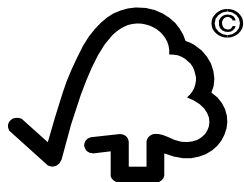


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FM-06 April 2007



**SmartWood**

*Practical conservation through certified forestry*

Forest Management  
**2008 Annual audit**  
Report for:

**Integrated Forest  
Management, Inc.**  
in  
**Turner, ME, USA**

Certificate code: SW-FM/CoC-000183  
Auditors: **Gabe Bolton**  
Audit Dates: **June 11-12, 2008**  
Report Finalized: **November 26, 2008**

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### Standard Conversions

1 mbf = 5.1 m<sup>3</sup>  
1 cord = 2.55 m<sup>3</sup>  
1 gallon (US) = 3.78541 liters

1 inch = 2.54 cm  
1 foot = 0.3048 m  
1 yard = 0.9144 m  
1 mile = 1.60934 km  
1 acre = 0.405 hectares

1 pound = 0.4536 kg  
1 US ton = 907.185 kg  
1 UK ton = 1016.047 kg

# 1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Integrated Forest Management, Inc (IFM), hereafter referred to as Forest Management Enterprise (FME). The report presents the findings of SmartWood auditors who have evaluated company systems and performance against FSC forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through corrective action requests.

SmartWood audit reports include information which will become public information. Sections 1-3 will be posted on SmartWood's website according to FSC requirements. All appendices will remain confidential.

Dispute resolution: If SmartWood clients encounter organizations or individuals having concerns or comments about Rainforest Alliance / SmartWood and our services, these parties are strongly encouraged to contact SmartWood regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

## 2. AUDIT FINDINGS AND RESULTS

### 2.1. Audit conclusion

<b>Based on Company's conformance with FSC and SmartWood requirements, the audit team makes the following recommendation:</b>	
<input type="checkbox"/>	<b>Certification requirements <u>met</u>, certificate maintenance recommended</b> Upon acceptance of CAR(s) issued below
<input checked="" type="checkbox"/>	<b>Certification requirements <u>not met</u>:</b> Conformance with Major CAR(s) required
Additional comments:	Major CAR 01/08 was closed prior to finalization of this report.
Issues identified as controversial or hard to evaluate.	

### 2.2. Changes in the forest management of the FME

In December of 2007 Hancock Land Company (HLC) began contracting forest management services to Integrated Forest management, Inc (IFM), a start up company established by 4 HLC employees. The change of ownership and certificate transfer was completed in January of 2008. IFM has recently relocated their offices to Turner, ME. No changes to the FSC-certified forest management systems established by HLC have been implement in association with the creation of IFM, other then those implemented to address open CARs.

Since the 2007 reassessment HLC has sold a total of 3,695 acres in three separate transactions: 405 acres of the "Established lands" in the towns of Casco, Naples and Sebago in January of 2007; 2 acres of the "Established lands" in the town of Naples in March of 2007; and the 3,461 acres comprising the Weld "Project lands" were disposed of in two separate sales in July and December of 2007.

In response to draft report findings and Major CAR 01/08, IFM removed HLC T6 Project Lands (7,938 acres) from the scope of the group certificate prior to finalization of this audit.

**2.3. Stakeholder issues**

No stakeholder issues we identified during this audit period.

**2.4. Conformance with applicable corrective action requests**

The section below describes the activities of the certificate holder to address each applicable corrective action issued during previous evaluations. For each CAR a finding is presented along with a description of its current status using the following categories. Failure to meet CARs will result in nonconformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the SmartWood certificate if Major CARs are not met. The following classification is used to indicate the status of the CAR:

<b>CAR Status Categories</b>	<b>Explanation</b>
<b>Closed</b>	Certified operation has successfully met the CAR and addressed the underlying nonconformance.
<b>Open</b>	Certified operation has <u>not met</u> the CAR; underlying nonconformance is still present. CAR becomes a Major CAR with a 3 month deadline for conformance

<b>CAR 01/07</b>		<b>Reference to Standard:</b> 1.1.b, 6.5.d
<b>Nonconformance</b>		The auditor observed authorized and unauthorized stream crossings that were inconsistent with state BMPs were observed.
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> HLC shall review its Best Management Practices for water quality protection and develop and implement policies to ensure that stream and wetland crossings are consistent with the current (2004) Maine BMP guide.		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		The IFM EFP and property level management plans detail that management activities on group properties will be consistent with State of Maine BMPs. During the course of the onsite audit the auditor Inspected 4 (3 pole crossings and one rock ford) stream crossings used during harvesting activities since the reassessment in 2007. All four stream crossings were designated by IFM foresters and were closed out consistent with State of Maine BMPs. Staff interviews demonstrated a thorough knowledge of BMPs for water quality protection to ensure stream and wetland crossings are consistent with current Maine BMP guide. This CAR is closed.
<b>CAR Status:</b>		CLOSED
<b>Follow-up Actions (if app.):</b>		

<b>CAR 02/07</b>		<b>Reference to Standard:</b> 3.3.a, 3.3.b, 4.4.d; 7.1.b.3
<b>Nonconformance</b>		HLC has not contacted archaeological experts about historic or pre-historic sites.
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> HLC shall consult with the State Historic Preservation Office to identify known archaeological sites and develop a procedure to ensure appropriate management in areas that may have significant archaeological sites.		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		In 2007 IFM submitted a request to the Maine Historic Preservation Commission (MHPC) to cross reference their data sets of archeological and National Register buildings against IFM group properties. Although this assessment did not identify any known sites or buildings, there were several areas that were identified by the MHPC as very likely to contain Native American archeological sites. These areas are classified as “archeologically sensitive” by the MHPC. The MHPC requests that these areas be avoided by major cutting operations unless the ground is frozen hard. Also, road and bridge construction in these areas should be preceded by a professional archeological survey. IFM has incorporated the location of these “archeologically sensitive” areas into a GIS layer which has been incorporated into all operational planning maps. Additionally, IFM amended their Ecological Forestry Plan to include a procedure to conduct harvesting in these areas only under frozen conditions. If they deem it desirable to operate within these areas under non-frozen conditions or plan to undertake construction projects they will consult with the MHPC prior to initiating site disturbing activity. This CAR is closed.
<b>CAR Status:</b>		CLOSED
<b>Follow-up Actions (if app.):</b>		

<b>CAR 03/07</b>		<b>Reference to Standard:</b> 5.1.b, 6.1.e, 6.3.a.4, 7.1.b.1
<b>Nonconformance</b>		Short-term harvest rates exceed long-term sustainable levels on Project Lands. Because of the potential weakness of the definition of “mature” in the current plans (i.e., most of the “mature” acres were in low-density pole stands), the auditor cannot confirm that HLC is meeting the intent of the plan relative to ecosystem-based (mature and late successional forest area and pattern) and species-based indicators in the plan, or that HLC meets indicator 6.3.a.4 (distribution of age classes appropriate to local ecosystems).
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> Within 6 months (to be audited at the next annual audit) HLC shall: <ul style="list-style-type: none"> <li>a) Review, and revise as necessary its definitions for mature and late successional forests consistent with current ecological science;</li> <li>b) Revise as necessary landscape-scale objectives for mature forest habitat and other age classes in the district plans as appropriate to maintain and/or restore the long term ecological functions of mature forest habitat and maintain a distribution of age classes appropriate to local ecosystems,</li> <li>c) ensure that harvests are consistent with any revised definitions and objectives for</li> </ul>		

project lands; and

By the next annual audit, for all lands HLC shall, based on the revisions above:

- d) update the EFP and district management plans;
- e) develop appropriate monitoring criteria to be included in the plans, and
- f) provide annual monitoring data to demonstrate that harvest levels and configuration are consistent with these objectives.

The definitions, objectives, and plans shall be consistent with current ecological science and management recommendations appropriate to the land base and the species likely to be found there. Examples of science and management guidelines relevant to this CAR include but are not limited to *Biodiversity in the Forests of Maine, Guidelines for Land Management* (C. Elliott, ed. 1999); *Landowner's Guide to Wildlife Habitat* (Degraaf et. al. 2005), *Forest Management Guidelines to Protect Native Biodiversity in the Greater Fundy Ecosystem*. Second Edition (M.B. Betts and G.J. Forbes 2005), *Focus Species Forestry, A Guide to Integrating Timber and Biodiversity Management in Maine* (Bryan 2004), work by Prof. Dan Harrison and students at the University of Maine on American marten, work by Manomet Inc. on late-successional habitat, among others.

<b>Timeline for conformance:</b>	By the next annual audit
<b>Evidence to close CAR:</b>	IFM provided evidence that they have revised their definition for mature and late successional forest. Their definitions were revised to be consistent with definitions provided in <i>Focus Species Forestry, A Guide to Integrating Timber and Biodiversity Management in Maine</i> (Bryan 2004). Landscape level objectives have been revised and are consistent with current ecological science. These revisions are adequate to restore long-term (measured in decades rather than years) ecological functions of mature forest habitat and maintain a distribution of age classes appropriate to local ecosystems. Harvesting to date has been consistent with the revised definitions and stated objectives to “set up” the property for long-term, regulated and sustainable forest management on the remaining actively managed project land (T6). IFM has updated the EFP and district management plans to include the revised definitions for mature and late successional forests. An appropriate monitoring system has been developed which includes analysis of actual acreage and target acreage by age class. These tables are updated annually based on actual harvest and growth data. Annual monitoring data, in the form of age class distribution tables was provided to the auditor and is consistent with the defined long term objectives for the remaining actively managed project land (T6). This CAR is closed.
<b>CAR Status:</b>	Closed
<b>Follow-up Actions (if app.):</b>	

<b>CAR 04/07</b>	<b>Reference to Standard:</b> 5.6.a
<b>Nonconformance</b>	The model used to develop allowable harvest levels on Established

<b>Major</b>	<b>Minor X</b>	Lands has resulted in an AAC 30% higher than the average of 0.5 cd/ac/yr from the FIA data for Androscoggin, Cumberland, Casco, and York Counties. Formerly AAC was calculated as a percent of standing volume, which ranged from 2.63-6.97% of inventory for 2002-2004. Current AAC is estimated to be 3.5% of total inventory or 18% above the old AAC. Given these projected harvest rates relative to regional and HLC growth rates, there is some concern that assumptions that may have been used in the model, such as ingrowth and mortality, may not be appropriate to the land base.
<b>Corrective Action Request:</b> HLC must provide a summary of the components of net growth (gross growth minus ingrowth and mortality) and demonstrate that assumptions used in the AAC calculation (starting inventory, growth, ingrowth, mortality, site index etc.) reflect actual conditions on the land base (or for the multi-county region based on FIA data if property specific data are not available).		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		IFM provided the auditor with an executive summary from the staff biometrician at the James W. Sewall Company that performed the growth modeling and AAC calculations for the HLC Established lands based on inventory data and increment bores collecting during 2005 and 2006. The northeast variant of the Forest Vegetation Simulator (FVS) was used to project growth. FVS is the United States Forest Service nationally supported growth and yield modeling framework. Woodstock, a peer reviewed flexible forest modeling software package was used to develop the harvest schedule for the HLC Established lands. The Sewall executive summary provided adequate detail to explain the discrepancies between the modeled growth volumes for the HLC Established lands and the historic FIA growth rates published for the inventory units in which the HLC lands are located. This CAR is closed.
<b>CAR Status:</b>		CLOSED
<b>Follow-up Actions (if app.):</b>		

<b>CAR 05/07</b>		<b>Reference to Standard:</b> 5.6.c
<b>Nonconformance</b>		For Project Lands, AAC measured in total cord equivalents for 2005-2007 is 4,619 cords per year while total harvest has will average 19,114 cords per year over the same period. The FMO has not shown how this harvest level is intended to create an age-class balance commensurate with long-term sustainability as required by this indicator, when the balance will be achieved, or when harvest will not exceed AAC for a ten-year rolling average.
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> When harvest levels exceed or are projected to exceed the AAC for a 10 year rolling average, HLC shall demonstrate through a quantitative analysis: <ul style="list-style-type: none"> <li>a) why this harvest level is necessary to create an age-class balance commensurate with long-term sustainability and when the balance will be achieved, and</li> <li>b) when harvests will not exceed AAC for a ten-year rolling average.</li> </ul> <p>HLC may choose to use AAC for the entire land base as the benchmark for age-class balance</p>		

<p>and ten-year rolling average, but nonetheless must meet the requirements of CAR 03/07 and other habitat requirements in Principle 6 for each district. If the requirements of this CAR cannot be met for the overall land base by including a district, then that district with non-sustainable harvest levels must be removed from the certified land base until such time as the requirements of this CAR and Criterion 5.6.c can be met.</p>	
<p><b>Timeline for conformance:</b></p>	<p>By the next annual audit</p>
<p><b>Evidence to close CAR:</b></p>	<p>T6 is currently the only active project land within the scope of IFM's certificate. The Weld Project Land was sold in 2007 and the Upper Enchanted Project Land has had no harvesting activity since inclusion into the group certificate. As evidence to close condition a) of this CAR IFM provided a revised version of the Hancock Land Company Forest Management &amp; Operational Plan (FM&amp;OP) for the Bull Moose – Twsp6 Project Land (T6). Upon review of the revised plan the auditor concluded that IFM has not provided quantitative rationale for the accelerated harvest rates that have acceded AAC by four times growth rates on this property since acquisition in 2001. Vague references are made to stands that were partially harvested or high-graded by previous owners that need to be rehabilitated, but the plan lacks qualitative justification for the intensive regeneration harvesting that has been implemented on a significant portion of the property over the past 7 years. The FM&amp;OP does not contain a qualitative analysis of the age class distribution and resource quality at the time of acquisition that justifies the harvesting that occurred or the desired age class distribution detailed in the plan. Area level harvest prescription provide pre-harvest stocking levels but do not include relative stocking of AGS to UGS or reference silvicultural stocking guides for the forest types to justify the silvicultural treatment being implemented.</p> <p>Despite IFM's assertion regarding the silvicultural need for this harvest level and their assertion that the long-term sustainability and ecological biodiversity have not been compromised, as shown in a post-project inventory that included a list of total volumes of merchantable timber and habitat class monitoring results, IFM was not able to show via a quantitative analysis from the onset of the project as required by 5.6.c why this level of harvest was required to create an age class balance commensurate with long-term sustainability. The FM&amp;OP and its implementation is consistent with HLC's stated objective of achieving income neutrality in a relatively short time period (less than a decade), but is not consistent with Indicator 5.6.c, therefore this evidence does not satisfy condition a) of this CAR.</p> <p>As evidence to close condition b) of this CAR IFM provided a table that includes a 6 year time frame from 2007 to 2012 that illustrates that the rolling average of harvest levels in this time frame do not exceed AAC. This evidence is sufficient to close</p>

	<p>condition b) of this CAR.</p> <p>In response to Major CAR 01/08, IFM removed T6 Project Land from the scope of the group certificate prior to finalization of this report. Removal of this property negates IFM's obligation to comply with this CAR as the only other Project Land is Upper Enchanted. No harvesting has occurred or is planned to occur on the Upper Enchanted Project Lands so the conditions of this CAR are not applicable. As T6 has been removed from the certificate scope CAR 05/07 can be closed.</p>
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	Ensure that if and when active management is initiated on the Upper Enchanted Project Lands, the conditions of this CAR are complied with.

<b>CAR 06/07</b>		<b>Reference to Standard:</b> 6.4.a, 6.4.b, 6.4.e
<b>Nonconformance</b>		HLC has protected known rare natural communities but HLC has not assessed the adequacy of representative sample areas of common types, documented the assessment procedure, or included the process and rationale in the public summary rationale.
<b>Major</b>	<b>Minor X</b>	
<p><b>Corrective Action Request:</b> HLC shall:</p> <ul style="list-style-type: none"> <li>a) examine its own and adjacent lands to assess whether representative samples of common forest types are adequately designated and protected at the landscape level and designate representative areas as indicated by the outcome of this analysis,</li> <li>b) document the process and rationale used to determine the definition, size, and extent of the representative samples of both common and uncommon types and the management recommendations used to maintain their values, and</li> <li>c) identify these areas in the GIS, and</li> <li>d) describe the process and rationale used to determine the size and extent of representative samples in the public summary.</li> </ul>		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		IFM provided the auditor with a detailed assessment of potential representative samples of common forest types on lands owned or managed by federal or state agencies or a non-profit conservation entity or non-governmental organization (NGO) within a 50,000 acre landscape surrounding the various group properties. The assessment concludes that as timber production is not the primary objective of these managers, therefore, representative samples of common forest types will, by default, be protected on these lands. The auditor agrees with this rationale. The auditor was not provided with a map detailed locations of the identified representative sample areas. The Northeast US FM standard does not require that representative sample areas be mapped so compliance with condition c) is not required. The public summary provided to the auditor during the audit did not include a description of the process and rationale used to determine the size and extent of representative samples.

	IFM has demonstrated conformance with part a) and b) of the CAR by completing an analysis of adjacent lands to assess the adequacy of protection of representative samples within the landscape. Condition c) is not required by the standard so is being removed from the CAR language. IFM must demonstrate compliance with part d). This CAR has been upgraded to Major CAR 06/07.
<b>CAR Status:</b>	OPEN
<b>Follow-up Actions (if app.):</b>	CAR upgraded to Major CAR 06/07

<b>CAR 07/07</b>	<b>Reference to Standard:</b> 6.9.a
<b>Nonconformance</b>	Hancock does not use exotic trees but does use exotic herbaceous seed mixes for erosion control. The species used and location are not documented or monitored.
<b>Major</b>	<b>Minor X</b>
<b>Corrective Action Request:</b> HLC shall 1) ensure it does not use woody or herbaceous plants described as “invasive” on the MNAP invasive plant list at <a href="http://www.mainenaturalareas.org/docs/program_activities/invasive_plants_factsheets.php">http://www.mainenaturalareas.org/docs/program_activities/invasive_plants_factsheets.php</a> ), and 2) maintain records of the date, location, and species when non-native species are used; and 3) develop a monitoring protocol commensurate with the risk of the species used.	
<b>Timeline for conformance:</b>	By the next annual audit
<b>Evidence to close CAR:</b>	IFM has completed an analysis of the species included in the Conservation Mixed used to seed exposed soil associated with management activities on the group properties. None of the species included in this mix are described as “invasive” on the Maine Natural Areas Program invasive plant list. IFM has developed a procedure to document the date location and species used for seeding. No seeding has occurred since the re-assessment in 2007 so implementation of this procedure could not be evaluated. As the species are not considered “invasive” and are commonly used by industry and state organizations, they are considered low risk and therefore do not require further monitoring. This CAR is closed.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 08/07</b>	<b>Reference to Standard:</b> 6.9.b
<b>Nonconformance</b>	HLC does not have a monitoring or control plan for invasive plants.
<b>Major</b>	<b>Minor X</b>
<b>Corrective Action Request:</b> HLC shall establish an invasive species plan to include detection and monitoring of terrestrial invasive species listed by to the Maine Natural Areas Program ( <a href="http://www.mainenaturalareas.org/docs/program_activities/status_invasive_plants.php">http://www.mainenaturalareas.org/docs/program_activities/status_invasive_plants.php</a> ) evaluating the feasibility of their control, if present, and implementing control measures where feasible.	
<b>Timeline for conformance:</b>	By the next annual audit
<b>Evidence to close CAR:</b>	IFM has developed an invasive species plan that includes the following: 1. Document the presence or absence of the following

	<p>invasive species in the Pre-harvest inspection form, prior to commencement of harvesting:</p> <ul style="list-style-type: none"> <li>a. Japanese Honeysuckle (<i>Lonicera japonica</i>) <a href="http://www.umext.maine.edu/onlinepubs/htmlpubs/2528.htm">http://www.umext.maine.edu/onlinepubs/htmlpubs/2528.htm</a></li> <li>b. Morrow and Tartarian Honeysuckle (<i>Lonicera morrowii</i> and <i>Lonicera tartarica</i>) <a href="http://www.umext.maine.edu/onlinepubs/htmlpubs/2507.htm">http://www.umext.maine.edu/onlinepubs/htmlpubs/2507.htm</a></li> <li>c. Japanese Knotweed (<i>Fallopia japonica</i>) <a href="http://www.umext.maine.edu/onlinepubs/htmlpubs/2511.htm">http://www.umext.maine.edu/onlinepubs/htmlpubs/2511.htm</a></li> <li>d. Japanese Barberry (<i>Berberis thunbergii</i>) <a href="http://www.umext.maine.edu/onlinepubs/htmlpubs/2504.htm">http://www.umext.maine.edu/onlinepubs/htmlpubs/2504.htm</a></li> <li>e. Common Reed (<i>Phragmites australis</i>) <a href="http://www.umext.maine.edu/onlinepubs/htmlpubs/2532.htm">http://www.umext.maine.edu/onlinepubs/htmlpubs/2532.htm</a></li> <li>f. Common and Glossy Buckthorn (<i>Rhamnus cathartica</i> and <i>Frangula alnus</i>) <a href="http://www.umext.maine.edu/onlinepubs/htmlpubs/2505.htm">http://www.umext.maine.edu/onlinepubs/htmlpubs/2505.htm</a></li> <li>g. Asiatic Bittersweet (<i>Clastrus orbiculata</i>) <a href="http://www.umext.maine.edu/onlinepubs/htmlpubs/2506.htm">http://www.umext.maine.edu/onlinepubs/htmlpubs/2506.htm</a></li> <li>h. Multiflora or Rambler Rose (<i>Rosa multiflora</i>) <a href="http://www.umext.maine.edu/onlinepubs/htmlpubs/2509.htm">http://www.umext.maine.edu/onlinepubs/htmlpubs/2509.htm</a></li> <li>i. Purple Loosestrife (<i>Lythrum salicaria</i>) <a href="http://www.umext.maine.edu/onlinepubs/htmlpubs/2508.htm">http://www.umext.maine.edu/onlinepubs/htmlpubs/2508.htm</a></li> </ul> <p>2. If one of these species is encountered we will review the MNAP documents to determine viable control measures, and notify the landowner in order to determine a control plan.</p> <p>3. IFM staff attended an upland invasive species Identification and control workshop sponsored by the Maine Forest Service in August, 2007.</p> <p>An extensive occurrence of Asiatic bittersweet has been identified and documented on HLC property. IFM has consulted with a contractor and received a quote for eradication of this infestation. As the infestation affects two abutting land owners, for control measures to be effective, the abutters must participate in the eradication efforts. IFM is currently in discussions with HLC and the neighbors to discuss options. The invasive species plan developed by IFM is adequate to address this CAR. The CAR is closed.</p>
<b>CAR Status:</b>	CLOSED

<b>Follow-up Actions (if app.):</b>	
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<b>CAR 09/07</b>		<b>Reference to Standard: 6.10</b>
<b>Nonconformance</b>		HLC has sold some HBU land and other lands they consider incidental and non-strategic. They have done this without demonstrating how they are in conformance with 6.10 and related FSC policies (especially partial certification and excision).
<b>Major</b>	<b>Minor X</b>	
<p><b>Corrective Action Request:</b> HLC shall develop and implement a land classification system that is linked to HLC's goals and management plans. All land owned by HLC shall be classified with a clear justification as to why parcels are classified under each category. HLC shall identify these areas on maps of appropriate scale. If HLC sells land or excludes land from their FSC certification, they shall demonstrate how they are in conformance with 6.10, 1.6 and applicable FSC policies (primarily partial certification and excision) including:</p> <ul style="list-style-type: none"> <li>• clearly document and validate management practices on lands slated for sale to ensure these lands are managed consistent with HLC management plans and harvest levels;</li> <li>• ensure management of lands not included in the FSC certification are in conformance with FSC partial certification and excise policies;</li> <li>• clearly document how sales will enable clear, substantial, additional, secure, long-term conservation benefits across the forest management unit.</li> </ul>		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		<p>HLC is no longer the certificate holder so requirements of partial certification related to HLC's ownership is not applicable. The certificate was transferred to IFM during the winter of 2008 when IFM was established and contracted to manage HLC's land base. To date neither IFM nor HLC have or plans to request excision of land from the certified property. All lands owned by HLC are classified into the following categories:</p> <ol style="list-style-type: none"> <li>1. Established Lands – Strategic</li> <li>2. Project lands – Strategic</li> <li>3. Non strategic</li> </ol> <p>There are currently two HLC properties classified as non-strategic, the Byron property and the Upper Enchanted project land. The Upper Enchanted property was acquired as it was tied to larger land acquisition, no harvesting has occurred on this property to date. The Byron property was secured to gain legal access to the T6 Project lands; no harvesting has occurred to date on this property. The Upper Enchanted Project lands are included in IFM's group certificate, the Byron property is not. The Byron property is currently being marketed for sale with the T6 Project Lands. HLC has not classified any of its lands included in the IFM's group certificate as HBU lands. HLC was considering pursuing subdivision permits for two properties at the time of the re-assessment in 2007; the Poplar Ridge property and the Conesca property. HLC has since decided to not pursue these subdivisions. The Poplar Ridge Property was harvested during fall 2007 and spring 2008. These harvests were in compliance with the approved management plan. All properties included in</p>

	IFM's group certificate are identified on maps.  No conversion of forestland to plantation or other non-forest use has occurred on certified pool lands during the audit period. The conditions of this CAR have been met and this CAR can be closed.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	None

<b>CAR 10/07</b>		<b>Reference to Standard:</b> 7.1.a.1, 7.1.e.1, 8.1.a, 8.1.b
<b>Nonconformance</b>		Many of the policies, objectives, and monitoring indicators in the Ecological Forestry Plan are not consistent with current HLC management or monitoring practices.
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> HLC shall update its Ecological Forestry Plan to be consistent with current HLC practices and regional guidelines for ecological forestry (see CAR 03/07 for examples). The revisions to the EFP shall also include a monitoring plan sufficient to meet the requirements of the Criteria and Indicators of Principle 8, as well as identifying any differences in management and monitoring approaches that may be used on HLC lands vs. non-HLC lands.		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		<p>IFM provided the auditor with a revised EFP that is consistent with current IFM practices and regional guidelines for ecological forestry. The revised EFP (or district level plans) does not include a comprehensive monitoring plan that includes a rationale for the intensity of monitoring and meets the requirements of Criteria and Indicators of Principle 8. Additionally, the EFP does not specify if it applies to all IFM managed properties. However, IFM indicates that "The EFP applies to all IFM-managed group properties, unless specifically mentioned as applying to any one group member in particular (e.g. Treatments per Broad Strata section)." Since there are no differences in management approaches based on ownership, there is no requirement to include this information in the EFP.</p> <p>IFM has only demonstrated partial compliance with this CAR. To demonstrate full compliance IFM shall revise their EFP (or district level plans) to include a comprehensive monitoring plan that includes a rationale for intensity of monitoring and meets the requirements of Criteria and indicators of Principle 8. This CAR has been upgraded to Major CAR 10/07.</p>
<b>CAR Status:</b>		OPEN
<b>Follow-up Actions (if app.):</b>		CAR upgraded to Major CAR 10/07

<b>CAR 11/07</b>		<b>Reference to Standard:</b> 7.1.a.1, 7.1.b.4
<b>Nonconformance</b>		District plans are not consistent with current practices and objectives quantifiable long-term and short-term objectives are not always clear.
<b>Major</b>	<b>Minor X</b>	

- Corrective Action Request:** District management plans shall be revised to:
- a) be consistent the revised EFP, current and planned management and monitoring practices, and other CARs issued as a result of this audit;
  - b) include a summary of specific and measurable long-term (e.g., in the context of a 25-year or longer strategic plan) and short-term objectives (e.g., a within a 10-year tactical plan) and an approximate timeline for achieving those objectives;
  - c) incorporate property-specific landscape-level considerations within the ownership and among adjacent and nearby lands, including major water bodies, critical habitats, and riparian corridors;
  - d) where applicable, include linkages to overall Established land objectives and plans; and,
  - e) include a monitoring plan if necessary to address elements specific to the District that are not covered in the EFP.

Going forward, when the “living plan” approach is used HLC shall clearly identifying changes to the plans, including the dates of the changes and the rationale, and notify SmartWood prior to the annual audit in the year changes were made.

<b>Timeline for conformance:</b>	By the next annual audit
<b>Evidence to close CAR:</b>	The auditor reviewed district plans for the Rattlesnake District and T6 properties. IFM informed the auditor that the same revisions were made to all district plans. The revised plans are consistent with the revised EFP, current and planned management and monitoring practices. The revised plans include a summary of long-term (25 years) and short term (3 years) objectives and approximate timelines for achieving those objectives. The district plans incorporate property-specific landscape-level considerations within the property and among adjacent and nearby lands for the required features. Revised district plans include applicable linkages to EFP. Monitoring plans have not been included in the district level plans. This is addressed by Major CAR 10/07. This CAR is closed.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 12/07</b>		<b>Reference to Standard:</b> 7.1.a.1, 7.1.b.4, 7.1.e.1
<b>Nonconformance</b>		Plans for non-HLC lands generally do not include objectives for long-term desired conditions (e.g. type/size of products to be grown or desired changes in age/size class for individual stands or the overall property) or landscape level considerations. Several errors in the plans were noted (e.g., headings with the name property copied into the plan for another ownership).
<b>Major</b>	<b>Minor X</b>	
<p><b>Corrective Action Request:</b> Plans for non-HLC lands shall include specific and when appropriate, measurable objectives for long-term desired conditions of the forest (for example, type/size of products to be grown or desired changes in age/size class for individual stands or the overall property), incorporate landscape level considerations, and errors in the plans (e.g., headings with the name property copied into the plan for another ownership) shall be corrected. Because the objectives and intensity of management and monitoring on non-HLC lands may be different than that of HLC lands, if the EFP is references in the non-HLC plans,</p>		

any deviations in management or monitoring for non-HLC lands from the practices in the EFP shall be noted.	
<b>Timeline for conformance:</b>	By the next annual audit
<b>Evidence to close CAR:</b>	The auditor reviewed the revised Forest Management Plans for the following non-HLC lands; Van Sloan Property – Loon Echo Lake Trust and the Highland Cove Property – Dave and Carol Hancock Charitable Trust. Additionally, the auditor was provided with the details on revisions made to FMPs for the other non-HLC lands to comply with this CAR. The revised plans reviewed included specific objectives for the long-term desired conditions of the forest and landscape level consideration appropriate to the scale of these small properties. All errors in the plans related to formatting and typos have been corrected. All references to the revised IFM EFP are applicable and no deviations in the management and monitoring for non-HLC lands were noted. This CAR is closed.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 13/07</b>		<b>Reference to Standard:</b> 7.1.h.1
<b>Nonconformance</b>		In reviewing GIS data for T6, some unique areas and other data layers were in the system but due to staff changes no descriptive information was available to guide management planning and operations. GIS maps have not been regularly updated with post harvest conditions, so HLC has not been monitoring the size, configuration, and connectivity of habitat patches.
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> HLC shall review and consolidate its GIS so that all sensitive areas can be identified, incorporated into plans, and protected during operations. GIS maps shall be regularly updated with post harvest stand conditions (cover type, size, and density, etc.) so that current conditions such as total area, size, and connectivity of habitat patches can be assessed.		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		IFM has reviewed and consolidated its GIS so that all sensitive areas can be identified by turning on applicable GIS layers and incorporated into management plans. IFM has incorporated all State GIS layers from MHPC, MNAP and MDIFW into their GIS system. A summary of occurrences and features included in these layers has been incorporated into the respective district plans for group properties. All known occurrences of rare and unique species/communities identified by HLC but not part of the State of Maine layers have been included in a separate GIS data layer. Updates to the forest type layers are to be made during the spring of each year to include the previous calendar year harvest. The auditor confirmed that updates were made for 2007 and winter 2008 harvests. This CAR is closed.
<b>CAR Status:</b>		CLOSED
<b>Follow-up Actions (if app.):</b>		

<b>CAR 14/07</b>		<b>Reference to Standard: 7.1.i</b>
<b>Nonconformance</b>		Harvesting equipment and techniques are not included in the EFP or in the property-specific plans.
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> The revised EFP, individual unit plans, or harvest plans shall include a description and justification of harvesting techniques and equipment to be used.		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		IFM has developed and implemented a procedure to include a description and justification of harvesting techniques and equipment to be used in harvest plans for harvest on all group properties. The harvest plans reviewed for harvest sites inspected during this audit included these justifications and descriptions. This CAR is closed.
<b>CAR Status:</b>		CLOSED
<b>Follow-up Actions (if app.):</b>		

<b>CAR 15/07</b>		<b>Reference to Standard: 8.2.d.1</b>
<b>Nonconformance</b>		HLC does not have a system to ensure that sites have fully stabilized post harvest (e.g. a year or more after the completion of a harvest).
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> HLC shall develop and implement a post-harvest (e.g., one year or later post-closeout) monitoring protocol to evaluate the condition and effectiveness of BMPs and other conditions, such as sensitive areas within or immediately adjacent to the harvest area, and the effectiveness of the management in achieving objectives.		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		IFM has developed a post harvest monitoring protocol which includes the ranking of operations with regards to risk to water quality and soil stability. The procedure specifies that site visits will be scheduled, according to that risk, between the first and second spring following the close of the operation in order to identify any site stability issues that may have developed since closeout that may adversely impact soil stability and water quality. This CAR is closed.
<b>CAR Status:</b>		CLOSED
<b>Follow-up Actions (if app.):</b>		Compliance with implementation of this procedure could not be evaluated as the audit occurred in June during the first spring after policy was developed. During the 2009 annual audit the auditor will need to evaluate if this procedure is being implemented.

<b>CAR 16/07</b>		<b>Reference to Standard: 8.5.a.</b>
<b>Nonconformance</b>		HLC does not have an up-to-date public summary of monitoring information.
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> HLC shall develop a system to maintain an updated summary of monitoring data and make it publicly available upon request.		
<b>Timeline for conformance:</b>		By the next annual audit
<b>Evidence to close CAR:</b>		IFM has prepared a summary of monitoring data specified in

	district plans that is available to the public upon request. This CAR is closed.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 17/07</b>	<b>Reference to Standard:</b> COC 9
<b>Nonconformance</b>	HLC business cards have the discontinued SmartWood Logo.
<b>Major</b>	<b>Minor X</b>
<b>Corrective Action Request:</b> HLC shall submit a new card template to SmartWood with the Rainforest Alliance or no logo (i.e., FSC only) for approval. HLC may continue to use its existing supply of business cards.	
<b>Timeline for conformance:</b>	By the next annual audit
<b>Evidence to close CAR:</b>	HLC submitted a revised business card proof to SW for review and approval on August 3, 2007. IFM provided the auditor with records of this correspondence. SW approved the revised proof on August 7, 2007. The business cards were not printed and IFM does not currently utilize FSC or RA trademarks for any purpose. This CAR is closed.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 18/07</b>	<b>Reference to Standard:</b> GC 6, GC 7
<b>Nonconformance</b>	The group member consent form does not include acknowledgement of SmartWood and FSC's right to access the forest for forest evaluation and monitoring. Landowners have not been given information on how to access the applicable FSC standard.
<b>Major</b>	<b>Minor X</b>
<b>Corrective Action Request:</b> HLC shall revise its group member consent form shall include acknowledgement of SmartWood and FSC's right to access the forest for forest evaluation and monitoring and landowners shall be given information on where to get information on the complete FSC US Northeast Standard.	
<b>Timeline for conformance:</b>	By the next annual audit
<b>Evidence to close CAR:</b>	IFM revised their group member consent forms to include: an acknowledgement by group members that SW and FSC has the right to access the forest for forest evaluation and monitoring and a link to the FSC US Northeast FM standard. IFM provided the auditor with signed copies of the revised group member consent forms. This CAR is closed.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 19/07</b>	<b>Reference to Standard:</b> GC 8
<b>Nonconformance</b>	HLC's passive approach to monitoring could result in a situation where HLC is not aware of management that is not in conformance with the FSC standard if the landowner does not notify HLC.
<b>Major</b>	<b>Minor X</b>
<b>Corrective Action Request:</b> HLC shall develop a monitoring system to ensure that management activities on group member lands are consistent with the management plan and	

certification standards and that all properties are regularly visited to ensure adequate monitoring.	
<b>Timeline for conformance:</b>	By the next annual audit
<b>Evidence to close CAR:</b>	IFM has developed and begun to implement a monitoring system to ensure that management activities on group member lands are consistent with management plans and certification standards. This monitoring system is as follows: LELT group member lands will be visited once every 18 months. DLC group member lands will be visited once every 18 months. The Dave and Carol Hancock Charitable Trust group member lands will be visited once every 18 months. The HLC group member lands will be assessed as to areas of high public use and issues (e.g. gate damage, illegal dumping, etc.) and visited once every 18 months. The balance of HLC lands will be visited on a schedule of 20% per 18 months. All of the group member lands will be visited as stated, unless already visited as a result of forest management activities. Monitoring will include documenting and assessing the major access points for access road degradation, and trail (ATV/snowmobile) condition, paying particular attention to sensitive sites and stream crossings that those access features cross. While on site, any wind, insect, or disease occurrences causing forest damage will also be documented. Results of monitoring inspections are to be recorded on harvest inspection forms. The monitoring reports for the inspections conducted on the Dave and Carol Hancock Charitable Trust and Van Sloan properties were reviewed by the auditor. This CAR is closed.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

**2.5. New corrective actions issued as a result of this audit**

<b>CAR 06/07</b>		<b>Reference to Standard:</b> 6.4.a, 6.4.b, 6.4.e
<b>Nonconformance</b>		HLC has protected known rare natural communities but HLC has not assessed the adequacy of representative sample areas of common types, documented the assessment procedure, or included the process and rationale in the public summary rationale.
<b>Major X</b>	<b>Minor</b>	
<b>Corrective Action Request:</b> HLC shall: <del>a) examine its own and adjacent lands to assess whether representative samples of common forest types are adequately designated and protected at the landscape level and designate representative areas as indicated by the outcome of this analysis;</del> <del>b) document the process and rationale used to determine the definition, size, and extent of the representative samples of both common and uncommon types and the management recommendations used to maintain their values, and</del> <del>c) identify these areas in the GIS, and</del> d) describe the process and rationale used to determine the size and extent of representative samples in the public summary.		
<b>Timeline for conformance:</b>		Within 3 months of the finalization date of this report. February

	26, 2008.
<b>Evidence to close CAR:</b>	Pending
<b>CAR Status:</b>	OPEN
<b>Follow-up Actions (if app.):</b>	IFM has demonstrated conformance with part a) and b) of the CAR by completing an analysis of adjacent lands to assess the adequacy of protection of representative sample areas within the landscape. Condition c) is not required by the standard so is being removed from the CAR language. IFM must demonstrate compliance with part d).

<b>CAR 10/07</b>	<b>Reference to Standard:</b> 7.1.a.1, 7.1.e.1, 8.1.a, 8.1.b	
<b>Nonconformance</b>	Many of the policies, objectives, and monitoring indicators in the Ecological Forestry Plan are not consistent with current HLC management or monitoring practices.	
<b>Major X</b>	<b>Minor</b>	
<b>Corrective Action Request:</b> HLC shall update its Ecological Forestry Plan to be consistent with current HLC practices and regional guidelines for ecological forestry (see CAR 03/07 for examples). The revisions to the EFP shall also include a monitoring plan sufficient to meet the requirements of the Criteria and Indicators of Principle 8, as well as identifying any differences in management and monitoring approaches that may be used on HLC lands vs. non-HLC lands.		
<b>Timeline for conformance:</b>	Within 3 months of the finalization date of this report. February 26, 2008.	
<b>Evidence to close CAR:</b>		
<b>CAR Status:</b>	OPEN	
<b>Follow-up Actions (if app.):</b>	During 2008 audit IFM demonstrated partial compliance with this CAR. To demonstrate full compliance during CAR Verification Audit the IFM shall revise their EFP (or district level plans) to include a comprehensive monitoring plan that includes a rationale for intensity of monitoring and meets the requirements of Criteria and indicators of Principle 8.	

<b>CAR 01/08</b>	<b>Reference to Standard:</b> 5.6.a&c	
<b>Non-conformance</b>	IFM has not provided sufficient justification to demonstrate that unsustainable harvest levels implemented on T6 Project Lands were required to achieve future desired conditions and age class distribution while meeting the requirements of Principle 6.	
<b>Major X</b>	<b>Minor</b>	
<b>Corrective Action Request:</b> IFM shall remove HLC's Bull Moose T6 – Project Land from their certified pool and notify Fountains Real Estate to remove reference to FSC certification in the Bull Moose Forest sale prospectus.		
<b>Timeline for conformance:</b>	With in one week – July 11, 2008	
<b>Evidence to close CAR:</b>	IFM notified SW of the removal of T6 Project Land from the certified pool and forwarded email correspondence that served as written notification to Fountains Real Estate to remove reference to FSC certification from the sales prospectus. This CAR is closed.	
<b>CAR Status:</b>	CLOSED	
<b>Follow-up Actions (if app.):</b>	None	

<b>CAR 02/08</b>		<b>Reference to Standard: 6.5.d</b>
<b>Non-conformance</b>		The IFM EFP and group member district plans detail that all management activities will comply with State of Maine BMPs (2004). However, field inspections of the T6 group property revealed that timely implementation of BMPs are not occurring on skid trails, landings and haul roads.
<b>Major</b>	<b>Minor X</b>	
<b>Corrective Action Request:</b> IFM shall develop and implement a procedure to ensure timely implementation of BMP's on all sites disturbed during management activities, including but not limited to, skid trails, lands and haul roads.		
<b>Timeline for conformance:</b>		Prior to next annual audit
<b>Evidence to close CAR:</b>		Pending
<b>CAR Status:</b>		OPEN
<b>Follow-up Actions (if app.):</b>		

## 2.6. Audit observations

**Observations** are very minor problems or the early stages of a problem which does not of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a CAR in the future (or a pre-condition or condition during a 5 year re-assessment).

No observations were issued

## 3. AUDIT PROCESS

### 3.1. Auditors and qualifications:

***Gabe Bolton, SmartWood Certification Systems Coordinator, Forester.***

Gabe has a Bachelors of Science in Forestry from the University of Vermont. He has twelve years of experience working as a forester in the Northeastern US and eight years of experience related to forest certification. He worked for four years as an inventory forester and 6 years as an operations forester for a private forest management company and has been with SmartWood since 2006. Gabe is a licensed professional forester in Maine and New Hampshire and has participated in 17 CoC and 11 FM audits and assessments in addition to completing SmartWood CoC Lead Assessor Training.

### 3.2. Audit schedule

<b>Date</b>	<b>Location /Main sites</b>	<b>Principal Activities</b>
6/11/08	IFM Office in Turner, ME.	Opening meeting, staff interviews, document review and evaluation of open CARs.
6/11/08	Field	Field inspection of group member properties.
6/12/08	Field	Field inspection of HLC T6 project land.
6/12/08	Restaurant, Rumford, ME	Closing meeting.
6/25-30/08		Documentation review and report writing.

Total number of person days used for the audit:4 = number of auditors participating 1 times total number of days spent for the audit 4
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### 3.3. Sampling methodology:

The audit focused on continued conformance with the FSC standards as well as progress in meeting the 19 outstanding CARs. The audit began in the morning of June 11, 2008 at the offices of Integrated Forest Management in Turner, Maine. During the meeting, management activities and changes since last audit were discussed as well as progress toward meeting the outstanding CARs. Appropriate documentation was reviewed and additional documentation was requested. Sites were visited throughout the afternoon and the following morning with the goal of seeing current management activities on a number of group member properties. Documentation pertaining to these activities was reviewed prior to, and after the site visits. The evidence to address the 19 open CARs was discussed during the opening meeting and for several CARs was found to be adequate to address the identified non-conformance. Remaining evaluation of remaining CARs required substantial document review and was complete after the onsite visit was concluded.

FSC group sampling requirements specify that a minimum of two FMUs needed to be visited for this annual audit. Three FMUs were visited to evaluate ongoing compliance with FSC Principles and Criteria and to evaluate progress toward complying with open CARs.

### 3.4. Stakeholder consultation process

No external stakeholders were consulted during this audit.

### 3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	Revised Final Forest Stewardship Standard for the Northeast Region, Version V9.0 2/10/06
Revisions to the standard since the last audit:	<input checked="" type="checkbox"/> No changes to standard. <input type="checkbox"/> Standard was changed (detail changes below)
Changes in standard:	
Implications for FME:	Not applicable - no new requirements