

SFI Chain of Custody Procedures-Percentage-Based Method for Starfire Lumber Co. (Starfire)

Identification of Raw Material Origin:

All softwood sawlogs, except log deck purchases, are identified by registered brand numbers. The brand number is associated with the log/timber purchase contract which will include a certification form identifying whether or not the supplier is certified. The brand number is how we will identify certified raw materials. For log decks, many use mixed brands, so we have the scaling bureau group each log scaled by deck. They may use paint, or their own tickets, but each log is associated with its own deck and the bureau summarizes that information on its scale tickets and certificates. Those decks are, of course, associated to a contract, which again will include the same certification form identifying the supplier as certified or not.

In addition to general discussions with log and timber suppliers regarding SFI Chain of Custody requirements when procuring logs and/or timber for our operations, Starfire will include an SFI Chain of Custody form with all log procurement agreements. These forms will request a copy of the supplier's valid certificate and, if applicable, chain of custody number from SFI, American Tree Farm System (ATFS), Canadian Standards Association (CSA), or Programme for the Endorsement of Forest Certification (PEFC).

Starfire's normal accounting requirements requires that all log volumes received by our operation include the date of delivery and volume delivered (scaled and certified by Columbia River Log Scaling Bureau). Based on the receipt of a proper certificate from the supplier, the volume procured will be accounted for as, "Certified Forest Content" or "Other".

Certified Forest Content will be accounted for by including a "Certified" option in our log procurement database. The option will be available to identify Certified Forest Content on a contract-by-contract basis. Thus, if the raw material covered by a contract is deemed appropriately "certified", then all volume received by our operations under that contract will be accounted for as "certified". Reports based on the "certified" option, by certificate number, etc., can then be generated quickly and easily.

Legal Sources

Starfire does not procure material from outside of the U.S. and Canada.

Starfire has a system to examine and review potential for procurement of raw material from illegally logged sources. Starfire procurement personnel document legal protections and other mechanisms to safeguard against the procurement of raw materials from illegal sources.

Starfire takes the following steps in fiber supply areas where significant risk of illegal logging is present to identify and utilize only credible suppliers. Management will request relevant information or documentation from suppliers attesting to the legitimacy of the raw material. Credible information or

documents to demonstrate the right to harvest might include; a copy of a license to manage in specific resource area, forest certification documents, Chain-of-Custody documents, or legal business license. In situations where significant risk is identified and relevant documents are not in-place, Starfire will communicate with the supplier in an attempt to improve controls over the specific resource supply.

Controversial Sources

Risk Assessment

Starfire does not procure material from outside the United States and Canada.

Conservation International Identified Areas

Starfire monitors the identified locations of relevant Biodiversity Hotspots and Major Tropical Wilderness Areas within the United States and Canada. Procurement staff maintain mapped Biodiversity and Major Tropical Wilderness Areas on file and annually review supply chain data to ensure there are no source inputs from these identified areas unless they are a result of a planned management activity designed to enhance the integrity of the resource values.

Controversial Source List

Descriptions of Biodiversity Hot Spots and Major Tropical Wilderness Areas

Biodiversity Hotspots

Because conservation of these areas is so important, we want to make sure we have a shared understanding with suppliers as to how these areas are classified. Please consult Conservation International's Web site at: http://www.biodiversityhotspots.org/xp/Hotspots/hotspots_by_region/ for information on biodiversity hotspots and major tropical wilderness areas throughout the world.

The most recent analysis applying of "biodiversity hotspots" identified the following 25 areas:

1. Tropical Andes – The most diverse of all the hotspots. The Andes are home to 20,000 endemic plants and at least 1,567 endemic terrestrial vertebrates. Unique species include the spectacled bear, the only bear species in South America, and the mountain tapir. The region is also home to a spectacular array of birds and amphibians. Toucans, hummingbirds and tanagers are particularly diverse in the Tropical Andes.



- Mesoamerica – Forming a land bridge between North and South America, the Mesoamerica hotspot is a huge transition zone characterized by species lineages from both continents. The spider monkeys, howler monkeys, Baird’s tapir and the resplendent quetzal are a few of Mesoamerica’s most dramatic species. This region is one of the richest and most diverse hotspots on Earth, combining lowland rain forest with montane cloud forest.



- Caribbean – The Caribbean hotspot has one of the highest concentrations of endemic species on Earth. Reptiles such as the Anolis lizards, are particularly diverse: 497 reptile species are found here, 80 percent of which are endemic. Total terrestrial vertebrates in this hotspot number 1,518, more than half of which are unique to the Caribbean. At least 10 parrot species and 33 mammal species have been driven to extinction over the last few centuries.



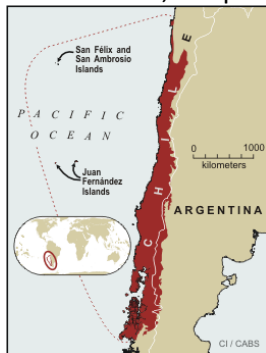
- Choco-Darien-Western Ecuador – Contains some of the wettest rain forests on Earth with amphibians, plants, and birds being particularly diverse. Of the 350 amphibian species found here, 210 are endemic – one of the highest levels of endemism of any hotspot. The poison dart frogs are among the area’s best-known amphibians.
- Atlantic Forest Region (of South America) – Once covering an area three times the size of California, the Atlantic Forest has been reduced to less than a tenth of its original extent. It is famous for 25 different species and subspecies of primates, 20 of which are found only in this hotspot, including the critically endangered muriquis and lion tamarins. Murici in Alagoas state, at the northern end of the Atlantic forest, may be the world’s most important forest for bird conservation, holding 14 globally threatened bird species in 15 square kilometers.



6. Brazilian Cerrado – A vast area of savanna and dry forest, the Cerrado is Brazil’s new agriculture frontier and has been heavily impacted in the past few decades. It is home to 4,400 endemic plants and several unique mammal species, including the giant anteater and the maned wolf. Fire, both natural and human induced is an important feature of the ecology of the Cerrado.



7. Central Chile – Bearing more resemblance to California than to anywhere in the Southern Hemisphere, this hotspot combines an arid region with a Mediterranean-type zone. It is best known for its variety of plant species but also holds interesting fauna species, including the chinchilla, the pudu and the Andean condor.



8. California Floristic Province – Located largely within the state of California and extending into Oregon and northern Mexico, this is one of the five hotspots characterized by a Mediterranean-type climate of hot, dry summers and cool, wet winters. Encompassing both mountain and coastal landscapes, the California Floristic Province is especially rich in plants; 48 percent of its 4,426 higher plants are endemic. *

*The California Floristic Province is wholly within the US and for that purposes of SFI those lands are addressed by Nature Serve and additional regulatory processes that are implemented in North America for identification of critically imperiled and imperiled species and communities. Compliance with SFI does not mean Program Participants must cease all raw material procurement activities from forest within the area. Rather, emphasis is on seeking assurance that fiber and logs secured from areas harvested legally and at the same time avoid actions that serve to further destruction of primary vegetation.



9. Madagascar & Indian Ocean Islands



10. Eastern Arc Mountains & Coastal Forests of Tanzania & Kenya



11. Cape Floristic Province



12. Succulent Karoo



13. Guinean Forests of West Africa



14. Mediterranean Basin

15. Caucasus

16. Sundaland

17. Wallacea

18. Philippines

19. Indo Burma
20. Mountains of South Central China
21. Western Ghats & Sri Lanka
22. New Caledonia
23. New Zealand
24. Polynesia & Micronesia
25. Southwest Australia

Major Tropical Wilderness Areas

1. Amazonia Wilderness Area
2. Congo Basin Wilderness Area
3. New Guinea Wilderness Area

Production Batch Identification:

Raw materials:

Douglas-fir and Western Hemlock sawlogs

Raw material units:

MBF – Scribner Long Log

Raw material conversion:

Average computed lumber recovery for a 12 month period

Production Site:

Starfire Lumber facility in Cottage Grove, OR

Production Batch time period:

Monthly

Production Batch Identifier:

Facility Name / Month / Year

Product Output:

Softwood lumber

Product Output units:

MBF – Lumber Talley

Calculation of Certified Percentage:

In calculating Starfire's certified percentage, Starfire will divide the confirmed Certified Forest Content volume (MBF) by the total volume received (MBF). That result will then be multiplied by 100 to calculate the certified percentage.

Starfire will calculate this certified percentage on a three (3) month rolling average (3MA).

Volume Credit Methodology:

Starfire has chosen to apply the Volume Credit Method to transfer the calculated certified percentage to the outputs, or lumber production, using a three (3) month rolling average.

Certified Product Orders – Order Processing – Customer Communication:

When requests for certified products come in, sales documents are created that include attribute information for the purposes of providing customers with transparent and credible data. Attribute data includes:

- Organization identification
- Quantity of delivery
- Date of delivery
- Certification status
- Calculated percent certification transferred to the product
- CoC certificate number

The Order Entry Process allows the Customer Service Representative to capture customer requests for certified products by line item. The Order Entry Process provides a system control to check to make sure enough certified product is available to satisfy the customer order before the order is processed. If a certified product order is cancelled the system will modify the available certified product bucket by the cancelled amount.

The Order Transmittal System provides communication with mill and warehouse locations so that shipping documents can be prepared with required information. CoC product attribute information will appear on the Order Acknowledgement, the Manifest, and the Order Invoice.

Outside Lumber Processing

Chain of Custody processes and practices for Starfire's lumber products at the Cottage Grove, OR sawmill include contracted additional processing. This additional processing consists of drying, sorting, surfacing and shipping. Each vendor is required to maintain practices and procedures to ensure that Starfire products are never mixed or substituted with any other producers' products. To further ensure the integrity of Starfire's Chain of Custody, each piece of lumber designated as SFI Chain of Custody will be hammer-branded on an end with a Starfire custom brand. This will further ensure that all SFI Chain of Custody product that has been separated for processing will be grouped and reunited with like product, and not mixed with other, non-certified product.

Records Management

Starfire will maintain files providing evidence of conformity for a minimum period of five years. The following records will be included:

- Records of origin and delivery of raw materials
- Supplier declarations and correspondence
- Records and report of CoC Certified products sold
- Internal Audit reports, Surveillance Audit reports
- Continuous Improvement and Corrective Action plans
- Records of Training

The Secretary-Treasurer will have ultimate responsibility for the collection and retention of these records.

Personnel Training

To ensure all assigned personnel are competent to implement an effective CoC system. The CoC Team Leader will coordinate with the Human Resources Manager to make sure any job postings contain the appropriate set of key competencies, skill sets, and qualifications to perform the duties associated with the CoC system. As new hires come on board, managers will provide CoC training as appropriate for the position and assigned responsibilities within a 60 day period following the start date. Training will be provided to enhance skills and communicate changes in policy, programs, and processes affecting CoC system management.

Internal Audit program for the Chain of Custody Management System

The role of internal audit is to review Starfire's Chain of Custody documents and procedures in accordance with the audit program created for the annual Chain of Custody review. This review will allow us to monitor and measure system conformance and make recommendations for improvement of ongoing procedures related to nonconformities identified.

The following is the basis for the internal audits:

1. Ensure that we are complying with Requirements for Fiber Sourcing, Chain of Custody and Product Labels outlined by the Sustainable Forestry Initiative Program (SFI).
2. Continuous Improvement Initiative within Starfire. This includes a review of documentation related to the Chain of Custody System including decisions and actions made within the Chain of Custody framework.

The report will include three categories:

- 1) Process working and/or minor control issues were noted
- 2) Process improvements and/or control issues exist
- 3) Process has significant process improvement and/or control issues exist that require immediate attention

This report will be our method of communicating non-conformities and recommended process improvements based upon the established corrective action procedures.

Inquiries and Complaints

Starfire's receptionist will field and screen all inquiries and complaints regarding SFI Chain of Custody. For general inquiries, the inquirer will be directed to our website and to the SFI website for more information.

For specific raw material procurement inquiries or complaints regarding SFI Chain of Custody, callers/visitors will be directed to our President and Log Procurement Administrator.

For specific lumber or sales inquiries or complaints regarding SFI Chain of Custody, callers/visitors will be directed to our Lumber Sales Manager.

Complainants will be directed to submit their specific complaint in writing. Either the Lumber Sales Manager or the President/Log Procurement Administrator will be charged with rectifying the complaint to a successful conclusion. If Starfire believes that a complaint has inherent risk and/or merit and necessitates SFI's direct intervention, Starfire will immediately contact SFI and the certification body (PwC) and provide them a copy of said complaint and offer assistance to ensure a successful conclusion.

Non-Conformities

If a non-conformity is identified the CoC Team Leader will notified immediately. An investigation will be directed to isolate the issue and implement corrective action. If the non-conformity affects product attribute information, the impacted customers will be notified of the error and the actions taken in response.

Annual Management Review

Starfire collects information annually about its Chain-of-Custody implementation, evaluating the effectiveness of the program, reporting information to management, determining whether any changes or improvements are necessary to continually improve conformance to CoC standards, and communicating those changes to responsible personnel.

We will hold an annual CoC system review covering all the requirements of the COC Standard and develops a written report suggesting technical improvements to improve integrity and preventative controls measures to ensure accuracy. The report is sent to all members of the CoC team.