SILV-ECON Ltd. -- Resource Management Consultants
in
Newmarket, Ontario

Certificate code: SW-FM/CoC- 001769
Auditors: Rob Keen, Carla Embleton
Audit Dates: September 4, 15, 2008
Report Finalized: December 10, 2008
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1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Silv-Econ Ltd, 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

<table>
<thead>
<tr>
<th>Certification requirements</th>
<th>N/a</th>
</tr>
</thead>
<tbody>
<tr>
<td>met, certificate maintenance recommended</td>
<td></td>
</tr>
<tr>
<td>Upon acceptance of CAR(s) issued below</td>
<td></td>
</tr>
</tbody>
</table>

2.2. Changes in the forest management of the FME

The company president informed the auditor that the status of the certified pool has increased to a total of six properties. Managers noted that generally property owner’s main interest in seeking certification is recognition of good stewardship.

The managers are positive about the future of their FSC program, and expect to be identified as leaders because they are the first in the Toronto area to be certified. The cost structure at the moment means that people must pay for the extra FSC costs.

SILV-ECON staff is still the same. No change since assessment.
The company filing system is all electronic. Hard copies required by some townships, so they have a file of operating records for those particular properties.

The company has a well-developed procedures manual that is simple and understandable.

2.3. Stakeholder issues

The original assessment had extremely good reviews from owners. There were no stakeholder issues. We did not investigate any in this audit. We note the respect of the manager’s peers, and the role-played in bringing together other FSC Resource Managers to seek efficiencies.

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:

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

There are no open CARs.

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

No new corrective action is requested as a result of this annual audit.

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).
3. AUDIT PROCESS

3.1. Auditors and qualifications:

Rob Keen, Team Leader, B.Sc.F, RPF. is a forester with 26 years experience in forestry in Ontario. He has participated in five audits for SmartWood as well as Independent Forest Audits in Ontario using the provincial protocol. Keen has spent most of his career providing forest management services to landowners predominately in the Great Lakes St. Lawrence Forest Region. He has also participated in the development of five Crown forest management plans and served on the technical advisory committee that developed the FSC Standards for “Well Managed Forests in the Central and Southern Great Lakes St-Lawrence Forests of Ontario”, March 2001. He also has training in ISO14000 Environmental Management System auditing procedures.

Carla Embleton, B.Sc.F has 7 years of experience with the Ontario Forestry Association (OFA), a non-government, private landowner organization responsible for the delivery of the Managed Forest Tax Incentive Program and numerous forest awareness programs. She serves as Executive Director and represents the OFA on the Ontario Biodiversity Council as well as a number of boards and advisory committees. Carla has previous experience as a research associate with the Canadian Forest Service in socio-economic analysis of forest dependent communities in eastern Canada. She has participated on two FSC audits.

3.2. Audit schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Location /Main sites</th>
<th>Principal Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 4, 2008</td>
<td>Solomon property</td>
<td>Post harvest assessment</td>
</tr>
<tr>
<td>Sept 4, 2008</td>
<td>Ontindo Woodlands</td>
<td>Post harvest assessment</td>
</tr>
<tr>
<td>Sept 15, 2008</td>
<td>Sprachman Woodlands</td>
<td>Recent addition to FME FSC pool</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 4  
= number of auditors participating 2 times total number of days spent for the audit 2
3.3. **Sampling methodology:**

There were a number of significant harvesting activities this year on Silv-Econ’s FSC properties. The focus of this year’s audit was to visit some of these properties. A total of 3 sites were inspected accounting for approximately 50% of Silv-Econs FSC pool.

3.4. **Stakeholder consultation process**

<table>
<thead>
<tr>
<th>Stakeholder type (i.e. NGO, government, local inhabitant etc.)</th>
<th>Stakeholders notified (#)</th>
<th>Stakeholders consulted or providing input (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government (Municipality)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Local</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

3.5. **Changes to Certification Standards**

<table>
<thead>
<tr>
<th>Forest stewardship standard used in audit:</th>
<th>Draft Great Lakes St. Lawrence Standard.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revisions to the standard since the last audit:</td>
<td>☒ No changes to standard. □ Standard was changed (detail changes below)</td>
</tr>
<tr>
<td>Changes in standard:</td>
<td>n/a</td>
</tr>
<tr>
<td>Implications for FME:</td>
<td>Conformance to new requirements verified</td>
</tr>
</tbody>
</table>