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

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Contract Number:	US.1465063	Certification Audit:		Re-Certification Audit:		Surveillance:	X
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Audit Summary

Introduction

A Renewal Audit of the Upper Hudson Woodlands ATP LP (hereafter referred to as UHW) SFI program was conducted by Matt Tormohlen (BVNA Lead auditor) and Craig Howard (BVNA audit team member) on 13-15 August, 2014 for the purposes of recommendation for continued certification.

Audit Scope, Objectives and Process

The scope of the audit is: "Forest management activities including planning, harvesting, silviculture, road construction and road maintenance." These activities are carried out on 92,036 acres of natural forestland in New York State. The audit was conducted against the SFI 2010-2014 Standard. Per the requirements of the renewal audit format, all applicable SFI objectives were reviewed; 1, 2, 3, 4, 5, 6, 7, 14, 15, 16, 17, 19, 20. 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 verify whether the Program Participant has effectively implemented its SFI Standard program requirements during its field operations. 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

The audit consisted of ½ day review of documented policies, GIS capabilities and review of documents associated with the correction of one minor N/C and one OFI issued during the 2013 transfer audit. One and a half days were spent evaluating field sites throughout the UHW ownership. An additional ½ day was spent summarizing audit results, completing final document review and holding a closing meeting to discuss audit results and continued certification.

Company Information

The Upper Hudson Woodland (UHW) property was purchased using investor funds from the supplemental pension fund of Denmark. BTG manages the funds of the above mentioned investor and contracts F&W Forestry Inc. to complete the day to day forestry operations on the UHW property. F&W Forestry is an international forest resource management and consulting firm, currently operating in 11 states throughout the U.S.. F&W controls all aspects of forest management on the UHW ownership, including forest inventory and mapping, management planning, forecasting, harvesting contractor selection/monitoring, harvest scheduling, harvest layout and active harvest oversight, marketing of various harvested wood products and other responsibilities upon request from BTG. F&W foresters are traveling the ownership on a daily basis as part of regular forest operations. BTG utilizes sub-contractors to complete the actual harvesting and hauling aspects of each individual timber sale. Contractors involved in harvesting and hauling operations are required to maintain New York Logger Training (NYLT) certification, which is a state sponsored training program that provides annual continuing education courses. Each contractor is monitored by F&W via the NYLT website to ensure maintenance of continuing education.

The entire UHW ownership (92,036 acres) is within the boundaries of the Adirondack State Park, located in northern New York state. Well stocked stands of northern hardwoods are the dominant cover type present within the UHW ownership. This cover type is consistently found in much of the forested area of the North-eastern U.S. and is a major source of commercial forest products. This dominant northern hardwood forest type comprises approximately 63% of the UHW ownership. Species associated with northern hardwood forest types are generally sugar maple, American beech, yellow birch, black cherry and white ash. The second largest forest type present on the property is mixed wood (~30%) and is generally comprised of red maple, yellow birch, white spruce and balsam fir. The remaining 7% of the forested area is comprised of spruce-fir flats. The majority of these stands are well stocked, with northern hardwood and mixed wood stands averaging a residual basal area of 85ft²/ac and softwood stands averaging a residual basal area of 95ft²/ac. Total forested area is currently 83,612 acres. The remaining 8,424 acres is open water or barren area. All ownership falls under the operational guidelines of the Adirondack Park Agency (APA) and the requirements of the NY BMP manual.

The management plan defines four major productive forest types present on the ownership;

- Spruce-Fir Flats - lower elevations/bordering riparian areas and are generally poorly drained soils. Primarily composed of red spruce and balsam fir. Rotation age defined as 70-100 years.
- Low and Mid-slope Mixed wood Types – drainage and nutrient richness generally increase with elevation, to a point, in comparison to spruce-fir flats, allowing the recruitment of certain mid-tolerant hardwood species in addition to spruce and fir. Rotation age defined as 80-120 years.
- Upland Hardwood Types – generally the most productive sites present on the ownership; well drained and nutrient rich. The classic northern hardwood stand, composed of shade tolerant high value species such as sugar maple, yellow birch and black cherry. Rotation age defined as 100-150 years.
- Upper Elevation Slopes – defined as elevation in excess of 2,500' elevation. Shallow, dry and nutrient leached soils tending to produce species that are less competitive on better sites, such as white birch. Minimal forest management activity due to poor timber quality and accessibility issues. Rotation age defined as 80-100 years.

The primary management system for all forest types will be even-age. The rotation ages for northern hardwood stands will range between 100-150 years. Mixed wood rotation age will range between 80-120 years on low to mid-slope areas and 80-100 years on upper elevation slopes. Spruce-fir flats rotation age will range between 70-100 years depending on the proportion of balsam fir present in the stand.

Although even-aged silviculture is the stated management system of choice, uneven-aged silviculture will be used sparingly to enhance wildlife, ecologic and aesthetic values or to increase the presence of mid-tolerant species where soil and stand characteristics dictate. The majority of uneven-aged management will be within riparian zones.

Common even-aged silvicultural methods as defined in the UHW management plan:

Thinning – Focus on removal of lower quality, suppressed trees and undesirable species. Thinnings will focus on reducing stand stocking to the “B” line indicated on the specific forest type stocking charts.

Two or Three-Stage Shelterwood – First stage will improve stand quality and/or select quality residual seed source. Second stage will remove all but the designated seed trees, to a residual stocking of 40ft²/ac. The final stage will remove all merchantable volume, only after regeneration has been deemed adequate.

Clearcut – Implemented to regenerate stands that have reached their respective rotation ages or in areas where shade intolerant species are desirable. Adirondack Park Association has a maximum allowable clear cut size of 25 acres; however, UHW management plan states that the preferred clearcut size on their ownership is 10-15 acres.

Group Selection – Used to create uneven-aged stand attributes in certain forest types. Stated in the management plan to be utilized sparingly. Group selection focuses on creating a minimum of three age classes, using harvesting intervals of 10-25 years.

Salvage operations – To be utilized in the event of unanticipated loss or removal of merchantable forest product volume.

Multi-Site Requirements

N/A

Audit Results

This audit began with a general overview of F&W Forestry’s management and policies/procedures for the UHW land holdings in New York. System documentation, including documents and records illustrating conformance to all relevant performance measures and indicators, were reviewed and found to be adequate.

An acceptable sustained yield calculation has been developed and implemented on the UHW landholding. The organization utilized 1990 Finch Pruyn average annual growth data, growth data from the Adirondack Ecological Center, regional US Forest Service FIA data and 2008 JWS inventory data to develop its sustained yield calculations, titled JWS Harvest Schedule. These calculations were then compared with growth estimates from two additional methodologies; Solomon Growth Modeled and Solomon Growth Actual (Detailed in JWS Comparison document.) Average growth rates ‘09-’13 were within 5% for all three methodologies. The organization has consistently harvested annual volumes below the calculated sustained yield harvest level. In ’09, ’11 and ’12 the organization averaged 2,895 cords under the annual sustained yield harvest level. In 2013 the organization harvested approximately 5,917 tons less than the restated AAC (as of July 2014) of 79,423 combined product tons.

Review of participation and funding with the SIC and other relevant local forest products associations were reviewed and determined as adequate. The F&W supervising forester for New York (Wayne Tripp) remains the chairman of the NY SIC and is involved in various educational activities with the general public as part of his role with the SIC. Additional involvement with the ESFPA (Empire State Forest Products Association) in annual financial assistance programs such as the 2013 Foresters Cup golfing event where proceeds benefit the Log-a-load for kids and woods tours for local elementary and high school teachers. Additional educational/research involvement focuses on coordination with the SUNY Forest and its associated research projects. Interviews with SUNY representatives determined multiple active research projects on the UHW property including habitat sharing dynamics between Fishers and Martens (*Martes pennant* and *Martes Americana*, respectively) and Pitcher plant (*Sarraceniaceae spp.*) habitat analysis. Calculation of clear cut sizes are not completed as the Adirondack Park Agency (APA) has regulations in place for maximum clear cut sizes of 25 acres. Statements from various F&W and BTG foresters confirmed that the desired clear-cut size on UHW land is significantly smaller than APA regulations (10-15 acres.) This smaller clear-cut size is also specified in the UHW management plan.

The field site visits consisted of an inspection of 12 operation sites including active harvests, completed harvests, bridge installations and recent road work. Harvest sites reviewed included marked and operator select harvests. The majority of field sites visited exhibited excellent implementation of sound forestry practices, BMPs and minimal impact to soil productivity. See attached minor non-conformance in regards to BMP implementation.

The organization's monitoring system was reviewed and found to be adequate. F&W foresters perform a 25 point BMP inspection on all active jobs prior to closure in the F&W data management system. This information is then uploaded into F&Ws database and is used to generate rates of conformance by state and by individual contractor/harvest site. The state of New York, which is the Upper Hudson Woodland ownership, has maintained a compliance rate above 95% since the inception of the program. Detailed harvest inspection forms are completed for each active harvest, on a weekly basis. These forms have been modified from previous years to ensure accurate completion of the forms and follow up on supervisors' notes. The inspection forms are filled out throughout the course of the operations. BMPs, harvest prescription compliance, utilization, road condition, weather events, modifications to the harvest area, etc. are all included in the harvest inspections. In addition, documented annual tract inspections are completed on each tract in the Upper Hudson Woodlands ownership. Inspections include ranking of current road condition and any associated issues (i.e. recent blow-down, forest health concerns, invasive species outbreak, etc.) If issues are found during these annual inspections, the supervisor is notified and corrective measures are developed and implemented, as feasible.

Wildlife habitat considerations were evident on most field sites, including expansion of RMZs when appropriate, maintenance of snag and mast trees in all harvest types and creation of irregular harvest boundaries. Much of the management on the UHW properties is dictated by requirements of the Conservation Easement between the NY DEC and UHW. In 2008/2009 a team consisting of the NY DEC, NY Natural Heritage Program, Finch Paper Woodlands and The Nature Conservancy drafted the guidelines for management of forest operations so that Special Communities and other Special Treatment areas would be protected. This information is represented in the baseline data within the Conservation Easement, which the UHW management abides by.

Findings

Previous non-conformances (2013):

The organization was issued one minor N/C to PM 3.2, Indicator 3 during the 2013 transfer audit and is addressed below:

UHW Response:

The F&W Center manager reviewed the F&W Policies and Procedures for preharvest planning and monitoring of active operations with management foresters on September 9, 2013. The review included emphasis on compliance with both the F&W P&P and the conditions outlined in UHW management agreements. In addition the active job inventory spreadsheet has been updated to include documentation of weekly inspections. The Center Manager will review the active job inventory weekly to ensure that all forms are up to date as well as review the weekly monitoring reports to ensure that they accurately reflect the status of ongoing operations and that required follow ups have been completed and closed. The F&W Hazardous Spill Procedures have been updated to include F&W's understanding of the NY BMP reporting requirements for all oil spills that reach land. A reminder memo outlining the spill notification requirements was sent to all active loggers on properties managed by F&W.

Documents including the Corrective Action Plan and updated spill procedures have been uploaded to the FW Share and BTG FIS sites. Requirements for adhering to F&W Policies, Procedures and Monitoring requirements were added to the F&W Annual Meeting Agenda scheduled in October 2014. Annual meeting discussion placed added emphasis on BMP evaluation and compliance during active operations.

Conclusion: This non-conformance has been effectively addressed by the organization and cleared by this lead auditor, though continued monitoring is required by F&W as a part of normal forestry operations.

In regards to the spill notification requirements, the NY BMP committee has informally stated that they do not want spills less than five gallons reported, unless they reach an active water body. This directly contradicts the actual wording present in the most recent version of the NY BMP guidelines manual in terms of reporting "...all spills that reach the ground..." It is noted by this lead auditor that this action has put forest managers (such as UHW) in a difficult situation as they are required to comply with the formal NY BMP guidelines manual which includes this un-realistic spill reporting requirement that the NY BMP committee itself has informally stated does not apply. To date, the NY BMP committee has refused to formally modify the spill reporting requirements.

2013 Opportunity For Improvement (OFI) description and actions taken by UHW.

OFI #1, P.M 20.1, Indicator 1: Although the organization has demonstrated that, in the past, it has done everything within its legal and financial ability to create a safe work environment when sharing haul roads with active snowmobile routes, a more formal, documented process for mitigating could be developed.

Actions taken: The organization has documented the meeting minutes with the DEC concerning the difficulties surrounding the harvesting/snowmobiling interface. UHW has further modified harvest operations during this interface period by not allowing weekend harvesting and further

communication between the NY DNR and the various snow-mobile clubs. The interface issue continues to evolve and will be evaluated during future audits.

Non-conformances:

The organization was issued one non-conformance, which is attached to the end of this report (SF02 document.) This non-conformance will be reviewed for progress towards correction while BV auditors are on-site during the FSC renewal audit scheduled for later in 2014/early 2015.

Opportunities for Improvement:

N/A

Notable Practices:

N/A

Logo/label use:

The organization does not intend to use the certification body logo and has proper procedures in place to utilize and monitor the use of the SFI logo. No inappropriate use in the past year.

SFI reporting:

The 2013 surveillance audit report for the UHW properties was promptly completed by UHW representatives and filed with SFI.

Conclusions

F&W continues to implement and manage an SFI program on the Upper Hudson Woodlands ATP LP properties in New York which meets the requirements of the SFI 2010-2014 standard for Land Management. A recommendation for immediate continued certification of the organization’s SFI program was issued at the closing meeting.

Follow up

The organization has completed and implemented effective root cause and corrective actions. Cleared for continued certification as of 1 Oct., 2014.

Surveillance Audit Schedule

The next audit will be a surveillance audit and should be scheduled during the August/early September time frame.

SEE SF61/SF71 FOR AUDIT NOTES

Summary of Audit Findings:						
Audit Date(s):	From: 13 Aug., 2014			To: 15 Aug., 2014		
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:	16 Aug., 2014	

Proceed to/Continue Certification	Yes	X	No		Date:	1 Oct., 2014
All NCR's Cleared	Yes	X	No		Date:	1 Oct., 2014
Standard audit conducted against:						
1)	SFI 2010-2014	3)				
2)		4)				
Team Leader (1):		Team Members (2,3,4...)				
Matt Tormohlen		2) N/A				
		3)				
		4)				
		5)				
Scope of Supply: (scope statement must be verified and appear in the space below)						
Forest Management Activities Including planning, harvesting, silviculture, road construction and road maintenance.						
Accreditation's	1					
Number of Certificates	ANAB					
Proposed Date for Next Audit Event						
Date	August/September 2015					
Audit Report Distribution						
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