



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

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PQC Code	E01E
Contract Number	US1613807

Certification Audit:		Re-Certification Audit:		Surveillance Audit:	# 1	Scope extension audit:	
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Audit Summary

This report summarizes the results of the first surveillance 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 2015-2019 Standard Forest Management Edition. Objectives 1-8, 10, 11, 14 and 15 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. In addition, the audit was conducted to upgrade the company to the latest version of the SFI Standard, and to scope in the addition of the Richmond, Virginia site and approximately 112,000 acres in New York. 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 Richmond, Virginia site was conducted March 3, 2015. A field audit of the Bay Minette region was conducted May 6-7. The central office function was audited May 8. Additional field audits were conducted as follows:

- Richmond, Kentucky region: June 15-16
- Saranac Lake region: August 3-4
- International Falls Minnesota region : August 6-7

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 surveillance audit was conducted in Virginia (document review only), Tennessee, Florida, Alabama,

New York, and Minnesota. The property in the Bay Minette region is primarily loblolly pine plantations, interspersed with hardwood streamside management zones. The topography is generally quite flat. Regeneration is accomplished through clearcutting, followed by mechanical and chemical site preparation, and establishment of genetically improved loblolly pine seedlings. The Richmond Kentucky and Saranac Lake New York properties are primarily hardwood, with some mix of conifer. The property in these regions is generally under an even-aged management system, with regeneration accomplished through a series of shelterwood harvests. The Saranac Lake region does some small patch clearcuts, the size of which are strictly limited by the Adirondack Park Association. These clearcuts are also managed naturally. Neither region uses chemicals. The International Falls Minnesota region consists primarily of aspen and black spruce with minor components of northern hardwoods and other conifer. Much of the landscape is occupied by water; either lakes, rivers or peatlands. Topography ranges from flat to gently rolling. The aspen and spruce types are managed using clearcutting followed by natural regeneration. A portion of the landbase contains soils that are best suited to red pine. This portion of the landbase was historically red pine, but past management practices had reduced the pine component. Molpus regenerates this portion of its landbase back to red pine using clearcutting, occasionally followed by chemical and mechanical site preparation, and artificial regeneration. A few jack pine plantations are also present on certain soils.

Multi-Site Requirements

The company maintains a multi-site certification consisting of 14 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
Hattiesburg, Mississippi (central office)	X
Antlers Oklahoma	
El Dorado Arkansas	
Hoover Alabama	
Bay Minette Alabama	X
Philadelphia Mississippi	
Houghton Michigan	
Richmond Kentucky	X
Saranac Lake New York	X
Wilmington North Carolina	
Bossier City Louisiana	
International Falls Minnesota	X
Deridder, Louisiana	
Coeur d’Alene, Idaho	
Richmond, Virginia (scoped in)	X

Audit Results

The Hattiesburg portion of the audit was conducted to determine if the company has implemented a control system that meets the requirements of the SFI 2015-2019 Standard. The field audit consisted of a review of 21 harvest (clearcuts and partial harvests) and seven regeneration/site preparation

tracts, and one bridge replacement project.

Objective 1-Forest Management Planning:

Molpus continues to operate a very robust forest management system that it is continually improving. A stand-level inventory system is in place. Strata-level inventory is applied to some stands until stand-level data is available. Volume is grown using proprietary growth and yield models. Lands are classed by timber type and special codes. The NRCS web soil survey provides soil data. Molpus continues to make improvements in its inventory system, primarily by updating the system to account for newly acquired properties. The company has developed new inventory interfaces for its northern and western properties. The company's landscape assessment program constitutes examination of biodiversity at landscape scales.

The company has a procedure for considering the ecological consequences of converting one forest type to another. Species conversion is not common, and is generally not practiced at all in the Richmond Kentucky and Saranac Lake regions. A very minor amount of conversion takes place in the International Falls region, consisting of conversion of natural hardwood stands to red or jack pine. However, these are stand that were historically natural pine, but have slowly converted to hardwood due to past management practices.

Objective 2-Forest Health and Productivity:

Regeneration was well done on all sites observed during the audit. This was particularly noticed on the Saranac Lake property. Select harvest sites demonstrated an abundance of early and advanced natural regeneration, all of which was very well protected during harvest activities. The lead auditor was very impressed with the silvicultural practices of the Saranac Lake region. The lead auditor was also impressed by the site-specific decisions on species selection in the International Falls region.

The only chemical applications observed during the audit were in the Bay Minette and International Falls regions. 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. The International Falls region often does not apply any herbicide on clearcut stands if it does not believe it to be necessary. When applied, rates are very low, well below label maximums. The company's effort to minimize chemical use warranted the issuance of a notable practice.

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 Saranac Lake and International Falls regions are normally done during frozen ground conditions, resulting in very little impact. Stabilization of roads and skid trails was well done, particularly in Saranac Lake and International Falls, where loggers used a considerable amount of logging slash to stabilize skid trails.

Objective 4-Conservation of Biological Diversity:

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. Ecologically unique sites have been identified and mapped in the GIS. 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 Saranac Lake and International Falls regions. Molpus has developed a landscape classification system consisting of a combination of stand type and age. The company improved its system for its northern properties in response to an OFI issued last year. However, the company continues to tweak its system to make sure it accurately accounts for different habitat classifications across its various operating areas. The company's diversity of ownerships presents some challenges in developing classification systems that meets the ecological conditions present in each of those areas.

Molpus is well aware of regional conservation planning efforts. It has cooperated with The Nature Conservancy on a number of conservation efforts, and is involved in conservation easements, particularly on its New York properties.

Molpus has included G3 species in its heritage database searches, allowing it to consider species other than G1 or G2 for protection. However, the company's program for determining which G3 species should be addressed is not well documented. An opportunity for improvement was issued to encourage the company to consider better documentation of its methodology for determining which species of concern warrant management consideration.

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 Bay Minette region. Invasive species occurrences are not quite as widespread in the Saranac Lake and International Falls regions.

Objective 5-Management of Visual Quality and Recreational Benefits:

Average clearcut size during 2014 was 74 acres. All regions are held to an average of 120 acres. 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 International Falls region was observed next to a well-traveled road. The portion of the harvest area close to the road was harvested very lightly to limit visibility of the rest of the harvest area.

Objective 6-Protection of Special Sites:

Molpus has a special sites program to protect sites on its property with cultural or historical 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 Fiber Resources:

Utilization was acceptable on all harvest units observed during the audit.

Objective 8: Recognize and Respect Indigenous People's Rights:

Molpus has included language in its policy statement to respect the rights of indigenous peoples. The International Falls region has the most interaction with indigenous peoples. An interview with the region manager provided evidence the company is quite aware of traditional forest-related knowledge, and has worked extensively with local tribes.

Objective 9-Legal and Regulatory Compliance: Not covered during this audit

Objective 10-Forestry Research, Science and Technology:

Molpus provided evidence it 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 11-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. The logging contract contains language requiring all loggers to have at least one person on each job that is considered a qualified logger. 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 12-Community Involvement and Landowner Outreach: Not covered during this audit.

Objective 13: Public Land Management Responsibilities: N/A-Molpus does not have public land management responsibilities.

Objective 14-Communications and Public Reporting:

The company had posted its 2014 renewal audit report on the SFI, Inc. website as required for public review. The 2014 SFI annual progress report had been submitted prior to the March 15 deadline.

Objective 15-Management Review:

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. The company does an excellent job of conducting a root-cause analysis and implementing corrective actions when issued non-conformances. Opportunities for improvement are acted upon as rigorously as non-conformances. The company is constantly looking for ways to improve its environmental performance.

Findings

Previous non-conformances:

One non-conformance was issued during the previous audit due to a failure in the company's program to address the ecological consequences of establishing a different species from that which was harvested. This non-conformance had already been closed on 6/16/2014. Results of this audit provided evidence the company has effectively implemented its corrective actions to address the nonconformity.

Non-conformances:

No non-conformances were issued during this audit.

Opportunities for Improvement:

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

PM 4.1, Ind. 5: Molpus has gathered information on significant species of concern that could occur on its landbase, and included protection of those which it could impact (e.g. the gopher tortoise). Its efforts meet the requirements of this indicator. However, the company may want to consider better documentation of its methodology for determining which species of concern warrant management consideration.

Notable Practices:

One notable practice was issued.

PM 2.2, Ind. 1: The International Falls region is doing an excellent job of minimizing chemical use. The region reviews each clearcut to determine if chemical use is needed. It often does not apply any herbicide on clearcut stands if it does not believe it to be necessary. When applied, rates are very low, well below label maximums.

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 2014 renewal audit report was located on the SFI, Inc. website as required for public reporting.

Conclusions

Results of the audit indicate Molpus has developed and effectively implemented an SFI program that meets the requirements of the SFI 2015-2019 Standard. The company is recommended for immediate upgrade to the SFI 2015-2019 Standard. In addition, the company's scope should be expanded to include the Richmond, Virginia site and the additional 112,000 acres purchased in New York.

SEE SF61s FOR AUDIT NOTES

Summary of Audit Findings:										
Audit Date(s):	From: 3/3/2015 (Richmond, VA)				To: 3/3/2015 (Richmond, VA)					
	5/6/2015 (Bay Minette)				5/7/2015 (Bay Minette)					
	5/8/2015 (Central office)				5/8/2015 (Central office)					
	8/3/2015 (Saranac Lake)				8/4/2015 Saranac Lake)					
	8/6/2015 (I-Falls)				8/7/2015 (I-Falls)					
Number of SF02's Raised:				Major:		0		Minor:		0
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	No	N/A	X	Date:				
Proceed to/Continue Certification		Yes	X	No	N/A	Date:		8/7/2015		
All NCR's Closed		Yes	No	N/A	X	Date:				
Standard audit conducted against:										
1)	SFIS 2015-2019 FM Edition			3)						
2)				4)						
Team Leader (1):				Team Members (2,3,4...)						
Richard Boitnott; CF 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	1				
Proposed Date for Next Audit Event					
Date	Begin late April/early May, 2016				
Audit Report Distribution					
Bureau Veritas Certification: Dawn Komnick-dawn.kominck @us.bureauveritas.com					
Molpus: Ruth Cook-rcook@molpus.com					

Clause	Audit Report
Opening Meeting	Participants: Ruth Cook, Claire Bain, Bill Lakel, Shane Lee 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, Craig Halla, Roger Johnson, Harold Wennerstran, Sam Maass, Discussions: Mac Schafer, Marty Schoewe, Ken Sewell, Shaun Sullivan <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 - 0 ➤ Date for next audit. ➤ Reporting protocol and timing