



National Alliance of Forest Owners
Investing in the Future of America's Forests

2009 Annual Report





National Alliance of Forest Owners

In 2007, a group of private forest owners began discussing the specific and growing needs of the forest owner community in Washington, D.C. By late 2007, they formed the structure and leadership of the National Alliance of Forest Owners (NAFO). NAFO was incorporated in March 2008 and became an operating organization that June. NAFO's mission is to advance federal policies that promote the economic and environmental values of privately-owned forests across the nation.

NAFO includes 54 members representing over 75 million acres of private forestland in 47 states. NAFO is a leader in climate change, renewable energy and environmental policy and is working with diverse organizations to advance the interests of working forests as a national priority. NAFO has played a leadership role in the development of climate change and renewable energy legislation in Congress and advancing the role of renewable forest biomass in the policies of the Administration.

NAFO is committed to helping policy makers understand that working forests are essential to the nation's natural resources infrastructure and key to addressing some of the highest priority issues facing our nation today. Whether providing

the basis for nearly 3 million jobs producing forest products, removing enough carbon from the atmosphere to offset 15% of industrial carbon emissions or providing a critical source of fuel to meet our country's renewable energy objectives, the private forests owned and operated by NAFO's members play an increasingly important role in policies affecting the future quality of life of all Americans.

NAFO recognizes that no organization can influence national policy alone. For this reason, NAFO actively seeks diverse partnerships to accomplish its core mission. NAFO and its members are leading participants in coalition efforts to promote the role of forests and the products they produce to reduce greenhouse gases, to establish a viable policy roadmap for the use of forest biomass for renewable energy, and to align federal policies around the concept that existing and emerging markets are critical to conserve working forests on the landscape for the long term. NAFO also works closely with state forestry associations to leverage their considerable experience and expertise in the development of federal policy.

Today NAFO's strong membership, focused agenda and a commitment to partnerships provides a solid foundation for success. NAFO is well positioned to continue its advocacy on behalf of a broad spectrum of forest owners across the nation.

NAFO Mission Statement

The National Alliance of Forest Owners (NAFO) will protect and enhance the economic and environmental values of privately-owned forests through targeted policy advocacy at the national level.

Photo courtesy of Potlatch Corporation, Spokane, Washington

Message from the Chairman

This has been a remarkable year of growth and opportunity for NAFO. Building on the momentum of the previous year, NAFO anticipated that 2009 would test the effective strength of the organization we built together. The results of our efforts speak for themselves.

Through the continued support and commitment of our members, our accomplishments in 2009 exceeded our goals. Our membership grew to exceed 75 million acres of private forestland in 47 states, enabling us to speak with a national voice. We developed strong relationships with our forestry allies and forged new partnerships with leaders in the conservation, ENGO, and energy communities. We established ourselves as a leader in the conservation of private forests and built solid relationships with key policy makers in Congress and the Administration. This has enabled us to significantly advance our renewable energy and climate change priorities.

Our operating model is to have a focused and disciplined agenda executed by a capable and committed staff and supported by an engaged membership. Our value to our members comes from clearly analyzing our political environment, establishing clear and achievable goals, developing strategies that optimize our opportunity for success, and holding ourselves accountable for results.

Looking forward in 2010 and beyond, NAFO will continue to grow and succeed. We are proud of our accomplishments and anticipate another remarkable year as NAFO continues to invest in the future of America's forests.

Sincerely,



Matthew Donegan

Chairman, National Alliance of Forest Owners

Co-President, Forest Capital Partners, LLC



Matt Donegan
Chairman



Forest Fact

NAFO members have land in 47 states and 172 congressional districts encompassing 75 million acres.

Setting Clear and Focused Policy Priorities

NAFO's approach to policy advocacy is to focus on a few priorities and manage them well. As NAFO enters 2010, it continues to focus on four advocacy priorities: working forests, climate change, renewable energy, and environmental conservation.

Working Forests

Private, working forests are an increasingly critical part of our natural resource infrastructure. They are fundamental to a strong economy, a clean and healthy environment and achieving national objectives like addressing climate change and developing new domestic sources of low carbon, renewable energy. NAFO is working with a broad coalition of partners to advance policies that support existing and emerging markets, conservation investments and improvements to the tax code to strengthen the long-term economics and public benefits of working forests.

Environmental Conservation

America's private forests are vital to a clean and abundant water supply, healthy wildlife habitat, and other important public benefits. NAFO is working with federal agencies to ensure that policies seeking to maintain these benefits, particularly those involving water quality, are carefully crafted to preserve an appropriate balance between public benefits and cost-effective forest management

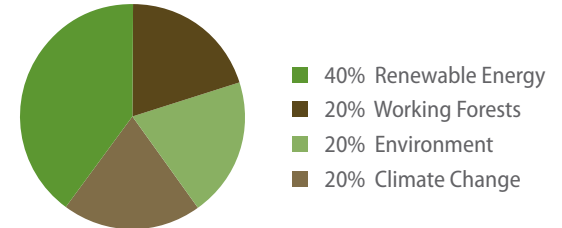
Climate

America's private forests and the products they produce are vital to any discussion of climate change because of their unparalleled ability to help reduce and manage greenhouse gases in our atmosphere. NAFO's advocacy focuses on advancing the contributions of forests to efficiently reduce carbon in the atmosphere through a robust offsets program, provide an energy alternative to high carbon fossil fuels, and promote the use of wood as a preferred green building product over more carbon-intensive building materials.

Renewable Energy

NAFO supports the development of renewable energy from forest biomass to achieve domestic energy security and independence as a national priority. NAFO is pursuing federal policy that captures the full contribution of forest biomass as a key component of our national renewable energy infrastructure and to fully recognize its benefits as a cost-effective substitute for fossil fuels.

Percentage of NAFO Resources Devoted to Each Policy Priority



More information on all of NAFO's policy advocacy priorities is available at www.nafoalliance.org/policy-issues.

Advocacy Successes

In 2009, NAFO succeeded in advancing its renewable energy and climate change priorities, including:

- An inclusive definition of renewable forest biomass for energy and favorable carbon offsets language in the House-passed American Clean Energy Security Act (Waxman-Markey).
- Incorporation of NAFO suggestions in the EPA's final Renewable Fuel Standard rule.
- Stimulus measures to extend favorable provisions and provide new incentives for renewable energy project development.
- Senate legislation recognizing the positive role of domestic forests in mitigating greenhouse gases.

Economic Snapshot

In Oregon alone, private, working forests support 120,000 jobs and \$4 billion in payroll.²

²Forest2Market, *The Economic Impact of Privately-Owned Forests*, 2009

NAFO's success is propelled by an active, engaged membership. In 2009, NAFO's leadership met with 68 Congressional offices and senior Administration officials, including U.S. Secretary of Agriculture Tom Vilsack and Council on Environmental Quality Chair Nancy Sutley.

NAFO's success is propelled by an active, engaged membership.

The engagement of NAFO's members in these meetings has been vital to help policy makers understand the important contributions of private forests in national policy and the impact of decisions made in Washington on constituents back home. The result is better public policy for private forest owners and a greater opportunity for private forests to continue providing valuable public benefits.



Forest Fact

The typical 2,500-sq ft wood-frame home has enough carbon stored in its structure to offset driving an average passenger car for five years.¹

¹FPInnovations, *Wood and Climate Change*, 2008

Building Effective Partnerships

Successful partnerships are fundamental to NAFO's success. In 2009, NAFO's partnerships included environmental NGOs, wildlife conservation groups, customers, energy interests, professional and state organizations and the research community. For example, NAFO's expansive coalition of 76 groups united behind an inclusive definition of forest biomass in renewable energy legislation proved invaluable to advocacy efforts in the House of Representatives and the Senate.

Successful partnerships are fundamental to NAFO's success.



Going forward NAFO will continue to work with groups who have shared interests. Working together, we can leverage assets to achieve our common advocacy goals of sustaining private working forests and the public benefits they provide.

Forest Fact

The standing inventory (volume of growing stock) of hardwood and softwood tree species in U.S. forests has grown by 49 percent between 1953 and 2006.²

²Society of American Foresters, *State of American Forests*, 2007

National Wood-to-Energy Roadmap

NAFO is a core member of the National Wood-to-Energy Roadmap design team convened by the 25x25 coalition. The group's goal is to craft a consensus roadmap of policy recommendations for using forest biomass for renewable energy, while maintaining sound forest practices and supporting traditional forest product markets.

Forest Carbon Standards Committee (FCSC)

NAFO is a founding member of the FCSC, a diverse group of organizations established to develop a uniform standard for forest carbon measurement and accounting in carbon mitigation in the United States and Canada. The FCSC is developing the standard in accordance with the requirements of the American National Standards Institute (ANSI) and the Standards Council of Canada, two highly regarded standard setting organizations. A uniform policy based on science will benefit forest owners, climate program administrators, consumers, and the environment.

Forest-Climate Working Group (FCWG)

NAFO is a leading member of the FCWG, a broad coalition of groups representing forest owners, conservation, wildlife, industry and professional interests created to promote the role of private forests in federal climate change policy. The FCWG has been successful in advancing legislation in the United States Senate, and establishing a prominent role for forests and forest products as an offset to greenhouse gas emissions. NAFO's involvement in the FCWG has helped a diverse group of interests speak with a clear and unified voice.

Working Forests Coalition

In 2009 NAFO joined with the U.S. Endowment for Forests and Communities, the American Forest Foundation and The Conservation Fund to establish the Keep Working Forests Working Coalition. The coalition brings together a broad range of interest groups including environmental NGOs, wildlife conservation, forest landowners, and other parties to promote working forests as a fundamental part of the nation's natural resources infrastructure. The coalition is developing policy recommendations to strengthen existing and emerging

markets for forest products, support and align public and private investments in working forests, and align government policies to support the long-term viability of working forests.

The coalition is a unique and new effort to proactively demonstrate broad agreement behind the public value of private forests and the need to pursue long-term forest conservation through viable markets, incentives and public investment.



Photo courtesy of Malpus Woodlands Group, Jackson, Mississippi

The Economic Impact of Working Forests

A highlight of NAFO's communications research was a joint effort with Forest2Market to document the per-acre economic impact of working forests in 29 states. The study provides data on jobs, taxes, sales, payroll and contribution to GDP.

This new and vital advocacy tool tells the story of how private forests drive local, state and national economic activity. Forest owners across the nation are now using this report to demonstrate their own economic relevance to policy makers.

The study, complete with an interactive map, is available at www.nafoalliance.org/economic-impact-report/.



Photo courtesy of Potlatch Corporation, Spokane, Washington

Building Strength Through Political Action, Grass Roots and Communications

Political Action

NAFO's advocacy efforts span all three branches of government, with a specific focus on Congress and the Executive Branch. NAFO is actively leveraging strategic communications and targeted political action with its advocacy efforts.

NAFO's Political Action Committee (NAFO PAC) launched in late 2009. NAFO PAC allows NAFO members to contribute to the election campaigns of candidates for federal office who understand and support working forests and the benefits they provide our industry, our communities, our environment, and the public at large.

PACs are a proven and effective way to participate in the political process, and NAFO PAC will strengthen NAFO's advocacy work for private forest owners. Participation in NAFO PAC allows members to pool their resources together and speak with one voice. This united voice can be more effective than any single voice.

Grass Roots and Communications

NAFO understands that policy makers in Congress respond best to informed constituents who understand the local implications of national policy. In 2009 NAFO focused on developing quality grass roots and media communications to Congress and the Administration, including:

- Broad-based coalition letters demonstrating national and local support for an inclusive definition of renewable biomass
- Providing member companies and associations with information on town hall meetings and other venues where they could deliver messages on NAFO priorities
- Enhanced website and web communication so that policy makers, media, and stakeholders can easily find and use NAFO's resources.

Congress responds best to informed constituents who understand the local implications of national policy.

NAFO's communication efforts incorporate sound, independent research to support its advocacy mission. NAFO worked with researchers in 2009 to develop the following products used in advocacy:

- Analysis of the environmental and economic concerns that some stakeholders have raised about the use of renewable forest biomass for energy
- Predictions of landowners' behavior with new renewable forest biomass energy markets
- Documentation of the economic impact of private working forests

Forest Fact

The EPA has concluded that there is "scientific consensus.... that the carbon dioxide emitted from burning biomass will not increase CO₂ in the air if it is done on a sustainable basis."³

³US Environmental Protection Agency. 2007. *Inventory of U.S. greenhouse gas emissions and sinks: 1990-2005*. EPA 430-R-07-002.

2009 Budget Focus and Expenditures

NAFO seeks to return maximum value to its members. With this in mind, sound financial management and targeted, strategic spending has enabled NAFO to remain on solid financial ground. NAFO maintains an operating reserve to cover unanticipated changes to expenses or revenues, has minimal current liabilities, and retains no long term debt.

Statement of Financial Position

December 31, 2009

ASSETS

Current Assets	\$17,265
Investments	\$1,007,88
Fixed Assets	\$17,354
Other Current Assets	\$10,042

TOTAL ASSETS **\$1,053,223**

LIABILITIES & NET ASSETS

Current Liabilities	\$227,943
Net Assets	\$825,281

TOTAL LIABILITIES & NET ASSETS **\$1,053,223**

2009 Expenditures

Administration	10.47%	\$206,353
Advocacy	74.27%	\$1,532,980
Strategic Communications	10.15%	\$158,997
Meeting Expenses	5.10%	\$87,890
Total Expenses	100.00%	\$1,986,220

Note: Figures are unaudited



Forest Fact

For the past 100 years, the amount of forestland in the United States has remained relatively stable, at around 755 million acres, thanks to improvements in markets for forest products and reforestation efforts.⁴

⁴ Society of American Foresters, *State of America's Forests*, 2007.

Photo courtesy of Potlatch Corporation, Spokane, Washington

NAFO Leadership

2010 Executive Committee

Matthew Donegan, *Chairman*
Forest Capital Partners, LLC

Rick Holley, *Vice Chairman*
Plum Creek

Dan Christensen
Hancock Natural Resource Group

Bruno Fritschi, *Secretary/Treasurer*
Resource Management Service, LLC

Dan Fulton
Weyerhaeuser Company

Rick Weyerhaeuser
The Lyme Timber Company

Ray Dillon
Deltic Timber Corporation

NAFO Staff

David Tenny, *President and CEO*

Catherine Karen, *Vice President for Government Affairs*

Dan Whiting, *Director of Communications*

Caroline Owens, *Association Coordinator*

Carmel Hall, *Association Associate*

Forest Fact

U.S. forests annually sequester carbon equivalent to 15% of U.S. emissions from burning fossil fuels.⁴

⁴ US Environmental Protection Agency. 2009. *Inventory of U.S. greenhouse gas emissions and sinks: 1990-2007*. EPA 430-R-07-002.

Photo courtesy of Molpus Woodlands Group, Jackson, Mississippi

NAFO Membership

NAFO members encompasses 75 million acres and the entire breadth of forest owners, from the family forest owner to the nation's largest landowners. Together, forest owners share the same goal—to maintain sustainable, working forests that provide public benefits for the long term.

Alabama Forestry Association (*Montgomery, Alabama*)

Arkansas Forestry Association (*Little Rock, Arkansas*)

Association of Consulting Foresters (*Alexandria, Virginia*)

California Forestry Association (*Sacramento, California*)

The Campbell Group (*Portland, Oregon*)

Deltic Timber Corporation (*El Dorado, Arkansas*)

Empire State Forest Products Association (*Rensselaer, New York*)

Florida Forestry Association (*Tallahassee, Florida*)

Forest Capital Partners (*Portland, Oregon*)

Forest Investment Associates (*Atlanta, Georgia*)

Forestland Group, LLC (*Chapel Hill, North Carolina*)

Forest Landowners Association (*Atlanta, Georgia*)

Forest Resources Association (*Rockville, Maryland*)

Georgia Forestry Association (*Forsyth, Georgia*)

Giustina Resources (*Eugene, Oregon*)

Global Forest Partners, LP (*West Lebanon, New Hampshire*)

GMO Renewable Resources (*Boston, Massachusetts*)

Green Diamond Resource Company (*Seattle, Washington*)

Hancock Timber Resource Group (*Boston, Massachusetts*)

Idaho Forest Group, LLC (*Laclede, Idaho*)

Intermountain Forest Association (*Coeur d'Alene, Idaho*)

Irving Woodlands, LLC (*Saint John, New Brunswick*)

J.M. Longyear, LLC (*Marquette, Michigan*)

Lone Rock Timber Management Company (*Roseburg, Oregon*)

Longview Timberlands, LLC (*Longview, Washington*)

Louisiana Forestry Association (*Alexandria, Louisiana*)

The Lyme Timber Company (*Hanover, New Hampshire*)

Maine Forest Products Council (*Augusta, Maine*)

Michigan Forest Products Council (*Lansing, Michigan*)

Minnesota Forest Industries (*Duluth, Minnesota*)

Mississippi Forestry Association (*Jackson, Mississippi*)

Molpus Woodlands Group (*Jackson, Mississippi*)

National Woodland Owners Association (*Vienna, Virginia*)

North Carolina Forestry Association (*Raleigh, North Carolina*)

Olympic Resource Management, LLC (*Poulsbo, Washington*)

Oregon Forest Industries Council (*Salem, Oregon*)

Pingree Associates (*Bangor, Maine*)

Plum Creek (*Seattle, Washington*)

Port Blakely Tree Farms, LP (*Seattle, Washington*)

Potlatch Corporation (*Spokane, Washington*)

Rayonier Inc. (*Jacksonville, Florida*)

Resource Management Service, LLC (*Birmingham, Alabama*)

RMK Timberland Group (*Atlanta, Georgia*)

Society of American Foresters (*Bethesda, Maryland*)

South Carolina Forestry Association (*Columbia, South Carolina*)

Starker Forests, Inc. (*Corvallis, Oregon*)

Stimson Lumber Company (*Portland, Oregon*)

Tennessee Forestry Association (*Nashville, Tennessee*)

Timberland Investment Resources, LLC (*Atlanta, Georgia*)

Wagner Forest Management, Ltd. (*Lyme, New Hampshire*)

Washington Forest Protection Association (*Olympia, Washington*)

Wells Timberland REIT (*Norcross, Georgia*)

The Westervelt Company (*Tuscaloosa, Alabama*)

Weyerhaeuser Company (*Federal Way, Washington*)

More information on NAFO membership is available at www.nafoalliance.org/about-nafo/membership.



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2025 M Street, NW
Suite 800
Washington, DC 20036

p: 202.367.1163
f: 202.367.2163
www.nafoalliance.org

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