

Pinnacle Timberland Management, Inc. Part 2A of Form ADV The Brochure

Pinnacle Timberland Management, Inc.

650 S. Shackleford Road
Suite 400
Little Rock, Arkansas 72211
Tel: 501-954-8883

March 2019

This brochure provides information about the qualifications and business practices of Pinnacle Timberland Management, Inc. (“PTM, Inc.”). If you have any questions about the contents of this brochure, please contact Barry L. Beers at **(404) 432-3031**.

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.

Additional information about PTM, Inc. is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

There have been no material changes to this brochure since its last revision in March 2018.

Table of Contents

Advisory Business	3
Fees and Compensation	3
Performance Based Fees and Side-by-Side Management	3
Types of Clients.....	4
Methods of Analysis, Investment Strategies and Risk of Loss	4
Disciplinary Information	5
Other Financial Industry Activities and Affiliations	5
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	5
Brokerage Practices	6
Review of Accounts.....	6
Client Referrals and Other Compensation.....	6
Custody	6
Investment Discretion.....	6
Voting Client Securities.....	7
Financial Information	7

Advisory Business

PTM, Inc. was formed in September 2008 by its Founders, Barry L. Beers and Henry H. Page, Jr., each of whom own 50% of the Company, an S-Corporation formed under the laws of the state of Arkansas. The Company was formed to manage private timberland real estate investments and these activities are conducted through its affiliates, Pinnacle Forest Investments, LLC (“PFI”), which PTM, Inc. owns indirectly through Pinnacle Forest Investment Management, LLC (“PFIM, LLC”) and Pinnacle CT Management, LLC (“PCTM, LLC”). PTM, Inc. is the sole Managing Member of PFIM, LLC and PCTM, LLC, respectively, (collectively, together with PTM, Inc., “PTMI”).

PTMI currently provides discretionary advisory services to one affiliated real estate private equity fund, PFI Timberfund I, LP (the “PFI Fund” or the “Fund”). Shares or limited partnership interests in the PFI Fund are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Fund is not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests or shares in the Fund were offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements of private transactions within the United States. The Fund is closed to new investors.

The PFI Fund primarily acquires and holds timberland and standing timber which PTMI manages on a discretionary basis in accordance with the Fund’s governing documents (e.g. limited partnership agreement, management agreements, etc.). PTMI does not provide advice with respect to other types of investments and does not tailor advisory services to the individual needs of the Fund’s investors. As of December 31, 2018, PTMI has \$92,743,082.18 regulatory assets under management, all of which is discretionary and attributable to PFI Fund. PTMI and its affiliates have discretionary authority over the Fund’s investment activities.

Fees and Compensation

Management Fees

The Fund pays an investment management fee in accordance with its governing documents. Management fees generally are paid in arrears on a quarterly basis and are collected directly by PTMI from the Fund.

Other Expenses

In addition to the above investment management fee, the Fund is responsible for expenses related to, among other things: (i) costs incurred in connection with potential investments that the Fund may make; (ii) the organization and establishment of the Fund; (iii) acquisition, ownership, sale, hedging or financing of any investments made by the Fund; (iv) auditing and legal services; (v) direct administrative expenses; and (vi) taxes.

Detailed information regarding fees and expenses borne by the Fund is provided in the Fund’s governing documents.

Performance Based Fees and Side-by-Side Management

PTMI does not receive a performance based fee or carried interest with respect to its management of the Fund.

Types of Clients

PTMI provides investment advisory services to the Fund, an unregistered private investment company. The PFI Fund is closed to new investors and will not accept new investors in the future.

Methods of Analysis, Investment Strategies and Risk of Loss

PTMI's strategy involves an integrated analytical approach to timberland portfolio management coupled with a disciplined approach to property management. PTMI focuses its acquisition effort on properties which it believes will have a higher than average return. PTMI actively manages the Fund's assets to ensure that they are weighted towards investments that are expected to produce above average returns while periodically divesting of components that diminish economic performance. PTMI employs this screening process during the acquisition phase, identifying under-performing portions of acquisitions so that they can be divested before they have a deleterious effect on long-term investment performance. PTMI also routinely repeats the screening process, plans divestitures accordingly, and integrates these plans into the annual budgeting process. As a result, PTMI attempts to gradually transform its acquisitions into concentrated holdings of high-value or high value-growth properties. Properties retained in the portfolio are managed for production of high-quality saw timber. Properties intended for divestiture are managed extensively while awaiting sale.

All investing involves a risk of loss and the investment strategy offered by PTMI could lose money over short or even long periods. An investment in the Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Fund. No guarantee or representation is made that the Fund will achieve its investment objective or that limited partners will receive a return of their capital.

Risks and potential conflicts of interest include, but are not limited to, the following:

There are numerous risks associated with investments in the real estate industry and the possibility of partial or total loss of capital exists.

The Fund is subject to all risks incidental to the ownership and financing of real estate and interests therein, many of which relate to the general illiquidity of real estate investments. These risks include, but are not limited to, changes in general or local economic conditions, increased competition, changes in interest rates and the availability of permanent mortgage financing which may render the purchase, sale or refinancing of a property difficult or unattractive and which may make debt service burdensome, changes in demand for real estate generally and in specific areas, changes in real estate, environmental, or zoning laws, increases in real estate taxes, floods, earthquakes, hurricanes and other acts of God, acts by terrorists, and other factors beyond the control of PTMI. The illiquidity of real estate investments may also impair the ability of PTMI to respond promptly to changing circumstances.

There is no liquid market for real estate and real estate-related investments. Estimated market values may not be readily ascertainable. In addition, there may be significant disruptions in the global capital, credit, and real estate markets. These disruptions may lead to, among other things, a significant decline in the volume of transaction activity, in the fair value of many real estate and real

estate-related investments, and a significant contraction in short-term and long-term debt and equity funding sources. The decline in liquidity and prices of real estate and real estate-related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such portfolio investments. As a result, amounts ultimately realized by the Fund from investments sold may differ materially from the fair values presented to investors.

PTMI can provide no assurance that any property will be profitable. Problems and delays may be encountered after the purchase, including those related to decreased timber demand, delayed liquidation schedules, new environmental regulations, previously unknown environmental conditions, and other unforeseen circumstances.

PTMI performs monthly valuations of the assets of the Fund using methods detailed in the Fund's governing documents. Any such valuations, however, are a subjective analysis of the fair market value of an asset and require the use of techniques that ultimately provide no more than an estimate of value. Valuations may result in adjustments of the Fund's aggregate fair market value. Accordingly, there can be no assurance that the Fund's aggregate fair market value, as calculated based on such valuations, will be accurate on any given date, nor can there be any assurance that the sale of any asset would be at a price equivalent to the last estimated value of such asset.

Additional details about the methods of analysis, investment strategies, and risks associated with the Fund are set forth in its governing documents.

Disciplinary Information

PTMI and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the Company or its personnel.

Other Financial Industry Activities and Affiliations

As stated above, PTMI has an indirect ownership interest in the general partner of the PFI Fund.

PTMI and its employees do not have any other relationships or arrangements with other financial services companies that pose material conflicts of interest.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

PTMI has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act that is predicated on the principal that PTMI owes a fiduciary duty to the Funds. Accordingly, employees of PTMI must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of the Fund.

PTMI's employees that are access persons must have written clearance for all transactions involving initial public offerings and private placements before completing the transactions. PTMI may disapprove any proposed transaction, particularly if the transaction appears to pose a conflict of interest or otherwise appears improper. A copy of PTMI's Code of Ethics is available upon request.

PTMI, its employees or a related entity may have an investment in the Fund. For example, PTMI has an indirect ownership stake in the general partner of the PFI Fund. In addition, PTMI and its general partner may participate in the Fund's investment program by agreeing to commit a certain percentage of the Fund's total capital commitments or a certain dollar amount as defined in the Fund's governing documents. Therefore, PTMI, its employees or a related entity may participate in transactions effected for the Fund.

Brokerage Practices

This section does not apply to PTMI because the Fund invests only in timberland and timberland interests.

Review of Accounts

PTMI focuses on making private equity investments in timber and timberlands. All investments are carefully reviewed and approved by Mr. Beers and Mr. Page. Mr. Beers and Mr. Page oversee and direct the daily operations of the timberlands and review and approve all asset sales. The portfolio is reviewed on a routine basis and Mr. Beers and Mr. Page meet periodically to discuss investment ideas, economic developments, industry outlook, and other issues related to current holdings and potential investment opportunities.

PTMI provides the PFI Fund's limited partners with quarterly reports and monthly capital account statements, and with periodic capital call/distribution notices. Limited partners also receive annual audited financial statements.

Client Referrals and Other Compensation

PTMI does not compensate any third party for client referrals.

Custody

PTM, Inc. is deemed to have custody of client funds because its affiliate, PFI, serves as the general partner of the PFI Fund. In this capacity, PFI has the ability to direct the actions of the PFI Fund, including the ability to access and direct the flow of the PFI Fund's cash.

Neither PFI nor PTMI take or maintain physical custody of the PFI Fund's cash or investments and PFI and PTMI conduct all business operations in such a way that the PFI Fund's cash and investments are preserved in the safekeeping of an independent qualified custodian. When an investment that is suitable for the PFI Fund is identified, PFI issues a capital call to investors for the capital necessary to make the investment. This capital will be held with a qualified custodian until the investment is made. Investors will not receive statements from such custodian. The PFI Fund is subject to an annual audit and audited financial statements shall be distributed to the PFI Fund's investors.

Investment Discretion

PTMI has discretionary authority to determine, without obtaining specific consent from the PFI Fund or its limited partners, the investments and amounts to be bought or sold. Any limitations on this authority are described in the PFI Fund's governing documents.

Voting Client Securities

The Fund only holds real property. Therefore, PTMI does not receive and/or vote proxies.

Financial Information

PTMI has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Fund's assets.