRC and subsequent auditors better understood the actions that would be necessary to bring MRC's management into compliance with the specified criterion. Secondly, it was confusing for the auditors and MRC to keep track of the CARs of both certifiers. Although the CARs of the certifiers were developed to respond to similar deficiencies

with regards to MRC's compliance with certain FSC criteria, they were worded differently enough as to create what amounted to double work for MRC to attain the same standard. The current CARs for both certifiers are worded exactly the same with the same timelines for compliance. Additionally, the three CARs remaining after this audit are both worded and numbered the same.

D. Sites Visited: Big River Watershed, Russell Brook, Albion Watershed, Greenwood Creek Watershed

E. Personnel Interviewed:

The following people were consulted during this audit:

Person interviewed	Position/Organization
Mike Jani	Chief Forester
Tom Shultz	Timberlands Manager
John Nickerson	Forester
Sarah Billig	Biologist
Andy Armstrong	Reforestation Forester
Chris Surfleet	Biologist Supervisor
Robert Douglas	Biologist
John Woessner	Area Forester
Rob Rempel	Area Forester
Russ Shively	Area Forester

F. Documentation reviewed:

- Watershed Analysis Completion Report
- 2003 Summary of Wildlife and Fisheries Project on MRC lands.
- MRC Forest Management Update
- MRC Organizational Chart
- Interim Guidelines for Operations in Watercourse and Lake protection Zones
- MRC Best Management Practices for the Application of Herbicides
- Draft Herbicide Use Alternatives and Timeline for Potential Elimination
- MRC Website
- 2003 Mid-Year SmartWood and SCS Audit Reports

1.2 General Audit Findings and Conclusions:

MRC has again this year reduced their use of chemical pesticides, continues to research non-chemical alternatives and have developed an excellent timeline for the elimination of herbicides that examines herbicide usage according to silvicultural prescriptions that will be used over time. The company has put an impressive amount of detailed information on their website with regards to identification, definition and management of HCVF, reserve areas, riparian areas, stream zones, special/unique habitats and endangered species. Included on the website is harvest schedule information by watershed. This disclosure of information to the public is exemplary even in terms of FSC certified companies. MRC continues work with public agencies and local companies on the restoration of streams, roads and forest. These restoration projects are of significant scale and have become an emphasis of the company's reinvestment philosophy. MRC has made significant strides in personal communications with local Native American tribes concerning archeological and cultural sites. They have a longstanding invitation to Native Americans to use their land for cultural purposes and tribes are beginning to accept the invitation. Further, MRC professional staff continues to upgrade their knowledge by attending a myriad

of seminars and workshops. Contractors and staff are being given incentives for exceptional work. With respect to forest practices in the field, the audit team remains clearly impressed with the continued commitment of MRC management to follow the forest stewardship ethic established at the founding of the company.

SmartWood's initial assessment of MRC was based on the FSC-approved Institute for Sustainable Forestry (ISF)/SmartWood Guidelines for Assessing Natural Forest Management (1998), with special attention given to the then developing FSC Pacific Coast Working Group (PCWG) Regional Standards (MRC 2000 assessment report, page 15). At that time, ISF was the Rainforest Alliance/SmartWood partner organization responsible for SmartWood assessments in California. MRC had therefore been evaluated using standards relatively close to the final PCWG standards recently endorsed by the FSC international board. However, given FSC policy that requires operations to conform to the newest regional standard within one year of endorsement, SmartWood staff analyzed the current PCWG standard against the standards used for the initial assessment to determine where the new standard may be significantly more robust. The criteria that appear to have the greatest differences are found in Principles 6, 8 and 9. More specifically:

Principle 6: Environmental Impact

- 6.3.d. Old-growth stands and forests
 - The definition of Type 1, 2 and 3 stands
- 6.3.e. Retention
- 6.3.f. Even-aged silvicultural systems
- 6.5.1 to 6.5.s under Stream and Water Quality Protection
 - The definition of Class A, B, C and D streams

Principle 8: Monitoring

- 8.2.d.3. Generation or maintenance of local jobs and public responses to management activities are monitored.
- 8.2.d.4. The influence of forest management on the viability of forest-based livelihoods is monitored, especially in the case of large forest holdings.
- 8.2.d.5. The opportunity to jointly monitor sites of special significance is offered to tribal representatives in order to determine adequacy of the management prescriptions.

Principle 9: High Conservation Value Forest.

- All of Principle 9

The audit team's general findings are that MRC has made substantial progress in meeting their outstanding CARs. They have closed all but 3 CARs. Additionally, the auditors concluded that MRC has met the newly endorsed FSC PCWG standard. Therefore, the audit team recommends that Mendocino Redwood Company, LLC retain their SmartWood certification.

1.3 Status of Conditions and Corrective Action Requests (CARs)

A. Compliance Summary of Previously Issued Conditions and CARs

All, except one, of the CARs assigned to the MRC certification during the last annual audit have been closed. Three new CARs have been established. CAR 01-2003 more accurately coincides with the progress being made with regards to the establishment of a reserve system and HCVF, CAR 02-2003 consolidates the issues around herbicide use and updated management scenarios and CAR 03-2003 replaces CAR 15-2002.

New CARs for 2003

CAR 01-2003:

In conjunction with and no later than the date of finalization of the HCP/NCCP, MRC managers must complete and make public the initial delineation and outside review of its reserve system that includes and integrates areas categorized as high conservation value forest. Outside review must include scientific peer review as well as opportunities for comment and input from the general public.

CAR 02-2003:

a) Within 30 days of receipt of the 2003 annual audit reports, MRC must update its public statements and commitments regarding chemical use, as found on the company web site, to more accurately reflect what the company now considers to be attainable yet aggressive goals for continued reduction in chemical use. The revised statements on the web site should provide explanation and justification for revisions from the current public commitments.

b) Over the next 3 months, MRC senior staff (Forest Manager and Resource Manager) must undertake an initiative of on-site field review and critique with all field staff involved in chemical use decisions, for the purpose of helping these staff to more selectively employ chemicals on a micro/patch/oak clump basis rather than a stand-wide basis.

CAR 03-2003:

Within 6 months of completion of the HCP/NCCP, MRC must complete and publicly distribute the umbrella management plan document.

2. CONFIDENTIAL AUDIT FINDINGS

Note to FMO: Section 2.0 will be kept confidential and will not be included in the public summary addendum.

2.1 Maintenance of Established Compliance

Certified operations must maintain compliance with all applicable FSC Principles throughout the five-year certification period. The following table documents that the performance regarding the operation’s forest management practices and policies, including the socio-political or regulatory environment, have maintained compliance with the FSC Principles.

FSC Principle	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
Compliance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A

Explanation of Noncompliance (if applicable): None

The Forest Stewardship Council Pacific Coast Working Group (PCWG) Standards

The Forest Stewardship Council has recently endorsed the Pacific Coast Working Group (PCWG) Standards. FSC protocol requires that currently certified forest management operations in the Pacific Coast Region (California, Oregon and Washington) meet this new regional standard within one year of their next audit. The criteria that appear to have the greatest differences from the

SmartWood standards with which this operation was originally assessed are found in Principles 6, 8 and 9.

Principle 6: Environmental Impact

6.3.d. Old-growth stands and forests

Finding: MRC has a 40-acre stand of un-entered old growth in Alder Creek and an 18-acre stand in Russell Brook. These are the largest stands of un-entered old growth on MRC's 235,000 acres of forestland. MRC is treating both of these stands and a few other scattered acres on the property as FSC PCWG Type 1 stands (no harvesting). MRC also has Type 2 stands, in Russell Brook, where there is substantial acreage of cutover lands that have a significant cohort of old growth trees. MRC plans to manage this area, but given their old growth policy constraints, management will not alter the structure so that the harvested stand will fall below Type 2. In total, MRC has a little more than 900 acres of Type 2 old growth. The largest acreage of old growth would be in Type 3 stands. There are approximately 12,000 individual old growth trees scattered amongst second and third growth stands across the property. It is MRC's practice to maintain old-growth structure in areas where it is scarce. This is part of their old growth, legacy tree and snag retention and recruitment policy. MRC meets all of the 6.3.d indicators.

6.3.e. Retention

6.3.f. Even-aged silvicultural systems

Finding: MRC uses some even-aged silviculture. They use variable retention (VR) silviculture only where the objective is to reestablish a conifer component in hardwood dominated stands. The openings within the VR units are well within the 40 acres average clearcut limit of the PCWG standard and is never more than 20 acres. Wildlife retention islands in the VR units are left in logical configurations, along with snags, legacy trees, advanced regeneration and seed trees where appropriate. MRC meets the indicators in 6.3.e and f.

6.5.1 to 6.5.s under Stream and Water Quality Protection

Finding: The California forest practice regulations are, for the most part, more stringent than the PCWG standards. PCWG Category A streams equate to the California's Class I streams. Category B and C streams equate to California's Class II Streams and Category D streams equate to California's Class III streams. None of the PCWG stream categories have prohibitions of harvesting within the stream buffers. There are equipment exclusion buffers, which correspond readily to the California regulatory requirements. The largest difference between Category A and B streams and California's Class I and II protection is that the PCWG require that only unevenaged silvicultural systems be practiced within the outer buffers. MRC is currently under an interim agreement with the California Department of Fish and Game while they are developing their Natural Community Conservation Plan (NCCP). The agreement provides for buffers zones that generally exceed state requirements as an interim strategy for protecting Steelhead and Coho Salmon. For example, MRC has volunteered a no-cut buffer for Class I streams. This interim agreement will be in effect until MRC and the state agencies have agreed to and complete the NCCP. The auditors found that MRC's current stream buffer management meets or exceeds PCWG indicators 6.5.1 to 6.5.s. It is likely that the provisions of the final NCCP will also meet the PCWG standard. Future audits after the finalization of the NCCP will determine whether it is compatible with the PCWG standard.

MRC is restoring stream banks, replacing undersized or damaged culverts or converting culvert crossings to bridges. These mitigations are additional actions that result in the maintenance and, in many cases, a significant enhancement of stream and water quality. MRC meets the indicators in 6.5.1 to 6.5.s

Principle 8: Monitoring

8.2.d.3. Generation or maintenance of local jobs and public responses to management activities are monitored.

8.2.d.4. The influence of forest management on the viability of forest-based livelihoods is monitored, especially in the case of large forest holdings.

Finding: MRC belongs to the Mendocino Employers Council (MEC). They provide employment information to that organization which is used to monitor employment trends in the county. The MEC meets monthly to discuss and review employment related issues such as wage trends, job creation/loss, employment opportunities, economic forecasts, etc. The employment information is made publicly available. MRC places high importance on their membership, having either MRC President Richard Higgenbottom or Vice-President/Chief Forester Mike Jani attend the meetings. This type of monthly participation in a county-wide monitoring initiative is superior to individual in-house monitoring in that it allows for constant input and feedback that can be used by the participants for developing employment strategies, or preparing for economic fluctuations, in concert with other employers and government. Additionally, MRC provides employment figures to the county agriculture advisor. The agriculture advisor annually publishes the county agriculture and forestry employment figures. These figures provide the county Supervisors with information with which to develop public policy.

Public responses to management activities are monitored. Some of this monitoring comes through the forest practice regulations with regards to the Timber Harvest Plan public review process. Public responses to harvest plans are kept as a record both with the plan submitter and the state. Additionally, however, MRC monitors public responses to their management activities and puts issues of greatest concern on their website (<http://www.mrc.com/issue.html>). They get public responses from THP comments, letters to the newspaper editors, and websites. They have a forum on their website that allows the public to discuss MRC management activities and policies (<http://www.mrc.com/forum.html>).

MRC meets indicators in 8.2.d.3 and 8.2.d.4

8.2.d.5. The opportunity to jointly monitor sites of special significance is offered to tribal representatives in order to determine adequacy of the management prescriptions.

Finding: All Native American tribes and rancherias in the surrounding area are notified through the THP process per state regulations. The notification lets the tribes know where forest management activities will take place and asks them to participate in informing RPFs whether there are archeological sites or cultural sites that need protecting in a harvest area. In addition, if the operation finds an archeological site, they are required to notify the tribes. Additionally, MRC foresters have been personally contacting Rancherias about archeological sites, have been inviting tribal members to participate in the protection of such areas, and have been offering them the opportunity to utilize MRC forest for traditional purposes. For Example, MRC forester John Anderson personally contacted the Sherwood Valley Rancheria in an effort to have tribal members review the protection measures proposed for an archeological site found on MRC land near the Rancheria. Tribal members went out to the site and were satisfied with the protection measures. During the exchange, the tribal member asked if the elders could gather acorns on MRC lands and MRC gave them permission. Additionally, John Ramaley, MRC forester has been assigned to work with the local tribes and has volunteered to be a member of Mendocino County's archeological review committee. He has had meetings with some of the local tribes. MRC meets the indicator 8.2.d.5.

Principle 9: High Conservation Value Forest.

Finding: HCVF has been the focus of several CARs over the past two years. Most of those CARs have been closed. Elements of the CARs that needed to be completed are now found in CAR 01-

2003. MRC has areas designated and protected as HCFV (including the old growth areas mentioned above) and placed all of the current information regarding HCFV on their website for stakeholder to review and comment. Secondly, they are currently applying for a Habitat Conservation Plan (HCP) and Natural Communities Conservation Plan (NCCP). Both of these planning documents are government agency long-term biodiversity and endangered species conservation plans. In that they are granted by public agencies, there is a substantial public input component. Thirdly, MRC continues to meet with community watershed groups and individuals concerning HCFV and other issues. MRC meets all of Principle 9.

Chain of Custody

Has the FMO maintained an effective chain of custody control system? Yes

Comments about chain of custody: None

Has the FMO followed SmartWood/FSC labeling and logo use rules? Yes

Comments about labeling and logo use: None

Additional comments: None

2.2 Currently Applicable Conditions and Corrective Action Requests

FSC and SmartWood certification requires an active and focused commitment to addressing areas of deficiency in the overall operations, particularly as identified by conditions and corrective action requests. Conditions and corrective action requests must be addressed in earnest and with a commitment of resources (e.g., staff time) necessary to reach closure at or near the specified time frames.

The following provides a review of all certification conditions from the original assessment that are applicable to this audit. Any Corrective Action Requests (CAR) generated during past audits is also reviewed. For each condition/CAR a finding is presented along with a description of its current status using the following categories.

Condition/CAR Categories	Status	Explanation
Closed		Certified operation has successfully met condition/ CAR. Closed indicates the condition/CAR does not need to be revisited in future audits.
Not met		Certified operation has <u>not met</u> the condition/CAR. A new CAR must be developed defining the remaining unmet elements of the original condition/ CAR, including a timetable for completion.
Partially met		Certified operation has <u>partially met</u> the condition/ CAR. A new CAR must be developed defining the remaining unmet elements of the original condition/ CAR, including a timetable for completion.

Met/Ongoing	Certified operation has satisfactorily met the condition/CAR, but it has not been closed, must be revisited at each subsequent audit.
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<p>CAR 01-2002: Within 1 month of receipt of this annual audit report, a memo must be distributed to all field staff regarding compliance with the Forest Practice Regulations water drafting limits. Before next logging season, the company must complete the stream flow research, provide the results to CDF&G and the public (such as posting a summary of the data on the company's web site) and take all actions within the company's discretion to expeditiously obtain the necessary permits from CDF&G to draft water.</p>	
<p>Finding: Tom Shultz sent a memo to the forestry staff, cced to SW auditors, informing them of the California Forest Practice Regulations concerning water-drafting limits. In addition, Tom Surfleet developed a comprehensive water-drafting plan for the Greenwood Creek, Navarro and Albion River. These plans provide detail guidelines, protocols, procedures and monitoring for water drafting water from either a Class I or Class II stream. The water-drafting plans have been submitted to the California Department of Fish and Game. CDF&G has approved two of these plans to date.</p>	
<p>Status: Closed at the mid year 2003 audit.</p>	
<p>CAR-02-2002: Within 6 months of receipt of this audit report, MRC must design and begin to implement a training program that effectively:</p> <ul style="list-style-type: none"> • Identifies gaps or strengths in the collective knowledge base of the staff • Articulates the goals, objectives and company philosophy to all staff in a way that they understand what MRC is trying to achieve on the ground • Improves the professional field staff's (e.g., area foresters) working knowledge of the FSC Principles and Criteria and the corrective action requests presently attached to MRC's certification • Improves the professional field staff's working knowledge of key MRC policies and any other elements important to MRC's forest management. • Assures a higher level of consistency in the effectiveness of area foresters in manifesting a commitment to the FSC Principles and Criteria and the MRC "Purpose and Principles", in the field and in their interactions with outside stakeholders such as agency personnel, neighbors, activists and members of the regional forestry community 	

Finding: Mike Jani met individually in May with each company forester to reiterate the company's commitment to FSC certification and sustainable forest management. It was especially emphasized that MRC is committed to Principle #4 *Community Relations and Worker's Rights*. Mike Jani expressed to each of the area foresters why MRC must go above and beyond what other companies might have to do in this arena to overcome distrust built up over many years under the former owner. In addition, all MRC employees have received the FSC pocket guide that explains the FSC principles and criteria for forest management. During the field audit on September 24th and 25th, the auditors noticed that several of the area foresters had the FSC pocket guide in their possession. As an example of their heightened understanding, issues involving high conservation value forests and FSC old growth definitions, in the context of MRC management, were discussed between the auditors and MRC foresters and biologists in the field.

New employee performance reviews have been developed (see below). Weaknesses found in the employee performance will determine (to some degree) areas where training/education could be beneficial. Additionally, MRC has developed a stewardship checklist that is reviewed during the planning of a project and at the project's conclusion. The checklist is intended to ensure that the project is planned and conducted in a manner that is consistent with MRC stewardship policies and is part of the employee review process.

The foresters are attending short-courses, seminars and workshops that provide training in specific areas of forest management, ecology, archeology, geology, etc. The purpose is for both the company and the individual to fill identified gaps in their knowledge of forest management and/or regulatory issues.

Additionally, MRC has been currently interviewing a candidate for Director of Stewardship. This person will be responsible for making sure that MRC staff continues to upgrade their knowledge base, particularly with regards to forest stewardship issues.

Status: Closed

CAR-03-2002: Within 6 months of receipt of this audit report, MRC must reinstate and implement a performance evaluation program that:

- **Measures staff and contractor field performance—and interactions with external entities such as regulatory agencies and the general public--in terms of conforming with MRC's philosophy, goals and objectives**
- **Measures the success of the training program**
- **Appropriately recognizes staff and contractors for exemplary performance**

Finding: A new employee performance review system has been developed. All employee performance reviews have been standardized. Performance reviews for the forestry and biology department staff occur bi-annually. The performance reviews include evaluating staff interactions with agencies and the public and adherence to MRC's philosophy, goals, and objectives. The performance reviews will also enable supervisors to determine whether workshops, seminars and training programs attended by staff is having a positive impact on performance.

MRC hired a third party to research the wage ranges for employees in the timber industry as a way to establish fair value for employee compensation. They then developed a process for ensuring that all employees are at, or will come within over time, the market value for their position. The further an employee is from market value, the more frequent the pay raise intervals. The design of a new salary structure includes an incentive portion that enables exemplary performance to be rewarded. The emphasis for employee performance is more a measure of completing quality work and conforming to MRC's mission rather than meeting financial targets.

In addition, the contractor performance reviews have been reinstated. Foresters complete a contractor performance evaluation at the end of the season. In December of last year they gave gift certificates to every one of their contractor's employees.

Status: Closed

CAR-04-2002: Within 3 months of receipt of this annual audit report, MRC must complete a workload and staffing needs assessment expressly oriented towards the company's certification commitments and the public commitment to its "Purpose and Principles." Where staffing necessary to fully honor these commitments is found to be lacking, the company must take rapid action to fill relevant vacancies. It is the strong preference of the audit team that MRC begin to take actions to fill the vacant Director of Stewardship position at the earliest practicable time.

Finding: In a written response to the auditors, MRC stated that management has discussed the personnel issues internally and has concluded that the Director of Stewardship should be filled. However, MRC maintains that other staffing levels are balanced to meet both the company's economic and stewardship goals. For example, while the wildlife staff has been reduced, strategies have been implemented that enable MRC to adequately assess the presence and distribution of wildlife populations and selected indicator plant species as well as wildlife habitat types and conditions on their lands.

It is anticipated that a Director of Stewardship will be hired shortly. In the interim MRC staff has filled in to ensure that many of the initiatives introduced by the former Director of Stewardship, Nancy Budge, continue to progress. Ms. Budge continues to consult with MRC on certain issues as well.

Status: Closed at the mid year 2003 audit

CAR-05-2002: By the end of 2003, a reserve system (including areas designated as HCVF) must be completed that has an ecological basis and that provides for connectivity, over time, between habitats across the landscape. The reserve system will be peer reviewed by a scientific panel.

Finding: Progress is being made in developing the reserve system. Elements of the reserve system can be found on MRC's website. The reserve system will be peer reviewed as a part of the HCP/NCCP process. A science panel, facilitated by UC Berkeley Forestry Extension, was convened for the peer review and they are in the process of completing a report.

The HCP/NCCP process is going slowly but surely. The auditors are confident that MRC is moving towards compliance with this CAR. Therefore, CAR 05-2002 will be closed and a new CAR 01-2003 will more accurately coincide with the progress being made.

Status: Closed	CAR 01-2003: In conjunction with and no later than the date of finalization of the HCP/NCCP, MRC managers must complete and make public the initial delineation and outside review of its reserve system that includes and integrates areas categorized as high conservation value forest. Outside review must include scientific peer review as well as opportunities for comment and input from the general public.
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CAR 06-2002: Within 6 months of receipt of this annual audit report, MRC must prepare a publicly available summary document that describes the company's policy for and progress in defining, identifying and appropriately managing areas of High Conservation Value (Also see CAR 07-2002)

Finding: The company has put an impressive amount of detailed information on their website with regards to identification, definition and management of HCVF, reserve areas, riparian areas, stream zones, special/unique habitats and endangered species. This disclosure of information to the public is exemplary even in terms of FSC certified companies. It is the standard by which others could be measured. The information with regards to HCVF can be found at: http://www.mrc.com/maps_charts.html

Status: Closed at the mid-year audit.	
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- CAR-07-2002: Within 6 months:**
- **Consult with community members and other appropriate stakeholders, in the definition and interpretation, on the ground, of high conservation value (HCV) forests.**
 - **The HCVF definitions and areas identified as HCVF, as a result of the stakeholder consultations, will be documented and made public.**
 - **Final designations of HCVF will become part of the landscape plan and be made public.**

Finding: The approach taken by Mendocino Redwood Company to this issue is appropriate and thorough. First, in December 2002, they have placed all of the current information regarding HCFV on their website for stakeholder to review and comment. As stated above, the information provided is on the leading edge of FSC public disclosure. Secondly, they are currently applying for a Habitat Conservation Plan (HCP) and Natural Communities Conservation Plan (NCCP). Both of these planning documents are government agency long-term biodiversity and endangered species conservation plans. In that they are granted by public agencies, there is a substantial public input component. Although MRC has been moving through these processes for the last two or three years, the public review component and completion date is still unpredictable given the complexities of the approval process. As has been stated earlier, scoping sessions with the public have taken place during 2002 (getting public input while developing the plan) and public input will be sought again, to discuss the alternative conservation scenarios analysis of the HCP/NCCP. Thirdly, MRC continues to meet with community watershed groups and individuals concerning HCFV and other issues.

Only until the HCP and NCCP are completed will they be able to compare their designations of HCFV with the public's expectations. Although this CAR is not completed, the auditors feel justified to close this CAR and combine the unfinished elements with CAR 01-2003 above.

Status: Closed

CAR-08-2002: Within 4 months of receipt of this annual audit report, MRC must submit to SmartWood a written report as to accomplishments made in following up on a commitment presently posted on the company's web site:

“Goal: To determine a longer-term strategy to provide for the eventual elimination of chemicals per the Forest Stewardship Council guidelines. This strategy will utilize the concepts of integrated pest management and will include a landscape view of total vegetation management needs, continued evaluation of the efficacy of alternatives, and the design of harvesting practices to end the need for any routine chemical use. This strategy will be reviewed by outside experts and be made available to the public by the end of 2001.”

Findings:

- 1) MRC has categorized the types of vegetation treatments into:
 1. 'A' projects: Post 1998 projects that need treatment to avoid losing the site to hardwoods.
 2. 'A Legacy' projects: Pre 1998 projects that need treatment to avoid losing the site to hardwoods.
 3. 'B' projects: Designed to release and enhance conifer stocking.
- 2) An analysis has been conducted which shows the treatments anticipated for 2003 have been categorized by Financial Tract and category type. The amount of active ingredient has been summed by category to estimate the anticipated percent reduction from the 1999 base year.
- 3) MRC is designing a process to create an algorithm that will serve as a guideline for determining which stands should receive vegetation management treatments. The process uses data from MRC's inventory and produces summary statistics for a set of certain chosen stands. These same stands are displayed using visualization software. Foresters will be asked to assign a prescription to each stand given MRC silviculture policies and herbicide reduction goals. The results will be used to develop logic that will enable landscape planning tools to assess the amount of land subject to various forms of vegetation management. Using landscape-planning tools, MRC will also be able to assess the demand for vegetation management in the future. However, a field review of the herbicide application practices revealed that stand-wide analysis might be too coarse of a decision filter. The auditors witnessed areas where stands had multiple vegetation management issues. Stands were viewed where the tanoak was treated with herbicides, although conifers had already dominated nearly half of the stand. In the view of the auditors, these areas did not need an herbicide application. Other areas, in the same stand, were dominated by tanoak and the treatment was appropriate. MRC's has made an excellent effort to reduce herbicide use, however, instances like these indicate that more could be accomplished without extraordinary additional effort (See CAR 02-2003 b)
- 4) MRC silviculture is based on strategies to move forested stands toward a more conifer-dominated condition. These stands are to eventually be managed using uneven aged techniques. Once this objective is realized, it is anticipated that the routine use of herbicides should be eliminated.

The strategies have not been memorialized in a cohesive document and have not been reviewed by outside experts or been made publicly available. However, in light of the information provided for this CAR, CAR 09-2002 and CAR 10-2002, it appears that MRC's strategies have evolved since their original public statements in 1999 and 2000. Therefore the auditors prefer to close this CAR, given MRC's good faith attempt to make good on their public commitments and reduce chemical use, and replace it with CAR 02-2003a that is directed at changing strategies and updating MRC public statements.

<p>Status: Closed</p>	<p>CAR 02-2003:</p> <p>a) Within 30 days of receipt of the 2003 annual audit reports, MRC must update its public statements and commitments regarding chemical use, as found on the company web site, to more accurately reflect what the company now considers to be attainable yet aggressive goals for continued reduction in chemical use. The revised statements on the web site should provide explanation and justification for revisions from the current public commitments.</p> <p>b) Over the next 3 months, MRC senior staff (Chief Forester and Timberlands Manager) must undertake an initiative of on-site field review and critique with all field staff involved in chemical use decisions, for the</p>
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	purpose of helping these staff to more selectively employ chemicals on a micro/patch/oak clump basis rather than a stand-wide basis.
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CAR 09-2002: At the time of the next annual audit (roughly at the end of the 2003 operating season), MRC must be able to preliminarily demonstrate that it has reduced chemical use to less than 40% of 1999 levels, per the public commitments made at the time of award of certification and presently posted on the MRC web site. Final demonstration that MRC has met its public commitment can wait until the 2003 year-end data on chemical use is tabulated.

Finding: MRC presented their 2003 chemical use data to the auditors for review. Indeed it did show reductions of chemical use to 40% of 1999 levels. Those reductions have not been in acres treated, but in volume of chemicals used. Part of the reduction can be attributed to more targeted and powerful (not necessarily more toxic) chemicals. However, the use rate may increase again in the next few years given the condition of MRC's forest. The self-imposed constraint on chemical use is now viewed by MRC as not necessarily prudent. A better approach is looking over the longer term and shoot for benchmarks as suggested by their timeline discussed below. The auditors consider this condition met and closed, however, because chemical use is likely to fluctuate, possibly exceeding the 40% reduction level in the next few years, the auditors refer MRC to CAR 02-2003a.

Status: Closed	See CAR 02-2003a
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CAR-10-2002: By the next audit:

- **A definitive, empirically-based timeline for the reduction and long-term elimination of herbicides, as a standard management tool, must be completed, documented and incorporated into the management plan.**
- **As part of the documentation of this strategy and timeline, MRC must specify in its management plan the general prioritization scheme that will determine when and where chemicals will be used.**

Finding: MRC has developed a model to assist in estimating future herbicide requirements that will help reduce hardwood competition (mostly tanoak) allowing the development of denser and larger conifer stands. The model assumes that herbicide treatments are an option to assist in achieving reforestation objectives only when associated with certain silviculture regimes. Monitoring levels of past herbicide usage associated with silvicultural treatments provided the basis for developing average herbicide application rates for the silvicultural treatments used by MRC. Because MRC's Landscape Planning Model predicts silvicultural treatments into the future, MRC can therefore predict herbicide use. The model predicts herbicide usage (gallons per acre and pound of active ingredient per acre) per silvicultural treatment and location of the stand (herbicide rates will change if, for example, the stand is next to a stream where, according to their herbicide policy, herbicides would not be used).

MRC management is moving toward unevenaged management over time. They assume that those stands treated with unevenaged silviculture require a less amount of herbicide to ensure satisfactory conifer stocking than those stands treated with evenaged silviculture. Application rates, therefore should decline on a per acre basis as MRC shifts toward uneven aged management on a larger proportion of its ownership. It is expected that most of MRC's lands will be managed using uneven aged silviculture by 2020.

MRC identified four scenarios as potential management courses of action to address competition associated with reforestation activities. The results defined a range of potential herbicide use into the future. All scenarios showed significant reduction of herbicides over the next 47 years (to 2050). Scenario IV showed total elimination of herbicides by the year 2021.

The model, timeline and scenarios are brilliantly conceived. The data used for the model was empirically based; the scenarios are realistic and achievable.

Status: Closed

See CAR 02-2003

CAR 11-2002: Within 1 month of receipt of this annual audit report, MRC must select and employ an additional mechanism (beyond the HCP workshops) for publicly disseminating the quantitative results (timber inventory and projected harvest data) of the landscape planning process, making this information available at the disaggregated level of each inventory block. Posting these results on the company's web site is the preferred means.

Finding: MRC has put detailed inventory, growth and harvest information for each inventory block on their website. They have five-year incremental projections of conifer inventory (per block and per acre), growth (per period and per year), growth percentage, harvest (per period and per year), acres harvested, volume harvested per acre and hardwood volume. This disclosure of this inventory, growth and harvest information to the public exceeds what would normally be required even in terms of FSC certified companies. The information with regards to inventory, growth and harvest can be found at: http://www.mrc.com/maps_charts.html

Status: Closed at the mid year audit.

CAR 12-2002: At the time of the next annual audit, MRC must be able to demonstrate to the audit team that it has made significant progress--beginning now and continuing over the next year--in fostering more active and affirmative lines of communication and interaction with neighboring rancherías. This will require direct personal contact between MRC staff and rancheria representatives, to explain and receive input on MRC's management practices and polices.

Finding: MRC foresters have been personally contacting Rancherias about archeological sites, have been inviting tribal members to participate in the protection of such areas, and have been offering them the opportunity to utilize MRC forest for traditional purposes. For Example, MRC forester John Anderson personally contacted the Sherwood Valley Rancheria in an effort to have tribal members review the protection measures proposed for an archeological site found on MRC land near the Rancheria. Tribal members went out to the site and were satisfied with the protection measures. During the exchange, the tribal member asked if the elders could gather acorns on MRC lands and MRC gave them permission. Additionally, John Ramaley, MRC forester has been assigned to work with the local tribes and has volunteered to be a member of Mendocino County’s archeological review committee. He has had meetings with some of the local tribes..

Status: Closed

CAR 13-2002: By the time of the next annual audit report, MRC must provide to SmartWood a comprehensive yet concise summary of all activities undertaken by MRC staff and/or contractors that can credibly considered to be contributing to the collection, collation and operational use of field data on the presence and distribution of wildlife populations and selected indicator plant species as well as wildlife habitat types and conditions. Such efforts should include but not be limited to “listed species.”

Finding: MRC presented the auditors with an inventory list of terrestrial species that they are currently monitoring. In addition, they provided the auditors with monitoring protocols. The terrestrial species list includes both state and federal threatened and endangered species as well as the distribution of wildlife populations and habitat types. They have kept information on incidental sightings, track plate surveys, a variety of raptor surveys, herpetological surveys, habitat surveys such as snags, old growth, LDW, wildlife/legacy tree, nest tree. Habitat is monitored as well as soils (erosion, mass wasting), streams (temperature, turbidity, bulk gravel, instream woody debris), and canopy closure (density, ambient air temperature). These documents presented a clear and concise summary of their activities with regards to this CAR.

Additionally the MRC biologists are doing a number of further targeted studies and surveys for such things as songbirds, small mammals, and Point Area mountain beaver. The biologists are also consulting with the foresters to help them identify habitat, survey for endangered species and design protection measures. The foresters likewise are informing the biologist about wildlife habitat that they encounter and consult with the biologists on solutions for difficult harvesting/wildlife protection issues. Wildlife and plant data are now available for the forester to use for developing timber harvest plans. There is a new (to the auditors) sense of cooperation between the foresters and biologists. The auditors were impressed by the teamwork displayed between all staff within the forestry department (forestry, biology, GIS).

Status: Closed

CAR 14-2002: Within 2 months of receipt of this annual audit report, MRC must submit to SmartWood a written memorandum that clearly describes the form and framework of the umbrella management plan document, functionally equivalent to a SYP or PTEIR that will be developed. This memorandum must also specify the means by which public input and feedback will be sought in the course of developing and finalizing the umbrella management plan document.

Finding: During the May 2, 2003 phone interview with Mike Jani and John Nickerson, the auditors received the information sought in the memorandum specified in CAR 14-2002. The intent of this CAR was to ensure that in the establishment of MRC's long-term management plans the public was assured of a formal input process. State law requires public input be taken into consideration during the development of the SYP or PTEIR and that the regulating agencies justify to the public the approval of those reports. MRC is committed to filing both an HCP and NCCP. Both are in the process of going through the state regulatory review process. Both require public disclosure and input and justification for approval equivalent to the SYP, PTEIR process. The completion of the landscape plan, the watershed analysis and management plan, and the disclosure of those documents on the company website, coupled with development of the HCP/NCCP, has resulted in a process and management planning documents that the auditors accept as an umbrella plan equivalent to an SYP or PTEIR.

Status: Closed at the mid year audit.	
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CAR 15-2002: Within 6 months of completion of the HCP/NCCP, MRC must complete and publicly distribute the umbrella management plan document.

Finding: MRC is still diligently working towards the completion of the HCP/NCCP. They have been in the process for the last two or three years and completion date is still unpredictable given the complexities of the review and approval process. This CAR will be carried forward as CAR 03-2003.

Status: Met/Ongoing	CAR 03-2003: Within 6 months of completion of the HCP/NCCP, MRC must complete and publicly distribute the umbrella management plan document.
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