

**FIRM BROCHURE**  
(Part 2A of Form ADV)

The Molpus Woodlands Group, LLC

654 N. State Street

Jackson, MS 39202

(601) 948-8733

[www.molpus.com](http://www.molpus.com)

**March 29, 2018**

This Brochure provides information about the qualifications and business practices of The Molpus Woodlands Group, LLC ("MWG"). If you have any questions about the contents of this Brochure, please contact us at 601-948-8733 or [mcooper@molpus.com](mailto:mcooper@molpus.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.

MWG 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 information about which you determine to hire or retain an Adviser.

Additional information about MWG 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 114575.

Our Brochure may be requested by contacting Michael R. Cooper at 601-948-8733 or [mcooper@molpus.com](mailto:mcooper@molpus.com).

## Item 2 Material Changes

The following material changes have been made to the Molpus Firm Brochure since the firm's most recent annual update dated March 29, 2017:

- Item 5 has been amended to add descriptions of the fees charged by MWG to separate account clients as set forth in the client's written agreement with MWG and to MWG-sponsored funds as set forth in the Fund documents, including the Fund limited partnership agreements and timberland investment advisory and management agreements.
- Item 6 has been amended to describe the investment allocation process MWG utilizes to address any possible conflicts of interest in the allocation of investment opportunities.

### Item 3 Table Of Contents

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 2
Item 3 Table Of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 5
Item 6 Performance-Based Fees and Side-By-Side Management	Page 6
Item 7 Types of Clients	Page 6
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 7
Item 9 Disciplinary Information	Page 8
Item 10 Other Financial Industry Activities and Affiliations	Page 8
Item 11 Code of Ethics	Page 8
Item 12 Brokerage Practices	Page 8
Item 13 Review of Accounts	Page 9
Item 14 Client Referrals and Other Compensation	Page 9
Item 15 Custody	Page 9
Item 16 Investment Discretion	Page 9
Item 17 Voting Client Securities	Page 9
Item 18 Financial Information	Page 10
Item 19 Requirements for State-Registered Advisers.	Page 10

## Item 4 Advisory Business

### Advisory Services and History

As used in this brochure, "MWG", "we," "our," and "us" refer to The Molpus Woodlands Group, LLC, Molpus Woodlands Fund III GP, LLC and Molpus Woodlands Fund IV-GP, LLC.

MWG, a Timber Investment Management Organization ("TIMO") and Registered Investment Advisor (registered with the SEC since 2004), and its operating affiliates, specialize in locating, acquiring and managing timberland in the industrial timberland-growing regions of North America, primarily in the United States for pension funds, college endowments, foundations, insurance companies, and high net-worth individual investors. MWG focuses on ensuring long-term optimum cash returns on investments while practicing responsible forest stewardship. MWG has experience in all facets of timber management, manufacturing, and marketing. In addition, MWG is one of the few TIMOs that has most of its core businesses and forestry functions handled or supervised by in-house experts. MWG's investment advisory services are limited to timber management services and tailors its timberland investments to the objectives and guidelines of its clients.

MWG provides investment advisory services to separate account clients and five investment funds: Molpus Woodlands Fund III, L.P., Molpus Woodlands Fund III (Cayman), L.P., Molpus Woodlands Fund IV, L.P., Molpus Woodlands Fund IV (Cayman), L.P. and QIC Parallel Fund IV, L.P. (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 Funds are closed to new investments.

MWG's history dates to 1905 when two mercantile clerks (one of whom was Richard H. Molpus, the grandfather of Richard H. Molpus, Jr.) formed a partnership to create the Henderson-Molpus Mercantile Store, the predecessor to Molpus Lumber Company ("MLC"). Under the leadership of Richard H. Molpus, the son of the original founder, MLC continued its growth and eventually became the 10th largest independently-owned lumber manufacturer in the United States. In 1911, the company opened a small lumberyard consisting of a dry kiln and planer mill. By the start of World War II, the company had its first sawmill and contracted with the U.S. government to construct ammunition boxes. The company then expanded to create the Molpus Hardwood Company ("MHC"), formed in 1969 to utilize hardwood timber in the area. In 1974, MHC opened a facility in Morton, Mississippi, which became one of the nation's largest and most technologically-advanced sawmills of its time. In the 1980s, the Molpus companies ended an era of manufacturing with the sale of its lumber-producing assets to large, integrated forest products companies. However, the various Molpus entities continued to operate as Molpus Forest Products, which functioned as a wood dealer operating multiple wood yards where timber was merchandized and sold to manufacturers throughout the world.

In 1996, MWG was established as a TIMO with its executive office in Jackson, Mississippi, and its operational headquarters in Hattiesburg, Mississippi in 1999.

### Assets Under Management

As of December 31, 2017, MWG manages approximately \$2,384,329,000 in timberland assets for its clients, which includes approximately \$1,028,589,685 in private fund assets. The separate accounts hold timber assets and therefore are not considered regulatory assets under management. All of the assets managed are considered discretionary accounts.

## Ownership

Effective March 6, 2015, as part of a broader succession plan, a group of key executives at MWG reached an agreement with Richard H. Molpus, Jr., the sole owner of MWG, to acquire a significant portion of the company and its affiliate, Molpus Timberlands Management (MTM), which has been merged with and into MWG. Under this agreement, thirteen key executives have made notable personal and monetary investments in the future of the company, as well as becoming vested stakeholders in its success well into the future. Mr. Molpus remains the majority member and president of MWG, remaining deeply involved in the company.

## Item 5 Fees and Compensation

All separate account fees are subject to negotiation. The specific manner in which separate account fees are charged by MWG is established in a client's written agreement with MWG. Fees for MWG-sponsored funds are set forth in Fund documents, including the Fund limited partnership agreements and timberland investment advisory and management agreements. MWG will generally bill its fees on a quarterly basis in arrears. Separate accounts and Funds initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any separate account or Fund, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Fees and costs for both Fund clients and separate account clients may include the following (not all clients pay the same fees at the same rates, as many of these fees are subject to negotiation):

**Management Fee:** In consideration of the services in managing the Funds, Fund clients (and, in some instances, separate account clients utilizing MWG or an affiliate to serve as general partner) will pay to the MWG-affiliated general partner a per annum management fee (the "Management Fee"). Such Management Fee is subject to negotiation and may be lower for certain limited partners in a Fund, based on relevant business considerations with the discretion of the Adviser. The Management Fee is initially based on *called* capital plus any leverage utilized for a set period and a percentage of fair market value thereafter. Fair market value is determined annually pursuant to the appraisal process set forth below. The Management Fee will be payable quarterly in arrears. The Adviser may cause the Funds to pay such Management Fee directly to the General Partner from the assets of the Funds.

Valuation of Fund or separate account assets in order to determine the amount of the Management Fee presents an inherent conflict of interest between the Adviser and the Funds and/or separate account clients, given that the Management Fees payable to the Adviser are determined based on Fund/separate account assets. The Adviser has attempted to address this conflict by including provisions in the Fund documents and separate account agreements that require the Adviser to obtain a comprehensive appraisal of the assets by an independent appraiser at least once every three (3) years. In years that an independent appraisal is not conducted, the prior year's appraisal is updated by such independent appraiser. The fair market value determined for such assets may be adjusted by the Adviser for acquisitions and dispositions of assets as well as for timber growth and harvest during any interim periods between appraisals or appraisal updates.

**Carried Interest:** Once limited partners in a Fund (or a separate account client utilizing a carried interest structure) have received a return of their capital contributions plus an established annual return amount, the general partner receives 15% of future distributions, with the limited partners receiving 85% of such distributions.

**Incentive fee:** MWG has negotiated an incentive fee payment structure with certain separate account clients who have not agreed to a carried interest structure. The incentive fee payable is based on payment for increases in asset value above established thresholds. As with the Management Fee structure, the incentive fee payment is subject to a conflict of interest based on asset valuation, which the Adviser has addressed through the independent appraisal requirement set forth above.

**Harvesting Supervision:** A fee consisting of a percentage of harvesting revenues.

**Administration cost:** Generally, charged as a flat dollar amount per acre per year, which pays for the forestry planning employees and support staff employed by MWG, such as accountants and computer support. However, this Administrative fee does not cover all Adviser-related employee costs, as detailed below.

**Acquisition cost:** A fee consisting of a percentage of the purchase price of a timberland property.

**Disposition fees:** A fee consisting of a percentage of the sales price on higher and better use (HBU) transactions.

**Other costs:** Other direct expenses may be billed at cost with no markup or at market rates. These are typically services that the Fund or separate account contracts, such as bulldozer work on roads, and fire lanes, painting landlines, spraying and aircraft fertilizing operations. Also, forestry employees of MWG or its affiliates may supervise these activities, with MWG reimbursed for such activities at either cost or market rates, as provided in the respective Fund or separate account agreements. MWG believes these direct expenses have historically cost about \$10.00 per acre per year.

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

As disclosed in Item 5 of this Brochure, MWG negotiates and enters into performance fee arrangements with qualified clients, including Fund and separate account clients. MWG's clients are generally charged both a negotiated asset-based fee (management fees) and an additional negotiated performance fee. Performance fees may be structured as a carried interest or an incentive fee, each as described in detail in Item 5.

Since MWG charges both asset-based fees and performance fees to each account MWG manages, MWG does not believe any inter-account conflicts are raised by such performance fees. However, in order to address any potential conflicts of interest, MWG maintains an investment allocation policy in which it allocates investments to clients based on a detailed investment queue that is updated following each investment acquisition. MWG clients have priority in the investment queue based on the date such client committed capital to future acquisitions, with MWG also reviewing investment objectives and diversification, concentration and other investment goals as part of the investment allocation process. Clients first in the queue with sufficient committed capital to purchase the investment are first in line, as long as the investment parameters meet their investment objectives and goals, thereby limiting any potential conflicts in investment allocation between clients.

## Item 7 Types of Clients

MWG acquires, manages, and sells timberland as an investment vehicle for pooled investment vehicles, pension funds, college endowments, foundations, insurance companies, and high net-worth individual investors. The company focuses on ensuring long-term optimum cash returns on investments while practicing responsible forest stewardship. MWG has account minimums that vary depending on the type of investment.

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

### Methods of Analysis

MWG is an independent, privately held firm that focuses solely on timberland. MWG has no activity or focus on any other areas of the timber value chain, like logging or milling. MWG is not affiliated with a larger asset manager and does not manage funds in other asset classes. Most functional areas of forestry management are handled "in-house," including forestry, biometrics, soil analysis, geographic information systems, legal, seedling production and other functional areas. MWG has developed a full scope of internal, proprietary resources (e.g., systems and software to economically assess silviculture inputs) to evaluate opportunities and improve overall timberland investment performance. MWG has staff available for individualized research projects. Dependent upon the project at hand, if outside resources are needed, then monetary resources are put into obtaining the specific reports as needed.

### Investment Strategies

MWG specializes in acquiring and managing high-quality timberland assets, which are managed according to sustainable forestry principles. MWG seeks to match investors' needs for diverse timberland holdings with acquisitions across the United States' timber regions and by adding various species and age classes in strong, diverse timber markets. MWG seeks to acquire properties at an attractive price consistent with MWG's investors' targeted returns profile.

### Risk of Loss

While MWG's integrated and unique cross-functional organizational structure allows it to efficiently identify, monitor and minimize risk associated with timberland investments, there can be no assurances that loss will not occur. *In considering the performance of investments in timberland, prospective timberland investors should keep in mind that prior performance of MWG's investments is not indicative of future results, and there can be no assurance that MWG will achieve comparable results in the future.* Examples of risks include, but are not limited to the following:

*General Economic and Market Conditions.* An investment in timberland is subject to the risks inherent in real estate investments generally. These risks include adverse consequences resulting from the availability of capital, changes in tax laws and accounting principles, applicable regulations and reserve requirements, national and international events, energy supplies, the federal government's economic and fiscal policies, interest rates, environmental, health and safety laws, job sharing and telecommuting, competition with other properties, competition with non-real estate alternative investment opportunities in the capital markets, casualty and condemnation risks, acts of terrorism, acts of God, market expectations about future prices, the volatility of such prices, increases in costs of construction materials, government regulations and trade restrictions (including taxation and price controls), and local and international political and economic conditions.

*The Cyclical Nature of Timberlands Values.* Prices for standing timber have been, and in the future can be expected to be, subject to sharp, cyclical fluctuations. Accordingly, there can be no assurance the market value of timber will in the future be equal to or higher than the value currently prevailing, nor can there be any assurance that the historical long-term profitability of timberlands can be maintained.

*Fire, Pest and Weather Damage to Properties.* Timber is subject to a number of natural hazards, including damage by fire, insects and diseases or soil infertility. Severe weather conditions and other natural disasters may also reduce productivity of forest lands and may interfere with the processing and delivery of forest products. Disease and pest control methods are not always successful and can be very expensive.

*Leverage and Other Factors Related to Borrowing.* To the extent leveraging occurs, it could increase the exposure to larger losses, since leveraged investment vehicles may be required to make fixed payments on specific dates regardless of the lack of liquidity of their respective assets or the receipt of revenues.

## **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 your evaluation of MWG or the integrity of MWG's management. Our firm and our management personnel have no reportable disciplinary events to disclose.

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

MWG assists clients to acquire timberland properties and manages them for long-term returns while practicing forest stewardship. MWG also assists clients in selling timberlands and is a registered real estate broker in various states. Neither MWG nor any of its management persons are registered, or have a pending application to register, as a broker-dealer or a registered representative of a broker-dealer.

We are affiliated with Sustainable Woodlands Partners, LLC through common control and ownership. Our advisory services are separate and distinct from the fees paid to our affiliate for their services.

## **Item 11 Code of Ethics**

MWG has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, reporting requirements for the personal securities transactions of access persons, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at MWG must acknowledge the terms of the Code of Ethics annually, or as amended. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of MWG will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

We strive to ensure that all employees act in accordance with MWG'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.

MWG's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Michael R. Cooper at 601-948-8733 or [mcooper@molpus.com](mailto:mcooper@molpus.com).

## **Item 12 Brokerage Practices**

This Item 12 is not applicable to MWG, given the fact that client investments are in timberland.



## **Item 13 Review of Accounts**

MWG advises clients who invest in investment grade timberland. The periodic reviews consist of extensive due diligence including, but not limited to, on-site examinations, verification cruises, environmental studies, property title research, silvicultural analysis, etc. Annual budgets are prepared and reviewed with each client. Variances of actual performance to the budget may trigger MWG to review a particular client's account. Client timberland holdings are audited on a regular basis. The reviewers may include MWG's President, Executive Vice President, Chief Compliance Officer, Chief Financial Officer, Deputy Chief Financial Officer and Chief Operating Officer. Additionally, reviewers may include silvicultural specialists, biometricians, real estate specialists, among others. Since each property has unique characteristics, the reviewers' instructions are tailored with the client's investment criteria in mind. The number of accounts assigned to each reviewer is determined by their specialty and may vary with each reviewer. Annual audits of client's holdings are performed by independent public accountants.

MWG provides to each of its clients detailed financial statements, including balance sheets, income statements and cash flow statements for the timber properties under management. These written reports are provided monthly, quarterly and/or annually as directed by clients.

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

MWG has an arrangement with one placement agent, whereby for clients that the placement agent refers to MWG for timber management services, a portion of the management and incentive fees may be shared with the placement agent. The compensation paid for client referrals vary by size.

## **Item 15 Custody**

MWG provides to each of its clients detailed financial statements, including balance sheets, income statements and cash flow statements for the timber properties under management. These written reports are provided monthly, quarterly and/or annually as directed by clients. Since an affiliate of MWG serves as general partner to the Funds, MWG is deemed to have custody of the cash assets of the Funds. MWG requires the Funds to be audited by an independent, PCAOB accountant, and distributes the audited financial statements to all Fund investors.

## **Item 16 Investment Discretion**

With most clients and in conjunction with certain notices, MWG has the authority to determine which assets (i.e., land and/or timber) are to be sold, for how much and the timing of the sale. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. MWG and its clients agree in writing to applicable investment guidelines and restrictions. It is common for MWG's clients to grant it a limited power of attorney to effectuate said transactions.

## **Item 17 Voting Client Securities**

This Item 17 is not applicable to MWG.

## **Item 18 Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about MWG's financial condition. MWG 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.

## **Item 19 Requirements for State-Registered Advisers.**

This Item 19 is not applicable to MWG.