



**Firm Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Resource Management Service, LLC. If you have any questions about the contents of this brochure, please contact us at: 205-991-9516, or by email at: [info@resourcemgt.com](mailto:info@resourcemgt.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.

March 30, 2020

# Material Changes

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## Material Changes since the Last Update

The following is a summary of material changes to this brochure since the last ADV Part 2A was filed in March 2019.

- Advisory Business: This section was amended to update a change in RMS's ownership.

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## **Advisory Business**

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### **Firm Description**

Resource Management Service, LLC (“RMS”) is a vertically-integrated, privately-held timberland investment manager serving institutional investors. U.S. operations are conducted through RMS which is domiciled in the U.S. and located in Birmingham, Alabama. RMS also has regional offices throughout the southern U.S. International operations are conducted through wholly-owned subsidiaries in Brazil, Australia, and New Zealand.

RMS is owned and operated by its employees. RMS has 49 Members, including most senior management and key employees.

RMS was founded in 1950 as a timberland management and consulting firm providing forestry services to the forest products industry and other private landowners. In 1985, RMS partnered with a timberland investment manager as its southern U.S. asset manager.

In 2004, RMS became a timberland investment manager in its own right, offering comprehensive timberland investment services to pension funds, endowments, foundations, family offices and other institutional investors.

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### **Principal Owners**

RMS’s owners consist of 49 members. A total of 34 individuals employed by RMS own 74% of the firm. One owner – RMS’s retired President and a member of the RMS Board of Managers – owns 2.1% of the firm. Fourteen local individual investors own the remaining 24%. Ownership in the company is broadly distributed. The largest ownership interest by an individual represents 10.1% of the membership interest of RMS, with ten senior employees holding a total ownership interest of 40.4%.

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### **Types of Advisory Services**

RMS provides timberland investment management services to institutional investors, primarily through pooled timberland funds (“Funds”) for which RMS is the manager. RMS also serves a small number of institutional investors through direct accounts (“Direct Accounts” and together with the Funds, the “Clients”). RMS sources transactions, manages timberland assets, conducts timber and land sales, and performs client accounting and reporting – all on a vertically-integrated basis (i.e. with in-house staff). RMS does not tailor advisory services to the individual needs of investors in the Funds.

As of December 31, 2019, RMS managed approximately \$4.1281 billion on a discretionary basis and \$122.2 million on a non-discretionary basis in timberland assets in three countries for 18 Clients.

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**Investment Management Agreement**

An investment management agreement or similar governing documents are executed between RMS and each Client. The agreement specifies investment management, property management and performance-based fees charged to the Client by RMS, and these may vary by Client. Other provisions such as investment term may vary by Client.

## **Fees and Compensation**

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**Description**

RMS typically charges Clients investment management and property management fees.

Investment management fees differ based on the nature of the investment and are typically based on invested capital or the fair market value of investments held by the Client. Generally, these fees range from 0.50 – 0.95%. Investment management fees may vary based on each Client's investment management agreement.

Property management fees are charged at the asset level and may be based on acres managed, amount of invested capital, or through a contractor structure.

RMS also charges performance-based fees as described in more detail below.

Any additional fees each by RMS or its affiliates with respect to Clients, any timberlands in which Clients are invested, or any portfolio company will be promptly disclosed to all Clients. Any of these other fees earned by RMS shall reduce on a dollar-for-dollar basis the amount of fees paid to RMS.

Applicable governing documents for the Funds or for the Direct Accounts provide a full description of the fees paid to RMS. RMS may elect to waive or reduce certain fees paid by Clients or investors in its sole discretion.

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**Fee Billing**

Investment management fees are assessed monthly. Fees are usually deducted from a designated Client account to facilitate billing. The Client must consent in advance to direct debiting of their investment account.

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**Other Expenses**

In addition to the investment management fees and carried interest distributions paid by the Funds, the Funds are responsible for fees and expenses related to, among other things: (i) costs incurred in connection with the disposition of investments as well as the acquisition of potential investments by the Funds, whether or not consummated; (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. The limited partnership agreement for each Fund provides a full description of the expenses paid for by the partnership.

Under certain circumstances outlined within the Fund's governing documents, investors in one Fund are permitted to make redemptions and as such, will bear any related legal or accounts costs or expenses that are incurred, none of which will accrue to RMS.

## **Performance-Based Fees and Side-by-Side Management**

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### **Description**

Performance-based fees are typically computed on a percentage of profits earned, generally only after a minimum return has been achieved. The performance-based fee varies by Client. The investment advisory agreement or fund management agreement for each Client provide a full description of the performance-based fee arrangements by Clients.

The performance fee may create an incentive for RMS to make more speculative investments for Clients and to make different decisions regarding the timing and manner of the realization of such investments, than would be made if such performance fees were not allocated to the general partners. The general partners' ownership interests in the Funds help to align RMS' interests with those of the investors in the Funds.

## **Types of Clients**

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### **Description**

RMS generally provides timberland investment management services to pooled funds for which it serves as manager and whose subscribers are pension funds, endowments, foundations, family offices and other institutional investors. RMS also serves a small number of institutional investors through direct accounts.

## **Methods of Analysis, Investment Strategy and Risk of Loss**

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### **Methods of Analysis**

Prospective acquisitions are analyzed using proprietary financial and timber growth models, which blend estimated timber yields with forward financial assumptions on timber pricing, operating costs, etc. in order to estimate future cash flows and current value.

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### **Investment Strategy**

The primary elements of RMS's timberland investment strategy:

- Focus on investment-grade plantations.
- Achieve and leverage operating scale.
- Apply research and technology to maximize long-term return and minimize risk.
- Practice environmentally responsible forest management.

Target investment regions, which vary by Client, include the U.S. South, Brazil, New Zealand, and Australia.

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## **Risk of Loss**

Clients and investors face the following timberland investment risks:

- **Production Risk:** Unforeseen timber volume and quality losses caused by natural events and by inaccuracies in timber volume and quality projections.
- **Market Risk:** Uncertainties in future prices for timber products.
- **Currency Risk:** Timber investments may be made in foreign currencies. Consequently, changes in foreign currency rates could have an impact on the value of the timber investments, as well as distributions received from those investments.
- **Liquidity Risk:** Uncertainties associated with ability to sell timber and timberland according to a desired schedule. There is no liquid market for real estate and real estate-related investments. Market prices may not be readily ascertainable.
- **Regulatory Risk:** Potential for country, state, and local governments to regulate timberland ownership, timber harvesting and other timberland management activities.
- **Investment Risk:** An investment in the Funds or Direct Accounts carries the risk of partial or total loss of capital. RMS cannot provide any assurance that any property or investment will be profitable.
- **Concentration Risk:** While we seek diversification where possible, the possibility exists that investments may be concentrated in a 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.
- **Risk Relating to the Ownership and Financing of Real Estate:** Clients are subject to all risks incidental to the ownership and financing of real estate, many of which relate to the general illiquidity of real estate investments, and include:
  - Changes in general or local economic conditions;
  - Increased competition;



- Changes in interest rates and the availability of financing;
  - Changes in real estate, environmental, or zoning laws; and
  - Floods, earthquakes, hurricanes, or other natural disasters.
- **Debt Financing Risk:** Subject to the Fund's governing documents, 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, RMS may be unable to renegotiate the terms of the debt service with the lender on behalf of the Fund.
- **Valuation Risk:** Valuations of portfolio holdings are subjective, and require the use of techniques that rely on unobservable inputs and ultimately provide no more than an estimate of fair value. Valuations may result in adjustments to the Funds' aggregate fair market values. 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.
- **Force Majeure:** Portfolio investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to an Client or a portfolio company) to perform its obligations until it is able to remedy the force majeure event. In addition, forced events, such as the cessation of the operation of machinery for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to a portfolio company or a Client of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which Clients may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or

the assertion of control over one or more portfolio companies or its assets, could result in a loss to Clients, including if the investment in such portfolio companies is canceled, unwound or acquired (which could be without adequate compensation).

- **Cybersecurity Risk:** RMS relies on information technology to support our operations and reporting environments. A security failure of that technology could impact its ability to operate our businesses effectively, adversely impact our ability to report financial results, impact reputation and expose potential liability and litigation. RMS uses information systems to carry out operational activities and maintain business records. Some systems are internally managed and some are maintained by third-party service providers. RMS and its service providers employ what is believed to be adequate security measures. RMS's ability to conduct business could be materially and adversely affected if these systems or resources are compromised, damaged or fail. This could be a result of a cyber incident, natural disaster, hardware or software corruption, failure or error, telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions or other disruption. In the ordinary course of business, RMS collects and stores sensitive data, including intellectual property, other proprietary information and personally identifiable information of our Clients and investors. If this data is compromised, destroyed or inappropriately disclosed, it could have a material adverse effect, including damage to reputation, loss of customers, significant expenses to address and resolve the issues, or litigation or other proceedings by affected individuals, business partners and/or regulators.

In order to mitigate the risks outlined above, RMS developed comprehensive risk management controls. Specific mitigation strategies are woven throughout RMS's investment and asset management processes, beginning when assets are evaluated for purchase and carrying through to asset liquidation.

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

## **Disciplinary Information**

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### **Legal and Disciplinary**

RMS and its employees have not been involved in legal or disciplinary events related to past or present investment Clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Registrations

RMS maintains an agreement with Trailmark, Inc. (“Trailmark”), a third party broker-dealer whereby Trailmark is compensated for soliciting investors for the RMS Evergreen US Forestland Fund, LP.

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### Affiliations

RMS and its affiliates serve as the general partners of Funds which RMS manages. Specifically:

- RMS is the general partner of RMS Forest Growth III, LP and RMS Forest Growth III-B, LP;
- RMS Australian Forests Fund I GP, Ltd is the general partner of the RMS Australian Forests Fund I, LP;
- RMS Evergreen GP LLC is the general partner of the RMS Evergreen US Forestland Fund LP;
- RMS Brazil Fund GP, Ltd is the general partner of the RMS Forest Growth Brazil, LP;
- RMS Forest Growth China GP Ltd is the general partner of the RMS Forest Growth China LP; and
- RMS Cayman Islands, Ltd. is the General Partner of RMS China Holding Company, LP.
- RMS International Fund GP Ltd is the general partner of the RMS Forest Growth International LP.
- RMS Lakeview GP, LLC is the General Partner of Lakeview Timberlands, LP.
- Resource Management Service, LLC is the Investment Manager of Avondale Timberlands, LLC and controls Avondale Timberlands, LLC.

Additionally, property management services which are provided to Clients are performed by RMS’s affiliates, RMS Timberland Australia Pty Ltd and RMS do Brasil Administracao de Florestas Ltda.

Other than as discussed above, RMS has no business arrangements that are material to its investment management services with any related person who is an investment company, other investment advisor, financial planning firm, banking or thrift institution, accounting firm, law firm, insurance company or agency, investment consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships or other investment products.

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### Potential Conflicts of Interest

As a result of the relationships RMS maintains with its affiliates and the services provided to Clients, RMS is subject to a number of actual and potential conflicts

of interest. However, RMS is governed by a Code of Ethics which require its employees to adhere to the highest standards with respect to potential conflicts of interests with Clients. Furthermore, RMS seeks to mitigate conflicts through disclosure to Clients, as well as disclosure to investors in its Funds through relevant offering documents. Additionally, certain Funds have established Investor Boards with whom RMS consults when potential conflicts arise.

The following discussion is not meant to be an exhaustive list of every conceivable conflict that could arise, but as examples of conflicts that Clients may generally face:

RMS and its affiliates provide investment advice and property management services to various Clients and may face conflicts in the allocation of their time. RMS will endeavor to devote such time and effort to the business of managing its Clients' assets, which, in RMS's reasonable judgement may be required.

RMS's Clients may have differing investment objectives or policies and as a result, RMS's investment advice may differ from Client to Client. RMS may also face conflicts in the allocation of limited investment opportunities among its Clients. RMS attempts to allocate investment opportunities in a manner that will be fair and equitable over time and in accordance with its Clients' objectives and strategies.

RMS and its affiliates, including the general partners of the Funds earn performance based and other fees including property management fees which are contractually determined by the governing legal agreements. Performance based fees provide an incentive for an adviser to make investments that may be more speculative than it may otherwise be inclined to. However, RMS believes that the general partners' ownership interests in the Funds help align RMS's interests with those of the investors in the relevant Funds.

Valuations of the Client assets are determined by RMS and its affiliates and involve uncertainties and judgmental determinations. The compensation of RMS and its affiliates is based upon the value of Client assets in many instances. RMS believes that this conflict is mitigated in part because RMS periodically employs qualified third-party appraisers to conduct appraisals of Client assets. For the Funds, independent accountants review the Funds' valuations during their annual audit of the Funds' financial statements.

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

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### **Code of Ethics**

The employees of RMS have committed to a Code of Ethics ("Code") that is based on the principle that each RMS employee has a fiduciary duty to act in the best interests of its Clients. RMS employees must act with competence, dignity, integrity, and in an ethical manner when dealing with Clients, the public,

prospects, third-party service providers and fellow employees. Employees are also expected to adhere to the highest standards with respect to any potential conflict of interest with Clients. All violations of the Code are required to be reported to RMS's Chief Compliance Officer.

Additionally, RMS's Code contains requirements for the reporting of personal securities transactions consistent with Rule 201A-1 of the Advisers Act. RMS's Code is available for review by Clients and prospective clients upon request.

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**Personal Trading**

The Chief Compliance Officer of RMS is Dennis DuBose. He (or his designee) reviews reportable investment adviser personal securities transactions each quarter. In addition, the Chief Compliance Officer (or his designee) reviews reportable real estate transactions of all personnel. The personal trading reviews ensure that personal trading of employees do not affect the markets, that no investment or real estate purchases are in conflict with investor interests and that Clients of the firm receive preferential treatment.

## **Brokerage Practices**

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**Affiliations and Recommendations**

RMS does not currently engage in securities transactions on behalf of its Clients given its focus on investments in timberland and timberland interests. However, to the extent that securities are purchased for its Clients, RMS may have the authority to select the broker-dealer that will be used to execute the transaction. Under these circumstances, RMS will select broker-dealers in conjunction with its duty to obtain best execution.

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**Soft Dollars**

RMS does not receive "soft dollar" benefits in connection with services it provides to its Clients.

## **Review of Accounts**

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**Quarterly Reviews**

Client and portfolio company reviews are performed quarterly by in-house property operations staff and portfolio managers, and more frequently if needed. Client and portfolio company reviewers include members of the RMS Investment Committee.

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**Review Triggers**

Conditions that may trigger more than one review per quarter include changes in timber and timberland markets, proposed changes in operating budgets, and decisions related to cash management and distributions.

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**Regular Reports**

Clients receive reports about their timberland investments on at least a quarterly basis. These include unaudited quarterly financial statements, operating reports, and information about markets and other topics of interest to investors.

## **Client Referrals and Other Compensation**

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**Incoming Referrals**

RMS has been fortunate to receive client referrals over the years. Referrals generally have come from current Clients and investors, attorneys and investment consultants. However, as noted above, RMS has entered into an agreement with Trailmark who will be compensated for soliciting investors for a Fund.

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**Referrals Out**

RMS does not accept referral fees or any form of remuneration from other professionals when a prospect is referred to them.

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**Charitable Contributions**

RMS and its employees make charitable contributions to non-profit organizations, including non-profit organizations that are sponsored by investors in the Funds. Employees are required to inform the Chief Compliance Officer of any conflict or potential conflict that could arise in connection with the making of a charitable contribution.

## **Custody**

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**Account Statements**

All cash assets are held at qualified custodians, which means the custodians provide account statements directly to Clients at their address of record at least quarterly.

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**Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by RMS.

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**Financial Statements**

RMS has the ability to direct the actions of the Funds, including the ability to access and direct the flow of the Funds' cash. As a result, RMS is deemed to have custody of the Funds' assets.

RMS does not take or maintain physical custody of the Funds' cash or investments, and conducts all business operations in such a way that the Funds' cash and investments are preserved in the safekeeping of an independent qualified custodian. Fund investors will not receive statements

from such custodian. Rather, the Funds are subject to annual audits, and audited financial statements are distributed to the Funds' investors within 120 days of each Funds' fiscal year end.

Clients are provided with quarterly financial statements generated from RMS's accounting systems. Financial statements contain bank account balances, as well as approximations of the value of timber and land holdings.

## **Investment Discretion**

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### **Discretionary Authority for Acquisition and Management**

RMS accepts discretionary authority, as granted by certain investment management agreements, to acquire and manage timber, land and related assets on behalf of its Clients. For certain relationships, RMS has the authority to determine, without obtaining specific investor consent, the timber, land and related assets to be bought or sold. For relationships in which discretionary authority has not been granted, RMS consults with the Client prior to certain transactions.

## **Voting Client Securities**

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### **Proxy Votes**

Proxy voting is not relevant to timberland investment management services.

## **Financial Information**

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### **Financial Condition**

RMS does not have any financial impairments that will preclude the firm from meeting contractual commitments to Clients and investors.

A balance sheet is not required to be provided because RMS does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.