



SmartWood

Practical conservation through certified forestry

SmartWood Forest Management Annual Audit Report

Operation Name: Mendocino Redwood Company, LLC

Official Audit Year: 2004

SW-FM/COC- 128

1. PUBLIC SUMMARY INFORMATION

Note: 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: 2004

B. Dates of Audit:

- Field reconnaissance -August 17/18, 2004;
- Draft Report for audit team review- September 23, 2004
- Draft Report to MRC- October 19, 2004

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 14 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 120 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 22 training workshops in North America and Asia and is the co-author of a book on certification with ecologist 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 is a founding member of the FSC and served on the Board of Directors. 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.

D. Audit Overview:

Mendocino Redwood Company, LLC (MRC) is a forestland ownership and management operation in Calpella, California. MRC has sister manufacturing companies: Mendocino Forest Products Company, LLC, TrueGuard, LLC and Mendocino Fencing Company, LLC. MRC achieved FSC forest management certification on November 15, 2000. The Mendocino Forest Products and TrueGuard received FSC chain of custody certificates in December 2000.

The primary objective of this SmartWood audit is to verify that the corrective action requests (CARs) required to be completed by the 2004 annual audit of MRC are being met and that MRC's forest management continues to meet the FSC Principles and Criteria by maintaining conformance with the FSC Pacific Coast regional standards. To accomplish this objective, auditors Walter Smith and Robert Hrubes conducted interviews with MRC staff, reviewed

documents, the MRC Website and annual reports and visited field sites to assess on-the-ground forest management practices. This is MRC's fourth annual audit.

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 SCS 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.

On August 17th the auditors met with MRC staff at their Calpella offices. The staff provided the auditors with an overview of the preceding year's activities, evidence of meeting the CARs, plans for the upcoming year and general overview of the future direction of the company. Later in the day, the auditors and MRC staff toured field sites that included planned harvesting in Type 2 old growth¹ forests and pre-harvest herbicide treatments. The following day, the auditors and MRC staff visited herbicide, road construction and logging sites.

E. Sites Visited:

- Big River Watershed
- Albion River Watershed
- Garcia River Watershed

F. Personnel Interviewed:

The following people were consulted during this audit:

Person interviewed	Position/Organization
Richard Higgenbottom	President, Mendocino Companies
Mike Jani	Vice President, Chief Forester
Tom Shultz	Timberlands Manager
Adam Steinbuck	Stewardship Director
John Nickerson	GIS/Inventory Manager
Andy Armstrong	Reforestation Forester
Robert Douglas	Biologist
Jon Woessner	Area Forester
Robb Rempel	Area Forester
Russ Shively	Area Forester
John Anderson	Area Forester

G. Documentation reviewed:

- 2003 Audit Report
- MRC Website
- MRC Annual Report to the Certifiers
 - Harvest Summary for 2003/2004
 - Harvest Maps
 - Response to 2003 CARs
 - Herbicide use matrix

¹ Type 2 old growth is defined by the FSC Pacific Coast standards as “old unlogged stands smaller than 20 acres that are not classified as Type 1, and other stands of at least 3 contiguous acres that have been logged, but which retain significant late-successional/old-growth structure and functions”.

- Site visit maps

1.2 General Audit Findings and Conclusions

MRC continues its commitment to the forest stewardship ethic established at the founding of the company and to the principles of the FSC. Adam Steinbuck was promoted to Director of Stewardship to fill the void left by the resignation of Nancy Budge. Adam has been with MRC since they bought the forestlands in 1998. The stewardship director is an important element of MRC's core forest management team with the responsibility of ensuring that forest management practices are meeting the stewardship goals of the company. Mr. Steinbuck reports directly to the Chief Forester.

The auditors were presented with a well-prepared report detailing MRC's response to the 2003 CARs, annual harvest volumes and herbicide usage. MRC continues to work on their federal Habitat Conservation Plan (HCP) and state Natural Communities Conservation Plan (NCCP). Both of these planning documents are voluntary 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. A science panel, facilitated by UC Berkeley Forestry Extension, was convened for the peer review of the NCCP. The forest scientists have reviewed and commented on the conservation measures proposed by MRC. Included in their conservation measures to be reviewed by the scientist and public are a reserve system and the designation and protection of High Conservation Value Forests². The company has put an impressive amount of detailed information on their website with regard to identification, definition and management of HCVF, reserve areas, riparian areas, stream zones, special/unique habitats and endangered species. The information regarding HCVF can be found at: www.mrc.com/maps_charts. The first draft of the reviewed NCCP report can be found at: www.mrc/pdf/ScientificAdvisorNCCPReport.pdf

MRC made aggressive commitments to the reduction in pesticide use when they bought the property in 1998. Although they achieved their goal of a 60% reduction of pesticide use over the first four years of the company's tenure, the continued use of herbicides will fluctuate over the next 20 years given the needs for controlling vegetation. MRC has modified their public position on the use of herbicides in accordance with site specific analyses that shows the significant legacy of vegetation problems passed on to them by management decisions of past owners. MRC is restoring its forestlands that are hardwood dominated to more natural conifer dominated forest. The new MRC public commitment to the responsible use of herbicides can be found at www.mrc.com/issues/herbicides/

The audit team's general findings are that MRC have closed all but 2 CARs. Two CARs are ongoing due to the lengthy HCP/NCCP process. Therefore, the audit team recommends that Mendocino Redwood Company, LLC retain their SmartWood/FSC certification.

² FSC High Conservation Value Forest attributes definition:

“a) forest areas containing globally, regionally or nationally significant : concentrations of biodiversity values (e.g. endemism, endangered species, refugia); and/or large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance

b) forest areas that are in or contain rare, threatened or endangered ecosystems

c) forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control)

d) forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health) and/or critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities)”.

1.3 Status of Conditions and Corrective Action Requests (CARs)

A. Compliance Summary of Previously Issued Conditions and CARs

CAR 01-2003: Met/Ongoing

CAR 02-2003: Closed

CAR 03-2003: Met/Ongoing

All conditions and CARs issued during the initial assessment and subsequent audits have been closed or are met and ongoing. CAR 1-2003 and 3-2003 are the met/ongoing CARs.

B. New CARs Issued in this Audit

None

2. CONFIDENTIAL AUDIT FINDINGS

Note: 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	Y	Y	Y	Y	Y	Y	Y	Y	Y	N/A

Explanation of Noncompliance (if applicable): Not applicable.

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

Comments about chain of custody: The chain of custody control system is working well. All logs from MRC certified forestlands are accompanied through the forest gate to sawmills by a trip ticket with the MRC certification code. MRC has provided the auditors with an annual accounting of logs delivered to sawmills by logging operation and harvest unit.

MRC Log Sales: 2003 Logging season (2004 had not been completed)

SALE UNIT/GROUP MEMBER	PURCHASER and FSC CODE NUMBER (if applicable)	CERTIFIED PRODUCTS	VOLUME (UNITS)	SPECIES
All MRC	MFP Ft. Bragg SW-COC-333	Logs	35,200 BF	Redwood
All	MFP Ft. Bragg SW-COC-333	Logs	1,136,570 BF	Douglas fir
All	MFP Ukiah SW-COC-352	Logs	14,734,800 BF	Redwood
All	MFP Ukiah SW-COC-352	Logs	4,147,000 BF	Douglas fir
All	MFP Ukiah SW-COC-352	Logs	478,000 BF	White fir/hemlock
All	Pacific States/Redwd Empire SW-COC-482	Logs	2,267,890 BF	Redwood

All	Harwood Products SW-COC-013	Logs	423,830 BF	Redwood
All	Harwood Products SW-COC-013	Logs	4,679,770 BF	Douglas fir
All	Harwood Products SW-COC-013	Logs	35,400 BF	White fir/hemlock
All	PALCO N/A	Logs	38,300 BF	Redwood
All	PALCO N/A	Logs	3,700 BF	Douglas fir
All	Willits Redwood SW-COC-568	Logs	916,060 BF	Redwood

Has the FMO followed SmartWood/FSC labeling and logo use rules: No

Comments about labeling and logo use: A brochure was prepared about MRC forest management and their FSC certification. The logo use in the brochure is not in compliance with FSC rules. MRC needs to list their certification code numbers and a statement of copyright. The logo must consist of 5 parts:

- The FSC logo
- Copyright symbol
- Off-product statement
- FSC copyright claim
- Certificate number.

SmartWood and MRC records show that MRC staff did send the brochure to SmartWood for review. The SmartWood US Regional Manager approved the use of a quote in the brochure by SmartWood's Senior Technical Specialist Water Smith. However, there is no record at SmartWood that MRC staff followed the request from the Regional Manager to get approval of their use of the FSC logo from SmartWood's FSC designated agent. It appears that there was an unfortunate miscommunication regarding the approval of the logo.

SmartWood will not, however, issue a CAR. Adam Steinbuck has been in active consultation with SCS and SmartWood about the off-product use of the FSC, SCS and SmartWood logos since the field audit. SmartWood is confident that MRC will resolve this matter.

2005 Reassessment

The 2005 reassessment will require a larger, more diverse team than the previous two audits. Likely the team will consist of four members, two from each certifier: A forester, ecologist, sociologist and economist. The duration in the field may take from three to five days. The certification contract for SmartWood ends November 15, 2005. The reassessment, including signing of new contracts and issuance of a certificate, must be completed before that date. The reassessment should therefore take place no later than July 15, 2005.

2.2 Currently Applicable Conditions and Corrective Action Requests

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 are also reviewed. For each condition/CAR a finding is presented along with a description of its current status using the following categories. As is the case with certification conditions, failure to meet CARs may result in suspension or termination of a SmartWood certificate.

Status Categories	Explanation
Closed	Certified operation has successfully met condition/ CAR. Closed indicates the condition/CAR does not need to be revisited in future audits as the intent will be verified as part of normal auditing procedures.
Not met	Certified operation has <u>not met</u> the condition/CAR. A new CAR must be developed defining 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

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.

Finding: MRC is continuing their development of an HCP/NCCP. A scientific panel has reviewed the first draft of the proposed conservation measures. The proposed conservation measures include a reserve system. The scientific panel understands the term High Conservation Value Forest. Although the public has gotten an opportunity to give input into the initial scoping meetings for the HCP/NCCP, the process is still ongoing and will require further public comment. When the public comment is incorporated into the document the CAR can be closed.

The information regarding HCVF can be found at: www.mrc.com/maps_charts. The first draft of the reviewed NCCP report can be found at: www.mrc/pdf/ScientificAdvisorNCCPReport.pdf

MRC's first five-year certification contract with SmartWood ends November 15, 2005. Next year MRC will undergo a reassessment. At that time the CARs will be reevaluated and incorporated into the reassessment conditions if they are not yet completed.

Status: Met /ongoing

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 an 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

Finding: The changes to the public statements and commitments regarding chemical use were posted on the MRC website on February 19, 2004. The delay in making this change was due to a broken link on MRC's website. Over the last four years MRC has come to realize that their earlier proposed reductions were premature given the hardwood dominated condition of a significant portion of their forestlands. While they are seeking to continue reducing herbicide use (see discussion below), they need the flexibility to allow fluctuations in the amount of herbicide used on an annual basis. The new MRC public commitment to the responsible use of herbicides can be found at www.mrc.com/issues/herbicides/

A meeting was held March 11, 2004 on the Masonite road to discuss protocols for the site-specific

application of herbicides. Attendees at the meeting were Mike Jani, Tom Schultz, Adam Steinbuck, Andy Armstrong, Mike Powers, Colby Forrester and Pat Hovland. The discussion centered around the use of herbicides given moisture competition, canopy domination and site occupancy, including potentially excluding some areas, diameters and species. Trees were bored to assess growth and release in different competition scenarios.

An additional meeting was held in the Noyo watershed with Mike Jani, Adam Steinbuck, Andy Armstrong Robb Remple and John Anderson where they reviewed recent herbicide applications and discussed possible reductions in the treatment of intermediate and suppressed tanoak.

A pre-evaluation will be made on proposed treatment units. Herbicides will be applied on a case-by-case basis in an attempt to reduce herbicide use. An herbicide prescription form will be developed to describe in detail the treatment to be used. The prescription will be entered into a vegetation management database for tracking areas treated, alternatives used, and monitoring results. A meeting was held on August 24th to inform department staff about these new processes.

An additional note is that MRC is seeking a forester who can speak Spanish. A language barrier has existed between the MRC staff foresters and the herbicide application crewmembers. Although the crew's supervisor is generally bi-lingual, the more complex decision making about where, when and how to apply herbicides require a more direct communication link between MRC and the crew.

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

Finding: MRC clearly understand that they need an umbrella management plan document. They are currently revising their management plan and additional information will be pending the completion of the HCP/NCCP.
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Status: Met/Ongoing	
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APPENDIX I: Certification Information Update Form

CLIENT INFORMATION (contact info for *SmartWood List & SW website*)

Organization name	Mendocino Redwood Company, LLC		
Contract person	Adam Steinbuck	Title	Stewardship Director
Address	P.O. Box 390 6500 Durable Mill Road	Telephone	707.485.6758
Address	Calpella, California 95418	Fax	707.485.7918
Email	adamsteinbuck@mendoco.com	Web	www.mrc.com

PHYSICAL LOCATION OF CERTIFIED OPERATION (if different from above)

Address	

HARVESTING INFORMATION

(enter either)

Annual Allowable Cut	34,700 mbf	M ³
Annual log production	28,000 mbf	M ³
Total certified area	232,024 Acres	Hectares
Productive forest land area	232,024 Acres	Hectares
If Group Certification, Number of Properties	Properties	

PRODUCTS

Quantity

Units

Logs		

SPECIES

Scientific name	Common name
<i>Sequoia sempervirens</i>	redwood
<i>Pseudotsuga menziesii</i>	Douglas fir
<i>Abies grandis</i>	grand fir
<i>Tsuga heterophylla</i>	hemlock
<i>Pinus muricata</i>	Bishop pine