



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

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Company Name	The Lyme Timber Company LP
Contact Person	Sean Ross
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Phone / Fax	603-643-3300 x132
PQC Code	E01E-Forestry, logging related

Contract Number:	US.1794543	Certification Audit:	X	Re-Certification Audit:		Surveillance: (Indicate visit # or Pre-Assessment)	
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Audit Summary

Introduction

This report summarizes the results of the stage 2 certification audit conducted on The Lyme Timber Company (LTC) against the SFI 2010-2014 standard. A stage 1 audit was completed on November 3, 2014. While the Lyme Adirondack Forest Company in New York (239,500 acres) is currently SFI certified; other forests are being added: St Croix (68,319) in NW Wisconsin, Lyme Kenauk Forest (52,049 acres) in southern Quebec, and the Cross City Forest, Lafayette, and Gilchrist Forest (72,963 acres) in Florida; resulting in a multi-site certificate. Jim Colla, Bureau Veritas Certification Lead Auditor, with assistance from Julie Stangell, forestry auditor; conducted the audit over four days on December 9-12, 2014.

Audit Scope, Objectives and Process

The scope of the group certificate is "Forest Management". This includes four separate forest management units (FMU) in three states and one province totaling 432,831 acres. The purpose of this certification audit was to review documentation and sample field operations in order to assess conformance of LTC's SFI program against applicable performance measures and indicators of Objectives 1-7; 14-17, and 19-20 of the 2010-2014 SFI Standard. Specifically, two objectives of the SFI audit were to:

1. 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
2. Verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground.

The opening meeting occurred on December 9, 2014 and took place in Hayward, WI. During the opening meeting the objectives for the audit were outlined and the audit process for collecting evidence and making audit findings was explained. Findings of non-conformance, opportunities for improvement, and appeals were also explained. The audit plan was discussed and agreed to, and the time and date of the closing meeting were also confirmed. There were no substitutions or edifications of SFI indicators. Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the current version of the Bureau Veritas Certification SFI Auditor Handbook. Field notes and an SFI indicator checklist were completed in each audited

region. Sean Ross; LTC Director of Forestry Operations and Certification Manager, was present throughout all portions of the audit.

Audit Plan

The audit was conducted over a total of 3.5 days from December 9 through December 12, 2014. A total of 1.5 days were spent in Wisconsin, 2.0 days spent in Florida, plus one day for report writing. A detailed daily audit plan is on file with Bureau Veritas Certification.

Company Information

The Lyme Timber Company LP is a private timberland investment management organization (TIMO) that focuses on the acquisition and sustainable management of lands with unique conservation values. Since its founding in 1976, the Company has followed a disciplined and value oriented approach to investing in forestland and rural real estate throughout the US. The Company's current portfolio includes over 525,000 acres located in New York, Wisconsin, Florida, Maine, Massachusetts, Tennessee, Virginia, Delaware, South Carolina, Alabama, Louisiana and Quebec. Not all forests are SFI certified.

Multi-Site Requirements

The company qualifies for multi-site certification since they have four distinct forest management units. There are four distinct units plus a central office, LTC maintains an effective internal audit program, therefore the minimum number of units to be audited annually is the square root of the number of units. In this case, two units and the central office are to be audited annually. Sean Ross, Director of Forestry Operations, is the certification contact and is responsible for conducting internal audits and management reviews.

Sites	Sites Audited During this Event
Hanover, New Hampshire (Central Office)	X
St Croix Forest – NW Wisconsin	X
Cross City, Lafayette and Gilchrist Forests –Florida	X
Lyme Kenauk Forest – Southern Quebec	
Lyme Adirondack Forest – New York	

Audit Results

The audit consisted of document and record reviews and interviews. In addition, a total of 10 field sites (WI-5; FL – 5) were visited that represents the spectrum of activities LTC undertakes. Objectives 8-13 and 18 are not applicable.

Objective 1, Forest Management Planning: LTC has formal management plans in place for all four FMUs that address all indicators. The three new FMU's were recently acquired so plans are new. The Company has a robust assessment process in place for determining the AAC. Forest area data is stratified by forest type and age; excluding unproductive forest lands. Growth and yield data are used to model stand attributes and age the forest. Accruals, depletions, and treatments (budgets) are incorporated in the inventory through quarterly updates. Growth and yield data excludes areas of non-productive forest.. These are well documented through the company inspection program. Additionally renewal and tending prescriptions are developed along with the future forest conditions. The company typically uses WOODSTOCK to develop an optimal long range harvest plan.

Objective 2, Forest Productivity: In NY and QU, LTC employs a wide range of silvicultural prescriptions that rely on natural regeneration. Reforestation is only applicable in WI and FL. In WI, reforestation is always planned to occur within three years of final harvest for forest health reason; in FL one, year. LTC only plants

with native species from local sources and does not use GMOs or exotic species. Seed is collected from local sources, then provided to contract nurseries to grow seedlings, or in the case of FL, purchased locally on the open market. Applications for site prep or release (applicable in FL and WI) are evaluated on a site by site basis. Chemical applications are used when it is determined to be the most cost effective and environmentally sensitive management tool to achieve management objectives. Only approved EPA chemicals are applied, always well within label rates. The chemical application checklist, contract, pesticide use record and other documentation supplied by LTC meets this requirement. Follow up monitoring to assess the effectiveness of the treatment is undertaken and documented. State regulated buffers along streams and other buffer strips will be identified in the field with flagging or other appropriate methods. State chemical use BMPs are in place. LTC managers inspect sensitive areas with the contractor prior to application. OFI issued to verify applicator's license at least annually and maintain records. Contractors are well versed in erosion control measures, no evidence of accelerated erosion observed. Excellent protection of residual trees noted throughout. LTC strives to maintain healthy forest by active management; insect and diseases are at endemic levels.

Objective 3, Protection of Water Resources: BMP programs, that address water quality and affected resources, are in place in all four jurisdictions. These are designed to provide the required level of protection needed to meet specific elements within the PM. FMU specific operational controls include detailed instructions and guidelines for meeting water quality standards (WQS). Stream classes, wet areas and other sources of water are mapped. Foresters and contractors are trained in WQ protection and BMPs. Operational sites are inspected to ensure BMP compliance with WQS. Operational controls contain wet weather requirements. Transportation systems are well established and managed as a comprehensive system to avoid erosion and water quality impacts. Contractors interviewed had excellent BMP knowledge. Sites are monitored at least weekly during active operations to ensure compliance. No evidence observed of any BMP infraction or excess sediment delivery to streams.

Objective 4, Conservation of Biological Diversity: LTC has examined its lands in each FMU to discern if there were any areas which should be designated as FECV. In each FMU they contacted the State Natural Heritage Commission and the Archaeological Society regarding known occurrences of ecologically and culturally significant sites and TES. They have also valued their lands in terms of unique flora and fauna. The one formally designated FECV is bat hibernaculum on the Adirondack property, one of largest in eastern US, which TNC monitors. Conservation Easements (CE) primarily geared toward non-development and to maintain working forests, are in place in NY and WI. NP issued as LTC is working closely with the state of FL and local water control districts to secure non-development easements; LTC is extremely forward thinking in this regard (hardwood bottomlands can be logged and contain valuable species) and saw the purchase of these lands as an ideal fit in their business model. In WI, LTC is working collaboratively with WIDNR to identify best practices regarding reforestation and revegetation of the 2013 Germann Road fire that burned in 4700 acres. LTC has provided tours to state officials, biologist, and ecologist in an effort to develop a science based reforestation plan and is open to allowing portions of the area to reforest/ revegetate naturally for wildlife habitat, specifically for the sharp-tail grouse, a struggling population that is closely monitored.

Objective 5, Management of Visual Quality and Recreational Benefits: The operational controls guides contain written direction to manage the size, shape and placement of clearcut units, which is only employed in the WI and FL FMU. This starts with the strategic planning process, with implementation occurring at the stand level. Clearcuts in all jurisdictions average well less than 120 acres. All are mapped in the GIS and accurate acreages are readily known. Recreational opportunities are FMU specific: WI – CE in place that means lands are open to hunting and other traditional recreational uses; NY – CE in place that means lands are open to hunting and other traditional recreational uses. In addition, there are a number of cabin leases; FL – All lands are under hunting leases which is the traditional recreational use; QU – Traditional use is recreational outfitting, open but through outfitter services providers (LTC owns the land, but outfitters control access and own the recreational structures).

Objective 6, Protection of Special Sites: Archeological/cultural/other sites are identified in the specific GIS layer which is queried on a job specific basis, prior to sale set-up. Special sites have been identified on all FMU. The planned activity is then modified as needed to mitigate for any deleterious impacts. Stakeholders include local government officials, state agency and conservation organizations, leaseholders, loggers, and tribal representatives where present. Stakeholder feedback is evaluated and included into subsequent

management planning activities.

Objective 7, Efficient Use of Forest Resources: LTC diligently regulates harvest level to maximize both short and long term return. Guidelines are in place requiring high levels of harvest utilization. Each FMU has specific product standards tailored to local markets. Utilization was excellent across all sites visited. The company is constantly striving to maximize in woods efficiencies and utilization and has been at the forefront of development of non-traditional income streams.

Objective 14, Legal Compliance: LTC FMPs and Operational Controls require compliance with all laws. All contracts the company enters into require legal compliance on the part of the contractor. Standard operating procedures require legal compliance to federal and state laws and regulations and BMPs. The company has a robust inspection program that documents compliance with applicable regulations and policies. Applicable laws and regulations are readily available on line and on the company server and posted in company offices. No non-conformances noted during any of the site inspections.

Objective 15, Forestry Research: LTC has long demonstrated, on the NY property, their commitments to research on a myriad of topics. The list of current projects and support efforts is extensive. Partners include federal, state, industry and NGO partners. LTC understands moving forward they will need to be active on the new FMUs and cannot rely solely on the NY property to meet this Objective. LTC has notified the FL, WI and QU SICs of their intent to join and become active in the SIC. As LTC has only recently acquired these properties; opportunities to support research is in the process of development.

Objective 16, Training and Education: A commitment statement has been developed that meets SFI requirements and will be made available to the public upon request. LTC currently uses SFI trained contractors in NY and has a formal internal training program, with refreshers conducted at least annually, for employees and key contractors designed to maintain and improve required levels of education needed to perform various tasks. Use of qualified logging professionals has always been a NY contract condition; similar language has been drafted for other FMU and will be implemented as contracts are executed. Contractors interviewed were all trained.

Objective 17, Community Involvement: LTC generally supports and promotes community outreach efforts and has a proven track record in NY. LTC will host tours and provide environmental education opportunities and participate in cooperative management efforts in all FMU. LTC has notified the FL, WI and QU SICs of their intent to join and become active in the SIC. As LTC has only recently acquired these properties; opportunities to coordinate community outreach efforts with the SICs is in the process of development.

Objective 19, Communications and Public reporting: LTC understands this requirement and has submitted prior reports (NY ownership only) to SFI. All records necessary for reporting to SFI will be maintained electronically and made available for audit review.

Objective 20, Management Review and Continuous Improvement: LTC has a formal and rigorous management review program in place. This includes monthly reporting prepared by FMU managers, a quarterly management review, and an annual management review. Annual reviews are typically conducted during the first quarter. The certification manager conducts site visits to each FMU at least twice per year. Because of LTC long standing history with certification, the internal audit and management review system is mature, fully functioning and effective.

Findings

Previous non-conformances:

During the Stage 1 audit, five minor non-conformances were identified. Root cause analyses, corrective action plans and subsequent corrective action implementation was undertaken sufficient to close all five non-conformances effective December 8, 2014. See Stage 1 report for full details and completed non-conformance forms.

PM 5.3 (3) – Green up Requirements - NC01

PM 14.2 (1) – Written Policy - NC02
PM 19.1 (1) – Summary Report - NC03
PM 19.2 (1) – SFI Reporting - NC04
SFI 2010-2104, Section 5 – Trademark Use - NC05

Non-conformances: None issued

Opportunities for Improvement:

PM 2.5 (5) Chemical Use - One contractor is used in WI; and it was assumed that his license was current. It was verified that his pesticide applicator license is current when checked on line on-site. LTC should verify applicator’s license at least annually prior to annual use and maintain documentation that it has been checked.

Notable Practices:

PM 4.1 (1) and PM 17.1 (4) Conservation Promotion - LTC is working closely with the state of FL and local water management districts to secure non-development easements; LTC is extremely forward thinking in this regard (hardwood bottomlands can be logged and contain valuable species) and saw the purchase of these lands as an ideal fit in their business model. In WI, LTC is working collaboratively with WIDNR to identify best practices regarding reforestation and revegetation of the 2013 Germann Road fire that burned in 4700 acres. LTC is working to develop a reforestation plan that incorporates natural regenerating forest for wildlife habitat, specifically for the sharp-tail grouse, a struggling population that is closely monitored.

Logo/label use:

LTC uses current off-product SFI trademarks on their website. There is no on-product use or use of the BVC logo. Use approvals have been obtained from SFI, Inc. and are on file.

Customer Feedback System

Feedback can be received at the local level to the FMU manager or at the central office by Sean Ross. Any issues or feedback are the responsibility of Sean Ross to manage, with local and central office staff utilized as needed to resolve the issue. LTC has a robust tracking and documentation system that can trace wood to origin, monitor for BMP compliance, and provide full log accountability. Feedback is documented as appropriate on a case by case basis. No feedback received over the last year related to the NY property.

SFI reporting:

LTC understands this requirement and has submitted prior reports (NY ownership) to SFI. All records necessary for reporting to SFI will be maintained electronically and made available for audit review.

Conclusions

The closing meeting was held at the Cross City, FL office on December 12, 2014. The findings related to the opportunity for improvement and notable practices were reviewed, and the confidentiality of audit results assured. The findings were not challenged or appealed. In the opinion of the auditor, Lyme Timber Company LP has developed and is implementing an effective SFI program that meets the requirements of the SFI 2010-2014 standard. Multi-site certification is recommended.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: December 9, 2014				To: December 12, 2014			
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:		Dec 12, 2014	
All NCR's Closed		Yes	No	N/A	X	Date:			
Standard audit conducted against:									
1)	SFI 2010:2014			3)					
2)				4)					
Team Leader (1):			Team Members (2,3,4...)						
Jim Colla			2) Julie Stangell						
			3)						
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	July 2015								
Audit Report Distribution									
The Lyme Timber Company: Sean Ross, Certification Manager - sross@lymetimber.com									
Bureau Veritas Certification: melani.potts@us.bureauveritas.com									

Clause	Audit Report
Opening Meeting	<p>Participants: Sean Ross, Certification Manager, LTC; Annie Maina LTC WI Region manager; Julie Stangell (Auditor) and Jim Colla (remote), Lead Auditor</p> <p>Discussions:</p> <ul style="list-style-type: none"> ➢ Introductions ➢ Scope of the audit ➢ Audit schedule/plan ➢ Nonconformance types – Major / Minor ➢ Review of previous nonconformances – 5 at stage 1. ➢ Process approach to auditing and audit sampling ➢ Confidentiality agreement ➢ Termination of the audit ➢ Appeals process ➢ Closing meeting timing
Closing Meeting	<p>Participants: Sean Ross, Director of Forestry Operations, LTC; Glenn Osteen, LTC FL Region Manager; and Jim Colla, Lead Auditor</p> <p>Discussions:</p> <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 (1) and System Strengths ➢ Nonconformances - 0 ➢ Date for next audit. ➢ Reporting protocol and timing