

The Lyme Timber Company LP
23 South Main St. Hanover NH 03755
www.lymetimber.com



2018 Impact Report
The Lyme Forest Fund III, The Lyme Forest Fund IV, The Lyme Forest Fund V
May 2019



Notice: This summary contains information relating to investment funds sponsored by The Lyme Timber Company LP (“Lyme”) and does not constitute an offer to sell or a solicitation of offers to buy securities. Past performance is not necessarily indicative of future results.



Overview



About This Report

The 2018 Impact Report tracks the positive environmental and social outcomes of investments made by funds managed by The Lyme Timber Company LP (“Lyme”) for the 2018 reporting year and since inception. Funds include The Lyme Forest Fund III T LP and Parallel Funds (“Fund III”), The Lyme Forest Fund IV LP and Parallel Funds (“Fund IV”), and The Lyme Forest Fund V LP and Parallel Funds (“Fund V”). Lyme uses the Impact Reporting and Investment Standards (IRIS) metrics as well as additional relevant metrics and frameworks to measure the non-financial aspects of its investments. Lyme has been reporting its impact with IRIS metrics since 2012. Relevant background on Lyme’s investment strategies and investment-specific narratives accompany the fund level metrics and frameworks to provide context and more detailed information.

About IRIS

The IRIS metrics were developed to provide a common reporting language for impact-related terms and metrics, standardizing the way companies communicate and report their social and environmental performance. This standardization allows performance to be compared and benchmarked, while also streamlining and simplifying reporting requirements for companies and their investors. IRIS was initiated and is governed by the Global Impact Investing Network (GIIN).





Lyme's investment approach

Founded in 1976, Lyme invests in and manages timberland and rural real estate with important conservation attributes throughout the US and Canada. Lyme follows a disciplined and value-oriented investment philosophy with the goal of generating attractive risk-adjusted returns and durable environmental and community benefits.

Lyme is a recognized leader in sustainable forest management and conservation. Out of over 1.6 million acres in Lyme's current and historical portfolio, nearly 90 percent have been or are expected to be permanently conserved.

Lyme's investments often fill holes in larger conserved landscapes, and their protection helps deliver vital ecosystem services, including:

- ✱ Protection and restoration of streams and wetlands
- ✱ Drinking water supply protection
- ✱ Habitat conservation
- ✱ Carbon sequestration
- ✱ Flood control
- ✱ Maintenance of air quality
- ✱ Soil regeneration
- ✱ Recreational access
- ✱ Ecotourism

All of Lyme's working timberland properties are third-party certified to one or both of the two leading sustainable forestry certification programs - the Forest Stewardship Council (FSC)[®] and the Sustainable Forestry Initiative (SFI)[®]. Lyme's investment activities also strengthen rural economies by providing safer, better-paying, and sustainable jobs in forestry and logging and related areas as well as recreation and tourism.

In 2017, Lyme became a signatory to the United Nations Principles for Responsible Investing (UN PRI).



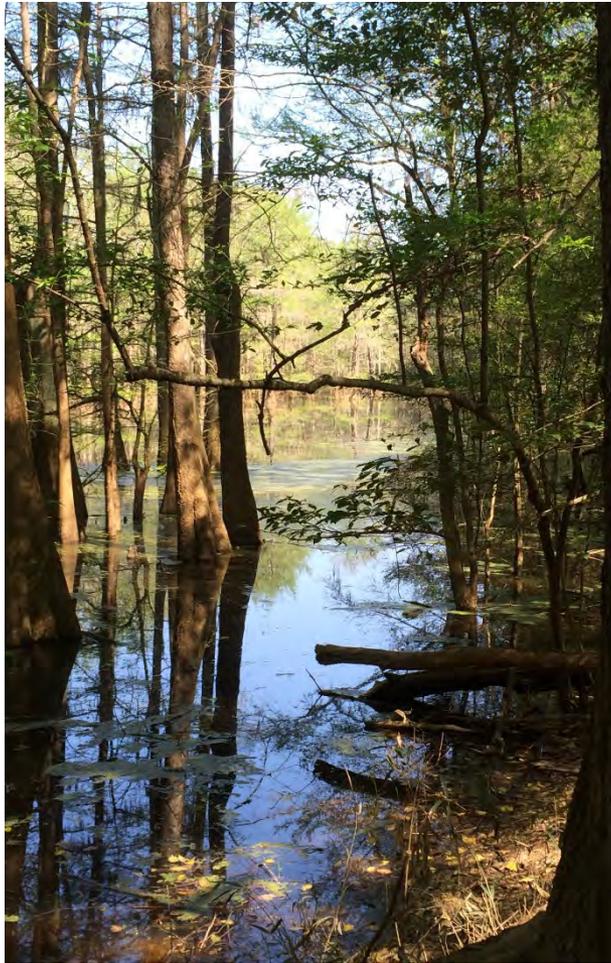


Lyme's Forest Conservation Strategies

One of Lyme's core investment strategies is to sell conservation easements, which permanently restrict development, but allow income generation from sources such as sustainable timber harvesting, recreational leasing activities, and the sale of ecosystem services. Lyme maintains an extensive network of contacts among conservation NGOs and governmental natural resource agencies. These groups often seek our investment capital and experience to capture important conservation targets, and we partner with them on the political and community outreach necessary to achieve conservation outcomes.

Working Forest Conservation Easements (WFCEs):

- ✿ Are legal agreements that restrict development and other activities agreed upon by the landowner and easement holder in order to protect specific conservation values
- ✿ Are permanently binding on all future landowners
- ✿ Leave property in private ownership and management, and on the tax roll
- ✿ Allow government agencies to conserve working forests for a fraction of the cost of purchasing the land in fee and greatly reduce public land management expenses
- ✿ Provide permanent public recreational access, in many cases
- ✿ Ensure the property will be managed for timber production, which supports rural economies and jobs by protecting large forested areas that are critical to:
 - Efficient and productive timber harvests
 - Recreation and tourism
- ✿ Carry the potential for helping meet and exceed the requirements of federal and state environmental regulations, including the Endangered Species Act and Clean Water Act.
- ✿ Conserve important natural values of a forest property – fisheries, water supplies, wildlife habitat, and open space, among others – while ensuring good forest management.



Lyme's Mitigation Bank Investment Strategy

Since 2006, Lyme has restored and conserved streams, wetlands, and endangered species habitats throughout the United States through its investments to offset the environmental impacts of development. Our strategy has focused on mitigation banks. A mitigation bank is a degraded property restored to its original ecological function. The owner of an approved mitigation bank can sell credits for cash to public and private developers who need to mitigate their nearby impacts. Eco-Capital Advisors, LLC ("ECA"), an Atlanta-based advisory firm focused exclusively on mitigation, provides deal sourcing, diligence, structuring, and management services to Fund III and Fund IV.

Regulatory Framework

- 🌿 Federal laws (the Clean Water Act and the Endangered Species Act) require public and private developers to mitigate ecosystem impacts by restoring similar ecosystems to those damaged.
- 🌿 Projects that require mitigation include draining, filling, or damaging wetlands for highway construction, real estate development, energy infrastructure, or other projects. Mitigation is also required to offset the impact of channelizing or rerouting streams and of adversely affecting endangered species habitat.
- 🌿 Under US Army Corps of Engineers 2008 guidance, the preferred mitigation mechanism is the project developer's purchase of credits from nearby mitigation banks that proactively restore degraded lands at a larger scale and ensure their preservation in perpetuity.
 - 🌿 Rather than undertake their own restoration efforts, developers can buy mitigation credits from approved mitigation banks.
 - 🌿 Regulators oversee these banks and release "credits" for sale based on the bank's achievement of predetermined ecological success factors.



Lyme's Additional Strategies for Environmental and Social Outcomes

- **Quality jobs in rural communities:** In the US, forests provide jobs to people in rural and low-income regions of the country with declining populations and industries. Recognizing the importance of timber cash flows, particularly on properties encumbered by WFCEs, Lyme focuses its property management efforts on increasing cash yields through forestry operations, log merchandizing, and direct log marketing. Through its unique model of establishing fund-owned operating companies for day-to-day forest management of its timberland ownerships, Lyme employs foresters and office staff and maintains contracts and business with small local businesses in rural communities. Lyme's businesses provide safer, better-paying, and sustainable jobs in forestry, logging, road construction, and trucking, among others. Unlike some timberland owners, Lyme requires all of its contractors to maintain workers' compensation insurance for its employees. In recent years, Lyme has made investments to strengthen the supply chain in local forest products industries, contributing to the stability and sustainability of the resource and local economy.
- **Financing to secure conservation and community benefits:** Lyme secures financing from conservation partners, the federal New Markets Tax Credit ("NMTC") program, and state clean water revolving loan funds, among other sources. Our approach to property management and the local economic and community development benefits it creates, combined with our conservation strategies and emphasis on sustainable job creation, enables us to access below-market financing that secures conservation and community benefits and underwrite to our target equity returns.
- **Climate change mitigation and resilience:** Trees, through natural biological processes, absorb carbon dioxide from the atmosphere and store it in biomass and soils. Voluntary and regulatory carbon markets enable forest landowners to secure the carbon sink on their sustainably managed forests. Lyme has developed forest carbon sequestration projects on its timberlands, under California's Compliance Offset Protocols, to ensure the maintenance of their carbon stock over 100 years and generate revenue through the sale of carbon offsets.





The Lyme Forest Fund III

In 2010, Lyme launched The Lyme Forest Fund III, our third closed-end, pooled investment fund, with \$160.4 million of committed capital. The Fund's investment period ended on August 31, 2014, by which time Fund III had made twelve investments totaling approximately 230,000 acres.

Portfolio Summary

- 83% of capital was invested in our working lands strategy including four timberland properties and one agricultural property, all with operational scale.
- 9% of capital was invested in our mitigation strategy with a focus on smaller banks and opportunities to stage capital deployment and return capital from credit sales over a 6-8 year period.
- 8% of capital was invested in our high-priority conservation strategy that includes executing option agreements with NGO partners to facilitate conservation outcomes.

2018 Impact Summary

- Lyme accepted an offer from the State of Florida to purchase a WFCE over 19,225 acres in Dixie County as part of the Lower Suwannee River and Gulf Watershed Florida Forever project.
- Restoration activities were completed for the Waccamaw Mitigation Bank on the 755-acre inholding in the South Carolina Department of Natural Resources Lewis Ocean Bay Heritage Preserve outside Myrtle Beach, South Carolina.
- Wetlands in Polk County, Florida were permanently protected through a conservation easement for the Fox Branch mitigation bank.



The Lyme Forest Fund III Portfolio Summary

| Property | State | Description | Strategy | Begin Acres* | Purchase Date | Sale Date |
|-----------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------|---------------|-----------|
| Lyme St. Croix Holdings | WI | Acquired in partnership with The Conservation Fund. Structured an option agreement and conveyed conservation easement on 67,000 acres in 2013 and 2015. Sold in 2017 to Hancock Timber Resources Group, perpetually encumbered by Lyme's WFCEs. | Working Lands | 72,432 | 2011 | 2017 |
| Schoodic Woods | ME | Immediately after purchase, Funds sold equity interest to a private foundation with option to Maine Coast Heritage Trust for a conservation easement over southern half of the property. Foundation subsequently donated lands to the National Park Service. Viewshed of Cadillac Mountain, Acadia National Park. | High Priority Conservation | 3,200 | 2011 | 2011 |
| Waccamaw | SC | Inholding in SC DNR's Lewis Ocean Bay Heritage Preserve established as a mitigation bank in partnership with Environmental Banc & Exchange. Mitigation credits selling to public agencies and developers in the Myrtle Beach area. | Mitigation Bank | 755 | 2013 | |
| Lillian Swamp | AL | Fund acquired a controlling interest in approved mitigation bank to generate and sell mitigation credits in Mobile and Baldwin Counties. | Mitigation Bank | 1,157 | 2013 | |
| Fox Branch | FL | Acquired an option to purchase mitigation use rights easement. Developing and permitting a wetland mitigation bank to serve Hillsborough basin (much of Tampa metro-area). | Mitigation Bank | 1,100 | 2013 | |
| Lyme Kenauk Canada | QC | Partnered with local families and the Nature Conservancy of Canada (NCC) to purchase iconic property between Ottawa and Montreal that contains over 70 lakes and is a wildlife corridor to the Laurentian Mountains. 12,000 acres conserved via sale to NCC. In 2015, the Fund sold to a conservation buyer, with a conservation option in favor of NCC. | High Priority Conservation | 50,300** | 2013 | 2015 |
| Lyme Florida (3 properties) | FL | Acquired in partnership with The Conservation Fund and with an option to sell WFCEs over 46,500 acres. NMTC financing supported job quality and economic benefits. Sale of WFCE on 8,075 acres in 2016, agreement on WFCE on 19,255 acres in 2019, additional conservation of unique wetland and bottomland hardwood areas anticipated. | Working Lands | 72,800 | 2013-14 | |
| Lyme BX Ranch | CO | Acquired in partnership with Palmer Land Trust and The Nature Conservancy. Sold conservation easement in 2015, and currently managing for sustainable ranching. | Working Lands | 25,000 | 2014 | |
| Mill Creek | SC | Partnership with Eco-Capital Advisors to develop a wetland and stream mitigation bank located near Congaree National Park. | Mitigation Bank | 2,555 | 2014 | |
| Mulberry Fork | AL | Partnered with Wetlands Solutions to develop stream mitigation bank in Blount County, Alabama. | Mitigation Bank | 141 | 2014 | |

*Includes fee interests, timber rights, and mitigation bank interests at acquisition

** Excludes 12,000 acres purchased by NCC



Case Study: Conserving Wetland and Bottomland Hardwood Forests in the Florida Panhandle

Fund III owns 72,860 acres in Florida's Big Bend. 45% of the property is unique wetland and bottomland hardwood forest. This region is a conservation priority because it is one of the least developed coastlines in the continental US, but its inland forests are being converted to more intensive uses and fragmented into smaller ownerships. At risk, among other things, are oyster reefs critical to maintaining the right balance of salt and fresh water, rising nutrient levels, and declining freshwater flows and water quality.

Lyme has partnered with The Conservation Fund, government agencies, and other nonprofits to set a more sustainable path. In 2016, the State of Florida purchased a conservation easement on 8,075 acres of Lyme's ownership. Political resistance in the state's legislative and executive branches in recent years has made the sale of conservation easements on additional high priority conservation lands within Lyme's ownership more challenging than expected.

In 2018, Lyme accepted an offer from the State of Florida to conserve 19,255 acres in Dixie County. The Governor and Cabinet have approved this purchase, and we expect to close in mid-2019.

The easement will:

- Contribute to the local economy through sustainable timber production, supporting loggers, foresters, and mills
- Protect lands within the Lower Suwannee River and Gulf Watershed to preserve water quality
- Provide wildlife habitat and corridors
- Increase coastal resilience during major storms
- Allow for recreational uses and support ecotourism
- Provide for ground water recharge, reduced flooding, and drinking water supply





The Lyme Forest Fund III Impact Summary

| Impact Metric | IRIS ID* | Unit | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Cumulative |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------|--------|---------|---------|---------|---------|--------|---------|------------|
| Land area directly controlled: Sustainably managed – Area of land directly controlled by the organization and under sustainable cultivation or sustainable stewardship as of the end of the reporting period | OI6912 | Acres | 72,783 | 167,797 | 218,972 | 165,894 | 165,765 | 98,280 | 97,292 | |
| Operational Certification – Third-party certifications held by the organization that are related to its business processes and practices and that are valid as of the end of the reporting period | OI1120 | Acres | 72,800 | 69,060 | 192,945 | 139,867 | 139,867 | 72,253 | 71,265 | |
| Protected Land Area: Permanent - Land permanently protected through conservation easements or fee sales during the reporting period (annual) | PI3924 | Acres | 44,679 | 15,355 | 1,927 | 46,189 | 8,138 | 0 | 1,027 | 117,315 |
| Protected Land Assemblage – Number of acres of contiguous protected land areas as of the end of the reporting period | PI5750 | Acres | 2.9M | 2.9M | 2.9M | 3.0M | 3.0M | 3.0M | 3.3M | |
| Units/Volume Sold During Year – Sustainably harvested wood products during the reporting period (annual) | PI1263 | Metric Tons | 57,200 | 91,098 | 160,224 | 158,033 | 125,842 | 98,999 | 126,209 | 817,605 |
| Trees Planted: Native Species – Acres of native species planted by the organization during the reporting period | PI3848 | Acres | 1,201 | 1,250 | 4,686 | 2,245 | 2,825 | 1,299 | 707 | 14,213 |
| Fresh Water Bodies Present – Surface area of freshwater bodies present during the reporting period on protected and sustainably managed land as of the end of the reporting period | PI7170 | Acres | 405 | 31,546 | 42,396 | 37,521 | 37,521 | 37,116 | 36,727 | |
| Jobs maintained at directly financed enterprises – Number of full-time equivalent employees working for enterprises financed or supported by the organization as of the end of the reporting period | PI5691 | FTEs | 17 | 18 | 26 | 18 | 26 | 11 | 11 | |
| Ecosystem Services – Ecosystem services provided by land during the reporting period. Report for land directly or indirectly controlled during the reporting period | PD8494 | Biological raw materials, Freshwater, Maintenance of air quality, Habitat, Nutrient cycling, Water cycling, Recreation and Ecotourism | | | | | | | | |

* IRIS (Impact Reporting and Investment Standards) metrics were developed by the Global Impact Investing Network.



The Lyme Forest Fund IV

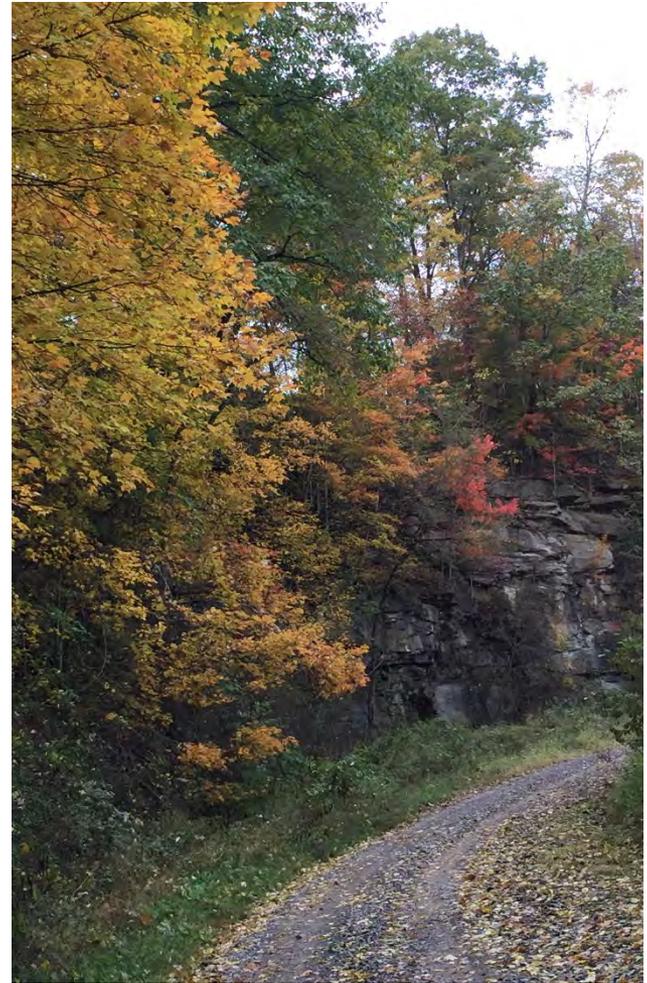
In 2014, Lyme launched The Lyme Forest Fund IV, our fourth closed-end, pooled investment fund, with \$250 million of committed capital. The Fund’s investment period ended on December 15, 2018. Fund IV made nine investments totaling approximately 385,000 acres.

Portfolio Summary

- ✿ The current portfolio includes timberland investments in California, Florida, Tennessee, West Virginia, and Pennsylvania with locally-based fund-owned portfolio companies focused on property-specific objectives. In 2017, the Fund sold its timberlands in Wisconsin after conserving the largest working forest in Wisconsin’s history.
- ✿ Approximately 6% of capital was invested in seven wetland and stream mitigation banks.

2018 Impact Summary

- ✿ The Fund closed on \$20 million of NMTC financing for its commitment to create and improve job quality by introducing winch-assisted (“tethered”) harvesting technology to the region. In addition to the worker safety, productivity, and economic development benefits, the technology has the potential to reduce soil erosion and stream sedimentation in steep slope harvesting conditions in Appalachia.
- ✿ Lyme purchased approximately 9,590 acres of wetlands in Galveston and Brazoria Counties, Texas with the plan to establish a wetland mitigation bank on approximately half of the property and permanently conserve the rest of the property.
- ✿ After three years of negotiation, the option rights to conserve approximately 63,000 acres of Lyme Redwood expired without the conservation outcome for these high-priority conservation lands that include the Ten Mile River watershed and habitat for Coho Salmon and other important fish populations. The property is FSC certified, and Lyme will continue to operate it with consideration for its many unique conservation features.
- ✿ Through its joint-venture with Fund V that owns 67,500 acres in northwest Pennsylvania and southwest New York, Fund IV made a significant minority investment in the Emporium Hardwoods sawmill in Emporium, Pennsylvania supporting nearly 90 local jobs at the mill. A conservation easement on 9,400 acres was donated to the Commonwealth of Pennsylvania.





The Lyme Forest Fund IV Portfolio Summary

| Property | State | Description | Strategy | Begin Acres* | Purchase Date | Sale Date |
|-------------------------------------|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------|------------------|-----------|
| Lyme Gilman Forest | FL | Located near Florida's Gulf coast within the largest area of privately owned roadless land remaining in Florida, this low-lying property is part of San Pedro Bay, FL, a wetland system that supports numerous rare and endangered plants and animals. It is third-party certified as sustainably managed by SFI. | Working Lands | 22,780 | 2015 Q2 | |
| Lyme Bunrootis | WV | Five stream mitigation banks across five counties in West Virginia. Four of the mitigation banks are permitted and selling credits. Restoration consists primarily of conserving streams, recreating stream beds as close to their historical condition as possible, and planting vegetation that was degraded during prior agricultural use. | Mitigation Bank | 1,070 | 2015 Q4, 2017 Q3 | |
| Lyme Redwood** | CA | Redwood forest that includes Douglas and grand fir and nearly the entire watershed of the 10 Mile River, which is critical salmon habitat. Third-party certified as sustainably managed by FSC. | Working Lands | 111,967 | 2015 Q4 | |
| Lyme Solon Springs | WI | Purchased in partnership with The Conservation Fund, the property is surrounded by conserved lands, including timberlands owned by a prior investment fund managed by Lyme. In May 2016, the Fund sold a conservation easement to the Wisconsin Department of Natural Resources over 7,090 acres of the property. Third-party certified as sustainably managed by SFI. | Working Lands | 12,875 | 2016 Q2 | 2017 Q3 |
| Emory River | TN | Located in the Cumberland Mountains of Tennessee, this tract is part of a larger 200,000-acre conserved forest. It was conserved by a prior owner and is third-party certified as sustainably managed by FSC. | Working Lands | 20,061 | 2016 Q4 | |
| Moosa Creek | CA | Bank intended to restore and re-establish historic stream, riparian, floodplain, wetland, and upland habitats to benefit endangered and threatened species and improve flood control, habitat connectivity, and the potential for passive recreation. | Mitigation Bank | 71 | 2017 Q3 | |
| Lyme Allegheny Holdings*** | PA, NY | Lyme secured below-market financing from PENNVEST and The Conservation Fund. Donated WFCE on 9,400 acres. Funding \$750,000 of acid mine drainage remediation. Seven-year option period during which the Commonwealth of Pennsylvania has the right to purchase WFCE to permanently protect the additional lands. Managing the property for sustainable timber harvesting and as if it were subject to a comprehensive WFCE. Investments in the local forest products industry. Certification expected in 2019. | Working Lands | 52,500 | 2017 Q4 | |
| Lyme Mountaineer Timberlands | WV | At acquisition, Lyme assumed a carbon encumbrance that requires sustainable forest management. Lyme secured NMTC financing and plans to reduce the environmental impact of conventional timber harvesting and make logging safer and more attractive to business owners and employees through the introduction of tethered harvest systems. | Working Lands | 163,500 | 2017 Q4 | |
| Chocolate Bay | TX | Wetlands in Galveston and Brazoria Counties. Tidal marshes, coastal prairies, bayou corridors, and freshwater, brackish, and saltwater features create a rare conservation and mitigation project opportunity in a region with a scarcity of remaining pristine resources for restoration and a high level of oil and gas infrastructure activity in the region. | Mitigation Bank | 9,591 | 2018 Q2 | |

*Includes fee interests, timber rights, and mitigation bank interests at acquisition

**Fund IV owns a 75% undivided interest

***Fund IV owns a 65.6% undivided interest in joint venture with The Lyme Forest Fund V



Case Study: Restoring and Conserving Wetlands in Texas

In June 2018, Lyme purchased approximately 9,590 acres of coastal uplands and restorable wetlands with high ecological value in Texas that front Chocolate Bay and Galveston Bay and include 18,400 linear feet of Intracoastal Waterway frontage. The property (“Chocolate Bay”) features tidal marshes, coastal prairies, bayou corridors, and freshwater, brackish water, and saltwater ecosystems. With a high level of oil and gas infrastructure in the region and a scarcity of remaining pristine resources for restoration, Chocolate Bay offers a unique conservation and mitigation project opportunity. Approximately half of the acreage is targeted for restoration as a wetland mitigation bank.

The other half of the acreage is targeted for permanent conservation. In partnership with the Galveston Bay Foundation, a regional conservation NGO, we have applied for funding from the Gulf Environmental Benefit Fund that has \$203 million dedicated to natural resource conservation projects along the Texas coast funded by the settlement of litigation arising from the Deepwater Horizon oil spill. The State of Texas ranks Chocolate Bay highly for conservation. If our Gulf Environmental Benefit Fund application is successful (decision anticipated in the summer of 2019), the Galveston Bay Foundation can use the proceeds to purchase the eastern half of our property.





The Lyme Forest Fund IV Impact Summary

| Impact Metric | IRIS ID* | Unit | 2015 | 2016 | 2017 | 2018 | Cumulative |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|------------|
| Land area directly controlled: Sustainably managed – Area of land directly controlled by the organization and under sustainable cultivation or sustainable stewardship as of the end of the reporting period | OI6912 | Acres | 136,695 | 169,591 | 387,966 | 374,318 | |
| Operational Certification – Third-party certifications held by the organization that are related to its business processes and practices and that are valid as of the end of the reporting period | OI1120 | Acres | 22,779 | 57,587 | 320,369 | 320,369 | |
| Protected Land Area: Permanent - Land permanently protected through conservation easements or fee sales during the reporting period | PI3924 | Acres | 314 | 7,090 | 0 | 6,141 | 13,545 |
| Protected Land Assemblage – Number of acres of contiguous protected land areas as of the end of the reporting period | PI5750 | Acres | 0 | 3.1M | 3.1M | 4.4M | |
| Units/Volume Sold During Year – Sustainably harvested wood products during the reporting period | PI1263 | Metric Tons | 0 | 164,421 | 193,659 | 291,781 | 649,861 |
| Trees Planted: Native Species – Acres of native species planted by the organization during the reporting period | PI3848 | Acres | 0 | 1,642 | 964 | 938 | 3,544 |
| Fresh Water Bodies Present – Surface area of freshwater bodies present during the reporting period on protected and sustainably managed land as of the end of the reporting period | PI7170 | Acres | 13,258 | 13,854 | 13,485 | 18,086 | |
| Jobs maintained at directly financed enterprises – Number of full-time equivalent employees working for enterprises financed or supported by the organization as of the end of the reporting period** | PI5691 | FTEs | 15 | 39 | 43 | 136 | |
| Ecosystem Services – Ecosystem services provided by land during the reporting period. Report for land directly or indirectly controlled during the reporting period | PD8494 | <ul style="list-style-type: none"> • Biological raw materials • Freshwater • Maintenance of air quality • Habitat • Nutrient cycling • Water cycling • Recreation and Ecotourism | | | | | |

*IRIS (Impact Reporting and Investment Standards) metrics were developed by the Global Impact Investing Network.

**Reflects all jobs at Lyme Redwood and Lyme Allegheny Holdings, including Lyme’s sawmill investment. Acreage and metric tons data for Lyme Allegheny Holdings reflects the Fund’s pro-rata share.



The Lyme Forest Fund V

In 2018, Lyme launched The Lyme Forest Fund V, our fifth closed-end, pooled investment fund, with \$300 million of committed capital. The Fund's investment period began on February 1, 2018. Fund V has made two investments totaling approximately 110,000 acres.

Portfolio Summary

- ✿ In 2018, the Fund made investments in Appalachian hardwoods in Tennessee and Pennsylvania where Lyme had already established a fund-owned operating company for forest management.

2018 Impact Summary

- ✿ Through its joint-venture with Fund IV that owns 67,500 acres in northwest Pennsylvania and southwest New York, Fund V made a significant minority investment in the Emporium Hardwoods sawmill in Emporium, Pennsylvania supporting nearly 90 local jobs at the mill. A conservation easement on 9,400 acres was donated to the Commonwealth of Pennsylvania.
- ✿ Fund V purchased approximately 42,600 acres of timberlands in Morgan and Scott counties in Tennessee. Over 55% of the property is already subject to a conservation easement that includes permanent restrictions on development and requires third-party certification of forestry activities. A forest carbon sequestration project on 5,000 acres already exists, and we are in initial discussions with conservation NGOs to sell conservation easements on uneased portions of the property.



The Lyme Forest Fund V Portfolio Summary

| Property | State | Description | Strategy | Begin Acres* | Purchase Date |
|----------------------------------|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------|---------------|
| Lyme Allegheny Holdings** | PA, NY | Lyme secured below-market financing from PENNVEST and The Conservation Fund. Donated WFCE on 9,400 acres. Funding \$750,000 of acid mine drainage remediation. Seven-year option period during which the Commonwealth of Pennsylvania has the right to purchase WFCE to permanently protect the additional lands. Managing the property for sustainable timber harvesting and as if it were subject to a comprehensive WFCE. Investments in the local forest products industry. Certification expected in 2019. | Working Lands | 67,500 | 2018 Q2 |
| Lyme Tennessee Holdings | TN | 55% of property is already subject to a WFCE, and Lyme is pursuing WFCE on additional acreage. Certification expected in 2019. | Working Lands | 42,594 | 2018 Q4 |

*Includes fee interests and timber rights at acquisition

**Fund V owns 34.4% undivided interest in joint-venture with The Lyme Forest Fund IV, and the total acres acquired are reported here.



Case Study: Conservation and Economic Development in Northwest Pennsylvania

In 2018, Fund V invested in approximately 67,500 acres in northwest Pennsylvania and southwest New York through a joint venture with Fund IV. The lands grow some of the finest quality hardwood sawtimber in the world, including black cherry, sugar maple, red maple, ash, and northern red oak. They were formerly owned by the Hammermill Paper Company as part of an over 300,000-acre highly regarded industrial timberland ownership, and they have been a part of the iconic landscape and a significant feature of the local forest products industry for decades. Like many former paper company ownerships, the lands have been divided into smaller and smaller parcels in recent decades. The lands protect watersheds within the Allegheny and Susquehanna river systems and include about 150 miles of streams designated for water quality. Proximity and adjacency with the Allegheny National Forest, state forests, and game commission lands create a large, contiguous area for water quality as well as wildlife.

Lyme's acquisition was financed, in part, by a loan, which closed in 2018, from PENNVEST, the Pennsylvania Infrastructure Investment Authority that has access to Federal clean water revolving loan funds and funds sewer, storm, and drinking water projects. Responsibly managed forested ecosystems like Lyme's timberlands in Pennsylvania are the source of high-quality fresh water provided at a fraction of the cost of water treatment systems. In exchange for the loan, Lyme granted the Commonwealth of Pennsylvania:

- 1) A WFCE on 9,460 acres in Cameron County known as "Sterling Run"
- 2) \$750,000 to fund the remediation work for streams impacted by acid mine drainage contamination
- 3) The right, but not the obligation, to purchase WFCEs on 50,700 acres of timberlands in Pennsylvania owned by Lyme for a period of seven years, during which Lyme agreed to forego subdivision, sale, or development and manage the lands as if they were subject to a WFCE



In 2018, the Fund IV and Fund V joint-venture made a significant minority investment in the Emporium Hardwoods sawmill in Emporium, Pennsylvania. The original Emporium Hardwoods sawmill was destroyed in a fire in spring 2017. The owner of the mill chose to rebuild with state-of-the-art design and technology, creating a nationally acclaimed mill in the heart of our land base. Historically, the mill procured timber from the lands now owned by Lyme, and it is now an important customer for Lyme's logs. It also contributes to the health and sustainability of the forest products supply chain in this rural region of Pennsylvania. During the rebuild, the mill owner kept employees on staff to participate in the construction of the new mill and gain new skills. The mill currently employs nearly 90 people.



The Lyme Forest Fund V Impact Summary

| Impact Metric | IRIS ID* | Unit | 2018 | Cumulative |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|------------|
| Land area directly controlled: Sustainably managed – Area of land directly controlled by the organization and under sustainable cultivation or sustainable stewardship as of the end of the reporting period | OI6912 | Acres | 65,603 | |
| Operational Certification – Third-party certifications held by the organization that are related to its business processes and practices and that are valid as of the end of the reporting period | OI1120 | Acres | 0** | |
| Protected Land Area: Permanent - Land permanently protected through conservation easements or fee sales during the reporting period | PI3924 | Acres | 3,221 | |
| Protected Land Assemblage – Number of acres of contiguous protected land areas as of the end of the reporting period | PI5750 | Acres | 613,883 | |
| Units/Volume Sold During Year – Sustainably harvested wood products during the reporting period | PI1263 | Metric Tons | 14,027 | 14,027 |
| Trees Planted: Native Species – Acres of native species planted by the organization during the reporting period | PI3848 | Acres | 0 | 0 |
| Fresh Water Bodies Present – Surface area of freshwater bodies present during the reporting period on protected and sustainably managed land as of the end of the reporting period | PI7170 | Acres | 44 | |
| Jobs maintained at directly financed enterprises – Number of full-time equivalent employees working for enterprises financed or supported by the organization as of the end of the reporting period*** | PI5691 | FTEs | 98 | |
| Ecosystem Services – Ecosystem services provided by land during the reporting period. Report for land directly or indirectly controlled during the reporting period | PD8494 | <ul style="list-style-type: none"> • Biological raw materials • Freshwater • Maintenance of air quality • Habitat • Nutrient cycling • Water cycling • Recreation and Ecotourism | | |

*IRIS (Impact Reporting and Investment Standards) metrics were developed by the Global Impact Investing Network.

**Operational certification on current investments expected in 2019.

***Reflects all jobs at Lyme Allegheny Holdings, including Lyme’s investment in Emporium Hardwoods. Acreage and metric tons data for Lyme Allegheny Holdings reflects the Fund’s pro-rata share.



**SUSTAINABLE
DEVELOPMENT
GOALS**



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Lyme's timberland investments directly support the achievement of SDG 15 Life on Land through the preservation and sustainable management of forestland critical to development:

- ✿ Forests cover over 30 percent of the earth's land area.
- ✿ While net forest loss is slowing, forests continue to decline.
- ✿ Forests provide food security and shelter, combat climate change, and protect biodiversity and local populations.
- ✿ Deforestation and desertification caused by human activities and climate change pose challenges for sustainable development and have affected the lives and livelihoods of millions of people in the fight against poverty.¹

Lyme's ecosystem services on protected and sustainably managed land indirectly support SDGs:

- ✿ SDG 6 Clean Water & Sanitation: Ensure availability and sustainable management of water and sanitation for all.
- ✿ SDG 13 Climate Action: Take urgent action to combat climate change and its impacts.



¹ <https://sustainabledevelopment.un.org/sdg15>