

## Item 1 – Cover Page



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March 15, 2011

This Brochure provides information about the qualifications and business practices of Forest Investment Associates L.P. (FIA). Any questions about the contents of this Brochure should be directed to Christina Purcell, Chief Compliance Officer, at 404-261-9575 or [cpurcell@forestinvest.com](mailto:cpurcell@forestinvest.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.

Forest Investment Associates L.P. 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 potential investors with information with which they determine whether to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission (SEC) published “Amendments to Form ADV” which amends the disclosure document that FIA provides to clients as required by SEC Rules. This Brochure dated March 15, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that the previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide a summary of such changes. FIA will also reference the date of the last annual update of its brochure.

In the past, FIA has offered or delivered information about its qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, FIA will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. FIA may further provide other ongoing disclosure information about material changes as necessary.

FIA will further provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge.

FIA’s Brochure may be requested by contacting Christina Purcell, Chief Compliance Officer, at (404) 261-9575 or [cpurcell@forestinvest.com](mailto:cpurcell@forestinvest.com).

Additional information about Forest Investment Associates is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Forest Investment Associates, LP who are registered as investment adviser representatives.

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#### **Item 4 – Advisory Business**

Forest Investment Associates (FIA), formed in 1986, is a Registered Investment Adviser providing investment management services for timberland investors. Operating out of Atlanta, Georgia, U.S. headquarters and multiple U.S. field offices, FIA acquires and manages timberland portfolios for corporate pension plans, state and municipal retirement systems, endowments, foundations and family offices. FIA offers customized separate account and commingled fund investments.

Forest Investment Associates is majority owned and controlled by Forest Investment Associates, LLC. No individual directly or indirectly owns or controls more than 25% of Forest Investment Associates L.P. FIA's Executive Committee is comprised of the following persons:

L. Michael Kelly, President  
Marc A. Walley, Executive Vice President & Director of Timberland Management  
Charles L. VanOver, VP – Director of Real Estate Transactions  
Samuel R. Grice, VP – Director of Client Accounting & Finance  
V. Scott Bond, VP – Director of Marketing & Client Relations

FIA's overall management objective is to maximize the value of each client portfolio through capital appreciation from optimal forest productivity and cash flows from timber harvests. Our experienced foresters, analysts and specialists combine financial management skills with the latest forest science and technology to achieve this objective.

In managing timberland portfolios, FIA selects properties specific to the needs of the particular client. FIA seeks to build portfolios that are diversified across various criteria, including:

- Geographic location
- Timber species
- Timber age

Hunting, recreation, mitigation, conservation and other non-timber income sources provide opportunities for adding value, and we work to maximize these sources. FIA's business knowledge and expertise is not limited to forestry, and we proactively identify and implement alternative land uses, timberland sales and other value growth opportunities based on local market dynamics.

FIA has formed the four commingled funds (hereinafter, the “Funds”) listed below. The Funds are exempt from registration under the Investment Company Act of 1940. They are managed in accordance with their own investment objectives, strategies and guidelines and are not tailored to the individual needs of any particular investor in the Funds. Therefore, investors must consider whether the Funds meet their investment objectives and risk tolerance prior to investing. Detailed information about the Funds can be found in each respective Fund’s private placement memorandum.

- FIA Timber Partners, LP
- FIA Timber Partners Special Situation Fund, LP
- FIA Timber Growth Partners, LP
- FIA Timber Partners II, LP

As of December 31, 2010, FIA’s discretionary assets under management were \$2,843,436,636.

## **Item 5 – Fees and Compensation**

Clients pay FIA fees based on various measures of asset value. Fees are subject to negotiation and may vary from client to client to reflect circumstances that apply to specific clients. The fee schedule, with any applicable terms and conditions, is stated in the each client’s Investment Management Agreement.

### Separate Accounts

Fees are charged in arrears based on the value of the portfolio at the end of the quarter. Procedures for valuing portfolios are discussed in greater detail in Item 12. FIA’s fee structure is based on one or more of the following components:

- 1) Management fee based on a percentage of assets under management (either at market value or cost);
- 2) Acquisition fee based on a percentage of the purchase price of a property;
- 3) Incentive performance fee (see Item 6 below); or
- 4) Disposition fee based on a percentage of the sales proceeds from a property.

FIA’s fees include only the cost associated with the investment advisory services offered. Clients are responsible for all expenses incurred associated with management of the property, including but not limited to, timber sale expenses, property taxes, land appraisals, and all other costs associated with forest operations and administration.

Clients may, but are not required to, grant FIA the authority to directly pay its advisory fees from the clients’ cash accounts. Clients receive invoices from FIA stating the amount of the fee paid from their cash account.

Clients may terminate management of their portfolio by written notice at any time, subject to any specific terms and conditions stated in the Investment Management Agreement. Any such termination will not affect either party's status, obligations or liabilities.

#### Private Funds

Investment advisory fees and other expenses incurred by the Funds are described to investors, in detail, in each Fund's Private Placement Memorandum. Fund fees vary depending on the nature of the services provided and the investment strategy utilized but generally include: (1) a management fee, based on the value of assets in the Funds (at either market value or cost); and (2) an incentive fee equal to a percentage of capital appreciation above a prescribed hurdle rate of return. With respect to incentive fees, any losses are carried forward so that no incentive fee is charged unless the losses have been recouped, subject to certain adjustments (e.g. a high water mark provision). Management fees for Private Funds are payable quarterly in arrears. Incentive fees, if earned, are paid through an annual allocation of profits from each limited partner into the general partner's capital account at each prescribed measurement point.

Specific procedures and restrictions apply to withdrawals and terminations, as described in each Fund's Private Placement Memorandum.

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

Forest Investment Associates may enter into performance fee arrangements with clients. Such fees are subject to negotiation, as outlined in each client's Investment Management Agreement. FIA will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940. In measuring clients' assets for the calculation of performance-based fees, FIA includes realized and unrealized capital gains and losses.

FIA has procedures in place designed and implemented to ensure that all clients are treated fairly and equally and to prevent any conflict from influencing the allocation of investment opportunities among clients. Please refer to FIA's Investment Priority Policy discussed in Item 12.

### **Item 7 – Types of Clients**

Forest Investment Associates provides timberland investment portfolio management services to corporate pension plans, state and municipal retirement systems, endowments, foundations, family offices and commingled fund investors.

The minimum account sizes for each of the advisory services offered appear below. FIA reserves the right to reduce these minimum requirements at its discretion.

Separate Accounts	\$50,000,000
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**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

The following list of risk factors describes some of the more significant risks associated with an investment in timberland, but is not intended to be a comprehensive list of all the risks of such an investment. There are additional risks associated with fund investments. Prospective investors and their advisors considering investment in a Fund should refer to the Risk of Loss section in the respective Private Placement Memorandum for a more detailed listing of fund-related risks.

**Prices for timber are volatile and may negatively impact the results of operations.** A portion of client revenues will likely be dependent on prevailing market prices for timber, which may fluctuate substantially based on changes in supply and demand. Decreases in demand, increases in supply, or both, may reduce timber prices, which in turn may reduce revenues and negatively impact financial results.

Demand risks - The principal factors that affect demand for timber include economic conditions in the industries that use wood products, product substitution and increased efficiency by end-users.

Supply risks - The supply of timber is affected by various factors, including increases in foreign supply caused by the globalization of the timber markets and fluctuations in local or regional supply. Historically, increases in timber prices have caused owners of timberland to increase timber cutting. This increase in supply, in turn, may mitigate any price increases. Additionally, a significant amount of intensive forest management of timberland in a particular region may result in an increase in timber reserves without a corresponding increase in demand.

Certain government agencies, such as the U.S. Forest Service and the U.S. Bureau of Land Management, own large amounts of timberland. If these agencies were to modify their policies and sell more timber than they have in recent years, timber prices could fall. The supply of timber available for harvesting is also affected by, among other things, environmental and other legal and regulatory restrictions on harvesting. Moreover, state laws and federal trade policies impact imports and exports of timber and timber products, which may affect both the demand for exports of U.S. timber and the supply of foreign timber in the U.S. Any significant increase in the supply of, or decrease in the demand for, timber and timber products could negatively impact financial results.

**Environmental laws and other government regulations may adversely affect properties and operations.**

The operations and properties will be subject to federal and state laws and regulations governing forestry practices, timber harvesting, the environment and health and safety. Some of these laws and regulations could impose significant costs, penalties and liabilities.

**Losses of timber from fire and other causes are not insured.** Fire, insect infestation, severe weather, disease, natural disasters and other causes beyond FIA's control may reduce the volume and value of timber that can be harvested from the timberland and negatively impact financial results. As is typical in the industry, it is not intended that the client maintain insurance for any loss to its timber, including losses due to these causes. While FIA will attempt to mitigate these risks by constructing a portfolio diversified by geography, species and timber age and by actively managing the timberland, significant natural disasters and similar events could have a significant negative impact on financial results.

**Seasonality of timber harvesting may affect financial results.** Inclement weather in winter and fire prevention measures in spring and summer may limit timber harvesting on timberland properties in certain regions of the U.S. Due to less favorable weather that generally prevails in the first and fourth quarters, timber customers may harvest less timber from clients' properties during these quarters. These seasonal limitations may reduce client revenues and cash flow during those periods, and may limit FIA's ability to make cash distributions during these times.

## **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 evaluation of Forest Investment Associates or the integrity of Forest Investment Associate's management. FIA has no disciplinary events to disclose.

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

As discussed previously, FIA created four Private Funds, described below. FIA, its officers, directors or related entities serve as General Partner to each of the Funds. To the extent that any of the Funds are an appropriate investment for FIA separate account clients, those clients may be solicited to invest in the Private Funds. Interests in the Funds will only be offered to a limited number of investors who are able to bear the risk of an investment in the Funds and who meet the requirements set forth in each Funds' offering documents.

*FIA Timber Partners, L.P.* is a Delaware limited partnership organized in 2004 to provide qualified institutional and individual investors the opportunity to invest in a diversified portfolio of timberland properties in the U.S. The General Partner of the Fund is FIA Timber Management, LLC. FIA Timber Management, LLC is majority owned and controlled by FIA.

*FIA Timber Partners Special Situation Fund, L.P.* is a Delaware limited partnership organized in 2006 to provide qualified institutional and individual investors the opportunity to invest in a diversified portfolio of timberland properties in the U.S. The General Partner of the Fund is FIA Special Situation Fund Management, LLC.



FIA Special Situation Fund Management, LLC is majority owned and controlled by FIA.

*FIA Timber Growth Partners, L.P.* is a Delaware limited partnership organized in 2008 to provide qualified institutional and individual investors the opportunity to invest in a diversified portfolio of timberland properties in the U.S. and internationally. The General Partner of the Fund is FIA Growth Management, LLC. FIA Growth Management, LLC is majority owned and controlled by FIA.

*FIA Timber Partners II, L.P.* is a Delaware limited partnership organized in 2009 to provide qualified institutional and individual investors the opportunity to invest in a diversified portfolio of timberland properties in the U.S. The General Partner of the Fund is FIA Timber Management II, LLC. FIA Timber Management II, LLC is majority owned and controlled by FIA.

## **Item 11 – Code of Ethics**

FIA requires all officers, directors, and employees to adhere to FIA’s Code of Ethics. The purpose of the Code of Ethics is to ensure that FIA conducts its business with the highest level of ethical standards and fulfills its fiduciary duties to its clients. FIA has a duty to exercise its authority and responsibility for the benefit of its clients, to place the interests of its clients first, to refrain from having outside interests that conflict with the interests of its clients, to safeguard clients’ personal information, and to comply with all federal securities laws as they apply to the business of FIA. FIA and its employees must avoid any circumstances that might adversely affect or appear to affect its duty of loyalty to its clients. A complete copy of the Code of Ethics will be furnished upon request.

FIA’s Code of Ethics requires certain employees (“Access Persons”) to report their personal security holdings within ten days of being hired and annually thereafter, and also requires them to report securities transactions within thirty days of the end of each calendar quarter. In addition, any individual Access Person’s investment in an Initial Public Offering (IPO) or limited offering must be pre-approved by the Chief Compliance Officer prior to any transaction by the employee. The Chief Compliance Officer or other designated person reviews the personal investment activity of each Access Person to ensure that employee trading activity does not conflict with advice provided to clients.

## **Item 12 – Brokerage Practices**

### *Allocation of Investment Opportunities*

FIA’s Investment Committee adheres to the following Investment Priority Policy when allocating investment opportunities among clients who have outstanding committed funds for investment.

#### Clear Best Fit

Periodically, because of size, geographic location, market exposure, age characteristics, species or other diversification factors, a particular property is clearly most appropriate for the portfolio of a particular client. In such a case, an acquisition will be allocated to a particular client if FIA's Investment Committee determines that the property is a clear best fit for the portfolio of that client.

#### Single Property, Multiple Fit

Often, a particular property may fit the portfolio needs of more than one client. At other times, an undivided property, because of size or other factors, may not fit the needs of any particular client, but if divided becomes a good fit for more than one client portfolio. FIA will seek, where feasible, to physically delineate and apportion the property in a manner that suits the portfolio needs of more than one client. FIA will engage appraisers and/or other third-party consultants to ensure that the property is equitably divided and the purchase price equitably allocated.

#### Oldest Outstanding Commitment

In some cases, FIA may have an opportunity to acquire a property that is a good fit for more than one client portfolio, but because of size, location, or other factors, is not suitable for division. FIA will allocate the acquisition to the client whose remaining un-invested funds have been committed for the longest period of time.

#### *Pricing & Valuation*

FIA's pricing and valuation practices are detailed in each client's Investment Management Agreement. Specific valuation procedures for a particular client could vary from FIA standard practice.

Appreciation is determined by periodic third-party appraisals of the clients' timberlands. Between independent third-party appraisals, the market values for all timberland properties are updated quarterly to account for timber growth, timber harvest removals, land sales and inventory adjustments. In addition, interim market changes are reflected in one of two ways:

1) For the majority of FIA client accounts, the independent, third-party appraiser who performed the most recent comprehensive appraisal performs an appraisal update on an annual basis until a new, comprehensive appraisal is required. Under this approach, the unit values for merchantable timber, premerchantable timber and land remain constant in the interim quarters until the annual appraisal update is performed.

2) For the remaining FIA client accounts, merchantable timber unit values are indexed to publicly reported timber prices and adjusted each quarter based on the movements of those publicly reported prices. Premerchantable timber unit values are generally also adjusted quarterly based on an internal valuation system that ties

premerchantable timber unit values to current quarter merchantable timber unit values, but alternatively, premerchantable timber unit values may be held at the most recent independent appraised values. Under this approach, land unit values are generally held constant at the most recent independent appraised value until the next independent appraisal is performed.

### **Item 13 – Review of Accounts**

Each account is reviewed no less than quarterly by at least two members of FIA's Investment Committee. The Investment Committee is comprised of:

L. Michael Kelly, President and Chairman of the Investment Committee  
Marc A. Walley, Executive Vice President and Director of Timberland Management  
Charles L. VanOver, VP – Director of Real Estate Transactions  
Samuel R. Grice, VP – Director of Client Accounting & Finance  
V. Scott Bond, VP – Director of Marketing & Client Relations

Clients receive quarterly reports and financial statements prepared by FIA showing the latest timber inventory and value, cash/checking account balances, income and expenses for the period and internal rate of return.

Investors in Private Funds receive a quarterly report of their respective capital account that shows the beginning and ending value of their investment in the Fund, any deposits or withdrawals for the period and the performance of their account. Investors also receive an annual audit report prepared by the independent certified public accountant within 120 of the Fund's fiscal year end.

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

FIA does not receive any compensation other than investment advisory fees in connection with the advisory services offered to clients.

### **Item 15 – Custody**

Clients receive bank statements from the financial institution(s) at which cash accounts are located on a monthly basis. FIA urges clients to carefully review such statements and compare such official custodial records to the account statements provided by FIA on a quarterly basis. FIA statements may vary from custodial statements due to outstanding checks or deposits.

Because FIA has custody of client funds, FIA engages the services of an independent certified public accountant to perform an audit of FIA's operations. The auditor conducts: (1) a financial audit of the FIA entities; (2) an internal controls audit of FIA's operations; (3) a custody audit of FIA's advisory activities. FIA's annual audited financial statements are available to clients upon request.

Each of the Funds engages an independent certified public accountant to perform annual financial statement audits. Each Fund investor is provided with a copy of the annual, audited financial statements. In many cases, separate account clients choose to engage their own certified independent public accountant to conduct an audit of their timber portfolio onsite at FIA's office. FIA will comply with such requests upon reasonable notice and availability of office space and any other resources necessary to accommodate the request.

#### **Item 16 – Investment Discretion**

Clients generally grant FIA discretion over their accounts by providing authorization in the Investment Management Agreement. This authorization gives FIA the authority to purchase, sell or otherwise obtain and dispose of timber and timberland on behalf of the client. Discretionary authority is limited only by any specific guidelines, instructions or mandates provided by the client in writing, and to which FIA agrees. FIA is further granted the authority to use client funds to pay expenses associated with managing each of the properties owned by the client.

#### **Item 17 – Voting Client Securities**

This Item does not apply to the advisory services offered by FIA.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about Forest Investment Associates' financial condition. Forest Investment Associates has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.