



Timberland Investment Account Fiduciary (TIAF) Model

ForestEdge LLC



Background

Institutional timberland investors have historically invested in the asset class through co-mingled, closed-end investment Funds, or through separate accounts managed by Timber Investment Management Organizations (TIMO's). A variation on the separate account model are “club” deals where several like-minded investors form a combined investment entity which can diversify investment risk. As the asset class has matured – initial timberland investments date to the early 1980's – investment risks, return drivers, and investment platforms have become better understood, and direct investment a more viable option for sophisticated investors in certain geographies. Direct investment lowers total management costs, while providing more investor influence on asset selection, management decisions, and greater investment liquidity.

In direct investments, a local property manager is contracted to manage the properties held by the investor. The property manager can provide asset management, asset protection, timber marketing, and basic accounting services but may not want, or be able to fill a fiduciary role since it may manage assets for other investors with competing or conflicting objectives. ForestEdge LLC (“ForestEdge”), founded by Robert Hagler, who has over 30 years of international experience in forest product markets and timberland investments, is a Registered Investment Advisor with the State of Virginia, USA. ForestEdge offers investors this fiduciary asset and property manager oversight, providing a highly qualified investment management service, while lowering overall timberland investment management costs.

The Timberland Investment Account Fiduciary (TIAF) Model

The TIAF model is best suited to small to mid-sized investments in geographies where the timberland investment platform (property management, legal, accounting and auditing

framework) is well established. The concept is to push some of the tasks of a traditional TIMO organization downward on a well-established and sophisticated property management team, and to push some tax reporting and compliance tasks upwards to the investor, who is likely managing these tasks already as part of a broader investment portfolio. A thin layered fiduciary role by a qualified investment manager can then provide property manager oversight, and strategic guidance both to, and on behalf of the investor.

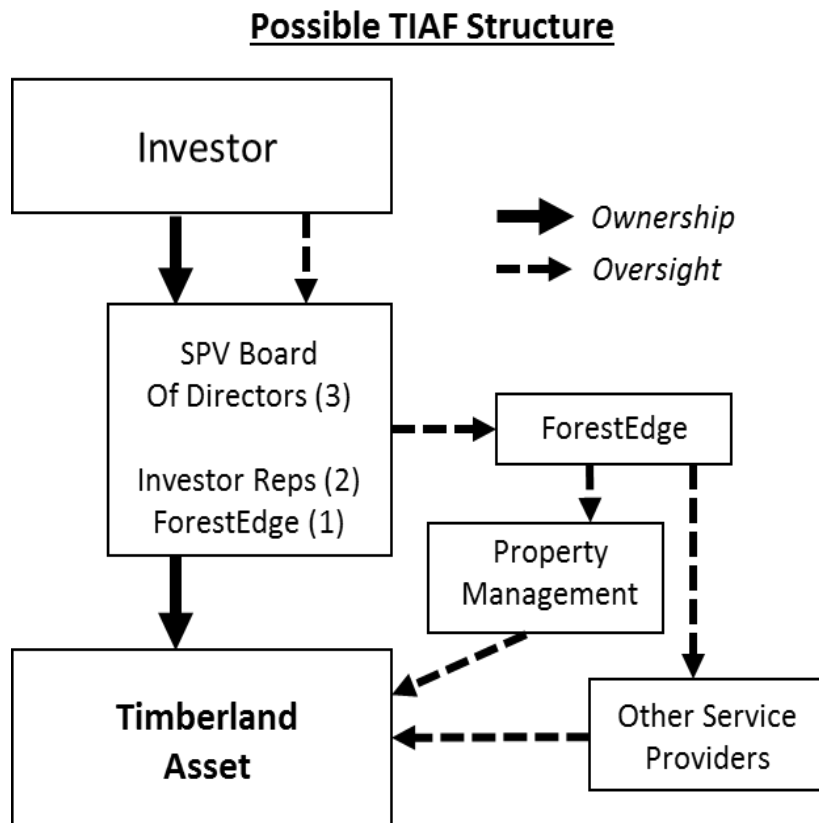
The following Table shows the basic tasks that are required to establish and manage a timberland investment activity. Primary responsibility for each task is assigned under both the traditional separate account TIMO model, and a TIAF model. As has been discussed, some responsibilities are pushed down in the TIAF model to the property management entity (PM), or upwards to the investor (INV). However, the fiduciary (FID) remains responsible for coordinating the activities, for key asset management decisions, and for the performance of the investment.

| TASK | TIMO MODEL | | | TIAF MODEL | | |
|--|------------|------|----|------------|-----|----|
| | INV | TIMO | PM | INV | FID | PM |
| Development of Investment Strategy | | • | | | • | |
| Management of Asset Acquisitions | | • | | | • | • |
| Set-up of SPV, Prop. Mgt., Banking, Prop. Level Accounting | • | • | | • | • | • |
| Creation of strategic and annual operating budgets | | • | • | | • | • |
| Management of timber sales and other income streams | | • | • | | • | • |
| Oversight of local bank accounts, cash flows and distributions | | • | | • | • | |
| Coordination and review of asset appraisals | | • | | | • | |
| Monitoring of Prop. Mgt. performance against budgets | | • | | | • | |
| Coordination of quarterly financial data to investor | | • | | • | • | • |
| Provide reviews of market conditions and performance to investor | | • | | | • | |
| Coordinate tax reporting and financial compliance | | • | | • | • | |
| Manage periodic asset reviews and disposition process | | • | | | • | • |

Advantages/Disadvantages of the TIAF Model

The TIAF model has many advantages for active or focused timberland investors. In addition to lowering investment management costs, the model provides liquidity, and investor influence with respect to timberland asset selection, and investment and timberland management objectives. It is well-suited to investors whose timberland investment allocations fall below the threshold of TIMO separate accounts, but who require fiduciary governance as well as a more personalized timberland investment advisory service.

Potential Structure, Governance and Cost of a TIAF Timberland Investment



The following Chart shows one possible structure of a direct timberland investment within the TIAF model. Although alternatives are possible, the basic structure would provide for fiduciary oversight of property management and asset performance by ForestEdge, which in-turn would report to the investor or a board of directors controlled by the investor.

It is difficult to assign precise costs to an investment structure without knowing the location and nature of the assets, complexity of the asset, and property management costs. However, it is anticipated that a TIAF

model can lower investment management costs from +/- 1.00% of NAV or invested capital for a traditional TIMO structure, to between .30-.40% for a TIAF structure.

The TIAF model is ideal for mid-sized investors who may want to invest in a portfolio of several timberland investments, or investments in more than one timber investment geography. The TIAF model enables the investor to control their investments, while providing expert oversight of property management, budgeting, and legal responsibilities, and assuming responsibility for the financial performance of the assets.

ForestEdge LLC is uniquely qualified to provide this timberland investment management service. Mr. Hagler has a global understanding of the timberland and forest products marketplace, and over 30 years of experience in timberland investment strategy, acquisitions and on-going investment management. Good investments are driven by research, and Mr. Hagler is a recognized expert in timber and timberland market dynamics. Adding to an established record of timberland investment research, he has recently completed a major study of the US Softwood Lumber Market, including analysis of timber supply and demand, prices, and investment implications for both North American and off-shore suppliers.

To discuss timberland investment and the TIAF model, contact:



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