

At The Conservation Fund,

we believe that well-managed forests can be both economically viable and ecologically sustainable. On California's North Coast, we are applying a new approach to forest conservation that balances environmental restoration and stewardship with the economic imperatives of ownership and the desire to sustain the local timber economy. Since 2004, with the help of our public and private partners, we have protected more than 100,000 acres of forestland as part of our North Coast Forest Conservation Initiative. Of these protected forests, we own and manage more than 54,000 acres: the Garcia River, Gualala River, Big River and Salmon Creek forests. We seek to demonstrate that large, understocked tracts of coastal forest can be returned to ecological and economic viability through patient, adaptive management by a nonprofit organization, in partnership with private and public entities and community stakeholders.

We invite you to learn more about the major accomplishments, challenges and activities of our program in 2012. Our success results from strong support among a diverse set of partners—neighbors, local businesses, government agencies and conservation groups. Thank you for your interest and support!



Caspar Index	2010	2011	2012
Timber harvest acreage	857	291	994
Volume of logs removed (net board feet)	5,329,000	956,280	5,130,000
Number of log trucks	1,250	225	1,285
Carbon offsets: Climate Reserve Tonnes generated and verified	739,762 metric tons of CO2 reductions	375,065 metric tons of CO2 reductions	960,881 metric tons of CO2 reductions
Cumulative miles of roads covered in Sediment Source Assessments	450 All major roads have now been assessed on Big River, Salmon Creek and Garcia River forests.	450 All major roads have now been assessed on Big River, Salmon Creek and Garcia River forests.	Assessment planning on Gualala River forest is underway.
Approximate cubic yards of sediment saved through road improvement projects	30,663	21,472	30,885
DFG salmonid spawner survey reaches sampled	5	5	6
Numbers of logs added to streams to improve salmonid habitat	0	266 (Signal Creek, North Fork Garcia River, Little North Fork Big River)	484 (North Fork Garcia, Inman Creek, Salmon Creek)
Number of instream remote water temperature monitoring stations (Hobo Temps)	38	38	38
Lowest summer stream temperature (Mean Weekly Average Temperature)	46F (Upper Two Log Creek in Big River)	48F (Upper Two Log Creek in Big River)	50F (Upper Two Log Creek in Big River)
Highest summer stream temperature (Mean Weekly Average Temperature)	75F (Main stem Big River at easternmost property line)	70F (Main stem Big River at easternmost property line)	67F (Main stem Big River at easternmost property line)
Northern spotted owl activity centers	32	32	34
Northern spotted owl successfully fledged	5-Garcia, 3-Big River/ Salmon Creek	1-Garcia, 2-Big River/ Salmon Creek	1-Garcia, 3-Big River/ Salmon Creek
Barred owl activity centers detected	3-Garcia, 1-Salmon Creek	3-Garcia, 1-Salmon Creek	3-Garcia, 2-Salmon Creek
Miles of roads treated to reduce invasive weeds	3	34	2
Estimated local economic contribution (employment, contractors, purchases)	\$3.9 million	\$2.8 million	\$4.5 million
Number of participants in the recreational access program (pedestrian, equestrian and hunting)	32	31	62
Public tours offered on the property	12	10	7

2012 HIGHLIGHTS:

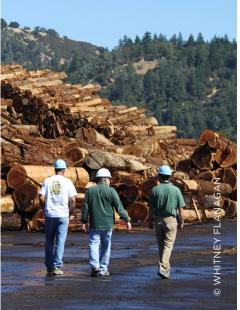


Celebration

In May, the Fund and its partners—Save the Redwoods League, The Nature Conservancy, Redwood Forest Foundation and Mendocino Land Trust—celebrated at the Ten Mile Ranch, to mark the closing of the Usal Forest Conservation Easement and acquisition of the Gualala River Forest. The Wildlife Conservation Board and the State Coastal Conservancy were the guests of honor. More than 100 agency partners and community stakeholders attended and enjoyed the views from the Ten Mile Ranch out to the MacKerricher State Park coastal dunes, while picnicking and listening to live bluegrass music.



TCF Timberland Manager, Scott Kelly, Redwood Empire Forestry Manager, Gerald Garvey and TCF Forest Carbon Analyst, Jordan Golinkoff tour Redwood Empire Sawmill in Cloverdale, CA.



Timber Harvests

2012 was a busy and productive year for harvesting operations with 5,130,000 net board feet harvested on Big River and the Garcia River forests. On Big River, we operated three timber harvest plans (THPs)—Elephant Seal, Piccolotti and Laguna. On Garcia, we resumed two old THPs, Lower North Fork #2 and Upper North Fork. As planned, we deferred all harvest on Salmon Creek. We were able to take advantage of the export market for fir and whitewoods, although high gas prices and a shortage of truckers for log hauling increased trucking rates, resulting in modest net returns. For 2013, we anticipate completing the Coombs Gulch, Elephant Seal, Laguna and Picolotti THPs on Big River and the Hollow Tree THP on Garcia. Additional THPs may be operated following approval of our Option A (California Forest Practice Rules—Maximum Sustained Production of High Quality Timber Products).

None of this would be possible without a healthy forest industry. We offer our heartfelt thanks to our primary customers: Agwood Mill & Lumber, CW Wood Products, Humboldt Exports LLC, MDI Inc., Mendocino Forest Products, and Redwood Empire.

2012 ANNUAL REVIEW



Salmon habitat restoration projects are a high priority for the Fund. The salmon populations increased in 2012 because of favorable ocean conditions and wet winters in 2010 and 2011.

Restoration and Enhancement

With the help of several key partners, including the California Department of Fish and Wildlife and The Nature Conservancy, we made significant progress toward improving salmonid habitat—both now and into the future. By strategically adding logs to our waterways, we formed pools and cover that immediately benefit the fish, which can hide and rest in these safe havens. The pools also increase stream complexity and diversity and eventually lower stream temperature, making the waters healthier

habitat. This takes advantage of recent techniques using unanchored wood, which provides for a dynamic river system and reduces project cost and permit complexity. Upgrading our road infrastructure to avoid sediment delivery is our highest long-term priority and an absolute necessity, if we want to see the return of healthy fish populations. To date, we have improved 135 miles of roads, preventing the release of sediment equivalent to 13,678 dumptruck loads.

SOME HIGHLIGHTS:

North Fork (Garcia): With cost-share funding from The Nature Conservancy, the North Fork Garcia Large Wood Habitat Enhancement Project Phase II was completed with the installation of 37 pieces of large wood along 1 mile of the active river channel.

Inman Creek Phase II (Garcia): Sediment control and large wood installation project, cost-share funding from the Department of Fish and Wildlife. For the completion of the large wood project, 123 pieces of large wood were placed along 3.7 miles of creek. On the roadwork portion of the project, an estimated sediment savings of 10,230 cubic yards was achieved through road upgrading treatments at 15 sites and road decommissioning treatments at 57 sites and approximately 3.3 miles of forest road.

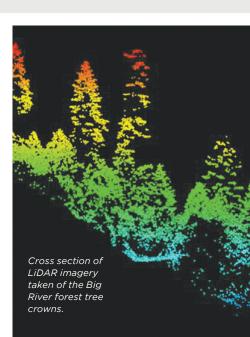
Blue Waterhole (Garcia): Road upgrade project, included road upgrading treatment at 53 sites, preventing a total of 10, 344 cubic yards of potential sediment delivery.

East Branch Little North Fork (Big River): Road upgrade project, funded by the S.D. Bechtel Jr. Foundation, completed upgrading of 55 sediment delivery sites. 17 culverts were replaced. 11 sites were treated for fill or bank stabilization and 30 sites were improved for road stability including eight rock armored fills. This project will prevent 8,800 cubic yards of sediment delivery.

Big Salmon Creek (Salmon Creek): Large wood installation project, cost-share funding from the Department of Fish and Wildlife. During implementation, 323 pieces of large wood were placed along 6.4 miles of creek.

Light Detection and Ranging (LiDAR) and High-Resolution Imagery

LiDAR and high-resolution imagery has been collected over the Garcia River, Gualala River, Big River and Salmon Creek forests. The LiDAR data was used to create a highly detailed digital elevation map and a Canopy Height Model over the entire forest. These two data products are critical tools for managing our forests. To leverage this data even further, the Fund used the LiDAR data to develop a new method to segment the forest for inventory and management purposes. This new forest inventory allows the Fund to more precisely evaluate and quantify the volume of merchantable timber, the carbon sequestered in trees, and the habitat available for animals in our forests. The Big River and Salmon Creek portion of this project was funded by the S.D. Bechtel Jr. Foundation.



Educational Tall Ship

In 2012, The North Coast program donated 73 Douglas fir logs-more than half a mile of lumber-from our Big River Forest to the Educational Tall Ship project. This Forest Stewardship Council-certified lumber will be the principal wood used in the 19th century-inspired tall ship's construction and will make up more than 50 percent of the vessel's structure. The Educational Tall Ship will provide unique learning experiences to more than 10,000 students each year in the San Francisco Bay Area. Over the next 18 to 24 months, beginning when the keel is laid, the vessel will be built with help from Sausalito and Bay Area shipwrights, carpenters, marine technicians, volunteers and students. During the building process, the construction site will be open to students and the general public. Check out this link to find out what's happening with the ship's construction now: https://twitter.com/SFTallShip.



The sun peaks through a group of California Black Oaks, a native oak on the Garcia River Forest whose acorns provide critical food for wildlife (above).

Forest Certification

In November 2012, the North Coast Program achieved a five-year re-certification from the Forest Stewardship Council (FSC) and Sustainable Forestry Initiative (SFI) programs—the two strictest and most comprehensive standards for forest management available. In addition, the Fund actively participates in the California SFI Implementation Committee. The Fund welcomes comments and suggestions regarding our forest certification. Full audit reports are available at: www.conservationfund.org/our-conservation-strategy/ focus-areas/forestry/north-coast-conservation-initiative/



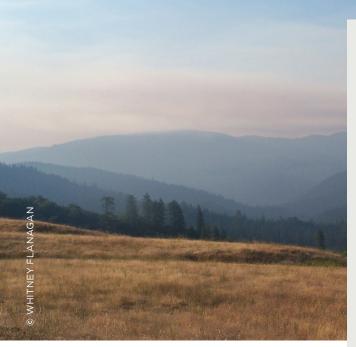
The Educational Tall Ship project is constructing a 124-foot brigantine that will provide hands-on education for kids and adults, during construction and after completion.

Stewardship Permit Access Program

2012 was another successful year for our permit-based pedestrian access program in the Big River and Salmon Creek forests, which was launched to provide access, cultivate stewardship and increase surveillance on the property. Our permit-based equestrian program in the Salmon Creek forest completed its fourth year. We are pleased with the community response to the access programs and will continue to work to expand the number of participants.



2012 ANNUAL REVIEW



Morning haze on Garcia River Forest (above).

Climate Action

The Garcia River Forest, Gualala River Forest and the Big River and Salmon Creek Forests are carbon offset projects registered with the Climate Action Reserve (CAR) and verified by Scientific Certification Systems. In 2012, the forests produced 960,881 metric tons of verified emission reductions. The Fund's projects are now responsible for more than 71 percent of the total carbon offsets (called "Climate Reserve Tonnes" or "CRTs") issued to forestry projects registered under the CAR protocols. To date, the Fund has sold, or has contracts to sell, more than 3,318,269 CRTs, Sale of these offsets has provided significant additional financial support for the forests, enabling us to accelerate restoration activities and defer harvests when log prices are low. Additional references and project documents are available on the CAR website, www.climateactionreserve.org, and numerous publications are available on our website.



In Memory

In 2012, the North Coast Program lost a dear friend. Longtime Program Manager Jenny Griffin passed away after an extended battle with cancer. She is survived by her wife, Sheila Semans, and the many important conservation projects she nurtured and shaped that will enrich our landscape forever. It was an honor to work with her, and we will always remember what she taught us about passion for the outdoors, commitment to communities, and the power of hard work.

Sustaining Our Forest, Sustaining Our Community



Bill Piper, Scott Kelly and Colin Hughes review plans for a Garcia River Forest road construction project (above)

Our approach to forest conservation includes a desire to sustain the local timber economy. Our success stems from our consistent, dedicated team of employees and contract consultants. The North Coast program has contributed more than \$20 million to the local economy since our project began in 2004, working with over 100 local businesses. A local business and

primary contractor to the Fund are father and son, Bill and Robert Piper of Piper Logging. The Pipers have been working with the Fund since the purchase of the Garcia River Forest in 2004. In the past eight years, they have carried out extensive road upgrading and road decommissioning projects, preventing the equivalent of 8,879 dump truck loads of sediment from entering the watershed.

Robert Piper (left) has worked in the forests of Mendocino County with his father (in photo, far left) for more than 25 years.

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2012 ANNUAL REVIEW 6

Acknowledgments

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North Coast Regional Water Quality Control Board

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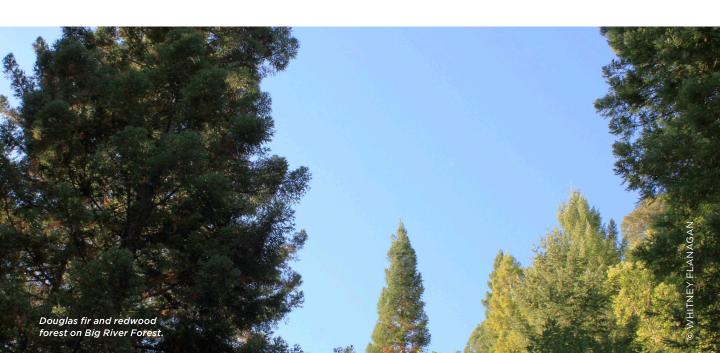
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Contact Us

Please see our website for more information on the North Coast Forest Conservation Initiative: www.conservationfund.org

Detailed monitoring reports are also available by topic from our office in Caspar, CA:

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CONSERVATION FUND

Cover images: Redwood Forest, CA (top). © CARR CLIFTON

Gualala River Forest, CA (left)
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Did you know...The forest industry supportions in the U.S.? Watch out

The forest industry supports more than 900,000 jobs in the U.S.? Watch our video, *North Coast Conservation Initiative*, and learn more at:

www.conservationfund.org/ north-coast-conservation-initiative.

