

The Continuing Evolution of TIMOs and REITs



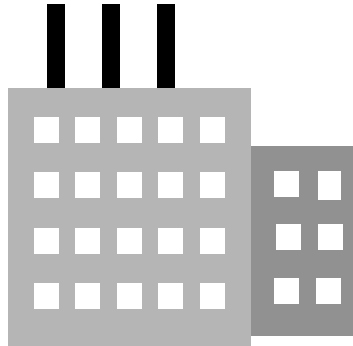
Peter R. Stein

Managing Director

The Lyme Timber Company
23 South Main Street, 3rd Floor
Hanover, NH 03755
(603) 643-3300 x 112
peterstein@lymetimber.com

Changes in Forestland Ownership

Traditional Forest Ownership



- Vertically Integrated Forest Product and Paper Companies
- Families

Forest Dispositions

Estimate 40+ Million Acres Sold Since 1985

Investment-Oriented Ownership



- TIMOs
- REITs
- Private Equity
- Conservation NGOs

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



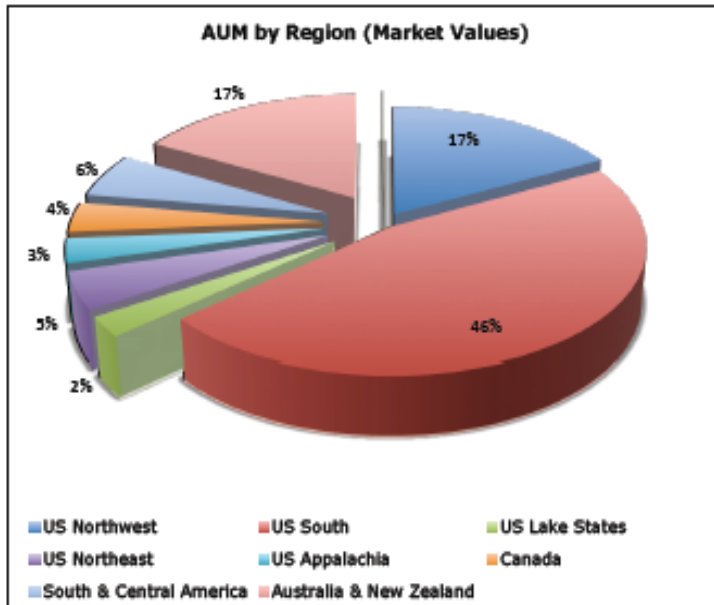
Changes in Forestland Ownership

1981		Current	
Company	Type	Company	Type
International Paper	Traditional	Plum Creek	REIT
Weyerhaeuser	Traditional	Weyerhaeuser	REIT
Georgia Pacific	Traditional	Forestland Group	REIT
St. Regis	Traditional	Hancock Timber	TIMO
Champion	Traditional	Campbell Group	TIMO
Boise Cascade	Traditional	Resource Management	TIMO
Scott	Traditional	GMO	TIMO
Great Northern	Traditional	Forest Capital	TIMO
Bowater	Traditional	Rayonier	REIT
Crown	Traditional	Forest Investment Associates	TIMO
Union Camp	Traditional	Sierra Pacific	Other
Diamond	Traditional	Wagner Forest	TIMO
Mead	Traditional	Potlatch	REIT
Time	Traditional	RMK Timber	TIMO
Burlington Northern	Traditional	Molpus Woodlands	TIMO

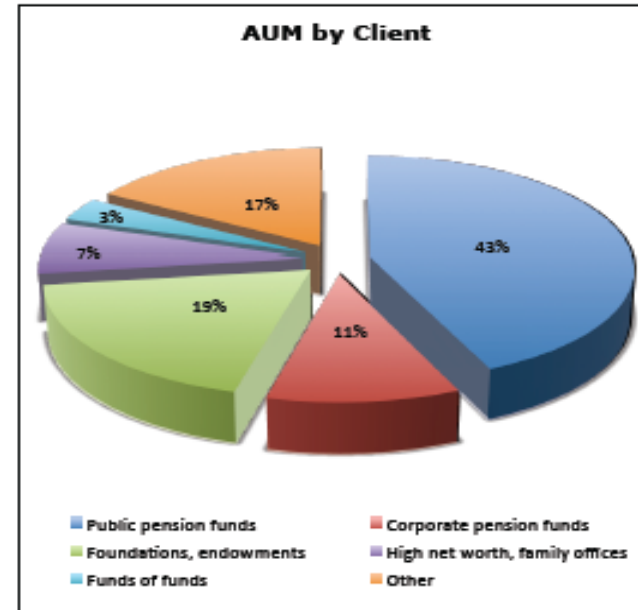
Source: *Investing in Nature*; William Ginn



Timberland Assets Under Management as of 12/31/10



Region	Acres (thousands)	Market Value (\$ million)
US Total	23,963	\$32,087
All Regions Total	31,262	\$43,523

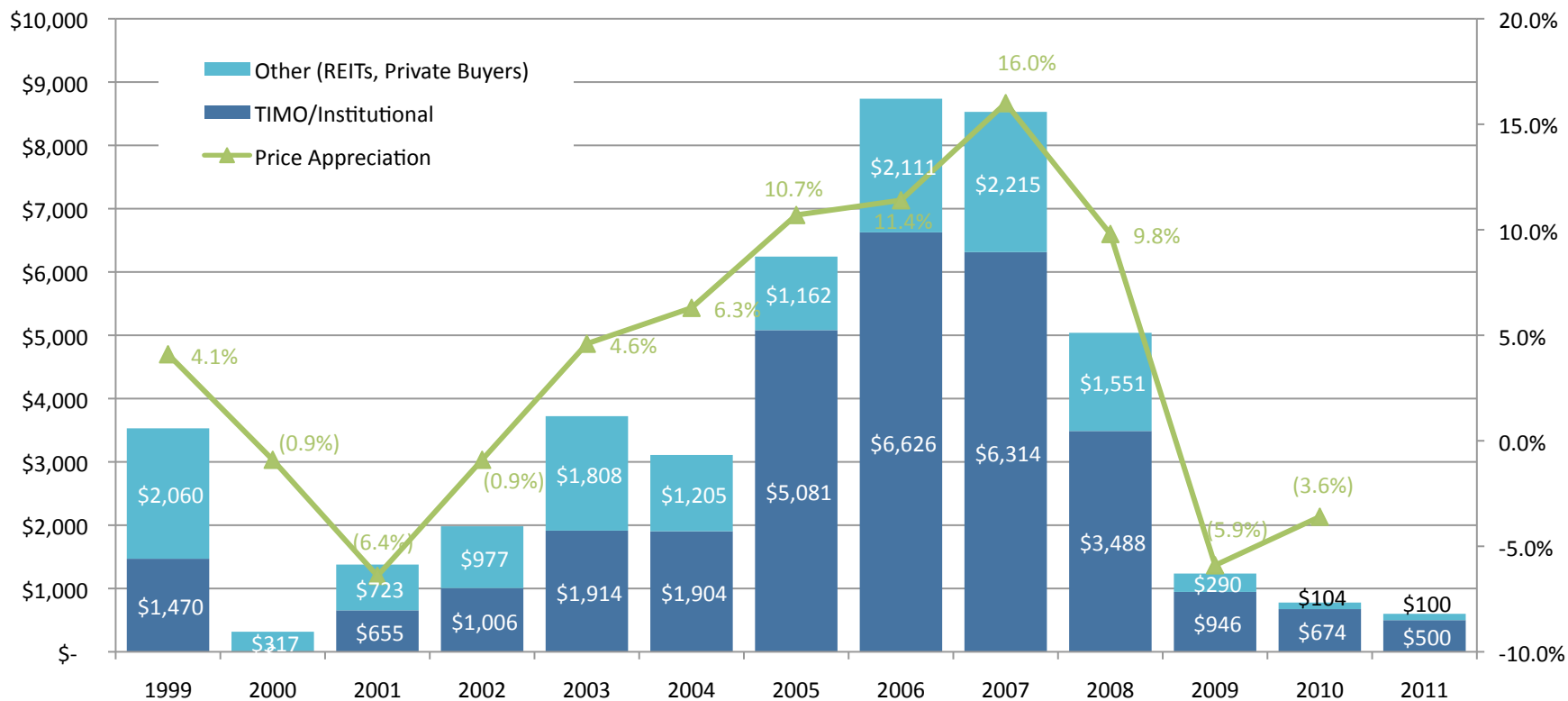


Client Type	Assets Under Management (\$ billion)
Public pension funds	19
Corporate pension funds	5
Foundations, endowments	8
High net worth, family offices	3
Funds of funds	1
Other	7
TOTAL	\$44

Source: TimberLink LLC, survey of 23 timberland investment managers



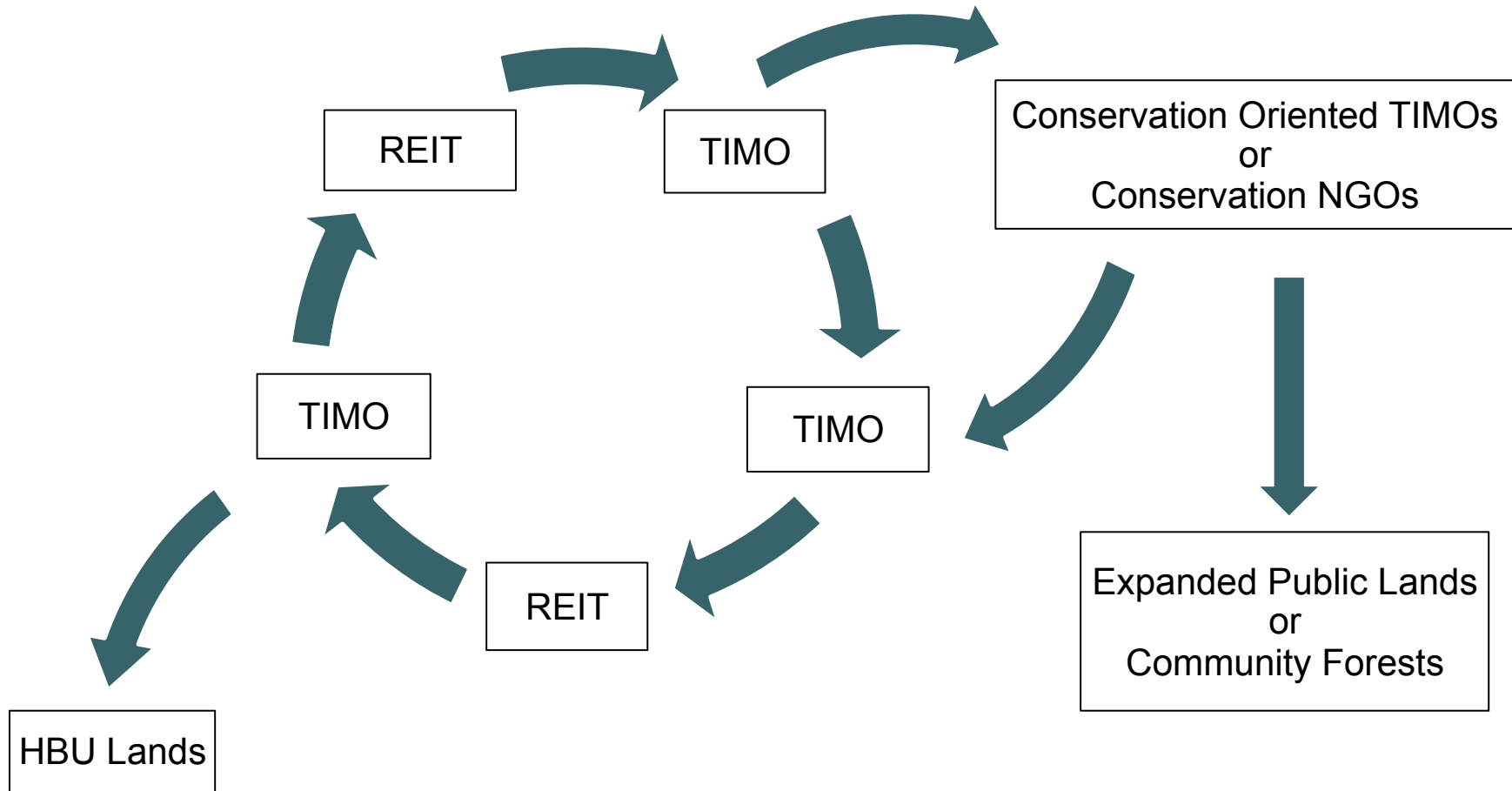
Timberland Transaction Volume vs. Price Appreciation (\$ millions)



Source: RISI; adapted from Raymond James



Current Forestland Sale Patterns

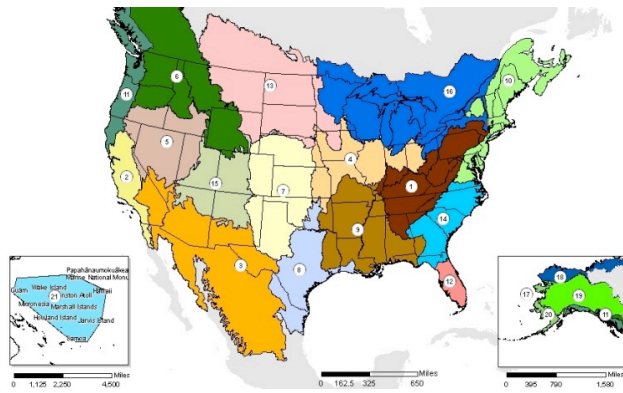


Factors that Support Lyme Timber's Conservation Investment Strategy

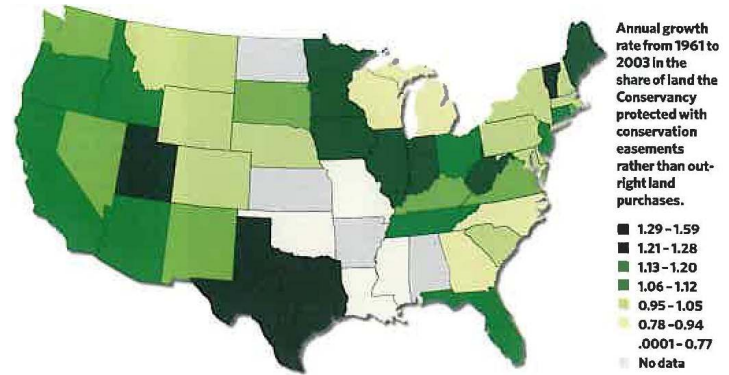
- **Changes in forest ownership**



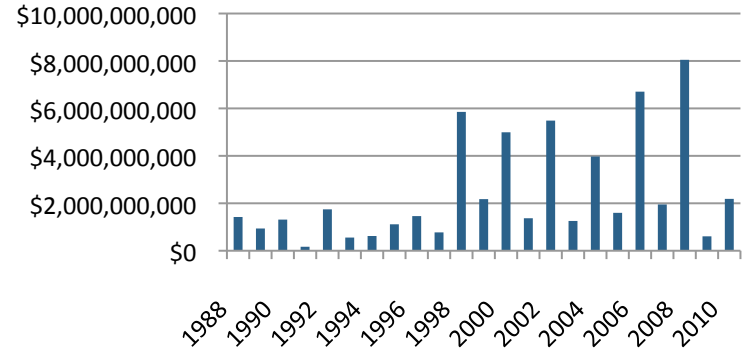
- **Conservation biologists stress landscape scale planning/conservation**



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



- **Growth in public conservation funding**



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



Current Funding for Forestland Conservation

Fee Acquisitions

- Land and Water Conservation Fund
- State and local public funding sources
- Philanthropy

Working Forest Conservation Easements

- Forest Legacy Program
- Section 6 of Endangered Species Act
- New Markets Tax Credits
- DOD Readiness and Environmental Initiative Program for base buffering
- State and local public funding sources
- Philanthropy

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



Questions?

