



**FIRM BROCHURE**  
**(FORM ADV, PART 2A)**

**FOREST CAPITAL PARTNERS, LLC**  
**281 SUMMER STREET, 7<sup>TH</sup> FLOOR**  
**BOSTON, MA 02210**

**(617) 832-2929**

**[www.forestcap.com](http://www.forestcap.com)**

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**This Brochure provides information about the qualifications and business practices of Forest Capital Partners, LLC ("FCP"). If you have any questions about the content of this brochure, please contact Forest Capital at 617-832-2929. An investment adviser's registration with the SEC does not imply a level of skill or training. 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.**

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

**Item 2:      Material Changes**

This item is not applicable to Forest Capital Partners, LLC.

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## **Item 4: Advisory Business**

### **Firm Description.**

FCP, formed in 2000, is an independent, vertically integrated timberland investment firm that acquires and manages large-scale investment-grade forests across North America.

FCP has primary business offices in Boston, Massachusetts and Portland, Oregon. All investment advisory related activities are handled within these two offices. FCP also maintains a number of field offices which are primarily responsible for the firm's timberland management operations.

FCP is a privately held company. The principal owners of the firm are Matthew W. Donegan and Scott R. Jones who also serve as the firm's Co-Presidents.

FCP provides timberland investment advisory services and manages and directs the investment of assets for private investment funds (each a "Fund" and collectively, the "Funds"). In addition, from time to time FCP may also provide investment advisory services to institutional investors concerning a specific acquisition or disposition of timberland assets that may be effected through a purchase or sale of public or privately held securities. Outside of such services, FCP offers no other advisory services. FCP does not perform any type of financial planning, quantitative analysis or market timing services and does not participate in wrap-fee programs.

As of September 30, 2011, FCP manages Funds that hold approximately \$590,000,000 in assets. All of these assets are managed by FCP on a discretionary basis. It should be noted that for purposes of calculating this amount and consistent with SEC guidance, assets are reported based on GAAP-basis balance sheets of the Funds managed by FCP (which report timberland assets based on historic cost with adjustments for subsequent sale of land, depletion expense related to timber harvest, amortization of roads, capitalized cost of permanent roads, and capitalized costs related to reforestation) plus any undrawn commitments to those Funds.

## **Item 5: Fees and Compensation**

Each investor in the Funds must meet certain eligibility requirements, as interests in the Funds are offered only to (i) U.S. investors who are either accredited investors within the meaning of Regulation D of the Securities Act of 1933, as amended ("Accredited Investors") or qualified purchasers within the meaning of Section 2(a)(51) of the Investment Company Act of 1940 ("Qualified Purchasers") or both, or (ii) non-U.S. investors. Admission to the Funds managed by FCP is not open to the general public.

Fees for Funds managed by FCP are established at the time of formation and are set out in the Fund's governing agreements and are not otherwise negotiated. FCP does not presently charge an acquisition fee or disposition fee in connection with a Fund's timberland investments, but reserves the right to charge such fees in future funds.

FCP charges a management fee based on a number of factors related to the original or current assets in a particular Fund. Management fees are calculated quarterly and an estimate is deducted from Fund

assets in advance. In the event that an advisory relationship is terminated prior to the end of a quarter, the management fee is adjusted pro rata and any amount collected in advance will be refunded.

FCP also participates in the investment income earned by a Fund in the event that a Fund's investment return exceeds a specified target.

Investors in each Fund also bear indirectly their proportionate share of that Fund's formation, investment and operating expenses. Such expenses include property management expenses, legal, accounting or other consulting fees in connection with the acquisition or disposition of investments, appraisal fees and insurance costs.

FCP does not use the services of broker-dealers to effect transactions for the Funds. In the event that FCP elected to use a broker-dealer for limited purposes relating to a particular Fund, that Fund would incur brokerage and other transaction costs. FCP does not engage and does not pay any fees to solicitors or persons acting as a placement agent in connection with the offer and sale of interests in its Funds.

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

Under the governing documents of each Fund, FCP, or an affiliated entity, may receive a percentage of all investment income earned by the Fund after a specified target return has been achieved. The performance fee is charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940.

The possibility that FCP may receive performance-based compensation creates a potential conflict of interest in that it may create an incentive to make investment decisions that are different from those that would be made in the absence of such a performance-based fee. Fund investors are provided with clear disclosure as to how performance-based compensation is charged with respect to a particular Fund and the risks associated with such performance-based compensation prior to making an investment.

## **Item 7: Types of Clients**

FCP provides investment advisory services to the Funds that it manages, and from time to time, to institutional investors, including university endowments, charitable foundations, and high net worth family investors.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the Investment Company Act of 1940 (the "1940 Act"). Investors in the Funds are either "qualified purchasers" as defined in the 1940 Act, or "accredited investors" as defined in Rule 501 of Regulation D.

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

FCP's investment strategy is generally to build large, concentrated positions in timberlands where its expertise in forestry and stewardship create long-term value for its investors. In evaluating a potential acquisition or disposition opportunity, FCP employs a proprietary analytical model to estimate the

projected rate of return based on a number of assumptions including but not limited to those related to cost of capital, property management and other operating expenses, interest rates, leverage ratios, duration of ownership, transaction costs, timber growth rates and harvest levels, and future log prices.

Timberland investments held by the Funds are subject to risk of loss that investors should be prepared to bear and that are explained in detail in the offering documents provided to prospective investors in a Fund. A brief summary of the primary risks is stated below:

- **Lack of liquidity:** an investor's ownership interest in a Fund is not freely tradable, and the Fund's underlying timberland investments are not easily or quickly bought or sold;
- **Business Competition:** the Funds must compete with other timberland owners in the sales of its timber to processing facilities;
- **Competition for Investments:** FCP must compete with a variety of other potential buyers in order to acquire quality timberland assets;
- **Long-term Supply Contracts:** a Fund may enter into a long-term supply contract with processors with pricing mechanisms that result in prices that may or may not be better than open market prices at any given time;
- **Forest Product Prices:** prices for timber fluctuate depending on supply and demand factors, the quality of the particular commodity, and the influence of weather events;
- **Environmental Considerations:** changes in environmental regulations or operational standards may cause a Fund to require additional capital or may increase a Fund's operating expenses;
- **Potential Environmental Liability:** a timberland owner may have liability for clean-up and remediation if the timberland is found to contain contaminated land or water that is a threat to human health or the environment;
- **Risk of Physical Damage:** timberland assets are subject to a variety of risks of physical damage and destruction from fire, weather, pests, and the adverse effects of climate change;
- **Leverage:** the existence of debt financing in a Fund's capital structure may cause a requirement to harvest timber in less than desirable log markets in order to raise the cash necessary to make the required loan repayments; and
- **Valuation of Investments:** timberland markets are illiquid and valuations may or may not represent the price a Fund would achieve if it were to sell its timberland assets on the open market at any particular point in time.

## Item 9: Disciplinary Information

This item is not applicable to Forest Capital Partners, LLC.

## Item 10: Other Financial Industry Activities and Affiliations

Neither FCP nor any of its management persons are registered, or have a pending application to register, as a broker-dealer, or as a registered representative of a broker-dealer.

FCP is not registered, and does not have any applications pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or as an associated person of the foregoing entities.

As a timberland investment management organization, FCP identifies potential acquisition opportunities; evaluates their investment merits; structures and executes transactions; conducts the forestry operations on the assets acquired; and determines and executes the appropriate disposition strategy for the assets, taking into account market conditions and the objectives of its clients. FCP establishes and manages a structure of legal entities formed to hold the timberland assets or interests in the Funds, which include REITs, limited liability companies and limited partnerships. FCP has a wholly-owned subsidiary, FCP Brokerage LLC, that is a licensed real estate broker in the states of Idaho, Oregon and Washington to handle land sales from the investment entities.

FCP does not recommend or select other investment advisers for its clients.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

FCP has adopted a Code of Conduct and Ethics (“Code”) that is applicable to all employees. The Code, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”) establishes high ethical and professional standards of conduct for its employees as part of its effort to build a reputation of integrity and to avoid conflicts of interest with its investors. The Code requires all employees to keep investor information confidential, and restricts the use of material non-public information about public companies with which FCP does or seeks to do business. Under the Code, all employees and their family members are prohibited from purchasing real estate assets from a Fund. The Code also limits employees’ gift and entertainment practices to avoid any actual or appearance of conflict of interest.

Additionally, the Code places restrictions on personal securities trading by its “Access Persons”, which are its investment personnel and other supervised persons who may be in possession of non-public information about public companies with which FCP or its Funds regularly conducts business or that may purchase or sell timberland assets. These restrictions have been implemented in an effort to ensure that client interests are protected and to minimize the opportunity for an Access Person to gain personal advantage on the basis of information obtained in the course of FCP’s advisory work on behalf of its Funds.

Any client or prospective client may obtain a copy of FCP’s Code upon written request to: Forest Capital Partners, LLC, 281 Summer Street, 7<sup>th</sup> Floor, Boston, MA 02210, Attn: Compliance Officer.

FCP has a co-investment in each of the Funds for which FCP serves as investment manager or adviser. While this co-investment affords an alignment of interests between FCP and the investors in these Funds, there are circumstances in which the co-investment could potentially present a conflict of interest. These are mitigated through provisions in each Fund’s governing documents which require investor approval of certain specified actions where conflicts may exist.

## **Item 12: Brokerage Practices**

The Funds invest exclusively in timberland assets and FCP does not currently anticipate any investments in publicly traded securities.

## **Item 13: Review of Accounts**

FCP provides ongoing oversight of the Funds, and reviews the performance of the individual properties held within each of the Funds at least on a quarterly basis. This review is conducted by the firm's Co-Presidents and the firm's senior management team. The Funds' audited financial statements value timberland assets on the basis of historic cost, which includes adjustments for subsequent sale of land, depletion expense related to timber harvest, amortization of roads, capitalized cost of permanent roads, and capitalized costs related to reforestation. As supplemental information, FCP provides an estimate of the current market values of timberland assets at least annually; such estimates are developed internally and from time to time are informed by information provided by external appraisers.

Investors in the Funds typically receive reports after each fiscal quarter end that generally describe the operating performance of the Fund's properties, any material transactions that have occurred, and the factors in the timberland markets that may have contributed to the results for the period. Other reports may be provided on a non-periodic basis to address any specific market activity relevant to the Funds or to respond to any particular client request. Investors in the Funds also receive a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund.

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

FCP does not compensate any person for client referrals, either directly or indirectly. FCP does not receive any economic benefit from anyone who is not a client for providing investment advice or other advisory services to its clients.

## **Item 15: Custody**

FCP or an affiliate serves as the manager or general partner of each Fund. Cash and cash equivalents belonging to each Fund are held in bank accounts over which FCP staff has full signature authority. As such, it has custody of all Fund assets and has authority to deduct its investment management fees directly from Fund assets.

FCP complies with custody requirements related to each Fund by delivering to the Fund's investors annual financial statements that are audited by an accountant registered with and subject to inspection by the Public Company Accounting Oversight Board. The annual audited financial statements are prepared in accordance with the U.S. generally accepted accounting principles and delivered to the Funds' investors within 120 days of the fiscal year end (i.e., generally by April 30).



## **Item 16: Investment Discretion**

Investment advice is provided directly to the Funds and not individually to the Funds' investors. Each Fund's governing documents grant to FCP or to an affiliate investment discretion to manage the Fund's assets consistent with the Fund's investment criteria.

## **Item 17: Voting Client Securities**

The Funds do not currently hold publicly traded securities and therefore FCP is not presented with the opportunity to vote on client securities. In the unlikely event that FCP was presented with a proxy voting opportunity it would decide how to vote on a case by case basis considering the relevant circumstances of the subject company and the best interests of the Fund. A record of any such vote would be available to that Fund's investors by making a written request to Forest Capital Partners, LLC, 281 Summer Street, 7<sup>th</sup> Floor, Boston, MA, Attn: Compliance Officer.

## **Item 18: Financial Information**

This item is not applicable to Forest Capital Partners, LLC.