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Approved Unanimously

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Lacey National Consensus Due Care Defense Standard©

Statement of Intent

The intent of this Standard is to identify “due care” measures that companies can take, thus demonstrating their ability to address requirements of the 2008 amended Lacey Act. 16 U.S.C. 3371-3378.

The individuals and organizations involved in this Standard activity are extremely supportive of the intent of the amended Lacey Act to address illegal logging and commerce in illegally harvested forest products around the world.

We are also aware that there is currently no single document or action representing definitive compliance with Lacey’s due care requirements. However, from a business, international trade, and, even forest conservation perspective it is critical that there is a clearer understanding of actions that will consistently enable business to meet Lacey requirements. Thus, an important purpose of this Standard is to render clarity for expectations and actions, providing business and government globally with greater certainty on the meaning of Lacey Due Care.

This Consensus Standard on due care for Lacey that meets national consensus standard requirements is intended to:

- Enable companies to provide government and other parties with proof of actions to demonstrate that they are achieving Lacey due care and defenses to liability
- Increase compliance with the law
- Protect and enhance the forest environment

For a complete, updated list of the organizations involved, latest versions of the draft standard, or other questions, please contact the Capital Markets Partnership (CMP) or go to www.LaceyDueCare.com. CMP is leading this effort in collaboration with many others. CMP is a subsidiary of Market Transformation to Sustainability (MTS). MTS is an ANSI-Accredited Standards Developer.



Acting Now for a Safe and Prosperous Tomorrow



CONTENTS

1.	Standard Purpose, Scope, Background & Definitions	3
1.1	Purpose	3
1.2	Scope	3
1.3	Background & Successful Precedent	3
1.4	Technology Transfer Act Obligation for Government to Adopt Consensus Standards	4
1.5	Administrative Procedure Act Rulemaking Petition Option With Judicial Review	4
1.6	Standard Intent to Constitute a Legal Opinion	4
1.7	Standard Incorporation of Leadership Standards	4
1.8	Standard Requires Forest Certification and Risk, Legal & Compliance Audits	4
1.9	Definitions	5
2.	Lacey Act Statutory Purpose & Retroactive Application	6
2.1	Statutory Purpose	6
2.2	Unique Value of the Lacey Act	6
2.3	Retroactive Application of Lacey	7
3.	What is the Meaning of Due Care Under the Law?	7
3.1	Statutory Construction	7
3.2	Legislative History	7
3.3	Justice & USDA Guidance	7
3.4	Ninth Circuit Court Jury Instructions	8
3.5	Case law Interpretation of Due Care: Entity's Level of Knowledge & Responsibility	8
3.6	Requirements for Knowing Unlawful Conduct	9
3.7	Requirements for Unknowing Unlawful Conduct	9
3.8	Due Care is Required Over the Supply Chain	9
3.9	Recognizing Potential Violations	9
3.10	Seizure & Forfeiture Due Care Provisions	9
4.	Encouraging Lacey Compliance & Benefits	9
4.1	Standard Intent: Forest Certification Can Protect the Forest Environment as Required by Lacey	9
4.2	Standard Intent is to Satisfy Huge Market Need for a Defined Bona Fide Defense to Liability	10
4.3	Standard Can Reduce Litigation so Resources Can be Used for Standard Compliance	10
4.4	Standard Intent is to Appropriately Shift Liability Away From Entities Certifying to §11	10
4.5	Standard Intent is to Help Stop Irreversible Dangerous Climate Change by Stopping Illegal Logging	10
4.6	Standard Includes Common Law Liability as Does Lacey	10
5.	Rationale for Due Care Requirements & Implications	11
6.	Principles Governing Due Care, Action Plan, & Due Care Charts	11
6.1	Statutory Construction	11
6.2	Case Law	11
6.3	Legislative History	11
6.4	Agency Guidance	12
6.5	Fulfilling Statutory Goal, Intent & Purpose to Stop Illegality & Protect the Forest Environment	12
6.6	Role of Industry Consensus Standards	12
6.7	Forest Certification	12
6.8	Legal Framework for Due Care	12
6.9	Due Care Action Plan	15
7.	Due Care Requirements	16
7.1	Risk Audit	16
7.2	Law & Practices Audit	16
7.3	Compliance Audit	16
7.4	Forest Certification Options: FSC Step 3 / PEFC / Seneca Creek / AHEC	17
7.5	Consistency With Global Illegal Logging Rules	20
7.6	Due Care Flow Charts	21
8.	FSC Step 2 Option	23
8.1	Prerequisites	23
8.2	FSC Certification Requirements	23
8.3	Classification of Wood Product Type	23
8.4	Identification of Wood Origin, Source & Category	23
9.	FSC Step1 Option	24
9.1	Prerequisites	24
9.2	Identification of Wood Origin & Source	24
9.3	Product Must be FSC Certified Product	24
10.	Equivalency Petitions & Burden of Proof	24
11.	Legally Binding Certification to the Standard – Options & Product Marking	24
12.	Amendments & Jurisdiction	26
13.	Non-Mandatory Appendix	26
14.	Mandatory Annex – Discussion of Retroactive Application the Lacey Act	31

Lacey National Consensus Due Care Defense Standard

1. Standard Purpose, Scope, Background & Definitions

- 1.1 The purpose of this Standard is to define Due Care as set forth in the 2008 Lacey Act Amendments making it a crime to sell illegally logged wood. 16 U.S.C. 3371-3378
- 1.2 Scope. The Standard covers wood and paper products.
- 1.3 Consensus standards background and successful precedent. National consensus standards have regulated commerce since the 1850's.

In a similar manner to this Lacey Act Due Care Standard, a consensus standard defines due care under another Federal environmental law: The Comprehensive Environmental Response and Compensation Act (CERCLA or Superfund). Defining statutory due care provisions of Superfund that were codified by the government, is the Phase 1 Environmental Site Assessment Consensus Standard specifying all appropriate inquiry under federal and state environmental cleanup statutes. 73 Fed. Reg. 247 (Dec. 23, 2008), 40 CFR 312.

Due to substantial reduction of risk, uncertainty, and liability the Phase 1 Standard was incorporated by the capital markets into real estate securities and therefore achieved 95% market penetration in five years due to the substantial economic power of the capital markets. *Capital Markets Briefing Paper: Business Case for Commercializing Sustainable Investment* (CMP 2009) <http://webstore.ansi.org/RecordDetail.aspx?sku=ANSI%2FMTS>

As a result of capital markets adoption, the Standard greatly improved the value of commercial real estate, initiated substantial environmental cleanup, and increased and enhanced protection of public health and environment.

Green building securities are a similar real estate capital markets adoption mechanism for this Lacey Due Care Standard given that the greatest amount of wood is used by buildings.

Capital markets adoption of this Lacey Due Care Standard is possible and can provide similar market transformation results as what happened with the Phase 1.

Consensus green building and sustainable product underwriting standards required for national green building financing by the Office of the Comptroller of the Currency and the Federal Housing Finance Agency, recognize Lacey compliance as a valuable attribute increasing cash flow for building owners and manufacturers. Peer reviewed Wall Street due diligence released at the NYSE documented with national statistically valid data, that green buildings are more profitable, less risky, preferred by investors, have top of the market rents, highest occupancy, highest valuation, with this trend increasing in today's