

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

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This brochure provides information about the qualifications and business practices of Pinnacle Timberland Management, Inc. ("PTM, Inc."). If you have any questions about the contents of this brochure, please contact Barry L. Beers at 770-761-8466.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Material Changes

The following are material changes to this brochure as of March 2016:

Advisory Business: This section was amended to clarify that PTM, Inc. conducts its advisory business through its affiliates.

Other Financial Industry Activities and Affiliations: This section was amended to reflect PTM, Inc.'s affiliation with Hardwood Forest Management, LLC.

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Advisory Business

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

PTMI currently provides discretionary advisory services to one affiliated real estate private equity fund, PFI Timberfund I, LP (the “PFI Fund”). PTMI also provides non-discretionary advisory services to two affiliated real estate private equity funds managed by Highland Capital Management, L.P. (“HCM”). These private funds are Canopy Timberlands, LP (the “CT Fund”) and Canopy Timberlands Spout Springs, LP (the “CTSS Fund”) referred to collectively herein as (the “CT Funds”). The PFI Fund, CT Fund, and CTSS Fund are referred to collectively herein as (the “Funds”). PFI serves as the general partner of the PFI Fund while PCTM, LLC is a Special Member of the CT Funds’ general partners.

PTMI manages the assets of each Fund in accordance with the terms of the governing documents applicable to each Fund. As of December 31, 2015, the Company managed approximately \$152,356,107 in discretionary assets on behalf of the PFI Fund and \$247,801,880 in non-discretionary assets on behalf of the CT Funds.

The Funds primarily acquire and hold timberland and standing timber. PTMI provides timberland management services for the timber assets acquired by the Funds. PTMI does not provide advice with respect to other types of investments. In addition, PTMI does not tailor advisory services to the individual needs of Fund investors.

Shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests or shares in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements of private transactions within the United States.

Fees and Compensation

Management Fees

The Funds pay an investment management fee in accordance with the Fund’s governing documents.

Carried Interest Allocations

PTMI holds an interest in carried interest distributions from the CT Funds in accordance with the CT Funds’ governing documents.

Other Fees

In addition to the investment management fees and carried interest distributions discussed above, the Funds are responsible for fees and expenses related to, among other things: (i) costs incurred in connection with potential investments by the Funds; (ii) organization and establishment of the Funds, (iii) acquisition, ownership, sale, hedging or financing of any investments of the Funds; (iv) auditing and legal services; (v) direct administrative expenses; and (vi) taxes.

Detailed information regarding the fees charged to the Funds is provided in each Fund's governing documents. Investors should review all fees charged by PTMI and its affiliates to fully understand the total amount of fees to be paid by the Funds and, indirectly, their limited partners.

Performance Based Fees and Side-by-Side Management

As described above, PTMI or its affiliate receive carried interest from the CT Funds in accordance with the governing documents.

The carried interest may create an incentive for the general partners of the CT Funds to make more speculative investments and to make different decisions regarding the timing and manner of the realization of such investments, than would be made if such carried interest were not allocated to the general partners.

Types of Clients

PTMI provides investment advisory services to the Funds, which are unregistered private investment companies. The PFI Fund is closed to new investors and will not accept investors in the future. HCM may, at its discretion, admit additional or replacement investors into the CT Funds.

Methods of Analysis, Investment Strategies and Risk of Loss

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

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

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

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

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

There is no liquid market for real estate and real estate-related investments. Market prices may not be readily ascertainable. In addition, there may be significant disruptions in the global capital, credit, and real estate markets. These disruptions have led to, among other things, a significant decline in the volume of transaction activity, in the fair value of many real estate and real estate-related investments, and a significant contraction in short-term and long-term debt and equity funding sources. This contraction in capital includes sources that the Funds may depend on to finance certain of their portfolio investments. The decline in liquidity and prices of real estate and real estate-related investments, as well as the availability of observable transaction data and inputs, may make it more difficult to determine the fair value of such portfolio investments. As a result, amounts ultimately realized by the Funds from investments sold may differ materially from the fair values presented to investors.

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

The Funds may incur debt, which may be subject to certain guarantees, to buy, operate, and otherwise improve the real estate in its portfolio. Debt financing carries risk, because debt service requirements sometimes cannot be reduced if the project under-performs. If a project does not perform as expected and PTMI is unable to renegotiate the terms of the debt service with the lender on behalf of a Fund, the project could be lost in mortgage foreclosure.

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

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

Disciplinary Information

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

Other Financial Industry Activities and Affiliations

As stated above, PTMI has an indirect ownership interest in the general partner of the PFI Fund and provides non-discretionary advisory services to the CT Funds. The CT Funds are managed by HCM and indirectly sub-advised by PTMI via a Special Membership in the respective general partners. The controlling interest in the general partners is owned indirectly by HCM.

PTM, Inc.'s affiliate PFIM, LLC, holds a 50% membership interest in Hardwood Forest Management, LLC, a third party ("HFM, LLC"). PFIM, LLC has not yet engaged in any investment advisory activities with HFM, LLC, although it may do so in the future.

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

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

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

PTMI's employees that are access persons must have written clearance for all transactions involving initial public offerings and private placements before completing the transactions. PTMI may disapprove any proposed transaction, particularly if the transaction appears to pose a conflict of interest or otherwise appears improper. PTMI also endeavors to maintain current and accurate records of all personal securities accounts of its access persons in an effort to monitor all such activity. A copy of PTMI's Code of Ethics is available upon request.

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

Brokerage Practices

PTMI does not currently engage in securities transactions on behalf of the Funds given the Company's focus on investments in timberland and timberland interests.

Review of Accounts

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

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

Client Referrals and Other Compensation

PTMI does not compensate any third party for client referrals.

Custody

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

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

With respect to the CT Funds, PCTM, LLC acts as the sub-adviser and provides non-discretionary management for the respective portfolios' investments in timberland. Neither PCTM, LLC nor PTM, Inc. have the authority to access and/or direct the flow of the CT Funds' cash and therefore are not deemed to have custody of the CT Funds.

Investment Discretion

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

With respect to the CT Funds, PTMI provides non-discretionary management for the respective portfolios' investments in timberland. Discretionary authority to determine the investments and amounts to be bought or sold for the CT Funds is retained by HCM, the CT Funds' adviser. Any limitations on authority are included in the CT Funds' governing documents.

Voting Client Securities

The Funds currently only hold real estate property. Therefore, PTMI does not receive and/or vote proxies.

Financial Information

PTMI has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.