



2016 SFI Public Summary Report

Olympic Resource Management Sustainable Forestry Initiative® (SFI) 2015-2019 Forest Management Standard

July 6, 2016

Project Scope and Objectives

PricewaterhouseCoopers LLP (PwC) completed a Re-Registration and Transition Assessment on Olympic Resource Management's ("ORM" or "the Company") forest management activities on their Pope Resources' Hood Canal and Columbia Tree Farms, ORM Timber Operating Company II, LLC lands in Washington State and Oregon, and ORM Timber Fund III (REIT) Inc. lands in Washington State, Oregon and California. ORM is a multi-site operation and forest management activities are managed by the Central Office in Poulsbo, Washington. PwC's audit team included the lead assessor, Dan O'Brien, RPBio, EMS(LA), James Lucas, RPF, EMS(LA) (Onsite Team Lead) and Colin Campbell, RPF. The audit team was accompanied by ORM SFI representative, Adrian Miller.

The primary objective of the assessment was to assess the Company's multi-site SFI management system and to evaluate the Company's implementation of the SFI Standard in the field, including the transition to the new 2015 – 2019 version of the Standard.

Indicators

All of the indicators in the SFI Forest Management Standard were within the scope of the assessment, except for Objective 13, since public land is not managed. There were no substitute indicators.

Assessment Process

On May 17, 2016, the assessment team conducted interviews and reviewed appropriate documentation to assess policies and procedures, and tested the implementation of SFI program requirements at ORM's regional office in Wilsonville, Oregon. On May 18, 2016 the audit team physically inspected four harvesting units, seven silviculture sites, and three road projects. The 2016 field assessment was conducted on lands managed by ORM's Wilsonville, Oregon office which included the Deer Creek Tree Farm in Oregon and on lands managed by ORM's Chehalis, Washington office, which included the Swift Tree Farm in Washington. In total, the audit took 4 auditor days to complete. The audit report was dated July 6, 2016.

Description of Forest Lands

ORM operates a multi-site SFI forest management system, which includes Pope Resources' Hood Canal and Columbia Tree Farms, ORM Timber Operating Company II, LLC lands in Washington State and Oregon, and ORM Timber Fund III (REIT) Inc. lands in Washington, Oregon and California.

ORM's head office is located in Poulsbo, Washington, and this office manages the 69,001 acre Hood Canal Tree Farm. The Chehalis, Washington office manages 65,257 acres in Washington and the Wilsonville, Oregon office manages 37,326 acres in Oregon. The forest manager for the 18,990 acre McCloud Tree Farm in California is based in McCloud, California.

The forest types on the Deer Creek (Oregon) and Swift (Washington) Tree Farms are primarily Douglas fir and Western hemlock and include minor amounts of Sitka spruce, Western red cedar and Red alder. Silviculture systems in Washington and Oregon used by ORM are clear cut harvests with artificial regeneration.

Summary of Conformance and Good Management Practices

A description of evidence used to assess conformity to the SFI 2015-2019 forest management standards are presented in the following table.

SFI Forest Management Objective	Evidence of Conformity
<p><i>Objective 1. Forest Management Planning</i> To ensure forest management plans include long-term sustainable harvest levels and measures to avoid forest conversion</p>	<p><i>Evidence:</i> Pope Long Term Plan for Hood Canal and Columbia; Fund II Long-Term Plan for ORM Timber Operating Co; Acquisition models for properties in ORM Timber Fund III Long-Term Plans; Geographic Information System (GIS); Access Database; Inventory-to-harvest cutout analysis; Growth and Yield Models; Inventory data (harvest depletions, planting, fertilization, cruises and acquisitions and dispositions data); Forest Type Change Analysis; Site Evaluation/Silviculture Plans; Olympic Resource Management SFI Policy Manual 2015-2019 Standard (January 2016).</p> <p><i>Summary:</i> ORM manages forests lands by employing a variety of scientifically, environmentally, and economically sound management practices that maintain and enhance the productive capacity of the lands. ORM manages in a way that meets the needs of the present without compromising the ability of future generations to meet their own needs by practicing a land stewardship ethic that integrates reforestation and the managing, growing, nurturing, and harvesting of trees for useful products with the conservation of soil, air and water quality, carbon, biological diversity, wildlife and aquatic habitat, recreation, and aesthetics, all with the ultimate goal of optimizing the production and value of the land and resources.</p> <p>ORM's planning models have been developed with even-flow constraints and document long term sustainable harvest levels.</p> <p>ORM has developed measures to avoid forest conversion.</p>

<p>Objective 2. Forest Health and Productivity To ensure long-term forest productivity, carbon storage and conservation of forest resources through prompt reforestation, afforestation, minimized chemical use, soil conservation, and protecting forests from damaging agents.</p>	<p><i>Evidence:</i> Site Evaluation/Silviculture Plans; Stand Exam Forms; FIRS database; Washington State Department of Agriculture and Department of Natural Resources regulations and approved Forest Practice Permits; Oregon Department of Agriculture and Department of Forestry regulations and notifications; Integrated Pest Management Policy; Contract Administration Report; GIS System; Wet Weather Shutdown Policy; Annual Fire Plan; membership in Pacific Northwest Tree Improvement Research Cooperative (PNWTIRC), the Washington Cascades Tree Improvement Cooperative (WACTIC), and the Northwest Tree Improvement Cooperative (NWTIC).</p> <p><i>Summary:</i> ORM strives to regenerate all timber-producing lands to desirable timber species as soon as possible after harvest. ORM nurtures young stands as they grow to maintain and improve the future production capacity of the forestland base. ORM protects soils by utilizing efficient land management techniques that consider terrain, seasonal operability, and type of machinery with the goal of maintaining long-term forest productivity. Asset value is maintained by diligently protecting forest assets from wildfire, pests, disease and other damaging agents or invasive plants and animals in an effort to maintain and improve long-term forest health and soil productivity. ORM participates in stand management cooperatives that conduct research in pest damage control and maintains a dialogue with State firefighting officials as well as with local fire districts.</p> <p>ORM currently does not use pesticides on The World Health Organization (WHO) type 1A and 1B pesticide list or pesticides banned by the Stockholm Convention on Persistent Organic Pollutants.</p>
<p>Objective 3. Protection and Maintenance of Water Resources To protect the water quality of rivers, streams, lakes, wetlands and other water bodies through meeting or exceeding best management practices.</p>	<p><i>Evidence:</i> WA, OR and CA State Best Management Practices (BMPs); State forest practices notifications/harvest plans (Oregon Notification, Washington Forest Practice Application or California Timber Harvest Plan); Contract Administration Report; Site Evaluation/Silviculture Plans; Stand Exams form; Road Hazard Checks; GIS data; Wet Weather Logging and Hauling Shutdown Guidelines; Employee/Contractor training records; Inspection Reports; Pre-Work Checklists.</p> <p><i>Summary:</i> ORM’s forest lands are located in the States of Washington, Oregon, and California, each which have a comprehensive set of Forest Practices Rules and regulations governing harvest, reforestation, application of forest chemicals, road construction and maintenance that avoids or minimizes impacts to water quality. The US Environmental Protection Agency (EPA) has delegated the implementation of the Clean Water Act to these states. It is the policy of ORM to manage to the State Rules at a minimum, and thus comply with BMPs during all phases of forest management activities, including any federal requirements not addressed in state Forest Practice Rules and Regulations.</p>

<p>Objective 4. Conservation of Biological Diversity</p> <p>To manage the quality and distribution of wildlife habitats and contribute to the conservation of biological diversity by developing and implementing stand-and landscape-level measures that promote a diversity of types of habitat and successful stages, and the conservation of forest plants and animals, including aquatic species, as well as threatened and endangered species, Forests with Exceptional Conservation Value, old-growth forests and ecologically important sites.</p>	<p><i>Evidence:</i> WA, OR and CA State Forest Practices legislation; Habitat Change Analysis; GIS data; Site Evaluation/Silviculture Plans; participation in WA State Comprehensive Wildlife Conservation Strategy and The Oregon Conservation Strategy; Sensitive Species and Habitat Reporting Procedures for Timber Harvesting; Oregon Notification, Washington Forest Practice Application, or California Timber Harvest Plan; ORM’s Program to Conserve Biological Diversity; support/participation in Washington’s Cooperative Monitoring, Evaluation, and Research (CMER) program, Washington Forest Protection Association, Oregon Forest Industries Council (OFIC).</p> <p><i>Summary:</i> ORM manages its timberlands to conserve biological diversity in a way that complements its needs to generate an optimal economic return by first complying with all state and federal laws related to forest management. These laws and regulations when implemented concurrently with a long term sustained harvest create a shifting mosaic of habitat types; conserving state and federal threatened and endangered species and their habitat as well as conserving critically imperiled and imperiled species and communities while managing a wide range of habitats for less sensitive species.</p> <p>Implementation of state regulatory processes and adherence to other elements of ORM’s SFI Policy Manual ensures that conservation of biological diversity is implemented on the stand level. Biological diversity at the landscape scale is evaluated by conducting a Habitat Change Analysis and Discussion which evaluates changes in forest species and stand structures as a reflection of different wildlife habitats over time.</p>
<p>Objective 5. Management of Visual Quality and Recreational Benefits</p> <p>To manage the visual impact of forest operations and provide recreational opportunities for the public.</p>	<p><i>Evidence:</i> Visual Resource Plan; Site Evaluation/Silviculture Plan; Harvest unit Site Plans; Olympic Resource Management SFI Policy Manual 2015-2019 Standard (January 2016).</p> <p><i>Summary:</i> ORM acknowledges that the visual impact of recent logging is perceived differently among individual members of the public. The removal of certain trees may afford the opportunity for wide views for one person, and present an abhorrent scene for another. Recognizing these subjective differences, ORM strives to minimize negative visual impact along travel corridors to the extent feasible.</p> <p>ORM has a Visual Resource Plan that identifies areas and viewsheds with high visual impacts.</p> <p>Where high visual impacts are a concern, SFI green-up standards are employed unless special operational circumstances develop.</p> <p>It is the policy of ORM to allow non-motorized (in some cases motorized) public recreation on its lands if such use does not interfere with operations or management objectives. Such uses may include, but not be limited to, fishing and hunting in season, walking, horseback riding,</p>

	mountain biking, orienteering, etc. Some areas may be temporarily closed to public access while management practices such as harvesting or application of pesticides are occurring.
<p>Objective 6. Protection of Special Sites</p> <p>To manage lands that are geologically or culturally important in a manner that takes into account their unique qualities.</p>	<p><i>Evidence:</i> GIS; Site Evaluation/Silviculture Plan; State Forest Practices Rules.</p> <p><i>Summary:</i> Areas that are found to have significant ecological, geological, or archeological value are identified as a special site by foresters as they are discovered. Special sites are identified on a map and submitted to ORM's Resource Planning Group for inclusion in the special sites coverage. Special sites that are associated with publicly available data, such as the Natural Heritage data, is referred to in the public data format and not be added to the special sites coverage. If a special site is encountered in an area proposed for harvest, the forester conducts a non-technical assessment of the site to determine the extent of the unique features and historical use. A site-specific plan is developed to preserve the site or historical use of the site as consistent with Forest Practice Rules and management objectives. Where further assessment expertise is required, ORM may have a qualified expert assist in determining significance of the special site and historical use.</p>
<p>Objective 7. Efficient Use of Fiber Resources</p> <p>To minimize waste and ensure the efficient use of fiber resources.</p>	<p><i>Evidence:</i> Employee training records; Contract Administration Report; Log Accounting data.</p> <p><i>Summary:</i> ORM communicates with local log buyers/mill managers on current market prices, and cutting specifications. ORM's foresters are trained in merchandising logs and familiar with log markets and cutting specifications.</p> <p>Non-merchantable logs and logging slash are piled on the landing and sold as firewood, chip wood or biomass when such markets exist and when not needed as down logs.</p>
<p>Objective 8. Recognize and Respect Indigenous Peoples' Rights</p> <p>To recognize and respect Indigenous Peoples' rights and traditional knowledge.</p>	<p><i>Evidence:</i> Olympic Resource Management SFI Policy Manual 2015-2019 Standard (January 2016); ORM Policy to Recognize and Respect Indigenous Peoples' Rights; US Federal and State Cultural Protection Laws.</p> <p><i>Summary:</i> ORM has provided a written policy acknowledging a commitment to recognize and respect the rights of Indigenous Peoples.</p>
<p>Objective 9. Legal and Regulatory Compliance</p> <p>To comply with applicable federal, provincial, state, and local laws and regulations.</p>	<p><i>Evidence:</i> WA, OR and CA State Laws and Regulations affecting Forest Management; GIS; Contract filing system; employee/contractor training records; Pre-harvest Site Evaluation/Silviculture Plan; Contract Administration Reports; Employee Guide; Olympic Resource Management SFI Policy Manual 2015-2019 Standard (January 2016).</p> <p><i>Summary:</i> The States of Washington, Oregon, and California have a comprehensive set of Rules and Regulations governing all forest practices including</p>

	<p>harvest, logging safety, reforestation, application of forest chemicals, road construction and maintenance, shoreline management, and water quality.</p> <p>ORM has developed a system of forms, maps, checklists and a SFI database to track forest practices conducted on all company forestlands and to ensure compliance with appropriate laws and BMPs. ORM employs the use of ArcGIS to map and model forest practices and assist in the preparation of harvest unit layout. ORM also employs a contract filing system for each harvest unit.</p> <p>All field foresters take training in the implementation of the Forest Practices Rules and Regulations provided by the Department of Natural Resources, the Oregon Department of Forestry, and CalFire.</p> <p>All logging contractors are required to be a “qualified logging professional,” as defined by the State SFI Implementation Committee. Other contractors, where appropriate, are required to be trained in the BMPs of the particular discipline of their contracting business. Loggers with out-of-state certification are trained on relevant forest practices rules and BMPs by a company forester prior to starting operations in a state other than that in which they are certified.</p> <p>No recent incidents have been reported by Regulatory bodies in WA, OR or CA.</p>
<p>Objective 10. Forestry Research, Science and Technology To invest in forestry research, science and technology, upon which sustainable forest management decisions are based and broaden the awareness of climate change impacts on forests, wildlife and biological diversity.</p>	<p><i>Evidence:</i> Records of financial support for forestry research and technical support cooperatives; involvement with WA, OR and CA State SIC.</p> <p><i>Summary:</i> ORM provides in-kind support in key forestry research and technical support cooperatives, such as forest health, productivity, and ecosystem functions.</p> <p>In Oregon, a \$0.10/mbf harvest tax is collected for forestry related research projects at Oregon State University (OSU). Through OFIC, ORM helps prioritize research and monitoring efforts completed by OSU with this funding source.</p> <p>ORM cooperates with compliance monitoring of best management practices implementation and conformance in all jurisdictions that it operates in. Washington and Oregon have specific compliance monitoring programs that sample landowners and is focused on specific rule groups. California’s permitting process has a completion process for each permit that evaluates BMP implementation and conformance.</p>
<p>Objective 11. Training and Education To improve the implementation of sustainable forestry practices through appropriate training and education programs.</p>	<p><i>Evidence:</i> Olympic Resource Management SFI Policy Manual 2015-2019 Standard (January 2016); employee/contractor training records; 2016 Letter to Employees; ORM Staff Resumes.</p> <p><i>Summary:</i> It is the policy of ORM to manage its timberlands in conformance with the Sustainable Forestry Initiative’s (SFI) standard and to communicate this</p>

	<p>commitment throughout the Company. ORM’s Land Management and SFI Policy Manual are developed to meet the SFI standard. This policy is provided to staff responsible for its implementation.</p> <p>It is the policy of ORM that employees receive appropriate training and education in the rules and regulations for the forest practices for which they are responsible. Such training for ORM staff include on the job training for new employees by experienced employees. This is supplemented with continuing education by attending appropriate ODF, DNR, CalFire or other sponsored Rules training along with internal training in SFI implementation through regular training sessions. WSDA, ODA, and CDPR pesticide use training and certification is required for foresters prescribing and directing chemical applications. Self-directed study in the identification of endangered and imperiled species is provided through the use of species identification handbooks made available in each office. Financial support for external employee training opportunities in all aspects of forest management is provided.</p> <p>ORM requires in each contract that all logging and road construction contractors are required to be a qualified logging professional (QLP), as defined by the State SFI Implementation Committee or is in the process of obtaining the QLP designation. Other contractors, where appropriate, are required to be trained in the BMPs of the particular discipline of their contracting business, obtain appropriate licenses, with documentation of such training to be kept in their contractor file. In addition, loggers with out-of-state certification are trained on relevant forest practices rules and BMPs by a company forester prior to starting operations in a state other than that in which they are certified.</p> <p>Records of staff and contractor training are maintained.</p> <p>ORM is an active member of the Washington, Oregon, and California SFI State Implementation Committees and is directly involved in establishing the criteria and delivery mechanism for wood producer training.</p> <p>ORM does not operate in jurisdictions where a Certified Logger Program exists.</p>
<p>Objective 12. Community Involvement and Landowner Outreach</p> <p>To broaden the practice of sustainable forestry through public outreach, education and involvement, and to support the efforts of SFI Implementation Committees.</p>	<p><i>Evidence:</i> WA, OR and CA records of attendance at SIC meetings; WA, OR and CA SIC financial contributions; Conservation Sale and Easement Summary.</p> <p><i>Summary:</i> ORM is a member of the Washington, Oregon, and California SFI State Implementation Committees and supports SFI Implementation through active membership and financial contributions where requested.</p> <p>ORM is a member of or provides financial support to; the Washington Forest Protection Association (WFPA), Oregon Forest Industries Council (OFIC), Oregon Forest Resource Institute (OFRI), Cal Forests, Society of</p>

	<p>American Foresters (SAF), Washington Contract Loggers Association (WCLA), Associated Oregon Loggers, Western Forestry and Conservation Association (WFCA), Oregon Small Woodlands Owners Association, and Washington Farm Forestry Association. All of these organizations provide education and outreach to forest landowners.</p> <p>ORM is involved in a wide range of incentive programs. As members of state forestry trade associations, ORM supports current use taxation programs. ORM advocates for and have directly benefited from the Forest Legacy Program, and have an extensive track record of using conservation easements to promote managed forests.</p>
<p>Objective 13. Public Land Management Responsibilities To participate and implement sustainable forest management on public lands.</p>	<p><i>Evidence:</i> N/A.</p> <p><i>Summary:</i> Currently, ORM does not have forest management responsibilities on public lands.</p>
<p>Objective 14. Communications and Public Reporting To increase transparency and to annually report progress on conformance with the SFI 2015-2019 Forest Management Standard.</p>	<p><i>Evidence:</i> SFI Public Summary Reports</p> <p><i>Summary:</i> A public summary report is prepared as part of the audit and submitted to SFI for posting on its website. Annual reports are submitted to SFI as required and records and past reports maintained.</p>
<p>Objective 15. Management Review and Continual Improvement To promote continual improvement in the practice of sustainable forestry by conducting a management review and monitoring performance.</p>	<p><i>Evidence:</i> Annual Management Review; ORM 2016 SFI Internal Audit; Corrective Action Reports; Olympic Resource Management SFI Policy Manual 2015-2019 Standard (January 2016).</p> <p><i>Summary:</i> Annually, in the 4th quarter, ORM’s SFI Coordinator, Area Managers and the Director of Timberland Operations meet to review SFI commitments, policies, and procedures, and to evaluate their effectiveness in the overall management of the tree farms. At this time, the ORM SFI Policy manual is reviewed and any changes or updates to the manual are written. An annual SFI Review meeting is held with the ORM Senior Leadership Team to summarize audit results, ORM SFI Policy manual changes, and training and audit schedules.</p> <p>ORM’s most recent Annual Management review took place in December 2015.</p> <p>Annually, the SFI Program Administrator schedules and conducts an internal audit at the Hood Canal Tree Farm and Chehalis timber offices and all field offices within a periodic rotation that considers acquisitions and divestitures. The location and type of internal audit coincides with the external audit cycle so if during a registration audit year, then the whole SFI Standard is looked at and if during a surveillance audit year, then just part of the SFI Standard is looked at. The scope of the audit includes a sampling method review of the previous and current year’s office files and field operations relating to timber harvest, road construction and silviculture. The overall goal of the internal audit is to determine if the SFI Policy is meeting the requirements of the SFI Standard and has been properly implemented and maintained. ORM’s most recent Internal Audit was completed in April 2016.</p>

Summary of Findings

Specific Good management practices are noted below:

- ORM's Site Evaluation/Silviculture Plan document used for identifying forest management constraints during the pre-planning of harvesting units has been improved through an automatic link to ORM's Geographic Information System (GIS) databases.
- ORM's road building contractors in the Deer Creek Tree Farm (McCoy) were knowledgeable about the SFI program and could clearly describe ORM's procedures as they related to the road construction work.
- ORM provided a sizable amount of funding to external research in 2015.
- ORM has created a Fire Plan guidebook targeted at forestry and logging contractors which is a convenient reference document and addresses the SFI wildfire protection objectives and the numerous State wildfire regulations.
- ORM's Wilsonville office (Copper Creek Tree Farm) has entered into an agreement with the US Forest Service (USFS) to conduct joint Northern Spotted Owl protocol surveys. This effort highlights a cooperative working relationship with the USFS. It will also allow ORM to access the survey/study results which will aid ORM in meeting wildlife management objectives on the Copper Creek Tree Farm.

Opportunities for improvement were identified in the following areas:

- Performance Measure 2.2.1 requires Program Participants to minimize chemical use required to achieve management objectives. Currently, ORM has management objectives to minimize the amount of chemical applied to meet management objectives, however there is no system or method to track or report on the amount of chemical (herbicide) use on the company's timberlands.
- ORM have a variety of threatened and endangered (T&E) species on their land base and generally have developed or collected sufficient T&E training materials in their virtual staff library, however staff have not had any specific training on T&E species since 2013.

There were no non-conformities identified during the assessment.

Conclusion

Olympic Resource Management has implemented the requirements of the SFI 2015-2019 Forest Management Standard. The Certificate can be obtained by contacting Adrian Miller, Manager of Policy and Environment of Olympic Resource Management at (360) 394-0595. More information on CFML's sustainable forestry program can be found at: <http://www.orm.com>