



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

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PQC Code	E01E

Contract Number:	US1613807	Certification Audit:		Re-Certification Audit:		X	Surveillance: (Indicate visit # or Pre-Assessment)	
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Audit Summary

Introduction

This report summarizes the results of the renewal audit on Molpus Timberlands Management, LLC's multi-site SFI program for forest management operations. The audit process was conducted by Richard Boitnott, Bureau Veritas Certification Lead Auditor.

Audit Scope, Objectives and Process

The scope of the audit is "Forest Management". The audit was conducted against the SFI 2010-2014 Standard. Objectives 1-7, 14-17, 19 and 20 applicable to a forest management operation 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.

Audit Plan

A document review of the central office function was conducted May 5, 2014. Field audits were conducted as follows:

- Wilmington North Carolina region: April 30
- Philadelphia Mississippi region: May 6
- Hoover Alabama: May 7-9
- Houghton Michigan: June 17-18.

A closing meeting was held in the field in the Houghton region at the end of the day on June 18.

Company Information

Molpus is a timberland investment management organization, managing almost 1.6 million acres in Texas, Louisiana, Oklahoma, Arkansas, Mississippi, Alabama, Georgia, Virginia, Minnesota, North Carolina, Florida, Tennessee, Kentucky, Michigan, New York, Pennsylvania, and Idaho. The

renewal audit was conducted in North Carolina, Mississippi, Alabama, and the upper peninsula of Michigan. The North Carolina property is primarily in the lower coastal plain near Wilmington. This property consists of loblolly pine plantations and mixed hardwood lowlands. Terrain is generally flat, with moderately poor to poorly drained soils. Regeneration is accomplished through clearcutting, followed by mechanical and chemical site preparation, and establishment of genetically improved loblolly pine seedlings.

The Mississippi properties constitute a relatively small acreage near Philadelphia. The Alabama properties are located north of Birmingham. The Mississippi and Alabama properties are primarily loblolly pine, with mixed pine/hardwood streamside management zones. Terrain varies from rolling to steep, particularly in Alabama. Regeneration is accomplished through clearcutting, chemical site preparation, and planting of loblolly pine.

The Michigan properties are located in the vicinity of Houghton, near the Kewawaw peninsula. The property is primarily mixed hardwood, with a minor amount of aspen, and an even lesser amount of red pine. The forest is managed on an uneven-aged system. No herbicides or artificial regeneration is used. Stands are select harvested, with a focus on removing older or poor quality trees, allowing for regeneration, and improving growing conditions for better quality, younger timber. Aspen sites are clearcut and regenerated naturally. The only harvesting done to date in red pine stands has been thinning.

Multi-Site Requirements

The company maintains a multi-site certification consisting of 13 offices. Headquarters of the management system is located at the company’s operational headquarters in Hattiesburg Mississippi. The company qualifies as a multi-site certification since the management system is controlled and directed by the central office. There is one set of global procedures that applies to the entire system, and the SFI manager is the sole person responsible for maintaining the procedures. Individual sites are responsible for conforming to the company’s SFI program, and for providing corrective actions to the SFI manager when necessary. The company has a rigorous internal audit process that the lead auditor considers to be quite reliable.

Sites	Sites Audited During this Event
Hattisburg, Mississippi (central office)	X
Antlers Oklahoma	
El Dorado Arkansas	
Hoover Alabama	X
Bay Minette Alabama	
Philadelphia Mississippi	X
Houghton Michigan	X
Richmond Kentucky	
Saranac Lake New York	
Wilmington North Carolina	X
Bossier City Louisiana	
International Falls Minnesota	
Deridder, Louisiana	
Coeur d’Alene, Idaho	

Audit Results

The Hattiesburg portion of the audit was a complete review of the company’s forest management and

SFI program. The field audit consisted of a review of 22 harvest activities (clearcuts, thinnings, and partial harvests), 15 regeneration/site preparation tracts, and one mid-rotation release.

Objective 1-Forest Management Planning: Molpus operates a very robust forest management system that it is continually improving. Stand-level inventory system is in place, although strata-level inventory is in place for some newly acquired properties that have not yet been cruised to Molpus specs. Stands are re-cruised periodically, and planned harvested levels adjusted based on new cruise volumes. Molpus is still in the process of intensively cruising the properties it has purchased the past two years. A harvest schedule is developed and adjusted periodically based on growth, removals, and new cruise data. Lands are classed by timber type and special codes. The NRCS web soil survey provides soil data. A history of year-end inventory data provided evidence of sustainable harvest levels.

Objective 2-Forest Productivity: Regeneration was well done on all sites observed during the audit. This was particularly noticed on the Michigan properties. Select harvest sites demonstrated an abundance of early and advanced natural regeneration. Clearcut stands were well stocked with aspen, with regeneration of oak and maple also observed.

Chemical applications demonstrated minimization of herbicide use and use of the narrowest spectrum of herbicides. Rates are below label maximums, and prescriptions vary based on site characteristics. Molpus continues to work on its herbicide application program. It has taken a number of steps to address a non-conformance issued during the previous audit. While there were some instances of minor herbicide drift into off-target areas observed during the audit, it was not judged to have been a deficiency in Molpus's program. The company continues to meet with its applicators and make adjustments to its program to improve performance. While this is an area that will continue to be watched, it is apparent Molpus is putting considerable focus on its herbicide application program.

Soils are mapped and included in the GIS. All harvest sites observed during the audit demonstrated protection of soil productivity. The company monitors its forest for damaging agents. All management activities observed during the audit contributed to healthy forest conditions.

Objective 3-Protection and Maintenance of Water Resources: Compliance with BMPs was observed on all harvest sites in the regions covered by this audit. Streamside management zones were well established. Stream crossings are minimized, but when necessary, were cleaned out and stabilized. Temporary crossing of streams and wetlands in the Houghton region are normally done during frozen ground conditions, resulting in very little impact. Stabilization of roads and skid trails was well done.

Objective 4-Conservation of Biological Diversity including Forests with Exceptional Conservation Value: Molpus has a program to identify and protect FECVs and listed threatened and endangered species. Species occurrences are mapped in the GIS, and are identified on harvest maps during the planning process. Retention of stand-level wildlife habitat elements continues to be well done across all regions. Attention to unique habitat features was especially noted in the Houghton region. Molpus has a landscape assessment program that maps out the various habitat types within its ownership. This program is most suited to southern pine ecosystems. Although the program can also be applicable to northern ecosystems, the company was issued an opportunity for improvement to encourage it to examine other habitat metrics in northern hardwoods to ensure its landscape assessment program captures the all the habitat characteristics of this region.

All employees were well aware of the potential invasive species that could occur within their area of operations. Significant infestations are treated with herbicides in the south. Invasive species occurrences are not quite as widespread in the Upper Peninsula of Michigan.

Objective 5-Management of Visual Quality and Recreational Benefits: Average clearcut size during 2013 was 77 acres. All regions are held to an average of 120 acres. One region exceeded 120 acres, but it was due to mining operations out of the company's control. The company has an aesthetic management program. However, most sites observed during the audit were located out of view of the general public. One harvest in the Houghton region was observed next to a well-traveled state highway. The harvest was clean-cut, and a few large white pines retained to address visual quality.

Compliance with the company's green-up policy was observed on all clearcuts. The company's land in the south and east is available for recreation through a hunting lease program. Land in the Houghton region is open to the public for hunting and fishing.

Objective 6-Protection of Special Sites: Molpus has a special sites program to protect sites on its property with cultural, historical, geological, or ecological uniqueness. These sites are identified on the GIS, which is used during the planning process to determine if any of these sites are located within harvest unit boundaries.

Objective 7-Efficient Use of Forest Resources: Utilization was acceptable on all harvest units observed during the audit.

Objectives 8-13: Not applicable

Objective 14-Legal and Regulatory Compliance: Access to applicable legal requirements is in place. The company's program to ensure regulatory compliance consists of training of employees and contractors, regulatory compliance requirements in contract, and pre-activity planning and inspections processes. In addition, the Houghton region is required to obtain a permit for all stream crossings. All crossings observed during the audit had been permitted. No adverse regulatory action information was evident across the company's operations. 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-Forestry Research, Science, and Technology: Molpus provided evidence is provides funding for and participates in a variety of research activities. The company's participation in SICs includes the development of biodiversity conservation information for family forest landowners. The company also has access to BMP assessments conducted by the states. Molpus demonstrated it has access to information on the potential impacts of climate change on forest productivity and wildlife habitat.

Objective 16-Training and Education: Employee training requirements are specified. Records verified all training has occurred as required. Molpus requires all harvesting contractors to be qualified according to the requirements of the SICs. All contractors harvesting tracts reviewed during the audit were properly trained. The company is a member of the SIC in all the states in which it operates, which includes participation in the development and delivery of logger training.

Objective 17-Community Involvement in the Practice of Sustainable Forestry: Molpus provided evidence it financially supports and participates in the SICs in the states in which it operates. Its participation includes the development and distribution of landowner education materials, which includes information on the conservation of biological diversity. Molpus is involved in state forestry associations and the National Alliance of Forest Owners working forest task group, all of which lobby for policies that encourage forestland to be maintained as working forests. Molpus is well aware of regional conservation planning efforts. It has cooperated with The Nature Conservancy on a number of conservation efforts. The company also has most of its property in New York enrolled

in conservation easements. Molpus produced evidence of its involvement in educational activities in all the areas in which it operates.

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 18-Public Land Management Responsibilities: Not applicable

Objective 19-Communications and Public Reporting: The company had posted its 2013 surveillance audit report on the SFI, Inc. website as required for public review. The SFI annual progress report had been submitted prior to the March 15 deadline.

Objective 20-Management Review and Continual Improvement: Molpus has a management review process in place. Management review minutes verified the meeting is held annually as required by the SFI Standard. The company has a robust internal auditing and monitoring program that is part of its system for gathering and submitting data to evaluate its commitment to the SFI Standard. Results of its monitoring efforts are examined during management review. Molpus repeatedly demonstrates a willingness to improve its SFI program. Opportunities for improvement issued by the lead auditor are acted upon as rigorously as non-conformances. The company is constantly looking for ways to improve its performance even in the absence of any official audit findings,

Findings

Previous non-conformances

One minor non-conformance was issued during the previous audit against the company's program for BMP compliance. Molpus instituted a number of corrective measures. A review of harvest and herbicide application tracts indicated compliance with BMPs. Although there were some minor herbicide drift issues observed, they did not constitute a failure in Molpus' management system. The non-conformance issued during the previous surveillance audit was closed.

Non-conformances:

One non-conformance was issued during this audit against the company's program considering the ecological consequences of establishing a different species from that which was harvested. The SF02 non-conformity report is shown below.

Opportunities for Improvement:

One opportunity for improvement was issued. This should be considered in light of how it may affect conformance in the future.

1. PM 4.1, Ind. 5: Molpus has a landscape assessment program that meets the requirements of the Standard. However, the company should look at the system as applied to its northern properties to ensure the metrics (e.g. age class and forest type) are most appropriate to hardwood forest types.

Notable Practices:

One notable practice was issued.

1. PM 4.1: The Houghton region is doing an excellent job of recognizing unique habitat features on its property. Large white pine trees are retained to provide habitat diversity. Employees and contractors are trained to look for stick nests in harvest areas, even if they do not know the species using the nest, or if it is occupied. Molpus is working with researchers on the identification occurrences of a S3-ranked plant species. The company's diligence represents a

commitment to managing its property in a manner that protects habitat for unique species.

Logo/label use:

Molpus is using the SFI logo on load tickets in Minnesota. Label use is with approval from SFI. The company is not using the BVC logo.

SFI reporting:

The 2013 surveillance audit report was located on the SFI, Inc. website as required for public reporting.

Conclusions

Evidence indicates Molpus is continuing to implement an effective SFI program that meets the requirements of the SFI 2010-2014 standard, with the exception of one minor non-conformance. The non-conformance was issued on May 9, 2014. Molpus developed and implemented corrective actions to address the deficiency prior to the Houghton audit. The non-conformance is now considered closed, and the company recommended for renewed certification to the SFI 2010-2014 Standard.

SEE SF61s FOR AUDIT NOTES

Summary of Audit Findings:						
Audit Date(s):	From: 4/30/2014 (Wilmington)			To: 4/30/2014 (Wilmington)		
	5/5/2014 (Central office)			5/5/2014 (Central office)		
	5/6/2014 (Philadelphia)			5/6/2014 (Philadelphia)		
	5/7/2014 (Hoover)			5/9/2014 (Hoover)		
	6/17/2014 (Houghton)			6/18/2014 (Houghton)		
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:	6/18/2014
Proceed to/Continue Certification	Yes	X	No		Date:	6/18/2014
All NCR's Cleared	Yes	X	No		Date:	6/18/2014
Standard audit conducted against:						
1)	SFI 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						
Accreditation's		ANAB				
Number of Certificates		13				
Proposed Date for Next Audit Event						
Date	The first surveillance audit should begin prior to June 18, 2015					
Audit Report Distribution						
Bureau Veritas Certification: Melani Potts-melani.potts@us.bureauveritas.com						
Molpus: Ruth Cook-rcook@molpus.com						

Clause	Audit Report
Opening Meeting	Participants: Ruth Cook, Jim Dewitt, Kiley Hinson 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: Ruth Cook, Ken Sewell, Mark Korkko, Robb Oldt, John Blake, Shawn Sullivan, Keith Williams, Todd Wieringa 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