Audit Summary

Introduction
This report summarizes the results of the third surveillance audit conducted on Resource Management Service, LLC’s SFI program for forest management operations. Mr. Richard Boitnott, Bureau Veritas Certification Lead Auditor conducted the document review and field audits in the Gulf Coast region. Mr. Gary Boyd served as an audit team member and conducted a field audit of the Mississippi region. Mr. Boitnott is a certified forester, a Texas accredited forester, and has wildlife management expertise. He worked for forest industry for 22 years in a variety of forestry and wildlife management positions. Mr. Boyd is a certified forester, and EMS lead auditor, and has worked in a variety of positions with forest industry for a number of years.

Audit Scope, Objectives and Process
The scope of the audit is “Management of Forest Lands”. The audit was conducted against the SFI 2015-2019 Standard Forest Management Edition. Objectives 1-12, 14 and 15 were covered during the audit. There was no substitution or modification of indicators. Specifically, two objectives of the SFI audit were to verify that the Program Participant’s SFI Program is in conformance with the SFI Objectives, Performance Measures, and Indicators, and any additional indicators that the Program Participant chooses, and verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground. Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the most recent version of the Bureau Veritas Certification SFI Auditor Handbook available on the auditor access website.

Audit Plan
A review of system documentation was conducted the afternoon of April 30, 2018 at the Gulf Coast region office by Mr. Boitnott. A field audit of the Gulf Coast region was conducted May 1 through noon May 3, also by Mr. Boitnott. Mr. Boyd conducted a field audit of the Mississippi region May 1 through the 3rd. A closing meeting was held at the close of business on the 3rd. The audit process included time for pre-audit planning and post-audit report preparation. An audit plan was developed and is maintained on file by Bureau Veritas Certification.

Company Information
RMS manages land for institutional investors throughout the southeastern United States. This audit
covered the Mississippi and Gulf Coast regions. The Gulf Coast region is located primarily in the East Gulf Coastal Plain ecoregion in southwest Alabama and the panhandle of Florida, with topography varying from flat to rolling. The Mississippi region is located in the Upper Gulf Coastal Plain, consisting primarily of rolling to moderately steep topography. Its properties in these regions consist generally of loblolly pine plantations, with mixed pine-hardwood streamside management zones. There is a considerable amount of longleaf pine in the Gulf Coast region, along with a small amount of slash pine. The percentage of longleaf pine is increasing each year in this region. Stands in both regions are regenerated after clearcutting by chemical site prep followed by planting.

**Multi-Site Requirements**

The company maintains a multi-site certification consisting now of seven regions, two of which contains two offices. Headquarters of the management system is in Birmingham Alabama. The company qualifies for multi-site sampling since the management system is controlled and directed by the central office. There is one set of procedures that applies to the entire system, and the SFI manager is the sole person responsible for maintaining the procedures. Individual sites are responsible for conforming to the company’s SFI program, and for providing corrective actions to the SFI manager when necessary. The company has a rigorous internal audit process that the lead auditor considers to be reliable.

Sites covered during the audit were selected based on a randomized schedule developed by Bureau Veritas Certification at the time of renewal.

<table>
<thead>
<tr>
<th>Multi-Site Group Certification</th>
<th>Sites Audited During this Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham, Alabama</td>
<td>X</td>
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<tr>
<td>North Carolina</td>
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<tr>
<td>South Carolina</td>
<td></td>
</tr>
<tr>
<td>Alabama region-Prattville office</td>
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<td>Alabama region-Greenville office</td>
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<td>Mississippi-Jena Louisiana office</td>
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<td>Mississippi-Flowood office</td>
<td>X</td>
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<tr>
<td>Texas</td>
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</tr>
<tr>
<td>Arkansas</td>
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</tbody>
</table>

**Audit Results**

The document review was conducted to determine if RMS continues to operate a management system that meets the requirements of the SFI 2015-2019 Forest Management Standard. The field audit consisted of reviews of eight harvest sites (six clearcuts and two thinnings), six site preparation/regeneration tracts, one mid-rotation release site, one prescribed burn, and four culvert installation/road maintenance projects in the Gulf Coast region, eight harvest sites (six clearcuts and two thinnings), two site preparation/regeneration tracts, two herbaceous weed control tracts, and one bridge replacement project in the Mississippi region.

Objective 1 - Forest Management Planning: RMS continues to operate a forest management planning system that meets the requirements of SFI Objective 1. The company continues to manage a very robust inventory system. Inventory is ongoing, with plantation stands cruised at specific intervals. Non-planted stands are cruised periodically at a strata level. Soils are mapped in the GIS, and stands are classified using land type and physiographic region codes. A proprietary growth and yield model...
is in place that is still in the process of being updated. A long-term management plan is developed to provide sustainable harvest levels. Non-timber issues include identification of stands containing T&E species or other unique conservation values. Biodiversity at landscape scales is accomplished through the company’s forest cover type assessment program. RMS joined Climate Smart Land Network to be aware of the potential impacts of climate change on forest productivity. The long-term management plan has been updated a number of times since the property was acquired. Actual harvest levels are consistent with the long-term plan. A review of harvest levels versus growth indicates the long-term plan is sustainable. Long-term plan is projected to harvest approx. 99% of pine growth.

RMS has a program in place to consider the ecological consequences of species conversions. RMS is prepared to notify its receiving mills if any timber is harvested from a tract that the company knows is being converted to non-forest use.

Objective 2-Forest Health and Productivity: Artificial regeneration is generally completed within two growing seasons following harvest. 3,078 acres were regenerated past 2 growing seasons out of more than 82,000 acres (3.74%) planted in the 2017-2018 planting season. Documented justification is provided for each stand going beyond 2 years. Most delays were due to weather events, mostly due to wet ground conditions delaying mechanical site preparation.

Soil productivity was very well protected in both regions. Very little soil compaction or erosion was observed during the audit.

Chemical applications have historically been very well done, and this audit demonstrated similar results. The company has a rigorous herbicide application procedure. Rates were well below label maximums, and the rates and types of chemicals used were typical for the types of competing vegetation in the region. There was only minor drift observed on any chemical application tract. The company conducts soil analysis on each of its recently regenerated sites to determine if fertilizer is actually required. It has allowed the company to eliminate some sites from fertilizer application due to data received from soil sampling. The company then band-applies fertilizer, once again reducing the amount of chemical needed. RMS was commended for a practice the lead auditor has not observed before.

The company does not use any WHO type 1A or 1B pesticides, nor any banned by the Stockholm Convention.

Objective 3-Protection and Maintenance of Water Resources: BMP compliance was evident on all harvest sites reviewed during the audit in both regions. Streamside management zones were very well established, and erosion control measures were in place on roads and skid trails. RMS makes a conscious effort to minimize stream crossings. The few that were seen during the audit were well done, with all material removed and approaches stabilized.

Objective 4-Conservation of Biological Diversity: RMS has identified potential T&E species and FECVs that could occur on its land, using information from state natural heritage programs and its own knowledge. The company updated its natural heritage database two years ago for all states in which it operates. There were no significant changes in occurrences. The company has a landscape habitat assessment program that maps age class, forest type, and unique features. The landscape maps are used to plan future harvests. RMS also conducted a landscape-level analysis of the change in forest cover types from 2012 through 2017 for each region. A review of the comparisons indicates there have not been significant changes in habitat conditions over the time period, providing evidence that RMS is managing its forests to provide a diversity of habitats over time.
The company continues to make an effort to retain stand-level wildlife habitat elements on clearcut sites, providing both dispersed and clumped retention on sites where it is available to retain. RMS could do a better job of not spraying all retention trees in order to have something to leave for the future.

Ecologically special sites have been identified on RMS properties, with management plans developed for the most significant, termed “Tier 1”.

Objective 5-Management of Visual Quality and Recreational Benefits: The company’s reported average opening size for 2017 was 118 acres. RMS uses a very conservative, although quite credible method for calculating average opening size, resulting in somewhat higher averages than may be realistic. It also factors in timber deeds over which it has no control over the timing or size of harvests. The land is retained by RMS after the timber harvest, so for credibility purposes it counts these clearcuts in its calculation. This also inflates the average clearcut size. Harvest sites reviewed during the audit demonstrated an appropriate level of aesthetic considerations. Most sites are located in rural areas well aware from the view of the general public, although there was an effort to retain a buffer on two sites along well-traveled road in the Florida region. Compliance with the company’s green-up program was evident on all clearcuts observed during the audit.

Objective 6-Protection of Special Sites: Special sites have been identified on RMS properties. Most Tier 1 sites are ecologically unique, but the company has a number of Tier 2 sites that have historic, cultural, or geologically unique features.

Objective 7-Efficient Use of Fiber Resources: Utilization was acceptable on all harvest units observed during the audit.

Objective 8: Recognize and Respect Indigenous People’s Rights: RMS has a policy statement to recognize and respect the rights of indigenous peoples. The company has developed a policy to communicate with local indigenous peoples and consider their relevant knowledge. Where sites of cultural significance to indigenous peoples are known to occur, RMS maps those sites and includes them in its special sites program.

Objective 9-Legal and Regulatory Compliance: RMS employees have access to applicable laws and regulations. The company has procedures in place to ensure regulatory compliance. Employees have a code of conduct they must sign that pledges compliance with regulatory requirements. Procedures are in place to implement BMPs and protect T&E species. Contractors and employees are trained, and language in contracts requires compliance. Pre-activity planning processes and inspections are also designed to ensure compliance. No adverse regulatory action has been taken against RMS.

Objective 10-Forestry Research, Science and Technology: RMS produced ample evidence of contribution towards and participation in a variety of forestry-related research activities. The company is a member of NCASI, which coordinates research efforts in a wide variety of forestry-related research. The company’s participation in SICs includes the development of biodiversity conservation information for family forest landowners. The company also has access to BMP assessments conducted by the states. RMS demonstrated it has access to information on the potential impacts of climate change on forest productivity and wildlife habitat.

Objective 11-Training and Education: Each region has a training program for its employees. Records provided evidence training has occurred in accordance with its own procedures. Contractors are required to complete SIC-approved training programs. Logging contracts have a requirement that all logging crews must have at least one person on the crew who is a qualified logger according to requirements of the SIC. All loggers operating on timber sales reviewed during the audit were
Objective 12 - Community Involvement and Landowner Outreach: RMS is a member of the SICs in the states in which it operates. Its participation includes the development and distribution of biodiversity conservation information for landowners. RMS is a member of The Partnership for Southern Forest Conservation, which promotes the conservation of working forest lands throughout the southern U.S.

RMS demonstrated involvement in a number of public educational opportunities. Its involvement in SICs includes support for inconsistent practices procedures. The company has a procedure for receiving and responding to public inquiries. No reports of inconsistent practice or complaints have been received by the company.

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

Objective 14 - Communications and Public Reporting: The company had posted its 2017 surveillance audit report on the SFI, Inc. website as required for public review. The 2017 SFI annual progress report was submitted in a timely manner.

Objective 15 - Management Review: RMS has a management review process in place. The company continues to operate a robust internal audit program. Field audits in a particular region are lead by the SFI manager or his designated representative, accompanied by a team of representatives from other regions. The result is a very thorough review of each region’s performance relative to the SFI Standard and the company’s own requirements. The results of these audits are reviewed during the management review process. Management review minutes verified the meeting is held annually as required by the SFI Standard.

Findings

Previous non-conformances:
No non-conformances were issued during the previous audit

Non-conformances:
No non-conformances were issued during this audit.

Opportunities for Improvement:
No opportunities for improvement were during this audit.

Notable Practices:
Two notable practices were identified:

PM 2.2, Ind. 1: RMS is using a soil sampling system for fertilization to reduce the amount of chemical used. The company conducts soil analysis on each of its recently regenerated sites to determine if fertilizer is actually required. It has allowed the company to eliminate some sites from fertilizer application due to data received from soil sampling. RMS then band-applies fertilizer in either pellet or liquid form, once again reducing the amount of chemical needed.

PM 4.1, Ind. 4: RMS is in the process of developing conservation easements to restore the native longleaf pine ecosystem on approximately 200,000 acres in the Florida panhandle and south Alabama. The proposed easement, termed the “Coastal Headwaters Longleaf Forest” allows for a continued private working forest, but provides for the reestablishment of longleaf pine. The
easement is not just to plant longleaf, but to manage RMS land to restore the longleaf ecosystem, including the use of prescribed fire and lengthening of rotations. This project will benefit a number of significant species, including the gopher tortoise, reticulated flatwood salamander, eastern diamondback rattlesnake, indigo snake, and a number of other species associated with the longleaf pine ecosystem. The project is also intended to create markets for longleaf products, integrating economic and ecological viability.

**Logo/label use:**
RMS uses the SFI logo with approval from SFI, Inc. The company does not use the Bureau Veritas Certification logo.

**SFI reporting:**
The 2017 surveillance audit report for RMS was found on the SFI website as required for public review.

**Review of Previous Audit Cycle**
N/A

**Conclusions**
Results of the audit indicate RMS continues to operate an SFI program that meets the requirements of the SFI 2015-2019 Forest Management Standard. The company is recommended for continued certification to SFI 2015-2019 Standard Forest Management Edition.

**SEE SF61s FOR AUDIT NOTES**
### Summary of Audit Findings:

<table>
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<tr>
<th>Audit Date(s):</th>
<th>From: April 30, 2018 (HQ and FL)</th>
<th>To: May 3, 2018 (HQ and FL)</th>
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<tr>
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<td>May 1, 2018 (MS)</td>
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<td>Is a follow up visit required:</td>
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<td>Date(s) of follow up visit:</td>
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**Follow-up visit remarks:**

### Team Leader Recommendation:

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<th>Corrective Action Plan(s) Accepted</th>
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<th>No</th>
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<td>All NCR’s Closed</td>
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<td>No</td>
<td>N/A</td>
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**Standard audit conducted against:**

1) SFI 2015-2019 FM Standard
2)
3)
4)

**Team Leader (1):**

| Richard Boitnott; CF, TX AF |

**Team Members (2,3,4…):**

2) Gary Boyd; CF, EMS (LA)
3)
4)
5)

**Scope of Supply:** (scope statement must be verified and appear in the space below)

Management of forest lands

<table>
<thead>
<tr>
<th>Accreditation's</th>
<th>ANAB</th>
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| Number of Certificates | 1 |

**Proposed Date for Next Audit Event**

| Date | April 29-May 3, 2018 |

**Audit Report Distribution**

Bureau Veritas Certification: Liliana Ramirez-liliana.ramirez@us.bureauveritas.com
RMS: Jimmy Bullock-jbullock@resourcemgt.com
<table>
<thead>
<tr>
<th>Clause</th>
<th>Audit Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Meeting</td>
<td>Participants: Jimmy Bullock, Matt Ezekiel, Robby Toombs, Bob Naeger, Charlie Cornish, Rodney Howell, Victoria Lockhart, Tucker Allen, Eric O’Conner&lt;br&gt;Discussions: Introductions&lt;br&gt;Scope of the audit&lt;br&gt;Audit schedule/plan&lt;br&gt;Nonconformance types – Major / Minor&lt;br&gt;Review of previous nonconformances - 0.&lt;br&gt;Process approach to auditing and audit sampling&lt;br&gt;Confidentiality agreement&lt;br&gt;Termination of the audit&lt;br&gt;Appeals process&lt;br&gt;Closing meeting timing</td>
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<tr>
<td>Closing Meeting</td>
<td>Participants: Jimmy Bullock, Matt Ezekiel, Robby Toombs, Bob Naeger, Victoria Lockhart, Shane Reeves, Trent Williamson, Mark Bond, Brian Douty, Charlie Cornish, Craig Blair&lt;br&gt;Discussions: Introductions and appreciation for selecting Bureau Veritas Certification.&lt;br&gt;Review of audit process - process approach and sampling.&lt;br&gt;Review of OFIs and System Strengths&lt;br&gt;Nonconformances - 0&lt;br&gt;Date for next audit.&lt;br&gt;Reporting protocol and timing</td>
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