

Form ADV Part 2A: Firm Brochure

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Conservation Forestry Partners, LLC is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Conservation Forestry Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (603) 658-0143. 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 Conservation Forestry Partners, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

We are a relatively newly-registered investment adviser and this is our first update to our initial Form ADV Part 2 that we filed on February 14, 2012. Though we note certain changes below that have occurred since our initial filing, we recommend that you read this ADV Part 2 in its entirety.

As a general matter, we recently launched a new pooled investment fund, Conservation Forestry Capital III, L.P., that does not yet have any assets under management.

Section 1: Advisory Business

As of December 31, 2012, we managed \$481,408,855 on a discretionary basis and \$65,484,010 on a non-discretionary basis.

Section 8: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have updated this section to reflect modifications and clarifications that we have made to our cross trading policy and personal trading policy.

Section 10: Review of Accounts

We have updated this section to reflect that members of our firm's investment committee and, at times, other key managers, monitor our clients' portfolio investments.

Table of Contents

1.	Advisory Business	3
2.	Fees and Compensation	4
3.	Performance-Based Fees and Side-By-Side Management	6
4.	Types of Clients	6
5.	Methods of Analysis, Investment Strategies and Risk of Loss	7
6.	Disciplinary Information.....	11
7.	Other Financial Industry Activities and Affiliates	12
8.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13
9.	Brokerage Practices	15
10.	Review of Accounts	16
11.	Client Referrals and Other Compensation	17
12.	Custody	17

13.	Investment Discretion	18
14.	Voting Client Securities	19
15.	Financial Information.....	19

1. **Advisory Business**

Conservation Forestry Partners, LLC, founded in 2004, is an investment advisory services firm specializing in advisory services related to investments in timberland properties. The principal owners of our firm are John F. Tomlin, Paul J. Young and Kent Gilges.

Conservation Forestry Partners, LLC specializes in offering investment management services to investment funds focusing on investments in timberland properties. We also currently advise one managed account. In providing our advisory services, we focus on acquiring and managing timberland properties. Typically, we invest our clients' assets in timberland properties in the United States that have (1) a working forest component and (2) conservation amenities. We may effect and hold our clients' investments in timberlands by purchasing interests in real estate investment trusts (commonly known as "REITs"). The investments that we make on our clients' behalf are limited to these types of assets and related securities. Our objective is to realize competitive risk-adjusted returns for our clients while achieving long-term sustainable forestry goals. We historically have not borrowed funds on behalf of our clients in connection with their investments, but retain the option to do so in the future.

In connection with our clients' investments, we oversee the management of the timberland that our clients own, including the forestry operations on the properties, other amenities associated with the properties such as hunting leases and any development rights that are not limited by conservation restrictions. We generally outsource the day-to-day property management responsibilities to third-party management firms.

Our firm tailors our advisory services to the individual needs and specified investment mandates of our clients. We adhere to the investment strategy and/or guidelines in each of our client's offering document and/or management agreement, as applicable. Because we are committed to adhering to such a specialized investment strategy, we do not otherwise generally permit clients to impose restrictions on our ability to invest their funds.

We do not participate in wrap fee programs.

The amount of net client assets that we manage on a discretionary basis was approximately \$481,408,855 as of December 31, 2012. The amount of net client assets that we manage on a non-discretionary basis was approximately \$65,484,010 as of

December 31, 2012. These figures include the assets of all of the pooled investment vehicles and the managed account, respectively, that we advise, rather than our regulatory assets under management that we list on our Form ADV Part 1A. All of our clients except one invest directly in timberlands through investments in holding companies. Currently, only one of our clients invests in timberlands through an investment in a REIT, though we anticipate that our newly-launched fund will also make its timberland investments through a REIT.

2. Fees and Compensation

Our firm, or an affiliate of our firm, typically receives compensation 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 only offer interests in our client funds to investors that qualify as “qualified purchasers” as defined in the Investment Company Act of 1940. Qualified purchasers are generally individual investors or certain family-owned entities with over \$5,000,000 in investments or entities with over \$25,000,000 in investments. We also only offer our investment advisory services to managed accounts that qualify as qualified purchasers.

We set forth the details of how we calculate our management fee and performance-based compensation for our pooled investment vehicle clients in their offering documents and related management agreements. Our investment management agreement with our managed account client sets forth the details of the management fee and performance-based compensation that it pays to us. Our fees are generally not negotiable, except under limited circumstances.

We deduct our management fees directly from our clients’ accounts each quarter.

The management fee that we charge our pooled investment vehicle clients is payable at the beginning of each quarter. It is unlikely that an investor in a client would need a refund on its portion of the management fee because our pooled investment vehicle clients are closed-end funds in which investors typically cannot withdraw before the end of the fund’s term. In the event that an investor does withdraw its investment before the end of the term and the withdrawal is in the middle of a quarter, we will refund a *pro rata* percentage of the fee paid in advance. The management fee that we charge our managed account client is payable after the end of each quarter.

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.

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 expenses (for our pooled investment vehicle clients only),
- fees, costs and expenses directly related to their purchase and sale of investments (including real estate brokerage commissions),
- expenses that each client incurs in connection with owning and operating the timberlands, including, for example, maintenance or improvement costs,
- costs and expenses of managing their investments,
- fees and expenses of outside consultants and experts that we engage in connection with making or managing investments,
- certain membership expenses of relative associations,
- costs of forest certification,
- any withholding or other taxes,
- expenses of custodians, third-party tax professionals and auditors and other service providers,
- insurance, 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.

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

Our firm pays for all of our own general overhead expenses. We do not allocate overhead expenses of our firm to our clients.

One of our clients, Conservation Forestry Parallel Fund II-B, L.P., is wholly invested in a REIT that we sponsor. We have engaged a third-party service provider to supply shareholder and administrative services to the REIT. Investors in Conservation Forestry Parallel Fund II-B, L.P. indirectly bear any costs and expenses of these services. Our newly-launched fund, Conservation Forestry Capital III, L.P., will likely invest through a

REIT as well, in which case its investors will incur similar costs and expenses related to shareholder and administrative services.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

Neither our firm nor any of our principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

3. Performance-Based Fees and Side-By-Side Management

Affiliates of our firm, Conservation Forestry, LLC, and Conservation Forestry II, LLC, receive performance-based compensation from our clients, as we explain above in Section 2: Fees and Compensation. Our affiliate, Conservation Forestry III, LLC, will receive performance-based compensation from our recently-launched fund. We do not manage any client accounts that do not pay performance-based compensation.

4. Types of Clients

We manage four pooled investment funds and one managed account and have recently begun the offering process for a fifth pooled investment fund. Our clients, or investors in our clients, include:

- 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.

Investment Requirements

Currently, we are only offering interests in our newly-launched pooled investment fund which has a stated minimum investment amount of \$1,000,000. The stated minimum investment commitments for each of our closed funds that are no longer accepting investors were either \$500,000 or \$1,000,000. We typically have the discretion to waive minimum investment requirements for investment in our clients.

Although we provide investment advisory services to one separately managed account, our firm's primary focus is to provide investment advisory services to pooled investment funds. Should we accept additional managed account clients, we will determine the account minimum on a case-by-case basis, depending on the specific circumstances of each individual client.

To comply with Securities and Exchange Commission regulation, we require that investors in our pooled investment funds qualify as both accredited investors and qualified purchasers. Accredited investors are generally (i) individuals with \$1,000,000 of net worth (excluding their primary residence) or who have made \$200,000 in each of the two previous years (or \$300,000 joint income with one's spouse) or (ii) entities with assets totaling over \$5,000,000. See Section 2: Fees and Compensation for an explanation of the qualification requirements for qualified purchasers.

5. Methods of Analysis, Investment Strategies and Risk of Loss

On behalf of our clients, we primarily locate, analyze, acquire, manage and dispose of timberland in the United States, although we may evaluate opportunities that are located in Canada. We also may invest a client's assets in a REIT that conducts the same activities.

We seek to diversify our clients' portfolios by investing in timberland properties across different geographic regions and different species of timber. In evaluating timberland 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,
- pricing of conservation restrictions and covenants,
- availability of conservation compatible revenue (for example, hunting or fishing leases or wetlands mitigation credits),
- local market fundamentals for forest products and land values and
- special situations for development within guidelines established for conservation easements.

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

In some cases, in conjunction with our clients' acquisition of timberland, we sell working timberland conservation easements, which are legal interests that permit ongoing use of

the timberland for sustainable timber management while restricting certain timberland management practices and other rights, such as subdivision or mining. We may also sell a portion of timberland properties that our clients acquire to conservation organizations or governmental authorities.

In addition, our strategy involves managing our clients' timberland properties after our clients acquire them. While we generally oversee the management of the timberland that our clients own, we generally outsource the day-to-day property management responsibilities to a third-party management firm.

Despite our methodologies and strategies, there is always the possibility that we may not correctly predict or evaluate the future performance of certain timberland 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 most important risks associated with our clients' investments in timberland properties, but the following explanation of certain risks is not exhaustive. For a further discussion of the risks applicable to an investment in our pooled investment vehicle clients, investors in those clients should also review each applicable client's confidential information memorandum, which may contain additional explanations of strategies and risks that we do not discuss in this ADV Part 2A.

- *Market Risks.* The success of investments in timberland assets depends on numerous factors, including the condition of the harvestable timber, increases in supply and changes in local and global economies which affect demand. The timber industry is cyclical and historical prices for timber have typically been volatile. Our firm, like other managers of timberland properties, has limited direct influence over the timing and extent of price changes for timber. The demand for timber is affected primarily by housing starts, residential repair and remodeling, commercial construction, industrial capacity and production levels, and the pulp and paper market which are, in turn, subject to fluctuations due to changes in domestic and international economic conditions (including import/export conditions), interest rates, currency fluctuations, population growth and changing demographics and seasonal weather cycles. In addition, the future disposition value of timberland properties can be affected by a number of factors, including changes in the general economic climate, local conditions, availability of buyers and sellers of properties, timber harvest yields, climate change and changes in operating costs.
- *Locating Suitable Investments.* The possibility exists that we may be unable to find a sufficient number of attractive opportunities to meet our clients' investment objectives or fully invest their committed capital. There has been an increased interest among institutional funds directed toward or focused on timberland

investments. An increase in funds available for investment in timberland could make it more difficult for our firm to structure investments consistent with our clients' investment objectives. While we typically rely on conservation organizations and other persons with whom we have established relationships as sources of investment opportunities, there can be no assurance that we will be able to maintain these relationships or that these parties will continue to be successful sources of investment opportunities.

- *Federal and State Environmental Regulations.* Timberlands are subject to regulation under, among other laws, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response and Compensation and Liability Act of 1980, the National Environmental Policy Act and the Endangered Species Act as well as comparable state laws and regulations. Changes in regulations (governing usage, improvements, zoning and taxes) could adversely affect the value of our clients' investments. Violations of various statutory and regulatory programs that apply to timberland, even if inadvertent, could result in civil penalties, remediation expenses, potential injunctions, cease-and-desist orders and criminal penalties.
- *Potential Environmental Liability.* Under various laws and regulations, an owner of real property such as timberland may have significant liability for any contamination found on its property, including being liable for the costs of removal or remediation of certain hazardous or toxic substances on or in its property. These laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability as to any property may not be limited under these laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of these substances on our clients' properties, or the failure to properly remediate contamination from these substances, may adversely affect our ability to sell timberlands on behalf of our clients and may have a significant adverse effect on the value and returns from our clients' properties.
- *Natural Hazards.* Timberland harvest yields are, by their nature, subject to risk from natural hazards such as fires, storms, and insect and disease outbreaks. In addition, other natural influences such as changes in weather patterns can impact the growth cycle and value of timberland holdings. Although proper management of timberlands can help lower the impact of natural influences and growing conditions, diminished harvest yields may impact the value of timberland that our clients own and the financial returns of our clients.

Insurance for these risks is prohibitively expensive. We do not obtain insurance on behalf of our clients in connection with their timberland investments.

- *Dependence on Property Managers.* We must locate, hire and manage property managers and other service providers for our clients' investment properties. The success of each client's timberland properties will depend, in part, on our ability to select and retain skilled property managers for its investments.
- *Illiquid Investments.* Investments in timberland are long-term and illiquid. There can be no assurance that our clients will realize on their investments in a timely manner. Historically, timber prices have been volatile and fluctuate over time. If any of our clients require cash and we must sell timberland investments or negotiate easements or other contracts at an inopportune time, we might not be able to do so at prices that reflect our assessment of their value or the amount our clients paid for them.
- *Diversification.* While we seek to diversify our clients' investment portfolios across different geographic regions and varied species of timber, our clients' investments are not subject to geographic and sector diversification requirements. As a result, the possibility exists that investments may be concentrated in a single geographical location or by a specific species of timber. Consequently, the success of each of those investments could be substantially adversely affected by the unfavorable performance of a particular geographical region or species of timber.

In addition, the possibility exists that, especially in the early stages of a client's investment program, we may only have deployed a client's assets in one or a few properties. As a result, a client's returns could be materially adversely affected by the unfavorable performance of just one investment.

- *REIT Securities.* Our clients may invest in entities which have elected to be treated as real estate investment trusts for U.S. federal income tax purposes. REITs generally are companies that own, and, in certain cases, operate, income-producing real estate. Investment in REITs can have the same risks as those described above relating to their underlying real estate investments. Investments in REITs are also subject to special risks, such as restrictions on ownership and tax risks.

To receive the tax benefits available to REITs under the Internal Revenue Code, an entity must satisfy a number of organizational and operating tests. Qualification as a REIT in any particular year is a complex analysis that depends on a number of factors. There can be no assurance that any entity in which our clients invest with the expectation that the entity will be treated as a REIT will in fact qualify as a REIT. An entity that fails to qualify as a REIT would be subject to a corporate-level tax, would not be entitled to a deduction for dividends paid to its stockholders and would not pass through to its stockholders the character of

income earned by the entity. If any of our clients were to invest in an entity that was expected to, but failed to, qualify as a REIT, our clients may experience a significant reduction in their after-tax return from such investment.

Congress (and, with certain limitations, the United States Department of Treasury) could at any time adversely change the way in which a REIT and its stockholders are taxed, for example, by imposing additional entity-level taxes, further restricting the permissible beneficial ownership and permitted types of assets and income of a REIT, requiring additional distributions to stockholders or changing the law in any other respect. It is impossible to predict whether, when, in what forms, or with what effective dates tax laws applicable to REITs could change. Any adverse change in the tax treatment of REITs would likely impact the after-tax performance of any client invested in a REIT.

- *Leverage/Borrowing.* We may borrow against the assets of our clients in accordance with their governing documents. Borrowing involves risk to our clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the property purchased with the borrowed amount and the value of the property purchased with the borrowed amount can decline below the amount borrowed.

There are no restrictions on our ability to obtain financing or to mortgage any of our client's timberland properties as collateral to secure a client's obligations with respect to any financing. If a financed or mortgaged property fails to generate sufficient cash flow to meet the required payments of principal and interest on the debt, or if a client defaults under any security instrument evidencing or governing the debt for any other reason, the secured party could foreclose against its interest in our client's property, resulting in a loss to the relevant client. To the extent that the interest rates on any financing are floating rates, increases in these rates could adversely affect the ability of a client to meet the required debt payments.

6. Disciplinary Information

Neither our firm, nor any of our directors, officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our directors, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

7. Other Financial Industry Activities and Affiliates

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

Affiliations With Pooled Investment Vehicles

Our firm, together with our affiliates, has sponsored five pooled investment funds that we manage:

- Conservation Forestry Capital I, L.P.
- Conservation Forestry Parallel Fund I-A, L.P.
- Conservation Forestry Capital II, L.P.
- Conservation Forestry Parallel Fund II-B, L.P.
- Conservation Forestry Capital III, L.P.

Our affiliate, Conservation Forestry, LLC, serves as the general partner of Conservation Forestry Capital I, L.P. and Conservation Forestry Parallel Fund I-A, L.P. Conservation Forestry II, LLC, another affiliate of ours, serves as the general partner of Conservation Forestry Capital II, L.P. and Conservation Forestry Parallel Fund II-B, L.P. Similarly, our affiliate, Conservation Forestry III, LLC, serves as the general partner of Conservation Forestry Capital III, L.P., our newly-launched fund that does not have any assets under management as of the date of this brochure. Although our affiliation with the general partners of our clients may give us heightened control and discretion over our clients, we manage any potential conflicts of interest by (1) disclosing this relationship in each client's relevant confidential information memorandum and (2) adhering to the investment strategy and business philosophy discussed in each client's relevant confidential information memorandum.

In addition, each of our clients' respective general partner, on behalf of the relevant client, entered into an investment management arrangement with us. While this may be an interested party agreement, the material terms of the investment management arrangement are disclosed to all investors in each client prior to their investment.

We also sponsor a REIT, CF Parallel II-B Inc. We formed CF Parallel II-B Inc. to facilitate investments in timberland properties. One of our clients, Conservation Forestry

Parallel Fund II-B, L.P., owns all of the outstanding and issued shares of common stock of CF Parallel II-B Inc. Shareholders unaffiliated with our firm and our clients own all of the outstanding and issued shares of preferred stock of CF Parallel II-B Inc. The preferred shareholders' participation is limited to an annual cash dividend and limited voting rights which restrict their ability to participate or otherwise direct our management of CF Parallel II-B Inc. While we oversee the management of CF Parallel II-B Inc., we have contracted with a third-party to provide certain shareholder and administrative services. Aside from the management fees and performance-based compensation that we describe in Section 2: Fees and Compensation, Conservation Forestry Parallel Fund II-B, L.P. does not pay us any additional management or performance-related compensation in connection with our managing CF Parallel II-B Inc., though Conservation Forestry Parallel Fund II-B, L.P. does indirectly bear the fees of CF Parallel II-B Inc.'s third-party service provider.

In addition, we expect to sponsor a similarly-structured REIT to facilitate timberland investments by our new fund, Conservation Forestry Capital III, L.P.

We do not recommend or select other investment advisers for our clients.

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

We have adopted a Code of Ethics in accordance with the Securities and Exchange Commission requirements. Our Code of Ethics is based on the principle that our firm and our employees have a fiduciary duty to our clients and the investors in our clients, and, in this fiduciary capacity, we must place the interests of our clients and their investors before our own interests. It focuses on specific areas where employee conduct has the potential to affect clients' or investors' interests adversely, such as personal trading, outside activities, gifts, political contributions and charitable contributions, and emphasizes the importance of being familiar with, and following, all applicable federal and securities laws. Our Code of Ethics provides for sanctions, as our senior management may deem appropriate, should anyone violate our Code of Ethics. We provide a copy of our Code of Ethics to any client or any investor in our clients, or any prospective client or prospective investor, that requests one.

Our firm, our affiliates and employees of our firm do not buy or sell for client accounts securities or other assets in which they have a material financial interest. As we mention above, we sponsor a REIT into which one of our clients invests all of its assets. However, we do not receive any additional financial incentive from our client in connection with this arrangement other than the management fee and performance-based compensation we discuss in Section 2: Fees and Compensation.

While we have not previously had the need to conduct a cross trade—a transaction in which we cause one client to purchase an investment from another client—we believe there may be circumstances under which we would cause our clients to engage in cross trades. Cross trades may create conflicts of interest because they are not independently negotiated and may provide an opportunity for an investment adviser to collect related commissions. If we effect a cross trade between any of our pooled investment fund clients, our investment committee will review the governing documents of both relevant funds to determine if there are any prohibitions or restrictions on cross trades, and the nature of those restrictions. In addition, (1) the investor advisory committee of each fund must review and approve the cross trade prior to its execution and (2) our investment committee will engage a third-party appraiser to value the assets that are the subject of the cross trade. If we effect a cross trade involving our managed account client, the client must review and approve the proposed trade. Our managed account client may obtain third-party advisors to represent its interests in the transaction and review and advise on whether the client should approve the trade.

If we receive the required approval to initiate a cross trade between clients, our firm will document the reason for the decision to effect a cross trade, including the price at which we execute the transaction. If we cause any of our clients to enter into a cross trade, neither our firm nor any affiliate of ours may charge any commissions to either client.

Generally, our firm, our affiliates and employees of our firm may not buy or sell for themselves securities or other assets, or securities related to those, we recommend to clients. We do not allow our employees to make discretionary investments in certain forest-related securities about which we have confidential information. Our firm's personal investment policy does allow employees to invest in timberland or timberland-related investments, so long as (1) the investment is not suitable for any of our clients still in their investment stage and (2) doing so does not otherwise conflict with our clients' interests. Before any employee of our firm buys or sells timberland or timberland-related investments, he or she must receive pre-approval from our Chief Compliance Officer. Our Chief Compliance Officer will review the proposed transaction to ensure that its execution would not conflict with the interests of our clients and that the employee is not in possession of any material non-public information that is relevant to the proposed transaction.

The personal investment policies and procedures we have described above apply not only to employees and their personal accounts but to certain of their family members and their accounts as well.

9. Brokerage Practices

Because of the nature of our clients' investments, our firm does not utilize broker-dealers. 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 of the third-party property managers that we select to manage our clients' timberland properties are also 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 our clients.

Trade Aggregation and Allocation – Policies and Procedures

Because we render advice to clients investing exclusively in real estate, and we negotiate each of their investments, the opportunity for trade aggregation among multiple clients is unlikely.

Our existing four pooled investment fund clients form two sets of parallel fund structures. Conservation Forestry Capital I, L.P. and Conservation Forestry Parallel Fund I-A, L.P. invest in parallel and Conservation Forestry Capital II, L.P. and Conservation Forestry Parallel Fund II-B, L.P. invest in parallel. We do not anticipate that our newly-launched pooled investment fund, Conservation Forestry Capital III, L.P., will have a parallel fund. When a parallel fund structure exists, we make each client's investment (1) on a *pro rata* basis, allocating capital to an investment from each client fund based on the respective aggregate capital commitments of the two parallel funds and (2) on a side-by-side basis with equivalent economic terms and at the same time.

In addition, each of our pooled investment fund clients' governing documents place certain restrictions on our ability to serve as investment manager to other pooled investment vehicles with substantially similar objectives and strategies until we have

completed most of the fund's acquisition activity, based on total capital that investors have committed to the fund and the length of the fund's investment period.

We allocate investment opportunities among all of our clients in accordance with our allocation policy:

- 1) Our pooled investment fund clients receive priority of investments over any managed account client.
- 2) If more than one fund client or platform of related parallel fund clients has uncommitted capital available for an investment and more than one fund client or platform of related parallel fund clients is still in its investment period, then the older vintage fund or platform of related parallel funds, as applicable, receives priority.
- 3) If an investment is too large for the client, or parallel clients, with first priority, then the remainder of the investment may be split with the client, or parallel clients, with secondary priority. If we determine that, because of size, location or other factors, the investment is not suitable for division, then the entire investment will go to the client, or parallel clients, with next priority whose portfolio, or portfolios, would benefit from the investment, based on both the nature of the property and the available capital of the client, or clients, as applicable.
- 4) Occasionally, because of size, geographic location, age characteristics, species or other factors, a particular investment property is best suited for a particular client's portfolio, or for particular clients' portfolios. In this case, the investment would be allocated to the "best fit" client, or clients, as applicable, subject to approval by our firm's principals, including our Chief Compliance Officer.

We may also, in the future, accept management of the timberland assets of a separately managed account whose assets have already been deployed. In this instance, this type of client would not compete for investments with our existing clients because it would not be seeking new investments.

10. Review of Accounts

A group of members of our investment committee and, at times, other key managers, which group may include our Director of Operations, Chief Compliance Officer, Vice President of Acquisitions, Chief Financial Officer and Conservation Liaison, routinely monitor our clients' portfolio investments. This group typically meets at least once every quarter to review the performance of our clients, including all information we have received from our third-party forest managers about the operations of our clients' properties. The group also reviews each client's portfolio to ensure that we are managing it in accordance with its investment objectives and strategy.

We may conduct interim reviews of clients' portfolios, depending on timber pricing trends, sale activity, operational performance as compared to budget, and new business developments. We may also conduct interim reviews of a client's portfolio if requested by a client or an investor in a client.

We provide our clients, or investors in our clients, as applicable, with written quarterly reports that contain (1) financial statements (unaudited for the first three quarters and audited for the final quarter) and (2) descriptive investment information concerning significant activities during the quarter. In addition to written reports, upon the request of an investor in a client, our affiliate will meet with the investor to provide an annual portfolio overview.

11. Client Referrals and Other Compensation

Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.

Although we do not have any solicitation arrangements under which a third-party is currently seeking investors or clients to refer to us, we are still making residual payments for past referrals under referral agreements.

For their referral services, these third-parties may receive compensation from our firm and/or our affiliates based on a percentage of the management fees and performance-based compensation we receive with respect to the referred investors or client, as applicable.

Our firm pays all of the fees that we have described to the third-party marketers. None of our clients or investors bears any of these fees.

12. Custody

We comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, which mandates that client funds and securities, with a few exceptions such as uncertificated securities, must be held by a qualified custodian. Regardless, we are deemed to have custody of our client's funds under Rule 206(4)-2 of the Investment Advisers Act of 1940 because we have the authority to access clients' funds and deduct fees and expenses from clients' accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a bank to hold all cash for our clients' accounts. Our clients do not possess certificated securities. We also ensure that the bank maintains these funds in accounts that contain only clients' funds or assets, under each respective client's name or the name of each holding company that holds our clients' real estate assets, as applicable.

In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our pooled investment vehicle clients at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in our pooled investment vehicle clients within 120 days after the end of the fiscal year.

Our managed account client receives account statements directly from its custodian and should review them carefully. It should compare the account statements they receive from their custodian with the reports that we send them.

13. Investment Discretion

Pooled Investment Fund Clients

Our firm accepts discretionary authority to manage our pooled investment fund clients' investment accounts. Essentially, this means that, on behalf of our fund clients, we have the authority to determine, without obtaining specific client consent, the assets to purchase and the price at which to purchase the assets, when to acquire or dispose of investments and how to manage those investments while our clients hold them. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our clients' relevant confidential information memorandum.

Before accepting their subscriptions for interests, we provide all investors in our pooled investment fund clients with a confidential information memorandum or other disclosure document that sets forth, in detail, the relevant investment strategy and program. 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 confidential information memorandum or other disclosure document they each received.

Managed Account Client

Our firm does not have discretionary authority over our managed account client. While we have complete authority to dispose of this client's investments and the sole responsibility of identifying, negotiating and executing all transactions, and managing and operating all investments, for this client's account, we must submit to our managed account client for approval all investment opportunities that we identify and select for its portfolio before we can execute the investments.

Prior to providing investment advice to a managed account client, we negotiate and enter into a written agreement with the managed account client that specifies the scope of our authority, grants us the delineated authority and identifies any limitations on our authority to manage the client's assets.

14. Voting Client Securities

Even though under our investment management agreements with our clients we have complete authority to manage their investments, which would include the authority to vote proxies, our clients do not typically receive proxy solicitations due to the nature of their investments.

Should we ever need to vote a proxy for one of our clients, our policy is to vote proxies solely in the interests of our clients. If any of our clients make investments which would cause them to receive proxies, we would not allow them (or their investors) to direct our vote. Generally, we believe that a company's management is best suited to make decisions that are essential to the ongoing operation of the company. Therefore, we would generally vote proxies in line with a company's management. However, under certain circumstances, if we believe that management's proposal is not designed to maximize value for our clients, we will vote against management.

If we believe that a conflict may exist between our firm or any of our employees and our client in connection with voting a client's securities, we will engage a third-party voting firm to make the vote on behalf of the client.

Upon request, any of our clients or any of the investors in our clients can obtain (1) a copy of our proxy voting policies and procedures and (2) information concerning proxy votes on its behalf (if applicable).

15. 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.

Conservation Forestry Partners, LLC has never been the subject of a bankruptcy petition.