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**March 30, 2012, as amended November 19, 2012**

**This brochure provides information about the qualifications and business practices of GMO Renewable Resources, LLC (“GMO RR”). If you have any questions about the contents of this brochure, please contact GMO RR at (617) 346-7597. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. GMO RR is a registered investment adviser. An investment adviser’s registration with the SEC or any state securities authority does not imply a certain level of skill or training.**

**Additional information about GMO RR also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2. Summary of Material Changes**

There have been no material changes to GMO RR's brochure since the filing of GMO RR's last annual update in March 2012 other than the following:

- In early November 2012, Michael Claridge, previously GMO RR's Forestry General Manager for the Southern Hemisphere, joined Eva Greger and Ian Jolly as part of the GMO RR Executive Team and was appointed GMO RR's Director of Northern Hemisphere Investments and to the GMO RR Board of Governors. In connection with his new role, Mr. Claridge is expected to relocate to Boston from New Zealand as soon as practicable. Mr. Claridge replaces Robert Saul, who notified GMO RR in the first week of November 2012 that he would be leaving the firm (with a transition period ending no later than the second quarter of 2013).

The information contained in this brochure is as of March 30, 2012 unless otherwise noted.

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#### Item 4. Advisory Business

- A. GMO Renewable Resources, LLC (“GMO RR”) was founded in 1997 and furnishes discretionary and non-discretionary investment advisory services predominantly to institutional clients. GMO RR is a Massachusetts limited liability company that is owned by Grantham, Mayo, Van Otterloo & Co. LLC (“GMO”) and certain management personnel of GMO RR (the “Management Members”). GMO owns 51% of the membership interests in GMO RR. The balance of the interests is owned by the Management Members, and no single Management Member owns more than 25% of the membership interests.

GMO RR’s offices include its headquarters in Boston, Massachusetts, and an office in Amherst, Massachusetts. GMO RR’s subsidiaries have offices located in Montevideo, Uruguay and Rotorua, New Zealand. GMO and its affiliates have offices located in Amsterdam, Boston, Berkeley, London, Singapore, Sydney and Zurich. Please see Item 10, “*Other Financial Industry Activities and Affiliations*” for a more detailed discussion about GMO RR’s affiliates.

- B. GMO RR offers investment strategies focused on forestry and agricultural investments. GMO RR’s investment strategies are implemented through advice provided to private pooled vehicles (the “Private Funds”) or through advice provided to separately managed accounts (the “SMAs” and together with the Private Funds, the “Managed Accounts”). The investments of the Managed Accounts are typically private direct investments in special purpose entities holding forestry or agricultural properties and do not involve publicly traded securities. The specific strategies for each Managed Account vary depending on the specific account’s stated objectives and limitations, and may range from investments in a single forestry or agricultural investment to a diversified portfolio of such investments. Please see Item 8, “*Methods of Analysis, Investment Strategies and Risk of Loss*” below for more information regarding GMO RR’s investment strategies.
- C. Where possible and appropriate, GMO RR may tailor its advisory services for investors based on negotiated limitations included in the governing documents of the Managed Accounts. For example, such limitations may include restrictions over the geographical area in which investments may be made, the concentration of investments in any single timber species or crop, the size of any single investment relative to the entire account, maximum anticipated holding periods for investments and similar matters. Please see Item 16, “*Investment Discretion*,” which discusses these and other restrictions relating to GMO RR’s discretionary authority. Limitations on GMO RR’s discretionary authority may result in Managed Accounts that are subject to limitations performing differently (and potentially less successfully) than other Managed Accounts with similar strategies managed by GMO RR without such limitations.
- D. GMO RR does not participate in wrap-fee programs.

- E. As of September 30, 2012, GMO RR had regulatory assets under management of \$1,797,940,589 on a discretionary basis and \$83,506,147 on a non-discretionary basis.

## **Item 5. Fees and Compensation**

- A. The rate of GMO RR's advisory (or management) fee varies with the type of Managed Account and the investment strategy employed. During a Managed Account's investment period, when new investments are being made, GMO RR's advisory fees are generally calculated at an annual rate as a percentage (the "Management Fee Percentage") multiplied by the capital contributed into the account. The Management Fee Percentages range from approximately 0.05% to 1.50% per annum. Following the expiration of a Managed Account's investment period (or any shorter period specified in the account's governing documents), GMO RR's advisory fees are generally calculated at an annual rate of the Management Fee Percentage multiplied by the value of the assets held in the account. While a Managed Account's valuation is generally based on appraisals performed by independent third-party appraisers, such appraisals are based on the appraiser's assumptions and estimates of many factors, including, for example, future market prices of timber and agricultural products generated from the investments and the future costs associated with harvesting and other matters. Any or all of such assumptions and estimates used by the appraiser, may prove to be inaccurate. The frequency of independent third-party appraisals is specified in a Managed Account's governing documents and is generally annual for investments that have been held for at least one year. In certain circumstances, such as when an investment has been held for less than a year or when an investment is under contract for sale at the time an appraisal would otherwise be completed, valuation of those investments may be made using different methodologies, such as investment cost or the contract sale price.

GMO RR also receives performance fees from the Managed Accounts. The performance fees are generally calculated as a percentage (the "Performance Fee Percentage") multiplied by the net cumulative increase (which may include unrealized appreciation based on the appraised value of investment) in the value of the relevant Managed Account's assets above the account's stated "preferred return" hurdle. The hurdles frequently include an inflation adjustment, and the Performance Fee Percentages generally range from approximately 2.00% to 15.00%. Please see Item 6, "*Performance Based Fees and Side-by-Side Management*" below for more information.

For the Private Funds, the terms of the advisory arrangement, including fees and terms of payment are set prior to that fund's first closing, subject to the specific terms of any "side letter" negotiated with individual investors in a Private Fund. Thereafter, such terms generally may be modified only with the consent of GMO RR and at least a majority of the investors in the Private Fund. For SMAs, the terms of the advisory arrangement, including fees and terms of payment are negotiated by the investor prior

to the execution of an advisory contract. Thereafter, such terms generally may be modified only with the consent of GMO RR and the investor.

- B. For all accounts, management fees are typically accrued quarterly and paid in arrears, although SMA clients may request to be billed more or less frequently. Performance fees, if applicable, are typically calculated annually, though such fees may not be distributed to GMO RR at such time, in whole or in part, depending on any applicable distribution hurdles or holdbacks intended to offset potential future underperformance. For the Private Funds, GMO RR typically retains authority to deduct fees due and payable directly from the account. For SMAs, GMO RR does not generally have authority to deduct fees due and payable directly from the account and such fees are billed to, and paid by, the relevant client. However, where appropriate and permitted by an SMA's governing documents, all or a portion of GMO RR's management fees may be paid by one or more entities owned by the account and formed for the purpose of holding the account's forestry and/or agricultural investments. In such cases, the management fees paid by such entities are fully credited against the management fee due from the SMA client. For all accounts, the amount of asset-based management fees is prorated if GMO RR provides advisory services for periods of less than a full payment cycle (*e.g.*, at the beginning or end of GMO RR's engagement to provide advisory services). In all cases, and even if a contract is silent, GMO RR requires that management fees be paid within the calendar year in which they were billed, and with respect to fees billed on December 31 of each year, by December 31 of the following year.
- C. Investors in a Private Fund, indirectly through their participation in the Private Fund, bear all expenses related to the organization of, and the offering and sale of interests in, such fund up to certain maximum amount stated in the fund's organizational documents. Such costs may include legal fees, accounting fees and various filing fees. Other than compensation of GMO RR's personnel and certain other general overhead expenses, investors in a Private Fund, indirectly through their participation in the Private Fund, as well as SMA clients, generally bear all expenses related to the relevant account's investment activities. Such expenses include, without limitation, diligence costs related to the identification of potential investments, legal, accounting or other consulting fees in connection with the acquisition or sale of investments, property management fees, appraisal fees and insurance costs. The types of fees and expenses borne by a Managed Account are described in further detail in the account's governing documents.
- D. Clients do not pay GMO RR's fees in advance.
- E. Neither GMO RR nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

#### **Item 6. Performance Based Fees and Side-by-Side Management**

As described above, GMO RR may be paid an asset-based fee or a combination of an asset-based fee and performance fee. Please see Item 5, “*Fees and Compensation*” above for more information about GMO RR’s fees. To the extent GMO RR charges a performance fee, the client must be eligible and the performance fee must generally comply with the requirements of Section 205 and Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). In situations where GMO RR has entered into a performance fee arrangement, it may have an economic incentive to make riskier investments and/or pursue riskier strategies than it might otherwise. In addition, although all of GMO RR’s discretionary accounts include a performance fee component, the rate of the performance fee, the return hurdle over which the performance fee is payable and other performance fee terms may vary from account to account. As a result, GMO RR faces potential conflicts of interest in allocating investments in that GMO RR may have an incentive to favor accounts for which it receives a higher performance fee. To manage these conflicts, GMO RR seeks to apply an investment allocation approach designed to allocate all investment opportunities fairly and equitably over time. Information regarding these procedures is provided under Item 11, “*Code of Ethics, Participation in Client Transactions and Personal Trading*.”

## **Item 7. Types of Clients**

GMO RR provides investment advice to the Managed Accounts which include a wide variety of investors, including, but not limited to, endowments, foundations, employee benefit plans, governmental entities, taxable corporations, trusts, other institutions and high net worth individuals. The minimum investment size for the Private Funds varies but is generally at least \$10 million. The minimum account size for SMAs varies but is generally at least \$100 million. Minimum account size requirements may be waived at GMO RR’s discretion for employees and other investors that still meet any other minimum qualification criteria for investment (e.g. “accredited investor” or “qualified purchaser” status).

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

- A. GMO RR offers investment strategies focused on forestry and agricultural investments. While individual accounts may have somewhat varied investment criteria, their general investment strategy is to invest opportunistically in a portfolio of forestry and/or agricultural properties with the potential of outperforming the account’s “preferred return” hurdle rate.

In formulating advice and managing assets GMO RR primarily relies on fundamental analysis of potential and existing forestry and or agricultural investments. Such analysis includes valuations of assets using discounted cash flow, comparable sales and replacement cost methods. As appropriate, the analysis may be informed by factors such as forest health, timber volume, timber quality, site quality, soil productivity, suitability for particular crop types, actual property crop production history, availability of farmers to lease or farm on a contract basis, local grain markets and storage capability, rainfall, water rights, market strength, local market log

standards, transportation costs, harvest costs and local regulatory environment, among others. Data for these factors is sourced from in-house databases compiled with information derived from the worldwide property holdings of the Managed Accounts, from information provided by sellers, brokers, local property managers and consultants, as well as public sources for more general items such as timber and agricultural pricing, rainfall and other historical weather data, shipping costs and currency forecasts.

While GMO RR considers a broad spectrum of investment opportunities, including ones marketed in competitive open bid processes, many of GMO RR's investments are focused on properties that are expected to attract less competition by other buyers. This includes properties that have a low level of expected cash flow in the near term (and are therefore not suitable for debt financing); properties located in lesser known areas (including outside the U.S.); and properties that require intensive upfront structuring (such as multi-party transactions). Such properties may then be held until they become more marketable.

Investing in forestry and/or agricultural investments of the type managed by GMO RR (either directly or through securities issued by limited partnerships, limited liability companies or other similar vehicles) involves risk of loss that clients should be prepared to bear.

B. The following section provides a summary of the material risks associated with the forestry and agricultural investment strategies used by GMO RR. This summary is not intended to include every potential risk, and, in fact, the strategies could be subject to additional risks due to the specific types of investments they make and changing market conditions. This summary of the principal risks is qualified in its entirety by the information contained in the strategy's offering materials (if any).

- *Business Competition* – The forestry and agriculture products businesses are large and competitive. Competitive factors may include price, species and grade, crop type, proximity to markets, ability to meet delivery requirements, availability of substitute products, and supply and demand in the relevant market area. Investments made by the Managed Accounts will compete with a number of large, well-financed regional and international forestry and/or agriculture companies experienced in all aspects of these businesses. In addition, in many instances, these competitors will have more experience in the geographic regions where the investments are located.
- *Competition for Investments* – Investing in forestry and agricultural properties, particularly on the scale contemplated by GMO RR's accounts, is a highly competitive enterprise. Identifying attractive forestry and agricultural investments is difficult and involves a high degree of uncertainty. As a result, it is possible that Managed Accounts may not be able to acquire investments that satisfy their rate of return objectives or fully invest their committed capital within the applicable commitment period.



- *Costs of Livestock Care* – The products and services required in connection with the care and maintenance of livestock, including food, veterinary and other health services (including disease prevention and treatment) may be expensive and the costs of such products and services may unexpectedly increase which could adversely affect a Managed Account’s investments.
- *Currency Risk* – Managed Accounts will generally be subject to exposure to currency fluctuations in the countries in which their investments are located. Volatility in international exchange rates can affect pricing and the profit margin on sales from foreign investments. In addition, foreign currencies received with respect to foreign investments may not be freely convertible into U.S. dollars on foreign exchange markets and it may not be possible to fully repatriate out of the various foreign countries U.S. dollars received there. This, in turn, could adversely affect the rate of return on investments. Further, Managed Accounts may encounter difficulty in competing for non-U.S. investments to the extent that valuations in U.S. dollars are behind foreign capital competing for such deals.
- *Environmental Considerations* – The forestry and agriculture industries are subject to extensive environmental regulation in the United States as well as abroad. In recent years, environmental laws in countries outside the United States have become more stringent and enforcement has intensified. It is likely that additional regulations both inside and outside of the United States will become applicable to the operations of investments, resulting in increased costs, reduced operating flexibility and additional capital expenditures which could adversely affect operating results. Additionally, comprehensive environmental reviews of properties under consideration may not always be possible or practicable. It is possible that even where environmental reviews are conducted they will not uncover all potential environmental problems, which in turn could result in significant liabilities.
- *Export/Import Regulation* – There is a possibility that in some countries in which investment properties are located, including the United States, the export or import of timber and/or agricultural products could be taxed, subject to volume limitations, or otherwise discouraged or prohibited by governmental authorities. Such limitations may negatively impact the value of investments.
- *Fire, Weather and Pest Damage to Properties; Potential Climate Change* – Forestry and agricultural properties are subject to a number of natural hazards, including damage by fire, drought, flood, insects and diseases or soil infertility. Severe weather conditions and other natural disasters may also reduce productivity of investments and may interfere with the processing and delivery of products. Similarly, long-term climate changes may negatively affect investment properties. Disease and pest control methods are not always successful and, in addition to posing difficult environmental compliance problems, can be very

expensive. Insurance against loss may not be obtainable, or may not be obtainable at a reasonable cost, and thus investments may not be insured against major risks.

- *Fluctuating Pricing of Agricultural Products* – Agricultural product prices can be highly volatile and can fluctuate materially over a short period of time due to changing demand patterns, transportation difficulties, climatic events and numerous other reasons. Increases in productivity and/or decreases in demand for certain agricultural crops may lead to an oversupply in such crops and a resulting decline in prices. In contrast, rapid and marked price increases can occur in years when there is a material decrease in the global supplies of agricultural products, which are generally caused by crop failure in one or more of the world's major producing regions. Crop failures can occur for many reasons, but have been generally short-lived and have not caused a marked or prolonged decline in consumption. However, there can be no assurance that future price "spikes" from such supply swings will not be permanent and a prolonged increase in the price of certain agricultural products could adversely affect demand and the prospects for a Managed Account's investments. In addition, the use of certain agricultural staples (for example, corn) for non-agricultural purposes such as ethanol production can affect prices. While certain agricultural products are staples, others are regarded by consumers as discretionary items and during periods of recession or economic downturn, the prices of such products often drop substantially.
- *Investments in Developing Countries; Political and Economic Risks* – Investment properties may be located outside the U.S. While such non-U.S. investments may be located in other developed countries, investments may also be located in developing countries. Investments in developing countries involve certain risks incidental to investing in and/or managing businesses in such jurisdictions. These include risks associated with political and economic developments and instability, including negative publicity focused on foreign investment in local land markets (particularly relative to agricultural investments), nationalization, expropriation or confiscatory taxation, higher operating expenses, exchange controls, currency fluctuations, foreign withholding and other taxes which may reduce investment returns, and the fact that companies in such jurisdictions are not generally subject to uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements comparable to those applicable to companies in developed countries. Transaction costs generally for investments in developing countries may also be higher than comparable investments in the U.S. and other developed countries. In addition, in many developing countries, establishment of legal title to real property is imperfect and title insurance is not readily available.
- *Investments in Partnerships, Joint Ventures and Other Entities* – Investments may be made through partnerships, joint ventures or any other entities. Such investments may involve risks not present in direct or wholly-owned investments, including, for example, the possibility that a co-venturer or partner might become

bankrupt, or may at any time have economic, business or governmental/public policy interests or goals that are inconsistent with those of the Managed Accounts. In addition, in some instances, the investment of the Managed Accounts may represent a minority or non-managing interest resulting in co-venturers or partners being in a position to take action contrary to the objectives or interests of the Managed Accounts.

- *Lack of Diversification* – Although Managed Accounts generally include limitations regarding the amount of capital that may be committed to any single investment, it is still possible that, within such limits, one or more investments could be substantial in size relative to the aggregate amount of capital committed to the account. As such, a Managed Account’s investments may not be broadly diversified. Any such non-diversification would increase the risk of loss if there was a decline in the market value of any investment representing a large percentage of assets.
- *Lack of Liquidity; Long-Term Investment* – Interests in the Private Funds are not registered under the Securities Act of 1933, as amended (the “1933 Act”) or any state securities laws and are not transferable unless registered under applicable federal and state securities laws (or an exemption from such laws is available), and subject to other transfer restrictions in the Private Funds’ organizational documents. As such, no public market currently exists for the interests in the Private Funds and none is likely to develop in the future. In addition, because both the Private Funds and SMAs make direct investments in forestry and/or agricultural properties (rather than in publicly traded securities) their investments are illiquid and long-term. As a result, even if such investments are successful, they may not be able to be liquidated in a timely manner, and they may not produce a realized return to clients for a period of several years. In addition, given the anticipated longer holding period for investments, there is the possibility of unforeseen changes in various factors over such time period, including taxes and investment limitations, which could have an adverse effect on the investments.
- *Lease Counterparty Risk* – Agricultural properties leased to local operators are subject to counterparty risk if the operator fails to pay all or part of the agreed upon lease payment in cash or through a crop-share arrangement. In situations where an operator is farming a property on a crop-share lease, there Managed Account’s crop-share will be dependent on the operator’s ability to successfully grow and/or market the relevant crop.
- *Leverage and Other Factors Related to Borrowing* – Subject to any explicit limitations in a Managed Account’s governing documents, it is possible that investments may be leveraged. Although leveraging could enhance the ability of an account to acquire additional investments and, in certain circumstances, could result in more tax efficient transactions, it could also increase the exposure to larger losses, since fixed payments on specific dates will be required regardless of

the lack of liquidity of such investments or the receipt of revenues. In addition, lenders could seek to impose restrictions on the future borrowing, distribution and operating policies of the investments. Further, market conditions could make financing difficult or costly to obtain at a time when such financing or refinancing would otherwise be desirable for an investment.

- *Long-Term Supply Contracts* – The management strategy for timber investments may include the negotiation of long-term supply contracts guaranteeing customers a stable flow of timber at market prices. Such contracts would require that timber be harvested regardless of current market prices. Because the pricing mechanism in such contracts is usually determined by some fixed formula (e.g., a fixed price based on prices at mills in the same market), it is possible that these contracts could result in foregoing certain spot market opportunities that otherwise could have increased returns. Long-term supply contracts may also require that an investment unit continue harvesting when prices have decreased to a point that the harvesting activities would have been limited in the absence of the supply requirements. In addition, long-term supply contracts also expose the investment to counterparty risks as the customer to which timber is sold pursuant to the supply contracts could default, which could leave the investment without a secured customer for timber.
- *Management and Operational Risk* – The Managed Accounts rely on GMO RR's ability to achieve its investment objective by effectively implementing its investment approach. In addition, GMO RR engages third-party forest and agricultural managers to implement strategies and perform certain other functions with respect to investments. The Managed Accounts run the risk that GMO RR's proprietary investment techniques and risk analyses will fail to produce the desired results and that deficiencies in GMO RR's and/or a third-party service provider's implementation of operational strategies will cause losses for the Managed Accounts or hinder strategy operations.
- *Spoilage and Crop Safety* – Many agricultural commodities have a limited lifetime during which they are marketable. Delayed shipments, inadequate packaging or poor storage conditions may result in crop rancidity. Delays in bringing products to market, transportation difficulties, poor weather and numerous other factors can lead to a complete loss of certain agricultural related investments. Additionally, the potential for contamination with various pathogens exists.
- *Use of REITs* – In structuring investments in the U.S., GMO RR may use entities intended to qualify as real estate investment trusts ("REITs") as soon as reasonably practicable after their formation. The requirements for qualification as a REIT are extremely complex. In seeking to comply with the requirements for taxation as a REIT and minimize any potential taxes payable by it, an investment entity may be required to limit or alter its activities, including by foregoing or delaying certain opportunities (including potential dispositions) that might

otherwise be attractive on a pre-tax basis. Failure of an investment entity to qualify as a REIT could render it subject to tax on its income at regular corporate rates and possible penalties.

- *Valuation of Investments* – No liquid market exists for the types of forestry and agriculture investments made by the Managed Accounts, making such investments difficult to value accurately. In general, the governing documents of the Managed Accounts require investments to be appraised annually by qualified third-party appraisers and in certain instances the management and performance fees payable to GMO RR are based upon these valuations. However, such valuations are based on multiple assumptions, any or all of which, may prove to be inaccurate.

## **Item 9. Disciplinary Information**

There are no legal or disciplinary events that GMO RR believes are material to a client's or prospective client's evaluation of GMO RR's advisory business or the integrity of its management.

## **Item 10. Other Financial Industry Activities and Affiliations**

- A. GMO RR is not registered nor does it have an application pending to register as a broker-dealer. Certain management persons and client-facing personnel of GMO, GMO RR's majority owner, are principals and/or registered representatives of Funds Distributor LLC, an unaffiliated broker-dealer, that has been retained by GMO (for regulatory reasons only) to effect client transactions in shares/interests of certain mutual funds advised by GMO and to act as placement agent for certain private funds advised by GMO.
- B. GMO RR is not registered nor does it have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. GMO, GMO RR's majority owner, is registered with the Commodities Futures Trading Commission as a commodity trading advisor and a commodity pool operator and is a member of the National Futures Association. Certain of GMO's management persons and client-facing personnel are registered with the NFA as principals and/or associated persons.
- C. *Related pooled investment vehicles and general partners.* GMO RR or a related person is the general partner, manager, or trustee, as applicable, of the pooled investment vehicles listed below. GMO RR also serves as the investment manager to such pooled investment vehicles and is entitled to receive management and performance fees from the pooled investment vehicles.

- *GMO Forestry Fund 1, L.P.* – Invested on a discretionary basis in timberland and related businesses and assets in the U.S. and throughout the world.
- *GMO Forestry Fund 5, L.P.* – Invested on a discretionary basis in timberland in the U.S. and offshore, primarily New Zealand and Uruguay.
- *GMO Forestry Fund 6-A, L.P.* – Invested on a discretionary basis in timberland in the U.S. and New Zealand.
- *GMO Forestry Fund 6-B, L.P.* – Invested on a discretionary basis in timberland in the U.S. and New Zealand.
- *GMO Forestry Fund 6-C, L.P.* – Invested on a discretionary basis in timberland in the U.S. and New Zealand.
- *GMO Forestry Fund 6-D, L.P.* – Invested on a discretionary basis in timberland in the U.S. and New Zealand.
- *GMO Forestry Fund 7-A, L.P.* – Invested on a discretionary basis in timberland in the U.S., Chile, New Zealand, and Uruguay.
- *GMO Forestry Fund 7-B, L.P.* – Invested on a discretionary basis in timberland in the U.S., Chile, New Zealand, and Uruguay.
- *GMO Forestry Fund 7-International, L.P.* – Invested on a discretionary basis in timberland in Chile, New Zealand, and Uruguay.
- *GMO Forestry Fund 8-A, L.P.* – Invested on a discretionary basis in timberland in the U.S., New Zealand, Uruguay and potentially other countries, such as Australia
- *GMO Forestry Fund 8-B, L.P.* – Invested on a discretionary basis in timberland in the U.S., New Zealand, Uruguay and potentially other countries, such as Australia.
- *Forest Wealth Fund, L.P.* – Invested on a discretionary basis in timberland and related businesses offshore in New Zealand and Uruguay.
- *Forest Wealth Fund Trust* – Comprised of two Australian investors that invested side by side on a discretionary basis with Forest Wealth Fund investors in timberland in New Zealand and Uruguay.
- *Tasmania Softwood Fund* – Comprised of two Australian investors and a third discretionary account that invested side by side with GMO Forestry Fund 1, L.P. in a joint venture which invests in timberland in Tasmania.
- *Southern Hemisphere Softwood Company* – Comprised of an Australian investor, GMO Forestry Fund 1, L.P. and a discretionary account that invested side by side with Tasmania Softwood Fund in a joint venture which invests in timberland in Tasmania.
- *GMO Threshold Timber Fund, L.P.* – Invested in U.S. timberlands located in Michigan, Mississippi, Alabama and Tennessee.
- *GMO Long Horizons Forestry Fund A, L.P.* – Invests on a discretionary basis in timberlands and related businesses both in the U.S. and internationally, but with an emphasis on investments outside of the U.S. (primarily New Zealand, Australia, Uruguay and Chile).
- *GMO Long Horizons Forestry Fund B, L.P.* – Invests on a discretionary basis in timberlands and related businesses both in the U.S. and

internationally, but with an emphasis on investments outside of the U.S. (primarily New Zealand, Australia, Uruguay and Chile).

- *LHF Australian Forest Holdings Trust* – Invested in timberlands located in Australia.
- *GMO Forestry Fund 9, L.P.* – Invests on a discretionary basis in timberlands and related businesses both in the U.S. and internationally.
- *GMO Quokka, L.P.* – Invested on a discretionary basis in certain timberland and agricultural properties located in Australia.

*Related advisors, commodity trading advisers and commodity pool operators.* GMO RR is majority owned and controlled by GMO, a registered investment adviser (File No. 801-15028), registered commodity trading adviser and commodity pool operator. GMO is located at 40 Rows Wharf, Boston, MA 02110. GMO provides GMO RR with support in areas such as marketing, legal, compliance, human resources and information technology, and GMO RR reimburses GMO for the cost of such services.

GMO UK Limited is a wholly-owned subsidiary of GMO located at One Angel Court, Throgmorton Street, London EC2R7HJ England (“GMO UK”). The firm commenced operations in December 2003 and manages or services accounts similar to those managed by GMO in the U.S. From time to time, GMO UK provides marketing and client relationship services for certain GMO RR clients located in Europe.

GMO Australasia, LLC, a U.S. registered investment adviser (SEC File No. 801-56449), is a wholly-owned subsidiary of GMO and is located at 40 Rows Wharf, Boston, MA 02110. GMO Australasia, LLC commenced operations in November 1995 and manages or services Australasian accounts similar to those managed by GMO in the U.S.

GMO Australia Ltd. is an indirect wholly-owned subsidiary of GMO (owned through GMO Australasia, LLC), located at Level 12, 1 Alfred Street, Sydney NSW 2000 Australia. GMO Australia Ltd. commenced operations in November 1995 and manages or services accounts similar to those managed by GMO in the U.S. From time to time, GMO Australia Ltd. provides marketing and client relationship services for certain GMO RR clients located in Australia and Asia.

GMO Australia Partnership is a wholly-owned subsidiary of GMO. GMO Australia Partnership is located at Level 12, 1 Alfred Street, Sydney NSW 2000 Australia. GMO Australia Partnership commenced operations in November 1995 and provides management, marketing, client and other services to GMO Australia Ltd.

GMO Singapore Pte. Limited is an indirect wholly-owned subsidiary of GMO (owned through GMO Australasia, LLC), located at 6 Battery Road, #24-02A, Singapore 049909 (“GMO Singapore”). GMO Singapore commenced operations in February 2003 and manages or services accounts similar to those managed by GMO

in the U.S. From time to time, GMO Singapore provides marketing and client relationship services for certain GMO RR clients located in Asia.

GMO Renewable Resources is a New Zealand unlimited liability company and an indirect wholly-owned subsidiary of GMO RR, located at Zens Centre, Level 9, 1135 Arawa Street, Rotorua, New Zealand. GMO Renewable Resources (New Zealand) manages or services accounts similar to those managed by GMO RR in the U.S.

*Other arrangements.* A foundation and a charitable trust established by a member of GMO lease office space at GMO's offices. The trust and the foundation are subject to GMO's Code of Ethics and Insider Trading Policy and Procedures, including restrictions on securities trading by the trust, the foundation and its employees. The GMO member has also agreed that the foundation's employees will be subject to GMO's Code of Ethics and Insider Trading Policy and Procedures, GMO's Code of Conduct, GMO's Gift Policy, any restrictions or policies implemented by GMO from time to time with respect to employee investments in GMO funds, and all other GMO workplace conduct policies. The GMO member, the foundation and the trust have reported that each of them has retained a consulting firm to provide bona fide investment advisory services, and the consulting firm also recommends GMO and/or GMO RR to potential clients. Please see Item 14, "*Client Referrals and Other Compensation*," which describes the arrangement.

- D. GMO RR does not recommend or select other investment advisers for its clients for compensation.

#### **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

GMO RR has adopted, and is covered by, the Code of Ethics adopted by GMO (the "Code of Ethics"), and which is applicable to all of GMO and its affiliates (including GMO RR) and their respective members, employees and, in general, on-site consultants world-wide (collectively, "access persons"). The Code of Ethics is designed to comply with Rule 17j-1 of the Investment Company Act of 1940 and Rule 204A-1 of the Advisers Act. The Code of Ethics establishes personal trading procedures, including pre-clearance and reporting obligations. While access persons may, subject to the terms of the Code of Ethics, purchase investments for their own accounts, including the same investments as may be purchased or sold for client accounts, the Code of Ethics is designed to prevent access persons from engaging in personal securities transactions that may compete or interfere materially with trading of client accounts. In order to give effect to the prohibitions in the Code of Ethics, the Code also sets forth procedural requirements, including pre-clearance by the Compliance Department of many types of trades. Some securities (*e.g.*, certain mutual fund shares, U.S. government securities, and money market instruments) and some transactions (*e.g.*, dividend reinvestment, de minimis trades, transactions in accounts managed by third parties) are exempt from the substantive and/or procedural requirements of the Code of Ethics. Exceptions from the Code of Ethics may be granted in appropriate circumstances.



GMO RR has also adopted, and is covered by, a Code of Conduct Policy adopted by GMO that sets forth GMO RR's professional expectations of its personnel and a Gift Policy that is designed to provide reasonable oversight of potential conflicts associated with the receipt of entertainment and other gifts.

The foregoing discussion is a summary and is qualified in its entirety by the Code of Ethics, the Code of Conduct and the Gift Policy, which are available to any client or prospective client upon request.

GMO RR has adopted, and is covered by, an Insider Trading Policy and Procedures adopted by GMO ("Insider Trading Policy") and which is applicable to all of GMO and its affiliates (including GMO RR) and their respective employees, on-site consultants, officers, members and directors that forbids such persons from trading, either personally or on behalf of others (including on behalf of clients), on the basis of material non-public information (commonly referred to as "insider trading"), except as specifically contemplated under the Insider Trading Policy. The Insider Trading Policy does not provide absolute assurance as to the correct handling of material non-public information, but does contain procedures reasonably designed to aid covered personnel in avoiding insider trading, and to aid GMO in preventing, detecting and imposing sanctions against, insider trading. Those procedures include a ban on trading on the basis of, or any other action to take advantage of, material non-public information, except as specifically contemplated under the Insider Trading Policy.

The procedures related to the Insider Trading Policy specifically permit (but do not require) GMO's Chief Compliance Officer ("CCO") to establish temporary ethical screens to control the flow within the firm of material non-public information received by persons subject to the Insider Trading Policy. The use of a temporary ethical screen may avoid the placement of securities of an issuer on a restricted list, whereby GMO accounts would be prohibited from transacting in securities of such issuer based on information obtained by GMO RR. From time to time, however, based on the relevant facts and circumstances, GMO's CCO or other designee may deem it necessary or appropriate to restrict trading in the securities of particular issuers and will place such securities on a restricted list. Placement of a security on the restricted list will restrict its purchase or sale by GMO client accounts, including GMO employee accounts, rendering illiquid any such security already in a client's account until such time as the security is removed from that list.

GMO RR attempts to disclose material conflicts of interest in this document. However, because conflicts are endemic for registered investment advisers, in responding to the particular items of Form ADV Part 2, GMO RR has focused on identifying those conflicts that may be most salient. Set forth in this section is a description of certain conflicts that arise in the course of GMO RR's activities, as well as a description of how GMO RR seeks to address such conflicts. Other sections of this brochure also provide a description of additional conflicts of interest that may arise in the operation of GMO RR's business. Please see Item 12, "*Brokerage*

*Practices,*” for a description of GMO RR’s procedures with respect to joint sales of investments by Managed Accounts. Please also see Item 5, “*Fees and Compensation,*” and Item 6, “*Performance Based Fees and Side-by-Side Management*” for a description of conflicts associated with the fees charged by GMO RR, including performance fees.

*Conflicts related to advisory activities.* GMO RR acts as investment advisor to Managed Accounts that have similar investment objectives and pursue similar strategies. Certain investments identified by GMO RR may be appropriate for multiple accounts, and given the nature of direct forestry and agricultural investments, each investment opportunity is generally unique and limited. This can lead to potential conflicts of interest, particularly where the Managed Accounts to which investments are to be allocated have varying management and performance fees. To address potential conflicts of interest in such situations, GMO RR seeks to apply an investment allocation approach designed to allocate all investment opportunities fairly and equitably over time.

In connection with any investment opportunity, GMO RR first determines which Managed Accounts are eligible to participate in such investment based on the attributes of the specific investment and each Managed Account’s investment criteria. Whenever GMO RR determines that more than one Managed Account is eligible to participate in a particular investment opportunity, priority is generally given to the Managed Accounts established earliest.

GMO RR may also give priority to a Managed Account that has little remaining committed capital available for investment in order to ensure that Managed Accounts reach full investment. In addition, in order to ease administrative burdens and other costs for both GMO RR and clients, GMO RR may set a minimum investment amount applicable to all Managed Accounts participating in an investment opportunity. In the event that the general allocation approach would otherwise result in a Managed Account receiving an allocation of an investment opportunity that is less than the minimum investment amount determined by GMO RR, GMO RR may adjust such Managed Account’s allocation upward and make a corresponding reduction in the allocation of all other participating Managed Accounts.

While certain Managed Accounts may contain explicit limitations regarding investments, most Managed Accounts contain few such explicit limits that would be applicable in determining any given Managed Account’s capital commitments available for an investment (including for purposes of making allocations among Managed Accounts). GMO RR makes determinations of a Managed Account’s capital commitments available for an investment using its best judgment, taking into account those factors GMO RR believes relevant. Such factors may include general investment objectives, diversification, regulatory restrictions, tax structuring considerations, current holdings, availability of commitments for investment, reserves for expenses or follow-on contributions to existing investments, and the size of the investments generally. Ultimately, however, subject only to the explicit limitations in

Managed Account's governing documents, the determination of a Managed Account's capital commitments available for a given investment is within GMO RR's discretion and judgment. GMO RR's management fees are generally based on invested, rather than committed capital, and as such GMO RR may face potential conflicts of interests in determining a Managed Account's capital commitments available for a given investment because it has an incentive to ensure that sufficient amounts are allocated across eligible Managed Accounts so that an investment will be completed.

In general, the Managed Accounts require that proceeds from the sale of investments be distributed to investor and cannot be reinvested. As a result, sales of investments generally reduce GMO RR's management fees and GMO RR may face potential conflicts of interests in determining the appropriate time to dispose of a Managed Account's investment(s).

GMO RR or one of its related persons acts as the general partner of the Private Funds and may have a capital commitment in a Private Fund. GMO RR's capital commitment is generally made at the time of the initial formation of a Private Fund and may be increased at any time prior to the fund's final closing so as to maintain the same overall ratio (e.g. 1%) relative to all investors in the Private Fund. Generally, capital commitments by GMO RR and its affiliates are not subject to the management fees and performance fees charged by the Private Fund. In addition, as a result of its receipt of a performance-based special allocation, the general partner of a Private Fund may be allocated a disproportionate amount of capital gains for U.S. federal tax purposes relative to the capital balance it or an affiliate has in the Private Fund. GMO RR may have an incentive to favor Managed Accounts in which it and/or its members and employees may own a substantial interest or with respect to Managed Accounts from which GMO RR may recognize taxable capital gains as the result of earning a performance-based special allocation.

It is possible that in certain limited situations GMO RR may recommend that one Managed Account sell a property to another Managed Account. Generally, such transactions are prohibited by the governing documents of the Managed Accounts unless the transaction is approved by the Managed Accounts (which in the case of the Private Funds is granted by the investors in the Private Funds or an Advisory Committee comprised by representatives of investors unaffiliated with GMO RR). In such situations neither GMO RR nor any affiliated party receives a commission or similar transaction fee for such sale, but depending on the overall performance of the selling Managed Account, GMO RR may receive performance fees as a result of the sale, and depending on the advisory fees applicable to the Managed Accounts involved, GMO RR may receive increased management fees from the purchasing Managed Account. In seeking approval of any such transaction GMO RR notifies the relevant parties of the material information concerning the transaction, including the methodology for determining the sale price and any difference in the structure or rates of fees between the buying and selling Managed Accounts.

## **Item 12. Brokerage Practices**

- A. Given the nature of direct forestry and agriculture investments, GMO RR does not use or recommend broker-dealers in connection with the purchase and sale of investments for Managed Accounts.
- B. From time to time, GMO RR may recommend that Managed Accounts engage in joint sales of investments. Such a situation would arise where GMO RR determines that there is an opportunity to sell a group of multiple investments owned by different Managed Accounts together as a single portfolio (the “Portfolio”) in a manner that GMO RR believes would increase returns beyond what could otherwise be obtained if those investments were sold separately. In such situations neither GMO RR nor any affiliated party receives a commission or similar transaction fee for such sale, but, depending on the overall performance of the selling Managed Accounts, may receive performance fees as a result of the sale. Such an affiliated sale has the potential for conflicts of interest in connection with allocating the aggregate purchase price among the various investments included in the Portfolio. Conflicts of interest also may arise when initially selecting the investments to be included in the Portfolio or when determining how to respond to any buyer offers that involve a purchase of less than the entire Portfolio. Depending on the specific formula used to calculate GMO RR’s incentive compensation in the various Managed Accounts and each Managed Account’s prior performance, these conflicts may be heightened by differences in the economic incentives for GMO RR. In cases involving joint sales, GMO RR may seek approval of the transaction by the relevant Managed Accounts (which in the case of the Private Funds is granted by the investors in the Private Funds or an Advisory Committee comprised by representatives of investors unaffiliated with GMO RR) after notifying the relevant parties of the material information concerning the transaction, including the methodology for allocating the sale price among the investments included in the Portfolio and the general impact on GMO RR’s fees as a result of the transaction.

Please see Item 11, “*Code of Ethics, Participation in Client Transactions and Personal Trading*,” for a description of GMO RR’s procedures with respect to the allocation of investment opportunities among its clients, including the allocation of limited opportunities.

## **Item 13. Review of Accounts**

- A. Members of GMO RR’s investment personnel, including the Managing Director, Director – U.S. Investments, Director – Non-U.S. Investments, Head of Investment Operations, Controller and Client Relationship Managers (“CRMs”) generally review on a periodic basis all Managed Accounts. Reviews are performed no less than quarterly. General reviews of accounts usually involve consideration of investment objectives, investments owned, investment performance, and similar matters. For reviews of accounts triggered by factors described in item B below, the matters reviewed may reflect the factors which triggered the review.

- B. In addition to the regular review, factors which may trigger a review include, but are not limited to, client requests, changes in market or economic conditions, changes in circumstances regarding particular investments, and purchases or sale of investments.
- C. Clients receive written quarterly reports with information regarding the investments held in their Managed Account. Such information, includes, but is not limited to, valuation and performance for the Managed Account as well as each investment held therein and general market commentary. Fourth quarter reports also include annual audited financial statements and the results of independent appraisals of investments held by the relevant Managed Account. GMO RR also hosts an annual investor conference for all clients for the purpose of reviewing developments in the industry and providing clients with additional information about their investments.

#### **Item 14. Client Referrals and Other Compensation**

GMO RR does not receive an economic benefit from someone who is not a client for providing investment advice or other advisory services to GMO RR clients. In addition, neither GMO RR nor a related person compensates any person for client referrals.

Where required by local legal requirements, GMO RR and/or the relevant Private Fund may engage an unrelated placement agent in connection with the placement of Private Fund interests in a particular jurisdiction. The fees payable in connection with such arrangements are paid by GMO RR.

GMO, GMO RR and/or their affiliates may purchase access to information such as subscriptions to periodicals, participation in conferences, research papers and access to surveys from organizations affiliated with professional consultant or financial services firms that advise (or whose affiliates advise) potential GMO RR clients. In addition, the foundation and the trust described in Item 10, "*Other Financial Industry Activities and Affiliations*," and the GMO member that established the foundation and trust may purchase quarterly performance reporting services from professional consultants. Additionally, the foundation referenced in Item 10 has reported that it, the GMO member who established the foundation, and a related trust have each retained for bona fide investment advisory services a consulting firm that also recommends GMO and/or GMO RR to potential clients. Neither GMO nor GMO RR makes payments to consultants or financial services firms conditioned on favorable evaluations and payments are not made to reward the firms referenced above for client referrals. Nonetheless, these firms and/or their personnel may believe that they have a financial incentive to give favorable evaluations of GMO and/or GMO RR and may therefore operate as if they are faced with a conflict of interest. GMO RR may also waive investment minimums for persons who work for consultants, GMO or GMO RR clients and/or prospective clients. Clients should inquire of their consultants or other advisers as to 1) whether GMO RR waived investment minimums for their personnel, 2) purchases or receives any information from such firm or any affiliate thereof, or 3) is involved in any other

arrangement where the consultant or adviser believes it has any financial incentive to give favorable evaluations of GMO RR.

#### **Item 15. Custody**

GMO RR may be deemed to have custody over client assets by virtue of its position as direct or indirect general partner or managing member of certain Managed Accounts and/or by virtue of its authority to withdraw funds from Managed Accounts for payment of its fees. The assets of Managed Accounts are maintained with a “qualified custodian” (as defined in Rule 206(4)-2 of the Advisers Act), and GMO RR has procedures reasonably designed to ensure that the qualified custodian delivers account statements at least quarterly to each investor in a Managed Account. Clients should carefully review those statements and, to the extent GMO RR also delivers statements to such clients, compare the GMO RR statements to the statements of the qualified custodian. In addition, investors in Managed Accounts receive within 120 days of the end of a fiscal year (or within 180 days for any Managed Account that is a “Fund of Funds”) audited financial statements with respect to such Managed Account.

#### **Item 16. Investment Discretion**

GMO RR accepts authority to manage client assets on a discretionary basis. In general, clients enter into a written investment advisory agreement with GMO RR which sets forth the parties’ responsibilities and the scope of GMO RR’s authority over the client’s account. The advisory agreement also includes the standard of care applicable to GMO RR. As described above in Item 4, “*Advisory Business*,” GMO RR’s discretionary authority as to the investments to be bought or sold for a Managed Account is subject to the agreed-upon investment objectives, guidelines, limitations and restrictions for the relevant Managed Account. Such investment limitations vary from one Managed Account to another and may include, but are not limited to, diversification requirements, return hurdle, geographic limitations and species limitations.

#### **Item 17. Voting Client Securities**

Given the nature of direct forestry and agricultural investments, GMO RR does not anticipate proxy solicitations and does not accept authority to vote client securities. GMO RR will provide clients with any proxy solicitation materials received, but will not advise clients with respect to a particular solicitation.

#### **Item 18. Financial Information**

- A. GMO RR does not require or solicit prepayment of fees.
- B. GMO RR confirms that there is no financial condition that would be reasonably likely to impair its ability to meet contractual commitments to clients.

- C. GMO RR has not been the subject of a bankruptcy petition at any time during the past ten years.