



**BUREAU
VERITAS**

**Bureau Veritas Certification
North America, Inc.
SFI Audit Report**

390 Benmar Drive, Suite 100
Houston, TX 77060

Phone (281) 986-1300: Toll Free (800) 937-9311

Company Name	Conservation Forestry, LLC
Contact Person	Rick Larkin
Address	2401 Whitehall Park Dr.; Charlotte, NC 28273
Phone / Fax	Phone: (804) 897-5052 Fax: (804) 897-5056
PQC Code	E01E

Contract Number:	US1553268	Certification Audit:		Re-Certification Audit:		X	Surveillance: (Indicate visit # or Pre-Assessment)	
------------------	-----------	----------------------	--	-------------------------	--	---	---	--

Audit Summary
<p align="center">Introduction</p> <p>This report summarizes the results of the renewal audit of Conservation Forestry, LLC’s SFI program for forest management operations. Richard Boitnott, Bureau Veritas Certification Lead Auditor conducted the audit 12/4/2013 through 12/5/2013.</p> <p align="center">Audit Scope, Objectives and Process</p> <p>The scope of the audit was “Forest management on approximately 34,023 acres; Southeast Virginia – 25,424 acres and Northeast North Carolina – 8,599 acres”. The scope of the audit should more accurately be stated as “management of forest lands”. The audit was conducted against the SFI 2010-2014 standard. Objectives 1-7, 14-17, 19, and 20 applicable to a land management organization were covered during the audit. There was no substitution or modification of indicators. Specifically, two objectives of the SFI audit were to verify that the Program Participant’s SFI Program is in conformance with the SFI Objectives, Performance Measures, and Indicators, and any additional indicators that the Program Participant chooses, and verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground. Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the most recent version of the Bureau Veritas Certification SFI Auditor Handbook available on the auditor access website.</p> <p align="center">Audit Plan</p> <p>The audit began with an opening meeting at 8:00 am the morning of December 4, 2013, with a document review conducted afterwards. Field sites in Virginia were reviewed on the 5th, with a closing meeting conducted the end of the day. An audit plan was developed and is maintained on file by Bureau Veritas Certification.</p> <p align="center">Company Information</p> <p>Conservation Forestry, LLC owns approximately 34,000 acres of land in Virginia and North Carolina. The land included within the scope of this certification was recently purchased from another timber investment management organization. Other properties initially included in CF’s SFI program have been removed from SFI certification. Management activities on CF land is conducted by American Forest Management (AFM), a forestry consulting firm with an office in Richmond Virginia. The property consists primarily of loblolly pine plantations with mixed hardwood/pine</p>

streamside zones. Pine stands are regenerated through clearcutting, chemical site preparation, followed by planting. The property has a long history of ownership by a number of forest management companies. As such, tracts containing T&E species, FECVs, and special sites were usually sold or donated to conservation interests under previous ownerships. The properties currently owned by Conservation Forestry are generally lacking any occurrences of special features.

Multi-Site Requirements

N/A

Audit Results

The document review was conducted to determine if Conservation Forestry's system documentation continues to meet the requirements of the SFI 2010-2014 Standard. The field audit consisted of a review of three harvest operations, three regeneration/chemical site preparation tracts, and two road construction/culvert installation projects.

Objective 1: AFM operates a forest management planning program for the CF property. Stands were initially cruised inventoried when the property was purchased. Stands are then re-cruised periodically. Stands are grown based on site index, TPA at time of establishment, and cultural inputs. Recommended harvest levels have been determined and are adjusted annually. Stands are classed according to forest type and age. A GIS is in place, and includes soil mapping. A review of non-timber issues consists primarily of leasing the property for hunting leases and the development of bioenergy markets.

Objective 2: All plantations reviewed during the audit were adequately stocked. Harvest sites are regenerated within two growing seasons following harvest. Herbicide applications are guided by a rigorous application procedure. Prescribed herbicide rates are below label maximums. Prescribed herbicides and rates are typical for the piedmont and upper coastal plains ecosystems. However, rates on the chemical prescription plans and the application reports varied considerably. There appears to be no check by AFM to verify herbicide types and rates on the application records. This could result in the applicatory applying higher rates of herbicide than are prescribed by AFM. This deficiency in the company's chemical application program resulted in a non-conformance.

Soils are mapped in the GIS and included in harvest plans. Soil productivity was well protected, with virtually no adverse impacts to soils observed on any of the sites reviewed during the audit.

Objective 3: Harvest activities demonstrated compliance with Virginia BMPs and implementation of plans to protect water quality. SMZs were very well established. Stream crossings are limited, but where necessary, were properly stabilized when removed. Most stream crossings are done with skidder bridges. Loggers operating on Conservation Forestry land are required to complete SIC-sponsored logger training.

Objective 4: AFM has gathered information on potential T&E species and FECVs that could occur on Conservation Forestry land. No known locations have been identified on CF land. Harvest sites reviewed during the audit demonstrated retention of stand-level wildlife habitat elements. AFM has a system for analyzing forest cover types across its ownership, and examines the data to determine how its wildlife habitat is distributed. CF has sold a number of easements and made a number of conservation sales on surrounding properties. Transfer of these properties to conservation interests will eventually result in providing some old-growth characteristics. Employees were aware of invasive species that could occur in their area of operations. Occurrences are treated with herbicides.

Objective 5: A procedure is in place to address aesthetics. However, most of the property is located in rural areas away from view of the general public. Average clearcut size for 2012 was 86 acres.

All clearcuts reviewed during the audit demonstrated compliance with the green-up requirement.

Objective 6: A special sites procedure is in place. However, no special sites have been identified on the property.

Objective 7: Utilization was acceptable on all harvest tracts reviewed during the audit.

Objective 14: Access to applicable legal requirements is in place. No adverse regulatory action information was evident. The company has received no information from interested parties relative to its or any of its contractor's conformance with ILO core conventions.

Objective 15: AFM is a contributor to the NC State Forest Productivity Cooperative and the Purdue Hardwood Tree Improvement and Regeneration Procedure. AFM's contribution covers Conservation Forestry's operations. AFM's membership in the Virginia SIC provides access to BMP implementation data and provides biodiversity conservation information to family forest landowners. The company demonstrated access to information on the potential impacts of climate change on forest health and productivity, and wildlife and wildlife habitat.

Objective 16: Roles, responsibilities, and training requirements have been specified. Records verified basic EMS training has occurred as required by its own procedures. However, employees take a number of training sessions that are not generally captured by the SFI manager. An opportunity for improvement was issued to encourage AFM to capture all forestry and SFI related training, not just those items specifically referenced in its training program.

Logging contractors are required to complete SIC-sponsored training. All loggers operating on harvest sites reviewed during the audit were properly trained.

Objective 17: AFM provided evidence it financially supports and participates in the Virginia SIC. The company has elected not to participate in the North Carolina SIC given the vast majority of CF land is located in Virginia, with only a small amount in North Carolina. The company is also a member of the Virginia Forestry Association. This involvement includes the promotion of policies encouraging the conservation of managed forests. The company is aware of and participates in regional conservation planning efforts where it makes sense. AFM produced evidence of its involvement in educational activities.

The company participates in SIC inconsistent practices policies. There was no evidence the company has received any complaints or reports of inconsistent practices in the past year.

Objective 19: The 2012 surveillance audit report for Conservation Forestry was found on the SFI, Inc. website as required for public review. The company submitted its 2012 SFI annual progress report in a timely manner.

Objective 20: AFM and Conservation Forestry have a management review process in place. Management review minutes verified the meeting is held annually as required by the SFI Standard.

Findings

Previous non-conformances:

One non-conformance was issued during the previous audit due to the company's failure to post its audit report to the SFI, Inc. website. This non-conformance was closed after the previous surveillance audit, with AFM demonstrating it had posted its audit report to the SFI, Inc. website.

Non-conformances:

One minor non-conformance was issued during this surveillance audit against PM 2.2, Ind. 1. The SF02 non-conformance report is shown below.

Opportunities for Improvement:

Two opportunities for improvement were issued. These should be considered in light of how they may affect conformance in the future.

1. PM 2.2 Ind. 5: Consider gathering better documentation on evidence of applicator licensing.
2. PM 16.1, Ind 3: AFM should consider developing a better system to maintain training documentation to ensure all training courses attended by employees are captured.

Notable Practices:

No notable practices were issued.

Logo/label use:

Neither AFM nor Conservation Forestry is using the SFI or Bureau Veritas Certification logos.

SFI reporting:

The 2012 SFI surveillance audit report was found on the SFI, Inc. website as required for public review.

Conclusions

Results of the audit indicate Conservation Forestry continues to implement an effective SFI program that meets the requirements of the SFI 2010-2014 Standard, with the exception of one minor non-conformance. Corrective actions are due to cornelia.holmes@us.bureauveritas.com within 30 days of the closing meeting.

Follow-up

Conservation Forestry submitted corrective actions for the minor non-conformance, which the lead auditor accepted on 12/18/2013. A recommendation for re-certification to the SFI 2010-2014 Standard was then issued.

Surveillance Audit Schedule

The second surveillance audit should be scheduled for the first week of December, 2014. The audit should be conducted in conjunction with an audit of St. Charles Community.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:						
Audit Date(s):		From: 12/4/2013			To: 12/5/2013	
Number of SF02's Raised:			Major:		0	Minor: 1
Is a follow up visit required:		Yes	No	X	Date(s) of follow up visit:	
Follow-up visit remarks:						
Team Leader Recommendation:						
Corrective Action Plan (s) Accepted		Yes	X	No	Date:	12/18/2013
Proceed to/Continue Certification		Yes	X	No	Date:	12/18/2013
All NCR's Cleared		Yes	No	Date:		
Standard audit conducted against:						
1)	SFIS 2010-2014		3)			
2)			4)			
Team Leader (1):		Team Members (2,3,4...)				
Richard Boitnott; CF, RF, EMS(LA)		2)				
		3)				
		4)				
		5)				
Scope of Supply: (scope statement must be verified and appear in the space below)						
Forest management on approximately 34,023 acres; Southeast Virginia – 25,424 acres and Northeast North Carolina – 8,599 acres. Should be “Management of forest lands”						
Accreditation's		ANAB				
Number of Certificates		1				
Proposed Date for Next Audit Event						
Date	The first surveillance audit should be scheduled for the week of December 1, 2014. Audit should be scheduled in conjunction with the audit of St. Charles Community, LLC					
Audit Report Distribution						
Bureau Veritas Certification: cornelia.holmes@us.bureauveritas.com						
Conservation Forestry: rlarkin@amforem.biz						

Clause	Audit Report
Opening Meeting	Participants: Rick Larkin Discussions: <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Major / Minor ➤ Review of previous nonconformances - 1. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	Participants: Rick Larkin, Kyle Parshall Discussions: <ul style="list-style-type: none"> ➤ Introductions and appreciation for selecting Bureau Veritas Certification. ➤ Review of audit process - process approach and sampling. ➤ Review of OFIs and System Strengths ➤ Nonconformances - 1 ➤ Date for next audit. ➤ Reporting protocol and timing



SF02/NA NONCONFORMITY REPORT

Company Name and Site:			<u>SF02#:</u>
Conservation Forestry			01
Contract #:	Type of audit (e.g., initial, surveillance):	Team Leader:	
US1553268	Renewal	Richard Boitnott	
Date:	Standard and Clause #:	Team Member:	
11/5/2013	SFIS PM 2.2, Ind. 1		
Major	Minor	Other Documents (if applicable):	Company Representative:
	X		Rick Larkin

REQUIREMENT OF AUDITED STANDARD:

SFIS PM 2.2, Ind. 1 requires minimized chemical use required to achieve desired objectives.

OBSERVED NONCONFORMITY AND, for FSC only, CORRECTIVE ACTION REQUEST:

A review of herbicide application plans and the application report showed considerable discrepancy between the rates prescribed by AFM and those reported on the application report. There appears to be no review of the application record by AFM to verify herbicide types and rates. This failure to reconcile plan versus application record herbicide rates could result in use of rates higher herbicide rates than prescribed by AFM.

ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN
(To be completed by the Company. Plan to be submitted in 30 days)

Corrective Action Plan Date:	12/16/2013	Company Representative:	Rick Larkin
------------------------------	------------	-------------------------	-------------

Root Cause Analysis and Corrective Action

Root Cause: AFM Chemical Application Procedure does not require staff to verify chemical application records to ensure that the prescribed chemical rate was applied on each tract.

Corrective Action Plan: The Chemical Application Procedure has been revised to require chemical application records are the same as was prescribed and AFM staff who oversee chemical applications will be trained on the revised procedure. Following the audit, AFM contacted the herbicide applicator and the applicator investigated the site in question. The herbicide applicator discovered that the prescription rate had been applied to the tract; however, the rate was incorrectly recorded on the application record provided to AFM.

ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT

(To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)

Root Cause: Acceptable

Corrective Action Plan: Acceptable

Plan Accepted:	Yes	X	No	Comments:
----------------	-----	---	----	-----------

Auditor:	Richard Boitnott	Date:	12/18/2013
----------	------------------	-------	------------

CORRECTIVE ACTION IMPLEMENTATION

To be completed by Company – Provide objective evidence. Not to exceed: 90 Days SFI, PEFC ; 1 year FSC ; other X Days

Corrective Action Completion Date:		Company Representative:	
------------------------------------	--	-------------------------	--

Corrective Action Implementation:
Method used to verify effectiveness of action taken:

CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT

(To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)

Accepted:	Yes		No		Nonconformance Closed:	Yes		No	
Follow Up Comments:									
Auditor:					Date:				