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Forest Management **2010 Annual audit** Report for:

Humboldt Redwood Company, LLC In Humboldt County, California USA

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Standard Conversions

1 mbf = 5.1 m³
1 cord = 2.55 m³
1 gallon (US) = 3.78541 liters

1 inch = 2.54 cm
1 foot = 0.3048 m
1 yard = 0.9144 m
1 mile = 1.60934 km
1 acre = 0.404687 hectares

1 pound = 0.4536 kg
1 US ton = 907.185 kg
1 UK ton = 1016.047 kg

1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Humboldt Redwood Company, hereafter referred to as Forest Management Enterprise (FME). The report presents the findings of SmartWood auditors who have evaluated company systems and performance against FSC forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through corrective action requests.

SmartWood audit reports include information which will become public information. Sections 1-3 will be posted on SmartWood's website according to FSC requirements. All appendices will remain confidential.

Dispute resolution: If SmartWood clients encounter organizations or individuals having concerns or comments about Rainforest Alliance / SmartWood and our services, these parties are strongly encouraged to contact SmartWood regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company's conformance with FSC and SmartWood requirements, the audit team makes the following recommendation:	
<input checked="" type="checkbox"/>	Certification requirements <u>met</u>, certificate maintenance recommended Upon acceptance of CAR(s) issued below
<input type="checkbox"/>	Certification requirements <u>not met</u>:
Additional comments:	The certificate holder has demonstrated continued overall conformance to the applicable Forest Stewardship Council standard. The combined SmartWood (SW)/Scientific Certification Systems (SCS) annual audit team recommends that the certificate be sustained, subject to subsequent annual audits and the HRC's response to any open Corrective Action Requests.
Issues identified as controversial or hard to evaluate.	HRC's relationship with stakeholders in the Freshwater and Elk River watersheds still appears strained or controversial due to downstream sedimentation that occurred under previous ownerships. Logging practices from the 1950s through the 1990s, in conjunction with storm events likely contributed to sediment plugging in the lower reaches of these watersheds. In addition, there were other land-use changes within the entire watershed (e.g., new housing). HRC is decommissioning several roads, conducting restoration of streams in the upper watersheds, and storm-proofing several roads. These actions are likely to prevent and mitigate the effects of future flooding in the upper reaches of these watersheds, as well as prevent excessive amounts of sediment from reaching lower portions. Much of the land in these two watersheds is off HRC property and has not undergone the

same level of mitigation and restoration activities, and still experiences flooding effects due to sedimentation. Many issues raised by stakeholders fall outside the scope of the FSC certificate as damage occurred before HRC acquired ownership. Furthermore, HRC has assumed the mitigation and restoration requirements on its lands leftover from these previous ownerships. HRC is working diligently to address these stakeholder concerns. They have engaged willing stakeholders in two tours of the HRC property, to illustrate work being done to address soil erosion and sedimentation concerns. While some stakeholders were still very upset, as expressed at the stakeholder meeting and through auditor interviews, all stakeholders admitted that the situation is much better under the current ownership than it has been in the past. For example, some stakeholders remarked that seeing slash left on skidder trails has in itself improved concerns over soil issues, if for no other reason than preventing off road vehicles from being able to run through the forest at will. The elimination of clear cutting was also mentioned favorably. HRC has also planned a third tour to take place within the next year.

2.2. Changes in the forest management of the FME and the associated effects on conformance with the standard.

HRC is in the process of finalizing the latest version of its forest management plan (FMP), which has been updated to include its response to minor CARs from the 2009 certification evaluation. Their selection harvests systems continue to employ both ground- and yarder-based equipment, but with improved use of best management practices. For example, many tractor logging operations employ the use of logging slash where possible on skid trails where logging is being completed. However, this is now being done while the logger is still operating on-site, thus reducing soil compaction and loss. Yarding corridors observed this year are narrower than those observed last year.

Due to the economic downturn of 2009, HRC decided that it would be unable to complete two provisions of the Habitat Conservation Plan (HCP) started under the previous ownership. One was the marbled murrelet surveys, which require seasonal staff to complete. The other was to not complete the annual 75 miles of storm-proofing on forest roads; however, 64.8 miles were completed instead. HRC did not notify state agencies of this decision until after last summer. Scheduling differences between HRC and agency staff led to some breakdowns in communication over this matter. By the time HRC and the state agencies were able to complete discussions on how to resolve this issue, the marbled murrelet survey season was over. In fall of 2009, HRC was able to work with state agencies and come up with a plan to return to work on the HCP monitoring and mitigation measures. For starters, HRC has been conducting marbled murrelet surveys this season. For completing the storm-proofing of forest roads, as required by the HCP, HRC has given the state agencies a schedule to increase the average length of road treated every year until the annual average again reaches 75 miles.

2.3. Stakeholder issues

HRC's relationship with stakeholders in the Freshwater and Elk River watersheds still appears to be strained due to downstream sedimentation that occurred under previous ownerships. Logging practices from the 1950s through the 1990s in conjunction with storm events likely contributed to sediment plugging in the lower reaches of these watersheds. In addition, there

were other land-use changes within the entire watershed (e.g., new houses). HRC is decommissioning several roads, conducting restoration of streams in the upper watersheds, and storm-proofing several roads. These actions are likely to prevent and mitigate the effects of future flooding in the upper reaches of these watersheds, as well as prevent excessive amounts of sediment from reaching lower portions. Much of the land in these two watersheds is off HRC property and has not undergone the same level of mitigation and restoration activities, and still experiences flooding effects due to legacy sedimentation. Many of the issues raised by stakeholders fall outside the scope of the certificate as damage occurred under the previous ownerships over the span few decades. Furthermore, HRC has assumed the mitigation and restoration requirements on its lands leftover from previous ownerships. HRC is working diligently to address these stakeholder concerns. They have engaged willing stakeholders in two tours of the HRC property, to illustrate work being done to address soil erosion and sedimentation concerns. While some stakeholders were still very upset, as expressed at the stakeholder meeting and through auditor interviews, all stakeholders admitted that the situation is much better under the current ownership than it has been in the past. For example, some stakeholders remarked that seeing slash left on skidder trails has in itself improved concerns over soil issues, if for no other reason than preventing off road vehicles from being able to run through the forest at will. The elimination of clear cutting was also mentioned favorably. HRC has also planned a third tour to take place within the next year.

2.4. Conformance with applicable corrective action requests and previous observations

The section below describes the activities of the certificate holder to address each applicable corrective action issued during previous evaluations. For each CAR a finding is presented along with a description of its current status using the following categories. Failure to meet CARs will result in non-conformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the SmartWood certificate if Major CARs are not met. The following classification is used to indicate the status of the CAR:

Status Categories	Explanation
Closed	Operation has successfully met the CAR.
Open	Operation has either <u>not met</u> or has <u>partially met</u> the CAR.

Check if N/A (there are no open CARs to review)

Non-conformance: HRC has not provided a written statement of commitment to the FSC P&C in its management plan or another official document.	
CAR 2009.1	HRC shall provide a written statement of commitment to manage its forest estate in accordance with the FSC P&C, endorsed by senior management and placed in the publicly available summary of the forest management plan or in another suitable document.
Deadline	Ninety days after award of certification.
Reference	FSC Criterion 1.6, Regional Indicator 1.6.a.
HRC Response	<p>Response prior to award of certificate: This will be incorporated into the Management Plan and the “About Us” documents on the Web site (hrcllc.com) no later than 90 days after award of certification.</p> <p>Response February 5, 2010: Our Web site has been updated to include HRC’s FSC certification</p>

	<p>numbers and expanded content.</p> <p>See page 18 of the “HRC Approach” and the “HRC Fact Sheet - FSC Certification paragraph” on the right of the following page: http://www.hrcllc.com/About-Overview.aspx</p> <p>See also: http://www.hrcllc.com/Key-Policies-FSC.aspx</p> <p>All HRC/MRC web page content must be reviewed and approved by senior management prior to publication.</p>
Auditor Comment	<p>The following text from HRC’s Key Policies page fulfills the part of this CAR related to its commitment to the FSC P&C: “There are lots of models for what it means to be a successful business, but few models for what it means to be successful in forest stewardship. About six months after starting into business, MRC determined that one of the best benchmarks for stewardship was Forest Stewardship Council (FSC) certification and publicly committed itself to achieving this goal. HRC also publicly committed to attaining FSC certification when it began as a business.”</p> <p>Since all Web site content must be reviewed and approved by senior management prior publication, this effectively qualifies as their endorsement of a written statement of commitment to manage HRC’s forest estate in accordance with the FSC P&C.</p>
Status of CAR:	As of February 5, 2010, this CAR is closed.

Non-conformance: In general, HRC allows customary and lawful uses of the forest to the extent that they are consistent with conservation of the forest resources, the objectives of forest management, and whereby such uses do not present a legal liability. According to HRC policy, individuals, groups, or businesses may gain access to the forest through legal contracts, permits or leases. However, there were some cases where individuals were working voluntarily on HRC’s forest holdings without a proper and available legal arrangement to reduce exposure of legal liability.	
CAR 2009.2	HRC shall develop and implement a process whereby volunteers can engage in stewardship activities on HRC lands without presenting a legal liability.
Deadline	First annual audit
Reference	FSC Criterion 2, Regional Indicator 2.2.b.
HRC Response	A signed, non-transferable entry permit is now required for all volunteers, which includes a liability release and indemnity statement. HRC’s public access policy is available on page 62 of the management plan. In addition, we have provided a sample entry permit to the auditing team.
Auditor Comment	A copy of the signed, non-transferable entry permit was provided to the auditors. HRC’s actions were sufficient to close this CAR.
Status of CAR:	This CAR is closed.

Non-conformance: HRC engages a number of individuals and groups affected by management operations and who are apprised of proposed forest activities (e.g., timber harvesting) and associated environmental and aesthetic effects to solicit their comments or concerns. However, such interactions are not formally documented and addressed in

management plans and operations. As such, there is inadequate evidence of how HRC assesses social impacts and how such impacts are considered in the course of managing the forest estate.	
CAR 2009.3	HRC shall develop and implement a process whereby there is clear evidence that socio-economic interactions, considerations, and impacts are duly assessed, recorded, and incorporated into management planning and operations.
Deadline	First annual audit
Reference	FSC Criterion 4.4; Regional Indicator 4.4.b.
HRC Response	<p>HRC decided to combine its response to CARs 2009.3 and 2009.13.</p> <p>HRC staff held a series of meetings with an independent social scientist over 2009-10 to develop its social impact assessment and monitoring program. Once the process was developed, HRC initiated its implementation. The first step was to hold a scoping session, in which key socio-economic issues and interest groups were identified. In cooperation with the social scientist, HRC then developed a <i>Social Issues Matrix</i> that was distributed among staff to receive feedback on the content and ranking system. The <i>Matrix</i> includes stakeholder groups, the interactions between HRC and these groups, and an importance ranking in order to determine which interactions warrant more focused attention or monitoring in management planning and operations.</p> <p>In September of 2010, HRC will distribute a focused survey and meet with external stakeholders. Once the results of this meeting and survey have been analyzed, HRC will select 2-3 socio-economic issues and develop a monitoring plan and instrument. In the spring of 2011, HRC will distribute its monitoring survey and analyze its results from September to December 2011. The management plan will be revised as necessary to respond to the results of social impact assessment. See also HRC's Forest Management Plan pages 74-75.</p> <p>HRC has provided the auditing team with a current list of full-time and seasonal jobs at both Redwood Companies. HRC currently employs more workers than the Mendocino Redwood Company.</p> <p>HRC has decided to hold an annual meeting every fall to solicit public responses to management activities, including those related to socio-economic impact and High Conservation Value Forests.</p> <p>Texts consulted in the development of HRC's social impact assessment and monitoring program include <i>Socioeconomic Monitoring and Forest Management</i> by Susan Charnley (2007); <i>A Comprehensive Guide for Social Impact Assessment</i> by the Centre for Good Governance (2006); and <i>Forest Indicator Tools for Communities: Indicator ToolKit</i> by the Sustainable Measures, Inc. American Forests (2003).</p> <p>Texts consulted in the development of HRC's social impact monitoring include <i>Healthy Communities Healthy Forest: A Handbook on Social Monitoring for Forest Stewardship Council certified landowners, Mendocino and Humboldt Counties, California</i> published by Stanford University (Spring</p>

	2008).
Auditor Comment	HRC's actions are sufficient to warrant closing this CAR. The auditing team notes that HRC's tracking of non-timber revenue sources and grazing units also assists in its socio-economic monitoring.
Status of CAR:	This CAR is closed.

Non-conformance: HRC engages in or allows the utilization of non-timber products on its land holdings, including grazing, the installation of communication sites, and the harvesting of tree branches and other plant parts for ornamental products. These activities and their associated impacts are not fully considered in the management plan.	
CAR 2009.4	HRC shall fortify the treatment of non-timber-income-generating activities in the management plan to ensure that they are carried out in a way that is consistent with the management plan and with conservation of the forest resource.
Deadline	First annual audit
Reference	FSC Criterion 5.2, Regional Indicator 5.2.d.
HRC Response	All activities are controlled through entry permits and leases so that they are consistent with the conservation of the forest resource. See pages 67-71 of the management plan. HRC provided the audit team with a summary of revenue from non-timber forest products and services for 2009, which includes grazing leases, communication sites, domestic water supply, hunting, and leases for user groups. The two most significant sources of income from non-timber income are communication sites and grazing leases. HRC's grazing lease policy addresses its compatibility with the conservation of the forest resource.
Auditor Comment	HRC has addressed the most significant sources of non-timber income and outlined what further research into this area can be done in the future should the opportunity arise. The grazing policy covers numbers of animals, rotation length, gates/fences, overwintering, supplemental feed, water supply, and watercourse protection. Communications sites amount to less than 0.01% of HRC's property and are accessed principally through existing forest roads that fall under the HCP's guidelines for storm-proofing and maintenance to prevent sediment delivery to watercourses.
Status of CAR:	This CAR is closed.

Non-conformance: HRC managers, citing past management experience under its sister company, MRC, have stated that a major focus of forest management is on the production of Coastal redwood (<i>Sequoia sempervirens</i>) lumber. Thus, HRC is encouraging the inter-planting of Coastal redwood on Douglas-fir (<i>Pseudotsuga menziesii</i>) dominated sites where Coastal redwood may or may not be ecologically suitable or may have not occurred in recent ecological history (~150 years). There are instances where efforts to establish redwood on Douglas-fir dominated sites could be considered a type conversion.	
CAR 2009.5	HRC shall develop a risk-assessment tool to ensure that the introduction of Coastal redwood onto sites where it does not currently occur is ecologically appropriate.
Deadline	First annual audit
Reference	FSC Criterion 6.3, Regional Indicator 6.3.b.1.
HRC Response	HRC has developed an <i>Ecological Assessment Checklist</i> for micro-site characteristics. This checklist is a tool for assessing the ecological appropriateness of planting coastal redwood trees on sites that are

	<p>currently dominated by Douglas-fir, grand fir, or other non-redwood conifer trees; or on sites dominated by hardwoods with no redwood trees present.</p> <p>If 3 or more of the 6 conditions of the checklist are met, then the ecological appropriateness of planting redwood is considered good and planting may proceed. If two or fewer conditions are met, then the forester shall either plant the site using only Douglas-fir or prepare a written justification of the proposed redwood planting that may be approved by the HRC Forest Operations Manager or the HRC company president.</p> <p>See also the forest management plan, pages 23, 24, and 27 [regeneration section].</p>
Auditor Comment	<p>The six conditions of the checklist include: evidence of historical occurrence of redwood on the site (e.g., stumps, historical records); summer coastal fog; aspect (north and/or east-facing slopes); slope position (lower half of slope position); general soil composition (not rocky); and soil series of Humboldt County (November 1965). The consideration of aspect, slope position, soil type, and summer fog should ensure that redwood is only planted on ecologically appropriate sites, thus avoiding type conversion. The audit team also takes note that HRC's botanist is aware that National Resources Conservation Service (NRCS) is conducting a new soil survey of Humboldt County, which should assist in further refinement of the criteria used to assess the ecological appropriateness of planting redwood.</p>
Status of CAR:	This CAR is closed.

Non-conformance: Other than anecdotal observations in the field during and after management activities, HRC has no formal mechanisms for detecting and evaluating declines in soil fertility.	
CAR 2009.6	HRC shall: (a) develop a monitoring strategy to detect changes in soil fertility, (b) define acceptable thresholds of change in soil fertility based on a review of scientific literature, and (c) develop, as needed, potential courses of action to be taken to mitigate the loss of soil fertility and to rehabilitate affected sites.
Deadline	First annual audit
Reference	FSC Criterion 6.3, Regional Indicator 6.3.c.1.
HRC Response	The California THP inspection checklist covers this subject. HRC's guidance on soil fertility is available in the management plan on page 26 and in Appendix E: Guidance on Soil Compaction and Fertility. <i>Appendix I: Forester Inspection and Monitoring Checksheet</i> will be updated later this year to include the acceptable thresholds. It is currently under testing by HRC staff and pending final approval from upper management. As discussed with the SW/SCS audit team during last year's closing meeting, soil compaction is the principle concern in coastal conifer forests since it can lead to declines in soil water holding capacity and fertility.
Auditor Comment	HRC's principle course of action in response to this CAR is to design and implement forest operations to reduce impacts to soils due to compaction, erosion, and loss of fertility. In other words, HRC intends for prevention to be their policy and practice in reducing impacts to soil resources. However, HRC has not fully addressed this CAR as explained below.

	<p>HRC is in conformance to part (a): HRC has developed indicators of reduced soil fertility, including: a) decreased growth of native species compared to other, similar areas; b) yellow or brown growth, especially in new, same-season vegetative tissues; and c) persistent un-vegetated areas in which native species do not readily colonize (excluding active landslides) – these are most likely to occur on landings and skid trails that are not mitigated. Signs of erosion are included on the same sheet in Appendix E of the August 2010 forest management plan.</p> <p>HRC is in nonconformance to part (b): According to HRC's investigation, more regional research has focused on soil compaction as it is directly related to erosion, soil water capacity, and fertility. Appendix I, which is still in development, seems to be an integral component of its response. Conformance to item (b) cannot be demonstrated until HRC's response is complete. The audit team will need to see a complete Appendix I or other evidence in order to assess part (b).</p> <p>The SCS/SW internal review panel has agreed to rescind part (c) of CAR 2009.6 as indicator 6.3.c.1 does not require HRC to develop, as needed, potential courses of action to be taken to mitigate the loss of soil fertility and to rehabilitate affected sites. Rather the indicator requires FME's to modify soil management techniques if soil degradation is found to be the source of the decline in productivity. Therefore, HRC's plan for staff to report signs of reduced soil fertility, such as decreased growth, yellow or brown growth, and persistent non-vegetated areas not explained by other logical reasons, to the Area Forester is an acceptable response that lends support to conformance to part (a) of the CAR..</p>
Status of CAR:	This CAR has been upgraded to Major.

<p>Non-conformance: HRC has employed many of the required consultative processes conducted under the California Forest Practice Rules, the federal Endangered Species Act, and other regulatory mandates to complete its assessment of representative sample ecosystems (representative sample areas- RSAs- in HRC terminology). HRC's botanist has also relied on her extensive knowledge of nearby natural areas to designate RSAs and differentiate them from HCVFs. However, the methods and analyses employed in HRC's RSA assessment remain unclear.</p>	
CAR 2009.7	HRC shall document the process and analyses that were employed in designating the current representative sample areas (RSAs) on the HRC forest estate. HRC must also develop and convey to the certification bodies a written summary of how the processes employed to date meet the requirements set forth in FSC Criterion 6.4. If gaps exist between FSC requirements and HRC procedures for establishing RSAs, HRC must develop and implement actions aimed at eliminating the gaps.
Deadline	First annual audit
Reference	FSC Criterion 6.4, Regional Indicator 6.4.a.
HRC Response	Please see HRC's management plan, page 45 for the hardwood policy (e.g., Oregon white oak and other true oaks), and the HCV/RSA write-up on the processes and analyses used to designate RSAs and HCVFs.

	<p>Much of the initial work on RSA and HCVF designation was done under the previous ownership, but included many other types of designations (e.g., historical sites). A list of protected sites was developed for purposes of other certification requirements and state and federal laws.</p> <p>In 2009, this list of sites became the starting point used by HRC's Stewardship Manager to begin identifying sites that meet the FSC Criterion 6.4. Some of these original Special Sites were dropped from consideration as RSAs because they did not meet the definition [<i>Author's note</i>: e.g., historic sites, which are considered other parts of the FSC standard]. Serpentine outcrops, on the other hand, are one of the types of Special Site that did meet the definition of a representative ecosystem that is uncommon in the region. This type of analysis was used for each of the SFI Special Sites to narrow down a list of ecosystems that appeared to meet the FSC definition.</p> <p>Simultaneously, HRC managers and the Stewardship Director for Mendocino Redwood Company were developing criteria to identify High Conservation Value Forests (HCVFs). Managers met several times to come up with a list of HCVFs and RSAs. Initially we were uncertain which ecosystems were HCVFs and which were RSAs. We ultimately decided to apply the FSC Criterion 9 definition first, identify HCVFs, and then the remaining ecosystems were evaluated based on the definition of RSAs.</p> <p>In addition to knowledge of HRC's landscape, HRC managers applied their collective knowledge of protected ecosystems in nearby public lands to identify RSAs regionally. For example, while Oregon White Oak woodlands are common in drier landscapes to the east, they are not common on HRC land. However, our examples not only represent some of the western-most occurrences of this vegetation type on the North Coast, but they are juxtaposed with other forest types such as redwood and Douglas-fir/hardwood.</p> <p>Consequently, our final list of RSAs consisted of previously identified Special Sites ecosystems, and special or unique habitats which did not meet the criteria for HCVFs. This list of RSAs along with their management guidelines are discussed in our Forest Management Plan. Special Sites which do not qualify as ecosystems are addressed as "Sites of Significance" in our Forest Management Plan, and have management guidelines that specifically address protection of their unique values.</p>
Auditor Comment	HRC's review and designation of RSAs is appropriate. The fact that forest managers considered all protected areas identified as HCVFs first is consistent with the precautionary approach.
Status of CAR:	This CAR is closed .

Non-conformance: There have been instances of cattle trespass into aquatic habitats on HRC lands. HRC has changed its grazing policy and detailed some of these changes in the management prescriptions for prairies, but has not formally updated the conditions of its grazing leases, including how lease terms will minimize adverse environmental impacts.	
CAR 2009.8	HRC must document the changes to its grazing lease and ensure that the description of its grazing policy is complete. The revised grazing lease

	must include provisions for avoiding/minimizing adverse environmental impacts, such as to riparian vegetation and aquatic resources.
Deadline	First annual audit
Reference	FSC Criterion 6.5, Regional Indicator 6.5.t.
HRC Response	This has been fully addressed in the September draft of the Forest Management Plan.
Auditor Comment	<p>HRC addresses grazing in the management of Oregon white oak stands and generally in its "Non-Timber Forest Products" section of the August 2010 forest management plan. HRC's grazing policy includes provisions for limitations on the number of animals, rotation of animals to different pastures, winter grazing and supplemental feed restrictions, fencing and gates, water trough and salt lick locations, and watercourse protection.</p> <p>In addition to the update of its grazing policy in the forest management plan, HRC has prepared a generic grazing lease that demonstrates the inclusion of these provisions, as well as the general terms of the lease.</p>
Status of CAR:	This CAR is closed .

Non-conformance: HRC does not maintain its own records of herbicide use in a manner that would enable the company to monitor effects and impacts of chemical control of plants over the long-term. HRC has not fully developed a strategy for the control of pests and non-native, invasive plants in its management plan. HRC does not prepare written prescriptions that fully describe the risks and benefits of the use of chemicals.	
CAR 2009.9	HRC shall develop a record keeping and monitoring protocol aimed at adaptively improving and modifying its chemical use with the objective of lowering dependency on chemical control measures. HRC shall develop a written strategy for the control of pests and non-native, invasive plants. HRC shall develop site-specific written prescriptions for herbicide applications.
Deadline	First annual audit
.	FSC Criterion 6.6, Regional Indicators 6.6.e, 6.6.f., 6.6.g.
HRC Response	Chemical use records are maintained at the Scotia Forest Management Office. HRC experienced a reduction in chemical use in 2010 versus 2009 (disclosed on website). See the management plan (p. 27-29) for HRC's strategy to control pests and invasive plants. HRC's contractors prepare site-specific written prescriptions.
Auditor Comment	<p>The audit team examined a sample annual chemical use summary on HRC lands and a contractor's written prescription. HRC's strategy for the control of pests and non-native, invasive plants is available in the 2010 August forest management plan and on the company's Web site. HRC describes when synthetic chemical control can and cannot be used, as well as cultural alternatives to synthetic chemicals that it employs on some sites. HRC has also detailed its pest outbreak and sudden oak death (SOD) strategy and monitoring in the forest management plan.</p> <p>HRC's current framework is enough to meet the requirements of this CAR. However, the audit team notes that during the coming year, HRC will be further developing its chemical use decision-making matrix and tracking system. Its decision to continue refining its chemical use policy and data management demonstrates its commitment to adaptive management.</p>

	Starting January 1, 2011, FSC international will require annual reporting summaries of chemical use in all certification body reports.
Status of CAR:	This CAR is closed.

Non-conformance: Auditors observed several, small hydraulic-fluid spills left from recent harvests. Contractors either did not follow, or did not complete, containment and cleanup measures as mandated by federal and state law and HRC's own guidance booklet, "Environmental, Health and Safety Practices for Contractors."	
CAR 2009.10	HRC shall ensure that its staff and contractors implement appropriate spill containment and cleanup procedures for all chemical spills in a timely manner consistent with federal and state regulations as well as company policy.
Deadline	First annual audit
Reference	FSC Criterion 6.7, Regional Indicator 6.7.b.
HRC Response	HRC staff meets with contractors prior to beginning operations to go over the Timber Harvest Plan (THP) and operational restrictions, and to ensure that the Licensed Timber Operator (LTO) clearly understands HRC's operating guidelines such as Chain of Custody (e.g., Trip Ticket), Fire Plan, and Hazardous Spill Cleanup Procedures. HRC conducted staff (on 16 – Oct – 2009) and LTO (on 12 – May – 2010) training on spill containment and cleanup according to federal and state regulations, which are incorporated into the company policy framework.
Auditor Comment	The evidence that HRC submitted is sufficient to warrant closing this CAR. In field inspections conducted during the audit, the audit team observed no instances of chemical, hydraulic, or fuel spills.
Status of CAR:	This CAR is closed.

Non-conformance: In its present state, HRC's forest-inventory data cannot provide accurate volume estimations at the stand level. HRC has not defined the frequency of updates to its forest inventory and what attributes (e.g., ecological indicators, canopy dominance) it will include in its forest inventory system.	
CAR 2009.11	HRC shall develop and make substantial progress in implementing a forest-inventory program that details inventorying methods to be employed, defines attributes to be measured or monitored, and describes the frequency of inventory updates. Also see Major CAR 2009.1.
Deadline	First annual audit
Reference	FSC Criterion 8.2, Regional Indicators 8.1.b., 8.2.b.1.
HRC Response	September 2009: This has been fully addressed in the September draft of the Management Plan, which includes HRC's complete Forest Resource Inventory Program as Appendix A (the August draft Appendix A was just a portion of the full Inventory Program). August 2010: HRC has initiated a new, 2-3 year inventory program. So far, a field manual has been developed, and inventory contractors have started implementing the 2010 field work plan and plot measurement. HRC inventory forester has completed approximately 40% of the vegetation typing. From this inventory, an annual allowable cut (AAC) will be calculated per sustainability unit. HRC has dedicated \$200-300k budget to

	<p>this project. The forest management plan contains more information on HRC's inventory program.</p>
Auditor Comment	<p>September 2009: In our judgment, this CAR has not yet been fully addressed. While we take positive note of the inclusion, in the Management Plan, of a fuller description of the inventory program, objective evidence of progress made in implementing the program is still lacking (e.g., commitment of additional budgeted funds for inventory work, completed initial measurement or re-measurement of some of the inventory plots).</p> <p>August 2010: The field book contains the inventory methodology and attributes to be measured (Field Inventory Procedures, April 2010 – v 3.6). The inventory will be completed first for Freshwater and Elk River watersheds. HRC's inventory plots are all temporary. The plot layouts are strata-based on an 8x5 chain grid, and exclude current harvest areas.</p> <p>The frequency of updates includes two important considerations: harvesting and forest growth. Inventory staff will conduct post-harvest cruising and review each sustainability unit every 4-5 years after first inventory. During this review, the vegetation typing will be re-examined, and some old plots will be retired and replaced with new ones. Stands growth will be modelled based on species composition and plot age.</p> <p>In the August 2010 forest management plan, the inventory cycle (i.e., frequency of updates) is defined as every five years. However, HRC is refining the complete continuous forest inventory system, which will be necessary once the initial full-forest inventory is complete in 2012 or 2013. The eventual goal is to measure 20% of the property annually by 2013, which should lower inventory costs in the long-run.</p>
Status of CAR:	This CAR is closed.

Non-conformance: HRC derives a small portion of its income from non-timber-forest products (NTFPs) and intends to increase its current offering of NTFPs. HRC does not record the yield of many NTFPs.	
CAR 2009.12	HRC shall record and monitor the yield of all harvested NTFPs. All NTFPs /services must be incorporated into the management plan and in the public summary of monitoring results.
Deadline	First annual audit
Reference	FSC Criterion 8.2, Regional Indicator 8.2.a.2.
HRC Response	HRC monitors the production of NTFP primarily by tracking income from such products on a per-unit basis. HRC's management plan contains information on its non-timber forest products and services, as well as a summary of non-timber revenue sources for fiscal year 2009. This section of the management plan will be updated in 2011 to include 2010 monitoring data. HRC's grazing units are on a per lease system. However, HRC will shift to Animal Unit Months (AUMs) as it further refines its grazing program.
Auditor Comment	The actions HRC has described fulfil requirements of this CAR. The forest management plan and results of non-timber revenue sources are made public, HRC has fulfilled the public summary requirement of this CAR.
Status of CAR:	This CAR is closed.

Non-conformance: HRC is a stable and significant contributor to local communities through employment and purchasing of goods and services within the regional economy. However, HRC has not monitored and performed an assessment on the extent of its social impact in this regard. HRC does not have a formal system to monitor public responses to its management activities.	
CAR 2009.13	HRC shall implement a monitoring process and periodic social impact analyses regarding its forest operations relative to local communities and the North Coast regional economy, specifically referring to the: a) generation or maintenance of local jobs and public responses to management activities, and b) influence of forest management on the viability of forest-based livelihoods (e.g., mill jobs, other supporting businesses) in local communities.
Deadline	First annual audit
Reference	FSC Criterion 8.2, Regional Indicators 8.2.d.3., 8.2.d.4.
HRC Response	<p>HRC decided to combine its response to CARs 2009.3 and 2009.13.</p> <p>HRC staff held a series of meetings with an independent social scientist over 2009-10 to develop its social impact assessment and monitoring program. Once the process was developed, HRC initiated its implementation. The first step was to hold a scoping session, in which key socio-economic issues and interest groups were identified. In cooperation with the social scientist, HRC then developed a <i>Social Issues Matrix</i> that was distributed among staff to receive feedback on the content and ranking system. The <i>Matrix</i> includes stakeholder groups, the interactions between HRC and these groups, and an importance ranking in order to determine which interactions warrant more focused attention or monitoring in management planning and operations.</p> <p>In September of 2010, HRC will distribute a focused survey and meet with external stakeholders. Once the results of this meeting and survey have been analyzed, HRC will select 2-3 socio-economic issues and develop a monitoring plan and instrument. In the spring of 2011, HRC will distribute its monitoring survey and analyze its results from September to December 2011. The forest management plan will be revised as necessary to respond to the results of social impact assessment. See also HRC Forest Management Plan pages 74-75.</p> <p>HRC has provided the auditing team with a current list of full-time and seasonal jobs at both Redwood Companies. HRC currently employs more workers than the Mendocino Redwood Company.</p> <p>HRC has decided to hold an annual meeting every fall to solicit public responses to management activities, including those related to socio-economic impact and High Conservation Value Forests.</p> <p>Texts consulted in the development of HRC's social impact assessment and monitoring program include <i>Socioeconomic Monitoring and Forest Management</i> by Susan Charnley (2007); <i>A Comprehensive Guide for Social Impact Assessment</i> by the Centre for Good Governance (2006); and</p>

	<p><i>Forest Indicator Tools for Communities: Indicator ToolKit</i> by the Sustainable Measures, Inc. American Forests (2003).</p> <p>Texts consulted in the development of HRC's social impact monitoring include <i>Healthy Communities Healthy Forest: A Handbook on Social Monitoring for Forest Stewardship Council certified landowners, Mendocino and Humboldt Counties, California</i> published by Stanford University (Spring 2008).</p>
Auditor Comment	HRC's actions are sufficient to warrant closure of this CAR. The auditing team notes that HRC's tracking on non-timber revenue sources and grazing units also assists in its socio-economic monitoring.
Status of CAR:	This CAR is closed.

Non-conformance: Through lowering the allowable annual cut significantly, eliminating even-aged management, and putting much of the land in permanently protected status, HRC provides many ecosystem services. HRC does not fully take into account the economic benefits of non-timber-forest products and services.	
CAR 2009.14	HRC shall conduct an assessment of the economic benefits of non-timber forest products and services and identify ways in which some such goods and services might generate income for the company and the regional economy.
Deadline	First annual audit
Reference	FSC Criterion 8.2, Regional Indicator 8.2.e.2.
HRC Response	<p>HRC currently has no plan to devote resources and staff time to evaluate this potential income sources extensively. HRC needs to identify any associated regulatory issues, possible markets, costs to produce, stakeholder issues, and potential income prior to dedicating human and financial resources to market non-timber forest product and services.</p> <p>See the financial summary on NTFPs in the management plan. Communications sites and grazing leases are HRC's most important sources on non-timber revenue. These income sources, however, do not have as high of an impact on the regional economy as HRC's timber production.</p>
Auditor Comment	<p>HRC has assessed its current offering of non-timber forest products and services and provided an annual financial summary in the 2010 forest management plan. Many of these are not significant sources of income. The two most important revenue sources, communication sites and grazing, have sufficient resources dedicated to them. Both communications sites and grazing are regulated through leases. The grazing program also receives technical guidance and support from local extension agents, as well as oversight from HRC staff.</p> <p>Other non-timber sources of income, such as payments for ecosystem services, may require refinement of national or state regulatory frameworks and more mature markets, all of which depend on macroeconomic conditions out of HRC's control.</p>
Status of CAR:	This CAR is closed.

Non-conformance: HRC possesses a Chain-of-Custody (CoC) stump-to-gate procedure, but

its staff lack training in CoC procedures. The procedure also does not mention that CoC documentation (e.g., records of FSC-certified log sales/transfers) must be maintained for at least 5 years.	
CAR 2009.15	HRC shall ensure that all relevant field personnel have received proper stump-to-gate CoC training. HRC shall ensure that its CoC procedure contains all relevant documentation required for transferring FSC-certified product to an FSC CoC certificate holder.
Deadline	Prior to the first sale of certified timber originating from HRC's forest holdings.
Reference	FSC Criterion 8.3 (the Pacific Coast Standard contains no Regional Indicators for this Criterion)
HRC Response	Please refer to HRC's Operating Procedures for Maintaining Chain of Custody for Forest Stewardship Council (FSC) Certified Forest Products Delivered From Humboldt Redwood Company Forestlands (HRC-FO-OP 001 Rev1 with training). This controlled document states that CoC records will be maintained for at least 5 years. Furthermore, this document contains evidence that HRC staff completed training in CoC procedures by 15 September 2009.
Auditor Comment	The document "HRC-FO-OP 001 Rev1 with Training" contains procedures to ensure the proper, documented transfer of FSC-certified product to an FSC CoC certificate holder. This same document supplies evidence that training has been completed for all pertinent HRC staff and contractors (e.g., logging and trucking contractors).
Status of CAR:	This CAR is closed.

Non-conformance: HRC has had extensive interaction with stakeholders (e.g., regulatory agency personnel, environmental activists) on the classification and management of old-growth forests, which are one prominent type of "high conservation value forest" as established in FSC Principle 9. However, consultation with regard to non-old-growth HCVFs (e.g., tanoak) has not been at a comparable level and, at present, does not constitute adequate conformity with the consultative requirements found in Principle 9.	
CAR 2009.16	HRC shall develop a consultation process that provides opportunities for stakeholders outside of the regulatory framework to offer input on the identification of high conservation values relevant to North Coast redwood forestland and locations within the HRC ownership that may possess such values. HRC must also provide opportunities for stakeholder input on appropriate management prescriptions for areas possessing high conservation values and, where appropriate given the nature of the conservation values, coordinate management efforts with other managers of HCVFs within the eco-region.
Deadline	First annual audit
Reference	FSC Criterion 9.2, Regional Indicator 9.2.a.; Criterion 9.3, Regional Indicator 9.3.c.
HRC response	HRC sent a letter on HCVF classification to stakeholders in June and July of 2010. The list of stakeholders, minus agency contacts, was sent to both certification bodies in June. After this letter was sent, several stakeholders indicated that they will prepare a response, but most who responded indicated they would participate in the process via the public meeting in September. No

	<p>responses were received by August 10.</p> <p>In addition, when the Management Plan was placed on HRC's Web site in September 2009, we received a detailed response to the plan content from the Mattole Restoration Council. A significant portion of that response included inputs on designation of HCVF tracts for Douglas-fir.</p> <p>The description of the process used to designate HCVFs and RSAs is in the management plan.</p>
Auditor comment	<p>HRC's process meets the requirements of this CAR. HRC has provided, and will continue to provide, opportunities for stakeholder involvement in the HCVF designation and management process. Stakeholder letters invited stakeholders outside the regulatory process to participate in the HCVF designation and management process. A stakeholder meeting to be held in September 2010 will occur annually and, therefore, address the HCVF topic regularly. The recently approved FSC-US Standard asks managers to attempt to coordinate HCVF protection and management where HCVFs cross ownerships, which may narrow the scope of criterion 9.3 in some instances.</p>
Status of CAR:	This CAR is closed.

Non-conformance: HRC does plan to place the FSC-certified trademark on their Web site and may use it in other off-product pieces such as brochures. It is understood there is a review process required before such use and that there should be a process to implement and document this review. HRC will have to amend their DCS description to account for off-product labeling and trademark use procedures.	
CAR 2009.17	<p>HRC shall have DCS procedures in place to include:</p> <ul style="list-style-type: none"> • off product FSC/SCS trademark use that follows the applicable policies • submission of all FSC/SCS claims to SCS for review and approval prior to use • all trademark review and approval correspondence with SCS is kept on file for a minimum of 5 years
Deadline	First annual audit
Reference	FSC Regional Criteria CoC 1.3.e., CoC 5.1, CoC 5.2, CoC 5.3
HRC response	<p>February 11, 2010: HRC prepared the document, "FSC Trademark Use Approval HRC FO OP 002 RevA" to address this CAR. It includes guidelines on seeking approval for FSC and certification body trademarks from the certification bodies that carried out the assessment.</p> <p>April 27, 2010: HRC submitted an updated version (HRC-FO-OP-002 Rev 1) in response to FSC International's changes in label use requirements and for consistency with FSC document language. This document also includes revisions to include the HRC mill in the scope of this document and also updated references to due to relevant staffing changes. This version (Rev 1) has had final management approval and is effective May 1 2010. HRC also submitted additional evidence of appropriate use of trademark approval procedures are in place and are being implemented.</p>
Auditor	February 11, 2010:

comment	<p>SCS FM and COC staff reviewed HRC's FSC/SCS Trademark Use Approval procedure and has determined that it is consistent with FSC and SCS logo and trademark approval standards.</p> <p>April 27, 2010: HRC's "FSC Trademark Use Approval HRC FO OP 002 RevA" of Feb 11.2010 and updated "HRC FO OP 002 Rev 1 submitted April 27, 2010 and additional documentation provides evidence of ongoing conformance to the indicators referenced (FSC Regional Criteria CoC 1.3.e., CoC 5.1, CoC 5.2, and CoC 5.3)</p>
Status of CAR:	As of February 11, 2010, this CAR is closed . HRC provided evidence that demonstrates continued conformance to FSC Regional Criteria CoC 1.3.e., CoC 5.1, CoC 5.2, and CoC 5.3 on April 27, 2010.

Previous Observations

Background/Justification: HRC's management plans for its forest estate are designed to be in compliance with FSC P&C. The assessment team found no circumstances in which HRC is in a position of conflict between laws, regulations, and FSC P&C. However, there may be circumstances where an irreconcilable situation may arise.	
OBS 2009.1	It would be beneficial if HRC wrote and implemented a policy stating that, in the rare event there is an irreconcilable situation among laws, regulations, and FSC P&C, HRC will bring to this to the attention of the FSC or its certification bodies for consultation.
Reference	FSC Indicator 1.4.a.
HRC Response and Auditor Comment	A statement of such effect has been added to the August 2010 forest management plan: "HRC is committed to following and upholding the Principles and Criteria of the Forest Stewardship Council. Should HRC become aware of any irreconcilable differences among laws and regulations and FSC Principles and Criteria, HRC will bring these to the attention of FSC-US."
Disposition of OBS	This OBS is closed .

Background/Justification: HRC implements a number of measures to prevent illegal and unauthorized activities in the forest. These include posting boundary notices, using gates, making periodic inspections, using surveillance equipment, reporting suspected illegal or unauthorized activities to the proper authorities, working with local timber buyers, and utilizing state and federal agency resources.	
OBS 2009.2	Two staff members charged with security issues on HRC forest lands do an exceptional job. However, due to the senior status of the lead employee and the use of a forester who is relatively inexperienced in security issues to replace former security personnel, HRC should consider developing a strategy that will ensure the experience, capability, and institutional memory in these positions are maintained.
Reference	FSC Indicator 1.5.a.
HRC Response and Auditor Comment	The previous security staff member has returned and replaced the lead security staff member who passed away within the last year. In addition, a new security member was hired to replace a previously used temporary forest worker. Security staff will keep a daily log or journal listing contact

	information and summaries of security events.
Disposition of OBS	This OBS is closed.

Background/Justification: HRC indicated that there were no issues of significance regarding disputes over tenure and use rights to the certifying body.	
OBS 2009.3	HRC should write and implement a policy to bring significant disputes over tenure and use rights to the attention of their certification bodies for consultation.
Reference	FSC Indicator 2.3.b.
HRC Response and Auditor Comment	HRC has added the following statement to the August 2010 forest management plan: "HRC has a process to address significant disputes regarding third-party tenure and use. Should these occur, they are brought to the attention of the Forest Operations Manager who, as part of the resolution process, will bring the issue to the attention of the FSC Certifying Bodies for consultation. The nature of these disputes is expected to be predominately uses such as disputed road use, unpermitted water use, and disputed property line."
Disposition of OBS	This OBS is closed.

Background/Justification: The auditing team noted different interpretations of the hardhat policy among HRC personnel. At least one vehicle was not equipped with a radio, although personnel were within cell phone range.	
OBS 2009.4	HRC should be more consistent in the application of its safety policies.
Reference	FSC Indicator 4.2.a.
HRC Response and Auditor Comment	The hardhat policy will be reviewed annually at one of the monthly safety meetings. The vehicle in question was equipped with a CB radio.
Disposition of OBS	This OBS is closed.

Background/Justification: HRC and their staff, inherited a complicated and controversial challenge with some of the landowners in Elk/Freshwater watersheds associated with flooding of personal property that is being largely attributed to past and present forest-management practices and policies. HRC is making efforts to evaluate and manage the social and physical aspects to this issue based on the best available science and input from affected residents and the appropriate hydrological resource agencies and regulators. It was recognized that in other watersheds, and in cases where they have dealt with stakeholders concerned about old-growth forests in relation to watersheds, they have achieved some success in conflict resolution through their interactions and a re-examination of their policies. However, during the assessment, and through further stakeholder outreach after the team's visit, it was noted that the Elk river watershed will require continued time and effort to bring to a resolution as there is great deal of dissatisfaction among stakeholders in this area.	
OBS 2009.5	HRC staff should continue to implement their conflict-resolution policies to effectively manage the social and physical aspects of the Elk/Freshwater river watershed issue.
Reference	FSC Criterion 4.5
HRC Response and Auditor	HRC held a meeting and field tour held with Elk River and Freshwater residents on 15 June. Residents of Elk are still concerned about any

Comment	<p>harvesting at all. HRC arranged a field trip to show levels of post-harvest retention operations from most to least dense (75 sq. ft.), and looked around for evidence of sediment movement off-site. It is still impossible to conduct forest management activities with 100% no-sediment discharge according to residents. An adjacent landowner asked two years ago for HRC to delay harvest next to her property. This THP has been marked, but not harvested. HRC has offered to allow this resident to unmark trees in the “buffer” zone next to a major road. There is one more year left on this THP.</p> <p>HRC is conducting the Freshwater and Elk River watershed timber inventories first to get away from the Tier 1 and Tier 2 designations in the watershed plan. The Tier 2 option is based on the previous ownership’s clear-cut harvest systems. The objective is to come up with a master plan for harvesting that better reflects HRC’s move to selection harvest management systems.</p> <p>At least one resident and HRC would like to conduct lower channel sediment removal.</p> <p>HRC will be able to meet the objective of treating 80 of the top 100 cleanup and abatement sites one year ahead of the five year schedule. All cleanup and abatement work is evaluated by an outside consultant. The road system will be storm-proofed and/or reduced during the next 20 years. On-going sediment treatment and channel restoration activities have led to a decrease in sediment delivery potential. Large stream restoration projects underway and those planned for the near future were visited by the audit team.</p> <p>The audit team visited HRC’s environmental laboratory which focuses on in-stream sediments and turbidity. Each water sample delivered is sealed and assigned a barcode so that none of the laboratory technicians know where the samples originated. Field staff and laboratory technicians work independently of one another.</p>
Disposition of OBS	This OBS is closed.

Background/Justification: HRC has stated that the major focus of its management will be on Coastal redwood and Douglas-fir products. Although it has worked to diversify the product offerings between these two species, HRC is disinclined to work with lesser-used species due to previous attempts to market them under MRC.	
OBS 2009.6	HRC should ensure that their conclusions determined on common, but lesser-used species under MRC management are valid for HRC considering the geography and the capabilities of local mills of Humboldt County.
Reference	FSC Indicator 5.2.b.
HRC Response and Auditor Comment	HRC’s evaluation of economic feasibility of common, lesser-used species is ongoing and independent of past experience at MRC. In 2009, HRC sold white fir logs at break-even prices. Tanoak and other hardwoods will be pursued given positive cashflows. HRC has had several meetings with local hardwood workers and experts.

Disposition of OBS	This OBS is closed.
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Background/Justification: Auditors observed yarder corridors wider than usual for typical selection harvesting systems and damage to residual trees in both yarder and ground-based operations.	
OBS 2009.7	Loggers contracted by HRC could benefit from more training and experience in harvesting practices typical to selection systems to better minimize damage to residual stands.
Reference	FSC Indicators 5.3.b., 6.5.b.
HRC Response and Auditor Comment	LTOs receive guidance from HRC staff during operations. Each LTO has a private meeting with forest management staff annually to go over logging issues and seek solutions. Records of these meetings are maintained in the Stewardship Manager's office.
Disposition of OBS	This OBS is closed.

Background/Justification: HRC conducts harvest operations during the dry season and covers skid trails with slash upon completion of operations, as opposed to using logging slash concurrent with harvesting to mitigate soil compaction	
OBS 2009.8	HRC could reduce the potential for compaction impacts on skid trails by placing slash on the skid trail to create a slash bed before equipment moves onto such surfaces. This type of BMP is common throughout the region.
Reference	FSC Indicator 6.3.c.3.
HRC Response and Auditor Comment	LTOs receive guidance from HRC staff during operations. Each LTO has a private meeting with forest management staff annually to go over logging issues and seek solutions. Records of these meeting are maintained in the Stewardship Manager's office. The audit team observed greater use of slash during tractor operations this year, but notes that this depends on operator experience and preference. However, the Forest Managers are working to improve on this. One stakeholder noted that there had been a marked improvement in this area.
Disposition of OBS	This OBS is closed.

Background/Justification: HRC retains live trees and understory vegetation consistent with purposes for regeneration or restoration. HRC foresters have noted that beyond certain ages and crown vigor, Douglas-fir has a difficult time responding to release treatments. This may result in a preference for the removal of Douglas-fir in selection treatments.	
OBS 2009.9	HRC should be mindful of retention and type conversion issues addressed in CAR 2009.5 regarding Douglas-fir.
Reference	FSC Indicator 6.3.e.4.
HRC Response and Auditor Comment	Selection marking is directed at producing uneven-aged, multi-storied, biologically diverse stands. According to the California Department of Fish & Game, it is unlikely that removing all large Douglas-fir would result from this process. Our old growth policy also addresses and is inclusive of Douglas-fir.
Disposition of OBS	This OBS is closed.

Background/Justification: Although logging occurs in the dry season when most soils are least sensitive to compaction, erosion, and sediment transport, there are areas where soils are sensitive enough during the dry season to warrant concerns over soil integrity.	
OBS 2009.10	HRC should identify soils sensitive to compaction and erosion, even during the dry season, and develop and implement management practices to reduce and mitigate damage to these areas during harvesting operations.
Reference	FSC Indicators 6.5.a., 6.5.e.
HRC Response and Auditor Comment	NRCS is currently conducting a new soil survey of Humboldt County. HRC is developing management practices to identify soils sensitive to compaction and erosion during the dry season, and reduce and mitigate damage to these areas during harvesting operations.
Disposition of OBS	This OBS remains OPEN.

Background/Justification: Although HRC's decommissioning practices are at least as good as (and often better than) others in the industry, there remain opportunities to improve practices for creek restoration in areas where roads that cross streams are decommissioned.	
OBS 2009.11	HRC scientists and managers should refine the road decommissioning and stream restoration processes used to close watercourse crossings by considering the results and observations of recent decommissioning projects and the latest scientific literature.
Reference	FSC Indicators 6.5.l.
HRC Response and Auditor Comment	HRC will do an in-house analysis, perhaps a white paper on this subject. HRC has a decommissioning project going on right now, as well as some large old fills being pulled out right. HRC will evaluate responses from pulling out old crossings, such as sediment and plant community responses.
Disposition of OBS	This OBS remains OPEN.

Background/Justification: The auditors' inspection concluded that the average width of all watercourse and lake protection zones (WLPZs) exceeds the requirements of the FSC US Pacific Coast Standard, Version 9.0. However, HRC's policies, as written, could conflict with the Standard in the instance of a placement of a variable retention (VR) or group selection opening adjacent to a WLPZ whose size has been reduced as a result of watershed analysis. Under the current Standard, HRC would be in non-conformance were it to place a VR or group selection opening immediately adjacent to such a WLPZ.	
OBS 2009.12	HRC should evaluate its written policy on stream buffers to consider the requirements of the FSC Pacific Coast Standard, v. 9.0.
Reference	FSC Indicators 6.5.p., 6.5.q., 6.5.r.
HRC Response and Auditor Comment	HRC forest managers are aware of the potential conflict between the FSC standard for stream buffers and the current minimum RMZ width in certain watersheds. Care is taken with placement of variable retention (VR) or group selection openings to avoid reducing stream buffers. HRC identified areas in Freshwater watershed where this could have occurred and decided to not place VRs in those buffer areas.
Disposition of OBS	This OBS is closed.

Background/Justification: Chemical use on the HRC forest estate remains a regularly employed management tool. While the Pacific Coast Standard does not mandate the elimination of chemical use as a forest management tool, the Standard does expect that managers of certified forests affirmatively pursue non-chemical alternatives and to also seek to minimize chemical use as much as possible.	
OBS 2009.13	To reduce its dependency on herbicides, HRC should continue to explore alternatives to frilling in its control of tanoak.
Reference	FSC Indicator 6.6.b.
HRC Response and Auditor Comment	HRC has detailed situations in which non-chemical alternatives are the best course of action in the August 2010 forest management plan. As current tanoak-dominated stands are restored to conifer stands, the need for chemical treatment will decrease. There is no need to use herbicides in the following situations: a) completed treatments; b) high conifer stocking; c) RMZs; d) Not targeted for conifer restoration and e) opportunity for single-step manual release.
Disposition of OBS	This OBS is closed.

Background/Justification: HRC's invasive exotic plant policy mostly covers two species, jubata grass and yellow star thistle. HRC has determined that chemical control of either is cost prohibitive and thus relies on the shading effects of selection silviculture to reduce their impacts on growing forests. There may be other exotic, invasive plants that could become problematic under selection silviculture.	
OBS 2009.14	HRC should develop a more comprehensive and cohesive plan for the prevention and control of invasive exotic plants.
Reference	FSC Indicator 6.9.b.
HRC Response and Auditor Comment	In HRC's experience, most weeds come out along roads and openings. So shade-tolerant invasive exotic species are not a problem in our experience. English ivy and periwinkle are shade tolerant, but stay close to human settlements (can find occasionally in the woods or old homesteads). Periwinkle does not occur on HRC lands. Also, please see HRC's updated invasive species section in the August 2010 forest management plan.
Disposition of OBS	This OBS is closed.

Background/Justification: HRC staff regularly engages in safety and internal training meetings to review new and existing policies and new information relevant to the implementation of management policies. However, as the management plan is not yet complete, the staff only receives training on completed portions related to their daily occupation.	
OBS 2009.15	Upon completion of the management plan, HRC staff should receive the necessary training to ensure its implementation.
Reference	FSC Criterion 7.3
HRC Response and Auditor Comment	At a meeting on 16 – Oct – 2009, all staff received handouts on FSC Principles & Criteria, and a presentation/discussion of the management plan. All managers have discussed the forest management plan with their staff. The new plan revision will be bound and distributed to all staff in November 2010.
Disposition of OBS	This OBS is closed.

Background/Justification: FME will not outsource handling or processing of FSC-certified material to subcontractors prior to delivery at the forest gate. However, FME's Documented Control System (DCS) documentation does not address outsourcing in its Scope Definition of its CoC Certificate.	
OBS 2009.16	FME's DCS documentation needs to address outsourcing in its Scope Definition of its CoC Certificate.
Reference	FSC <i>Scope, CoC 4.1</i>
HRC Response and Auditor Comment	See page 65 of HRC's forest management plan. HRC does not outsource handling of FSC-certified material (see HRC-FO-OP 001 Rev2 in evidence file for CAR 2009.15).
Disposition of OBS	This OBS is closed.

Background/Justification: FME does not intend to use certification body trademarks for promotion or product labeling prior to delivery at the forest gate. However, FME's DCS does not state its intentions for use of FSC and/or certification body trademarks for promotion or product labeling prior to delivery at the forest gate in its Scope Definition of its CoC Certificate.	
OBS 2009.17	FME's DCS needs to state describe its intentions for use of FSC and/or certification body trademarks for promotion or product labeling prior to delivery at the forest gate in its Scope Definition of its CoC Certificate.
Reference	FSC <i>Scope, CoC 1.3</i>
HRC Response and Auditor Comment	HRC-CORP-OP-002 addresses the intention to use trademarks for promotion and product labelling. HRC's DCS describe the process to obtain approval for trademark use. Please see the evidence file for CAR 2009.17.
Disposition of OBS	This OBS is closed.

Background/Justification: All of the FME's staff involved in the CoC implementation are familiar with procedures since current procedures will be very similar to the procedures to be used once FSC-certified wood is being delivered. However, annual, documented training in CoC procedures will promote awareness and ensure that CoC procedures among the staff and contractors are in compliance.	
OBS 2009.18	FME could implement and document annual training in CoC procedures to promote awareness and ensure that CoC procedures among the staff and contractors are in compliance.
Reference	FSC <i>Scope, CoC 1.2</i>
HRC Response and Auditor Comment	For current/on-going LTO training, HRC has requested that CoC training be included in the pre-operations meeting for every LTO. At that meeting there is a sign-off sheet for all items discussed (e.g., covering CoC specifics, spill cleanup, safety). HRC also made sure that the 2010 training included staff newly assigned to LTO administration. HRC sent the auditors copies of their training logs.
Disposition of OBS	This OBS is closed.

2.5. New corrective actions issued as a result of this audit

Non-conformance: Other than anecdotal observations in the field during and after management activities, HRC has no formal mechanisms for detecting and evaluating declines in soil fertility.
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Major CAR 2009.6	HRC shall: (a) develop a monitoring strategy to detect changes in soil fertility, (b) define acceptable thresholds of change in soil fertility based on a review of scientific literature, and (c) develop, as needed, potential courses of action to be taken to mitigate the loss of soil fertility and to rehabilitate affected sites.
Deadline	January 20, 2011
Reference	FSC Criterion 6.3, Regional Indicator 6.3.c.1
HRC Response and auditor comment annual audit 2010	<p>HRC Response: The California THP inspection checklist covers this subject. HRC's guidance on soil fertility is available in the management plan on page 26 and in Appendix E: Guidance on Soil Compaction and Fertility. Appendix I: Forester Inspection and Monitoring Checksheet will be updated later this year to include the acceptable thresholds. It is currently under testing by HRC staff and pending final approval from upper management. As discussed with the SW/SCS audit team during last year's closing meeting, soil compaction is the principle concern in coastal conifer forests since it can lead to declines in soil water holding capacity and fertility.</p> <p>Audit team comment: HRC's principle course of action in response to this CAR is to design and implement forest operations to reduce impacts to soils due to compaction, erosion, and loss of fertility. In other words, HRC intends for prevention to be their policy and practice in reducing impacts to soil resources. However, HRC has not fully addressed this CAR as explained below.</p> <p>HRC is in conformance to part (a): HRC has developed indicators of reduced soil fertility, including: a) decreased growth of native species compared to other, similar areas; b) yellow or brown growth, especially in new, same-season vegetative tissues; and c) persistent un-vegetated areas in which native species do not readily colonize (excluding active landslides) – these are most likely to occur on landings and skid trails that are not mitigated. Signs of erosion are included on the same sheet in Appendix E of the August 2010 forest management plan.</p> <p>HRC is in nonconformance to part (b): According to HRC's investigation, more regional research has focused on soil compaction as it is directly related to erosion, soil water capacity, and fertility. Appendix I, which is still in development, seems to be an integral component of its response. Conformance to item (b) cannot be demonstrated until HRC's response is complete. The audit team will need to see a complete Appendix I or other evidence in order to assess part (b).</p> <p>The SCS/SW internal review panel has agreed to rescind part (c) of CAR 2009.6 as indicator 6.3.c.1 does not require HRC to develop, as needed, potential courses of action to be taken to mitigate the loss of soil fertility and to rehabilitate affected sites. Rather the indicator requires FME's to modify soil management techniques if soil degradation is found to be the source of the decline in productivity. Therefore, HRC's plan for staff to report signs of reduced soil fertility, such as decreased growth, yellow or brown growth, and persistent non-vegetated areas not explained by other logical reasons, to the Area Forester is an acceptable response that lends support to</p>

	conformance to part (a) of the CAR.
HRC Response and auditor comment	
Status of CAR:	Open

2.6. Audit observations

Observations are very minor problems or the early stages of a problem which does not of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a CAR in the future (or a pre-condition or condition during a 5 year re-assessment).

Background/ justification: HRC's August 2010 forest management plan is in draft form and will undergo a few more updates this year. Its draft 2009 September is still located on its Web site.	
OBS 2010.1	HRC should consider completing the forest management plan prior to the allowable 10 years under FSC requirements.
Reference	FSC Pacific Coast Regional Indicator 7.1.a. (FSC-US Standard 7.1.a.).

Background/ justification: In the new FSC-US Standard, the forest management plan and relevant operational plans need to describe measures necessary to ensure the maintenance and/or enhancement of all high conservation values present in all identified HCVF areas, including the precautions required to avoid risks or impacts to such values.	
OBS 2010.2	HRC should consider updating its HCVF process to include it as an assessment of precautions required to avoid risks or impacts to HCVFs.
Reference	National FSC-US Standard 9.3.a.

3. AUDIT PROCESS

3.1. Auditors and qualifications:

Auditor Name	Dr. Stephen C. Grado	Auditor role	Lead Auditor
Qualifications:	Dr. Grado is a Society of American Foresters (SAF) Certified Forester/Forest Certification Auditor #1155 and Fellow, a Professor of Forestry, and the George L. Switzer Professor in the Department of Forestry at Mississippi State University. He received a Ph.D. in Forest Resources in 1992, a M.S. in Forest Resources and Operations Research in 1984, and a B.S. in Forest Science in 1979 at The Pennsylvania State University, State College, Pennsylvania. He also has a B.A. in Political Science from Villanova University near Philadelphia, Pennsylvania. Dr. Grado has served as a socio-economic assessor/auditor on 44 SmartWood pre-assessments (1, lead; 3, team), assessments (5 lead, 21 team), USDA Forest Service Test Evaluations (2 SW team, 1 SGS team), and numerous annual field audits (9 lead, 4 team; 1 SFI team). In addition,		

	he has served as an assessor/auditor for innumerable SmartWood chain-of-custody assessments/audits, and also served as a peer reviewer of FSC certification assessment reports.		
Auditor Name	Mr. Kyle Meister	Auditor role	Lead Auditor
Qualifications:	Mr. Meister is a Certification Forester with Scientific Certification Systems. He has been with SCS for two years and has conducted FSC pre-assessments, evaluations, and surveillance audits in Brazil, Panama, Mexico, Indonesia, India, and all major forest producing regions of the United States. He holds a B.S. in Natural Resource Ecology and Management and a B.A. in Spanish from the University of Michigan; and a Master of Forestry from the Yale School of Forestry and Environmental Studies. Mr. Meister has experience as an environmental educator and natural resource consultant in the U.S., Mexico, Ecuador, Costa Rica, Colombia, and Brazil. He is responsible for reviewing all of SCS' forest management reports from Latin America. He is a member of the Forest Guild and the Society of American Foresters.		

3.2. Audit schedule

Date	Location /Main sites	Principal Activities
August 16, 2010	Morning: HRC Office, Scotia, CA	Review of past year's forest management activities, document review, response to open CARs and OBSs, final field site selection
August 16, 2010	Afternoon: Elk River Sustainability Unit (SU) <ul style="list-style-type: none"> Northridge THP Moss Elk THP 	<p>Stop 1: Northridge Timber Harvest Plan (THP) location 1, yarded selection harvest</p> <p>Stop 2: Northridge THP location 2, Class II "Humboldt Crossing" restoration</p> <p>Stop 3: Northridge THP location 3, active selection harvest (i.e., tractor-logged) and stream channel restoration (site clearcut in the 1950s).</p> <p>Stop 4: Moss Elk THP, single tree and group selection proposed; THP still not harvested</p>
August 16, 2010	Evening: Stakeholder meeting at University of California Extension Office, Arcata, CA	Lengthy engagement of a diverse set of stakeholders.
August 17, 2010	<ul style="list-style-type: none"> Blues Clues THP Runneberg Lodge Lease, site Fiedler Rodeo THP Yager Quarry #3 Bear Creek 	<p>Stop 5: Blues Clues THP, northern spotted owl activity center, selection harvest adjacent to state park</p> <p>Stop 6: Runneberg Lodge, inspection of a leased camp</p> <p>Stop 7: Fiedler Rodeo THP, active harvesting job, entrance rocked to prevent Off Road Vehicles (ORVs),</p>

	<p>Watershed</p> <ul style="list-style-type: none"> HRC Environmental Lab 	<p>interviews with contractors</p> <p>Stop 8: Yager Rock Quarry, examination of restored quarry area</p> <p>Stop 9: Bear Creek Watershed Restoration, one of five impaired watersheds under sediment prevention provisions of HCP, restoration to ensue</p> <p>Stop 10: Humboldt Redwood State Park, examination of eroded banks and fallen trees in an untouched forest area, road reinforcement on FME access</p> <p>Stop 11: Bear Creek Watershed, location 1, culvert blow out in 2005 storm; conducted mitigation to protect coho salmon and installed wirewall crib</p> <p>Stop 12: Bear Creek Watershed, location 1, 2001 road decommission and channel restoration of Humboldt Crossing</p> <p>Stop 13: Bear Creek Watershed, location 1, Road points schedule for repair and erosion control</p> <p>Stop 14: Review of FSC supported film interview with HRC President</p> <p>Stop 15: HRC Environmental Laboratory</p>
August 18, 2010	HRC Office, Scotia, California	Staff interviews and further gathering of documentation, auditor deliberations, delivery of preliminary findings, discussion on report deadlines

Total number of person days used for the audit: 20
= number of auditors participating 2 X number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation 10

3.3. Sampling methodology:

The audit team visited HRC’s main office in Scotia, California and field sites within the FMU. Stakeholder analysis was a major component of this annual audit. In addition to holding a stakeholder meeting on the first day of the audit, the audit team conducted numerous telephone interviews with agencies and citizens. Upon arrival, the auditors examined a list of sites where harvesting and other activities had occurred since the last audit. The auditors made a preliminary selection of sites to visit from various forest activity types (e.g., active harvesting jobs, completed harvest jobs, thinnings, stream restoration projects) in the two FME districts that would allow for evaluation of the FME’s conformance against the FSC regional standard. The preliminary list was later modified to balance the time allowed for the audit and with distances needed to travel to a diversity of sites. The SW member of the team was primarily responsible for stakeholder interviews and analysis, while SCS auditor focused on HCVFs, RSAs, and environmental impact. The team deliberated selected criteria jointly and determined

conformance or non-conformance based on consensus through a process of reviewing field observations and documented evidence.

3.4. Stakeholder consultation process

The purpose of the stakeholder consultation strategy for this audit was threefold, to:

1. ensure that the public was aware of, and informed about, the audit process and its objectives;
2. assist the field team in identifying potential issues; and,
3. provide diverse opportunities for the public to discuss and act upon the audit findings.

This process entails detailed and meaningful stakeholder interaction. The process of stakeholder interaction does not stop after the field visit or for that matter even after a certification decision is made. SW and SCS welcome, at any time, comments on FSC certified operations and such comments often provide a basis for field audits.

The FME’s stakeholder lists provided a basis for the audit team to select people for interviews (i.e., in person, by telephone, through e-mails). Prior to the field visit, stakeholders were contacted by the auditors to solicit their opinions and to detect any issues of importance. Interviews were held with local, regional, state, and federal stakeholders. In addition to stakeholder outreach prior to the field visit, interviews were conducted with FME personnel in their office in Scotia, California, and in the field during the week of the visit. In addition, a stakeholder meeting was held in at the University of California Extension Office in Arcata, California on Monday, August 16th from 6:30 – 8:00 PM., and was used to gather further opinions and other information. Some stakeholders were contacted during the field visit for interviews and contacted by telephone and e-mails up to three weeks after the audit team left Scotia, California.

Stakeholder type	Stakeholders notified (#)	Stakeholders consulted or providing input (#)
Adjacent Landowners	7	7
ENGOS	6	6
Environmental Activists	1	1
Federal Agencies	6	6
FME Employees	17	17
Forestry Consultants	3	3
Lessees	1	1
Logging Contractors	3	3
Other	1	1
Restoration and Other Contractors	3	3
State Agencies	1	1
Tribal Representative	1	1

3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	FSC Pacific Coast Regional Standard version 9.0
Revisions to the standard since the last audit:	<input checked="" type="checkbox"/> No changes to standard. <input type="checkbox"/> Standard was changed (detail changes below)
Changes in standard:	Not applicable

Implications for FME:	Not applicable - no new requirements
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APPENDIX I: List of visited sites (confidential)

FMU or other Location	Compartment/ Area	Site description/ Audit Focus and Rationale for selection
Elk River Tract	09018/Unit #1	North Ridge THP, planted after 1990, pre-harvest BA of 200, post-harvest BA of 90-100, very narrow unit, 4 corridors, tractor logging next to main line ridge road, however when too wet they yarded it, extensive bear damage to trees, likely 20 year re-entry period, main road used CaCl to moisturize roads
Elk River Tract	09018/Unit #1	<p>North Ridge THP, tractor logged, roadwork not completed, good example of directional felling to avoid residual damage and put slash on the trails, most slash dispersal done while the rest after completion, cut in June 2010 due to late winter rains, slash packed water bar</p> <p>Discussion with staff geologist: Slope stability review by geologist – involves evaluation of types of harvests and management decisions not to harvest, Review root and canopy coverage in addition to BA retention due to size of individual trees.</p>
Elk River Tract	920/Unit#3	Off of the Lake Creek Tributary of the Elk River, significant stream restoration projects, logs and culverts from historical (1950s) clear cutting operations removed from stream channels, HRC road crew doing most of the work, road eliminated over streams, viewed stream courses where just beginning a completed job, pulled trees used for bank stabilization and some viable enough to bring to the mill, interviews with HRC geologist and road crew
Elk River Tract	08072/Unit #1	Moss Elk THP Harvest unit proposed under a previous ownership for a clear cut and shelterwood treatment, delayed at least one year due to adjacent landowner concerns, originally tractor logged, unit used for an adjacent landowner tour, skid trail system already exists and was most likely over done, a portion of the unit will go un-harvested due to water course RMZ requirements and allowance for a Channel Migration Zone, (i.e., no cut zone plus 50 ft buffer), a special treatment zone buffer (70-80 ft.) along an adjacent landowner boundary where the owner can inspect the marking of trees.
Arcata, California	University of California Extension Office	Stakeholder consultation meeting
Van Duzen River Tract	1-10-038/Unit #1	Blues Clues THP off of the J4 Road, Blue Creek watershed, previous 1960s clear cut, neighboring parks and reserves, 300' buffer off of a State Park with marbled murrelet habitat and county road thinned from below, spotted owl retention areas, and activity center buffers, marking of leave trees, flagged water

		zone on steep (>40%) slope, goal is to grow redwood with some tree species diversity, discussed process for designation of HCVF
Van Duzen River Tract	Runneberg Lodge	Trailer leasing area of about 50 acres on Van Duzen River; former ownership lease that was honored; recent problems with density of occupancy, trash, makeshift structures, and noise on access roads; determination on lease continuance based on clean-up activity, floodplain location grandfathered in by the county
Van Duzen River Tract	1-08-085/Unit #3	Fielder Rodeo THP, single trees selection harvest in process, variable retention, good regeneration potential, 200' buffer off of Route 36, logging crew interviews, slash packed skid trails, entrance to unit rocked to prevent ORVs, contractors were able to show skill kits, firebox, and proof of First Aid/CPR training.
Yager River Tract	Quarry #3	Reclamation of commercial quarry pits by FME road crew, permits issued in 1999 after 1996 harvest, viewed road work with a 25' requirement between water bars, borrow reclamation and regeneration of grasses and trees (240 trees/acre), water settling ponds to be eliminated after 3 years, state and county oversight
Scotia, California	HRC Scotia Office Presentation by Area Forester	Presentation on the Bear Creek watershed (one of FME's five impaired watersheds), "Report of Waste Discharge" presented for watershed, HCP will require sediment and temperature mitigation prevention strategies, scoping assessment on restoring watersheds after past activity and damages, 95% of Bear Creek meets storm-proofing regulations.
Eel Tract	Within Humboldt Redwoods State Park	Bear Creek watershed, on a main FME access road, viewed area that has had no logging, witnessed previous bank erosion which led to trees falling into the creek from a storm event
Eel Tract	Site 5000, A39 Road	Bear Creek watershed, 2005 log debris jams, undercut bank leading to large channel erosion waste discharge report needed to repair road and had to extend THP, wire wall cribbing used along with wood materials to stabilize and repair the main access road
Eel Tract	A39 Road	Bear Creek watershed along Bear River Ridge, area logged in the late 1960s and early 1970s, road ends into a road decommissioning project, large excavation needed to restore stream course, 2001 stream restoration, good on-slope regeneration, stream clear of visual sediments
Eel Tract	Abandoned road paralleling Bear Creek Watershed	Bear Creek watershed, 2005 abandoned legacy road, 4 Erosion Control Points to be fixed by restoring water courses, viewed two of four road points scheduled for restoration
Eel Tract	Bear Creek Watershed Monitoring Site	Viewed Aquatic Trends Monitoring station on the bridge over creek, monitoring station checks for stream flows and takes turbidity samples, stream channel profiles and canopy cover are monitored in adjacent reaches
Scotia, California	HRC	Testing site for 7,000 bottles of water samples per

	Environmental Laboratory	year, chain of custody of samples maintained, barcodes used to track bottles (allows sample to be "blind" to lab techs), test for turbidity and sediments in watersheds, Turbidimeter checks for clarity and records data, 200 samples per year collected from each collection point, First Aid kit up-to-date
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APPENDIX II: List of stakeholders consulted (confidential)

List of FME Staff Consulted

Name	Title	Contact	Type of Participation
Arreguin, Victor	Equipment Operator	varreguin@hrcllc.com	In-field contact
Butcher, Jason	Database Analyst/GIS Manager	707-764-4323	On-site interview, closing meeting
Chinnici, Sal	Forest Sciences Manager	schinnici@hrcllc.com	Opening meeting, on-site interview, closing meeting
Curtemann, Jackie	Manager, Workers Compensation	707-764-4218 jcurtemann@hrcllc.com	On-site interview
Garbocci, Liz	Executive Administrative Assistant	lgabocci@mendoco.com	Office contact
Grant, Nick	Forest Technician	ngrant@hrcllc.com	On-site interview
Hawk, Benjamin	Forester	bhawk@hrcllc.com	Opening meeting
Jani, Mike	President, Chief Forester	mjani@mendoco.com	Opening meeting, on-site interview, stakeholder meeting, closing meeting
Johnson, Eric	Forest Inventory Manager	ejohnson@hrcllc.com	Opening meeting, on-site interview, closing meeting
Mann, Eric	Lead Land Security Officer	emann@hrcllc.com	Opening meeting, on-site interview
Manzi, Charlie	Equipment Operator	cmanzi@hrcllc.com	In-field contact
Miles, Mike	Area Forester, South	mmiles@hrcllc.com	Opening meeting, on-site interview, closing meeting
Nordstrom, Tagg	Geologist	tnordstrom@hrcllc.com	On-site interview
Renner, Maralyn	HCP Stewardship Manager/Botanist	mrenner@hrcllc.com	Opening meeting, e-mail contacts, on-site interview, closing meeting
Schultz, Tom	Forest Operations Manager	tschultz@hrcllc.com	Opening meeting, on-site interview, closing meeting
Sullivan, Kate	Manager, Physical Sciences	ksullivan@hrcllc.com	Opening meeting, on-site interview, closing meeting
Woessner, Jon	Area Forester, North	jwoessner@hrcllc.com	Opening meeting, on-site interview

List of other Stakeholders Consulted

Name	Organization	Contact	Type of Participation
Anthon, David	BLM Headwaters, Biologist	1695 Heindon Road Arcata, CA 95521 707-825-2300 david_anthon@ca.blm.gov	Telephone interview
Arriaga, Josh	Logger, Diamond R Ranch	100 Pine Creek Road Ferndale, CA 95536 707-725-5643	In-field contact
Bailey, Kathy	Sierra Club	707-895-3716	Telephone interview
Bond, James	NOAA	1655 Heindon Road Arcata CA 95521 707-825-5192 james_bond@fws.gov	Telephone interview
de Subrino, Marianne	Adjacent Landowner, Elk River Watershed	7565 Elk River Road Eureka, CA 95503 mikey2@wildblue.net	E-mail contact
Falxa, Gary	USFWS, Biologist	1655 Heindon Road Arcata CA 95521 707-822-7201 gary_falxa@fws.gov	Telephone interview
Freedlund, Ali	Mattole Restoration Council	ali@mattole.org	Observer, on-site interview, e-mail contacts
Friedenbach, John	Boys Scouts, Elk River site, Lessee.	1007 Wood St. Eureka, CA 95501 707-443-1645	Telephone interview
Giddings, Richard	Trucker, Diamond R Ranch	100 Pine Creek Road Ferndale, CA 95536 707-725-5643	In-field contact
Gienger, Richard	Forest Activist	Box 283 Whitethorn, CA 95589 707-923-2931 707-223-6474 rgrocks@humboldt.net	Telephone interview
Haggins, Danny	Pacific Watershed Associates, Restoration Contractor	1652 Holly McKinleyville, CA 95518 707-839-5130 dannyh@pacificwatershed.com	Telephone interview
Higgins, Patrick	Consulting Fisheries Biologist	707-822-9428 phiggins@humboldt1.com	Stakeholder meeting

Hunter, John	USFWS, Fish and Wildlife Biologist	1655 Heindon Road Arcata, CA 95521 707-822-7201 john_e_hunter@fws.gov	Telephone interview
Isbell, Cletus	Adjacent Landowner, Freshwater Watershed	707-268-0797 cande663@suddenlink.net	Telephone interview, e-mail contact
Joseffer, Jason	Photographer, Hitman Productions, Inc.	415-350-6009 film@jasonjoseffer.com	In-field contact, stakeholder meeting
Kraus, Ralph	Private Citizen, Adjacent Landowner	2479 Wrigley Road Eureka, CA 95503 707-443-1469	Telephone interview
Leskiw, Sue	Sierra Club, Freshwater River Watershed	sueleskiw@suddenlink.net	Stakeholder meeting
Moore, Dina	Yager/Van Duzen Rancher, Adjoining Landowner	480 Butte Creek Road Kneeland, CA 95549 707-442-3878	Telephone interview
Mulligan, Paul	Vice-President, Humboldt Watershed Council	tcgroup@suddenlink.net	Stakeholder meeting
Nelson, Eric	USFWS, Humboldt Bay National Wildlife Refuge	1020 Ranch Road Loleta, CA 707-733-5406 eric_t_nelson@fws.gov	Telephone interview
Nelson, Robert	Northwest Forestry and Marine Co., Restoration Contractor	P.O. Box 1084 Arcata, CA 95518 707-822-6501 nelsonatnwf@sbcglobal.net	Telephone interview
Noell, Jesse	Adjacent Landowner, Elk River Watershed	jnoell@copper.net	Stakeholder meeting
Renner, Rob	Diamond R Ranch, , Inc., Logger, Adjacent Landowner	100 Pine Creek Road Ferndale, CA 95536 707-725-9739 diamdondr100@gmail.com	Telephone interview
Robinson, Nick	Timberland Resource Company, Forester	165 S. Fortuna Blvd., Suite 4 Fortuna, CA 95540 707-725-1897 robinson@timberlandresource.com	Telephone interview

Rosales, Hawk	Executive Director. InterTribal Sinkyone Wilderness Council	P.O. Box 1523 Ukiah, CA 95482 707-468-9500 intertribalsinkyone@sbcglobal.net	Telephone interview
Shultz, Jon	NRCS, Soil Conservationist	5630 So. Broadway Eureka, CA 95503 707-442-6058 jon.shultz@ca.usda.gov	Telephone interview
Sneed, John	Forest Asset Management Consultant	707-682-6067	On-site interview
Sniado, Sue	California Department of Fish and Game	619 Second St. Eureka, CA 95501 707-441-3970 ssniado@dfg.ca.gov	Telephone interview
Thorington, Bill	President, Humboldt Watershed Council	tcgroup@suddenlink.net	Stakeholder meeting
Tsichulo, Paul	Director, Van Duzen Watershed Project	Fortuna, CA 95540 ptsich@asis.com	E-mail contact
Tull, Debbie	Contractor, HCP Monitor	525 Second St., Suite 205 Eureka, CA 95501 707-443-8300 dst16@humboldt.edu	Telephone interview
Wrigley, Kristi	Adjoining Landowner, Elk River Watershed	707-443-1496 kwrigley@hughes.net	Telephone interview, stakeholder meeting, e-mail contacts

APPENDIX III: Forest management standard conformance (confidential)

The table below demonstrates conformance or non-conformance with the Forest Stewardship Standard used for evaluation as required by FSC. The SmartWood Task Manager should provide guidance on which sections of the standard should be evaluated in a particular audit. SmartWood may evaluate only a subset of the criteria or principles of the standard in any one particular audit provided that the FME is evaluated against the entire standard by the end of the certificate duration. Findings of conformance or non conformance at the criterion level will be documented in the following table with a reference to an applicable CAR or OBS. The nonconformance and CAR is also summarized in a CAR table in Section 2.4. All non-conformances identified are described on the level on criterion though reference to the specific indicator shall be noted. Criteria not evaluated are identified with a NE.

P & C	Conformance: Yes/No/ NE	Findings	CAR OBS (#)
Principle 1: COMPLIANCE WITH LAWS AND FSC PRINCIPLES			
1.1	NE		
1.2	NE		
1.3	NE		
1.4	NE		
1.5	NE		
1.6	NE		
Principle 2. TENURE AND USE RIGHTS AND RESPONSIBILITIES			
2.1	NE		
2.2	Yes	<p>Controlled access is permitted when deemed compatible with the FME’s forest management policies and objectives. Employees can hunt the property in compliance with a schedule set up by the FME’s Forest Operations Manager. Special user groups are allowed to engage in some activities (e.g., annual ATV event, Boy Scout Camp). In several cases, stakeholders have had personal tours on the property specific to their interest (e.g., tours related to watersheds, old growth, educational purposes). During the past year two tours were held for adjacent landowners in the Elk/Freshwater watershed. The Wildlife Biologist also provided a tour for the Fortuna Soroptimist Club and a two person tour for bird enthusiasts fro California.</p> <p>In general, the FME allows customary and lawful uses of the forest to the extent they are consistent with conservation of the forest resource, their forest management objectives, provided they do not present a legal liability. According to the FME’s policy, individuals, groups, or businesses gain access to the forest through legal contracts, permits, or leases. There some cases where individuals are also working voluntarily on the forest. Here the FME developed and implemented a process whereby volunteers can engage in stewardship activities on FME lands without presenting a legal liability by filling out an access permit form titled “Permit to Enter Humboldt Redwood Company, LLC Land, Release of Liability and Indemnity.” A copy was provided to the auditors. In one area visited by the auditors a previously agreed arrangement for an encampment</p>	

		<p>was permitted to remain on the property, as long as they follow FME's regulations for noise reduction, lower density requirements, and trash removal.</p> <p>The FME has consulted with a number of stakeholder groups when planning and implementing forest management activities. Examples include tribal entities (e.g., InterTribal Sinkyone Wilderness Council), the Mattole Restoration Council, agency stakeholders through the THP process, a number of tree sitters, adjoining landowners (to discuss access and impacts), and area ranchers. These consultations were confirmed through auditor interviews with stakeholders.</p> <p>The FME has a policy stating that there are at least three conditions that will trigger formal public input opportunities. These include major amendments, a public draft release, or final agency approval of proposed study plans within their long-term sustainable FMP; proposed major changes to the FME's landscape plan, and for public scoping meetings required by regional, state, or federal agencies required as part of planning processes. The FME also has made the current FMP available upon request. Much data is available publically already, and through stakeholder interviews it was confirmed that most requests have been answered. HRC also makes its FMP available on its Web site while protecting the confidentiality of information. The auditors verified during August 2010 that the HRC FMP was publically available on its Web site (http://www.hrcllc.com/pdf/HRC-ManagementPlan.pdf).</p>	
2.3	NE		
Principle 3. INDIGENOUS PEOPLES' RIGHTS			
3.1	NE		
3.2	NE		
3.3	NE		
3.4	NE		
Principle 4. COMMUNITY RELATIONS AND WORKERS' RIGHTS			
4.1	NE		
4.2	NE		
4.3	NE		
4.4	Yes	<p>A draft September 2009 version of the FME's FMP on its Web site (http://www.hrcllc.com/pdf/HRC-ManagementPlan.pdf) for public comment. In addition, there is a stakeholder contact form on the Web site in which stakeholders can write the FME directly. Contact information for the FME's Stewardship Manager is available on this page.</p> <p>The FME has initiated a social impact assessment. Employees are actively using the social monitoring and a reporting form included in the FMP to collect data for this process. Both a schematic on the social impact assessment strategy and copies of forms used to collect information were provided to the auditors. In September, the FME will start annual stakeholder meetings independent of the FSC certification process. An announcement of this meeting was provided to the auditors.</p> <p>As part of the California THP process, the FME must inform adjacent landowners of timber harvest activities. The FME gave the telephone number of a road crew contractor to one stakeholder to</p>	

		<p>address truck noise issues. The contractor addressed the issue, as was confirmed as well by the stakeholder.</p> <p>Archeological sites are assessed as part of the THP process and documented on maps. The state informs tribes of these areas. Contact with a key tribal representative confirmed that the FME cooperates in this manner with the tribes as well. Other sites of historical importance, such as the Humboldt County meridian, are mapped and protected.</p>	
4.5	Yes	<p>The FME always attempts to resolve grievances and mitigate damages resulting from forest management activities through open communication and negotiation prior to legal action. Normally issues of concern are handled by the District Foresters. If resolution can not be obtained the Forest Operations Manager and/or the FME President will become involved to reach a resolution. Rarely have any issues seen legal action. The President stated that since the FME took over operations they are not directly involved in any major lawsuits.</p> <p>There are many examples to illustrate the FME's approach to problem solving. The FME has invited stakeholders of the Elk/Freshwater watersheds on two occasions to look at forest management activities that have the potential to impact roads and water resources. The FME has agreed to a third visitation during the rain to further explore water flows. Several stakeholders appreciated the tours and found them informative. The FME conducts several other informal tours throughout the year, such as with members of the Mattole Restoration Council (MRC). In fact, a member of the MRC participated as an Observer during the audit. The Wildlife Biologist has also provided a tour for a local community group on the forest.</p> <p>To cite another example, the FME maintains open communication with the Renneberg lodge and members of the lodge have agreed to clean up the camp site by a predetermined deadline. The FME is employing open communication with this lessee to encourage them to clean-up the site and reduce other nuisances associated with their use (e.g., density of use, trash, noise). Rather than immediately terminating the lease, the FME is providing this group with another chance to improve on-site conditions.</p> <p>Contracts require that Licensed Timber Operators (LTOs) and other contractors have adequate liability insurance. A number of contracts were provided to the auditors for examination and they indeed had such provisions.</p>	
Principle 5. BENEFITS FROM THE FOREST			
5.1	NE		
5.2	NE		
5.3	NE		
5.4	Yes	<p>The FME allows permitted use of the property that is compatible with forest management and diversification of products. For example, the program with Home Depot to increase the use of Douglas-fir should increase the merchantability of this species. The FME is also investing heavily in forest composition (e.g., planting and conifer restoration) and infrastructure (e.g., storm-proofing of roads, restoration of stream channels, closing of unnecessary roads). Due</p>	

		to this activity, they are continuing to hire road crews and other contractors, which provides jobs during this down economy.	
5.5	NE		
5.6	NE		
Principle 6. ENVIRONMENTAL IMPACT			
6.1	NE		
6.2	NE		
6.3	No	<p>The FME uses information on past land use and harvest history, presence of protected areas, and rare, threatened, and endangered (RT&E) species and habitats (e.g., northern spotted owl, marbled murrelet), stream buffers, forest species composition and age class, site-specific environmental conditions (e.g., soils, slope), and natural disturbances (e.g., fire, windthrow) to implement uneven-aged management to attain three age classes or more over subsequent harvests. Single-tree and group selection silvicultural systems mimic the patchiness that would result during small, ground fires, and microbursts.</p> <p>The FME has developed an Ecological Assessment Checklist for micro-site characteristics. This checklist is a tool for assessing the ecological appropriateness of planting coastal redwood trees on sites currently dominated by Douglas-fir, grand fir, or other non-redwood conifer trees; or on sites dominated by hardwoods with no redwood trees present.</p> <p>If three or more of the six conditions on the Ecological Assessment Checklist are met, then the ecological appropriateness of planting redwood is considered good and planting may proceed. If two or fewer conditions are met, then the forester shall either plant the site using only Douglas-fir or prepare a written justification for a proposed redwood planting that may be approved by the FME's Forest Operations Manager or its President. See also the FMP's regeneration section (pp. 23, 24, and 27).</p> <p>The six conditions on the Ecological Assessment Checklist include: evidence of historical occurrence of redwood on the site (e.g., stumps, historical records); summer coastal fog; aspect (i.e., north and/or east-facing slopes); slope position (e.g., lower half of slope position); general soil composition (e.g., not rocky); and soil series of Humboldt County (November 1965). The consideration of aspect, slope position, soil type, and summer fog should ensure that redwood is only planted on ecologically appropriate sites and thus avoid type conversion. The auditors also took note that the FME's botanist is aware that NRCS is conducting a new soil survey of Humboldt County, which should assist in further refinement of the criteria used to assess the ecological appropriateness of planting redwood.</p> <p>LTOs receive guidance from FME staff during operations. Each LTO has a private meeting with forest management staff annually to go over logging issues and seek solutions. Records of these meetings are maintained in the Stewardship Manager's office. A copy of meeting documentation was provided to the auditors. The auditors observed greater use of slash during tractor operations this year, but notes that this depends on operator experience and preference.</p>	Major CAR 2009.6

		<p>The California THP inspection checklist covers soil compaction and fertility. The FME's guidance on soil fertility is available in the FMP (p. 26) and in Appendix E: Guidance on Soil Compaction and Fertility. <i>Appendix I: Forester Inspection and Monitoring Checklist</i> will be updated later this year to include the acceptable thresholds. It is currently under testing by FME staff and pending final approval from upper management. As discussed with the SW/SCS audit team during last year's closing meeting, soil compaction is the principle concern in coastal conifer forests since it can lead to declines in soil water holding capacity and fertility.</p> <p>The FME's principle course of action in response to CAR 2009.6, written to address the above issues, was to design and implement forest operations to reduce impacts to soils due to compaction, erosion, and loss of fertility. In other words, the FME intends for prevention to be their policy and practice in reducing impacts to soil resources.</p> <p>To address part (a), the FME has developed indicators of reduced soil fertility, including: a) decreased growth of native species compared to other, similar areas; b) yellow or brown growth, especially in new, same-season vegetative tissues; and c) persistent un-vegetated areas in which native species do not readily colonize (excluding active landslides) – these are most likely to occur on landings and skid trails that are not mitigated. Signs of erosion are included on the same sheet in Appendix E of the draft August 2010 FMP.</p> <p>(b) According to the FME's investigation, more regional research has focused on soil compaction as it is directly related to erosion, soil water capacity, and fertility. Appendix I, which is still in development, seems to be an integral component of its response.</p> <p>(c) Signs of reduced soil fertility such as decreased growth, yellow or brown growth, and persistent non-vegetated areas not explained by other logical reasons are to be reported to the Area Forester. Are there any sites that have experienced compaction? If so, what are some potential courses of action to be taken to mitigate the loss of soil resources and rehabilitate affected sites? If no action taken is deemed to be the most appropriate response, what are the potential outcomes? See Major CAR 2009.6.</p> <p>The FME is in the process of redefining its old growth stands in response to the newly approved FSC-US Standard.</p>	
6.4	Yes	<p>The FME's FMP (p. 45) details its hardwood policy (e.g., that related to Oregon white oak and other true oaks), and the High Conservation Value Forests (HCVFs)/Representative Sample Areas (RSAs) write-up on the processes and analyses used to designate RSAs and HCVFs.</p> <p>Much of the initial work on HCVF and RSA designation was done under the previous ownership, but included many other types of designations (e.g., historical sites). A list of protected sites was developed for purposes of other certification requirements and to be in compliance with state and federal laws.</p>	

		<p>In 2009, this list of HCVF and RSA sites became the starting point used by the FME's Stewardship Manager to begin identifying those that meet the FSC Criterion 6.4. Some of these original Special Sites were dropped from consideration as RSAs because they did not meet the definition [Author's note: e.g., historic sites, which are considered other parts of the FSC standard]. Serpentine outcrops, on the other hand, are one of the types of Special Sites that did meet the definition of a representative ecosystem that is uncommon in the region. This type of analysis was used for each of the FSC Special Sites to narrow down a list of ecosystems that appeared to meet the FSC definition.</p> <p>Simultaneously, FME managers and the Stewardship Director for Mendocino Redwood Company were developing criteria to identify HCVFs. Managers met several times to come up with a list of HCVFs and RSAs. Initially the FME staff was uncertain which ecosystems were HCVFs and which were RSAs. They ultimately decided to apply the FSC Criterion 9 definition first, identify HCVFs, and then the remaining ecosystems were evaluated based on the definition of RSAs.</p> <p>In addition to knowledge of the FME's landscape, FME managers applied their collective knowledge of protected ecosystems in nearby public lands to identify RSAs regionally. For example, while Oregon White Oak woodlands are common in drier landscapes to the east, they are not common on FME land. However, their examples not only represented some of the western-most occurrences of this vegetation type on the North Coast, but they are juxtaposed with other forest types such as redwood and Douglas-fir/hardwood. Consequently, the FME's final list of RSAs consisted of previously identified Special Sites ecosystems, and special or unique habitats which did not meet the criteria for HCVFs. This list of RSAs along with their management guidelines are discussed in the FMP. Special Sites which do not qualify as ecosystems are addressed as "Sites of Significance" in the FMP, and have management guidelines that specifically address protection of their unique values.</p> <p>The FMP's review and designation of RSAs is appropriate. The fact that forest managers considered all protected areas identified as HCVFs first was consistent with the precautionary approach.</p>	
6.5	NE		
6.6	NE		
6.7	NE		
6.8	NE		
6.9	NE		
6.10	NE		
Principle 7. MANAGEMENT PLAN			
7.1	Yes	<p>The FME's August 2010 "HUMBOLDT REDWOOD COMPANY, LLC MANAGEMENT PLAN" is, at present, still in draft form. A September 2009 version is on its Web site (http://www.hrcllc.com/pdf/HRC-ManagementPlan.pdf). See OBS 2010.1.</p> <p>The forest management plan (FMP) contains a section on its purpose and vision for long-term ecological, social, and economic vitality (pp. 1-2). It also includes a section on its timber management</p>	OBS 2010.1

	<p>objectives (p. 10), which notably includes restoring uneven-aged stand structure and pre-1850s native tree species composition. The uneven-aged management strategy is consistent with restoration of the forest resource. Both sections describe short- and long-term objectives that are achievable, measurable, and adaptable over time. The FMP also includes or references the Habitat Conservation Plans, Option A, Geographical Information system (GIS) and remote sensing data, Forest-Vegetation-Typing Manual, previous timber inventories, current forest inventory program, Timber Harvest Plans (THPs), growth and harvest modelling software programs, California Forest Practice Rules, chemical applications records, guidance document on pest control, the THP checklist, streambed alteration agreements, asbestos airborne toxic control measures, California Environmental Quality Act requirements, OSHA records, the FME's Web site, log specifications, the grazing lease, maps, guidance on soil compaction and fertility, treaties and regulations, employee sign-in/out procedures, and several monitoring forms.</p> <p>The FMP includes information on forest composition and timber inventory data to assess harvest potential (pp. 11-19). It has identified improving the timber inventory as necessary to facilitate better growth and yield models and identify any other potential constraints. Also described throughout the FMP are fish and wildlife resources and how they guide timber harvesting and other management activities (more specifically see pp. 32-38). For example, it has established marbled murrelet and northern spotted owl HCP areas. It also describes non-economic natural resources and the management thereof, such as riparian areas, wildlife protection, and old growth trees, throughout the FMP.</p> <p>The FMP has a section entitled, "Non-timber Forest Products" (p. 64). While there is no formal harvesting of non-timber forest products (NTFPs), the FME has inherited some grazing leases from the previous ownership and has elaborated new grazing guidelines and a lease consistent with maintenance and enhancement of forest resources (pp. 51, 67-69). This section also deals with hunting and other recreational leases, communication sites, and plans for contracts for the removal of small volumes of non-timber forest products, such as branches and leaves for Christmas wreaths (pp. 67-71).</p> <p>The FMP describes northern spotted owl, marbled murrelet, and other threatened and endangered wildlife species and their HCPs (pp. 32-38). Rare plant communities (p. 39 and throughout the FMP) and sensitive features, such as serpentine outcrops (p. 51-52), are also included in its descriptions.</p> <p>The FME describes the land-use history in the FMP's introduction (pp. 4-9). Past land use, such as intensely even-aged harvest practices during previous ownerships, guides its objectives for uneven-aged management. Today, the FME is a limited liability company comprised of 209,300 acres. In the "About Humboldt Redwood Company," subsection "Our Lands Today," the FME states that the surrounding landownerships and in-holdings are a mixture of public, township, and private lands. Described are deeded rights-of-way (ROW) that it has with neighbors and in-holders, where it</p>	
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	<p>requires access to conduct forest operations. Some neighbors have deeded ROW across HRC property. There are also public roads that traverse FME lands on which neighbors have a prescriptive ROW. The FME occasionally needs to ask for permission to access lands where there is no deeded ROW.</p> <p>The FMP includes a description of its community relations and how community members can provide inputs to its forest management (p. 74, see also Appendix J). Information is provided on how user groups can gain official access to the forest for recreational opportunities and other pursuits (pp. 28, 62). An overview of the workforce (p. 59), its qualifications (p. 59), and annual safety statistics is included (p. 60). Archaeological and historical sites are described in the FMP (pp. 53-54 and throughout the FMP). In addition, these sites are also identified on maps in their HCPs and THPs and as are the HCVFs.</p> <p>Landscape-level planning is a major component of the FME's sustainability unit analyses, which are managed at the watershed level. The FMP describes the tools and components of the landscape planning model and the results of its analyses (pp. 15-21). The FME has added a section in the FMP called "Landscape Planning Refinements" to its landscape-level planning process. It has identified the forest inventory and implemented the use of a new-forest-growth model, FORSEE, as essential to refining this process. The FME also will continue mapping of old-growth stands and further develop the constraint layers in the GIS in the future. The landscape level plan is scheduled for revision every 5 years. In regard to FME lands adjacent to public and private properties and roads, the FME states that "These areas of community concern are evaluated in THP layout and operations planning by the foresters and are managed with special sensitivity to the impacts any silvicultural activities may have on the viewsheds and aesthetic quality for adjacent neighbors." Other landscape-level considerations are described in the HCVFs and Representative Sample Area (RSA) analyses, including other known reserve areas in the region (pp. 45-52).</p> <p>Silvicultural approaches are described in the FMP (pp. 22-24). The FME employs almost exclusively uneven-aged management techniques, mostly selection systems and variable retention, the latter of which is employed for restoration of conifers. Silvicultural prescriptions are based on geology, soils, inventory and growth data, and a number of constraints (e.g., the presence of rare and engendered species, riparian buffer zones).</p> <p>The FME meets with contractors prior to forest management activities to go over the THPs, maps, and constraints (pp. 25-27).</p> <p>The FME had been using some inventory data collected under a previous ownership, but it is now committed to improving and completing the forest inventory as a priority to make decisions based on better data. Past data was sufficient and statistically sound for estimates of property-wide timber volumes, but less useful for making refined stand-level estimates. A sizable investment was made in their inventory program since the last audit. Interviews with</p>	
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	<p>staff also confirmed that this activity is well along its targeted pathway. Currently, the FME has detailed the timber inventory data it has and what future inventories will consist of, to conduct timber stand typing. The FMP, Appendix A details inventory goals and an updated and accelerated process for establishing inventory data for the forest (pp. 78-101). It includes descriptions of attributes to be measured/monitored, including some of the data sheets to be used. Frequency of updates to the forest inventory varies. For example, the GIS layer will be updated annually with the harvests that have occurred. All trees in the inventory database will be grown one year forward with FORSEE. A system of temporary and permanent plots will be used. Old-field plots will be retired from the database annually. More plots will be added to specific strata as the number of plots becomes depleted. Aerial photos and orthophotos will be purchased every 3 to 5 years for vegetation typing. Permanent plots will be re-measured every 5 years.</p> <p>Redwood and Douglas-fir are the primary products and historically occurred in higher proportions than hardwoods and other conifers in this region (pp. 65-66, and throughout the FMP). Where possible, restoration of these two commercial species is promoted and is consistent with maintaining and enhancing ecological composition, structure, and function of the forest (mentioned throughout the FMP).</p> <p>The FME cites the stipulations of the Habitat Conservation Plan (HCP), which requires it to assess its implementation and perform effectiveness monitoring for endangered species, hydrological indicators, and hillslope stability (pp. 32-41). The THP process requires endangered species surveys, riparian buffer marking, and identification of other constraints (p. 40).</p> <p>The THP process by law requires surveys for rare, threatened, and endangered (RTE) species prior to the commencement of operations (p. 114). In addition, the FME details its HCPs and HCVPs in the FMP (pp. 32-41, 45-53), both of which cover the maintenance and enhancement of RTE species and plant communities.</p> <p>The FME's maps detail property boundaries, roads, timber production areas, harvest blocks for the first two decades (which indicate knowledge of age class), general forest vegetation types, HCVPs and RSAs, locations and habitats for rare species, historical and archaeological sites, and watercourses and buffers. Soil conditions and conservation are considered in management planning and information is included in GIS and generated harvest maps. The FME will create more maps as necessary. The auditors noted that an extensive array of maps is available in each Watershed Analysis report that catalogs these features and functions. Sample reports were provided to the auditors.</p> <p>The FMP outlines the objectives of uneven-aged management and provides description of equipment used for various tasks (e.g., see pp. 106-107). The timber harvest prescription and THPs detail what equipment and harvesting techniques can be used. Justification of equipment is based on sensitive soils, slope, tree size, species</p>	
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		composition, and the capabilities and limitations of equipment.	
7.2		<p>According to the FME's FMP its policies, procedures, operations, and even company objectives are subject to revision/update through adaptive management (p.3, and mentioned throughout the FMP).</p> <p>Both the FME's forest inventory (pp. 76, 84) and its FMP will be fully re-evaluated every five years (pp. 4, 76); watershed analyses will be re-visited approximately every 10 years (p. 76). Annual surveys and monitoring of wildlife, plants, streams, hillslopes, and roads feed into the annual decision-making process for each THP layout and for prioritizing forest, road, and stream restoration work.</p>	
7.3		<p>FME staff regularly engages in safety and internal training meetings to review new and existing policies and new information relevant to the implementation of forest management policies. The staff has received training on significant portions of its content (e.g., safety, CoC issues, GIS, wildlife). Documented training meetings and workshops the staff were provided to the auditors.</p> <p>Prior to performing work in the field, the LTO reviews the Licensed Timber Operator Guidelines Form titled "TIMBER HARVESTING PLAN SUMMARY AND GUIDELINES FOR TIMBER OPERATORS." This form is filled out by the Area Forester and/or the Contract Administration Forester and the LTO. By signing, it is acknowledged that chain-of-custody procedures, among other relevant items, have been reviewed with the LTO. In addition, the FME's Forest Operations Manager undertakes an annual meeting with each logging, transport, and road contractor and their respective Forest Manager. Beyond the evaluation of past performance, this session is used as an effective tool to train contractors and update them as on the FME's procedures as outlined in the FMP. Documentation of sessions on forms titled "Contract Logger Evaluation Sheet" was provided to the auditors.</p>	
7.4		<p>The FME makes the current draft available upon request. Much data is available publically already, and through stakeholder interview it was confirmed that most requests have been answered. It also makes its FMP available on its Web site while protecting the confidentiality of information. The auditors verified during August 2010 that the HRC FMP was publically available on its Web site, which goes beyond the public summary required by the FSC Criterion 7.4.</p> <p>In the past, the FME lacked, in its FMP, measures that ensure the maintenance and/or enhancement HCVFs. However, currently the FME has described its monitoring activities (C8.5) in the "Monitoring and Adaptive Management" section of this publically available FMP while protecting the confidentiality of its information. The FME also describes various types of monitoring activities, including how it tracks trends in business, social, and environmental concerns, HCP implementation, and forest inventory (i.e., yield, growth, regeneration, condition of forest). Measures to maintain and/or enhance HCVFs are included in the publically available plan (C9.3). HRC describes its HCVFs and the stakeholders consulted in the process in its FMP, which is open for public comment.</p>	
Principle 8. MONITORING AND ASSESSMENT			
8.1	NE		
8.2	NE		

8.3	NE		
8.4	NE		
8.5	Yes	The FME has monitoring information included in its FMP, which is available to the public. There is additional monitoring information including in HCP monitoring reports and THP completions, which are on the public record. HCP monitoring and cleanup and abatement activities are also on the public record, information from which the FME can use to make informed decisions on the maintenance and enhancement of HCVFs (See Criterion 9.4).	
Principle 9. MAINTENANCE OF HIGH CONSERVATION VALUE FORESTS			
9.1	Yes	<p>The FME's HCVF identification process was conducted in a manner consistent with the precautionary approach in that all six HCVF types were considered and that selection of conservation areas for the HCVF evaluation were assumed to possess HCVFs until their absence could be confirmed through a combination of empirical data and consultation with experts. For example, the stands identified as Type I and Type II old-growth were done through aerial photo investigation. These stands currently are protected assuming that the old-growth HCVF is present. Further refinement of old-growth stands will occur through a combination of ground verification and stakeholder outreach.</p> <p>HCVFs initially identified on the FMU include marbled murrelet conservation areas, FSC Type 1 and Type 2 old-growth stands (Note: FME uses the latest FSC-US definition), and Class I and Class II riparian management zones (RMZs).</p> <p>Further refinement and identification of HCVFs is expected to occur later this year through stakeholder outreach meetings, the first of which is scheduled in September 2010.</p>	
9.2	Yes	<p>The FME sent a letter on HCVF classification to stakeholders in June and July 2010. The list of stakeholders, minus agency contacts, was sent to both the SW and SCS certification bodies in June 2010. After this letter was sent, several stakeholders indicated that they would prepare a response, but most who responded indicated they would also participate in the process via the public meeting to be held in September 2010. No responses were received by August 10, 2010.</p> <p>The FME's process meets the requirements of Criteria 9.2 and 9.3. The FME has provided and will continue to provide opportunities for stakeholder involvement in the HCVF designation and management process. Stakeholder letters invited stakeholders outside of the regulatory process to participate in the HCVF designation and management process. The stakeholder meeting to be held in September 2010 will occur annually and, therefore, address the HCVF topic regularly, among other issues. The recently approved FSC-US Standard asks managers to attempt to coordinate HCVF protection and management where HCVFs cross ownerships, which may narrow the scope of Criterion 9.3 in some instances.</p>	
9.3	Yes	<p>See Criterion 9.2.</p> <p>In addition, when the FMP was placed on the FME's Web site in September 2009, we received a detailed response to the plan content from the Mattole Restoration Council. A significant portion of that response included inputs on designation of HCVF tracts for</p>	OBS 2010.2

		<p>Douglas-fir.</p> <p>The description of the process used to designate HCVFs and RSAs is in the FMP. All HCVF and RSA designations were presented in table format, including other known reserves.</p> <p>For each HCV identified, the FME has described the management prescriptions allowed to maintain and/or enhance these values. For example, no harvest is allowed in Type 1 old-growth stands and in Type 2 stands, residual old-growth trees are protected and single tree selection harvesting may occur where management will preserve or enhance the late successional characteristics of the stand.</p> <p>In the new FSC-US Standard, the FMP and relevant operational plans and documents need to describe measures necessary to ensure the maintenance and/or enhancement of all HCVFs present in all identified HCVF areas, including precautions required to avoid risks or impacts to such values. The FME should consider updating its HCVF process to include an assessment of precautions required to avoid risks or impacts to HCVFs. See OBS 2010.2.</p>	
9.4	Yes	<p>The FME's primary method of monitoring protected areas comes through its land security department, which monitors easily accessible reserves. An interview with a security staff member assured the auditors that this is being adequately done.</p> <p>HCP monitoring and cleanup and abatement activities are also on the public record, information from which the FME can use to make informed decisions on the maintenance and enhancement of HCVs, such as RMZs and RT&E species.</p> <p>In marbled murrelet and northern spotted owl surveys, the FME conducts annual monitoring during the breeding season to assess impacts of forest management activities on these species.</p> <p>Marbled murrelet conservation areas (MMCAs) are designed to protect the highest-value marbled murrelet nesting habitat in a system of conservation areas and to provide for habitat improvement. About 39% of these reserve acres contain old-growth stands or stands with scattered residual old growth trees.</p> <p>Management prescriptions near MMCAs must meet the intent of accelerating the growth of marbled murrelet habitat while protecting old growth trees. All management within the MMCAs must be approved by CDFG and USFWS. Harvest of adjacent stands outside the MMCAs is restricted during the breeding season to protect occupied sites from noise disturbance.</p> <p>RMZs are monitored for sediment and vegetative cover. Watershed analyses provide more quantifiable data with which to assess the impacts of management (e.g., road construction, stream channel restoration, timber harvests, supplemental planting) on watershed processes. Since RMZs have restricted or no-harvest zones, their primary function is to recruit large, older trees and woody debris for stream channel habitat.</p>	
Principle 10. PLANTATIONS			

10.1	NA		
10.2	NA		
10.3	NA		
10.4	NA		
10.5	NA		
10.6	NA		
10.7	NA		
10.8	NA		
10.9	NA		

APPENDIX IV: Chain-of-Custody Conformance (confidential)

Note: This CoC Appendix is used for FMEs only selling standing timber, stumpage, logs and/or chips produced within a FMU covered by the scope of the certificate. FME certificate scopes that include primary or secondary processing facilities shall include an evaluation against the full FSC CoC standard: FSC-STD-40-004 V2. Refer to that separate report Appendix.

Definition of Forest Gate: (check all that apply)

<input type="checkbox"/>	Standing Tree/Stump: FME sells standing timber via stumpage sales.
<input type="checkbox"/>	The Log Landing: FME sells wood from the landing/yarding area.
<input type="checkbox"/>	On-site Concentration Yard: Transfer of ownership occurs at a concentration yard under the control of the FME.
<input checked="" type="checkbox"/>	Off-site Mill/Log Yard: Transfer of ownership occurs when offloaded at purchaser's facility.
<input type="checkbox"/>	Other: <i>explanation</i>
Comments: Transfer of ownership occurs at the mill's FSC-certified log deck.	

Scope Definition of CoC Certificate:

Does the FME further process material before transfer at forest gate? <i>(If yes then processing must be evaluated to full CoC checklist for CoC standard FSC-STD-40-004 v2.)</i> Note: This does not apply to on-site production of chips/biomass from wood harvested from the evaluated forest area.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: FME does not process wood prior to delivery at the forest gate.	
Is the FME a large scale operation (>10,000 hectares) or a Group Certificate? <i>(If yes then CoC procedures for all relevant CoC criteria shall be documented.)</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments: FME is considered a large scale operation totaling almost 85,000 ha.	
Does non-FSC certified material enter the scope of this certificate prior to the forest gate, resulting in a risk of contamination with wood from the evaluated forest area (e.g. FME owns/manages both FSC certified and non-FSC certified FMUs)?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: All wood is FSC-certified wood. If non-certified wood was purchased, it would not be combined with FSC-certified wood prior to delivery at the forest gate.	
Does FME outsource handling or processing of FSC certified material to subcontractors (i.e. milling or concentration yards) prior to transfer of ownership at the forest gate? <i>(If yes a finding is required for criterion CoC 7 below.)</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: FME will not outsource handling or processing of FSC-certified material to subcontractors prior to delivery at the forest gate.	
Does FME purchase certified wood from other FSC certificate holders and plan to sell that material as FSC certified? <i>(If yes then a separate CoC certificate is required that includes a full evaluation of the operation against</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

FSC-STD-40-004 v2.).	
Comments: FME does not intend to purchase FSC-certified wood from other FSC certificate holders and sell that material as FSC-certified prior to delivery at the forest gate.	
Does FME use FSC and/or Rainforest Alliance trademarks for promotion or product labeling? (If FME does not nor has no plans to use FSC/RA trademarks delete trademark criteria checklist below.)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments: FME does intend to use FSC and/or Rainforest Alliance trademarks for promotion or product labeling.	

Chain-of-Custody Criteria [FM-35 SmartWood Chain-of-Custody Standard for Forest Management Enterprises (FMEs)]

1. Quality Management	
COC 1.1: FME shall define the personnel/position(s) responsible for implementing the CoC control system.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: FME's DCS states that its Forest Operations Manager is responsible for implementing the CoC control system.	
COC 1.2: All relevant staff shall demonstrate awareness of the FME's procedures and competence in implementing the FME's CoC control system.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: All of the FME's staff and contractors involved in the CoC implementation are familiar with procedures since current procedures will be very similar to the procedures to be used once FSC-certified wood is being delivered. Documented training in CoC procedures promote awareness and ensure that COC procedures among the staff and contractors are in compliance. For current/on-going LTO training, HRC has requested that CoC training be included in the pre-operations meeting for every LTO. At that meeting there is a sign-off sheet for all items discussed (e.g., covering CoC specifics, spill cleanup, safety). HRC also made sure that the 2010 training included staff newly assigned to LTO administration. HRC provided the auditors copies of their training logs.	
CoC 1.3: FME procedures/work instructions shall provide effective control of FSC certified forest products from standing timber until ownership is transferred at the forest gate. <i>Note: For large scale operations (>10,000ha) and Group Managers, CoC procedures covering all relevant CoC criteria shall be documented.</i> Including: a) Procedures for physical segregation and identification of FSC certified from non-FSC certified material. (If applicable) b) Procedures to ensure that non-FSC certified material is not represented as FSC certified on sales and shipping documentation. (If applicable) c) Procedures to include FME FSC certificate registration code and FSC claim (FSC Pure) on all sales and shipping documentation for sales of FSC certified products. d) Recordkeeping procedures to ensure that all applicable records related to the production and sales of FSC certified products (e.g. harvest summaries, sales summaries, invoices, bills of lading) are maintained for a minimum of 5 years. e) Procedures to ensure compliance with all applicable FSC/Rainforest Alliance/SmartWood trademark use requirements.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

Findings: FME's DCS provides effective control of FSC-certified forest products from standing timber to delivery at its forest gate.

- a) Not applicable.
- b) Not applicable.
- c) FME's DCS does have procedures to include the FME's FSC certificate registration code and FSC claim (FSC Pure) on all sales, shipping, and all other documentation for sales of FSC-certified products.
- d) FME's DCS states that it will implement recordkeeping procedures to ensure that all applicable records related to the production and delivery of FSC-certified products (e.g., harvest summaries, delivery summaries, shipping documentation) are maintained for a minimum of five (5) years.
- e) FME does intend to use FSC and/or Rainforest Alliance trademarks for promotion or product labeling prior to delivery at the forest gate. The FME's DCS includes procedures for use of FSC and/or Rainforest Alliance trademarks for promotion. HRC's "FSC Trademark Use Approval HRC FO OP 002 RevA" of February 11, 2010 and updated "HRC FO OP 002 Rev 1 submitted April 27, 2010 and additional documentation provided evidence of their conformance. Also see HRC-CORP-OP-002 which addresses the use of trademarks for promotion and product labelling.

2. Certified Material Handling and Segregation

<p>COG 2.1: FME shall have a CoC control system in place to prevent the mixing of non-FSC certified materials with FSC certified forest products from the evaluated forest area, including:</p> <ul style="list-style-type: none"> a) Physical segregation and identification of FSC certified from non-FSC certified material. b) A system to ensure that non-FSC certified material is not represented as FSC certified on sales and shipping documentation. <p>Note: If no outside wood is handled by FME within scope of certificate, mark as N/A.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>
<p>Findings: No outside wood is handled by the FME within the scope of the certificate.</p>	
<p>CoC 2.2: FME shall identify the sales system(s) or "Forest Gate", for each FSC certified product covered by the Chain of Custody system: i.e. standing stock; sale from log yard in the forest; sale at the buyer's gate; sale from a log concentration yard, etc.</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>
<p>Findings: FME identifies the forest gate for all FSC-certified products (i.e., mill's FSC-certified log deck).</p>	
<p>CoC 2.3: FME shall have a system that ensures that FME products are reliably identified as FSC certified (e.g. through documentation or marking system) at the forest gate.</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>
<p>Findings: FME provided the team with its 4-part Log Receipt forms (i.e., trip tickets) that will be used to identify as FSC-certified wood delivered to the forest gate.</p>	
<p>CoC 2.4: FME shall ensure that certified material is not mixed with non-FSC certified material at any stage, up to and including the sale of the material.</p> <p>Note: If no outside wood is handled by FME within scope of certificate, mark as N/A.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>
<p>Findings: No outside wood is handled by the FME within the scope of its certificate.</p>	

3. Certified Sales and Recordkeeping	
<p>CoC 3.1: For material sold with FSC claim the FME shall include the following information on sales and shipping documentation:</p> <p>a) FME FSC certificate registration code, and b) FSC certified claim: FSC Pure</p>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<p>Findings: FME's FSC certificate registration code and FSC claim (i.e., FSC Pure) is included on Log Receipt forms and or other documentation used for FSC-certified products.</p>	
<p>CoC 3.2: FME shall maintain certification production and sales related documents (e.g. harvest summaries, invoices, bills of lading) for a minimum of 5 years. Documents shall be kept in a central location and/or are easily available for inspection during audits.</p>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<p>Findings: FME's DCS states that it will maintain certification production and sales related documents (e.g., harvest summaries, delivery summaries, shipping documentation) for a minimum of five (5) years. It also states that all recordkeeping will be kept in a central location, and made available for auditing purposes.</p>	
<p>CoC 3.3: FME shall compile an annual report on FSC certified sales for SmartWood containing monthly sales in terms of volume of each FSC certified product sold to each customer.</p>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<p>Findings: FME compiles an annual report on FSC-certified sales for SmartWood containing monthly sales in terms of volume of each FSC-certified product sold to each customer. This was provided to the auditors.</p>	

4. Outsourcing	
<p>CoC 4.1: FME control system shall ensure that CoC procedures are followed at subcontracted facilities for outsourcing and FME shall collect signed outsourcing agreements covering all applicable FSC outsourcing requirements per FSC--40-004 v-2.0 <i>FSC Standard for Chain of Custody</i> November 2007.</p> <p>Note 1: If FME outsources processing or handling of FSC certified material the outsourcing report appendix is required.</p> <p>Note 2: Check N/A if FME does not outsource processing or handling of FSC material.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>
<p>Findings: FME will not outsource handling or processing of FSC-certified material to subcontractors prior to delivery at the forest gate (See also HRC-FO-OP 001 Rev2).</p>	

5. FSC/Rainforest Alliance Trademark (TMK) Use Criteria

<p>Standard Requirement:</p> <p>The following section summarizes the FME's compliance with FSC and Rainforest Alliance trademark requirements. Trademarks include the Forest Stewardship Council and Rainforest Alliance/SmartWood names, acronyms (FSC), logos, labels, and seals. This checklist is directly based on the FSC labeling standard (FSC-STD-40-201 <i>FSC on-product labeling requirements</i> (version 2.0) and FSC-TMK-50-201 V1-0 <i>FSC Requirements for the Promotional Use of the FSC Trademarks by FSC Certificate Holders</i>. References to the specific FSC document and requirement numbers are included in parenthesis at the end of each requirement. (Rainforest Alliance Certified Seal = RAC seal).</p>

General	
COC 5.1: FME shall have procedures in place that ensure all on-product and off product FSC/Rainforest Alliance trademark use follows the applicable policies:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Prior to delivery at the forest gate, there will be no on-product trademark use. HRC's DCS accounts for off-product labeling and trademark use procedures. See also "FSC Trademark Use Approval HRC FO OP 002 RevA" of February 11, 2010 and updated "HRC FO OP 002 Rev 1 of April 27, 2010.	
COC 5.2: FME shall have procedures in place and demonstrate submission of all FSC/Rainforest Alliance/SmartWood claims to SmartWood for review and approval prior to use, including" <ul style="list-style-type: none"> a) On-product use of the FSC label/RAC seal; b) Promotional (off-product) claims that include the FSC trademarks ("Forest Stewardship Council", "FSC", checkmark tree logo) and/or the Rainforest Alliance/SmartWood trademarks (names and seal)(50-201,2.3). 	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Prior to delivery at the forest gate, there will be no on-product trademark use. HRC's DCS accounts for off-product labeling and trademark use procedures to include submission of all FSC/Rainforest Alliance/SmartWood claims to SmartWood for review and approval prior to use. See also "FSC Trademark Use Approval HRC FO OP 002 RevA" of February 11, 2010 and updated "HRC FO OP 002 Rev 1 of April 27, 2010.	
COC 5.3: FME shall have procedures in place and demonstrate that all trademark review and approval correspondence with SmartWood is kept on file for a minimum of 5 years (40-201, 1.10; 50-201, 2.4):	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Prior to the forest gate there will be no on-product trademark use. HRC's DCS accounts for off-product labeling and trademark use procedures to include all trademark review and approval correspondence with SmartWood is kept on file for a minimum of five (5) years. See also "FSC Trademark Use Approval HRC FO OP 002 RevA" of February 11, 2010 and updated "HRC FO OP 002 Rev 1 of April 27, 2010.	

Off-product / Promotional	
<input type="checkbox"/> Check if section not applicable (FME does not, and does not plan to use the FSC trademarks off-product or in promotional pieces)	
Note: promotional use items include advertisements, brochures, web pages, catalogues, press releases, tradeshow booths, stationary templates, corporate promotional items (e.g., t-shirts, cups, hats, gifts).	
When applicable to the FME's promotional/off-product use of the trademarks, the criteria below shall be met:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: HRC does plan to place the FSC-certified trademark on their Web site and may use it in other off-product pieces such as brochures. It is understood there is a review process required before such use and that there should be a process to implement and document this review. HRC DCS describes off-product labeling and trademark use procedures. See also "FSC Trademark Use Approval HRC FO OP 002 RevA" of February 11, 2010 and updated "HRC FO OP 002 Rev 1 of April 27, 2010.	
COC 5.4: If the FSC trademarks are used for promotion of FMUs, FME shall limit	

promotion to FMUs covered by the scope of the certificate.

COC 5.5: In cases that the Rainforest Alliance trademarks are used (50-201, 13.1, 13.2):
The FSC trademarks shall not be at a disadvantage (e.g., smaller size);
The FSC checkmark tree logo shall be included when the RAC seal is in place.

COC 5.6: In cases that the FSC trademarks are used with the trademarks (logos, names, identifying marks) of other forestry verification schemes (SFI, PEFC, etc.), SmartWood approval shall be in place (50-201, 3.0).

COC 5.7: Use of the FSC trademarks in promotion of the FME's FSC certification shall not imply certain aspects are included which are outside the scope of the certificate (50-201, 1.6).

COC 5.8: Use of the FSC trademarks on stationery templates (including letterhead, business cards, envelopes, invoices, paper pads) shall be approved by SmartWood to ensure correct usage (50-201, 12.0).

COC 5.9: In cases that the FSC trademarks are used as part of a product name, domain name, and/or FME name, SmartWood approval shall be in place (50-201, 9.0, 10.0).

On-product

Check if section not applicable (FME does not, and does not plan to apply FSC labels on product)

APPENDIX V: FSC Annual Audit Reporting Form: (confidential)

(NOTE: form to be prepared by the client prior to audit, information verified by audit team)

Forest management enterprise information:			
FME legal name:	Humboldt Redwood Company, LLC		
FME Certificate Code:	SW-FM/CoC – 004551		
Reporting period	Previous 12 month period	Dates	Sales in 2009 were insignificant because we received our certificate in December; sales figures in #1 below are Jan-Aug 2010.

1. Scope Of Certificate	
Type of certificate: single FMU	SLIMF Certificate: not applicable
Annual Sales Information	
Total Sales/ Turnover	\$36,361,440.00 US\$
Volume of certified product sold as FSC certified (i.e. FSC claim on sales documentation) (previous calendar year)	76,125 m3
Value of certified product sold as FSC certified (i.e. FSC claim on sales documentation) (previous calendar year)	\$16,746,727.00 US\$

2. FME Information	
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)	
Forest zone	
Certified Area under Forest Type	
- Natural	hectares
- Plantation	hectares
- Semi-natural, mix of plantation and natural forest	hectares
Stream sides and water bodies	Linear Kilometers

3. Workers		
Number of workers including employees, part-time and seasonal workers:		
Total number of workers	73 workers	
- Of total workers listed above	64 Male	9 Female
Number of serious accidents	0	
Number of fatalities	0	

4. Forest Area Classification	
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)	
Total certified area	hectares
Total forest area in scope of certificate	hectares
Ownership Tenure	
Management tenure:	

Forest area that is: Privately managed State/Public managed Community managed	hectares hectares hectares	
Area of production forests (areas where timber may be harvested)		hectares
Area without <u>any</u> harvesting or management activities: strict forest reserves		hectares

5. High Conservation Values identified via formal HCV assessment by the FME and respective areas			
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)			
Code	HCV TYPES ¹	Description: Location on FMU	Area
HCV1	Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).		ha
HCV2	Forest areas containing globally, regionally or nationally significant 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.		ha
HCV3	Forest areas that are in or contain rare, threatened or endangered ecosystems.		ha
HCV4	Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).		ha
HCV5	Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).		ha
HCV6	Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).		ha
TOTAL HCVF AREA			ha
Number of sites significant to indigenous people and communities			

6. Highly Hazardous Pesticide Use	
FME has a valid FSC derogation for use of a highly hazardous pesticide	<input type="checkbox"/> YES (if yes, fill in below) <input checked="" type="checkbox"/> NO
Number of FSC highly hazardous pesticides used in last calendar year	

¹ The HCV classification and numbering follows the ProForest HCVF toolkit. The toolkit also provides additional explanation regarding the categories. Toolkit is available at <http://hcvnetwork.org/library/global-hcv-toolkits>.

Liters of FSC highly hazardous pesticides	liters
Number of hectares treated with FSC highly hazardous pesticides	hectares

APPENDIX VI: SmartWood Database Update Form

Instructions: For each FSC certificate, SmartWood is required to upload important summary information about each certificate to the FSC database (FSC-Info). During each annual audit SW auditors should work with the certificate holder to verify that the information posted on FSC-Info is up to date as follows:

1. Print out current Fact Sheet prior to audit from FSC-Info website or direct link to fact sheets (<http://www.fsc-info.org>)
2. Review information with the FME to verify all fields are accurate.
3. If changes are required (corrections, additions or deletions), **note only the changes** to the database information in the section below.
4. The changes identified to this form will be used by the SW office to update the FSC database.

Is the FSC database accurate and up-to-date? YES NO
(if yes, leave section below blank)

Client Information (contact info for FSC website listings)

Organization name			
Primary Contact	Maralyn Renner	Title	
Primary Address		Telephone	707-764-4199
Address		Fax	
Email		Webpage	hrcllc.com

Forests

Change to Group Certificate	<input type="checkbox"/> Yes <input type="checkbox"/> No	Change in # of parcels in group	total members
Total certified area		Hectares (or)	Acres

Species (note if item to be added or deleted)

Scientific name	Common name	Add/Delete

Products

Product type	Description	Add/Delete