

VERIFICATION REPORT FOR THE MCCLOUD RIVER PROJECT



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Project Title:	McCloud River (CAR429)
Report Title:	Verification Report for the McCloud River Project
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Date of Issue:	2 October 2013
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Summary:
This report describes the verification audit of the McCloud River project (“the project”), an improved forest management project located in Northern California, that was conducted by SCS. The purpose of the verification audit was to assess the conformance of the project with the verification criteria. The verification audit was performed through a combination of document review, interviews with relevant personnel and on-site inspections. The project complies with all of the verification criteria, and the assessment team has no restrictions or uncertainties with respect to the compliance of the project with the verification criteria. The GHG emission reduction/removals of 220,108 tonnes CO₂-equivalent have been reported in accordance with the verification criteria.

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1 INTRODUCTION

1.1 Objective

The purpose of the verification audit activity was to conduct an independent assessment of the McCloud River project (“the project”) to determine whether the project complies with the verification criteria, as set out in the guidance documents listed in Section 1.2 of this report.

1.2 Scope and Criteria

In accordance with Section 4.3.4 of ISO 14064-3:2006, the scope was defined as follows:

- The project and its baseline scenarios;
- The physical infrastructure, activities, technologies and processes of the project;
- The GHG sources, sinks and/or reservoirs that are applicable to the project;
- The types of GHGs that are applicable to the project; and
- The reporting period, as discussed in Section 3.1.4 of this report.

The criteria for verification were contained within the following guidance documents of the Climate Action Reserve (“the Reserve”):

- Forest Project Protocol Version 2.1 (September 6, 2007)
- Forest Sector Protocol Version 2.1 (September 6, 2007)
- Forest Verification Protocol Version 2.0 (May 2007)
- General Reporting Protocol Version 3.1 (January 2009)
- General Verification Protocol Version 3.0 (August 2008)
- Program Manual (October 2011)
- Verification Program Manual (December 2010)

1.3 Level of assurance

The level of assurance of this report is reasonable.

1.4 Summary Description of the Project

The project is an improved forest management project located in northern California.

2 VERIFICATION PROCESS

2.1 Method and Criteria

The verification was performed through a combination of document review, interviews with relevant personnel and on-site inspections, as discussed in Sections 2.2 through 2.4 of this report. At all times, the project was assessed for conformance to the criteria described in Section 1.2 of this report. As discussed in Section 2.5, findings were issued to ensure that the project was in full conformance to all requirements.

2.2 Document Review

The following written documents (e.g., reports, memos, land deeds and titles) were reviewed to ensure conformance of the project to the verification criteria:

Document (Date Created or Recorded)	Date Reviewed
"Annex C – Project Summary Worksheet" (16 August 2013)	Throughout audit
"Annex D - Standardized Questions for Initial Leakage Assessment at Project Initiation"	15 October 2012
Certification letter for certificate of formation for Bascom Pacific, LLC (6 June 2012)	15 October 2012
"Certificate of formation of Bascom Pacific, LLC" (28 June 1999)	15 October 2012
Bank statement for Bascom Pacific, LLC (for period 2-31 July 2012)	15 October 2012
"Written consent of sole managing member in lieu of member meeting of Bascom Pacific, LLC" (7 June 2012)	15 October 2012
"Campbell Timber Fund III Organizational Structure" (not dated)	15 October 2012
Grant deed for Pondosa Tree Farm – Siskiyou County, California (27 September 1999)	15-16 October 2012
Grant deed for Pondosa Tree Farm – Shasta County, California (27 August 1999)	15-16 October 2012
Grant deed of conservation easement – Bear Creek Tract (Shasta County; 21 August 2006)	15-16 October 2012
Grant deed of conservation easement – Bear Creek Tract (Siskiyou County; 21 August 2006)	15-16 October 2012
Grant deed of conservation easement – McCloud River Tract (21 August 2006)	15-16 October 2012
"Carbon Analysis Procedures" (10 July 2009)	15-16 October 2012

Document (Date Created or Recorded)	Date Reviewed
"Regional Biomass Equations used by FIA To Estimate Bole, Bark and Branches" (13 May 2009)	Throughout audit
"Softwood Cubic Volume Equations" (13 May 2009)	Throughout audit
"Pondosa Forest, McCloud River and Bear Creek Conservation Easements Forest Management Plan" (December 2006)	18 October 2012
"Estimating Dunning's Site Index from Bigging and Wensel's Site Index" (19 November 2012)	11 December 2012
"Dunning's Site Class at Pondosa" (17 December 2012)	11 December 2012
"Officer's Certificate of Bascom Pacific, LLC" (20 December 2012)	21 December 2012
"Initial Carbon Inventory and Back-Cast on Conservation Easements at Pondosa" (28 November 2012)	Throughout audit
"Carbon Projections on Conservation Easements at Pondosa" (28 November 2012)	Throughout audit
"Adjustments to The Pondosa Carbon Project's Projected Baseline" (1 May 2013)	Throughout audit
"Carbon Project Inventory at Pondosa: 2012 Update" (7 August 2013)	Throughout audit
"Initial Carbon Inventory and Back-Cast Outside of the Conservation Easements at Pondosa" (28 November 2012)	Throughout audit
"Combined Carbon Inventories at Pondosa" (28 November 2012)	Throughout audit

Where multiple versions of an above document were provided to the audit team during the course of the audit, only the most recent version is described above.

2.3 Interviews

Interviews constituted an important component of the audit process. The following personnel associated with the project developer and/or implementing partner were interviewed. The phrase "throughout audit" under "Date Interviewed" indicates that the individual in question was interviewed on multiple occasions throughout the audit process.

Individual	Affiliation	Date Interviewed
Stephen Levesque	The Campbell Group	Throughout audit

Individual	Affiliation	Date Interviewed
Dave Hamlin	The Campbell Group	Throughout audit
Paul Chapman	The Campbell Group	Throughout audit
Tyler Hullquist	The Campbell Group	17-18 October 2012
Jon Remucal	Pacific Forest Trust	14 November 2012
Cliff Kennedy	High Country Forestry	11-12 December 2012

In addition, the following individuals who were not associated with the project proponent and/or implementing partner provided information regarding the project.

Individual	Affiliation and Role	Date Interviewed
Gary Whitson	California Department of Forestry and Fire Prevention ("Cal Fire")	25 October 2012
Unidentified employee	Siskiyou County Assessor-Recorder's Office	24 October 2012
Unidentified employee	Shasta County Assessor-Recorder's Office	24 October 2012

2.4 Site Inspections

The objectives of the on-site inspections performed were to:

- Ensure that the geographic area of the project, as reported in the project documentation, conforms to Section 3.1.6 of the Program Manual;
- Select samples of data from on-the-ground measurements for verification in order to meet a reasonable level of assurance and to meet the materiality requirements of the project;
- Perform a risk-based review of the project area to ensure that the project is in conformance with the eligibility requirements of the verification criteria; and
- Confirm the appropriateness of the methodologies for monitoring and measurement of the quantified GHG emission reductions.

In fulfilment of the above objectives, the audit team performed several on-site inspections of the project area.

The first assessment was performed on 19-20 July 2010. The primary objectives of the visit were as follows:

- Confirm initial conformance of the project to the eligibility criteria discussed in Section 3.2.2 of this report;
- Gather information relating to the project activities;
- Confirm the stratification system employed by comparing mapped areas with actual field conditions; and
- Confirm the soundness of the forest inventory data collected in fall and winter 2008 through re-measurement of six different inventory plots.

A second assessment was performed on 17-18 October 2012. The primary objectives of the site visit were to:

- Confirm continued conformance of the project to the eligibility criteria discussed in Section 3.2.2 of this report;
- Gather information relating to the project activities;
- Conduct an investigation into the appropriateness of the qualitative characterization of the baseline scenario;
- Confirm ownership over the project area and the quantification of the project area;
- Confirm all aspects of the quantification of project emissions; and
- Confirm the soundness of the forest inventory data collected in 2012 through re-measurement of 12 different inventory plots.

A third assessment was performed on 11 December 2012. The primary objective of the site visit was to confirm all aspects of the quantification of project emissions.

2.5 Resolution of Any Material Discrepancy

Any potential or actual material discrepancies identified during the assessment process were resolved through the issuance of findings. The types of findings issued by SCS were characterized as follows:

Non-Conformity Report (NCR): An NCR signified a material discrepancy with respect to a specific requirement. This type of finding could only be closed upon receipt by SCS of evidence indicating that the identified discrepancy had been corrected. Resolution of all open NCRs was a prerequisite for issuance of a verification statement.

New Information Request (NIR): An NIR signified a need for supplementary information in order to determine whether a material discrepancy existed with respect to a specific requirement. Receipt of an NIR did not necessarily indicate that the project was not in compliance with a specific requirement. However, resolution of all open NIRs was a prerequisite for issuance of a verification statement.

Opportunity for Improvement (OFI): An OFI indicated an area that should be monitored or ideally, improved upon. OFI's were considered to be an indication of something that could become a non-conformity if not given proper attention, and were sometimes issued in the case that a non-material discrepancy was identified. OFIs were considered to be closed upon issuance.

All findings issued by the audit team during the verification process have been closed. In accordance with Section 3.6 of the Verification Program Manual, all findings issued during the verification process, and the impetus for their closure, are described in a separate List of Findings that is a private document.

3 VERIFICATION FINDINGS

3.1 Project Design

3.1.1 *Project scope, type, technologies and measures implemented, and eligibility of the project*

The project is a “conservation-based forest management” project, as defined within Part II, Section A of the Forest Project Protocol. The audit team's findings regarding the project's eligibility as a conservation-based forest management project are described within Section 3.1.5 of this report.

3.1.2 *Project Developer*

The project developer is identified, within the document “Annex C – Project Summary Worksheet” and the Reserve online software, as Bascom Pacific, LLC. The audit team has been provided with several documents to document the authenticity of the entity, including: a bank statement; a certificate of formation; and a certification letter indicating that, as of 6 June 2012, Bascom Pacific, LLC “is duly formed under the laws of the state of Delaware and is in good standing and has a legal existence so far as the records of this office show”, from the Secretary of State of Delaware (all documents described in Section 2.2 of this report). In addition, the audit team was provided with a “Written consent of sole managing member in lieu of member meeting of Bascom Pacific, LLC” (see Section 2.2 of this report), which (among other things) authorizes Bascom Pacific, LLC to be an account holder under the Reserve. Thus, the audit team has obtained reasonable assurance that Bascom Pacific, LLC is permitted under the rules of the Reserve to serve as an account holder.

3.1.3 *Project start date*

As indicated within the document “Annex C – Project Summary Worksheet”, the project start date is 21 August 2006, the recordation date for both of the easements that were recorded as part of the project activity (see Section 3.1.5 of this report). The Program Manual states (Section 2.4.3) that “In general, the start date for a project will correspond to the start of the activity that generates GHG reductions (sometimes referred to as “start of operations”). Specific requirements for determining the start date of a project are contained in each protocol.” While the Forest Project Protocol contains no specific requirements for determining the project start date, the audit team agrees that, as the conservation easements are a foundational aspect of the project activity for a conservation-based forest management project, the recordation date of the conservation easements appropriately denotes the “start of the activity that generates GHG reductions”. This interpretation was supported through an email (dated 12 October 2012) in which Reserve staff indicated that “we agreed that the start date for CAR429 McCloud River project would be the recordation date of the easement, as this was the initiation of project activity.”

Through review of the two conservation easements, the audit team confirmed that both were recorded on 21 August 2006.

3.1.4 Reporting period

The initial reporting period is 21 August 2006 – 31 December 2011. The reporting period complies with the verification criteria identified in Section 1.2 of this report.

3.1.5 Project activities

The project activities are consistent with those of a conservation-based forest management project. The project complies with all requirements of Part II, Section E of the Forest Project Protocol, as described below.

As confirmed by the audit team during the site visit, the project does promote and maintain forest types that are native to the project area. As the guide “A Guide to Wildlife Habitats of California” is no longer actively used by the California Department of Fish and Game, the determination of the above was made on the basis of a map of the wildlife habitat relationship types within the project area (the concept of wildlife habitat relationship, which is based in part on the guide indicated above, is now used by the state agencies to categorize forest types).

The project area is subject to two different conservation easements. Identical versions of the easement for the Bear Creek Tract were recorded in Shasta and Siskiyou counties (see Section 3.1.8 of this report for a discussion of the two tracts that comprise the project area), as the Bear Creek tract occupies parts of both Shasta and Siskiyou counties. The easement for the McCloud River tract was recorded only in Siskiyou County, as the McCloud River tract lies entirely within the boundaries of Siskiyou County. Each easement was provided for review by the audit team (see Section 2.2 of this report), and the language that is referenced in the remainder of this paragraph is identical for each easement. Item 2 of the “Agreement” section of each easement indicates that the “Conservation Values of the Property” are to be preserved and protected “in perpetuity”. Item 3 of the Agreement indicates that it is the purpose of the easement to “protect significant open, undeveloped and relatively natural forest and meadow ecosystems ...” As summarized in Item 3 of the Agreement section, and set out in detail in “Exhibit C”, the terms of the easement support the “native forests” and “natural forest management” requirements of the Forest Project Protocol. Each easement provides requirements on streamside protection, species mix and forest structure. Recital I of each easement indicates that the easement is in conformance with the Section 42823(d) of the California Public Health and Safety Code. Because conformance with a subsection of Section 42823 does not necessarily equate to conformance with Section 42823, as required by the Forest Project Protocol, the audit team was provided with an email that was sent by Reserve staff on 3 December 2012. The email indicated that “Section 42832 [sic] of the CA Public Health and Safety Code no longer exists, we will not require that you include this language in the conservation easement.” Thus, each easement complies with all requirements of the Forest Project Protocol, as modified in accordance with the directive of the Reserve.

A management plan entitled “Pondosa Forest, McCloud River and Bear Creek Conservation Easements Forest Management Plan” exists to guide forest management activities on the project area. The plan itself indicates that management is to be conducted in accordance with easement objectives. As observed during by the audit team during a visit of several recently sites of recent harvest activity during the site

visit, the forest management activities are consistent with the natural forest management requirements of the Forest Project Protocol.

3.1.6 Project location

The project area is located in Shasta and Siskiyou Counties in northern California. Thus, the project meets the requirements for project location as set out in Part II, Section B of the Forest Project Protocol.

3.1.7 Project compliance with applicable laws, statutes and other regulatory frameworks

As stated within the Attestation of Regulatory Compliance, the project was in material compliance with all applicable laws, statutes and other regulatory frameworks throughout the reporting period. One instance of non-compliance was reported to the audit team. This instance was described verbally to the audit team and documented in an email to the Reserve dated 10 December 2012. To summarize, the violation involved forest management activities being undertaken for a short period of time outside the scope of a Timber Harvest Plan (THP) due to a failure to renew a THP that was already in place. As explained to the audit team, a root cause of the instance of noncompliance was the unplanned long-term absence of a key personnel member due to illness.

The audit team contacted Cal Fire employee Gary Whitson, who confirmed the information provided to the audit team regarding the violation. Mr. Whitson confirmed that the violation did not involve any activities being undertaken that would not have been approved by Cal Fire had the THP in question been renewed as required. Thus, the violation appears to the audit team to be essentially administrative in nature. Due to this, and as the circumstances surrounding the violation appear to be somewhat extenuating (with respect to the long-term absence described previously), it is the opinion of the audit team that the violation can be considered “immaterial or administrative” in nature according to the criteria set out in Section 3.5.1.7 of the Verification Program Manual.

In addition, as the project area is under a conservation easement (as described in Section 3.1.5 of this report), it was necessary for the audit team to confirm the compliance of the project developer with the terms of the easement. The audit team was provided with an email (dated 15 October 2012) from Constance Best, CEO of The Pacific Forest Trust (the grantee of all three easements), which confirmed that “based on our monitoring and knowledge of the grantor’s activities” the project developer has complied with all relevant easement terms during the reporting period.

Therefore, the audit team has concluded to a reasonable level of assurance that the project is in material compliance with all applicable laws, statutes and other regulatory frameworks. In addition, the audit team confirmed that the Attestation of Regulatory Compliance form, attesting to the material compliance of the project for the duration of the reporting period, has been properly executed by an appropriate representative of Bascom Pacific, LLC. This form has been executed by the John S. Gilleland, the president of The Campbell Group, LLC (as confirmed through a review of that entity’s website on 16 January 2013). The document “Written consent of sole managing member in lieu of member meeting of Bascom Pacific, LLC” (see Section 2.2 of this report), provided to the audit team, affirms that The Campbell Group, LLC is the sole managing member of Campbell Timber Fund III, LLC, which is itself the sole managing member of Campbell/Bascom, LLC, which is itself the sole managing member of Bascom Pacific, LLC. Therefore, Mr. Gilleland has been confirmed to by an appropriate representative of the project developer.

3.1.8 Ownership

The project area is comprised of two geographically distinct tracts, entitled “Bear Creek” and “McCloud River”. Each tract was acquired by the project developer through separate grant deeds, which were provided to the audit team for review (see Section 2.2 of this report). The audit team confirmed that each parcel that is located in the project area is located within “Exhibit A” of at least one of the conservation easements. (The audit team notes that one parcel of less than 40 acres, T 39 N, R 2 E, Section 30, described as “that portion of NE ¼ NE ¼ lying northerly of the McCloud River R/R, is subject to the terms of the easement but is not located within the project area.”) The audit team cross-checked each parcel that is located within Exhibit A of each easement and confirmed that it also exists within one of the grant deeds that were provided to the audit team. As a final check, the Siskiyou County Assessor-Recorder’s Office was contacted on 24 October 2012, and two parcels selected from the project area within Siskiyou County were confirmed to be owned by Pondosa Forest, LLC. The same was confirmed for two parcels selected from the project area within Shasta County through contact with the Shasta County Assessor-Recorder’s Office on 24 October 2012. The audit team was provided with an “Officer’s Certificate of Bascom Pacific, LLC” (see Section 2.2 of this report) which attests that Bascom Pacific, LLC is the sole member of Pondosa Forest, LLC, and thus Bascom Pacific, LLC is the unambiguous owner over the project area.

In order to confirm the reported project area of 9,041 forested acres, as used to calculate the total on-site carbon stocks a) as of the project start date and b) in the baseline for each year of the project crediting period (see Section 3.2.6.1 below), the audit team requested that the area calculation be re-run using the ownership area (as confirmed through the procedure described above) and the reported road area. As confirmed through this re-calculation, the project area was 9,041.54 forested acres, thus confirming the accuracy of the reported value of 9,041 forested acres. It should be noted that the project area, as used in calculation of the total project activity on-site carbon stocks as of the end of 2011 (see Section 3.2.6.2 below), was 9,068 forested acres. It was explained that the difference of approximately 27 forested acres between the value of 9,068 forested acres and the value of 9,041 forested acres was due to minor updates in the road GIS layer between the time of the project’s inception and the end of the initial reporting period. This explanation appears valid to the audit team. In addition, the audit team notes that the discrepancy amounts to a difference of approximately 0.3 %. As the project area is used in the calculation of total on-site carbon stocks in the baseline and with the project activity, and as the GHG assertion is a function of these two values, the materiality of the discrepancy was assessed by the audit team in accordance with Sections 1.6.3-1.6.5 of the Verification Program Manual. As the discrepancy cannot possibly result in an error of more than 0.3% in the GHG assertion, it does not result in a quantitative material misstatement (as the materiality threshold for the project, as set out in Section 1.6.4 of the Verification Program Manual, is 3%). In addition, as the discrepancy does not violate any of the requirements of the Forest Project Protocol, the discrepancy is not qualitatively material. The discrepancy can thus be considered qualitatively and quantitatively immaterial.

Finally, the audit team confirmed that the Attestation of Title form has been properly executed by an appropriate representative of Bascom Pacific, LLC. The identity of the signatory to this form is the same as for the Attestation of Regulatory Compliance form, and the appropriateness of this signatory is discussed in Section 3.1.7 of this report.

3.2 Application of Protocol

3.2.1 Title and Reference

The Forest Project Protocol Version 2.1 ("Forest Project Protocol") was used by the project developer.

3.2.2 Eligibility

The audit team's conclusions and the justification for such conclusions regarding the conformance of the project to the eligibility conditions of the Forest Project Protocol are summarized below.

Eligibility Criterion	Audit Team Findings
Conservation-based forest management	As discussed further in Section 3.1.5 of this report, the activities of the project are consistent with the definition of a conservation-based forest management project as set out in Part II, Section A of the Forest Project Protocol.
Location	The project area is located entirely within the state of California, as confirmed by the audit team during the site visit activities described in Section 2.4 of this report.
Ownership	An ownership summary has been provided to the audit team in the form of the document "Campbell Timber Fund III Organizational Structure" (see Section 2.2 of this report).
Entity-wide reporting	As described in Section 3.2.7 of this report, entity-wide biological emissions have been appropriately reported for each year of the reporting period. As described in Section 3.2.8 of this report, entity-wide non-biological emissions have been appropriately reported for each year of the reporting period.
Long-term carbon security and environmental integrity	The project is secured through an easement that materially complies with the criteria of the Part II, Section E of the Forest Project Protocol, as described in Section 3.1.5 of this report. Also, as discussed within Section 3.1.5 of this report, the project complies with the requirements for native forests and natural forest management as set out in the above section of the Forest Project Protocol.
Project baseline qualitative characterization	As described in Section 3.2.4 of this report, the project complies with the requirements of Part II,

Eligibility Criterion	Audit Team Findings
	Section F of the Forest Project Protocol.
Project additionality	As described in Section 3.2.5 of this report, the project complies with the additionality requirements of Part II, Section G of the Forest Project Protocol.
Leakage	As described in Section 3.2.9 of this report, the project's reporting of leakage emissions is consistent with Part II, Section H of the Forest Project Protocol.

In summary, the project fully conforms to the eligibility criteria of the Forest Project Protocol.

3.2.3 Project and Entity Reporting Boundaries

The project's reporting boundaries are defined as follows:

- Carbon stock change in the above-ground living biomass, below-ground living biomass, and dead wood carbon pools within the project area
- Carbon stock change in the above-ground living biomass, below-ground living biomass, and dead wood carbon pools across all land owned in fee by the project developer
- Non-biological emissions across the reporting boundaries mandated by the General Reporting Protocol

The project's reporting boundaries do not include carbon in the shrubs and understory, litter, soil and wood products pools. These pools are optional, per Table B, Part III of the Forest Project Protocol, and therefore do not have to be included.

3.2.4 Baseline Scenario

The identification of the baseline scenario conforms to the requirements of Part II, Section F of the Forest Project Protocol. In accordance with these requirements, the baseline scenario was designed to conform to the following requirements:

- The California Z'berg-Nejedly Forest Practice Act of 1973 and the corresponding Maximum Sustained Production "Option C rules" of the Forest Practice Rules of the California Board of Forestry and Fire Protection, which include district, sub-district, and special treatment area rules;
- Any other applicable special county-level mandatory forest management laws that would apply to the baseline management practices at the county level; and

- Any other mandatory land use statutes or regulations that may require the conservation-based forest management to be implemented as the project activity.

In accordance with the above requirements, the management regime described in the document “Carbon Analysis Procedures” was determined to be an appropriate baseline scenario. The conformance of this regime to the Forest Practice Rules will be described with respect to the three major types of management implemented in the baseline scenario.

The management activities for even-age management conform to the requirements of the Option C rules. In accordance with these rules, a harvest age of 60 is used, which is appropriate (in accordance with clause 933.1(a)(1) of the Forest Practice Rules) for Site II and III lands. The audit team was provided with an analysis, entitled “Dunning’s Site Class at Pondosa” (see Section 2.2 of this report) that demonstrated that no Site IV or V land exists in the project area, according to the best available data held by the project developer. Adjacency constraints and the 20-acre clearcut size limit for tractor yarding (see clause 933.1(a)(2) of the Forest Practice Rules) were accounted for through the procedure set out at the bottom of page 3 of the document “Carbon Analysis Procedures”. This procedure was created in accordance with the best professional judgment of the project personnel, and was found by the audit team to be an approach that reasonably simulates the practice by which a large stand may be broken up into smaller harvest units for purposes of complying with the protocol. In addition, the priority ranking system used to determine which stands to harvest in any given period was examined by the audit team and found to be sensible and implemented in a consistent manner.

The uneven-age management activities in stands that are outside of Watershed and Lake Protection Zone (WLPZ) buffers are also consistent with the requirements of the Option C rules. Clause 933.2(a)(2)(A) requires that at the post-harvest basal area retention threshold must be 100 square feet per acre on Site I lands; 75 square feet per acre on Site II and III lands; and 50 square feet per acre on Site IV and V lands. A selection harvest with a minimum retention threshold of 75 square feet per acre was originally implemented as described on page 4 of the document “Carbon Analysis Procedures”. The analysis “Dunning’s Site Class at Pondosa” (see Section 2.2 of this report) indicates that approximately 6% of the land within the project area is actually Site I, according to the best data available to the project developer. Therefore, as described in Section 3.2.6.1 of this report, the baseline carbon stocks were adjusted so as to fully conform to the requirements of the Option C rules.

Finally, the uneven-age management activities in stands that are located within WLPZ buffers are consistent with the requirements of the Option C rules. While there are many rules for silvicultural treatment of such stands, the major rules that can be reasonably anticipated to impact carbon stocking in the baseline scenario are set out in clause 936.5(e), which states that “at least 50% of the overstory and 50% of the understory canopy covering the ground and adjacent waters shall be left in a well distributed multi-storied stand composed of a diversity of species similar to that found before the start of operations” and that “the residual overstory canopy shall be composed of at least 25% of the existing overstory conifers” (requirements “G” and “I”). As described in document “Carbon Projections on Conservation Easements at Pondosa” (see Section 2.2 of this report), “RMZ stands were harvested to 100 square feet of basal area at each entry”. As most (if not all) commonly used growth and yield models do not directly model canopy cover, basal area was used by project personnel as a reasonable proxy for canopy cover. The audit team was provided with an analysis indicating that a harvest to 100 square feet per acre would entail, on average, far less than a 50% removal of basal area in the stands that are located within WLPZ buffers. The analysis provided appeared reasonable in the judgment of the audit team. The requirement

to retain “at least 25% of the existing overstory conifers” was enforced through an appropriate “percent conifer cut” restriction in the baseline model.

3.2.5 Additionality

The GHG reductions occurring as a result of the project activity exceed the GHG reductions that would occur as a result of the baseline scenario discussed in Section 3.2.4 of this report. As discussed in Section 3.1.5 of this report, the two tracts that comprise the project area have each been secured with a conservation easement. As set out in Exhibit C of each easement, each easement requires constraints on forest management activities that are above and beyond those required by the Forest Practice Rules. This restriction on forest management activities will occur in perpetuity, and the project developer has demonstrated, through the use of forest modeling, that such restrictions are likely to lead to increased GHG reductions relative to the baseline scenario (see document “Carbon Projections on Conservation Easements at Pondosa, as described in Section 2.2 of this report, for a summary). As the planned (and currently implemented) project activities exceed the applicable mandatory forest management laws used to characterize the project baseline, the project can be determined to be additional in accordance with the Forest Project Protocol.

Finally, the audit team confirmed that the Attestation of Voluntary Implementation, attesting that the project has been voluntarily implemented for the duration of the reporting period, has been properly executed by an appropriate representative of Bascom Pacific, LLC. The identity of the signatory to this form is the same as for the Attestation of Regulatory Compliance form, and the appropriateness of this signatory is discussed in Section 3.1.7 of this report.

3.2.6 Quantification of Project Biological GHG Emission Reductions and Removals

3.2.6.1 Quantification of baseline biological emissions

As required by Part III, Sections C and D of the Forest Project Protocol, carbon pools in the project area were measured for purposes of quantifying baseline forest carbon stocks. As documented within the report entitled “Initial Carbon Inventory and Back-Cast on Conservation Easements at Pondosa” (see Section 2.2 of this report), the required inventory measurements took place in fall and winter of 2008. The initial inventory measurements were assessed by the audit team in July 2010 (see Section 2.4 of this report). As required by the Forest Verification Protocol, the audit team performed a quantitative analysis and determined that the audit team’s results for the subset of plots measured did not differ, on average, by more than 15% in comparison to the measurements taken by the project developer, thus confirming the soundness of the inventory. The audit team also confirmed that the inventory was conducted in accordance with the specific requirements of Part III, Section D of the Forest Project Protocol. Finally, the verification team traced the process of incorporation of data into the inventory, from initial collection by field personnel to incorporation into the SQL Server database containing the inventory, and performed data checks throughout the process for one plot. No discrepancies were identified through this review.

Procedures for modeling carbon stocks in the baseline scenario are described in the document “Carbon Analysis Procedures” (see Section 2.2 of this report). Two growth and yield models were used for the process: FORSEE and CONIFERS. Part III, Section E of the Forest Project Protocol requires that “...models must either be pre-approved by the Reserve or meet certain criteria to be eligible for use in the Reserve.” While FORSEE is not listed as a pre-approved model under Version 2.1 of the Forest Project Protocol, it is listed as an approved model under later versions of the Forest Project Protocol (see, for

example, Section B.1 of Version 3.1 of the Forest Project Protocol). Therefore, it can be considered to be “pre-approved by the Reserve”, as required. The audit team received a communication from the Reserve, dated 24 February 2011, indicating that “the CONIFERS model is appropriate for young (0 – 24 years) mixed conifer stands in southern Oregon and northern California”. As the context in which the CONIFERS model is being used in this instance matches the description above, the CONIFERS model can be considered pre-approved by the Reserve for such use.

The audit team was able to interview the individual responsible for the baseline modeling (see Section 2.3 of this report). As demonstrated to the audit team, the modeling was performed within a Microsoft Access database, with output reporting of total harvest per period being provided within a series of Microsoft Excel workbooks. As an input to this modeling, the modeler was provided with two sets of data from the project personnel:

- A shapefile that contained the different stands within the project area. The audit team was able to review this shapefile and confirm that the delineation of the WLPZ buffers was conducted, in accordance with clause 936.5 of the Forest Practice Rules, on the assumption that most WLPZ areas have 30-50% slope (this assumption appeared reasonable, in the judgment of the audit team, considering the terrain of the project area).
- A database that contained the trees inventoried in 2008, as described above. The audit team was able to confirm, through multiple cross-checks, that the database in the possession of the modeler was functionally equivalent to the database containing this inventory.

Through a review of the procedures employed, the audit team found that the baseline modeling was performed in a manner consistent with that described in the documents “Carbon Analysis Procedures” and “Carbon Projections on Conservation Easements at Pondosa” (see Section 2.2 of this report). By following a sample of stands through the duration of the modeling period, the audit team was able to confirm that selection harvesting, post-harvest depletion and insertion of new trees (in order to model regeneration) were conducted correctly and according to the above documents. No errors or discrepancies were encountered through this review. Particular attention was paid to the procedures conducted to model selection harvesting in non-WPLZ stands, given the complexity of the procedures employed. The selection harvesting was modeled through a series of Access queries that controlled the allocation of harvest to different size classes. Through a review of harvest records for several stands, the audit team confirmed that the queries appropriately controlled the basal area retention threshold for harvest. Finally, the audit team was able to compare tree records for two adjacent periods for one stand, in order to confirm that the stands grew appropriately through the modeling period. No discrepancies between tree records were found, and the exhibited growth appeared reasonable.

Subsequent to the completion of the modeling, the tree records for each period of the baseline modeling were passed back to other project personnel. The audit team was able to confirm, through a comparison of datasets, that the dataset used by project personnel for all subsequent steps is identical to the dataset provided as an output of modeling.

Prior to the calculation of carbon, a baseline “adjustment” was performed. This adjustment was performed because the original modeling of selection harvesting in non-WLPZ stands implemented a retention threshold of 75 square feet per acre although the site index analysis performed by project personnel (as

described in Section 3.2.4 above) indicated that a small proportion of the project area would require a retention threshold of 100 square feet.

The baseline adjustment is described in the documents “Adjustments to The Pondosa Carbon Project’s Projected Baseline” and “Carbon Projections on Conservation Easements at Pondosa” (see Section 2.2 of this report). The audit team was able to review the procedure described in these documents and determine that it is a reasonable approach that overestimates the carbon stocking that would be required under the Option C rules, because the adjustment increased retention in group A species to meet basal area requirements and did not remove non-group A species as Option C rules would likely permit.

Through extensive review of computer code, and review of the results from two randomly-selected stands, the audit team was able to confirm that the baseline adjustment was implemented as described in the document “Carbon Projections on Conservation Easements at Pondosa”.

Biomass for each tree was calculated using the “Regional Biomass Equations used by FIA To Estimate Bole, Bark and Branches” and the “Softwood Cubic Volume Equations” (see Section 2.2 of this report). Through examination of the Visual Basic for Applications (VBA) code used to calculate biomass values for each tree, the audit team was able to confirm that the correctness of the equations used for the most common species (ponderosa pine, white fir, Douglas-fir, incense-cedar, black oak, sugar pine, red fir and Pacific dogwood). The audit team was able to confirm that biomass values were compiled correctly to the stratum level through the use of Access. Finally, the audit team was able to confirm the correct use of factors to calculate carbon mass for each tree and summarize these values to the project level. The audit team was able to confirm that summary carbon values were appropriately transferred from the SQL Server database to reporting worksheets.

Project personnel employed a procedure to “back-cast” the inventory (i.e., to grow the inventory of fall and winter 2008 backwards to summer 2006), as described in the document “Initial Carbon Inventory and Back-Cast on Conservation Easements at Pondosa” (see Section 2.2 of this report). Although such a procedure inherently involves a great deal of professional judgment, the audit team found that the procedure employed is reasonable and unlikely to result in gross error in the quantification of GHG emission reductions and removals. The procedure amounted to the modeling of growth (in terms of carbon in living trees) of approximately 3.7% per year over the 2.5-year period. The audit team confirms that such a growth estimate is very reasonable.

Finally, project personnel employed an interpolation procedure to “smooth out” the trend line in projection of baseline carbon stocks, as described in document “Carbon Projections on Conservation Easements at Pondosa” (see Section 2.2 of this report). As with the “back-casting” procedure described above, creation of an interpolation procedure is inherently a matter of professional judgment. However, the audit team found that the procedure employed is reasonable and unlikely to result in gross error in the quantification of GHG emission reductions and removals. The audit team was able to confirm that the procedure was conducted in a manner consistent with its description in the above document. As a last step, the quantification of baseline emissions for each year required interpolation between years for which data were available, either through measured carbon stock data or through model output. The audit team confirmed that the interpolation procedure employed was reasonable and correctly implemented.

3.2.6.2 Quantification of project biological emissions

Project emissions were quantified using, as a starting point, the forest inventory conducted in fall and winter of 2008 (see Section 3.2.6.1 of this report for a discussion of this inventory effort and its conformance to the Forest Project Protocol). This inventory was “back-cast” using identical methods to those used to “back-cast the inventory for purposes of quantifying baseline emissions (see Section 3.2.6.1 of this report for a discussion of the back-casting procedure). Finally, project personnel employed a modeling exercise, as described in the documents “Carbon Analysis Procedures” and “Carbon Projections on Conservation Easements at Pondosa” (see Section 2.2 of this report) to estimate project carbon stocks over time. The procedure is similar to that for estimation of baseline carbon stocks, the main differences being wider buffers used for the delineation of WLPZ stands, the creation of “Special Habitat Management Zones” where conifer occupancy is deliberately limited, an overall limit on harvest in each period and an increased basal area retention threshold for selection harvesting. These differences were introduced in order to reflect the constraints imposed by the two conservation easements, and the cumulative effect of the differences is to increase the projected carbon stocking in the project scenario relative to that in the baseline scenario. As projections of carbon stocking in the project scenario do not impact the quantity GHG emission reductions and removals claimed by the project (and, thus, the quantity of Climate Reserve Tonnes claimed by the project), such projections were not deemed a high area of risk in the audit process. However, the audit team reviewed the reported projection of project carbon stocking and confirmed that it appears reasonable, given the management constraints that were modeled.

Project carbon stocks were quantified as described in document “Carbon Project Inventory at Pondosa: 2012 Update” (see Section 2.2 of this report). As required by the Forest Verification Protocol, the audit team performed a quantitative analysis and determined that the audit team’s results for a subset of the plots measured in 2012 did not differ, on average, by more than 15% in comparison to the measurements taken by the project developer, thus confirming the soundness of the inventory. The audit team also confirmed that data continued to be collected in accordance with the specific requirements of Part III, Section D of the Forest Project Protocol. Finally, the verification team traced the process of incorporation of data into the inventory, from initial collection by field personnel to incorporation into the Access database containing the inventory, and performed data checks throughout the process for a total of four plots (two plots from 2011 and two plots from 2012). No discrepancies were identified through this review.

Quantification of biomass was conducted using the same procedures used to quantify biomass for the baseline scenario (see Section 3.2.6.1 of this report for a discussion). As with carbon stocks in the baseline scenario, the audit team was able to confirm that values were compiled correctly to the stratum level through the use of Access; that correct factors were used to calculate carbon mass for each tree and summarize these values to the project level; and that summary carbon values were appropriately transferred from the Access database to reporting worksheets.

It should be noted that, as described in document “Carbon Project Inventory at Pondosa: 2012 Update” (see Section 2.2 of this report), information from inventory data collected in 2012 was used in the estimate of onsite carbon stocking as of 31 December 2011. While this practice may appear unorthodox at the outset, the audit team agrees that it is a reasonable method for accounting for harvest during 2011. In this case, the plots installed in 2011 and 2012 were located within stands that were harvested in 2010 and 2011 as part of the Kemp and Gopher Gulch THPs. Given weather-induced constraints with respect to the installation of inventory plots in the project area in December, measurement of such plots during

the following year is a sensible alternative. As described in document “Carbon Project Inventory at Pondosa: 2012 Update”, plots measured after 1 July 2012 were “back-cast” to 31 December 2011, thereby ensuring that carbon sequestration has not been overestimated in the project scenario.

As required by Part III, Section D, Step 9 of the Forest Project Protocol, the sampling error of the inventory was quantified for the inventory of fall and winter 2008, as reported in document “Initial Carbon Inventory and Back-Cast on Conservation Easements at Pondosa” (see Section 2.2 of this report). The audit team was able to review the SQL code, and observe replication of the process, for quantification of sampling error (at the 90% confidence level) for each stratum. The audit team can confirm that overall sampling error has been quantified using the correct method where stratified sampling is involved, and that the overall sampling error, as reported in document “Initial Carbon Inventory and Back-Cast on Conservation Easements at Pondosa”, conforms to the requirements of the Forest Project Protocol. The audit team agrees that, because this value is lower than 5%, no confidence deduction is required.

As a last step, the quantification of baseline emissions for each year required interpolation between years for which measured carbon stock data were available. The audit team confirmed that the interpolation procedure employed was reasonable and correctly implemented.

3.2.6.3 Summary of GHG emission reductions or removals

Quantification of GHG emission reductions and removals was conducted in accordance with Part III, Section F of the Forest Project Protocol and reported in document “Carbon Project Inventory at Pondosa: 2012 Update” (see Section 2.2 of this report). In this document, values in the “Total” column are project carbon stocks (as inventoried) for the respective years, while values in the “Accumulated” column are the cumulative GHG emission reductions and removals. The audit team confirmed that the quantification of these values is correct, and that all mandatory factors were duly utilized. The GHG emission reductions and removals were also reported by vintage, through the interpolation process previously described. The quantity of GHG emission reductions and removals associated with each vintage were reported within an Excel workbook that was provided for review by the audit team, and the audit team confirmed the correctness of the quantification process. The periodic GHG emission reductions and removals, as confirmed by the audit team, are provided in Section 4 of this report.

3.2.7 *Quantification of entity biological emissions*

As required by the Part II, Section D of the Forest Project Protocol, entity-level biological emissions were quantified and reported in document “Combined Carbon Inventories at Pondosa” (see Section 2.2 of this report). Entity-level biological emissions were quantified as the sum of project biological emissions, as described in Section 3.2.6.2 of this report, and emissions from the area outside the project boundary but inside the entity boundary (termed the “off-easement” area by the client), as reported in document “Initial Carbon Inventory and Back-Cast Outside of the Conservation Easements at Pondosa” (see Section 2.2 of this report). Emissions from the off-easement area were quantified in a similar manner to project emissions, as discussed in Section 3.2.6.2 of this report. The audit team affirms that values reported for off-easement emissions appear reasonable, considering in particular the harvesting that has occurred in the off-easement area. The audit team can also confirm that interpolation between measured values has occurred in a reasonable fashion, and that the addition of project and off-easement biological emissions has been correctly done. Finally, the audit team can confirm that the biological emissions for off-easement area, and for the entity as a whole, have been appropriately reported in the format required by

the Reserve for each year from 2007 through 2011. The identity of the signatory to these reports is the same as for the Attestation of Regulatory Compliance form, and the appropriateness of this signatory is discussed in Section 3.1.7 of this report.

3.2.8 Quantification of entity non-biological emissions

As required by Part II, Section D of the Forest Project Protocol, entity-level non-biological emissions were quantified and reported in a series of reporting workbooks. Mobile combustion emissions constituted the only category of emissions required to be reported by the General Reporting Protocol.

It was noted during the course of audit activities that the project developer does lease an office space in McCloud, California. However, Section 11.2.8 of the General Reporting Protocol states that “if the organizational boundary approach is either the equity share approach or the financial control criterion under the management control approach, then reporting the emissions from a facility/source with an operating lease is optional.” As the project developer is reporting on an equity share approach, and the office space is under an operational lease, the reporting of emissions associated with that office space is optional. The audit team was provided with an email, dated 26 September 2012 and issued by Robert Z. Lee of the Reserve, in which Mr. Lee confirmed the above interpretation of the General Reporting Protocol.

In order to confirm the quantification of mobile non-biological emissions, the audit team reviewed invoices for fuel usage during the reporting period. All calculations were reviewed and no material discrepancies, errors or omissions with respect to the guidance of the General Reporting Protocol were detected.

3.2.9 Identification of leakage

As required by Part II, Section H of the Forest Project Protocol, an activity-shifting leakage assessment was performed and documented within the document “Annex D - Standardized Questions for Initial Leakage Assessment at Project Initiation”. The audit team can confirm, as stated in the document, that the long-term management plan (as described in Section 3.1.5 of this report) for the project area is separate from the plan for the remainder of the entity's California holdings. The audit team agrees that the carbon stocks on the remainder of the entity's California holdings are not likely to change as a direct result of the project. The audit team also agrees with the assertion, made on each of the monitoring reports submitted for the reporting period, that activity-shifting leakage has not been detected.

4 VERIFICATION CONCLUSION

The audit team affirms, with a reasonable level of assurance, that the GHG emission reductions and removals set out below have been quantified in accordance with the verification criteria, as set out in the guidance documents referenced in Section 1.2 of this report. Furthermore, the audit team affirms, with a reasonable level of assurance, that the project was in compliance with the verification criteria described above for the duration of the reporting period described in Section 3.1.4 of this report.

Vintage	Baseline Emissions (t CO ₂ e)	Project Emissions (t CO ₂ e)	GHG Emission Reductions/Removals (t CO ₂ e)
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2006	(1,208,926)	(1,208,926)	-
2007	(1,181,546)	(1,270,414)	88,868
2008	(1,159,642)	(1,319,603)	71,094
2009	(1,137,737)	(1,317,748)	20,049
2010	(1,115,833)	(1,315,892)	20,049
2011	(1,093,929)	(1,314,036)	20,048