

**Item 1. Cover Page**

**THE LYME TIMBER COMPANY LP**

Form ADV, Part 2A  
(the “Brochure”)

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This Brochure provides information about the qualifications and business practices of The Lyme Timber Company LP (“we”, the “Adviser” or “Lyme”). If you have any questions about the contents of this brochure, please contact David Hoffer at 603-643-3300 or [dhoffer@lymetimber.com](mailto:dhoffer@lymetimber.com). 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 the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

The Adviser does not consider any of the information contained in this version of the Brochure to represent a material change from the information contained in its most recent previous version dated July 25, 2014. Our current and future investors are encouraged to read this Brochure, as well as all of the governing documents applicable to their current or prospective investment, in their entirety. To receive an additional current copy of this Brochure free of charge, please contact David Hoffer at 603-643-3300 or [dhoffer@lymetimber.com](mailto:dhoffer@lymetimber.com).

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#### **Item 4. Advisory Business**

The Lyme Timber Company LP (“Lyme”) is an investment advisory firm specializing in advisory services related to investments in timberland properties. Lyme was founded in 2008 by James Hourdequin, Thomas Morrow, and Peter Stein to continue the business of Lyme’s predecessor, The Lyme Timber Company (now known as LTC Partners LP), which was founded in 1976. James Hourdequin, Thomas Morrow, Peter Stein, and David Hoffer (who joined Lyme in 2011) are the principals of Lyme and, in the aggregate, are the principal owners of Lyme (the “Principals”). LTC Partners LP maintains a minority interest in Lyme.

In meeting each client’s needs, Lyme follows a disciplined and value-oriented investment philosophy with the goal of achieving attractive risk-adjusted returns. We have expertise in the careful selection, management, and disposition of timberland and rural real estate, including lands with important conservation values. We have extensive experience in the negotiation and sale of working forest conservation easements that restrict development on lands but allow income generation from sources such as sustainable timber harvesting, recreational leasing activities, and sale of ecosystem services. Lyme seeks to sell conservation easements and other interests early in the investment cycle to help enhance investment performance of the client portfolios we manage while reducing real estate exposure and risk for the clients. We also have expertise structuring advantageous debt arrangements (e.g. New Markets Tax Credit financings), restructuring forestry and timber operations, and developing and managing wetland and stream mitigation banks.

Lyme provides investment advisory services to sponsored limited partnerships consisting of multiple investors or “pooled investment vehicles” (each a “Fund” or “Client” and, collectively, the “Funds” or “Clients”). Lyme does not manage any funds for investors in separate accounts. We tailor our advisory services to the specified investment mandates of our Clients, consistent with the Client’s governing documents, which may include a private placement memorandum, limited partnership agreement, and subscription agreement (collectively, the “Governing Documents”). Because we are committed to adhering to a specialized investment strategy, we do not otherwise generally permit investors in the Funds to impose restrictions on our ability to invest.

Our objective is to generate capital appreciation and income through investments in timberland, ranch and agricultural land, rural real estate, and related assets. We believe that our experience, knowledge, and use of multiple conservation sale strategies can help achieve attractive risk-adjusted returns.

Specifically, we focus on the following key objectives:

1. Seek attractive investment returns through disciplined valuation, conservation sales, and/or operational restructuring.
2. Pursue conservation-related investment strategies that help to mitigate speculative real estate exposure and risk.
3. When prudent, seek to utilize advantageous financing to enhance equity returns.
4. Seek to enhance Fund-level returns through careful investment in emerging ecosystem service opportunities, such as wetland, stream and endangered species mitigation banking.

5. Work to maintain strong investment discipline with the Principals involved in all investments.

As of December 31, 2014, we managed approximately \$150,500,000 in regulatory assets under management, all on a non-discretionary basis.

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

Lyme, or one of its affiliates, typically receives compensation for providing investment advisory services from each of our Clients in the form of (1) a management fee based on the percentage of assets we manage (generally based on capital committed or capital deployed) and (2) performance-based compensation.

We set forth the details of how we calculate our management fee and performance-based compensation for our Clients in their Governing Documents. We only receive our performance-based compensation when distributions occur in accordance with the relevant Governing Documents for each Client relationship. As a result, we do not receive performance-based compensation on a regularly-scheduled basis. Our fees have not been negotiable in the past, and we have no present intention of negotiating fees in the future.

We deduct our management fees directly from our Clients' accounts each quarter. Whether these deductions are in arrears or in advance is determined by the investment terms applicable to a specific Client and set forth in its Governing Documents.

In addition, Lyme, its supervised persons or one of its affiliates may receive consulting fees in connection with consulting services they may provide regarding land conservation strategies.

In connection with our advisory services, our Clients generally bear, or have borne, each of their own operating and investment-related expenses, including, for example:

- organizational and formation expenses,
- fees, costs and expenses directly related to their purchase and sale of investments (including real estate brokerage commissions and legal fees),
- expenses that each Client incurs in connection with owning and operating the owned assets, including, for example, maintenance or improvement costs,
- costs and expenses of managing Clients' investments,
- fees and expenses of outside consultants and experts that we engage in connection with making or managing investments,
- certain membership expenses of relevant associations,
- costs of forest certification,
- any withholding or other taxes,
- expenses of custodians, third-party tax professionals and auditors, attorneys, and other service providers,
- insurance, risk management, indemnity and litigation expenses,
- costs and expenses incurred in dissolving, winding-up and terminating each Client and in realizing its investments,

- other administration costs and
- fees and expenses in connection with transactions that are not consummated.

Additional information on fees incurred by Clients can be found in each Client's applicable Governing Documents.

Any of our pooled investment vehicles that invest in parallel share joint expenses on a pro rata basis, as applicable (unless tax, regulatory or other reasons dictate otherwise).

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

Lyme has entered into performance fee arrangements with each of its Clients. Such fees are set forth in detail in each of its Clients' Governing Documents and are typically calculated as a percentage of the cash flows earned and/or valuations in excess of a specified threshold.

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

Currently, our only Clients are Funds. Investors in these vehicles include or may in the future include (but are not/will not be limited to):

- individuals,
- pension and profit sharing plans (domestic and foreign),
- segregated accounts formed by insurance companies,
- family offices,
- trusts, estates, charitable organizations and endowments and
- limited liability companies and corporations.

Currently, we are only offering interests in one Fund, which has a stated minimum investment amount of \$250,000. The stated minimum investment commitment for the pooled investment vehicle that we launched previously was also \$250,000. We typically have the discretion to waive minimum investment requirements for investment in our Funds.

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

On behalf of our Clients, we primarily locate, analyze, acquire, manage and dispose of timberland and rural real estate in the United States and Canada. We also may invest a Client's assets in one or more REITs that conduct the same activities.

In evaluating investment opportunities, we examine and analyze the facts and circumstances with respect to each prospective acquisition. Our examination includes, among others, any combination of the following components:

- timber harvest regimes,
- local market fundamentals for forest products and land values,
- availability of conservation funding,
- pricing of conservation restrictions and covenants, and

- availability of, and market demand for, conservation compatible revenue (for example, hunting or fishing leases or wetlands mitigation credits).

Our research efforts often include visiting sites and meeting and collaborating with local foresters and operating partners.

We invest according to four general investment strategies:

1. Working Lands: We invest in working forests and agricultural lands where we can establish a low investment basis by targeting less efficient markets and/or by structuring the sale of conservation easements early in the investment cycle. We look for ways to add value to these investments through the use of advantageous financing and restructuring of property operations. Investment realizations are expected from a combination of operating income derived from timber harvesting, recreational leasing, ranching or farming, and capital events, including the sale of easements and the final sale of the property.
2. High Priority Conservation Land: We pursue investments in timberland, ranchland, agricultural land, and other properties whose value is primarily based on the potential for conversion to other uses (e.g. conversion of a large forestland block to multiple recreational lots). Investment realizations are expected to come primarily from the sale of conservation interests and the final sale of the property.
3. Mitigation Banking: We acquire and invest in properties that, due to unique characteristics and attributes, are suitable for the development and operation of wetland, stream, endangered species, and other mitigation banks. We focus on opportunities in locations with strong demand for mitigation credits.
4. Emerging Conservation Investment Opportunities: We may pursue investments in emerging conservation investment opportunities such as carbon sequestration, wind power leases, water resource protection credits, and biomass and alternative energy supply agreements.

Following acquisition, Lyme manages our Clients' timberland investments, with day-to-day management responsibilities typically being handled by experienced third party service providers. In certain cases, we may cause the Clients to employ individuals to manage the timberland properties directly, or to utilize a combination of a third-party service provider and direct employees. With respect to mitigation banking credits, we generally outsource the day-to-day management of these to a third party service provider, with Lyme retaining responsibility for overall management. In addition, owing to the specialized nature of mitigation banking, Lyme may cause the Clients to engage a specialist to sub-advise Lyme on mitigation banking strategies, and occasionally this specialist may also assume responsibility for the day-to-day management of certain mitigation banks. Employees of and third party service providers to the Clients are Client expenses and are therefore paid for by the Clients.

Despite our methodologies and strategies, there is always the possibility that we may not correctly predict or evaluate the future performance of certain investments. Investing in any real estate assets or securities involves a risk of loss that any of our Clients or any of the investors in our Clients must be prepared to bear.

Below we describe some of the risks associated with our Clients' investments, but the following explanation of certain risks is not exhaustive. For a further discussion of the risks applicable to an investment in our Clients, investors and prospective investors in those Clients must also review each applicable Client's Governing Documents, including, for example, the private placement memorandum, which may contain additional explanations of strategies and risks that we do not discuss in this section.

- General risks associated with investing in real estate, including adverse changes to national or international economic conditions, adverse local market conditions, financial condition of buyers and sellers of properties, changes in real estate tax rates and other operating expenses, changes in environmental laws or regulations, governmental rules or fiscal policies, energy and supply shortages, changes in the relative popularity of various types of real estate properties as investment alternatives, acts of God, acts of war and terrorist activity, natural disasters, and uninsured losses;
- the cyclical nature of the forest products industry;
- lack of diversification of a Client's investment portfolio, by virtue of the concentration of that Client's investments in a limited number of geographic regions and/or sectors;
- the highly competitive nature of the forest products industry in terms of price and quality;
- potential limitations on the ability to harvest timber, including weather conditions, timber growth cycles, and access limitations; regulatory requirements associated with the protection of wildlife, wetlands and other water resources; and damage by fire, insect infestation, disease, wind, prolonged drought, and other natural disasters;
- the applicability of federal and state environmental regulations, violations of which may result in civil penalties, remediation expenses, potential injunctions, cease and desist orders, and criminal penalties;
- governmental regulations relating to land use and zoning which could have the effect of restricting or curtailing certain uses of existing properties or structures or requiring that such properties or structures be altered;
- the valuation of timberland investments being based on inputs or data deemed to be Level 3 inputs by Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures issued by the Financial Accounting Standards Board, and requiring significant judgment of management;
- the potential for Unrelated Business Taxable Income for tax-exempt partners;
- risks associated with the potential use of leverage;
- to the extent that a Client's investments are held through REIT subsidiaries, risks associated with the failure of a REIT subsidiary to qualify as a REIT, and risks associated with potential changes to the tax laws governing REITs;
- the identification of suitable investments that meet the Client's investment criteria and overall strategy; and
- the illiquidity of investments in timberland and other real assets.

With respect to investments in mitigation banks, additional material risks generally involve:

- the risk associated with projects being approved by the applicable regulatory agencies and meeting success criteria;
- the risk associated with the amount, quality and reliability of data regarding the market;



- the risk associated with the regulatory agencies governing the area in which the project operates or specific regulations applicable to such area;
- the risk associated with the operating partners providing environmental consulting, engineering and construction, and marketing and sales activities for the project; and
- the relative risk associated with (i) the projected timing and complexity associated with the design and execution of the restoration plan for the project, and (ii) the ecological and environmental complexity of the project.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's evaluation of Lyme or the integrity of Lyme's management. Lyme has no disciplinary events to report.

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

Affiliates of Lyme serve as the general partners of the Funds. Each such general partner is listed on Lyme's Form ADV Part 1 as a "Relying Adviser" and operates in compliance with the SEC guidance regarding such Relying Adviser designation.

Lyme does not recommend or select other investment advisers for our Clients. In addition, we do not have any other business relationships with other investment advisers. Lyme does engage, on behalf of its clients, the services of third-party consultants to provide deal sourcing, due diligence, property management and other services, including, as noted in Item 8 above, with respect to its mitigation banking strategies.

Except to the extent necessary to perform our obligations to the Clients, Lyme and the Principals are not limited or restricted from engaging in or devoting time and attention to the management of any other businesses, including but not limited to providing consulting services (a) to philanthropists and grant-making foundations on the strategic design, implementation and evaluation of land conservation initiatives and programs targeting high-priority conservation lands, and (b) to timberland owners with respect to conservation-oriented real estate dispositions and timberland operations management.

While Lyme and the Principals will devote such time as we, in our sole discretion, deem necessary to manage investments on behalf of the Clients, we may also work on other projects, such as providing the above-referenced consulting services. Although unlikely, conflicts of interests may arise with respect to allocating management time among the Clients and consulting Clients. Lyme and the Principals shall resolve any conflicts that may arise in favor of the Clients.

Lyme, or one of its affiliates, may receive rent income in connection with the subleasing of certain office space the Adviser maintains and subleases to unaffiliated third parties.

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

Each supervised person of Lyme has a fiduciary responsibility to act in the best interests of our Clients consistent with our Code of Ethics (“Code”). To help realize this goal, all employees are required to comply with the rules and regulations of all appropriate regulatory agencies; act honestly and ethically in the performance of their duties at Lyme; avoid conflicts of interest with Clients; and provide Clients and investors with information that is accurate, complete, objective, relevant, timely and understandable in all material respects. Confidential information acquired in the course of Lyme’s business is not used for personal advantage. The confidentiality of information acquired in the course of work is respected at all times except when Lyme is authorized or otherwise legally obligated to disclose. To receive a current copy of the Code free of charge, please contact David Hoffer at 603-643-3300 or [dhoffer@lymetimber.com](mailto:dhoffer@lymetimber.com).

Employees are required to report personal holdings and trades and to pre-clear purchases and sales of private securities and purchases of securities in initial public offerings, in accordance with Lyme’s Code. The Chief Compliance Officer maintains a restricted securities list in accordance with the provision of the Code. None of Lyme’s employees are permitted to trade any security while the issuer of such security is on the restricted list. Generally, we do not permit employees to participate in investment opportunities that are being considered for any of the Clients or are held by any of the Clients. Exceptions may be made to this policy on a case-by-case basis at the discretion of the Chief Compliance Officer after due consideration. Supervised persons of Lyme may invest either directly or indirectly into the Funds, and therefore, may maintain an indirect interest in the securities held by the Funds. Further, pursuant to applicable regulations, the Adviser or its affiliate may hold interests in certain special purpose vehicles, which interests may be transferred to Clients in compliance with the provisions of the Client’s Governing Documents and applicable regulations.

Lyme and employees are strictly prohibited from trading in *any* security while in possession of material, non-public information regarding such security and from passing this information on to anyone except other Lyme employees who have a legitimate business reason to know this information. The Chief Compliance Officer shall put the issuer of any such security on the restricted list in accordance with the provisions of the Code.

Administration of the Code is the responsibility of the Chief Compliance Officer. Violations of the Code may result in disciplinary action, including possible termination of employment. A copy of the Code is available to Clients and investors upon request.

If an employee holds an investment in a company that is being considered for Clients, such employee’s investment will be disclosed to the Lyme’s investment professionals and these professionals, in consultation with the Chief Compliance Officer, will assess and address potential conflicts of interest, if any.

## **Item 12. Brokerage Practices**

Owing to the nature of our Clients' investments, Lyme does not generally use the services of FINRA-regulated broker-dealers to effect transactions. We may, at times, utilize real estate brokers to assist in the acquisition or disposition of properties on behalf of our Clients.

When selecting real estate brokers for our Clients and determining the reasonableness of their commissions, we may consider any combination of the following factors, among others:

- expertise in the timberland industry,
- potential network and contacts for selling properties,
- past success within the timberland industry, and
- the competitiveness of commission rates in comparison with other real estate brokers satisfying our other selection criteria.

In addition, some third-party property managers that we engage to manage our Clients' timberland properties may also be real estate brokers. We may decide to utilize their broker services if we feel that their pre-existing knowledge of our Clients' investments and their operations would benefit the Clients.

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

Lyme conducts reviews of Client investments on a quarterly basis. Lyme management reviews and values each investment in each Client on a quarterly basis. Lyme provides financial statements, quarterly reports and investor statements to each investor in each Fund in writing on a quarterly basis.

In addition, Lyme conducts formal annual meetings of the limited partners in each of its Clients. During these annual meetings, Lyme discusses Client investments and values in detail.

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

This Item does not apply, as Lyme receives no economic benefit in connection with Client transactions, and does not compensate any person for Client referrals.

## **Item 15. Custody**

Rule 206(4)-2 promulgated under the Investment Advisers Act (the "Custody Rule") (and certain related rules and regulations under the Investment Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or

securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

Lyme is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has custody with a “qualified custodian,” as defined under such rule.

Rule 206(4)-2 generally imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients’ funds or securities. However, Lyme need not comply with such requirements with respect to pooled investment vehicles if the pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or, in certain circumstances, all limited partners, members or other beneficial owners. Lyme intends to rely upon this exception and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

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

Currently, our firm accepts authority to manage our Clients’ investment accounts on a non-discretionary basis. Essentially, this means that we make investment recommendations to our Clients and, when our Clients want to act on our recommendations, we execute on such recommendations on behalf of our Clients. We also manage our Clients’ investments while they hold them. The general partners of each Client, who are under common control with the Adviser, are delegated the responsibility under each Clients Governing Documents, to decide whether to act on the Adviser’s recommendations.

In the future we may also accept discretionary authority on behalf of our Clients. This essentially means that we will have the authority to determine, without obtaining specific Client consent, the assets to purchase and the price at which to purchase the assets and when to acquire or dispose of the assets. We would also continue to manage our Clients’ investments while they hold them.

Regardless of the nature of our investment authority, we are committed to adhering to the investment strategy and program set forth in the private placement memorandum for each of our Clients.

Before accepting their subscriptions for interests, we provide all investors in our Funds with the relevant Governing Documents, including, but not limited to, a private placement memorandum or other disclosure document that sets forth, in detail, the relevant investment strategy and program as well as the Fund’s limited partnership agreement. By completing our subscription documents to acquire an interest in one of our Funds, investors give us complete authority to manage their investments in accordance with the private placement memorandum or other disclosure document they each received.

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

Although voting client securities is generally not a service provided by Lyme to its Clients, to the extent Lyme is deemed to have voting authority on behalf of a Client and actually exercises such authority, Lyme complies with its proxy voting policies and procedures that are designed to ensure that in cases where Lyme votes proxies with respect to a Client's securities, such proxies are voted in the best interests of the Client.

If a material conflict of interest between Lyme and a Client exists, Lyme will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

To the extent Lyme is deemed to have voting authority on behalf of a Client and actually exercises such authority, additional information about Lyme's proxy voting policies and procedures, or information about how Lyme voted proxies, would be available by contacting David Hoffer at 603-643-3300 or [dhoffer@lymetimber.com](mailto:dhoffer@lymetimber.com).

## **Item 18. Financial Information**

We do not require nor do we solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our Clients.

Lyme has never been the subject of a bankruptcy petition.