The Continuing Evolution of TIMOs and REITs
Changes in Forestland Ownership

Traditional Forest Ownership

- Vertically Integrated Forest Product and Paper Companies
- Families

Investment-Oriented Ownership

- TIMOs
- REITs
- Private Equity
- Conservation NGOs

Forest Dispositions

Estimate 40+ Million Acres Sold Since 1985

WHY?

- Generally Accepted Accounting Principals (GAAP)
- Move from two levels of taxation to one
- No longer a strategic necessity for forest products companies
- Discovery of timberland as an “alternative investment” by institutional investors
- Sir James Goldsmith Effect
## Changes in Forestland Ownership

<table>
<thead>
<tr>
<th>1981</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Type</td>
</tr>
<tr>
<td>International Paper</td>
<td>Traditional</td>
</tr>
<tr>
<td>Weyerhaeuser</td>
<td>Traditional</td>
</tr>
<tr>
<td>Georgia Pacific</td>
<td>Traditional</td>
</tr>
<tr>
<td>St. Regis</td>
<td>Traditional</td>
</tr>
<tr>
<td>Champion</td>
<td>Traditional</td>
</tr>
<tr>
<td>Boise Cascade</td>
<td>Traditional</td>
</tr>
<tr>
<td>Scott</td>
<td>Traditional</td>
</tr>
<tr>
<td>Great Northern</td>
<td>Traditional</td>
</tr>
<tr>
<td>Bowater</td>
<td>Traditional</td>
</tr>
<tr>
<td>Crown</td>
<td>Traditional</td>
</tr>
<tr>
<td>Union Camp</td>
<td>Traditional</td>
</tr>
<tr>
<td>Diamond</td>
<td>Traditional</td>
</tr>
<tr>
<td>Mead</td>
<td>Traditional</td>
</tr>
<tr>
<td>Time</td>
<td>Traditional</td>
</tr>
<tr>
<td>Burlington Northern</td>
<td>Traditional</td>
</tr>
</tbody>
</table>

Source: *Investing in Nature;* William Ginn
Timberland Assets Under Management as of 12/31/10

Source: TimberLink LLC, survey of 23 timberland investment managers
Timberland Transaction Volume vs. Price Appreciation ($ millions)

Source: RISI; adapted from Raymond James
Current Forestland Sale Patterns

- HBU Lands
- REIT
- TIMO
- Conservation Oriented TIMOs or Conservation NGOs
- Expanded Public Lands or Community Forests
Factors that Support Lyme Timber’s Conservation Investment Strategy

- Changes in forest ownership
- Forest Dispositions
  Estimate 40+ Million Acres
  Sold Since 1985

- Less than fee acquisition has become the preferred tool for conservation

- Conservation biologists stress landscape scale planning/conservation

- Growth in public conservation funding

  Annual growth rate from 1941 to 2003 in the share of land the Conservancy protected with conservation easements rather than outright land purchases.

  - 1.29 – 1.59
  - 1.21 – 1.28
  - 1.13 – 1.20
  - 1.06 – 1.12
  - 0.95 – 1.03
  - 0.78 – 0.94
  - 0.0001 – 0.77
  - No data

  Total conservation funding approved by voters by year from 1988 to 2009

  $0
  $2,000,000,000
  $4,000,000,000
  $6,000,000,000
  $8,000,000,000
  $10,000,000,000

# Current Funding for Forestland Conservation

<table>
<thead>
<tr>
<th>Fee Acquisitions</th>
<th>Working Forest Conservation Easements</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Land and Water Conservation Fund</td>
<td>- Forest Legacy Program</td>
</tr>
<tr>
<td>- State and local public funding sources</td>
<td>- Section 6 of Endangered Species Act</td>
</tr>
<tr>
<td>- Philanthropy</td>
<td>- New Markets Tax Credits</td>
</tr>
<tr>
<td></td>
<td>- DOD Readiness and Environmental Initiative Program for base buffering</td>
</tr>
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</tbody>
</table>

## Looking Forward

- State Clean Water Revolving Loan Funds
- Land and Water Conservation Fund “3rd Way, a 21st Century version of the Weeks Act”
- Farm Bill conservation programs
- Carbon trading
- Wetland/ species mitigation banking
- Avoided deforestation credits/ Land Use credits