

**Part 2A of Form ADV: *Firm Brochure***

**Sustainable Woodlands Partners, L.L.C.**

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This brochure provides information about the qualifications and business practices of Sustainable Woodlands Partners, L.L.C. If you have any questions about the contents of this brochure, please contact us at 713-993-4675 or [pbachtold@salientpartners.com](mailto:pbachtold@salientpartners.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Sustainable Woodlands Partners, L.L.C. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with the information that you may use to determine whether to hire or retain them.

Additional information about Sustainable Woodlands Partners, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 157862.

## **Item 2     Material Changes**

The following is a summary of material changes to Part 2A of Form ADV since the last annual amendment filed with the SEC on 03/22/2012. This section only reflects material changes since the last annual amendment of the Brochure.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

### ***Summary of Material Changes:***

- Item 10 "Other Financial Industry Activities and Affiliations" discloses the Adviser has an affiliated person who is a CTA. (Revised 12/13/2012)
- Item 10 "Other Financial Industry Activities and Affiliations" discloses that an affiliate of the Adviser, owns and publishes several indices and certain conflicts of interest arising from and related to the affiliation. (Revised 03/21/2013)
- Item 10 "Other Financial Industry Activities and Affiliations" discloses Salient Select, LLC is an affiliate of the Adviser. (Revised 03/21/2013)

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## Item 4    Advisory Business

Sustainable Woodlands Partners, L.L.C. is an SEC-registered investment adviser with its principal place of business located in Texas. Sustainable Woodlands Partners, L.L.C. began conducting business in 2002.

Listed below are the firm's principal owners (i.e., those individuals and/or entities controlling 25% or more of this company):

- Molpus Woodlands Group-Sustainable, L.L.C., Member
- Investek Timber Management, L.L.C., Member
- Salient Partners, L.P., Member

Sustainable Woodlands Partners, L.L.C. offers the following advisory services to our clients:

Sustainable Woodlands Partners, L.L.C. (the “Adviser”) serves as the General Partner and provides investment advisory services to two Investment Funds: Sustainable Woodlands Fund, L.P. and Sustainable Woodlands Fund II, L.P. (collectively, the “Funds”). The Funds are not registered as investment companies under the Investment Company Act, in reliance on the exemption contained in section 3(c)(7) thereof.

The investment advisory services provided to the Funds are governed by the Offering Documents of the Funds.

The Adviser has a Board of Managers that oversees its operations and investment advisory services. The Board of Managers is comprised of John A. Blaisdell, Andrew B. Linbeck, Bob Lyle, Michael T. McRee, Dick Molpus, David A. Scott and Terrell Winstead.

These individuals, and other affiliated persons of the Adviser, are also owners, officers, and/or employees of the Adviser’s members, Molpus Woodlands Group-Sustainable, L.L.C., Investek Timber Management, L.L.C. and Salient Partners, L.P. Research, analysis, and allocation of investment opportunities (including opportunities to divest currently-held investments) will be shared by Adviser, affiliates of Molpus Woodlands Group-Sustainable, L.L.C., affiliates of Investek Timber Management, L.L.C. and affiliates of Salient Partners, L.P.

The Funds focus their investment strategy on acquiring, managing, harvesting and divesting timberland. The “core” portion of the portfolios is southeastern United States timberland with an emphasis on Southern pine. The “core” portion of the portfolios comprises the majority of the Funds. The Funds complemented their “core” holding of Southern pine with acquisitions that provide diversification as to geography and species. In particular, the Funds acquired “hardwoods” (e.g. oak) in the Southeast and elsewhere to provide diversification as to species. In addition, the Funds made acquisitions in other U.S. geographic regions such as the Pacific Northwest, Northeast and Midwest to provide additional diversification.

The Funds are closed to new investments.

***Amount of Managed Assets:***

As of 01/31/2013, the Adviser was actively managing \$335,365,005 of clients' assets on a discretionary basis.

**Item 5 Fees and Compensation**

The Funds pay the Adviser a 1.00% per annum management fee based on the estimated fair market value of the relevant Fund's assets. Such management fee is subject to negotiation and may be lower for certain limited partners of a particular Fund, based on relevant business considerations within the discretion of the Adviser. The management fee is calculated monthly and paid by the Funds to the Adviser quarterly in arrears. As general partner of the Funds, the Adviser causes the Funds to pay such management fees directly to the Adviser from the assets of the Funds.

The management fee is based on the estimated fair market value of the relevant Fund's assets. This valuation of the Fund's assets presents an inherent conflict of interest between the Adviser and the Funds, given that the management fees payable to the Adviser are determined based on the valuation of the relevant Fund's assets. The Adviser has attempted to address such conflict of interest by adopting a policy that once every three years, the Adviser is required to obtain a comprehensive appraisal of the relevant Fund's assets conducted by an independent appraiser selected by the Adviser. In years where there is no comprehensive appraisal, the prior year's comprehensive appraisal is updated by such independent appraiser. Such valuations are made as of December 31 of each year, and may be adjusted by the Adviser for acquisitions or dispositions during the course of the year.

The available cash flow of the Funds is allocated among the partners in proportion to their capital contributions. However, after a limited partner has received a return of its capital contributions plus a 7% annual return on such capital contributions, 15% of the available cash flow otherwise allocable to such limited partner will instead be allocated to the Adviser, as general partner ("Performance Allocation").

**GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** As the general partner of each of the Funds, there is no formal advisory agreement between the Adviser and the Funds. As to a particular fund, the Adviser, as general partner, may be removed upon the vote or written consent of partners holding not less than two-thirds of the total number of votes eligible to be cast by all partners of the relevant Fund. In addition, each Fund has a stated term of ten years, which the Adviser may extend for up to two additional terms of two years each, for a total term of 14 years. At the conclusion of the term, the relevant Fund will wind down and make an orderly disposition of its assets during a liquidation period that the Adviser expects to last approximately one year.

***Placement Agents and Other Financial Intermediaries:*** With regard to Sustainable Woodlands Fund II, L.P., such Fund engaged a financial intermediary to act as a placement agent to assist in placing interests of such Fund to its brokerage customers. Neither such Fund nor the Adviser pays separate compensation to such financial intermediary in respect of

such placement services. However, it is our understanding that such brokerage customers are subject to separate fee arrangements with such financial intermediary, in addition to the fees and expenses of the Fund. In addition, other financial intermediaries may be compensated directly by investors in the Funds, under arrangements between such financial intermediaries and such investors (in their capacities as clients or customers of such financial intermediaries, and not in their capacities as investors in the Funds). These compensation arrangements with financial intermediaries are in addition to the fees and expenses charged by the Fund and the Adviser.

**Ongoing Expenses:** All expenses of the Funds (including without limitation forest management fees, legal, accounting, due diligence and appraisal expenses in connection with acquiring, maintaining and selling Funds' investments, periodic appraisal expenses and similar expenses) will be paid by the Funds and are not included in the management fee. Limited partners of the Funds bear their respective pro rata share of such expenses, in addition to the management fee.

**Forestry Management and Related Expenses:** The Funds have contracted with Molpus Timberlands Management, LLC ("MTM"), an affiliate of The Molpus Woodlands Group, LLC ("MWG"), to oversee the forest management activities of the Funds and to provide support in evaluating potential acquisitions, including, without limitation, conducting due diligence reviews, evaluating land sales for higher and better uses, and providing silvicultural management and harvesting activities. The costs of these forestry management services are Fund expenses paid by the Fund from cash flow or from capital contributions made by limited partners, and are in addition to management fees. The following is a summary of the approximate costs of such forestry management services:

- Harvesting supervisions: 7% of harvesting revenues.
- Administration cost: \$2.50 per acre. The administration cost pays for the forestry planning employees and support staff employed by MTM, such as accountants and computer support.
- Acquisition Cost: 1% of acquisition value.
- Disposition Fees: 3% of gross sales price on higher and better use (HBU) transactions.
- Other costs: Other direct expenses are billed to the Funds at cost with no markup. These are typically services that the relevant Fund contracts, such as bulldozer work on roads, and fire lanes, painting landlines, spraying, helicopter fertilizing operations, etc. Also forestry employees of MTM may supervise these activities; such supervisory services are billed to the relevant Fund at cost. The Adviser believes these direct expenses have historically cost about \$7.50 per acre per year.

Some or all of the foregoing forestry management and related expenses constitute transaction-based compensation. As an affiliate of a controlling owner of the Adviser, such compensation creates a conflict of interest as between MTM and the Adviser, and as between the Adviser and the Funds. In order to address such conflicts of interest, the Adviser has adopted internal procedures requiring that such arrangements with MTM be approved by members of the Adviser's board of managers who are not affiliated with MTM.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** The Adviser does not require payment of fees in excess of \$1,200 more than six months in advance of services rendered.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

As we disclosed in Item 5 of this Brochure, the available cash flow of the Funds is allocated among the partners in proportion to their capital contributions. However, after a limited partner has received a return of its capital contributions plus a 7% annual return on such capital contributions, 15% of the available cash flow otherwise allocable to such limited partner will instead be allocated to the Adviser, as general partner ("Performance Allocation").

To qualify for a performance-based fee arrangement, Fund investors must either demonstrate a net worth of at least \$2,000,000 (excluding primary residence) or must have at least \$1,000,000 under management, or meet the definition of a "qualified purchaser" under Section 2(a)(51)(A) of the Investment Company Act.

Investors should be aware that performance-based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

In addition, principals of the Adviser and their respective affiliates manage other investment funds and separate managed accounts that have performance-based fees, including with respect to investments in timber. The existence of such arrangements creates a conflict of interest because there is an incentive on the part of such persons to recommend investments or to allocate investment opportunities based on the potential compensation received, rather than on a client's (including a Fund's) needs. As it relates to the Funds, the Adviser (as general partner) has implemented an allocation policy with MTM (which sources acquisitions and dispositions of timberlands for the Funds, under the Forestry Management Agreement between each Fund and MTM) in order to address such conflicts of interest.

## **Item 7 Types of Clients**

Sustainable Woodlands Partners, L.L.C. provides advisory services to pooled investment vehicles.

The minimum capital commitment for Sustainable Woodlands Fund, L.P. is \$5 million per Limited Partner and for Sustainable Woodlands Fund II, L.P. is \$2 million per Limited Partner, subject to waiver in the Adviser's sole discretion.

Investors generally must be "accredited investors" under Regulation D under the Securities Act of 1933, as amended, who are eligible to enter into a performance fee arrangement under the Investment Advisers Act and "qualified purchasers" under Section 2(a)(51)(A) of the Investment Company Act of 1940.

The Funds are closed to new investments.

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

### METHODS OF ANALYSIS

The Adviser's ultimate goal is to generate returns from each of the three key return drivers: biological growth, timber price changes and land price changes. Consequently, the Funds pursue a vertically integrated approach to timberland management. As described above, the Funds have contracted with MTM for forestry management services. By taking charge of most aspects of the investment and management process, from acquisition to disposal, MTM is able to use the Funds' risk/return requirements as an input at each stage in the process. The process starts with the due diligence performed on potential acquisitions, where MTM uses its contacts in the marketplace, both as a buyer and seller of timberland, to source attractive acquisition opportunities, given the Funds' investment amount, geographic focus and/or return objectives (which will, in part, dictate the maturity of the timberland tract sought). After identification of an attractive acquisition target, MTM uses its due diligence procedures to ensure that the tract in question meets the initial investment criteria established by the Funds. Once acquired, MTM manages the thinning and harvesting schedules and re-planting. With regard to selling timber, MTM uses its knowledge of the local markets to establish long-term sales contracts and/or to sell on the spot, depending on market conditions and the Funds' risk appetite. In addition, MTM proactively seeks higher and better use land sales ("HBU") opportunities, using its in-house team to both identify tracts that may be of interest to third parties and contacting such third parties (using its contacts throughout the Southeast). Finally, when the Funds deem it attractive to dispose of properties, MTM facilitates such sales.

***Competition for Timberland Investments:*** Investing in timberlands is a highly competitive enterprise. Identifying attractive timberland investments is difficult and involves a high degree of uncertainty. There can be no assurance that the Funds will be able to acquire timberlands and related assets which satisfy the Funds' rate of return objectives or that the Funds will be able to fully invest its committed capital within the Commitment Period.

For a more detailed discussion of the Fund's methods of analysis and material risks, please refer to the Fund's offering document.

### INVESTMENT STRATEGIES

The Funds focus their investment strategy on acquiring, managing, harvesting and divesting timberland. The "core" portion of the portfolios is southeastern United States timberland with an emphasis on Southern pine. The core portion of the portfolios comprises the majority of the Funds. The Funds complemented their "core" holding of Southern pine with acquisitions that provide diversification as to geography and species. In particular, the Funds acquired "hardwoods" (e.g. oak) in the Southeast and elsewhere to provide diversification as to species. In addition, the Funds made acquisitions in other U.S. geographic regions such as the Pacific Northwest, Northeast, and Midwest to provide additional diversification. The Adviser may, on behalf of the Funds, retain one or more sub-advisers to assist in these locales. The Funds seek long-term capital appreciation, with moderate current income.



**Risk of Loss:** Securities investments are not guaranteed and always carry a risk of loss.

For a more detailed discussion of the Funds' investment strategies and material risks, please refer to the Funds' offering documents.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Salient Partners, L.P., which is a principal owner of the Adviser, also controls a broker-dealer, Salient Capital, L.P. Salient Capital, L.P. serves as placement agent/distributor for funds for which affiliates of Salient Partners, L.P. serve as investment adviser and/or general partner or managing member. The Adviser does not use Salient Capital, L.P. to place trades in client accounts or for any other services.

Affiliated persons of the Adviser are licensed as registered representatives of Salient Capital, L.P. or Coker & Palmer, Inc. These individuals, in their separate capacity, can effect securities transactions for other customers or clients (separate and apart from the Funds), in respect of which they may receive separate, yet customary compensation.

Such individuals are also affiliated persons of other advisers that are affiliates of Sustainable Woodlands Partners, L.L.C. While the Adviser and these individuals endeavor at all times to put the interest of the clients first as part of their fiduciary duty, such clients of our adviser affiliates should be aware that the receipt of additional compensation from Salient Capital, L.P. or Coker & Palmer, Inc. creates a conflict of interest, and may affect the judgment of these individuals when making recommendations. Further, more detailed disclosure of such conflicts of interest is contained in Part 2A of Form ADV of the relevant adviser affiliate of Sustainable Woodlands Partners, L.L.C.

Sustainable Woodlands Partners, L.L.C. is affiliated with commodity trading advisors ("CTA") and commodity pool operators ("CPO"). Salient Advisors, L.P. is registered with the Commodity Futures Trading Commission ("CFTC") as a CTA and a CPO and is a member of the National Futures Association ("NFA"). Salient Capital Advisors, LLC is registered with the CFTC as a CTA and is a member of the NFA. In addition, Salient Risk Parity Fund GP, LLC is registered with the CFTC as a CPO and is a member of the NFA. Affiliated persons of the Adviser are principals and/or affiliated persons of the CPOs/CTAs.

As discussed in Item 4, above, the Adviser's clients are all unregistered private partnerships.

Individuals on the Adviser's Board of Managers and other affiliated persons of the Adviser are also owners, officers and/or employees of Endowment Advisers, L.P.; GHE Advisers, L.P.; Integrity Capital, LLC; The Molpus Woodlands Group, LLC; Salient Advisors, L.P. and Salient Capital Advisors, LLC. In these capacities, these individuals also provide investment advice to the following pooled investment vehicles:

The Endowment Master Fund, L.P.; The Endowment Registered Fund, L.P.; The Endowment TEI Fund, L.P.; The Endowment Institutional Fund, L.P.; The Endowment Institutional TEI Fund W, L.P.; The Endowment (Domestic) Fund, L.P.; The Endowment (Domestic QP) Fund, L.P.; The Endowment (Exempt) Fund II, L.P.; The Endowment (Exempt QP) Fund II, L.P.; The Endowment (International) Fund, Ltd; Global Hedged Equity Master Fund, L.P.; Global Hedged Equity Fund, L.P.; Global Hedged (Offshore) Equity Fund, Ltd.; Salient Alternative Strategies Master Fund; Salient Alternative Strategies Fund; Salient Alternative Strategies I Fund; Salient Alternative Strategies Fund, L.P.; Salient Partners EV Fund LP; The Yield Master Fund I, L.P.; The Yield Master Fund II, L.P.; The Yield Fund, L.P.; The Yield (Exempt) Fund, L.P.; Salient Risk Parity Fund V15, L.P.; Salient Risk Parity Fund V12, L.P.; Salient Risk Parity Fund; Salient Alternative Beta Fund; Salient Pure Trend Fund; Salient Global Equity Fund; Salient MLP Fund, L.P.; Salient MLP TE Fund, L.P.; Salient Midstream & MLP Fund; Salient MLP & Energy Infrastructure Fund; Salient MLP & Energy Infrastructure Fund II; The Salient Zarvona Energy Fund, L.P.; Sustainable Woodlands Fund, L.P.; Sustainable Woodlands Fund II, L.P.; Molpus Woodlands Fund III, L.P.; Molpus Woodlands Fund III (Cayman), L.P.

This presents a potential conflict of interest in that these individuals may have an incentive to favor the clients of these other advisory firms when identifying or allocating investment opportunities for the Adviser. To address this potential conflict, the Adviser regularly reviews the allocations of investment opportunities between affiliated Advisers.

The following investment advisers are under common ownership and/or share one or more affiliated persons of the Adviser:

Endowment Advisers, L.P., which provides investment advice to investment companies and pooled investment vehicles;

GHE Advisers, L.P., which provides investment advice to pooled investment vehicles;

Integrity Capital, LLC, which provides investment advice to public pension plans and corporate pension and profit sharing plans;

The Molpus Woodlands Group, LLC, which acquires, manages, and sells timberland as an investment vehicle for pension funds, college endowments, foundations, insurance companies and high net-worth individual investors. MWG also assists clients in selling timberlands and is a registered real estate broker in various states;

Salient Advisors, L.P., which provides investment advice to investment companies and pooled investment vehicles; and

Salient Capital Advisors, LLC, which provides investment advice to individuals, pension and profit sharing plans, investment companies, pooled investment vehicles and other institutional clients.

Salient Trust Co., LTA is an affiliate of the Adviser. Salient Trust Co., LTA clients may be solicited to invest in one or more of the funds managed by the Adviser or an affiliate.

Salient Insurance Agency, LLC is an affiliate of the Adviser. Salient Insurance Agency, LLC clients may be solicited to invest in one or more of the funds managed by the Adviser or an affiliate.

Salient Select, LLC is an affiliate of the Adviser. Salient Select, LLC clients may be solicited to invest in one or more of the funds managed by the Adviser or an affiliate.

**Salient Index Management, LLC:** In addition to the relationships above, an owner of Sustainable Woodlands Partners, L.L.C., Salient Partners, L.P., is also the sole owner of Salient Index Management, LLC (“Index Manager”). The Index Manager owns the Salient Pure Trend Index, Salient Risk Parity Index, Salient Risk Parity V12+ Index, Salient Risk Parity V15 Index and Salient Risk Parity V15+ Index (each, a “Salient Index”, collectively, the “Salient Indices”). Each Salient Index employs a methodology seeking risk parity across several asset classes by using various mechanisms, which may include credit default swaps and futures contracts. Certain officers of the Index Manager are also officers or employees of Sustainable Woodlands Partners, L.L.C. This creates a conflict of interest with Sustainable Woodlands Partners, L.L.C., and its clients given that the Index Manager and/or Sustainable Woodlands Partners, L.L.C. may compare client account investment performance to the performance of one or more of the Salient Indices and may utilize one or more of the Salient Indices in marketing materials. The relationship could create an incentive for Sustainable Woodlands Partners, L.L.C., or its supervised persons to access information regarding the Salient Indices prior to that information becoming publicly available. In addition, a conflict exists with respect to the confidentiality of Sustainable Woodlands Partners, L.L.C.’s client information. To address these conflicts of interest, both Sustainable Woodlands Partners, L.L.C. and the Index Manager have implemented policies and procedures to address, among others, the following matters: employee personal securities trading and review, confidentiality requirements, and insider trading prohibitions. Salient Partners, L.P. does not have any direct decision-making responsibilities regarding the Salient Indices. Any changes to the Indices are pre-approved by a standing Index committee (the “Index Committee”) established by Index Manager and governed by a charter approved by the Board of Managers of Salient Partners, L.P. and its general partner, Salient Capital Management, LLC. Subject to certain transition rules, the Index Committee is composed of not less than five (5) and not more than ten (10) members, of which not less than three (3) members must be independent members; provided, however, that for an interim, transitional period, only one member of the Index Committee is an independent member. No change to the objective or methodology for any Index shall be implemented without the approval of a majority of independent members of the Index Committee, or, as currently constituted, the sole independent member.

**Other Activities of Investment Professionals.** The Adviser and the professionals who are involved in the Funds’ activities remain responsible for the existing client portfolios managed by The Molpus Woodlands Group, LLC; Salient Partners, L.P.; Investek Timber Management, LLC or their respective affiliates, as the case may be (collectively, “Related Parties”), and they devote significant time to the management of such investments and other newly created funds (as well as their own respective investments). In addition, in connection with the management of investments for other accounts, Related Parties may serve on the boards of directors of or advise companies which may compete with portfolio investments of the Funds. Moreover, these other accounts managed by the Related Parties may pursue investment opportunities that may also be suitable for the Fund.

In some cases, those investment opportunities may be capacity constrained. Allocation of investment opportunities among the Funds and the other funds or accounts managed by the Related Parties will be made by the Adviser or by Related Parties in their capacities as managers of such funds or accounts in a reasonable and equitable manner, as determined by them in their sole discretion. The disposition of any such investments is subject to the same conditions.

***Investors in the Adviser's Clients are Solicited to Invest in Affiliated Partnerships.***

Affiliated persons of the Adviser are members of the general partner of various private investment vehicles (as discussed above) and affiliated advisers, which themselves manage other registered investment companies and private pooled investment vehicles. Certain investors in Funds managed by the Adviser are solicited to invest (by the affiliated persons) in such other registered investment companies or private pooled investment vehicles, although the Adviser's clients themselves, which are all pooled investment vehicles, are not. In such instances, our affiliated advisors and/or affiliated persons of our Adviser may receive additional compensation.

While Sustainable Woodlands Partners, L.L.C. and these individuals endeavor at all times to put the interest of their clients first as part of our fiduciary duty, clients of such adviser affiliates should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of the adviser affiliate and these individuals when making recommendations. Further, more detailed disclosure of such conflicts of interest is contained in Part 2A of Form ADV of the relevant adviser affiliate of Sustainable Woodlands Partners, L.L.C.

***Dependence on Property Managers; Conflicts of Interest.*** The Adviser locates, hires and manages property managers and other personnel (including independent contractors) for the investments. The success of the Funds' investments, therefore, depends in part upon the Adviser's ability to select and retain qualified property managers for its investments. The Adviser has retained MTM to provide forestry consulting services to the Funds. Based on current contractual relationships between the principals of the Adviser and MTM, such arrangements may represent a conflict of interest between the Adviser and the Funds. To the extent that the Adviser on behalf of the Funds retains MTM, one of MTM's affiliates, or any other affiliate of the Adviser, such arrangements will be required to be approved by the Board members not affiliated with MTM.

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

The Adviser has adopted a Code of Ethics (the "Code") to effectuate the purposes and objectives of Sections 204A and Rule 204A-1 of the Investment Advisers Act of 1940. A copy of our Code of Ethics can be obtained by requesting it from an advisory representative or affiliated person by calling (713) 993-4675.

In summary, the Code sets forth the Adviser's standards of business conduct reflecting our fiduciary obligations to our clients and specifically requires all employees to comply with the Code and federal (and other applicable) securities laws. In addition, the Code contains the following specific provisions:

- All access persons to report their personal securities transactions (quarterly) and their securities holdings (at least annually) to the Adviser for review;
- All employees to report any violations of the Code to the Adviser;
- The Adviser to provide each employee with a copy of the Code and any amendments; and
- All employees to provide a written acknowledgement of their receipt of the Code and any amendments.

We strive to ensure that all employees act in accordance with the Adviser's internal policies and applicable regulations governing those rendering registered investment advisory services. Employees not in compliance with firm goals in this regard are subject to sanctions, which include possible termination.

Any persons found to have violated this policy will be subject to disciplinary actions including (but not limited to) warnings, sanctions, regulatory and/or Board reporting and/or possible termination.

## **Item 12 Brokerage Practices**

The Adviser manages the assets of its client investment funds per the terms of the limited partnership agreements of the Funds and the investment objectives of the Funds. In this capacity, it has the authority to determine the investments made by the Funds, the amount of those investments, and any brokers, dealers and associated commission rates.

However, given the fact that the Funds' investments are in timberlands, the use of securities brokers or dealers and the payment of associated commissions is not applicable.

## **Item 13 Review of Accounts**

The Adviser has a Board of Managers that oversees its operations and investment advisory services. The Board of Managers is comprised of John A. Blaisdell, Andrew B. Linbeck, Bob Lyle, Michael T. McRee, Dick Molpus, David A. Scott and Terrell Winstead.

The Board is responsible for the overall corporate governance of the Adviser and the Funds. Acquisitions and dispositions are presented to the Board by MTM and considered by the full Board. All borrowings or other significant corporate matters (e.g., long-term supply agreements, etc.) shall be considered by and approved by the full Board.

The Funds' quarterly investor statements are calculated and delivered to investors by the Adviser.

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

With regard to Sustainable Woodlands Fund II, L.P., such Fund engaged a financial intermediary to act as a placement agent to assist in placing interests of such Fund to its brokerage customers. Neither such Fund nor the Adviser pays separate compensation to

such financial intermediary in respect of such placement services. However, it is our understanding that such brokerage customers are subject to separate fee arrangements with such financial intermediary, in addition to the fees and expenses of the Fund. In addition, other financial intermediaries may be compensated directly by investors in the Funds, under arrangements between such financial intermediaries and such investors (in their capacities as clients or customers of such financial intermediaries, and not in their capacities as investors in the Funds). These compensation arrangements with financial intermediaries are in addition to the fees and expenses charged by the Fund and the Adviser, as described above in Item 5.

## **Item 15 Custody**

As the Adviser is the general partner of the Funds that are being managed by the Adviser, the Adviser is deemed to have custody of the assets of the Funds. The Adviser requires the Funds to be audited by an independent, PCAOB accountant, and will distribute the audited financial statements to all fund investors within 120 days after the relevant Fund's fiscal year end.

## **Item 16 Investment Discretion**

Our discretionary authority includes the ability to determine whether to buy or to sell assets (primarily timberlands), and to determine the amount of the relevant Fund's assets to buy or sell. This authority is contained in each Fund's limited partnership agreement, which will also contain any limits on this authority.

## **Item 17 Voting Client Securities**

Given the fact that the Funds' investments are in timberlands, the Adviser does not receive or vote proxies.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that has discretionary authority and custody, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Sustainable Woodlands Partners, L.L.C. has no additional financial circumstances to report.

Sustainable Woodlands Partners, L.L.C. has not been the subject of a bankruptcy petition at any time during the past ten years.