

If you are in any doubt about the contents of the Prospectus or this Supplement, the risks involved in investing in the Domain Timber Opportunity Fund II-B (the "Fund") or the suitability for you of an investment in the Fund you should consult your own stockbroker, bank manager, solicitor, accountant or other financial adviser(s). Shares in the Fund are only available to those experienced institutional investors who meet the definition of a **Qualifying Investor set out in the Prospectus**. The Directors of the Domain Capital Group ICAV (the "ICAV") whose names appear in the section of the Prospectus entitled **MANAGEMENT OF THE ICAV** accept responsibility for the information contained in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly. The foregoing is without prejudice to the obligations of the Investment Manager to provide each investor with the information required under Article 23 of the AIFM Directive.



Presents:

## **Domain Timber Opportunity Fund II-B**

**a closed-ended sub-fund of Domain Capital Group ICAV**

(An umbrella Irish collective asset-management vehicle with segregated liability between sub-funds formed in Ireland on July 13, 2018 pursuant to the ICAV Act and authorised by the Central Bank as a qualifying investor alternative investment fund)

**IMPORTANT – Distribution of this Supplement is not authorised unless it is accompanied by the Prospectus for the ICAV dated December 27, 2018, as amended by a first addendum dated July 11, 2023 and the latest annual report and audited accounts of the ICAV for the period after publication thereof. The information contained in this Supplement forms part of and should be read in conjunction with the full information contained in the Prospectus, the Instrument of Incorporation and the Application Form for the Fund (which together are the "Relevant Fund Documents"). It is only the Relevant Fund Documents that set out the basis for any investment in Shares in the Fund, a sub-fund of the ICAV.**

**The date of this Supplement is July 18, 2025**

Defined terms in the Prospectus will, unless the context otherwise requires, have the same meaning when used in this Supplement. All references to Shareholders in this Supplement are references to Shareholders in the Fund unless otherwise specified.

This Supplement contains specific information in relation to the Fund. The information contained in this Supplement forms part of and should be read in conjunction with the full information contained in the Prospectus. Details of any other sub-funds of the ICAV for the time being are available on request.

The value of and income from Shares may go up or down and applicants may not get back the amount they have invested in the Fund. Applicants may lose their entire investment. Investment in Shares may involve above average risk and applicants' attention is drawn to the section entitled "Investment Considerations - Risk Factors" in the Prospectus and the section entitled "Investment Considerations - Risk Factors" in this Supplement. An investment in the Fund is only suitable for sophisticated applicants who are in a position to understand and take such risks and satisfy themselves that such investment is appropriate for them.

Any information given or representations made by the ICAV, the Investment Manager, their affiliates or any of their directors, officers or employees which are not contained in the Prospectus or this Supplement or in any reports and accounts of the ICAV forming part hereof must not be relied upon. Neither the delivery of the Prospectus nor this Supplement nor the offer, issue or sale of Shares will under any circumstances constitute a representation that the information contained in the Prospectus or this Supplement is correct as of any time subsequent to the date of the Prospectus or this Supplement. The Prospectus or this Supplement may from time to time be updated and potential investors should enquire of the Investment Manager as to the issue of any later Prospectus, Supplement or as to the issue of any reports and accounts of the ICAV.

The statements herein which contain such terms as "may", "will", "should", "expect", "anticipate", "estimate", "intend", "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology are forward-looking statements and not historical facts. These statements are not guarantees of future performance or actions and due to various risks, uncertainties and assumptions, including, without limitation those set forth in the section of this Supplement entitled "Investment Considerations - Risk Factors", actual events or results or the actual performance of the Fund may differ materially from those reflected in or contemplated by such forward-looking statements.

Prior to purchasing any Shares in the Fund, potential investors should, in addition to the Prospectus and this Supplement, obtain a copy of the Instrument of Incorporation and the Application Form which together as the Relevant Fund Documents contain important forms of documents and agreements relating to the Fund and the offering of Shares therein.

Each potential investor (and each such potential investor's professional adviser) is invited, prior to delivering a completed Application Form, to ask questions of, and receive answers from the Investment Manager and to obtain any additional information to the extent those persons possess the same or can acquire it without unreasonable effort or expense, in order

**to verify the accuracy of the information contained in the Prospectus, this Supplement or the Instrument of Incorporation.**

**The Prospectus and this Supplement will be governed by and construed in accordance with Irish law. If there is any inconsistency between the Prospectus and this Supplement, the Supplement will prevail.**

**The Prospectus and this Supplement are confidential to the addressee and may not be copied or passed on, in whole or in part, or their contents reproduced, disclosed, distributed to or used by any other person outside the group of affiliates of the addressee or their professional advisers. By accepting delivery of the Prospectus and this Supplement, each recipient agrees that it will (i) use the Prospectus and this Supplement for the sole purpose of evaluating a possible investment in a Fund and (ii) keep permanently confidential all information contained herein not already in the public domain**

**Prospective investors with inquiries may direct such inquiries to:**

**Domain Timber Advisors, LLC**

1230 Peachtree Street NE

Suite 3600

Atlanta, Georgia 30309

USA

Telephone: (404) 848-7544

Facsimile: (770) 628-0749

[www.domaintimberadvisors.com](http://www.domaintimberadvisors.com)

# Table of Contents

---

1. Important Information .....	5
2. Summary of Principal Terms .....	8
3. Investment Objectives and Strategy.....	30
4. Share Dealings .....	60
5. Borrowing and Leverage .....	67
6. Fees and Expenses .....	68
7. Management of the Fund .....	70
8. Investment Considerations – Risk Factors and Potential Conflicts of Interest.....	72
9. Certain United States Federal Tax Considerations .....	96
10. Glossary.....	121

# 1. Important Information

---

## *Sustainable Finance Disclosures*

The EU has introduced a series of legal measures, the primary one being the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088) as amended and as may be further amended from time to time ("SFDR"), requiring firms that manage EU-domiciled investment funds (such as the ICAV) to provide transparency on how they integrate sustainability considerations into their investment processes.

SFDR seeks to establish a pan-European framework to facilitate Sustainable Investment, by providing for a harmonized approach in respect of sustainability-related disclosures to investors within the European Union's financial services sector. SFDR seeks to achieve more transparency regarding how financial market participants integrate Sustainability Risks into their investment decisions and the consideration of adverse sustainability impacts into the investment process. The objectives of SFDR are to (i) strengthen protection for investors of financial products, (ii) improve the disclosures made available to investors from financial market participants and (iii) improve the disclosures made available to investors regarding the financial products, to amongst other things, enable investors to make informed investment decisions.

## *SFDR Fund Classification*

For SFDR purposes, the Fund is classified as an Article 8 Fund. The ICAV reserves the right to reassess this classification at any time and shall keep this classification under review. For details on the environmental and social characteristics promoted by the Fund, please refer to the SFDR Annex to this Supplement.

Notwithstanding this classification, the Investment Manager still considers Sustainability Risks in the management of the Fund and, when analyzing potential natural resource acquisitions and dispositions, conducts an appropriate level of due diligence and research on each potential acquisition to understand and evaluate its ESG risk and opportunity. Through research and/or on-the-ground diligence, the Investment Manager strives to acquire and dispose of properties that are compliant with ESG principles and Sustainable Investments.

The Investment Manager integrates ESG factors and a Sustainability Risk assessment into the acquisition diligence process and its risk management process – both initially and on an ongoing basis for the duration of the period the Fund holds an investment or pursues a particular investment strategy. In respect of the Fund, the investment approach and decision-making processes of the Investment Manager are based on clearly defined investment objectives, investment policies, investment strategy, investment restrictions and risk management parameters, as contained in this Supplement.

Factoring an assessment of the likely impact of Sustainability Risk into the investment decision making process has the potential to impact the returns of the Fund. For example, it is possible that such an assessment may influence a decision by the Investment Manager not to make an investment or dispose of an existing investment that would otherwise be considered as attractive to invest in or

retain when confining the factors considered to non-ESG related matters. Accordingly, an ESG-orientated fund may underperform or perform differently relative to other comparable funds that do not promote environmental and/or social characteristics. However, the Investment Manager maintains that sustainably managed timberland has the ability to outperform unmanaged properties, both financially and ecologically.

The “do no significant harm” principle applies only to those investments underlying the fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this Fund do not take into account the EU criteria for environmentally sustainable economic activities.

For details on the specific disclosure requirements of the Article 8 classification, please refer to the SFDR Annex to this Supplement.

### *Consideration of Principal Adverse Impacts of Investment Decisions on Sustainability Factors*

Pursuant to the requirements of Article 7 of SFDR, disclosure is required on whether and if so, how the principal adverse impacts on sustainability factors are considered in the management of the Fund. The Investment Manager does not consider the principal adverse impacts of investment decisions on sustainability factors. The Investment Manager has opted against doing so as the Fund does not currently intend to invest or partially invest in Sustainable Investments. For further details on the consideration of principal adverse impacts in the management of the Fund, please refer to the SFDR Annex to this Supplement.

### *Taxonomy Regulation*

The Taxonomy Regulation is a piece of directly effective EU legislation that is applicable to the Fund. Its purpose is to establish a framework to facilitate sustainable investment. It sets out harmonised criteria for determining whether an economic activity qualifies as environmentally sustainable and outlines a range of disclosure obligations to enhance transparency and to provide for objective comparison of financial products regarding the proportion of their investments that contribute to environmentally sustainable economic activities.

It is notable that the scope of environmentally sustainable economic activities, as prescribed in the Taxonomy Regulation, is narrower than the scope of Sustainable Investments under SFDR. Therefore, although there are disclosure requirements for both, these two concepts should be considered and assessed separately. This section addresses only the general disclosure requirements of the Taxonomy Regulation. For details on the specific disclosure requirements of the Taxonomy Regulation, please refer to the SFDR Annex to this Supplement.

### *Notice to Swiss Investors*

Under the Federal Act on Collective Investment Schemes (the “**CISA**”), the offering to non-qualified investors of units in foreign collective investment schemes in or from Switzerland is subject to approval by the Swiss Financial Market Supervisory Authority (the “**FINMA**”) and, in addition, the offering to certain qualified investors of interests in such collective investment schemes is subject to the appointment of a representative and a paying agent in Switzerland. The Fund has not been and

cannot be registered with the FINMA and cannot be offered in Switzerland to non-qualified investors. The offering of shares in Switzerland will be exclusively made to, and directed at, 'Qualified Investors', as defined in the CISA , excluding high-net-worth individuals (**HNWIs**) and family offices. This Supplement, the Prospectus and/or any other offering materials relating to the Fund may be made available in Switzerland solely to Qualified Investors.

## 2. Summary of Principal Terms

---

The following is a brief summary of certain provisions relating to the Fund. Any potential investors should carefully read this entire Supplement and should also consider the risks and uncertainties described herein under the heading "Investment Considerations - Risk Factors". Capitalized terms used but not defined in this section have the meanings given to such terms in the Prospectus, this Supplement or the Instrument of Incorporation.

**The Fund:**

Domain Timber Opportunity Fund II-B (the "Fund"), a sub-fund of Domain Capital Group ICAV, an Irish collective asset-management vehicle (the "ICAV").

Domain has formed the U.S. Fund (as defined below) and may form one or more additional Parallel Funds and Feeder Vehicles (each as defined below) to enable certain types of investors to participate in the investments of the Fund.

References herein to the "Fund" include all of its Parallel Funds (including the U.S. Fund) and Feeder Vehicles to the extent applicable, unless the context requires otherwise.

**Investment Strategy and Structure:**

The Fund's investment strategy will be to indirectly (through the use of appropriate Holding Companies (as defined below)) make, acquire, hold, manage and dispose of investments primarily in timberland assets (the "Investments"). The Investment Manager anticipates that the portfolio will be diversified across targeted species, age and geography to help control risk.

The Fund will indirectly hold its Investments in one or more U.S. limited liability companies or other appropriate entities formed to facilitate such Investments. The Investment Manager may, but shall not be required to, cause any such entity to elect to be taxed as a real estate investment trust for U.S. federal income tax purposes ("REIT"). Each Shareholder will be required to acknowledge and agree that the Investment Manager, in its sole and absolute discretion, may cause any such entity in which the Fund invests, directly or indirectly, to elect to be taxed as a REIT.

**Investment Manager:**

Domain Timber Advisors, LLC ("Domain" or the "Investment Manager"), a registered investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended, and is approved by the Central Bank of Ireland to act as an investment manager of Irish collective investment schemes. The Investment Manager is an



affiliate of Domain Capital Group, LLC ("Domain Capital") and the general partner of the U.S. Fund (the "U.S. Fund GP").

The Investment Manager will render management services to the Fund, including examining and evaluating investment opportunities, structuring and negotiating acquisitions and the related financing thereto, monitoring and managing the Investments and evaluating and executing divestiture opportunities for such Investments (collectively, the "Management Services").

**Non-EEA Distributor**

The AIFM has also appointed the Investment Manager as a non-exclusive distributor of the Shares of the Fund in non-EEA jurisdictions, the Investment Manager acting in such capacity, the "Distributor").

For the avoidance of doubt, the AIFM will act as the exclusive distributor of the Shares of the Fund within the EEA.

**Available Classes**

Class A Shares.

**The Offering:**

The Fund is targeting capital commitments ("Commitments") aggregating \$500 million from qualified investors. Commitments in excess of or less than this amount may be accepted in the sole discretion of the Investment Manager; provided that the Investment Manager shall not accept Aggregate Commitments (as defined below) in excess of \$750 million.

**Base Currency:**

US dollar (\$) (the "Base Currency").

**Issue Price:**

\$100 per Share (the "Issue Price").

**Closing:**

The Fund's initial closing or any Subsequent Closing (as defined below) during which Commitments are received by the Fund (each a "Closing"). The Fund's initial Closing will be held on a date determined in the sole discretion of the Investment Manager, in consultation with the Directors (the "Initial Closing Date").

**Subsequent Closing:**

An additional Closing (each a "Subsequent Closing") during which the Investment Manager, in consultation with the Directors, may accept further applications for Shares from prospective investors or existing Shareholders. Subsequent Closings may be held no later than eighteen months after the Initial Closing Date (the "Final Closing").

The Investment Manager may admit additional Shareholders and/or accept increased Commitments from existing Shareholders (each, an

"Additional Shareholder"), at one or more Subsequent Closings and no later than the Final Closing.

Each Additional Shareholder will participate in Investments made by the Fund prior to its admission. Subject to the Application Form, each Additional Shareholder will contribute to the Fund an amount equal to: (a) such Additional Shareholder's Management Fee payable retroactively to the Initial Closing Date; plus (b) such Additional Shareholder's pro rata share of all Capital Contributions (other than in respect of Management Fees) paid by other Shareholders admitted in prior closings; less (c) such Additional Shareholder's pro rata share of all distributions made to Shareholders admitted in prior closings (the "Rebalancing Payment"). In addition, each Additional Shareholder will be required to pay to the Fund an additional amount computed as interest at six percent (6%) per annum on (i) its Management Fee and (ii) its pro rata share of all Capital Contributions paid by other Shareholders admitted in prior closings less such Additional Shareholder's pro rata share of all distributions made to such Shareholders.

Any amounts paid to the Fund with respect to the Management Fee, or interest thereon, will be paid to the Investment Manager. All other amounts contributed by an Additional Shareholder admitted at any Subsequent Closing will be distributed by the Fund to the existing Shareholders pro rata on the basis of their respective Capital Contributions contributed prior to the Subsequent Closing. The amounts of distributions to existing Shareholders at each Subsequent Closing, excluding the deemed interest component, will increase the Unfunded Commitments (as defined below) of such Shareholders.

- Minimum Commitment:** The minimum Commitment by a Shareholder will be US\$5 million (the "Minimum Commitment"), although the Directors reserve the right to accept Commitments of lesser amounts at their sole and absolute discretion.
- Commitment Deadline:** With respect to each Closing, 5.00pm (Irish time) on the date of the relevant Closing, or such other time as the Directors may determine before the Valuation Point (the "Commitment Deadline").
- Domain Commitment:** Domain Capital, the Investment Manager, certain individuals employed by Domain Capital and/or the Investment Manager, their family members and friends as well as certain other strategic advisors to Domain Capital, the Investment Manager and any of their affiliates (collectively the "Domain Investors") will make Aggregate Commitments to the Fund and the Parallel Funds in an amount equal to at least one percent (1%) of the Aggregate Commitments to the

Fund and the Parallel Funds; but shall not be obligated to make aggregate capital commitments in excess of \$5 million.

**Capital Call:** A call or calls (each a "Capital Call") made by the Investment Manager for payment in the Base Currency of each Shareholder's pro rata share (based on the Aggregate Commitments of all Shareholders) of such amount as the Investment Manager shall specify in their sole discretion for the purposes set out in the section "Share Dealings – Capital Contributions" below.

**Capital Contribution:** With respect to each Shareholder, the amount of cash received by the ICAV on behalf of the Fund from such Shareholder further to the Capital Call ("Capital Contributions"), as set out in the section "Share Dealings – Capital Contributions" below.

**Term:** Ten (10) years from the Final Closing, subject to: (a) two additional one-year extensions in the Investment Manager's discretion; and (b) thereafter, two additional one-year periods with approval of the Advisory Committee. Once terminated, application will be made to the Central Bank for revocation of the Fund's approval.

Any changes to the Fund term shall require the prior approval by at least seventy-five percent (75%) of Shareholders where there is no opportunity to redeem and at least fifty percent (50%) of Shareholders where there is an opportunity to redeem.

**Investment Period:** Three (3) years from the Final Closing, subject to earlier termination as set forth below under "No Fault Termination of Investment Period" and "Key Person Event" as described below.

Upon expiration or termination of the Investment Period, all Shareholders will be released from any further obligation with respect to their Commitments, provided, however, the Investment Manager may require further installments of the Shareholders' Commitments as it reasonably determines shall be necessary to: (a) cover expenses, liabilities and obligations of the Fund, including Management Fees (as defined below); (b) fund prospective Investments in process at the expiration of the Investment Period; (c) to fund existing obligations for Investments made prior to the expiration of the Investment Period; (d) to fund follow-on investments related to the Fund's existing investments; and (e) to fund any Fund obligations with respect to any borrowings or other extensions of credit, including in respect of any revolving credit facility.

**Recycling/Reinvestment:** The amount of each Shareholder's undrawn Commitment (the "Unfunded Commitment") will be increased by any amounts distributed to such Shareholder (a) in connection with a Subsequent

Closing (excluding the interest component); (b) as a return of Capital Contributions called in anticipation of an unconsummated Investment or unpaid Fund Expenses; or (c) as Investment Proceeds distributed to such Shareholder during the Investment Period; provided that no Shareholder's Unfunded Commitment shall at any time exceed such Shareholder's original Commitment.

In addition, during the Investment Period, at the discretion of the Investment Manager, the Fund may reinvest (in lieu of making a distribution) in new or existing Investments an amount of any Investment Proceeds realized during the Investment Period.

**No Fault Termination of Investment Period:**

The Investment Period may be terminated upon the vote of eighty percent (80%)-in-interest of the Shareholders and aggregate capital commitments of the investors in the Parallel Funds.

**Key Person Provision:**

As used herein, "Key Person Event" means prior to the expiration or termination of the Investment Period, if any two (2) of Scott Reaves, Peter Walker, John Capriotti and Don Warden (collectively, the "Key Persons") cease to devote substantially all of their business time and attention to the Fund, the Investment Manager, the US Fund GP, Domain Capital, Domain Timber Platform Clients (as defined below), including but not limited to Fund I (as defined below), any Parallel Fund (including the U.S. Fund) or Alternate Investment Vehicle, the Investments and any co-investment or other investment vehicles related thereto. Upon the occurrence of a Key Person Event at any time prior to the expiration or termination of the Fund's Investment Period, the Investment Period will be suspended and the Fund will not make any new Investments other than (a) Investments in process at the time of the Key Person Event; (b) Investments for which the Fund had an existing obligation to make prior to the occurrence of the Key Person Event; (c) follow-on investments related to the Fund's existing Investments; and (d) Investments approved by the Advisory Committee.

Suspension of the Investment Period will commence as of the date of the Key Person Event and continue until terminated by the earlier to occur of (a) the Advisory Committee's approval of one or more individuals nominated by the general partner of the U.S. Fund as replacement(s) for the Key Person(s) who triggered the Key Person Event; (b) the waiver of such Key Person Event by the Advisory Committee; or (c) by a vote of sixty-six and two-thirds percent (66 2/3%) in interest of the Aggregate Commitments of the Shareholders and aggregate capital commitments of the investors in the Parallel Funds to lift the suspension and reinstate the Investment Period.

**Investment Proceeds:**

Investment proceeds derived by the Fund from Investments, including cash, securities and other property received by the Fund in respect of any Investment or portion thereof (excluding any non-cash proceeds, in each case, except to the extent that such portion or such proceeds are distributed to the Shareholders in-kind), net of any expenses or taxes borne by the Fund in connection with such Investment (or proceeds with respect thereto) ("Investment Proceeds") shall be distributed to the Shareholders at least annually, subject to (a) the availability of cash after paying Fund Expenses and after setting aside appropriate reserves for additional liabilities, obligations and commitments of the Fund (including Management Fees and the repayment of Fund indebtedness) and (b) the Investment Manager's ability to hold and reinvest proceeds of Investments during the Investment Period.

**Distributions:**

Each distribution of Investment Proceeds shall initially be apportioned among the Shareholders in proportion to each Shareholder's (other than a defaulting Shareholder's) respective Capital Contributions used to acquire the Investment to which those Investment Proceeds relate. The portion of such distribution apportioned to the Investment Manager or Shareholders which are Domain Investors will be distributed to the Investment Manager or Shareholders which are Domain Investors on a pro rata basis to such Investment Manager or Shareholder's Capital Contributions. The portion of such distribution so apportioned to each other Shareholder will be distributed to such Shareholder and a special shareholder that is an affiliate of the Investment Manager (the "Special Shareholder") as follows:

- (a) First, one hundred percent (100%) to such Shareholder until the cumulative amount distributed to such Shareholder pursuant to this clause (a) equal the sum of such Shareholder's aggregate Capital Contributions to the Fund;
- (b) Second, one hundred percent (100%) to such Shareholder until the cumulative amount distributed to such Shareholder pursuant to this clause (b) equals a preferred return ("Preferred Return") of six percent (6%) per annum on such Shareholder's unreturned Capital Contributions to the Fund, calculated from the relevant Capital Contribution date (which shall be the later of the due date for such Capital Contribution and actual date of such Capital Contribution) through the relevant date of distribution representing a return of such Capital Contribution; and

(c) Thereafter, eighty percent (80%) to such Shareholder and twenty percent (20%) to the Special Shareholder.

Distributions to the Special Shareholder pursuant to clause (c) above are referred to herein as the Special Shareholder's "Carried Interest."

The Investment Manager has the right to waive or reduce, from time to time, all or part of the Carried Interest with respect to certain Shareholders, without waiving or reducing the Carried Interest with respect to other Shareholders. The Investment Manager also has the right to defer any portion of the Carried Interest distributions with respect to a Shareholder and have the Special Shareholder receive distributions at a later date equal to the amount deferred.

**Special Shareholder  
Clawback:**

After the final distribution of the assets of the Fund, or at any other time following such final distribution that the Investment Manager requires the Shareholders to return distributions, the Special Shareholder will be required to restore funds to the Fund for distributions to the applicable Shareholder to the extent that it received cumulative distributions in excess of amounts otherwise distributable to the Special Shareholder pursuant to the distribution formula set forth above, applied on an aggregate basis for such Shareholder covering all transactions of the Fund, but in no event more than the cumulative distributions received by the Special Shareholder with respect to its Carried Interest with respect to such Shareholder, less income taxes thereon.

**Valuation Point:**

The Net Asset Value of the Fund will be calculated by the Administrator (based on the independent valuation conducted as of the end of the Fund's previous fiscal year) on a quarterly basis by close of business (Irish time) on the last Business Day of the calendar quarter.

**Investment Structure:**

The Fund will make Investments indirectly through one or more intermediate investment vehicles, either alone or with others (including along with any Alternative Investment Vehicle or any other Parallel Fund, co-investor, co-investment vehicle or any other Person) (collectively, the "Intermediate Entities"), as determined by the Investment Manager in its sole discretion. The Investment Manager may, but shall not be required to, cause any such entity to elect to be taxed as a REIT.

**Investment Restrictions:**

General regulatory investment restrictions applicable to the Fund are disclosed in the Prospectus. In addition:

- (a) *Diversification.* Without the approval of the Advisory Committee, the Fund shall not invest more than twenty percent (20%) of its Aggregate Commitments in a single

Investment (measured as of the date any such Investment is to be made).

- (b) *Geographic Limitation.* Without the approval of the Advisory Committee, the Fund will not make any Investments in timberland assets located outside of the United States.
- (c) *Operating Companies.* Without the approval of the Advisory Committee, the Fund will not make any Investments in operating companies.
- (d) *Credit Facilities.* Without the approval of the Advisory Committee, the Fund will not become liable with respect to Credit Facilities or Guarantees (each as defined below) if, after giving effect to such liability under such Credit Facilities or Guarantees, the aggregate amount of all such liabilities of the Fund outstanding at such time under such Credit Facilities and Guarantees (other than other than short-term borrowings incurred in connection with capital calls to the Shareholders) exceeds twenty-five percent (25%) of the Commitments of all Shareholders.
- (e) *Pooled Multiple Investment Vehicles.* Without the approval of the Advisory Committee, the Fund shall not make any Investments in any pooled multiple-investment vehicle that provides for a payment of a carried interest or other incentive or performance-based fee.

**Fund Borrowings and Guarantees:**

The Fund, by itself or on a joint and several basis with any Parallel Fund, may (i) borrow funds under one or more credit facilities or other financing arrangements (together with any Guarantee (as defined below), each a "Credit Facility") provided by one or more banks, syndicates of lenders or other lenders or financing sources (each, a "Lender"), for the purposes of (A) paying Organizational Expenses or Fund Expenses (including, for the avoidance of doubt, Management Fees); (B) financing or refinancing the purchase price of any Investment; (C) securing permanent financing or procuring credit support for Intermediate Entities or other subsidiaries; (D) funding distributions or withdrawal payments to any Shareholder; or (E) for any other purpose determined in good faith by the Investment Manager to be consistent with the purposes of the Fund set forth herein; (ii) guarantee, or otherwise become contingently liable with respect to, obligations of any Intermediate Entity or other subsidiary (each, a "Guarantee") under any Credit Facility or

otherwise; or (iii) enter into any related documents contemplated by, or related to, any such Credit Facility or Guarantee (including with respect to any security interest with respect thereto).

**Management Fee:**

In consideration of the services to be provided to the Fund by the Investment Manager, the Fund shall pay to the Investment Manager, in advance, a quarterly management fee (the “Management Fee”). From the date of the Initial Closing until the expiration or termination of the Investment Period, the Management Fee shall accrue with respect to each Shareholder at an annual rate equal to such Shareholder’s Management Fee Rate (as defined below) multiplied by the Aggregate Commitment of such Shareholder.

Beginning upon the earlier of the expiration or termination of the Investment Period, the Management Fee shall accrue with respect to each Shareholder at an annual rate equal to such Shareholder’s Management Fee rate multiplied by the aggregate Capital Contributions of such Shareholder used to make Investments that have not been sold or determined by the Investment Manager in its reasonable discretion to be permanently and completely written off in full as of the day on which the Management Fee is payable.

The Investment Manager may, in its sole and absolute discretion, defer the Management Fee payable in any period and recoup the deferred portion in any subsequent period. The Investment Manager reserves the right to waive all or any portion of the Management Fees payable with respect to any Shareholder.

**Management Fee Rate**

The annual Management Fee rate (the “Management Fee Rate”) for each Shareholder will be determined based on the total Commitment of such Shareholder (with the applicable Management Fee Rate for the total Commitment applied back to dollar one), as follows:

Less than \$25,000,000:                      100 bps per annum

\$25,000,000+:                                      85 bps per annum.

**Organizational Expenses**

The Fund will pay or reimburse the Investment Manager for up to \$1,500,000 of the Fund’s organizational and startup expenses, including legal, printing, accounting, filings, regulatory compliance (including AIFMD and any other registrations, notifications, rule or regulation in connection with the organization of the Fund and any filing fees and expenses associated therewith, including with respect to any registration or licensing of the Fund and the Parallel Funds for marketing under any national passport, private placement or similar regime outside of the United States including those in member states of the European Union), any administrative or other filings and other organizational expenses, including the preparation of, and



negotiations with respect to, the Supplement and any side letters or similar agreements (collectively, the "Organizational Expenses"). The Organizational Expenses will be discharged by the Investment Manager, to be reimbursed by the Fund, or paid by the Fund as such Organizational Expenses arise, with any such Organizational Expenses to be amortized over no longer than the first five financial years of the Fund's operation.

## **Fund Expenses**

The Fund will pay, or will reimburse the Investment Manager for, its pro rata share of all other fees, costs and expenses incurred in connection with the operation, administration or carrying on of the activities and operations of the Fund ("Fund Expenses"), including without limitation all out-of-pocket fees, costs, expenses, liabilities and obligations relating or attributable to:

- (a) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, valuing, selling or otherwise disposing of the Fund's Investments and potential Investments or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, diligence service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors);
- (b) all fees, costs, expenses, liabilities and obligations relating to Investment and disposition opportunities for the Fund not consummated (including, without limitation, legal, accounting, auditing, insurance, consulting (including consulting and retainer fees paid to any consultants performing investment initiatives and other similar consultants), brokerage, finders', financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination, entity formation and other fees and expenses relating to such investment and disposition opportunities) (collectively, "Broken Deal Expenses") (including Broken Deal Expenses relating to transactions that have been syndicated or offered to but not taken by co-investors, or for which a syndication or co-investment was believed necessary in order to consummate such

transaction, or would have been beneficial in the judgment of the Investment Manager);

- (c) timber operating fees, costs and expenses related to Investments, including, without limitation, property insurance, legal fees, timberland certifications and site visit travel to properties;
- (d) fees, costs and expenses related to membership in local, state and national forestry associations;
- (e) timberland and forestry management costs and expenses related to Investments, including, without limitation, all expenses related to software platforms and licenses used in connection with forestry operations management, “on the ground” services associated with general tract-level management, silvicultural services, tract or stand level accounting services, and vendor management services (for example, without limitation, thinning contracts, harvesting contracts, insecticide applications, etc.);
- (f) fees, costs and expenses of any hedging transactions intended to hedge currency exposure or manage the duration of interest rate exposure;
- (g) the Management Fees;
- (h) indebtedness of the Fund, the Investment Manager or their respective affiliates on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness;
- (i) financing, commitment, origination and similar fees and expenses;
- (j) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, sales commissions, investment banker, finder and similar services;
- (k) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services;
- (l) legal, accounting, research, auditing, administration (including fees and expenses associated with the Fund’s third-party administrator and administration or reporting software, if any, and fees, costs and expenses for investment data management services related to Investments, as well as expenses related to research/data services), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation

paid to consultants performing investment initiatives and other similar consultants), tax and other professional services (including, without limitation, the allocable portion of the salaries of any employees of the Investment Manager or other Domain Capital affiliates to the extent such employees are providing legal, paralegal, accounting, fund administration, financial management and other similar services to the Fund and so long as such portion of the salary of such employee allocable to the Fund is no greater than the amount of expenses the Fund would incur in an arm's length transaction with an unaffiliated service provider for similar services);

- (m) reverse breakup, termination and other similar fees;
- (n) directors and officers liability, errors and omissions liability, crime coverage, cybersecurity and related coverage, and general partnership liability premiums and other insurance regulatory expenses;
- (o) fees, costs and expenses incurred in connection with the registration, qualification, exemption under, and/or legal and regulatory compliance with, any applicable U.S. federal, state, local, non-U.S. law, rule or regulation relating to the Fund (including the preparation and submission of filings with the SEC (including Form PF, Form ID and Form D filings), U.S. Commodity Futures Trading Commission, the National Futures Association, the U.S. Treasury, the U.S. Internal Revenue Service and any other federal, state, provincial or local governmental body;
- (p) fees, costs and expenses incurred in connection with compliance with AIFM Directive or the laws, rules or regulations implemented or promulgated in any applicable jurisdiction in relation thereto (or similar marketing-related regulations in other jurisdictions), including the fees, costs and expenses of any depositary required in connection therewith;
- (q) fees, costs and expenses incurred in connection with compliance with environmental, social and governance (i.e., "ESG") standards or policies, if any, applicable to the Fund, the AIFM, the Investment Manager or any other affiliate or to which they subscribe to now or in the future, including investigation, training, monitoring, tracking, engagement, reporting and preparation of any documentation with respect thereto;

- (r) fees, costs and expenses related to forming, organizing, maintaining, winding up and liquidating Intermediate Entities and other investment vehicles and other costs incurred in connection with Investments and short-term investments;
- (s) filing, title, transfer, registration and other similar fees and expenses;
- (t) printing, communications, marketing and publicity;
- (u) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools used for Fund accounting, reporting and investor administration (including subscription-based services, management systems, software, programming, consulting and monitoring) for the benefit of the Fund or the Shareholders;
- (v) the preparation, distribution or filing of Fund-related or Investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s or any other administrative, compliance or regulatory filings or reports or other information, including fees and costs of any third-party service providers and professionals related to the foregoing;
- (w) any activities with respect to protecting the confidential or non-public nature of any information or data;
- (x) to the extent approved by the Investment Manager in its sole discretion, activities or proceedings of the Advisory Committee (including any costs and expenses incurred by representatives of the Investment Manager, the Advisory Committee members, permitted observers and other persons in attending or otherwise participating in meetings of the Advisory Committee);
- (y) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any Shareholder or other person pursuant to the Subscription Agreement and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Subscription Agreement);
- (z) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith;

- (aa) any annual Shareholder meeting or other periodic, if any, meetings of the Shareholder and any other conference or meeting with any Shareholder(s);
- (bb) except as otherwise determined by the Investment Manager in its sole discretion, any fee, cost, expense, liability or obligation relating to any Alternative Investment Vehicle (as defined below) or its activities, business, or actual or potential investments (to the extent not borne or reimbursed by an investment of such Alternative Investment Vehicle) that would be a Fund Expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any Feeder Vehicles related to the Fund to the extent not paid by the investors investing in such entities);
- (cc) the termination, liquidation, winding up or dissolution of the Fund;
- (dd) defaults by Shareholders in the payment of any Capital Contributions;
- (ee) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund and related entities, including the preparation, distribution and implementation thereof;
- (ff) complying with any law or regulation related to the activities of the Fund (including regulatory expenses of the Investment Manager incurred in connection with the operation of the Fund and legal fees and expenses);
- (gg) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Subscription Agreement;
- (hh) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a Shareholder;
- (ii) any taxes, fees and other governmental charges levied against the Fund (except to the extent such amounts are reimbursed by a Shareholder or treated as distributed to a Shareholder pursuant to the Subscription Agreement) and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund;
- (jj) distributions to the Shareholders and other expenses associated with the acquisition, holding and

- disposition of the Fund's Investments, including extraordinary expenses;
- (kk) expenses incurred in connection with attending trade association and/or industry meetings, conferences or similar meetings that are primarily related to the Fund's investment activities;
  - (ll) risk, research and market data related expenses (including software and hardware expenses, subscription fees, Bloomberg fees, license fees and other expenses incurred in connection with data services providing market data, news feeds, securities and company information and company fundamental data); (mm) any travel (including without limitation, the cost of travel by way of private or non-commercial aircraft and first-class airfare), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated Investment and disposition opportunities;
  - (mm) all costs, fees and expenses incurred in connection with an election for any Fund subsidiary to be taxed as a REIT, including the costs, fees and expenses incurred in connection with the offering of equity interests in such subsidiary in order for such subsidiary to qualify to be taxed as a REIT; and
  - (nn) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Committee.

Fund Expenses that are not attributable to an Investment shall be allocated to the Fund and any Parallel Funds pro rata (based on the relative Commitments to the Fund and the capital commitments of investors in any Parallel Funds to such Parallel Funds) or in such other manner as the Investment Manager reasonably determines in good faith to be fair and equitable to the Fund and any Parallel Funds. To the extent that any Fund Expense also relates to the operation of Domain Timber Opportunity Fund A, LP or Domain Timber Opportunity Fund B (collectively, "Fund I") or a Successor Fund, such Fund Expense shall be allocated among the Fund and/or Fund I or any Successor Fund, as applicable, on a basis reasonably determined by the Investment Manager.

Fund Expenses that are attributable to an Investment shall be allocated to the Fund and any Parallel Funds pro rata (based on the relative amounts invested by the Fund and any Parallel Funds) or in such other manner as the Investment Manager reasonably

determines in good faith to be fair and equitable to the Fund and any Parallel Funds.

**Successor Funds:**

Unless consented to by at least sixty-six and two-thirds percent (66 2/3%) of Shareholders, the Investment Manager, or its affiliates will act as managers of, act as the primary source of transactions for, or devote substantial time to the investment activities of any newly-established pooled investment fund formed for multiple investors having an investment strategy substantially the same as the Fund, until the earliest of: (a) the end of the Investment Period and (b) such time as at least seventy-five percent (75%) of the Commitments have been invested, committed to or reserved for Investments, or drawn or reserved to pay Fund Expenses (including Management Fees) or follow-on investments, or reserved for reasonably anticipated expenses of the Fund, other than Fund I (as defined below), any Parallel Funds, any Feeder Vehicles, any co-investment vehicles and any Alternative Investment Vehicles.

**Advisory Committee:**

The Investment Manager and U.S. Fund GP will appoint an advisory committee (the “Advisory Committee”) consisting of representatives of the Shareholders and limited partners of the U.S. Fund, which will meet at least annually. The Advisory Committee will provide such advice and counsel as is requested by the Investment Manager in connection with the Fund’s Investments, potential conflicts of interest and other Fund matters. The Investment Manager will retain ultimate responsibility for all decisions relating to the operation and management of the Fund, including, but not limited to, decisions related to the Investments.

Each Advisory Committee member (including any former member, alternate member and former alternate member) or Shareholder whose representative is an Advisory Committee member (including any former member, alternate member and former alternate member) or any officer, director, manager, stockholder or partner of the foregoing will be indemnified by the Investment Manager against any losses, judgments, liabilities, claims, damages, costs, expenses (including reasonable legal fees and other expenses actually incurred in investigating or defending against any such losses, judgments, liabilities or claims and expenses actually incurred enforcing this Supplement) and amounts paid in settlement of any claim (approved in advance by the Investment Manager) sustained by any of them by reason of any decision made by such member unless there is a judicial determination that that such action or inaction was not taken in good faith.

**Co-Investment Policy:**

The Investment Manager may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more

Shareholders and/or other persons, in each case on terms to be determined by the Investment Manager in its sole discretion. In exercising its discretion to allocate co-investment opportunities with respect to a particular investment to and among potential co-investors and the terms thereof, the Investment Manager may consider some or all of a wide range of factors.

The Fund and any Parallel Funds may be required to bear all costs, expenses, liabilities and obligations relating to any unconsummated Investment that may have been allocated to one or more persons co-investing in such proposed Investment had the proposed Investment been consummated, irrespective of whether any such co-investor or potential co-investor had been identified prior to such time that such proposed Investment was not consummated or any determination had been made by the Investment Manager regarding any co-investment opportunities with respect to such proposed Investment.

**Investment Allocation  
Policy:**

In addition to the activities that the Investment Manager may undertake on behalf of the Fund, Domain and its affiliates (the “Domain Group”), the Investment Manager may (x) also manage timberland investments for its separate account clients and for other private investment funds, including Fund I, and (y) anticipate that it will also manage timberland investments for Successor Funds, funds-of-one, other co-investment funds, and separately managed accounts (collectively, together with the Fund, “Domain Timber Platform Clients”). Consistent with the Domain Group’s current practice, investment opportunities identified by the Domain Group will be allocated among the Fund and any other Domain Timber Platform Clients in accordance with the Investment Manager’s Investment Allocation Policy. This policy takes into account numerous factors, including, but not limited to, whether an acquisition is a “clear best fit” for the portfolios of all Domain Timber Platform Clients with open investment commitments; whether an acquisition is suitable for division and allocation among two or more Domain Timber Platform Client portfolios; and the length of time that each Domain Timber Platform Client has had funds committed.

**Shareholder Withdrawal  
and Transfer:**

Shareholders may not withdraw from the Fund without written consent from the Directors in their sole discretion, except under certain limited circumstances. Under certain limited circumstances, Shareholders may be required upon written demand from the Directors to withdraw from the Fund. Shareholders generally may not sell, assign or transfer any of their interests, rights or obligations in the Fund without consent of the Directors in their sole discretion.



**Indemnification:** Details regarding the ICAV's indemnification of its delegates and service providers are set out below (see Summary of Principal Terms – Material Contracts”).

**Reporting:** Each Shareholder will receive: (A) an annual report stating the transactions effected by the Fund during the prior fiscal year in sufficient detail to allow such Shareholder to prepare its respective state and federal income tax returns, which annual report shall include (i) the amount in each Shareholder’s capital account at the end of the fiscal year and a record of the activity of each Shareholder’s capital account during such fiscal year, (ii) a statement of assets and liabilities of the Fund prepared in accordance with accounting principles generally accepted in the United States and (iii) a profit and loss statement of the Fund prepared in accordance with accounting principles generally accepted in the United States; (B) an annual report of the status of existing Investments and details of each new Investment; and (C) annually, audited financial statements for the Fund; and (D) quarterly, an unaudited balance sheet, profit and loss statement and portfolio valuation, as well as a statement of each Shareholder’s capital account.

**Removal of the U.S. Fund GP and Investment Manager of the Fund:** Upon the consent of limited partners of the U.S. Fund that represent at least sixty-six and two-thirds percent (66 2/3%) in interest of such limited partners unaffiliated with Domain, the U.S. Fund GP may be removed for "cause".

The appointment of the Investment Manager may be terminated under such circumstances as are disclosed in the section "Summary of Principal Terms – Material Contracts” below. Any replacement of the Investment Manager will be at the discretion of the Directors.

**Parallel Funds; Alternative Investment Vehicles; Feeder Vehicles** Domain has also formed Domain Timber Opportunity Fund II, LP, a Delaware limited partnership (the “U.S. Fund”) and may, in order to accommodate the legal, tax, regulatory or investment requirements of the Fund or certain investors, create one or more additional entities (including the U.S. Fund, each, a “Parallel Fund”), which co-invest with the Fund on substantially the same terms as the Fund on a pro-rata basis in proportion to their respective capital commitments, except where restricted due to legal, tax, or regulatory considerations. All references herein to the Fund shall also be references to the Parallel Funds unless the context otherwise requires.

In order to accommodate the legal, tax, regulatory or investment requirements of the Fund or certain investors, the Investment Manager may create one or more entities (each an “Alternative Investment Vehicle”) and direct the Capital Contributions of some or all of the Shareholders to be made to or through one or more of such Alternative Investment Vehicles. Any Alternative Investment Vehicle

will contain terms and conditions substantially similar to those of the Fund and will be managed by the Investment Manager or an affiliate thereof. The distributions from an Alternative Investment Vehicle generally will be aggregated with those of the Fund for purposes of determining distributions by either the Fund or such vehicle.

In addition, the Investment Manager may, in its sole discretion: (a) form one or more partnerships, limited liability companies, corporations or other entities or investment vehicles to the Fund or any Parallel Fund (all such persons formed by the Investment Manager, collectively, the “Feeder Vehicles”); and (b) serve, or have an affiliate serve, as a general partner, managing member, manager, management company, or other similar controlling person of any such Feeder Vehicle. A Feeder Vehicle will invest substantially all of its assets in the Fund. The Investment Manager may interpret and adjust the provisions of the Application Form as necessary so that the equity owners in any Feeder Vehicle are treated as near as possible as if such equity owners held a direct shareholding in the Fund. For example, with respect to any vote or consent, a Feeder Vehicle may vote its interest on a split basis based off of the vote distribution of the underlying Feeder Vehicle equity owners.

**Auditor:**

RSM Ireland.

**Legal Counsel:**

Sheppard, Mullin, Richter & Hampton LLP acts as legal counsel for the Investment Manager and the U.S. Fund with respect to matters relating to U.S. laws. Maples and Calder (Ireland) LLP acts as Irish legal counsel to the Fund. Neither Sheppard, Mullin, Richter & Hampton LLP nor Maples and Calder (Ireland) LLP will act for any Shareholder or group of Shareholders. No independent counsel has been engaged to represent the Shareholders.

**Material Contracts**

Investment Management Agreement

Pursuant to the Investment Management Agreement, the Investment Manager manages and invests the assets of the Fund in accordance with its investment objective and policy and subject to its investment restrictions.

The Investment Management Agreement may be terminated by a party giving not less than 90 days' notice in writing to the other parties. The Investment Management Agreement may also be terminated by a party forthwith by notice in writing upon certain instances as outlined in the Investment Management Agreement, including upon the insolvency of a party (or upon the happening of a like event) or where a party has committed and failed to remedy a material breach of the Investment Management Agreement.

The Investment Management Agreement may also be terminated by the ICAV forthwith by notice in writing to the Investment Manager, at any time, under such circumstances as are disclosed therein.

Pursuant to the Investment Management Agreement, the ICAV, out of the assets of the Fund, shall indemnify the Investment Manager, its members, officers, directors, employees, delegates and agents from and against all direct liabilities, actions, claims, demands, losses and damages, and reasonable and proper costs and expenses ("Losses") which may be brought against, suffered or incurred by the Investment Manager, its members, officers, directors, employees, delegates and agents in the performance of its duties under the Investment Management Agreement other than due to the negligence, fraud, bad faith or willful default of the Investment Manager, its members, officers, directors, employees, delegates or agents in the performance of its obligations thereunder.

#### Non-EEA Distribution Agreement

Pursuant to a non-EEA distribution agreement dated July 18, 2025 between the AIFM and the Distributor (the "Distribution Agreement"), the Distributor provides certain distribution services to the Fund in non-EEA jurisdictions.

The Distribution Agreement may be terminated by a party giving not less than 90 days' notice in writing to the other party. The Distribution Agreement may also be terminated by a party forthwith by notice in writing upon certain instances as outlined in the Distribution Agreement, including upon the insolvency of a party (or upon the happening of a like event) or where a party has committed and failed to remedy a material breach of the Distribution Agreement.

The AIFM, out of the assets of the Fund, shall indemnify the Distributor, its employees, delegates and agents from and against all Losses which may be brought against, suffered or incurred by the Distributor, its employees, delegates or agents in the performance of its duties under the Distribution Agreement other than due to the negligence, fraud, bad faith or willful default of the Distributor, its employees, delegates or agents in the performance of its obligations thereunder.

#### **SFDR**

"Article 6 Fund" means a fund which does not meet the criteria to qualify as either an Article 8 Fund pursuant to Article 8 of SFDR or an Article 9 Fund pursuant to Article 9 of SFDR.

"Article 8 Fund" means a fund which, in accordance with the criteria outlined in Article 8 of SFDR, promotes, among other characteristics,

environmental or social characteristics, or a combination of those characteristics and provided that the companies that the fund invests in follow good governance practices.

“Article 9 Fund” means a fund that meets the criteria in SFDR to qualify as a financial product (which includes a UCITS authorised in accordance with article 5 of the Directive 2009/65/EC and an AIF as defined in article 4(1)(4) of Directive 2011/61/EU) and has Sustainable Investment as its objective.

“Environmental Objectives” means climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems, as referenced and considered in more detail in the Taxonomy Regulation.

“ESG” means environmental, social and governance.

“SFDR Annex” means any annex to the Supplement issued from time to time, specifying certain information pertaining to the Fund in accordance with the requirements of SFDR.

“Sustainability Risk” means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

“Sustainable Investment” means (a) an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy; or (b) an investment in an economic activity that contributes to a social objective, in particular, an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations; or (c) an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular, with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

“Taxonomy Regulation” means the Regulation on the Establishment of a Framework to Facilitate Sustainable Investment (Regulation EU/2020/852) as may be amended from time to time.



### 3. Investment Objectives and Strategy

---

#### *Investment Objective*

The Fund's principal objective is to generate significant income and capital appreciation, primarily by making strategic investments in timberland assets.

#### *Investment Strategy*

The Fund will continue Domain's strategy of investing in U.S. timberland assets with a differentiated focus on smaller, less institutional, fragmented and/or undervalued assets for the strategic purposes of value-added economic and environmental uplift and the ultimate generation of a broad portfolio of institutional core timberland. Domain operates fundamentally differently from a traditional timberland investing philosophy. Domain's approach utilizes an active management strategy, which focuses on value drivers beyond just the biological growth of the trees, which Domain believes will result in the realization of additional alpha for its investors in ways that prior owners and managers may have deprioritized.

Domain's investment process for the Fund includes the intent to prioritize and proactively pursue the conservation of environmental benefits inherent to the asset class while creating additional environmental benefits by uplifting nonindustrial private land to rigorous forest sustainability certification requirements of programs such as the Forest Stewardship Council, an international non-profit organization, that is widely considered to be the leading non-governmental organization in promoting sustainable forest management through the operation of a rigorous and trusted forest certification system. To promote ecological conservation and environmental uplift efforts, Domain anticipates that the Fund will seek to acquire a subset of assets suitable for longleaf pine ecosystem restoration and management. The longleaf pine ecosystem is one of North America's most biologically diverse terrestrial habitats, providing refuge for 27 federally endangered species and over 100 rare species of concern.<sup>1</sup> Domain believes that the expansion of this important species will promote landscape-level biodiversity within the Fund's ownership footprint.

---

<sup>1</sup> Source: Natural Resources Conservation Service. Longleaf Pine Ecosystem Restoration. ([www.nrcs.usda.gov](http://www.nrcs.usda.gov))

Figure 1: DTOF II Overview

## DOMAIN TIMBER OPPORTUNITY FUND II OVERVIEW

### KEY ELEMENTS OF STRATEGY

- DTA Architecture and Investor Mandate
- Smaller, Fragmented Timberland Assets
- Core Timberland Aggregation and Creation
- Small-Tract Land Sales Program
- Diversified Revenue Sources, Return of Capital
- Risk Mitigating Underwriting and Valuation Policies
- Economic & Environmental Uplift
- Solar Energy Land Program
- Longleaf Pine Restoration Program
- Comprehensive Reporting

### KEY BENEFITS OF STRATEGY

- Timberland Portfolio Diversification
- Strategic and Operational Alpha Generation
- Habitat Preservation and Promotion of Biodiversity
- Inflation Hedge, Defensive Asset Class
- Core Timberland Exposure
- Environmental Uplift and Additionality

### MARKET OPPORTUNITY

- Continued Non-Metro Population Growth
- Renewable Energy Market Growth
- Path-of-Growth Land Market Exposure
- Continued Recovery of the U.S. Housing Market
- Expanding US South Mill Infrastructure
- Increasing Institutional Investor Interest

Domain believes the current U.S. timberland market provides an attractive entry point for its specific and differentiated strategic approach, underpinned by a variety of macro and local market factors centering on the unique value propositions of both the land and timber components of the asset class.

In Domain's view, the inherent biological growth and fundamental characteristics of intensively managed timberland assets produce a predictable economic return floor which strategic active management can elevate to attractive levels.

Domain anticipates that it will actively deploy a number of key strategies and harness its experience to bolster base biological returns including:

- Utilizing targeted acquisition strategies coupled with extensive due diligence aimed at exploiting valuation inefficiencies.
- Applying a thoughtful approach to land and timber sales backed by regular market intelligence and an opportunistic mindset focused on taking advantage of value opportunities that make sense for portfolio return.
- Implementing a strategic approach to final exit including subdivision and aggregation plans to maximize value realization.
- Deploying intensive silviculture regimes
- Harnessing a long history of environmental restoration and conservation experience.
- Utilizing its status as a reputable firm with broad industry relationships allowing for access to deal flow for both acquisition and disposition of land as well as opportunistic timber harvesting.
- Employing an experienced management team with versatility and scalability within the

major U.S. timberland regions.

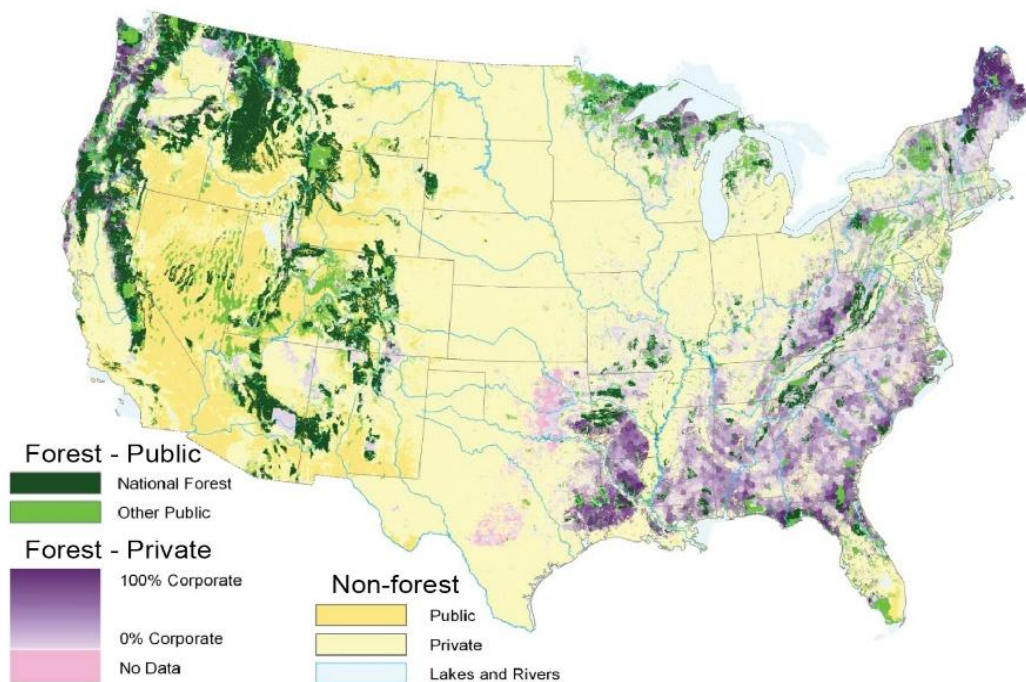
- Drawing on a deep knowledge of the forestland marketplace and local market areas.

Domain's differentiated value-added approach to buying, managing, and selling forestland assets is designed to create an economic uplift for its clients while creating environmental uplift across its investments.

### ***Differentiated Acquisition Approach***

U.S. forests are plentiful, covering 766 million acres (**Figure 3**). Ownership is concentrated among three primary groups: private landowners; state and local governments; and institutional owners. The largest of these groups, approximately 300 million acres, is the Fund's key target market consisting of non-corporate entities, primarily small, independent landowners, many of whom do not actively manage their timberland for commercial and environmental value.<sup>2</sup> Domain believes this highly fragmented market provides a plethora of opportunities to identify inefficiencies in the valuation of both the bare land and timber. Even at the institutional level, attractive investment opportunities can be found by extensive due diligence, which naturally provides more accurate data, which in turn provides the buyer or seller with a clearer understanding of the true value of an asset.

Figure 2: US Forestland Ownership<sup>3</sup>



<sup>2</sup> Forest Ownership Statistics – National Association of State Foresters

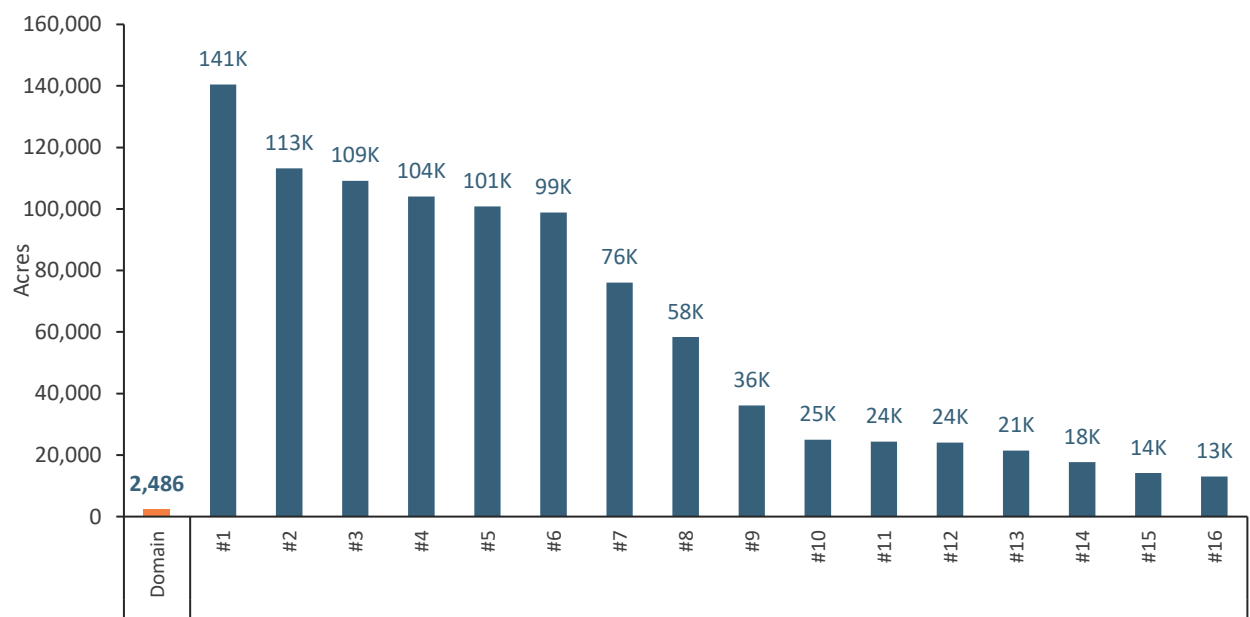
<https://www.stateforesters.org/timber-assurance/legality/forest-ownership-statistics/>

<sup>3</sup> General Technical Report WO-87, U.S. Department of Agriculture, U.S. Forest Service, Washington, D.C.



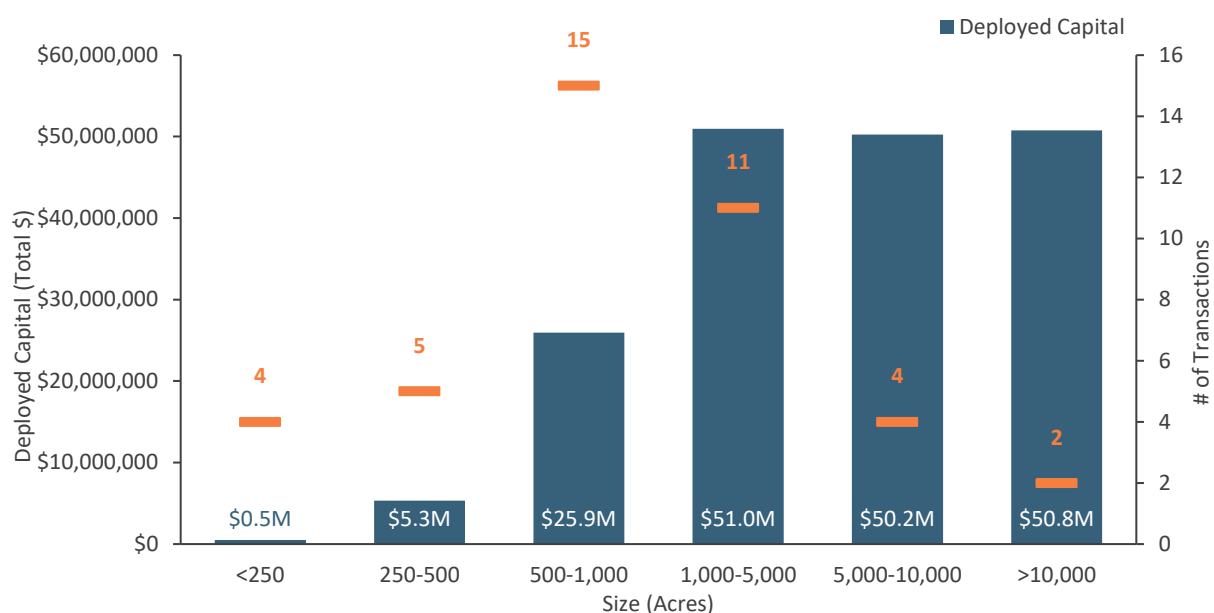
Through buying, aggregating, and improving properties, Domain seeks to generate a broad portfolio of timberland assets that will be attractive to both core institutional markets in the aggregate, as well as private buyers on an individual or subdivided scale. Domain believes that its focus on smaller and fragmented properties to generate an aggregated portfolio of institutional grade timberland properties is unique in the marketplace (**Figure 4, Figure 5**).

Figure 3: Average Acquisition Size of Select TIMO's from 2013-2023 (as of 12/31/2023)<sup>4</sup>



<sup>4</sup> Domain Internal Records, RISI

Figure 4: Deployed Capital by Acreage Range (2017-2024) <sup>5</sup>



The Fund intends to employ the following acquisition criteria:

- Strictly focused on the U.S. timberland market, which historically has a proven level of liquidity, lower political and governmental risk and a solid combination of population and economic growth.
- Primarily geographically diversified across the U.S. South, as well as the Pacific Northwest and Northeast timberland regions, with a focus on age class diversity and steady cash flow.
- Potential to enhance ESG characteristics, through enrollment in forest certification, enrichment of landscape-level biodiversity, or ability to increase forest carbon storage and sequestration.
- Generally, non-contiguous and within the range of 200 to 30,000 acres in size.
- Superior access, interior road networks and operability.
- Undervalued in the marketplace based on identifiable value drivers.
- Located in markets that support a variety of exit opportunities.
- Located in healthy timber micro-markets<sup>6</sup> with strong mill infrastructure.

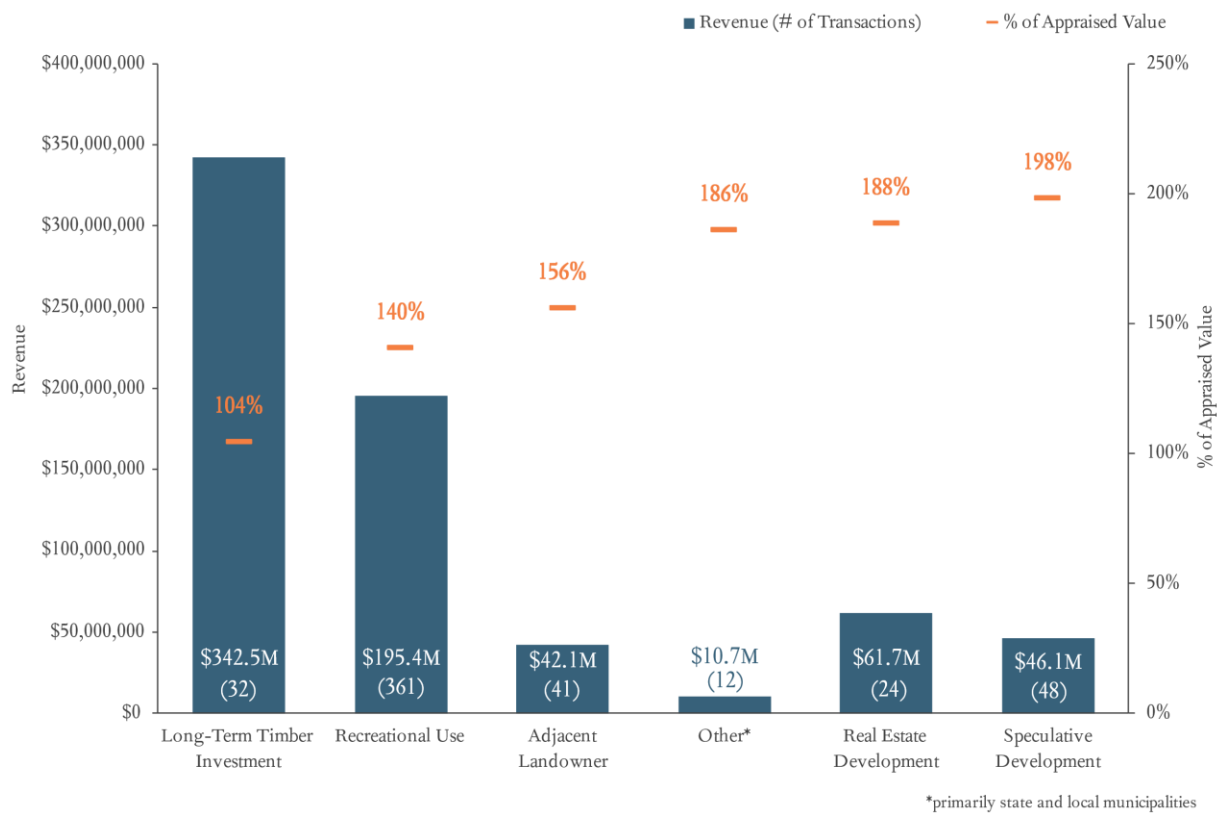
### ***Differentiated Disposition Approach***

<sup>5</sup> Domain Internal Records, RISI, Includes closed and under contract deals; data as of 9/30/2024

<sup>6</sup> See Section 7 – “Glossary”

Domain actively pursues the sale of both aggregated core timberland packages and non-core portions of properties where subdivision can result in attractive sales premiums as shown in **Figure 6**. Domain proactively prepares these properties for exit through aesthetic harvesting considerations, access improvements (road maintenance, tract acquisitions, easements), and forest wildlife enhancements, among other low-risk but high-impact considerations.

Figure 5: Domain land sales by buyer type<sup>7</sup>

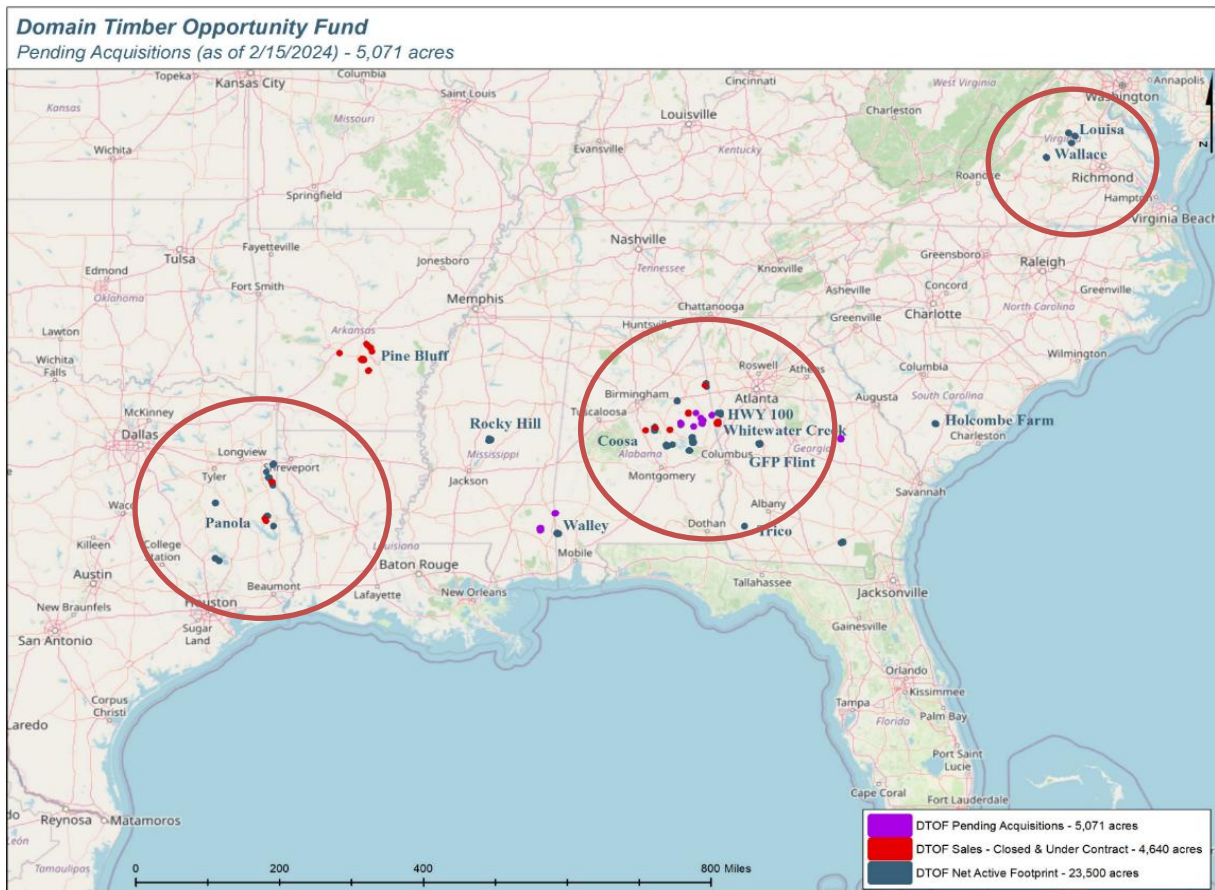


### Core Timberland Aggregation Value Add

Domain seeks to create aggregated asset packages during the investment period of the Fund with an eye toward ultimate disposition plans. Throughout the management phase, Domain expects to manage properties to maximize forest productivity, and where appropriate, to facilitate non-core land sales. As the investment comes to an end, Domain anticipates that the residual core timberland holding will be able to be marketed at a scale attractive to other traditional timberland market participants (**Figure 7**).

<sup>7</sup> Domain Internal Records, Data as of 9/30/2024. Past performance is not a guarantee of future results. It should not be assumed that investments made in the future for the Fund will be comparable in quality, diversity or performance to the previous investments made by all advisory clients managed by Domain. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of these investments.

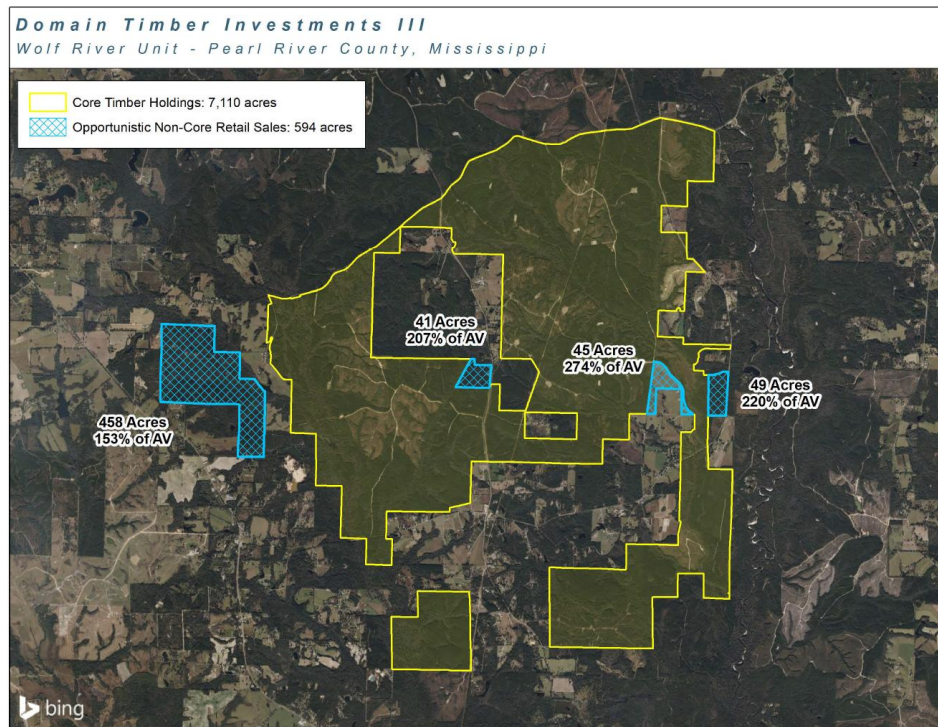
Figure 6: DTOF I properties illustrating the core aggregation concept during the acquisition phase



## Non-Core Land Sales Value Add

Domain believes that non-core land sales are an important return driver for the Fund. Domain expects to continually assess where value can be added by selling portions of assets while not detracting from the value of the residual holding.

Figure 7: DTI III property illustrating the non-core land sales concept



## Solar Energy Value Add

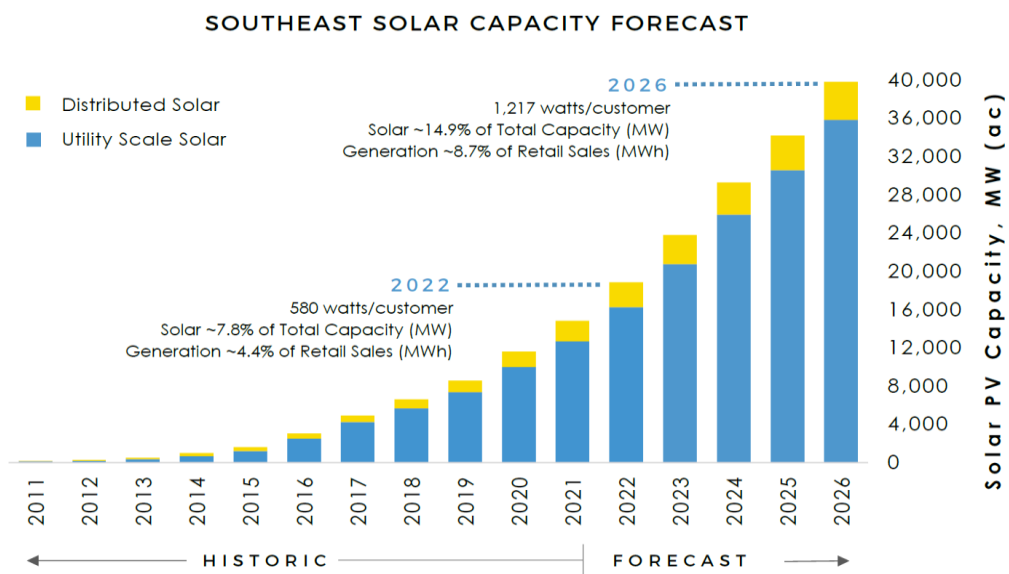
With the projected growth of solar energy capacity in the southeastern U.S. over the near future, and the attractive economics that solar option deals can offer, the Fund will also seek to place a portion of the allocation in timberland properties that have physical traits conducive to solar project development or other highest and best land uses, such as hyperscale data centers or battery storage facilities (**Figure 11**). These traits will be viewed favorably for acquisition, but the Fund will not seek to “pay up” for these attributes. Rather, Domain intends to pro-actively identify the traits so they can be appropriately marketed later.

Solar energy development projects, those that use photovoltaic technology to convert sunlight into renewable electricity, can provide lucrative opportunities for rural landowners via long term lease agreements or fee simple land sales at values well above timberland use. In Domain’s view, it is not uncommon for project developers and regional power holding companies to pay well above 5 times appraised timberland value to acquire land suitable for solar development. While projects typically require at least 3 to 5 years to review and permit, transactions are typically structured as option agreements with attractive annual payments and very minimal impact to business-as-usual timberland management during the review/permitting period. Domain has strong relationships with multiple countrywide solar developers and is well versed in negotiating potential opportunities and continuing timberland management on properties under option agreements. As of September 30, 2024, Domain’s solar option exposure includes 14 different properties under option agreement, which Domain currently estimates has a total potential sale value of \$150 million or 518% of

appraised timberland value.<sup>8</sup> With solar capacity across the Southeast expected to grow exponentially in the near future (**Figure 9**), Domain sees a growing opportunity to acquire timberland properties that have characteristics conducive to solar development and to exploit the option income streams and potential highest and best use (HBU) value at exit.

Figure 8: Solar Energy Development Capacity in the Southeast U.S. (as of August 2024)<sup>9</sup>

## SOUTHEAST SOLAR CAPACITY FORECAST



<sup>8</sup> Domain's internal disposition database

<sup>9</sup> Southern Alliance for Clean Energy (2023), *Solar in the Southeast, Sixth Annual Report*



Historically, California has represented the largest solar market in the U.S. although other markets are continuing to expand rapidly, including many states within southeastern yellow pine belt (**Figure 10**). Texas led all states in new installations in Q2 2024 with 2.8 GW of new installed capacity<sup>10</sup>.

Figure 9: Cumulative U.S. Solar Installations by State (mega wattage of direct current as of August 2024)<sup>11</sup>

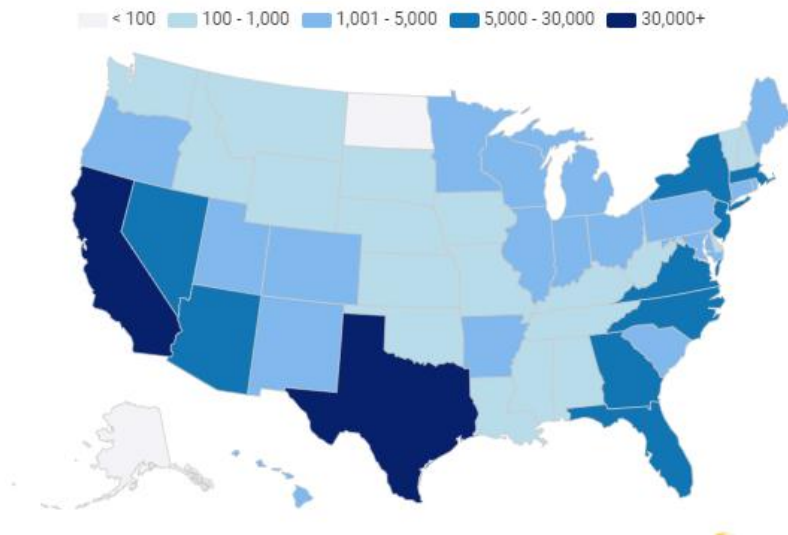
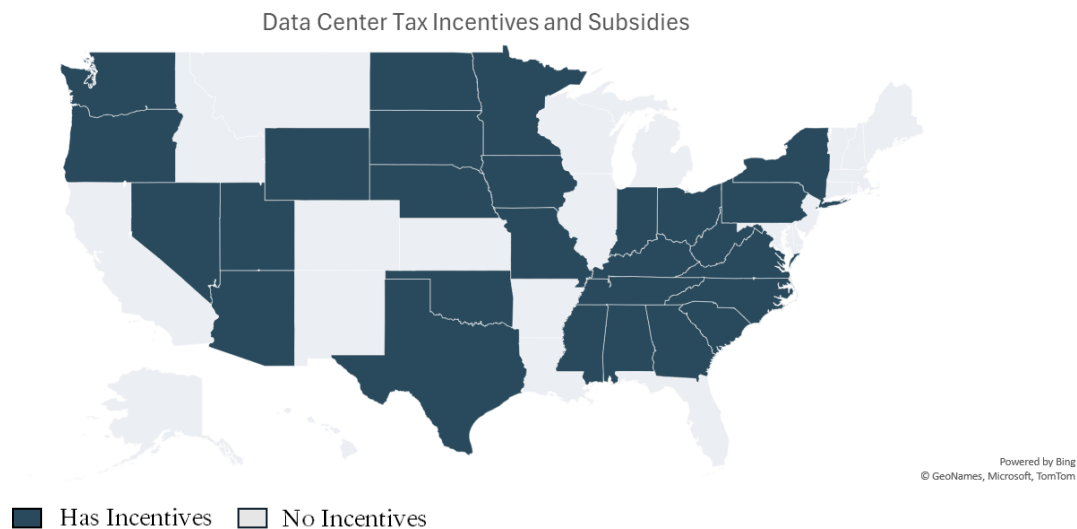


Figure 10: Indication of Data Center Tax Incentives (as of August 2024)<sup>12</sup>



<sup>10</sup> SEIA/Wood Mackenzie Power & Renewables U.S. Solar Market Insight Q2 2024

<sup>11</sup> SEIA/Wood Mackenzie Power & Renewables U.S. Solar Market Insight Q2 2024

<sup>12</sup> SEIA/Wood Mackenzie Power & Renewables U.S. Solar Market Insight Q2 2024

### ***Differentiated Management Approach***

Domain believes a key element of preserving and enhancing forestland values is employing sound management and silvicultural practices to ensure forest health and productivity while simultaneously prioritizing a variety of environmental and social goals.

### **Certified Sustainability**

Domain anticipates that all timberland acquired by the Fund will be targeted for enrollment in forest sustainability certification programs with a focus on the program operated by the Forest Stewardship Council. Domain believes that long-term institutional timberland ownership is an inherently sustainable and environmentally beneficial investment strategy that is further aligned to positive ESG goals through an almost universal adherence to forestry certifications that promote the sustainable production of raw forest products (paper, lumber, renewable energy materials), along with management decisions that might not be economically incentivized, such as selective harvesting, reforestation, and conservation efforts. Conversely, Domain believes that non-institutional timberland ownership is often economically disincentivized and practically limited in its ability to responsibly manage forestland. These non-institutional owners often lack the knowledge, capital, incentives, and third-party requirements to align their ownership and management with ESG goals.

Domain believes that an element of its investment strategy creates a solution of economic and environmental uplift by applying institutional timberland management standards to non-institutional, often degraded, forestland. From an environmental standpoint, Domain's strategy often affords Domain the opportunity to be the first owner to manage forestland to the environmentally and socially positive requirements of third-party forestland certification. When compared to a typical institutional manager, Domain can add additionality by virtue of voluntarily uplifting uncertified forestland to a standard, versus a baseline of continuing to manage to a standard already claimed. Ultimately, Domain believes its voluntary adherence to potentially economically restricting third-party certification standards, where there was often no prior commitment to any standard, demonstrates additional, measurable, and intentional social and environmental impact alongside Domain's pursuit of financial returns. Domain anticipates that these non-economic benefits will be measured through third-party reporting around carbon, stream protections and the various frameworks and audits associated with certification standards.

Examples of certification standards that have potential to provide immediate impact or environmental additionality on the landscape may include:

- Forest Management Plan
- Sustained Yield Harvest Level
- Chemical Pesticide and/or Herbicide Use
- Harvest Size and Configuration
- Conversion to Plantation
- Wildlife Openings and Edge Retention



- Riparian Stream Buffers
- Adjacent Green Up
- Climate Smart Practices
- Fire Resiliency Planning
- Old Growth Stand Management
- Road Maintenance

### **Carbon Positive Forestry**

Domain anticipates that it will track carbon metrics and Greenhouse Gas (“GHG”) emissions to understand year-over-year change of gross sequestration, net sequestration, and carbon stocks within the forestland investment. Historical analysis of these metrics within current and previously managed funds demonstrates that, absent new acquisitions and dispositions, Domain -managed forests are functioning as “carbon positive” investments relative to carbon stocks and biomass as the assets, at a fund-level, are producing more biomass than is harvested. Domain believes this can be attributed to enhanced sustainable silvicultural practices, which include harvesting restrictions, longer rotations, harvesting configurations, reforestation requirements and retention of natural and semi-natural stands.

As an investment manager and steward of the landscape, Domain is committed to analyzing the environmental impacts of the Fund and reporting findings (**Figure 12**). To increase the sophistication and continuity of this assessment, Domain has partnered with Finite Carbon to develop a proprietary carbon accounting protocol (FCAP) that measures carbon stocks, Greenhouse Gas (GHG) emissions, and carbon stored in Harvested Wood Products (HWP). This initiative follows the generally accepted GHG accounting and reporting principles described in the GHG Protocol (often referred to as the Corporate Standard) developed by the World Business Council of Sustainable Development (WBCSD), World Resources Institute (WRI), and other entities convened under the GHG Protocol Initiative<sup>13</sup>. Key information accounted for in the carbon stock calculation methodology include:

- Carbon stored in above ground vegetative sinks
  - Includes measurable standing live and dead biomass stock, and its associated biological growth, mortality, harvest removals, and reforestation.
  - Less measurable vegetative carbon sinks such as understory biomass and down woody debris are excluded from the analysis.
- Carbon stored in below ground sinks
  - Includes primarily organic soils and roots.

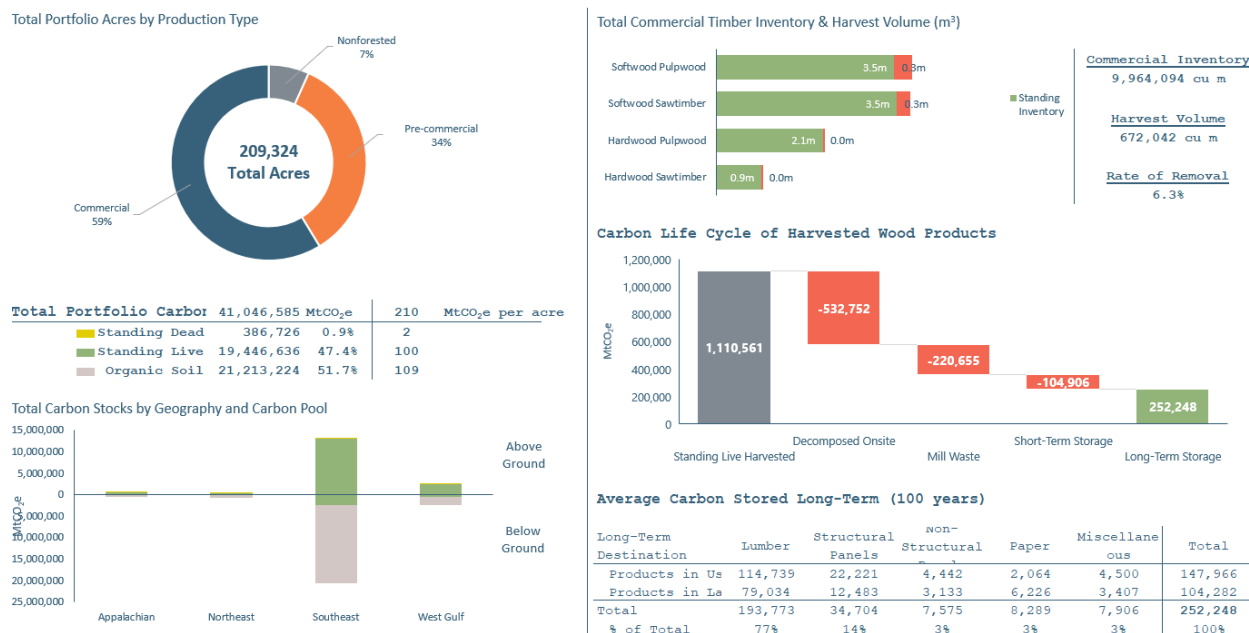
---

<sup>13</sup> Further guidance was provided by the GHG Protocol Scope 2 Guidance and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

- Estimates are generated via national soil models.
- Carbon stored in HWPBs
- The movement of carbon through the harvest/processing cycle
  - Estimates are generated via Domain harvest data and conversion rates generated by peer-reviewed research studies.
- GHG emissions related to active timberland management
  - Reported at three different levels (“scopes”) based on the cause of the emissions and how that activity relates to Domain timberland operations:
    - Scope 1 - Emissions generated from sources that are controlled by the company that owns the underlying assets. Examples include combustion of fuels in vehicles owned by the company, chemical volatilization of applied fertilizers, and emissions from controlled burning.
    - Scope 2 – Emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the company that owns the underlying assets. An example could include energy purchased by lessees inhabiting fixed structures on company lands.
    - Scope 3 – All indirect emissions that are not covered by Scope 1 and 2 and occur in the value chain of the reporting company. Examples include combustion of fuels in vehicles and equipment owned by 3rd-party contractors related to activity on company land and emissions associated with the production of harvested wood products (trucking, manufacturing, waste, etc.).
  - Due to the operational structure of Domain and the anticipated management of the Fund’s portfolio, the vast majority of GHG emissions will be categorized as Scope 3 emissions. Some Scope 1 emissions will likely be realized subject to the use of prescribed fire and fertilizer.

Additional details of the methodologies used within the protocol are available upon request.

Figure 11: Example of Reporting from Domain's Carbon Accounting Protocol



## Longleaf Pine Restoration

The longleaf pine ecosystem is one of North America's most biologically diverse terrestrial habitats, providing refuge for 27 federally endangered species and over 100 rare species of concern.<sup>14</sup> The ecosystem supports an estimated 900 different plant species, as well as habitat for approximately 100 different bird species, 36 mammal species, and 170 different species of reptiles and amphibians<sup>15</sup>. Once covering 90 million acres (two-thirds) of the southern U.S., the forest type currently spans roughly 5% of that historic range (**Figure 13**), a result of a long history of depletion from naval stores and shipbuilding in the 17<sup>th</sup> and 18<sup>th</sup> centuries, and more recently agricultural conversion, urbanization, and forestry management shifts to faster-growing loblolly pine regimes<sup>16</sup>.

Under Domain's value-added timberland strategy, Domain believes that subdividing and selling timberland properties in smaller increments may generate attractive premiums in the current market, although the exposure to a larger and more diverse buyer pool may also create potential for a small amount of acreage to transition out of forest certification after disposition of the assets by Domain. Given the rural nature of timberland real estate, Domain expects that most of the Fund's sale properties will remain in timber production regardless of size and have verified through third-party analysis that one of the Fund's predecessors, Domain Timber Investments III, LP, has only realized a 4.93% forest conversion rate as of year-end 2023 as compared to peak equity in 2010.

<sup>14</sup> Source: Sharma, Ajay, et al. "Structural Diversity of the Longleaf Pine Ecosystem." *Forest Ecology and Management*, vol. 462, 15 Apr. 2020, 117987

<sup>15</sup> Source: Natural Resources Conservation Service. Longleaf Pine Ecosystem Restoration. ([www.nrcs.usda.gov](http://www.nrcs.usda.gov))

<sup>16</sup> Source: Pine Country. *Nature Conservancy* Fall 2022. <https://www.nature.org/en-us/magazine/magazine-articles/longleaf-pine/>

However, to promote ecological conservation and environmental uplift efforts, Domain anticipates that the Fund will seek to acquire a subset of assets suitable for longleaf pine ecosystem restoration and management. Domain expects that the Fund's restoration program's target footprint will be proportional to the amount of small tract land sales (herein defined as every land sale under 100 acres in size), projected to be executed throughout the life of the Fund. To enhance the long-term impact of this restoration initiative, Domain anticipates that all of the Fund's longleaf restoration properties will be protected with a conservation easement or comparable legal protection instrument to promote the longevity of the restoration activities and ecological uplift. The intent of this restoration initiative is to allow the Fund to participate in meaningful ecological conservation efforts associated with what Domain believes to be one of the most biodiverse ecosystems in North America. Although longleaf pine does carry higher establishment costs and a slower growth profile than the other more commonly planted loblolly pine and slash pine species, Domain expects that this restoration initiative's impact on Fund performance will be minimal ( $\leq$  -10bps) based on estimated allocated acreage to this restoration program.

Domain anticipates that it will screen all potential longleaf pine restoration acquisition property candidates for attributes that will be conducive to promoting ecological conservation and economic performance including:

- Suitable geography, topography, and soil type for longleaf pine establishment
- Presence of mature loblolly (*P. taeda*) or slash pine (*P. elliotii*) stands that are readily available for harvest to facilitate near-term revenue events and opportunity for conversion to longleaf pine stands
- Potential for longleaf afforestation opportunities such as areas of open pasture, recent clearcuts, etc.
- Presence of existing longleaf pine stands, including natural or plantation
- Presence of mature bottomland hardwood stands that may be complimentary to the biological complexity of a given site, and that would be maintained in perpetuity
- Proximity or adjacency to other properties of ecological importance such as existing longleaf habitat, National Forests, National Wildlife Refuges, State Forests, State Wildlife Management Areas, etc.
- Presence of known rare, threatened, or endangered species endemic to the longleaf pine ecosystem that may benefit from continued management of the existing habitat, including perpetual conservation of those habitats

Figure 12: Historical Range and Existing Footprint of Longleaf Pine Forests<sup>17</sup>



### ***Land Value Fundamentals***

For the first time in over a decade, nonmetro communities have been experiencing population growth across the U.S. This has been driven by a variety of factors including a generally increased desire by the population to own tangible assets and recreational properties but also in part by the Covid-19 pandemic and the following shift to remote working environments which further expanded the desirability of rural land ownership<sup>18</sup>. This movement of the population into rural areas has fueled small tract land sale markets across the southeast and other areas of the U.S., offering what Domain considers to be ample opportunities to sell timberland in smaller increments at attractive multiples to timberland values (**Figure 6**).

According to the USDA Economic Research Service, the U.S. rural (nonmetro) population experienced negative to zero net migration—people moving out plus deaths exceeded people moving in plus births—from 2010 to 2020.<sup>19</sup> This figure leapt to a positive 0.47 percent for 2020-2021 and 0.45 percent for 2021-2022 for rural, nonmetro areas (**Figure 14, Figure 15**). In general, Domain believes that nonmetro areas can offer a better quality of life via lower cost of living, more livable space, less traffic and noise, etc., and the ability to live in these areas and still be connected to the

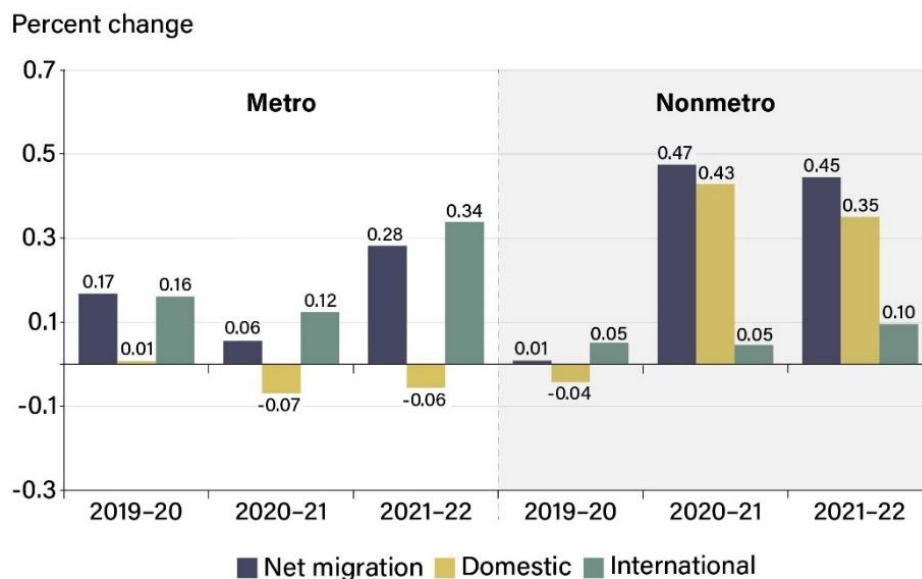
<sup>17</sup> The Nature Conservancy

<sup>18</sup> U.S. Department of Agriculture, Economic Research Service, utilizing data from the U.S. Department of Commerce, Bureau of the Census

<sup>19</sup> U.S. Department of Agriculture, Economic Research Service, utilizing data from the U.S. Department of Commerce, Bureau of the Census

metro area workplace is highly attractive to many professionals.

Figure 13: Net Migration Changes and Components of Change in Metropolitan and Non-Metropolitan Areas (2019-2022)<sup>20</sup>



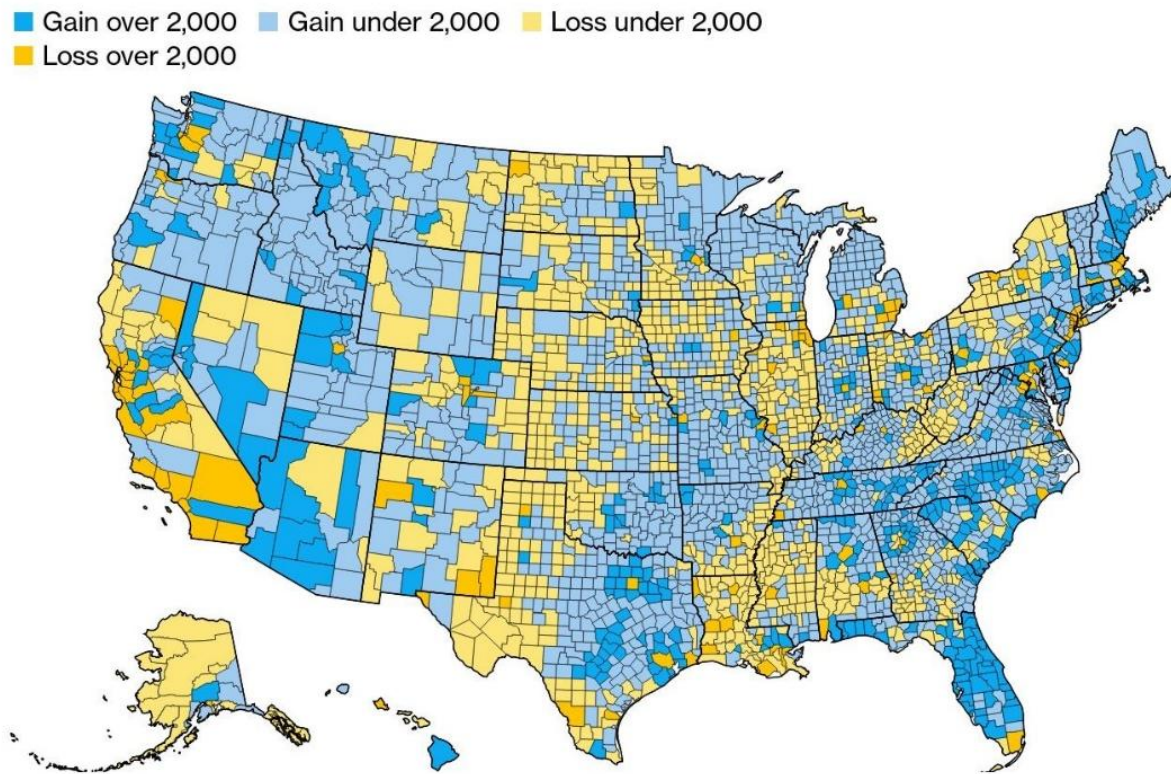
Note: The 1-year periods comprise July through June.

Growing trees is on the lower end of the location-driven real estate spectrum, so by nature, timberland properties are generally located in rural areas and valued less than properties in more populated areas. As population pressure increases in non-metro areas that are accessible from metro areas, so too should demand for rural properties and prices for those properties.

Domain has observed and realized the impact this population dynamic has had on rural land markets, executing over 350 land sales less than or equal to 500 acres at an average premium to appraised timberland value of 173% since 2020 across all advisory clients managed by Domain. With most U.S. employers adopting post-Covid-19 pandemic hybrid work arrangements as the new normal, Domain does not anticipate that this rural demand trend will change in the near term.

<sup>20</sup> U.S. Department of Agriculture, Economic Research Service, utilizing data from the U.S. Department of Commerce, Bureau of the Census

Figure 14: Population Influx by County (2020-2022) <sup>21</sup>



### ***Timber Value Fundamentals***

Timber pricing has stabilized over the last decade at the low end of the historical price range. Domain believes this creates an attractive entry point and helps lower the overall downside risk of the investment class. Southern pine sawtimber<sup>22</sup> prices are currently projected to steadily rise in the next seven to ten years, driven largely by population and housing dynamics, which Domain believes will not only increase the value of merchantable forests over time, but will also provide value accretion to younger plantations that will grow and mature over the life of the Fund.

### **Understanding Micro Market Factors**

U.S. timber sale markets are driven at the micro market level, which empowers buyers and sellers with a deep understanding of local supply and demand forces, regional economic dynamics and industry relationships to effectively value an asset. Whether an asset is in a market that is over- or under-supplied, potentially profitable acquisitions can be made with extensive knowledge at the micro market level to effectively value the property and therefore recognize and capture valuation inefficiencies at acquisition.

---

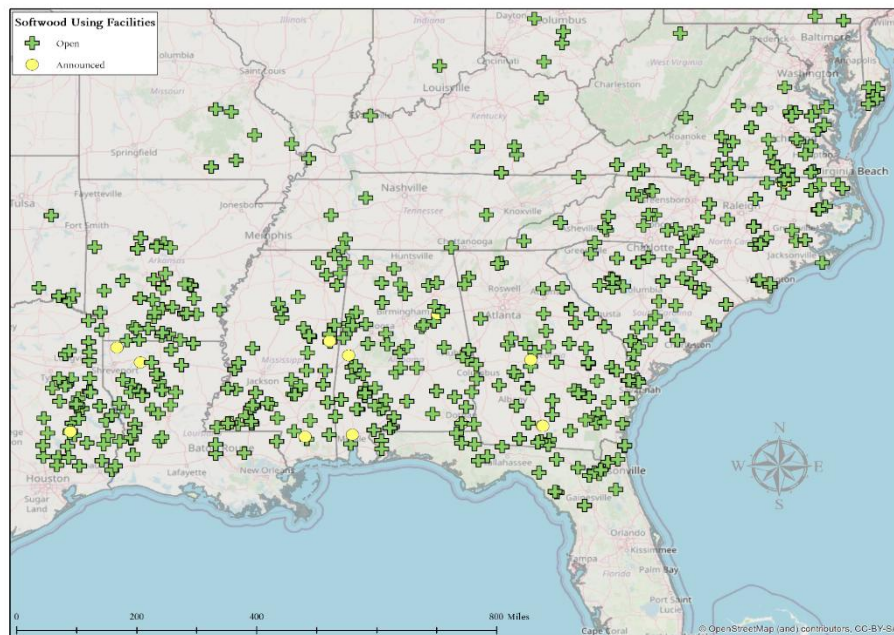
<sup>21</sup> U.S. Census Bureau

<sup>22</sup> See Section 7 – “Glossary”



Within each timber market, knowledge of the diversity and strength of mill infrastructure is key to ensuring demand. The U.S. South mill presence is generally considered to be one of the most robust and dynamic in the country and is projected to grow over the near term with an additional 37 million tons in net capacity (announced expansions and openings minus announced closures) planned by 2026 (**Figure 16, Figure 17**).

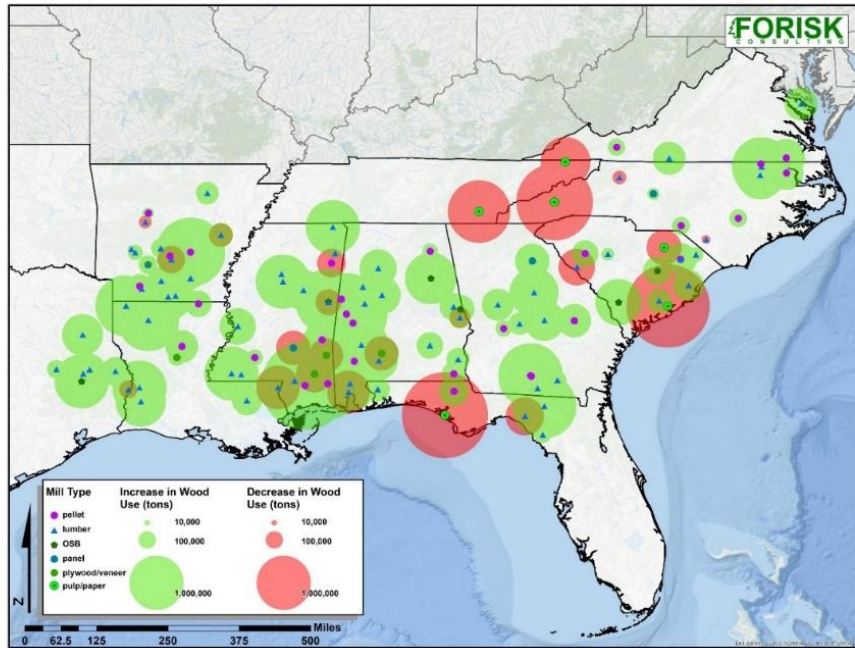
Figure 15: U.S. South Timberland Mill Infrastructure<sup>23</sup>



<sup>23</sup> Source: Forisk's 4Q2023 North American Forest Industry Capacity Database



Figure 16: U.S. South Timberland Announced Expansions, Openings, Closures (2021-2026)



The additional capacity across the Southeast is projected to improve supply/demand imbalances that have been impacting various micro-markets across the region since the 2008 recession, which resulted in harvest curtailments and stock piling of grade wood on the stump (**Figure 18, Figure 19**). Currently, the growth of softwood inventory across the South exceeds removals by roughly 40% annually (**Figure 18, Figure 19**). By 2029, this growth to drain ratio is forecast to decline to a level of 1.2, indicating more balanced supply/demand dynamics across the region (**Figure 18, Figure 19**).

Figure 17: Southern U.S. Timberland Micro Markets: Growth-to-Drain 2024<sup>24</sup>

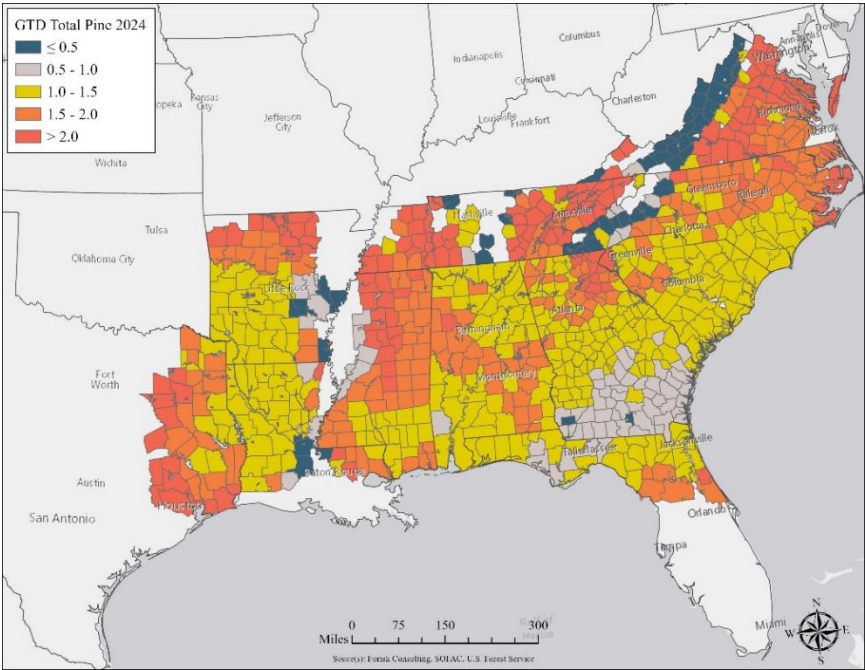
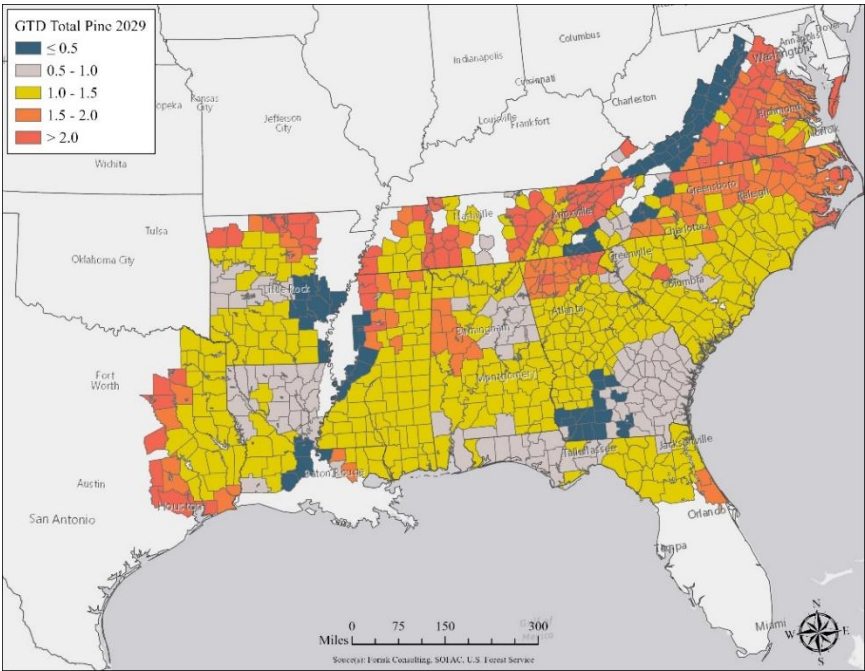


Figure 18: Southern U.S. Timberland Micro Markets: Growth-to-Drain Forecast 2029<sup>25</sup>



<sup>24</sup> Forisk  
<sup>25</sup> Forisk

## **Additional Micro Market Considerations**

Pricing is influenced by many factors including the number of competitors within any given market, demand for the end product, hauling distance from the harvest to the mill and also the distance from the mill to the economic center it is selling to. Consideration of the entire supply chain is needed to appropriately determine the value of the standing timber being acquired and later sold.

In addition, timber pricing is largely tracked and reported at the regional and state level—and these generalized average values are often what is used for valuation purposes. The actual pricing offered by a mill at any given time varies greatly due to a number of factors such as weather, inventory levels, end-market demand, tariffs, natural disasters, etc. This creates an opportunity to exploit pricing situations where one can buy based on a lower regional valuation and sell at a higher micro market price. This strategy requires extensive knowledge, relationships and experience, typically not found among private, non-institutional landowners. Even at the institutional level, Domain believes that attractive investment opportunities can be found by extensive due diligence which typically provides more accurate data which in turn provides the buyer or seller with a clearer understanding of the true value of an asset.

## **Timber Price History**

In real terms, timber prices are currently at historic lows for pine sawtimber (PST) and pine chip-n-saw (PCNS) (**Figure 20, Figure 21**). These two higher value pine products are largely driven by housing and demand for structural lumber. Historical pricing for these products averages \$49.33/ton for PST and \$33.00/ton for PCNS in 2023 dollars (**Figure 20, Figure 21**). In response to the 2008 housing collapse, demand and pricing dropped off sharply, and the build-up of inventory resulting from timberland owners not cutting during the extended down market created a supply/demand imbalance that has been an impediment to any short-term returns to trend (**Figure 20, Figure 21**). Domain believes that the increasing mill capacity across the South and positive long-term outlook for housing are expected to mitigate the supply/demand issues over the next five to ten years. If prices for both products respond to these impacts as expected, real value appreciation will further bolster the return profile of the asset class and strengthen the floor to which additional value can be added from an active management strategy (**Figure 20, Figure 21**).

Figure 19: Pine Sawtimber Quarterly Stumpage Pricing History in U.S. South<sup>26</sup>

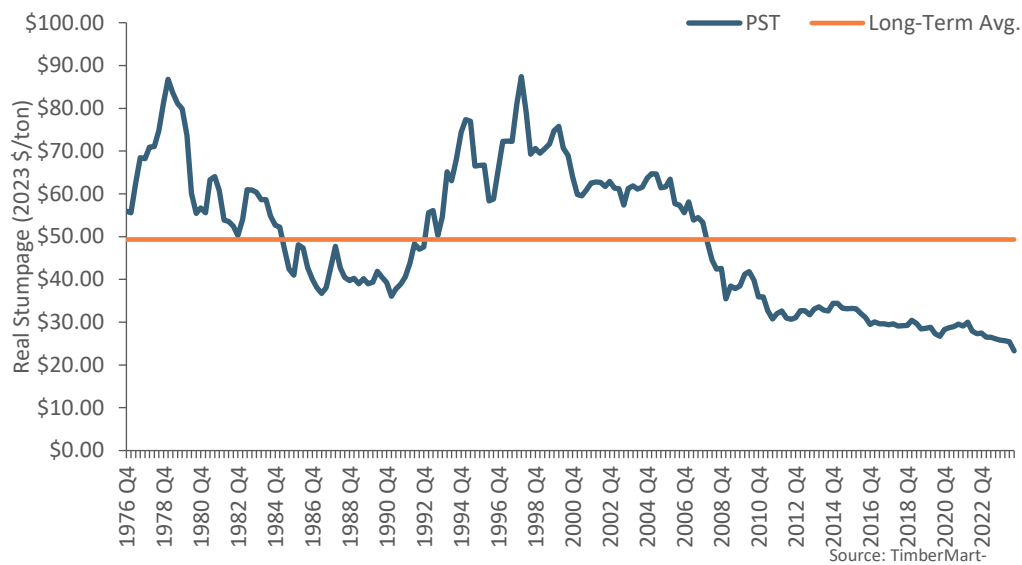
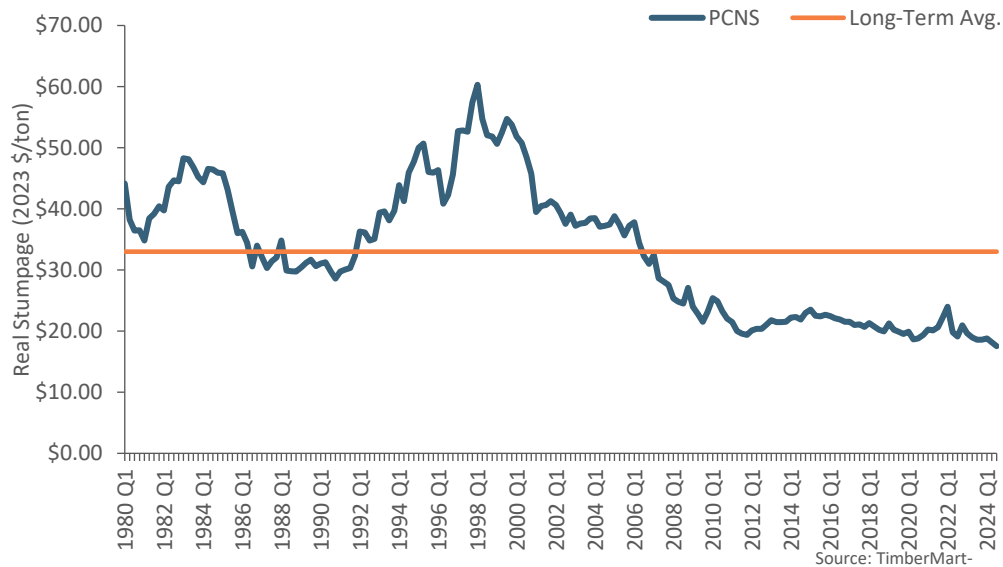


Figure 20: Pine Chip-n-Saw Quarterly Stumpage Pricing History in U.S. South<sup>27</sup>



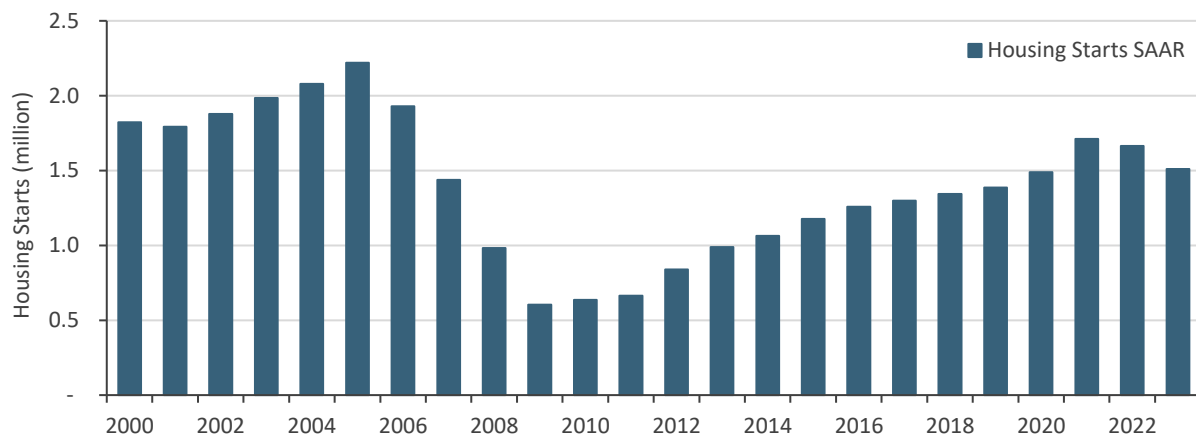
<sup>26</sup> Timber Mart South Historical Price Database  
<sup>27</sup> Timber Mart South Historical Price Database

## Continued Recovery of the U.S. Housing Market

Timber demand and timber prices are driven, in large part, by demand from housing construction. Construction demand for softwood sawtimber represents approximately 76% of total demand for the product<sup>28</sup>. The combination of years of underbuilding and demographic tailwinds presents a compelling outlook for future stability and growth in the U.S. housing market.

Housing starts reached a peak in 2005 at 2.2 million units and then sharply declined, bottoming out at 604,000 units in 2009, a 70% total decline from the peak (**Figure 22**). Since 2009, housing starts have risen by a multiple of 2.5x and single-family starts have maintained at least a 60% share annually of the total—which is positive for lumber demand in general, given the higher wood usage required for single-family housing construction.<sup>29</sup>

Figure 21: Seasonally Adjusted Housing Starts within the U.S.<sup>30</sup>



New home construction, along with repairs and remodeling of existing homes, provides the largest end-use markets for lumber and wood panels grown in North America's commercially managed forests. Consequently, trends in U.S. housing markets are a crucial factor in estimating future demand for timber, and projecting timber prices and timberland values.

The reduction in construction activity was a rational response in Domain's view to the overbuilt, over-levered and speculative housing markets of 2007-2008. The sluggish recovery since has failed to keep pace with the growing housing needs of a demographically changing U.S. population (**Figure 23**). Record high home prices and rent rates, as well as record low for-sale inventories and vacancies all contribute to a significant housing shortage.<sup>31</sup> While the cause of deficit issues vary by city and state, the macro-problem is nationwide, and Domain believes the macro-solution is to build more housing units. The general consensus<sup>32</sup> view is that housing starts will return to, and maintain, the long-term average of 1.5 million units per year within the next 10 years (**Figure 24**).

<sup>28</sup> U.S. Forest Products Annual Market Review and Prospects 2021-2025

<sup>29</sup> 2012 Wood Products and Other Building Materials Used in New Residential Construction in the U.S. with comparison to previous studies, APA – The Engineered Wood Association 2015.  
[https://www.fpl.fs.fed.us/documnts/pdf2015/fpl\\_2015\\_mckeever001.pdf](https://www.fpl.fs.fed.us/documnts/pdf2015/fpl_2015_mckeever001.pdf)

<sup>30</sup> Forest Economic Advisors, LLC

<sup>31</sup> Estimating the National Housing Shortfall; Joint Center for Housing Studies of Harvard University 2024.

<sup>32</sup> Forisk's Housing Starts Out-look combines independent forecasts from professionals in the housing industry. Currently, these include Fannie Mae, Freddie Mac, the National Association of Home Builders (NAHB), PNC, and Wells Fargo.

Figure 22: Cumulative over/underbuilding of U.S. housing units since 2000<sup>33</sup>

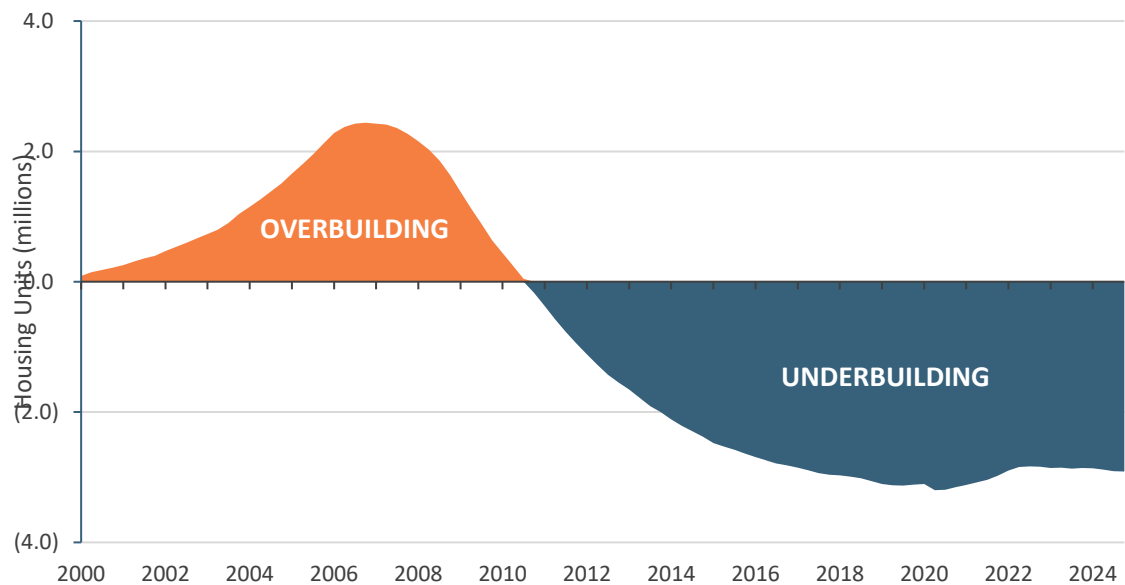
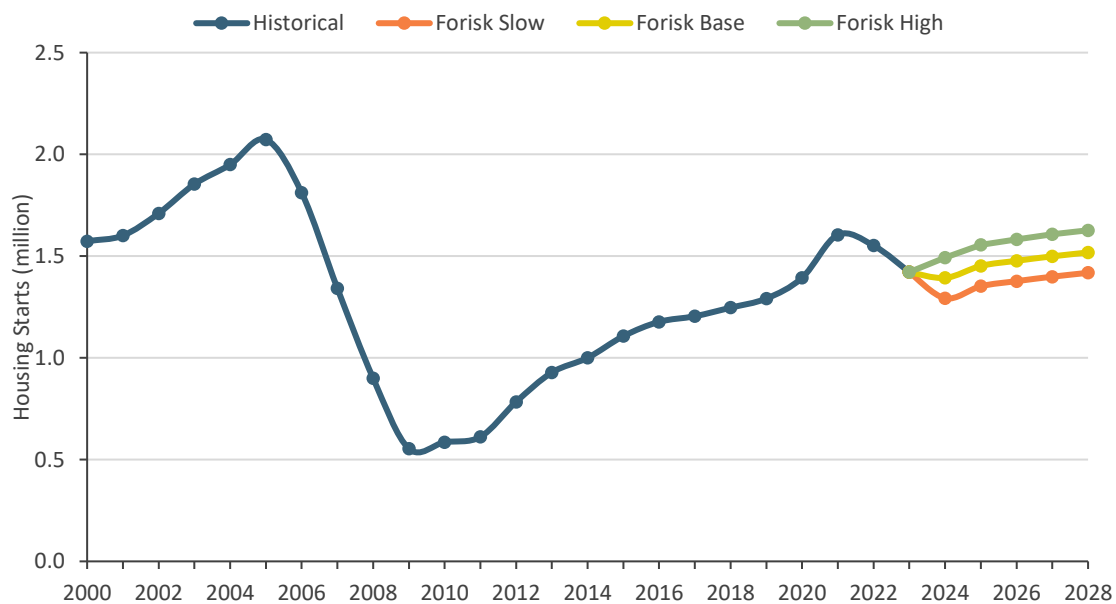


Figure 23: U.S. Housing Starts Outlook<sup>34</sup>

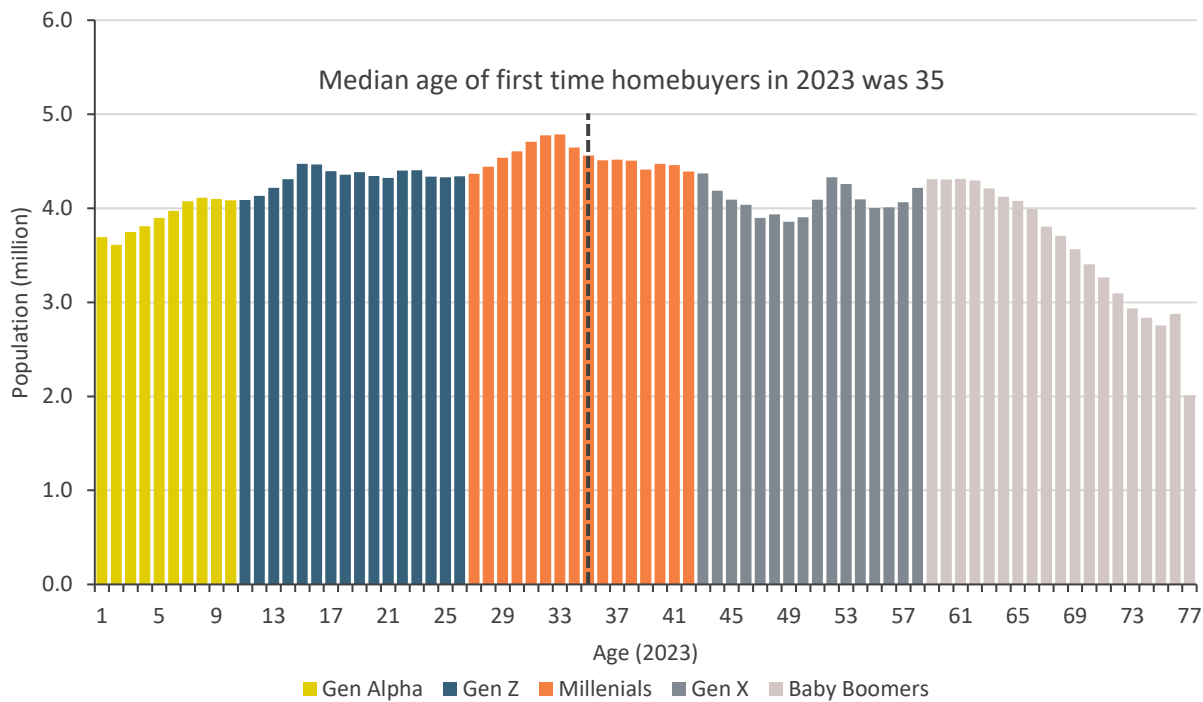


Millennials (born between 1981 and 1996) are the largest living generation in the U.S.<sup>35</sup> Low homeownership rates among the millennial demographic are commonly identified as a key influence on the slow recovery of the single-family housing market.<sup>36</sup> This trend is partly due to the demographic group having a lower rate of household formations than past generations, but also because over 50% of millennials have not yet reached the median age of a first-time homebuyer (Figures 25, 26). The average age of a millennial in 2023 was 34 years old, while the median age of

<sup>33</sup> Forest Economic Advisors, LLC  
<sup>34</sup> Forisk, U.S. Census Bureau, Forest Economic Advisors  
<sup>35</sup> Forisk, U.S. Census Bureau, Forest Economic Advisors  
<sup>36</sup> Forisk, U.S. Census Bureau, Forest Economic Advisors

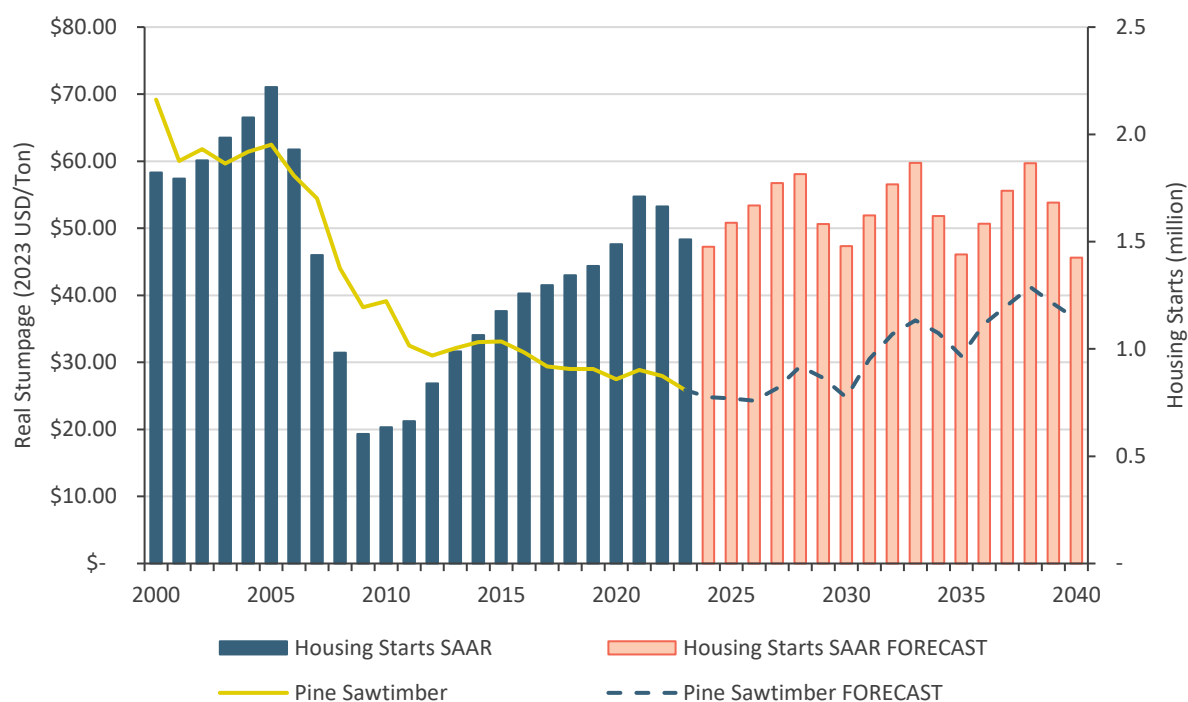
a first-time home buyer was 35 years old<sup>37</sup>, suggesting we are at the beginning of a millennial-led housing revitalization. (Figures 25, 26)

Figure 24: U.S. Population by Age, Relative to Median Age of First-Time Homebuyers



<sup>37</sup> Bankrate: First-Time Homebuyer Statistics 2024

Figure 25: U.S. Housing Starts versus Southern Pine Sawtimber Stumpage Pricing<sup>38</sup>



### Timberland Investment Fundamentals'

Historically, timberland has offered attractive risk-adjusted returns and low correlation when compared to other assets classes, largely due to the physical process of biological growth. The natural growth of the forest accounts for most of the asset class's return profile, which Domain believes is predictable, reliable, and independent of outside economic factors.

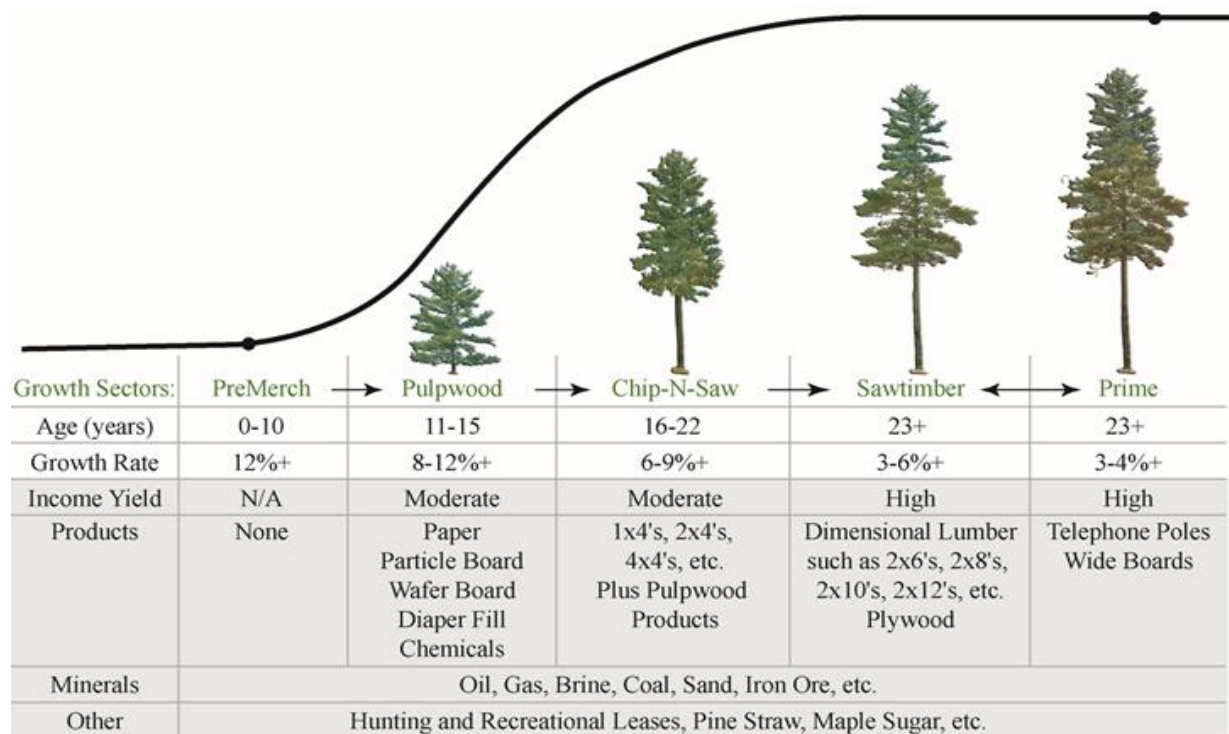
Because tree growth is invariably positive, Domain believes that biological growth can push investment returns in a positive direction and can provide a material downside buffer to negative

<sup>38</sup> Forest Economic Advisors, LLC



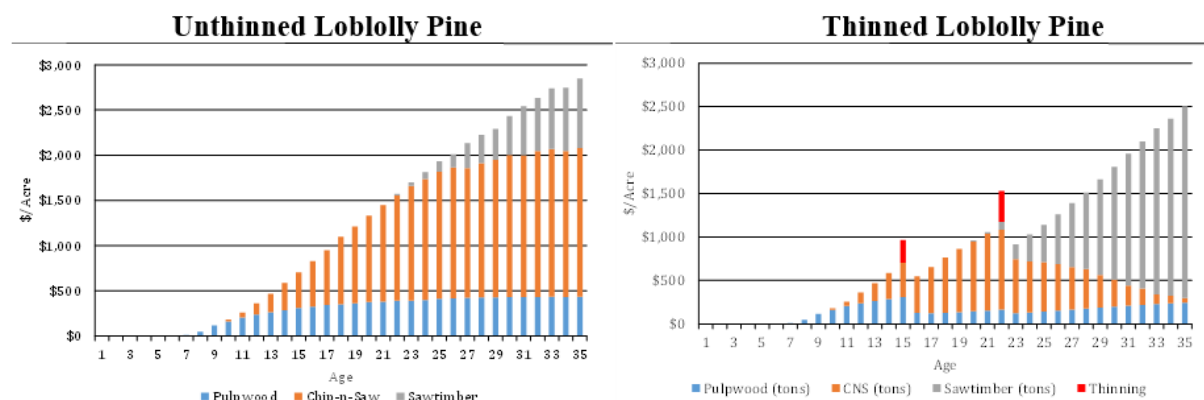
pricing or return components. In addition to simply adding more volume, trees also appreciate in value as they add more diameter and shift into higher value product classes—a process known as “in-growth” (**Figure 27**). In the Southeastern United States, pine trees can more than triple in value from a per unit standpoint as they grow from pulpwood to sawtimber or pole category trees.

Figure 26: Illustration of Biological Growth



The concept of ingrowth is also greatly influenced by timber management activities, such as thinning. The two charts in **Figure 28** show the composition of timber products from a hypothetical property that was left unthinned or was appropriately thinned during its rotation. The unthinned timber composition at the end of its growing cycle has a higher allocation to low value timber products. The thinned timber, however, shows the impact of active management on product composition, with a much higher allocation to higher value timber products.

Figure 27: Significance of Biological Growth and Appropriate Silviculture



### Investment Allocation Policy

Domain and its affiliates (collectively, the “Domain Group”) provide timberland investment management services to multiple clients, including the Fund, other investment funds and separate account clients, who may have similar, or even identical, portfolio investment requirements (“Domain Timber Platform Clients”). Investment opportunities will be allocated in accordance with Domain's Investment Allocation Policy, which is followed when allocating investment opportunities among Domain Timber Platform Clients who have committed funds for investment:

1. **Clear Best Fit.** Periodically, because of size, geographic location, market exposure, age characteristics, species or other diversification factors, a particular timberland property is clearly most appropriate for the portfolio of a particular Domain Timber Platform Client. In such a case, a timberland property may be allocated to a particular client if the Domain Group determines that the property is a clear best fit for the portfolio of that Domain Timber Platform Client.
2. **Single Property, Multiple Fit.** At times, a particular timberland property may meet the portfolio needs of more than one Domain Timber Platform Client. At other times, an undivided timberland property, because of size or other factors, may not meet the needs of any particular Domain Timber Platform Client, but if divided becomes appropriate for more than one Domain Timber Platform Client portfolio. In these circumstances, the Domain Group may create an investment vehicle to acquire the timberland property, which vehicle would be managed by Domain and owned by those Domain Timber Platform Clients that the Domain Group determines are appropriate to participate in the investment. Alternatively, the Domain Group may seek, where feasible, to physically delineate and apportion the timberland property in a manner that suits the portfolio needs of more than one Domain Timber Platform Client. The Domain Group engages appraisers and other third party consultants to ensure that the property is equitably divided and the purchase price is equitably allocated.
3. **Oldest Outstanding Commitment.** In some cases, the Domain Group may have an opportunity to acquire a timberland property that meets the needs of more than one Domain Timber Platform Client portfolio, but because of size, location or other factors, is not suitable for division. In this circumstance, the Domain Group will allocate the timberland property to

the Domain Timber Platform Clients whose funds have been committed for investment for the longest period of time.

## ***Conclusion***

The current market environment is ripe for the application of Domain's differentiated value-added approach to forestland investing, which Domain believes will enable the Fund to leverage predictable biological growth driven core timberland returns into higher, value-added ranges. Domain believes that the following factors support its investment strategy of investment in U.S. timberland:

- U.S. rural land markets are plentiful and inherently inefficient at certain scales
  - Approximately 300 million acres of U.S. timberland are owned by non-corporate entities, primarily small, independent landowners.
- U.S. rural population growth increasing demand for rural real estate
  - Rural net migration rates have shifted from  $\leq 0.0\%$  from 2010 through 2020 to  $+0.4\%$  from 2020-2022.
- Stabilized U.S. South pine sawtimber pricing at the low end of the historic price range
  - U.S. South pine sawtimber stumpage<sup>39</sup> prices remain near the low end of its historic range following the housing decline, deferred harvesting, and the resulting sawtimber inventory surplus.
- Continued recovery of the U.S. housing market
  - Housing construction in the U.S. represents 65% of the total demand for softwood<sup>40</sup> sawtimber.<sup>41</sup>
- U.S. demographic shift into homeownership
  - The millennial generation's peak demographic is approaching home-buying age making them the second largest group (behind the baby boomers) to move towards home ownership.

Domain believes the Fund's strategy can capitalize on the unique value propositions of both the land and timber components of the asset class, while simultaneously conserving and enhancing the myriads of available environmental benefits. Domain believes the key to achieving value-added returns and environmental impact in the current timberland marketplace is selecting a manager that understands the opportunities available, is willing to develop strategies around those opportunities, and can execute at a high level and velocity.

---

<sup>39</sup> See Section 7 – "Glossary"

<sup>40</sup> See Section 7 – "Glossary"

<sup>41</sup> U.S. Forest Products Annual Market Review and Prospects 2013-2017

## 4. Share Dealings

---

### *The Offering*

Domain is targeting a raise of approximately \$500 million of Aggregate Commitments for the Fund (including the U.S. Fund and any other Parallel Funds). The Directors reserve the right to launch the Fund, in their sole and absolute discretion, with aggregate Commitments (calculated as of the Final Closing Date, the “Aggregate Commitments”) for the Fund equal to less than this amount, or in excess of this amount, up to a maximum of \$750 million in the aggregate.

### *Closings*

#### *Initial Closing*

The Fund will not engage in investment activities until the Initial Closing Date. The Investment Manager, in consultation with the Directors, may hold Subsequent Closings thereafter, provided that no such Subsequent Closings will occur later than the Final Closing Date.

#### *Subsequent Closings*

Each Additional Shareholder admitted at a Subsequent Closing will participate in Investments made by the Fund prior to its admission. Each Additional Shareholder will contribute to the Fund an amount equal to: (a) such Additional Shareholder’s portion of the Management Fee calculated based on the difference between the Aggregate Commitments and Net Invested Capital payable retroactively to the Initial Closing Date; plus (b) such Additional Shareholder’s pro rata share of all Capital Contributions (other than in respect of Management Fees) paid by other Shareholders admitted in prior Closings; less (c) such Additional Shareholder’s pro rata share of all distributions made to Shareholders admitted in prior Closings. In addition, each Additional Shareholder will be required to pay to the Fund an additional amount computed as interest at six percent (6%) per annum on (x) its Management Fee and (y) its pro rata share of all Capital Contributions paid by other Shareholders admitted in prior Closings less such Additional Shareholder’s pro rata share of all distributions made to such Shareholders.

Any amounts paid to the Fund with respect to the Management Fee, or interest thereon, will be paid to the Investment Manager. All other amounts contributed by an Additional Shareholder admitted at any Subsequent Closing will be distributed by the Fund to the existing Shareholders pro rata on the basis of their respective Capital Contributions contributed prior to the Subsequent Closing. The amounts of distributions to existing Shareholders at each Subsequent Closing, excluding the deemed interest component, will increase the Unfunded Commitments (as defined below) of such Shareholders.

## *Procedure*

### ***Commitments***

By completing and executing an Application Form, applicant investors shall make an unconditional Commitment (of at least the relevant Minimum Commitment) to acquire a corresponding number of Shares by way of Capital Contribution to the Fund, as detailed below. Prior to the acceptance of an Application Form, the Directors reserve the right to reject any such application in whole or in part.

Applications for Shares shall be made through the Administrator. Applications received by the Administrator prior to the Commitment Deadline for any Closing will be processed on the relevant Closing date. Any applications received after the Commitment Deadline for a particular Closing date will be processed upon the following Closing unless the Directors in their absolute discretion, in exceptional circumstances, otherwise determine to accept one or more applications received after the Commitment Deadline for processing on that Closing date provided that such application(s) have been received prior to the Valuation Point for the relevant Closing.

Initial applications should be made using an Application Form obtained from the Administrator which must be submitted by electronic means or by fax with the original signed Application Form to follow promptly (where requested by the ICAV). All initial applications shall be subject to prompt transmission to the Administrator of such other papers as may be required by the Directors or their delegate and all of the necessary anti-money laundering checks have been carried out, verified and received in original form if/when required.

In the case of subsequent applications submitted by electronic means or by fax, it shall not be necessary for the ICAV to subsequently receive the original Application Form provided that the Directors are satisfied that the appropriate controls and procedures are in place to comply with applicable anti-money laundering legislation and to ensure that any risk of fraud associated with the processing of transactions based on such means are adequately mitigated.

Amendments to a Shareholder's registration details and payment instructions will only be made following receipt of written instructions or electronic instructions with appropriate original documentation from the relevant Shareholder. Any applications submitted by electronic means must be in a form and method agreed by the Directors and the Administrator.

Commitments will be irrevocable unless the Directors, or a delegate, otherwise agree. If an application is rejected, the Administrator at the cost and risk of the applicant will, subject to any applicable laws, return application monies or the balance thereof, without interest, by telegraphic transfer to the account from which it was paid.

The Minimum Commitment may be waived or reduced by the Directors in their absolute discretion or following a recommendation of the AIFM.

The Application Form contains certain conditions regarding the application procedure for Shares and certain indemnities in favour of the ICAV, the AIFM, the Investment Manager, the Administrator, the Depositary, the Distributor and the other Shareholders for any loss suffered by them as a result of certain applicants acquiring or holding Shares.

### ***Capital Contributions***

Shares will be issued at any Closing or in connection with any Capital Call at the Issue Price. Shares issued to Additional Shareholders will be subject to the further terms set out in the section "Summary of Principal Terms – Subsequent Closings" hereto.

The Investment Manager will cause the Fund to draw down Commitments from the Shareholders pro rata based on their respective Commitments. Capital Contributions requested by the Investment Manager in respect of the Shareholders' Commitments will be due from the Shareholders upon a minimum of ten (10) business days' written notice from the Investment Manager (a "Capital Call Notice").

Capital Contributions net of all bank charges should be paid by SWIFT or electronic transfer into the Subscriptions/Redemptions Account specified in the Application Form. Other methods of payment are subject to the prior approval of the Directors, in consultation with the Administrator. No interest will be paid in respect of payments received in circumstances where the application is received in advance of a Closing or held over until a Subsequent Closing. If payment of a Capital Contribution has not been received in full within the timeframe specified in the relevant Capital Call Notice, or in the event of non-clearance of funds then, at the sole discretion of the Directors, such application will be rejected and the Capital Contribution monies will be returned to the prospective investor.

### ***Investment Proceeds***

Investment proceeds derived by the Fund from Investments, including cash, securities and other property received by the Fund in respect of any Investment or portion thereof (excluding any non-cash proceeds, in each case, except to the extent that such portion or such proceeds are distributed to the Shareholders in-kind), net of any expenses or taxes borne by the Fund in connection with such Investment (or proceeds with respect thereto) ("Investment Proceeds") shall be distributed to the Shareholders at least annually, subject to (a) the availability of cash after paying Fund Expenses and after setting aside appropriate reserves for additional liabilities, obligations and commitments of the Fund (including Management Fees and the repayment of Fund indebtedness) and (b) the Investment Manager's ability to hold and reinvest proceeds of Investments during the Investment Period.

### ***Distributions***

Each distribution of Investment Proceeds shall initially be apportioned among the Shareholders in proportion to each Shareholder's (other than a defaulting Shareholder's) respective Capital Contributions used to acquire the Investment to which those Investment Proceeds relate. The portion of such distribution apportioned to the Investment Manager or Shareholders which are Domain Investors will be distributed to the Investment Manager or Shareholders which are Domain Investors on a pro rata basis to such Investment Manager or Shareholder's Capital Contributions. The portion of such distribution so apportioned to each other Shareholder will be distributed to the Special Shareholder:

- (a) First, one hundred percent (100%) to such Shareholder until the cumulative amount distributed to such Shareholder pursuant to this clause (a) equal the sum of such Shareholder's aggregate Capital Contributions to the Fund;

- (b) Second, one hundred percent (100%) to such Shareholder until the cumulative amount distributed to such Shareholder pursuant to this clause (b) equals a preferred return ("Preferred Return") of six percent (6%) per annum on such Shareholder's unreturned Capital Contributions to the Fund, calculated from the relevant Capital Contribution date (which shall be the later of the due date for such Capital Contribution and actual date of such Capital Contribution) through the relevant date of distribution representing a return of such Capital Contribution;
- (c) Thereafter, eighty percent (80%) to such Shareholder and twenty percent (20%) to the Special Shareholder.

Distributions to the Special Shareholder pursuant to clause (c) above are referred to herein as the Special Shareholder's "Carried Interest."

The Investment Manager has the right to waive or reduce, from time to time, all or part of the Carried Interest with respect to certain Shareholders, without waiving or reducing the Carried Interest with respect to other Shareholders. The Investment Manager also has the right to defer any portion of the Carried Interest distributions with respect to a Shareholder and cause the Special Shareholder to receive distributions at a later date equal to the amount deferred.

### ***Tax Distributions***

The Fund may, but shall not be obligated to, make tax distributions to the Special Shareholder in an amount sufficient to pay taxes at the highest combined marginal U.S. federal, state and local income tax applicable to each category of income allocable to any direct or indirect owner of the Special Shareholder based on the jurisdiction in which such person resides. Such tax distributions made to the Special Shareholder will be treated as advances by the Fund on future distributions (as reasonably determined by the Directors, in consultation with the Investment Manager), and will reduce dollar for dollar the amount of future distributions to the Special Shareholder.

### ***Allocation of Income, Expense, Gains and Losses***

Income, expenses, gains, and losses of the Fund generally will be allocated among the Shareholders in a manner consistent with the distribution of Investment Proceeds described above.

### ***Special Shareholder Clawback***

After the final distribution of the assets of the Fund, or at any other time following such final distribution that the Investment Manager requires the Shareholders to return distributions, the Special Shareholder will be required to restore funds to the Fund for distributions to the applicable Shareholder to the extent that it received cumulative distributions in excess of amounts otherwise distributable to the Special Shareholder pursuant to the distribution formula set forth above, applied on an aggregate basis for such Shareholder covering all transactions of the Fund, but in no event more than the cumulative distributions received by the Special Shareholder with respect to its Carried Interest with respect to such Shareholder, less income taxes thereon.

### ***Shareholder Giveback***

The Investment Manager may require any Shareholder (including any former Shareholder) to return distributions previously made to such Shareholder for the purpose of satisfying such Shareholder's share of any present or anticipated Fund Expense or liability. Any such payment shall be called by the Investment Manager from each Shareholder pro rata according to the amount by which such Fund Expense or liability would have reduced the aggregate distributions received by such Shareholder had such Fund Expense or liability been incurred by the Fund prior to the time such distributions were made. Any such payment made by a Shareholder shall be treated as a decrease in a distribution previously received by such Shareholder effective as of the time such payment is made.

The obligations of each Shareholder to return distributions is subject to the following limitations: (x) no Shareholder shall be required to return an aggregate amount greater than the lesser of (A) twenty-five percent (25%) of such Shareholder's Aggregate Commitment to the Fund and (B) one hundred percent (100%) of the aggregate amount of all distributions made to such Shareholder except as otherwise required by applicable law; and (y) no Shareholder shall be required to return any amount to the Fund after the earlier of three (3) years after the date of such distribution or three (3) years from the date of the final liquidation of the assets of the Fund except to fund (a) such liability or obligation (i) that the Investment Manager or the Fund is in the process of litigating, arbitrating or otherwise settling as of such three (3) year anniversary date and (ii) with respect to which the Investment Manager has delivered to such Shareholder within thirty (30) days after such three (3) year anniversary date written notice of such litigation, arbitration or settlement process; (b) liabilities arising out of a withholding tax obligation with respect to such Shareholder; or (c) as otherwise required by applicable law.

### ***Shareholder Rights***

#### ***Removal of the U.S. Fund GP Investment Manager of the Fund:***

Upon the consent of limited partners of the U.S. Fund that represent at least sixty-six and two-thirds percent (66 2/3%) in interest of such limited partners unaffiliated with Domain, the U.S. Fund GP may be removed for "cause".

The appointment of the Investment Manager may be terminated under such circumstances as are disclosed in the section "Summary of Principal Terms – Material Contracts" below. Any replacement of the Investment Manager will be at the discretion of the Directors.



***Shareholder Withdrawal and Transfer***

Shareholders may not withdraw from the Fund without written consent from the Directors in their sole discretion, except under certain limited circumstances. Under certain limited circumstances, Shareholders may be required upon written demand from the Directors to withdraw from the Fund. Shareholders generally may not sell, assign or transfer any of their interests, rights or obligations in the Fund without consent of the Directors in their sole discretion.

***Shareholder Default***

A Shareholder that defaults with respect to any required Capital Contribution may be subject to certain adverse consequences, such as the required transfer of the defaulted Shares to any person or persons, including the Investment Manager or any of its affiliates, or the required forfeiture of all or part of the defaulted Shares.

***Excuse and Exclusion from Certain Investments***

A Shareholder may be excused from participation in any Investment if the Shareholder delivers to the Fund a written opinion of counsel, satisfactory to the Investment Manager, to the effect that the Shareholder's participation in such Investment is reasonably likely to violate the laws, regulations, orders or other provisions of law (other than a violation based upon its investment strategy, unless specifically prohibited by such laws, regulations orders or other provisions of law) regulating investments by or activities of such Shareholder, not in effect as of the date of such Shareholder's Commitment to the Fund. Any Shareholder may be excluded in whole or in part from any Investment if the Directors deliver a written notice to such Shareholder that such Shareholder's participation in such Investment could reasonably be expected to have an adverse effect on the Fund, an Investment, a potential Investment or any Shareholder or its affiliates as determined by the Investment Manager in its reasonable discretion.

***Side Letters***

The Investment Manager acting on behalf of the Fund, without any further act, approval or vote of any Shareholder, may enter into side letters or other similar agreements with certain Shareholders that have the effect of establishing rights under, or altering or supplementing the terms of, the Fund's offering documents with respect to such Shareholders. Such side letters or other similar agreements may grant certain Shareholders additional reporting and informational rights regarding the Fund, co-investment and economic rights, and other rights.

***Ineligible Applicants***

The Application Form require each prospective applicant for Shares to represent and warrant to the ICAV that, among other things, it is able to acquire and hold Shares without violating applicable laws.

The Shares may not be offered, issued or transferred in the United States or to any person in circumstances which, in the opinion of the Directors, might result in the ICAV or the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the ICAV, the Fund or the Shareholders as a whole might not otherwise incur or suffer, or would result in the ICAV or the Fund being required to register under any applicable US securities laws.

The Directors only intend to offer and sell Shares to a limited number of persons that are (a) “accredited investors,” as that term is defined in Regulation D promulgated under the U.S. Securities Act of 1933, as amended; and (b) “qualified clients,” as that term is defined under the U.S. Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder.

Investments in the Fund are not open to benefit plan investors under the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”).

## 5. Borrowing and Leverage

---

### *Borrowing*

The Fund, by itself or on a joint and several basis with any Parallel Fund, may (i) borrow funds under one or more credit facilities or other financing arrangements (together with any Guarantee (as defined below), each a “Credit Facility”) provided by one or more banks, syndicates of lenders or other lenders or financing sources (each, a “Lender”), for the purposes of (a) paying Organizational Expenses or Fund Expenses (including, for the avoidance of doubt, Management Fees); (b) financing or refinancing the purchase price of any Investment; (c) securing permanent financing or procuring credit support for Intermediate Entities or other subsidiaries; (d) funding distributions or withdrawal payments to any Shareholder; or (e) for any other purpose determined in good faith by the Investment Manager to be consistent with the purposes of the Fund set forth herein; (ii) guarantee, or otherwise become contingently liable with respect to, obligations of any Intermediate Entity or other subsidiary (each, a “Guarantee”) under any Credit Facility or otherwise; or (iii) enter into any related documents contemplated by, or related to, any such Credit Facility or Guarantee (including with respect to any security interest with respect thereto).

### *Leverage*

In addition, the Investment Manager may utilize leverage on an Investment by Investment basis and in connection with such leverage cause any direct or indirect subsidiary of the Fund that holds one or more Investments to incur indebtedness for borrowed money that the Investment Manager determines is customary and suitable for each such Investment; provided that (i) the leverage utilized for any Investment shall not exceed sixty percent (60%) of the fair value of such Investment without the approval of the Advisory Committee (measured at the time of each borrowing) and (ii) the leverage collectively utilized for all Investments (on an Investment-level basis) shall not exceed twenty-five percent (25%) of the fair value of the Fund without the approval of the Advisory Committee (measured at the time of each borrowing). As such, the base case leverage for the Fund, having engaged in no borrowing through the use of derivatives or otherwise, will be 125% of the Net Asset Value of the Fund when calculated in accordance with either the gross or the commitment methodology set out in AIFMD.

## 6. Fees and Expenses

---

### *AIFM Fee*

The AIFM shall be entitled to receive out of the assets of the Fund an annual fee, accrued and payable quarterly in arrears, of up to 0.05% of the Net Asset Value of the Fund, subject to a minimum annual fee of €70,000 (plus VAT, if any thereon).

### *Distribution Fee*

The AIFM shall be entitled to receive out of the assets of the Fund an annual distribution fee, accrued and payable quarterly in arrears, of a minimum of €25,000 (plus VAT, if any thereon).

### *Management Fee*

In consideration of the services to be provided to the Fund by the Investment Manager, the Fund shall pay to the Investment Manager, in advance, a quarterly management fee (the “Management Fee”). From the date of the Initial Closing until the expiration or termination of the Investment Period, the Management Fee shall accrue with respect to each Shareholder at an annual rate equal to such Shareholder’s Management Fee Rate (as defined below) multiplied by the Aggregate Commitment of such Shareholder.

Beginning upon the earlier of the expiration or termination of the Investment Period, the Management Fee shall accrue with respect to each Shareholder at an annual rate equal to such Shareholder’s Management Fee rate multiplied by the aggregate Capital Contributions of such Shareholder used to make Investments that have not been sold or determined by the Investment Manager in its reasonable discretion to be permanently and completely written off in full as of the day on which the Management Fee is payable.

The annual Management Fee rate (the “Management Fee Rate”) for each Shareholder will be determined based on the total Commitment of such Shareholder (with the applicable Management Fee Rate for the total Commitment applied back to dollar one), as follows:

Less than \$25,000,000:	100 bps per annum
\$25,000,000+:	85 bps per annum

For the avoidance of doubt, the Investment Manager shall not receive any additional fees in its capacity as Distributor.

### *Administrator Fee*

The Administrator shall be entitled to receive out of Management Fee an annual fee, accrued and payable quarterly in arrears in US dollars, of up to 0.08% of the Net Asset Value of the Fund, subject to a minimum quarterly fee of €12,500 (plus VAT, if any thereon).

### *Depository Fee*

The Depository shall be entitled to receive out of the Management Fee an annual fee, accrued and payable quarterly in arrears in US dollars, of up to 0.03% of Aggregate Commitments, subject to a minimum monthly fee of up to \$3,500 (plus VAT, if any thereon).

The Depository shall also be entitled to receive out of the Management Fee an upfront fee of \$5,000 which may be amortised as part of the Fund Expenses. All fees payable to the Depository will be subject to VAT, if any thereon. The Depository fees may be amended from time to time, as agreed in writing by all parties.

### *Fee Income*

The Investment Manager or any of its employees and affiliates, will be entitled to collect from or with respect to an Investment or a potential Investment any investment banking fees, advisory fees, breakup fees, topping fees, Closing fees, transaction fees, financing fees, management fees, monitoring fees and similar fees ("Fees"); provided, that the Management Fee payable for any quarterly period will be reduced by any such Fees; provided, that such Fees will be, for all purposes of the foregoing determinations, net of any recouped expenses which the Investment Manager and its affiliates have elected to pay on behalf of the Fund. For the avoidance of doubt, the amount of such fees allocated to the Fund will be further allocated among the Shareholders (other than affiliates of the Investment Manager) based upon the Capital Contributions with respect to the related Investments made by such Shareholders. If any such fees required to be credited against the Management Fee for any period exceed the Management Fee payable for such period, the amount of such excess will be carried forward and credited against the Management Fee payable for subsequent periods.

### *Domain Expenses*

The Investment Manager will be responsible for all of its own ordinary overhead expenses in connection with its day-to-day operations, including compensation and benefits for their employees and expenses for office space and fees and expenses related to the Investment Manager registering and maintaining its registration as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended, and any compliance requirements related thereto.

## 7. Management of the Fund

---

### *Domain Timber Advisors, LLC*

The Investment Manager is a registered investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended, and is approved by the Central Bank of Ireland to act as an investment manager of Irish collective investment schemes. The Investment Manager provides professional timberland and timberland related investment and management services for public and private pension plans, foundations, endowments, corporate and institutional investors, as well as high-net-worth individuals. Domain was established in 2016 and is headquartered in Atlanta, Georgia. As of September 30, 2024, Domain Timber Advisors manages over \$756 million in U.S. timberland and environmental assets covering over 269,000 timberland acres across 16 states and 16 environmental projects across 4 states.

The Investment Manager is an affiliate of Domain Capital Group LLC ("Domain Capital"), an alternative investment manager based in Atlanta, Georgia. With history dating back to 2008, Domain Capital provides comprehensive private investment management and advisory services through two SEC-registered subsidiaries: Domain Timber Advisors and Domain Capital Advisors, LLC.

The Investment Manager renders management services to the Fund, including examining and evaluating investment opportunities, structuring and negotiating acquisitions and the related financing thereto, monitoring and managing the Investments and evaluating and executing divestiture opportunities for such Investments (collectively, the "Management Services"). The AIFM has appointed the Investment Manager to provide the Management Services to the ICAV and the Fund pursuant to the Investment Management Agreement. The ICAV remains responsible for the management and control of the ICAV and the Fund's business.

Domain and its team of professionals bring extensive experience and expertise to the management of the Fund, including:

- Comprehensive experience in all aspects of timberland investing, including knowledge of existing, developing and anticipated market trends;
- Seasoned investment team positioned to execute on market opportunities available to a well-capitalized, efficient and active investor;
- Deep relationships with a broad group of timberland buyers and sellers, industry players, consultants, financial institutions and government agencies; and
- Local knowledge of all major United States timber regions through physical presence, transaction experience, existing investment locations, and strong consultant and proprietary relationships.

Domain will employ a centralized investment strategy for the Fund. Due to its diverse geographical presence, however, Domain will decentralize many on-the-ground management functions to provide an effective and efficient means for managing each investment, maximizing returns and minimizing risk. Further, a partially decentralized management structure should enable Domain to respond promptly to market changes and opportunities, as well as to quickly implement strategic action.

Domain's principals and management team average more than 20 years' experience in the timberland, real estate and investment industries and have participated in investment and management roles through several real estate and investment cycles. Domain employs a sophisticated and disciplined approach to investing involving comprehensive acquisition analysis, strategic value enhancement strategies, capital markets expertise and professional asset management skills. Domain's critical asset management functions are performed internally, including (i) sourcing, underwriting and acquisition analysis of a wide variety of timberland investment opportunities; (ii) planning and implementation of timberland management programs, strategic market positioning and alternative strategy programs; (iii) creation of optimal transaction and legal structures; and (iv) the development of strategic and market specific exit strategies. Through Domain's unique ability to combine timberland investment and management expertise with financial and corporate skills, Domain provides the Fund with in-house capabilities to envision and execute unique and complex timberland transactions across a broad array of property types and geographies.

Domain also maintains excellent relationships with a diverse group of timber industry entities, private landowners and financial institutions, as well as key federal, state and local agencies. Domain believes that these relationships can be crucial in maximizing value through the acquisition, management and disposition stages of the investment cycle.

### ***Investment Committee***

The Investment Manager will consult with its Investment Committee (the "Investment Committee") with respect to investment decisions on behalf of the Fund, and the Investment Committee will vote on those decisions.

### ***AIFM***

The ICAV has appointed Maples Fund Management Ireland Limited as the alternative investment fund manager of the ICAV and each sub-fund (the "AIFM"). The AIFM is a private limited company incorporated in Ireland on 11 March 2011. The discretionary portfolio management of the Fund is delegated to the Investment Manager.

### ***Non-EEA Distributor***

The AIFM has also appointed Domain as a non-exclusive distributor of the Shares of the Fund in non-EEA jurisdictions (Domain acting in such capacity, the "Distributor").

## 8. Investment Considerations – Risk Factors and Potential Conflicts of Interest

---

An investment in the Fund involves a high degree of financial risk that may result in substantial losses. In order for the Fund to succeed, it must be able to accurately identify potentially successful timberland investments. Investment in the Fund is highly speculative, involves a high degree of risk and could result in the loss of part or all of an investor's Capital Contributions. Therefore, prospective investors should not invest unless they can bear such a loss.

Moreover, there can be no assurance that the Fund's investment objectives will be achieved and investment results may vary materially from one reporting period to the next. Consequently, an investment in the Fund is suitable only for sophisticated investors who are capable of making an informed and independent decision as to the risks involved in an investment in the Fund. Potential risk factors to consider prior to making an investment in the Fund include, but are not limited to, the factors discussed below and those discussed elsewhere in this Supplement. Each of the risk factors listed below, individually when on its own, or taken together with one or more other risk factors, could have a material adverse effect on the Fund.

The following discussion does not purport to be an exhaustive explanation of all of the risks and considerations material to a purchaser of Shares, and prospective investors must rely on their own examination of, and their own ability to evaluate, the nature of an investment in the Shares, including all of the risks involved in making such an investment. **Prospective investors are urged to read this entire Supplement, Instrument of Incorporation (the "Instrument") and Prospectus, and each prospective investor should consult with such prospective investor's own advisors and legal counsel before purchasing Shares in the Fund.**

### ***Risks Related to an Investment in the Fund***

#### **FORWARD-LOOKING STATEMENTS**

Certain statements in this Supplement constitute "forward-looking statements." When used in this Supplement, the words "target", "anticipate," "believe," "estimate," "expect," "intend" and similar expressions are generally intended to identify forward-looking statements. Such forward-looking statements, including the intended actions and performance objectives of the Fund, involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. All forward-looking statements in this Supplement speak only as of the date hereof. The Fund and the Investment Manager expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectation with regard thereto or any change in events, conditions or circumstances on which any such statement is based.



**PAST PERFORMANCE**

The past investment performance of Domain or its principals should not be relied on as an indicator of the Fund's future performance or success. There can be no assurance that the Fund will achieve results comparable to any such prior investment activity. Past performance may include the positive or negative impact of general industry, economic and other factors, over which none of Domain or its principals had any control.

**NO ASSURANCE OF INVESTMENT RETURN; PAST PERFORMANCE**

The Investment Manager cannot provide assurance that the Fund will be able to make and/or realize investments in any particular timberland assets or portfolio of timberland assets. There is no assurance that the Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments and transactions described herein. An investment in the Fund involves a significant degree of risk. Shareholders have no assurance that the Fund's Investments will yield the returns expected by the Fund's management. It is possible that the Fund will not be able to acquire assets at favorable prices or on favorable terms and conditions, thereby reducing expected returns. The Investment Manager may not be successful in identifying suitable assets that meet the Fund's investment criteria or in consummating Investments on satisfactory terms. Failures in identifying or consummating potential Investments on satisfactory terms could reduce the number of Investments that are completed and slow the Fund's growth.

In addition, subsequent to the Fund's acquisition of a particular Investment, management may adjust targeted returns to reflect changes in market conditions. There can be no assurance that the Fund will make a profit on its respective Investments or even be able to recover its invested capital during any anticipated period of time. An investment in the Fund should only be considered by persons who can afford a loss of their entire investment.

**RELIANCE ON INVESTMENT MANAGER / KEY PERSON**

Decisions with respect to the management of the Fund will be made by the Investment Manager. An investor in the Shares must rely upon the ability of the Investment Manager in identifying, structuring, and implementing investments consistent with the Fund's investment objective and policies. The success of the Fund will depend on the ability of the Investment Manager to identify and consummate suitable Investments, to manage the related timberlands and timber production of any such Investments, and to dispose of Investments of the Fund at a profit. The success of the Fund depends in substantial part upon the leadership, skill and expertise of certain individuals, including without limitation, the Key Persons. However, there can be no assurance that each of the Key Persons will continue to be affiliated with the Fund or the Investment Manager throughout the Fund's anticipated term. The loss of one or more of these individuals could have a material adverse effect on the performance of the Fund.

**DIFFICULTY LOCATING SUITABLE INVESTMENTS**

Investors in the Fund must rely upon the ability of the Investment Manager to identify, structure and implement Investments consistent with the Fund's investment objectives and policies. Investors in the Fund will not have the opportunity to evaluate the financial and other information that will be used by the Investment Manager in their analysis, selection, and monitoring of Investments for the Fund. There can be no assurance that the Investment Manager will be able to identify a sufficient number of attractive investment opportunities to invest fully the Fund's committed capital in opportunities that satisfy the Fund's investment objectives, or that such investment opportunities will lead to completed Investments by the Fund. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

**NO RIGHT TO CONTROL THE FUND'S OPERATIONS**

Shareholders of the Fund will have no rights or powers to take part in the management or control of the Fund or any of its Investments and will not receive detailed financial information related to specific Investments that is available to the Investment Manager. Thus, Shareholders must depend solely upon the ability of the Investment Manager with respect to the Fund's Investments. Moreover, in order to safeguard their limited liability from the liabilities and obligations of the Fund, Shareholders must rely entirely on the Investment Manager to conduct and manage the affairs of the Fund. The success of the Fund will depend on the ability of the Investment Manager to acquire profitable Investments. Accordingly, no person should invest in the Fund unless such person is willing to entrust all aspects of the management of the Fund to the Investment Manager.

**DILUTION FROM SUBSEQUENT CLOSINGS**

Shareholders of the Fund subscribing for Shares in the Fund at subsequent closings will participate in existing Investments, diluting the interest of existing Shareholders therein. Although such Shareholders will contribute their pro rata share of previously made Fund draws (plus an additional amount thereon), there can be no assurance that this payment will reflect the fair value of the existing Investments at the time such Additional Shareholders subscribe for Shares in the Fund.

**SIZE OF THE FUND**

The Fund is targeting \$500 million of Commitments. However, an initial closing of the Fund may occur following receipt of Commitments for a substantially smaller amount, and there can be no assurance that additional funds will be raised. If the size of the Fund is less than the anticipated \$500 million, then fewer Investments may be made by the Fund and the average size of Investments may be reduced. This could increase the risk that the Fund may not attain its investment objectives.

**PROJECTIONS**

The Investment Manager may rely upon projections, forecasts or estimates developed by the Fund or others concerning the future performance of an Investment. Projections, forecasts and estimates

are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond the Investment Manager's control. Actual events may differ from those assumed, and actual results may vary significantly from the projections, as general economic conditions and other factors out of the control of the Investment Manager may negatively impact the reliability of the financial projections.

#### **ILLIQUID NATURE OF SHARES**

There will be no public market for shares in the Fund (the "Shares"), and none is expected to develop. The Shares have not been registered under U.S. federal or state or any non-U.S. securities laws, and transfer of the Shares is subject to restrictions on resales imposed by federal and state securities laws. The Fund has no plans, and is under no obligation, to register the Shares under the U.S. Securities Act of 1933, as amended (the "Securities Act"). In addition, pursuant to the Application Form, Shares generally will not be transferable, and investors generally will not be permitted to withdraw until the termination of the Fund. An investment in the Fund should be considered illiquid, and investors may not be able to liquidate their investments prior to the expiration of the Fund's term.

## **BORROWING**

The Fund, by itself or on a joint and several basis with any Parallel Fund, may (i) borrow funds under one or more credit facilities or other financing arrangements (together with any Guarantee (as defined below), each a “Credit Facility”) provided by one or more banks, syndicates of lenders or other lenders or financing sources (each, a “Lender”), for the purposes of (A) paying Organizational Expenses or Fund Expenses (including, for the avoidance of doubt, Management Fees); (B) financing or refinancing the purchase price of any Investment; (C) securing permanent financing or procuring credit support for Intermediate Entities or other subsidiaries; (D) funding distributions or withdrawal payments to any Shareholder; or (E) for any other purpose determined in good faith by the Investment Manager to be consistent with the purposes of the Fund set forth herein; (ii) guarantee, or otherwise become contingently liable with respect to, obligations of any Intermediate Entity or other subsidiary (each, a “Guarantee”) under any Credit Facility or otherwise; or (iii) enter into any related documents contemplated by, or related to, any such Credit Facility or Guarantee (including with respect to any security interest with respect thereto).

Additionally, if one or more banking institutions which are parties to such Credit Facility fail to fund a request (or any portion of such request) by the Fund to borrow money, the Fund’s ability to make Investments, fund operations and pay debt service could be reduced, each of which could adversely affect the Fund’s operations.

In addition, the Investment Manager may utilize leverage on an Investment by Investment basis and in connection with such leverage cause any direct or indirect subsidiary of the Fund that holds one or more Investments to incur indebtedness for borrowed money that the Investment Manager determines is customary and suitable for each such Investment; provided that (i) the leverage utilized for any Investment shall not exceed sixty percent (60%) of the fair value of such Investment without the approval of the Advisory Committee (measured at the time of each borrowing) and (ii) the leverage collectively utilized for all Investments (on an Investment-level basis) shall not exceed twenty-five percent (25%) of the fair value of the Fund without the approval of the Advisory Committee (measured at the time of each borrowing).

Ultimately, borrowings by the Fund will expose the Fund to interest rate risk, and the Fund may be less likely to be profitable or meet its goals if interest rates increase. If the Fund does not receive sufficient cash flow from its Investments to meet principal and interest payments on any such borrowings, then the Fund may need to dispose of its Investments sooner or at a lower price than it otherwise would have in order to pay the debt. Borrowings by the Fund have the potential to enhance overall returns that exceed the Fund’s cost of funds, however they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Fund’s cost of funds.

## **NO OPERATING HISTORY**

Although Domain and the Key Persons have extensive backgrounds in timberland investing, the Fund is a new entity with no operating history or track record. There can be no assurance that one or more Investments made on behalf of the Fund will not result in losses. There can be no assurance that the Fund will experience the same level of returns and there can be no assurance that an investment in

the Fund will not result in losses. The possibility of partial or total loss of the Fund's capital exists, and prospective investors should not subscribe unless they can readily bear the consequences of such loss.

#### **COMPETITION FOR INVESTMENTS**

The Fund expects to encounter competition from other entities having similar investment objectives. The forest products business is large and competitive. Competitive factors generally include price, species and grade, proximity to wood consuming facilities, ability to meet delivery requirements, availability of substitute products, and supply and demand in the relevant market area. In addition, timber is subject to increasing competition from a variety of non-wood and engineered wood products. The Fund will compete with a number of large, well-financed regional and international forest products companies experienced in all aspects of forestry, as well as the manufacturing and marketing of wood products. In many instances, these competitors will have more experience in the geographic regions where the Fund will invest than the Investment Manager. In addition, during the life of the Fund, the Fund may experience increasing competition from currently underutilized sources of supply and underutilized species of wood. Further, the Fund may compete for desirable investments with other private investment funds, real estate investment trusts (commonly referred to as "REITs") that are privately owned or publicly traded, foreign investors, various types of financial institutions and their affiliates, family groups and wealthy individuals, some or all of which may have competitive advantages over the Fund and greater capital and resources than the Fund. To the extent that the Fund encounters competition for investments, yields to its investors may decrease.

#### **RISK OF LIMITED NUMBER OF INVESTMENTS AND DIVERSIFICATION**

The Fund may participate in a limited number of Investments and, as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of even a single Investment. In addition, the diversification of the Fund's Investment portfolio may change over time during the life cycle of the Fund. For example, during the Investment Period, some volatility is expected as the Fund deploys the Shareholders' Commitments into Investments (especially at the beginning of the Investment Period as the Fund acquires its initial Investments). Other than as set forth in the Application Form, investors have no assurance as to the degree of diversification of the Fund's Investments, either by geographic region or relative sizes of Investment. At a particular time, the Fund may have a significant portion or all of its investment capital in only one Investment. In the event the Fund concentrates its Investments by geographic region, its results will be more susceptible to adverse economic and business conditions.

#### **FAILURE TO MAKE CAPITAL CONTRIBUTIONS**

If a Shareholder fails to make a capital contribution, and the contributions made by non-defaulting Shareholders and borrowings by the Fund are inadequate to cover the defaulted contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the Shareholders (including non-defaulting Shareholders). If a Shareholder defaults, the Shareholder may be subject to certain substantial penalties set forth in the Application Form, including, without limitation, the required

transfer or purchase of the Interest in the Fund or a portion of its Interest (with a corresponding reduction in that Shareholder's capital account) to any person or persons, including the Fund or the Investment Manager or any of its affiliates, at a reduced valuation.

**ABSENCE OF RECOURSE TO THE INVESTMENT MANAGER**

The Application Form limits the circumstances under which the Investment Manager can be held liable to the Fund. As a result, the Shareholders may have a more limited right of action in certain cases than they would in the absence of such limitations.

**LIMITATION OF LIABILITY**

The Investment Manager, its affiliates, any current or former officer, director, manager, stockholder, partner, principal, member or employee thereof shall not have any liability to the Fund or any Shareholder for any losses from their actions or inactions, absent certain instances such as fraud, willful misconduct, gross negligence, or a violation of federal securities laws, breach of fiduciary duty, or breach of the Application Form that has a material adverse effect on the Fund.

**INDEMNIFICATION**

The Fund will be required to indemnify the Investment Manager, any member of the Advisory Committee, their affiliates and any current or former officer, director, manager, stockholder, partner, principal, member or employee thereof together with their affiliates, for liabilities incurred in connection with the affairs of the Fund. Such liabilities may be material and have an adverse effect on the returns to the Shareholders. To the extent not covered by an insurance policy, to the extent obtained by the Fund, the indemnification obligation of the Fund would be payable from the assets of the Fund. If the assets of the Fund are insufficient, the Investment Manager may, subject to certain limitations set forth in the Application Form, recall distributions previously made to the Shareholders.

**LITIGATION**

In the ordinary course of its business, the Fund may be subject to litigation from time to time. The outcome of any such proceedings may materially adversely affect the Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Investment Manager's time and attention, and that time and the devotion of these and the Fund's economic resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation. Under the Application Form, the Fund will generally be responsible for indemnifying the Investment Manager, the Key Persons and related parties for costs they may incur with respect to such litigation not covered by insurance.

**LONG-TERM COMMITMENT REQUIRED**

An investment in the Fund is a long-term commitment. Shareholders will not be able to reduce their Commitment or withdraw capital contributions from the Fund, irrespective of material changes in the world economy, private equity or timber investments or applicable laws, regulations or taxes.

**VOTING**

Except to the extent required by the Delaware Revised Uniform Limited Partnership Act or other applicable law, or as specifically set forth in the Application Form, the Shareholders will not be entitled to vote on any matters of the Fund. The Investment Manager will have complete and exclusive discretion in the portfolio management of the Fund.

**RESTRICTIONS ON TRANSFER AND WITHDRAWAL**

Investment in the Fund requires the financial ability and willingness to accept significant risk and illiquidity. An investment in the Fund requires a long-term commitment, with no certainty of return. There most likely will be little or no near-term cash flow available to Shareholders. The Shares have not been registered under the Securities Act or any other applicable securities laws. There is no public market for the Shares and none is expected to develop. In addition, the Shares are not transferable except with the consent of the Investment Manager, which generally may be withheld by the Investment Manager in its sole discretion, and are subject to the terms and conditions of the Application Form. Shareholders generally may not withdraw capital from the Fund. Consequently, Shareholders may not be able to liquidate their investments prior to the end of the Fund's term.

**U.S. DOLLAR DENOMINATION OF SHARES**

Shares are denominated in U.S. dollars. Investors subscribing for Shares in any country in which U.S. dollars are not the local currency should note that changes in the value of exchange between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. There may be foreign exchange regulations applicable to investments in foreign currencies in certain jurisdictions.

**REPAYMENT OF CERTAIN DISTRIBUTIONS**

Any Shareholder's investment in the Fund is susceptible to risk of loss as a result of any liability of the Fund irrespective of whether such liability is attributable to an Investment to which such Partner contributed any capital or even if such obligation or liability arises after termination of the Fund. If the Fund is otherwise unable to meet its obligations (including an obligation arising from an indemnifiable event), the Shareholders may, under the Application Form or applicable law, be obligated to return distributions previously received by them, even if such obligation or liability arises after termination of the Fund. In addition, a Shareholder may be liable under applicable bankruptcy and other laws to return a distribution made during the Fund's insolvency.

**NEED FOR ADDITIONAL FUNDS**

If the Fund does not raise enough capital in its offering, or if the Fund does not operate within budget, the Fund may require additional funds to meet investment objectives. The Fund may not be able to



obtain additional financing as needed, on acceptable terms, or at all, which would force a delay in plans for growth and implementation of the Fund's investment strategy, which could adversely affect the business, financial condition, and results of operations of the Fund.

#### **RISKS UPON DISPOSITION OF CERTAIN INVESTMENTS**

In connection with the disposition of an Investment, the Fund may be required to make representations about the Investment typical of those made in connection with the sale of any other property or business. It may also be required to indemnify the purchasers of such Investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Shareholders of the Fund to the extent of their Commitments or previous distributions made to them.

#### **EXPEDITED TRANSACTIONS**

Investment analyses and decisions by the Investment Manager may frequently be required to be undertaken on an expedited basis in order for the Fund to take advantage of available investment opportunities. In such cases, the information available to the Investment Manager at the time of the investment decision may be limited, and the Investment Manager may not have access to the detailed information necessary for a thorough evaluation of the investment opportunity. Further, the Investment Manager may conduct its due diligence activities over a very brief period. Therefore, no assurance can be given that the Investment Manager will have knowledge of all circumstances that may adversely affect an Investment. In addition, the Investment Manager may rely upon specialized expert input by various third party consultants and service providers in connection with its evaluation of proposed Investments.

#### **INVESTMENTS LONGER THAN TERM**

The Fund may make Investments that may not be advantageously disposed of prior to the date that the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although the Investment Manager expects that Investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the Investment Manager has a limited ability to extend the term of the Fund, the Fund may have to sell, distribute or otherwise dispose of Investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the Fund the Investment Manager will be required to make efforts to reduce to cash and cash equivalents such assets of the Fund as the Investment Manager shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the Shareholders will occur.

#### **SIDE LETTERS**

The Investment Manager and/or the Fund may enter into other written agreements ("Side Letters") with one or more Shareholders. These Side Letters may entitle a Shareholder to make an investment in the Fund on terms other than those described herein and may be more favorable than those offered to any other Shareholders.



**CYBER SECURITY BREACHES**

Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and are expected to continue to increase in frequency and severity in the future. The information and technology systems of the Investment Manager, the Fund and their respective affiliates, and service providers may be vulnerable to damage or interruption from cyber security breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, usage errors or malfeasance by their respective professionals or service providers, power, communications or other service outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, earthquakes or terrorist incidents. If unauthorized parties gain access to such information and technology systems, or if personnel abuse or misuse their access privileges, they may be able to steal, publish, delete or modify private and sensitive information, including non-public personal information related to Shareholders (and their beneficial owners) and material non-public information.

**LEGAL, TAX AND REGULATORY RISKS**

Legal, tax and regulatory changes could occur during the term of the Fund that may adversely affect the Fund and its Investments.

**POTENTIAL REGULATION OF THE PRIVATE EQUITY INDUSTRY**

Recently, there has been significant discussion regarding greater governmental scrutiny and/or potential regulation of the private equity industry, as private equity firms become more significant participants in the broad-based economy. In many respects, regulations targeting the private equity industry also target private fund managers. It is uncertain as to what form and in what jurisdictions such enhanced scrutiny and/or regulation on the private equity industry may ultimately take. Therefore, there can be no assurance as to whether any such regulatory scrutiny or initiatives will have an adverse impact on the Investment Manager and its respective affiliates, including the ability of the Fund to achieve its objectives.

**ABSENCE OF REGULATORY OVERSIGHT**

While the Fund may, in some respects, be considered to be similar to an investment company, it is not registered, and does not intend to register, as such under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") or the laws of any other country or jurisdiction and, accordingly, the provisions of the Investment Company Act will not be applicable to the Fund.

**COMPLIANCE WITH ANTI-MONEY LAUNDERING REQUIREMENTS**

In response to increased regulatory concerns with respect to the sources of funds used in investments and other activities, the Fund may require Shareholders to provide additional documentation verifying, among other things, such Shareholders' identity and source of funds used to purchase Shares. The Directors may decline to accept a subscription if this information is not provided or on the basis of such information that is provided. Requests for documentation and

additional information may be made at any time during which a Shareholder holds an Interest. The Investment Manager may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying the Shareholders that the information has been provided. The Fund will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives or special measures. Governmental authorities are continuing to consider appropriate measures to implement and at this point, it is unclear what steps the Fund may be required to take; however, these steps may include prohibiting a Shareholder from making further contributions of capital to the Fund, depositing distributions to which a Shareholder would otherwise be entitled to in an escrow account or causing the withdrawal of a Shareholder from the Fund.

#### **GENERAL ECONOMIC AND MARKET CONDITIONS**

The success of the Fund's activities will be affected by general economic and market conditions, such as changes in interest rates, availability of credit, default rates, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's Investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of asset prices and the liquidity of the Fund's Investments. Material changes and fluctuations in the economic environment, particularly of the type that caused significant dislocations, illiquidity and volatility in the wider global economy in the past, may affect the Fund's ability to acquire Investments. The short-term and the longer-term impact of these events are uncertain, but they could continue to have a material effect on general economic conditions, consumer and business confidence and market liquidity. Any economic downturn resulting from a recurrence of such marketplace events and/or volatility in the financial markets could adversely affect the financial resources of the Fund. The profitability of the Investments can be expected to be sensitive to the performance of the overall economy. Additionally, a serious pandemic, armed conflict or natural disaster could severely disrupt global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer and business confidence may negatively impact market value, increase market volatility and reduce liquidity, all of which could have an adverse effect on the performance of the Investments, the Fund's returns and the Fund's ability to acquire additional Investments. No assurance can be given as to the effect of these events on Investments or investment objectives.

#### **UNINSURED DEPOSIT RISK & FEDERAL BANKING POLICIES**

The Investment Manager anticipates that the Fund will maintain its cash deposits in bank accounts that are federally insured by the Federal Deposit Insurance Corporation (the "FDIC"). However, cash deposits in such bank accounts are typically only insured up to \$250,000 per depositing entity. Thus, the Fund may be exposed to risks associated with uninsured deposits in the event that cash deposits in any Fund bank account exceeds \$250,000. In the event that a particular banking institution (where the Fund has a bank account) fails, the Fund may be subject to risk of loss of all cash deposits held in such entity's depository bank account in excess of \$250,000. Although the FDIC, the U.S. Federal Reserve Board, and the U.S. Department of Treasury have recently collectively agreed to extend insurance to uninsured deposits in several banks that have failed, there is no guarantee that they will continue to do so in the future or that federal banking policies will not change. To the extent that

reserves for the Fund are maintained at a depository bank that fails, those reserves may not be available to the Fund when the reserves are needed. In an effort to manage uninsured deposit risk, the Fund may hold reserves in multiple insured banks and in money market funds that typically invest in short to mid-term publicly traded debt instruments.

#### **CHANGES IN MARKET CIRCUMSTANCES**

The Fund faces risks that may arise out of international, U.S., regional and local economic and market conditions, including changes in interest rates, instability in certain securities markets, changes in relative valuation of its target investment sectors, changes in the availability of, or the general terms and conditions for, investment financing, shifts in the supply and demand for timber and real estate in general, changes to the financial resources and solvency of buyers and sellers of investments, among other factors – any one of which could adversely affect investment returns.

#### **RISKS ASSOCIATED WITH FEDERAL RESERVE BOARD POLICIES AND MACROECONOMIC CONDITIONS**

In addition to its regulatory responsibilities, the U.S. Federal Reserve Board is charged with monitoring the U.S. economy and managing various macroeconomic aspects of the U.S. economy, which frequently impacts the world economy in part due to the fact that the U.S. Dollar is the principal reserve currency internationally. While the powers of the U.S. Federal Reserve are extensive, they are also limited in that it principally manages monetary policy (e.g., the money supply and various interest rates), as opposed to tax and fiscal policy. In setting and managing monetary policy the U.S. Federal Reserve works principally through banks and financial markets. Changes in monetary policy frequently impact the value of investments, the rate of interest charged by banks and other lenders, and the general affordability of housing and other consumer goods. Increases in interest rates would adversely impact the value of existing Investments, which would be adverse to investors that directly or indirectly hold those Investments. Those impacts may be material. In addition to monetary policy, other macroeconomic conditions and changes in macroeconomic conditions can affect Investments in a material way, which may be beneficial or detrimental to a particular Investment. Other macroeconomic conditions include, without limitation, inflation, deflation, economic recession and expansion (which can be affected by monetary policy), taxation, and market conditions, including labor markets, and the state of supply and demand generally (e.g., supply chain), which are not generally controlled by the U.S. Federal Reserve Board. Different Investments may be affected differently and disproportionately, and those impacts, which may be positive or negative, may be material.

#### **MARKET DISRUPTIONS**

It is possible that a major event or other circumstance could provoke immediate dramatic changes in general market psychology and could motivate widespread variation in the absolute and relative pricing of assets, and the availability of financing for such assets. Such circumstances may include, but are not limited to, a financial shock experienced by a market participant, terrorist attack, outbreak of war or other change in the geopolitical landscape. Analogous circumstances in the past have imposed material adverse influences on general liquidity in financial markets, on the pricing, purchases and sales of broad investment categories and, in certain cases, on the existence of financial

markets during conventional business hours. In addition, such events may result in widespread revisions to prior standards for company valuation, transaction costs and the price and availability of capital.

## **INFLATION**

Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on certain markets and economies. Inflation can adversely affect the Fund by increasing costs of operations, materials, and labor. In addition, significant inflation is often accompanied by higher interest rates, which may have a negative impact on demand for various types of investments. There can be no assurance that inflation will not become a serious problem in the future and thus have an adverse impact on the Fund's financial performance.

## **INTEREST RATE AND HEDGING RISKS**

The Fund will have exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the Fund and the value of certain types of Investments. Interest rates may be affected by inflation, unemployment, recession, and other factors. In recent years, interest rates have risen in response to inflation concerns. For example, between 2022 through August 2024, the U.S. Federal Reserve increased the federal funds rate, although the U.S. Federal Reserve has since reduced the federal funds rate. The Investment Manager is unable to anticipate changes in the interest rate environment and may not be able to manage this risk effectively for the Fund, which could result in a material adverse impact on the Fund's financial performance.

The Fund's performance may also be adversely affected by a fluctuation in interest rates if it utilizes variable rate financing and fails to employ an effective hedging strategy to mitigate such risks, including engaging in interest rate swaps, caps, floors and other interest rate contracts, and buying and selling interest rate futures and options on such futures. The Fund may elect to borrow at a variable interest rate and to employ such a hedging strategy (although it will be under no obligation to do so); however, the use of these instruments to hedge a portfolio carries certain risks, including the risks that losses on a hedge position will reduce the Fund's earnings and funds available for distribution to Shareholders and that such losses may exceed the amount invested in such instruments. Even if used, hedges may not perform their intended purposes of minimizing and offsetting losses on an investment by the Fund.

## **WAR**

On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and, as of the date of this Supplement, the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus. On October 7, 2023, Hamas militants launched a surprise attack on Israel, killing Israeli citizens and taking hostages. Israel has retaliated for the attack, and as of the date of this Supplement, the two sides remain in active armed conflict. The ongoing conflicts and the rapidly

evolving measures in response could be expected to have a negative impact on the economy and business activity globally and therefore could adversely affect the performance of the Fund's Investments. The severity and duration of the conflicts and their impact on global economic and market conditions are impossible to predict, and as a result, could present material uncertainty and risk with respect to the Fund and the performance of its Investments and operations, and the ability of the Fund to achieve its investment objectives.

#### **PUBLIC HEALTH EMERGENCIES**

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19 have resulted in market volatility and disruption, and any such future emergency has the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Fund.

Any future public health emergency could have a significant adverse impact and result in significant losses to the Fund. The extent of the impact on the Fund and its Investments' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Investment Manager to source, diligence and execute new Investments and to manage, finance and exit Investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Investment Manager intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives. They may also impair the ability of the Investments and their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Fund, its Investments, and the Investment Manager may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

#### **TERRORISM**

The threat or occurrence of terrorist attacks, and the military, economic and political response to terrorism and hostilities throughout the world, may have material consequences on the global economy. The Investment Manager is not able to predict the extent, severity or duration of the effect of terrorist attacks, hostilities or related events or quantify the impact that these events may have on the Fund or any Investments of the Fund.

## **DISCLOSURE OF INFORMATION**

Certain Shareholders of the Fund may be subject to state public records or similar freedom of information laws that may compel public disclosure of confidential information regarding the Fund, its Investments and its investors. There can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which the Fund, the Investment Manager, their affiliates or service providers to any of them may be or become subject.

## ***Risks Related to Investments in Timberland Assets***

### **THE CYCLICAL NATURE OF TIMBERLAND VALUES AND LUMBER VALUES**

Prices for standing timber have been, and in the future can be expected to be, subject to sharp, cyclical fluctuations. Accordingly, there can be no assurance the market value of timber will in the future be equal to or higher than the value currently prevailing, nor can there be any assurance that the historical long-term profitability of timberlands can be maintained. Further, all prospective investments of the Fund will be analyzed based upon certain assumptions relating to product prices and costs of production. There can be no assurance that the assumptions used to derive the estimated market prices, costs and ensuing revenues will be correct.

### **COMPETITION FOR TIMBERLAND INVESTMENTS**

Investing in timberlands, particularly on the scale contemplated by the Fund, is a highly competitive enterprise. Identifying attractive timberland investments is difficult and involves a high degree of uncertainty. There can be no assurance that the Fund will be able to acquire timberlands and related businesses that satisfy the Fund's rate of return objectives or that the Fund will be able to fully invest its committed capital within the Fund's Investment Period.

### **LONG-TERM SOURCE OF SUPPLY CONTRACTS**

The marketing strategy of the Fund may include the negotiation of long-term source-of-supply contracts guaranteeing customers a stable flow of timber at market prices. Such contracts would require that logs be harvested regardless of current market prices. Because the pricing mechanism in supply contracts is usually determined by some formula (e.g. a fixed price based on prices at mills in the same market), it is possible that the use of supply contracts could cause the Fund to miss certain spot market opportunities that otherwise could have increased the Fund's returns. Supply contracts also will require the Fund to continue harvesting when prices have decreased to a point that the Fund would have limited its harvest activities in the absence of the supply requirements. In addition, there is also a risk that the mills to which timber is sold pursuant to the supply contracts could close, which could leave the Fund without a secured customer for timber.

### **ENVIRONMENTAL CONSIDERATIONS**

The forest products industry is subject to extensive environmental regulation in the United States as well as abroad. In recent years, environmental laws in countries outside the United States have



become more stringent and enforcement has intensified. It is likely that additional regulations both inside and outside of the United States will become applicable to the operations of the Fund's Investments, resulting in increased costs, reduced operating flexibility and additional capital expenditures which could adversely affect the Fund's operating results with respect to such investments. Additionally, in accordance with industry practice, the Fund may not always conduct comprehensive environmental reviews of the properties and businesses in which it may invest or purchase. It is possible that even where the Fund does conduct environmental reviews it will not uncover all potential environmental problems, which could subject the Fund to significant liabilities.

#### **FIRE, WEATHER AND PEST DAMAGE TO PROPERTIES; POTENTIAL CLIMATE CHANGE**

Timber is subject to a number of natural hazards, including damage by fire, drought, insects and diseases or soil infertility. Severe weather conditions and other natural disasters may also reduce productivity of forest lands and may interfere with the processing and delivery of forest products. Similarly, long-term climate changes may negatively affect forest lands. Disease and pest control methods are not always successful and, in addition to posing difficult environmental compliance problems, can be very expensive. Insurance against loss may not be obtainable, or may not be obtainable at a reasonable cost, and the Fund may decide not to insure against major risks due to cost or other considerations.

#### **TIMBER EXPORT/IMPORT REGULATION**

There is a possibility that in some countries in which the Fund may invest, including the United States, the export or import of raw logs could be taxed, subject to volume limitations, or otherwise discouraged or prohibited by governmental authorities. Legislation was unsuccessfully introduced in the United States House of Representatives in 1994 to prohibit the export of logs originating on private lands. While the proposed legislation did not pass the House of Representatives, there can be no assurance that similar legislation will not be introduced in subsequent sessions of the United States Congress. A prohibition, or limitation, on the export or import of logs could have an adverse effect on returns of the Fund.

#### **CYCLICAL NATURE OF FOREST PRODUCTS INDUSTRY**

The Fund's results will be affected by the cyclical nature of the forest products industry. Prices and demand for logs and manufactured wood products are subject to cyclical fluctuations. The demand for logs and wood products is affected by the level of new residential construction activity, repair and remodeling activity and other industrial uses. The demand for logs is also affected by the demand for wood chips in the pulp and paper markets. These activities are, in turn, subject to fluctuations due to, among other factors:

- changes in domestic and international economic conditions;
- interest rates;
- population growth and changing demographics; and
- seasonal weather cycles (e.g., dry summers, wet winters).

Decreases in the level of residential construction activity generally reduce demand for logs and wood products. This may result in lower revenues, profits and cash flows. In addition, the Fund's results may be subject to global economic changes as supplies of wood fiber shift in response to changing economic conditions. Changes in global economic conditions that could affect the Fund's results of operations include, but are not limited to, new timber supply sources and changes in currency exchange rates, foreign and domestic interest rates and foreign and domestic trade policies.

Furthermore, investors should be aware that the timberland holdings of the Fund will contain an inherent lack of liquidity in comparison to traditional, day-traded assets such as stocks and bonds. The degree of liquidity in the Fund will be dependent upon the weighting of timber in each growth stage in the portfolio. In general terms, younger, and thus smaller trees are less liquid than older, larger trees.

#### **FOREST PRODUCTS INDUSTRY IS HIGHLY COMPETITIVE**

The forest products industry is highly competitive in terms of price and quality. Wood products are subject to increasing competition from a variety of substitute products, including non-wood and engineered wood products. For example, plywood markets are subject to competition from oriented strand board, and United States lumber and log markets are subject to competition from other worldwide suppliers.

Historically, Canada has been a significant source of lumber for the United States market, particularly in the new home construction market. This source of lumber was constrained in April 1996 when a five-year lumber trade agreement between the United States and Canada went into effect. The trade agreement was intended to limit the volume of Canadian lumber exported into the United States through the assessment of an export tariff on annual lumber exports to the United States in excess of certain levels from the four major producing Canadian provinces.

Canada and the United States continue to try and negotiate a trade settlement on softwood lumber to replace the deal which expired in 2015. The U.S. Department of Commerce announced on November 2, 2017 that most Canadian producers will pay total duties of 20.83% on lumber shipments to the U.S.

On December 7, 2017, the United States International Trade Commission (USITC) determined that the U.S. industry is materially harmed by Canadian lumber imports and upheld the earlier ruling imposing a 20.83% duty on Canadian lumber imported into the U.S.

The U.S. Department of Commerce on February 3<sup>rd</sup>, 2020 ruled that combined anti-dumping and countervailing duties on all Canadian softwood lumber could fall to an average 8.21 per cent from 20.23 per cent. A final determination is expected in August 2020.

#### **ABILITY TO HARVEST TIMBER MAY BE SUBJECT TO LIMITATIONS**

Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife, wetlands and other water resources may restrict



harvesting of timberlands, as may other factors, including damage by fire, insect infestation, disease, wind, prolonged drought and other natural disasters. Although damage from such natural causes usually is localized and affects only a limited percentage of the timber, there is no assurance that any damage affecting the Fund's timberlands will in fact be so limited.

Further, properties of the Fund may be exposed to man-caused risks, such as vandalism, environmental degradation (e.g., dumping) and other deliberate destruction resulting in mortality, partial loss of market value, or total loss of market value. Vandalism includes, but is not limited to, the destruction of property gates and/or fences and the unauthorized cutting of trees. Environmental degradation does not typically result in loss of timberland value. However, if significant, such as the pollution of nearby streams and other waterways, expenses and decreases in land value can occur if measures are required, either by the Fund or government intervention, to restore the environment to its original state.

The Fund may maintain insurance coverage with respect to damage to its timberlands. The Fund's timberlands may be intermingled with sections of federal land managed by the United States Forest Service. In many cases, access is only, or most economically, achieved through a road or roads built across adjacent federal land. In order to access these intermingled timberlands, the Fund may obtain from time to time either temporary or permanent access rights across federal lands. This process often is, and will likely continue to be, affected by, among other things, the requirements of the Endangered Species Act, the National Environmental Policy Act and the Clean Water Act. Access and regulatory restrictions may delay or prevent the Fund from harvesting some of its timberlands.

#### **U.S. FEDERAL AND STATE ENVIRONMENTAL REGULATIONS**

The Fund will be subject to regulation under, among other laws, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act of 1980, the National Environmental Policy Act and the Endangered Species Act, as well as similar state laws and regulations. Violations of various statutory and regulatory programs that apply to the operations of the Fund could result in civil penalties, remediation expenses, potential injunctions, cease and desist orders and criminal penalties. The Fund will engage in the following activities that are subject to regulation:

- forestry activities, including harvesting, planting, weed and brush control, and road building, use and maintenance;
- the generation of air emissions;
- the discharge of industrial wastewater and storm water; and
- the generation and disposal of both hazardous and nonhazardous wastes.

Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Some environmental statutes impose strict liability rendering a person liable for environmental damage without regard to the person's

negligence or fault. These laws or future legislation or administrative or judicial action with respect to protection of the environment may adversely affect the Fund's results.

The Endangered Species Act and similar state laws protect plant and animal species threatened with possible extinction. Any number of species on the Fund's timberlands in the future may be protected under these laws, including the northern spotted owl, marbled murrelet, gray wolf, grizzly bear, mountain caribou, bald eagle, karner blue butterfly, red cockaded woodpecker, bull trout and various salmon species. Protection of threatened and endangered species may include restrictions on timber harvesting, road building and other forest practices on private, federal and state land containing the affected species.

## **LITIGATION**

The activities of the Investment Manager, Domain and Domain Capital subject the Investment Manager, Domain, Domain Capital, and their funds and other advisory clients to the risk of being sued by third parties. The expense of litigation relating to the Fund, including paying any amounts pursuant to a settlement or judgment, would generally be borne by the Fund and would reduce the Fund's net assets. The Investment Manager, its employees, Domain, Domain Capital, and others are indemnified by the Fund in connection with such litigation, subject to the terms of the Application Form.

## ***Potential Conflicts of Interest***

***Prospective investors should be aware that there may be occasions when the Investment Manager and its respective affiliates encounter potential conflicts of interest in connection with the Fund's activities. By acquiring an interest in the Fund, each Shareholder will be deemed to have acknowledged the existence of any such actual or potential conflict of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.***

***The following discussion enumerates certain potential conflicts of interest that should be carefully evaluated before making an investment in the Fund.***

## **GENERAL**

Instances may arise where the interests of the Investment Manager, the Key Persons and their respective affiliates may potentially or actually conflict with the interests of the Fund and the Shareholders. The Investment Manager may take such circumstances into consideration as they deem appropriate when approving Investments for the Fund. These and other situations will involve potential conflicts of interest. Although the Investment Manager intends to take measures to address such conflicts, there can be no assurance that such conflicts will be resolved in a manner that is most favorable to the Fund and their Shareholders.

## **MANAGEMENT OF THE FUND AND OTHER CLIENTS AND ACTIVITIES**

In addition to business time and efforts devoted to the Fund, the principals and certain officers and employees of the Investment Manager and its affiliates will also devote business time and efforts to the other advisory clients of Domain, Domain Capital and their affiliates, including previously existing and subsequent funds organized in the future by the Investment Manager, and to the business activities of Domain, Domain Capital and their affiliates. Although Domain, Domain Capital, the principals, and Domain Capital will establish procedures to address such conflicts, there can be no assurance that such conflicts will be resolved in a manner that is most favorable to the Fund and its Shareholders. Time spent on these other initiatives diverts attention from the activities of the Fund, which could negatively impact the Fund and the Shareholders. Furthermore, the Investment Manager and the Investment Manager affiliate personnel derive financial benefit from these other activities, including fees and performance-based compensation. These and other factors create conflicts of interest in the allocation of time by the Investment Manager and the Investment Manager affiliate personnel. The Investment Manager's determination of the amount of time necessary to conduct the Fund's activities will be conclusive, and the Shareholders rely on the Investment Manager's judgment in this regard.

#### **PARALLEL FUNDS**

The Investment Manager may form one or more Parallel Funds to generally invest side-by-side with the Fund. Although the Investment Manager will make determinations on a basis that it believes in good faith is fair and reasonable, conflicts of interest may arise in the rebalancing of interests in Investments between the Fund and any Parallel Fund, as well as in the allocation of certain costs and expenses between the Fund and any Parallel Fund. In addition, any such Parallel Fund may be subject to certain restrictions in connection therewith, including possible restrictions on such Parallel Fund's ability to invest its pro rata share of each Investment made by the Fund. As a result, the Fund or any Parallel Fund may be more or less exposed to one or more Investments.

#### **ALLOCATION OF INVESTMENT OPPORTUNITIES**

The Fund, from time to time, will be presented with investment opportunities that fall within the investment objectives of the Fund and other investment funds and advisory clients of the Investment Manager, Domain Capital, and their affiliates. In addition to the activities that Domain will undertake on behalf of the Fund, Domain and its affiliates also manage, and will continue to manage, other private investment funds, funds-of-one and separate accounts for existing and future clients. Investment opportunities identified by Domain will be allocated in accordance with Domain's Investment Allocation Policy, which could result in the Fund losing an investment opportunity, in whole or in part

#### **CO-INVESTMENT OPPORTUNITIES**

When possible and appropriate, the Investment Manager may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more Shareholders and/or certain third parties, in each case on terms to be determined by the Investment Manager in its sole discretion; provided, however, that the Investment Manager, the principals, or any of their respective affiliates shall notify the Advisory Committee in advance of any purchase of any portion of a co-investment

opportunity by the Investment Manager, the principals, or any of their respective affiliates. In exercising its discretion to allocate co-investment opportunities with respect to a particular Investment to and among potential co-investors and the terms thereof, the Investment Manager may consider some or all of a wide range of factors.

The Fund may be required to bear all costs, expenses, liabilities and obligations relating to any unconsummated Investment that may have been allocated to one or more persons co-investing in such proposed Investment had the proposed Investment been consummated, irrespective of whether any such co-investor or potential co-investor had been identified prior to such time that such proposed Investment was not consummated or any determination had been made by the Investment Manager regarding any co-investment opportunities with respect to such proposed Investment.

#### **MANAGEMENT FEE**

Regardless of the aggregate amount actually invested by the Fund, the Management Fee will be based upon Aggregate Commitments of the Shareholders during the Investment Period. Following the Investment Period, the Management Fee will be based on the cost basis of Investments then held by the Fund (less permanent write-downs).

#### **CARRIED INTEREST**

The Investment Manager will be entitled to receive “carried interest” distributions based upon the return on the Investments. The existence of the carried interest distributions may create an incentive for the Investment Manager to make investment decisions on behalf of the Fund that are more speculative, invest in assets that are more volatile, or otherwise represent a higher degree of risk than the Investment Manager would otherwise make in the absence of the promote distributions. Such conflicting interests could potentially affect the decisions of the Investment Manager in purchasing, holding and disposing of the Investments. However, this incentive may be tempered somewhat by the fact that losses will reduce the Fund’s performance and thus the distributions to the Investment Manager. Additionally, Domain and its affiliates have committed substantial amounts to the Fund and Domain is incentivized to protect their investments.

U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Fund as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such gain for more than three years. This could reduce the after-tax returns of individuals associated with the Investment Manager who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the Investment Manager and its affiliates to incentivize, attract and retain individuals to perform services for the Fund. This could also create an incentive for the Key Persons to cause the Fund to hold Investments for a longer period than would be the case if such three-year holding period requirement did not exist.

#### **BROKEN DEAL EXPENSES**

The Fund and any Parallel Funds will incur costs and expenses associated with potential investments that are not consummated. If any such deals were consummated, the Fund and the Parallel Funds

may have invested alongside third parties, including, without limitation, any actual or potential co-investment partnerships or entities sponsored by the Investment Manager or its affiliates. For the avoidance of doubt, any costs incurred by the Fund and any Parallel Funds in connection with unconsummated investments will be borne solely by the Fund and such Parallel Funds in proportion to their relative commitments, and will not be shared by any such third parties, including, without limitation, any actual or potential co-investment partnerships or entities sponsored by the Investment Manager or its affiliates (for the avoidance of doubt, regardless of whether such co-investment partnerships or entities exist or have been identified). Shareholders should note that investors in such co-investment partnerships or entities may be comprised entirely (or almost entirely) of affiliates of the Investment Manager, and the fact that such co-investment partnerships or entities will not bear any broken-deal expenses may pose a conflict of interest to the Fund and/or the Shareholders.

### **THIRD PARTY RELATIONSHIPS**

Like other private equity firms, as part of the Investment Manager's business, the Investment Manager and its employees have developed many relationships with third parties, some of which could be viewed as significant, close or personal, that have the potential to raise conflicts of interest. Such third parties may include, without limitation, investment bankers, consultants, custodians, private equity and venture capital investors, co-investors, current and former directors and officers and employees of current and former portfolio companies. Certain of such third parties may: introduce investment opportunities to the Investment Manager or the Key Persons; arrange for, or facilitate financing in, the purchase or recapitalization of investments; introduce investments to potential acquisition or merger candidates; introduce the Investment Manager to potential buyers of investment securities; facilitate the disposition of investment securities; provide investment banking, consulting or advisory services to the Investment Manager or the Fund's Investments; co-invest in Investments; perform investment banking services for issuers of private securities held by Investment Manager personnel or their friends or family members; introduce or recommend private investment opportunities to Investment Manager personnel (including, without limitation, the Key Persons) or their friends or family members; or provide other significant business or investment services to the Investment Manager, the Fund, investments, Investment Manager personnel and friends or family of Investment Manager personnel. Related parties may receive direct commercial compensation from the Fund or investments for providing these services. Moreover, members, managers, managing partners, employees or affiliates of the Investment Manager may have a financial or ownership interest in, or serve on the board of directors of, certain banks, service providers, stockholder representatives and/or other financial institutions or entities that provide services to the Fund or otherwise directly or indirectly participate or act in connection with certain transactions of the Fund. Accordingly, such individuals may have additional economic incentives that create a potential conflict of interest with respect to such Fund transactions.

### **RESOLUTION OF CONFLICTS**

The Fund will establish an Advisory Committee consisting of representatives not affiliated with the Investment Manager. The Advisory Committee will meet as required to consult with the Investment Manager as to, among other things, potential conflicts of interest. On any issue involving actual

conflicts of interest, the Investment Manager will be guided by its good faith discretion. In the event that any matter arises that the Investment Manager determines constitutes an actual conflict of interest between the Fund, on the one hand, and the Investment Manager or its affiliates, on the other hand, the Investment Manager will take such actions as it deems necessary or appropriate in good faith to ameliorate the conflict (and, upon taking such actions approved by the Advisory Committee, the Investment Manager will be relieved of any responsibility for the conflict of interest). These actions may include disposing of the timberland held by the Fund giving rise to the conflict of interest or appointing an independent fiduciary. The Investment Manager will retain ultimate responsibility for all decisions relating to the operation and management of the Fund, including but not limited to investment decisions.

#### **DIVERSE SHAREHOLDER GROUP**

The Shareholders may include United States taxable and tax-exempt entities and institutions from jurisdictions outside of the United States. Such Shareholders may have conflicting investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of individual Shareholders may relate to or arise from, among other things, the nature of Investments, the structuring of the acquisition of Investments and the timing of the disposition of Investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Investment Manager, including with respect to the nature or structuring of Investments, that may be more beneficial for one Shareholder than for another Shareholder, especially with respect to Shareholders' individual tax situations. In selecting and structuring appropriate Investments, the Investment Manager will consider the investment and tax objectives of the Fund and the Partners as a whole, not the investment, tax or other objectives of any Shareholder individually.

By acquiring an Interest, each Shareholder will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

#### **SIDE LETTERS**

The Investment Manager, from time to time, will enter into letter agreements or other similar arrangements (collectively, "Side Letters") with one or more Shareholders that have the effect of establishing rights under, or altering or supplementing the terms of, the Application Form or any subscription agreement. As a result of such Side Letters, certain Shareholders will receive additional benefits that other Shareholders will not receive. Such rights or terms in any such Side Letter or other similar agreement include, among other things: (a) excuse rights applicable to particular Investments (which may increase the percentage interest of other Shareholders in, and contribution obligations of other Shareholders with respect to, such Investments); (b) additional reporting obligations of the Investment Manager; (c) the waiver of certain confidentiality obligations; (d) the consent of the Investment Manager to certain transfers by such Shareholder; (e) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of a Shareholder; or (f) different economic terms. The Investment Manager will not be required to notify any or all of the other Shareholders of any such Side Letters or any of the rights or terms or provisions thereof, nor will such Investment Manager be required to offer such additional or different rights or terms to any or



all of such other Shareholders. The Investment Manager can enter into such Side Letters with any party as the Investment Manager determines in its sole and absolute discretion at any time. The other Shareholders will have no recourse against the Fund or any of its affiliates in the event that certain Shareholders receive additional or different rights or terms as a result of such Side Letters.

#### **LEGAL REPRESENTATION**

Sheppard, Mullin, Richter & Hampton LLP has acted as U.S. counsel to the Fund in connection with the offering of Shares in the Fund. Sheppard, Mullin, Richter & Hampton LLP also acts as counsel to the Delaware General Partner and the Investment Manager and its respective affiliates with respect to U.S. law. Maples and Calder (Ireland) LLP acts as Irish legal counsel to the Fund and the Investment Manager. The Fund will generally engage common legal counsel to represent the Fund and the Investment Manager and their respective affiliates in a particular investment transaction. Although separate counsel may be engaged from time to time in the sole discretion of the Investment Manager, the Investment Manager believes that the time and cost savings and other efficiencies and advantages of having a common counsel for the Fund usually outweigh the disadvantages.

Moreover, under the Application Form, each Shareholder will be required to waive any actual or potential conflicts of interest between such Shareholder and legal counsel to the Fund. Documents relating to the Fund, including the Application Form to be completed by each Shareholder, will be detailed and often technical in nature. Accordingly, each Shareholder is urged to consult with its own legal counsel before investing in the Fund.

#### **REINVESTMENT**

During the Investment Period, proceeds distributable (or previously distributed) to the Shareholders that constitute a return of capital contributions can, in certain circumstances, be reinvested (or recalled for reinvestment) by the Investment Manager. Accordingly, a Shareholder may be required to fund an aggregate amount in excess of its Commitment, but at no time will a Shareholder have aggregate capital at risk in excess of its Commitment. Regardless, during the Investment Period, Management Fees will be calculated on the total amount of Commitments, and thereafter, on the cost basis of investments then held by the Fund.

## 9. Certain United States Federal Tax Considerations

---

The following discussion describes certain U.S. federal income tax aspects of an investment in the Fund. No consideration has been given to any U.S. state and local income tax consequences, nor does this section discuss any non-U.S. tax consequences of investing in the Fund. This summary provides only a general discussion and does not represent a complete analysis of all U.S. Federal income tax consequences of an investment in the Fund, many of which may depend on individual circumstances, such as the residence or domicile of a Shareholder.

This summary of “Certain United States Federal Tax Consequences” (the “Summary”) is based on the Code, the regulations thereunder (the “Regulations”) and the judicial and administrative interpretations thereof, all as of the date of this Summary. No assurance can be given that future legislation, Regulations, administrative pronouncements and/or court decisions will not significantly change applicable law and materially affect the conclusions expressed herein. Any such change, even though made after a Shareholder has invested in the Fund, could be applied retroactively. Moreover, the effects of any U.S. state, local or non-U.S. tax law, or of U.S. federal tax law other than U.S. federal income tax law, are not addressed in this section and, therefore, must be evaluated independently by each prospective investor. The discussion herein is limited to the U.S. federal income tax consequences associated with the Fund and Shareholders who are either Non-United States Shareholders or United States Tax-Exempt Shareholders (both as defined and described below).

No ruling has been requested from the United States Internal Revenue Service (the “IRS”) or any other federal, state or local agency with respect to the matters discussed below, nor has the Investment Manager asked its counsel to render any legal opinions regarding any of the matters discussed below. This summary does not in any way either bind the IRS or the courts or constitute an assurance that the U.S. federal income tax consequences discussed herein will be accepted by the IRS, or any other U.S. or non-U.S. federal, state or local agency or the courts. The Fund is not intended and should not be expected to provide any tax shelter.

THIS SUMMARY IS INCLUDED FOR GENERAL INFORMATION ONLY. NOTHING HEREIN IS OR SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE TO ANY INVESTOR. EACH PROSPECTIVE SHAREHOLDER IS URGED TO CONSULT SUCH SHAREHOLDER’S PERSONAL TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF SUCH PERSON’S PARTICIPATION AS A SHAREHOLDER.

A prospective Shareholder (and each employee, representative or other agent of the prospective Shareholder) may disclose to any and all persons, without limitation of any kind, from the commencement of discussions, the U.S. federal income tax treatment and tax structure of the Fund (and any transactions entered into by the Fund) and all materials of any kind (including opinions or other tax analyses) that are provided to a prospective Shareholder relating to such U.S. federal income tax treatment and tax structure. In any event, except as otherwise required by law, no prospective Shareholder (or employee, representative or other agent of such prospective



Shareholder) may disclose the name of, contact information for, or any other similar identifying information (including the names of any employees, affiliates or investments) regarding the Fund, or its historical performance record, except to its tax advisor or to a regulatory authority as required by law. As used in this paragraph, the term “tax structure” means any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of a transaction.

## **UNITED STATES FEDERAL INCOME TAX STATUS OF THE FUND**

The Fund intends to file a Form 8832 with the IRS to be classified as an association taxable as a corporation for U.S. federal income tax purposes. While it is anticipated that such elective U.S. federal income tax classification will be respected by the IRS, it is not guaranteed. For purposes of this section “Certain United States Federal Tax Considerations”, it will be assumed that the Fund will be classified as a corporation for U.S. federal income tax purposes. The Fund will invest substantially all of its investable assets in the timberland assets within the United States that are heavily weighted toward mature, cash-flow generating timber. The income generated by the fund will consist primarily of gain attributable to the sale of timberlands (i.e., parcels of real estate) and cut timber. The Fund may hold its investments in one or more U.S. limited liability companies or other appropriate entities (“Holding Companies”). For purposes of this section, except as otherwise discussed herein with respect to a potential investment through a REIT subsidiary, it is assumed that any Holding Company through which the Fund invests will be classified as a form of flow-through entity for U.S. federal income taxation (e.g., partnership or disregarded entity) and not as a corporation. The taxation of the Fund and its Shareholders is discussed below in –“Taxation of the Fund Generally”, “United States Tax-Exempt Shareholders” and “Non-United States Shareholders.”

## **TAXATION OF THE FUND GENERALLY**

As set forth above, it is assumed that the Fund is classified as a corporation for U.S. federal income tax purposes. Additionally, the Fund is organized in Ireland. Therefore, the Fund should be classified as a foreign corporation for U.S. federal income tax purposes. As a foreign corporation, the Fund will be subject to U.S. tax on the following two bases: (i) on receipt of certain types of interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, and other fixed or determinable annual or periodical gains, profits, and income derived from sources within the United States (“FDAPI”) or (ii) income which is treated as “income effectively connected” with a U.S. trade or business (“ECI”). Such U.S. tax consequences may further be impacted through application of the Foreign Investment in Real Property Tax Act of 1980 (“FIRPTA”) and any applicable U.S. tax treaties. Moreover, to the extent that the Fund invested in a Holding Company that is classified as a flow-through for U.S. federal income tax purposes, such Fund would be subject to U.S. tax on its share of FDAPI or ECI allocated to it by such Holding Company in the same manner as if the Fund earned the income or gain directly.

To the extent the Fund earns FDAPI, the Fund generally will be subject to U.S. tax on a gross basis at a rate of 30% (or such lower rate as may be provided by the applicable income tax treaty). To the extent the Fund earns ECI, the Fund will be subject to U.S. tax on a net basis at marginal U.S. corporate income tax rates (currently imposed at a maximum rate of 21%). With respect to any income that is considered ECI to the Fund, an additional branch profits tax of up to 30% may apply (or such lower rate as may be provided by the applicable income tax treaty).

Under FIRPTA, any net gain recognized by the Fund upon the disposition of a United States real property interest would be treated for U.S. federal income tax purposes as if it were effectively connected with a U.S. trade or business. The term “United States real property interest” generally includes (i) shares of stock in a U.S. corporation that does not have a publicly traded class of stock outstanding if 50 percent or more of the value of the corporation’s assets at any point during the preceding five years consisted of interests in United States real property or (ii) shares of stock in a U.S. corporation that does have a publicly traded class of stock outstanding where (A) the corporation satisfies the real property ownership test described in clause (i), above, and (B) the Fund holds (directly or indirectly pursuant to certain attribution rules) more than five percent of the outstanding stock of any publicly traded class of shares or held shares of non-publicly traded stock with a fair market value greater than that of five percent of the publicly traded class of the corporation’s stock with the lowest fair market value. Importantly, the term “United States real property interest” also includes an interest in real property located in the United States.

The income generated by the Fund will consist primarily of gain attributable to the sale of timberlands (i.e., parcels of real estate) and cut timber. Any gain from the sale of timberlands (i.e., parcels of real estate) is considered the disposition of a United States real property interest, which would be treated for U.S. federal income tax purposes as if it were effectively connected with a U.S. trade or business, and such gain would be subject to U.S. income tax on a net basis at marginal corporate income tax rates. Additionally, such gain may be subject to an additional branch profits tax of 30% unless otherwise reduced by an applicable income tax treaty or exclusion under the Code. This result would be the same if the Fund invested in a Holding Company classified as a flow-through company for U.S. tax purposes, and such Holding Company disposed of timberlands representing real estate. To the extent the Fund (as a corporation for U.S. federal income tax purposes) is subject to U.S. taxation on any gain from the disposition of a United States real property interest (“USRPI”), it would reduce the amount of net income allowable and distributable to the Shareholders.

Cut timber is not considered a USRPI. Nonetheless, whether the Fund is subject U.S. federal income tax on gain from the sale of cut timber is a complex analysis that depends on the facts and circumstances related to the Fund’s activities, as well as the character and source of the gain. This result would be the same if the Fund invested in a Holding Company classified as a flow-through company for U.S. tax purposes, and such Holding Company disposed of cut timber. If the Fund were subject to U.S. federal income tax on gain from the sale of cut timber, it would reduce the amount of net income allowable and distributable to the Shareholders.

THE INVESTMENT MANAGER WILL HAVE NO OBLIGATION TO MANAGE THE FUND IN A MANNER THAT MINIMIZES OR ELIMINATES THE POSSIBILITY THAT THE FUND MAY BE TREATED AS BEING ENGAGED IN A U.S. TRADE OR BUSINESS OR THAT THE INCOME OR GAIN RECOGNIZED BY THE FUND IS SUBJECT TO U.S. FEDERAL INCOME TAX.

#### **TAX-EXEMPT UNITED STATES SHAREHOLDERS**

The following discussion describes certain United States federal income tax considerations for a prospective United States Shareholder that is a tax-exempt investor in the Fund (“United States Tax-Exempt Shareholders”). A “tax-exempt investor” is an organization that is generally exempt from U.S. federal income taxation under Section 501(a) of the Code, which may include but not be limited to

charitable organizations, employee benefit plans, individual retirement accounts, and other retirement accounts. A tax-exempt investor is subject to tax on “unrelated business taxable income” (“UBTI”). Section 512(a) of the Code defines UBTI as gross income received by a tax-exempt organization from the conduct of a trade or business not related to the exempt function of the entity, less deductions that are directly connected to that trade or business. While the real estate and timber activities of the Fund may constitute the conduct of an unrelated trade or business, section 512(b) of the Code explicitly excludes from UBTI certain items of gross income from such activities. Among these exclusions generally includes dividends.

As set forth above, it is assumed that the Fund will be classified as an association taxable as a corporation for U.S. federal income tax purposes. Thus, United States Tax-Exempt Shareholders investing through the Fund should be considered to have an equity investment in a corporation for U.S. federal income tax purposes, and thus should not be allocated any share of the operating income of the Fund (or in any Holding Company taxable as a flow-through entity in which the Fund invests). United States Tax-Exempt Shareholder will generally receive dividends from the Fund. Since dividends are excluded from UBTI, such United States Tax-Exempt Shareholders investing through the Fund should not generally realize UBTI as a result of holding an interest in the Fund unless, and to the extent that, such United States Tax-Exempt Shareholder’s acquisition of an interest in the Fund is debt financed.

The Fund may constitute a “passive foreign investment company” (a “PFIC”) for U.S. federal income tax purposes. United States Tax-Exempt Shareholders will need to consider the impact of the possible PFIC status on their tax situation.

THE U.S. FEDERAL INCOME TAXATION OF UNITED STATES TAX-EXEMPT SHAREHOLDERS AND THE FUND IS HIGHLY COMPLEX. PROSPECTIVE TAX-EXEMPT INVESTORS ARE URGED TO CONSULT THEIR OWN U.S. TAX ADVISORS REGARDING THEIR CURRENT OR PROSPECTIVE INVESTMENT IN THE FUND.

## **NON-UNITED STATES SHAREHOLDER**

The term “Non-United States Shareholder” means any Shareholder that is not a U.S. person for U.S. federal income tax purposes. A U.S. person means a citizen or resident of the United States, a corporation or entity treated as a corporation created or organized in the United States or under the laws of the United States or any state, an estate whose income is includable in gross income for federal income tax purposes regardless of its source or a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. In addition, to the extent provided in Treasury Regulations, certain trusts in existence on August 20, 1996, and treated as U.S. persons prior to such date, that elect to continue to be treated as U.S. persons will also be U.S. persons for these purposes.

Special rules may apply in the case of non-U.S. persons (i) that conduct a trade or business in the United States or that have an office or fixed place of business in the United States, (ii) that have a tax home in the United States or (iii) that are former citizens of the United States. This Summary does not address the U.S. federal income tax consequences related to persons described in (i), (ii), and (iii)

of the previous sentence. Such persons are urged to consult their own U.S. tax advisors before investing in the Fund.

For U.S. Federal income tax purposes, a Non-United States Shareholder will be treated as a shareholder of a foreign corporation. As such, Non-United States Shareholders will not be subject to U.S. federal income tax on income or gain earned by the Fund, nor will such shareholders be subject to U.S. federal income tax on amounts distributed by the Fund (e.g., dividends earned from the Fund).

THE U.S. FEDERAL INCOME TAXATION OF NON-UNITED STATES SHAREHOLDERS MAY DEPEND ON PARTICULAR FACTS AND CIRCUMSTANCES RELATED TO SUCH SHAREHOLDERS. CONSEQUENTLY, NON-UNITED STATES SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN U.S. TAX ADVISORS REGARDING THEIR PROSPECTIVE INVESTMENT IN THE FUND.

#### WITHHOLDABLE PAYMENTS TO FOREIGN FINANCIAL INSTITUTIONS AND NON-FINANCIAL FOREIGN ENTITIES

Sections 1471 through 1474 of the Code, known as the Foreign Account Tax Compliance Act ("FATCA"), and the relevant administrative guidance thereunder, impose a withholding tax of 30% on U.S. source FDAPI and certain payments of proceeds from the sale or other disposition of assets which can produce interest or dividends from U.S. sources (a "Withholdable Payment") occurring after FATCA's effective date, which are received by a foreign financial institutions ("FFIs"), and certain other non-U.S. entities ("NFFEs") unless certain certification, information reporting and other specified requirements are satisfied. Withholdable Payments do not include payments of income constituting ECI. FFIs and NFFEs capture most non-U.S. companies, non-U.S. partnership, non-U.S. trusts, non-U.S. estates and other various non-U.S. entities, to include but by no means limited to traditional banks. The certification, information reporting and other specified requirements may require (collectively, the "FATCA Compliance Requirements") that (1) an FFI undertakes certain diligence, reporting and registration obligations or (2) an NFFE either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. Under current Regulations, certain FFIs and NFFEs may be exempt from such withholding even if they do not comply with these requirements. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify such requirements. For example, on 2 April 2014, the United States Department of the Treasury signed a Model 1 non-reciprocal intergovernmental agreement (the "US IGA") with Ireland. The U.S. IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the Ireland government and ultimately to the IRS. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investments in the Fund.

FATCA IS HIGHLY COMPLEX AND, AS A RELATIVELY NEWLY ENACTED LAW, HAS BEEN AND LIKELY WILL CHANGE TO A CERTAIN DEGREE TO THE EXTENT FURTHER GUIDANCE IS ISSUED. EACH NON-UNITED STATES SHAREHOLDER IS URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISER REGARDING THE U.S. AND FOREIGN TAX TREATMENT OF AN INVESTMENT IN THE FUND.

## **REIT TAXATION**

### **Introduction**

The Investment Manager anticipates that the Fund may make certain investments indirectly through, or that a Holding Company may accept investments from, one or more special purpose investment vehicles that elect to be taxed as real estate investment trusts (each, a “REIT”) under the applicable provisions of the Code. In the event that the Fund makes investments (directly or indirectly) through a REIT, or a Holding Company accepts investments from one or more REIT investors, the risk factors set forth in this “REIT Taxation” section and in the “Tax Risks Relating to REIT Status” section shall apply.

Qualification and taxation as a REIT would depend upon a REIT’s ability to meet, on a continuing basis, through actual results of operations (including at the applicable Holding Company level), distribution levels from the REIT (and distribution levels from any applicable Holding Company to the REIT), diversity of share ownership and various qualification requirements imposed upon REITs by the Code, discussed below. In addition, a REIT’s ability to qualify as a REIT may depend in part upon the operating results, organizational structure and entity classification for U.S. federal income tax purposes of certain entities in which a REIT invests, including as applicable through a Holding Company. A REIT’s ability to qualify as a REIT would also require that the REIT satisfy certain asset and income tests. The Investment Manager intends to use commercially reasonable efforts to operate any applicable Holding Company and, as applicable, any REIT subsidiary in a manner such that a REIT investor will be eligible for REIT status based solely on an investment in the applicable Holding Company, and, as applicable, a REIT subsidiary will be eligible for REIT status, in each case under the rules set forth below.

### **Requirements for Qualification as a REIT**

By way of background, the Code defines a REIT as a corporation, trust or association:

1. That is managed by one or more trustees or directors;
2. The beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
3. That would be taxable as a domestic corporation but for the special Code provisions applicable to REITs;
4. That is neither a financial institution nor an insurance company subject to specific provisions of the Code;
5. The beneficial ownership of which is held by one hundred (100) or more persons during at least three hundred thirty-five (335) days of a taxable year of twelve (12) months, or during a proportionate part of a taxable year of less than twelve (12) months;
6. In which, during the last half of each taxable year, not more than fifty percent (50%) in value of the outstanding units are owned, directly or indirectly, by five or fewer

“individuals” as defined in the Code to include specified entities, referred to as the “5/50 Test” in this summary;

7. That makes an election to be a REIT for the current taxable year or has made such an election for a previous taxable year that has not been terminated or revoked;
8. That has no earnings and profits from any non-REIT taxable year at the close of any taxable year;
9. That uses the calendar year for U.S. federal income tax purposes; and
10. That meets other tests described below, including with respect to the nature of its income and assets and the amount of its distributions.

A REIT’s interests generally are expected to be freely transferable, and the Investment Manager believes that the anticipated restrictions on ownership and transfers of a REIT subsidiary’s interests would not prevent such REIT subsidiary from satisfying condition (2). Conditions (5) and (6) do not need to be satisfied for the first taxable year for which an election to become a REIT has been made. If any Fund subsidiary elects to be treated as a REIT, such REIT subsidiary will conduct an additional offering of preferred units to timely comply with condition (5). To monitor compliance with the unit ownership requirements, a REIT generally is required to maintain records regarding the actual ownership of the REIT equity interests. Provided the REIT complies with these record-keeping requirements and that the REIT would not otherwise have reason to believe it fails the 5/50 Test after exercising reasonable diligence, the REIT will be deemed to have satisfied the 5/50 Test. In addition, a REIT subsidiary’s organizational documents would be expected to provide restrictions regarding the ownership and transfer of such REIT subsidiary’s interests, which are intended to assist such REIT subsidiary in satisfying the unit ownership requirements described above.

#### Formation of a REIT Subsidiary

The formation of a REIT subsidiary may involve the contribution (or deemed contribution) of certain investments by a Holding Company of the Fund to the REIT and is expected to constitute a tax-free transaction under Section 351 of the Code. Although Section 351 of the Code does not apply where “diversification” (as defined in the applicable Regulations under Section 351 of the Code) occurs in connection with the formation of a REIT, the Investment Manager believes that, based on applicable Regulations and certain non-binding IRS guidance, that no diversification would occur upon the formation of a REIT subsidiary. No assurance can be provided, however, that the IRS would not assert that diversification occurred in connection with the formation of a REIT subsidiary, in which case the Fund could recognize gain as a result of the formation of a particular REIT.

#### Taxation of Fund Operations – REIT Subsidiary

A distribution that is not attributable to gain from a REIT’s sale or exchange of USRPIs, as discussed below, and that is not designated by the Company as a capital gain dividend, will be treated as an ordinary income dividend if it is made out of current or accumulated earnings and profits of the REIT. Generally, an ordinary income dividend made to a non-U.S. shareholder (such as the Fund) will be subject to a U.S. federal withholding tax equal to 30% of the gross amount of the dividend. This tax



may be reduced by an applicable tax treaty between the United States and the country of the shareholder's tax residence. A distribution in excess of the REIT's earnings and profits will be treated first as a nontaxable return of capital that will reduce the shareholder's basis in its stock. Any excess is then treated as a gain from the disposition of the REIT's shares, the tax treatment of which is described below.

A distribution made by a REIT that is designated by the Company as a capital gain dividend, but is not attributable to the REIT's disposition of a USRPI, generally will not be subject to U.S. federal income tax in the case of a non-U.S. shareholder (such as the Fund).

A distribution by a REIT that is attributable to gain from the Company's sale or exchange of such USRPIs generally will be taxed to the non-U.S. shareholders in the United States under FIRPTA. Under FIRPTA, distributions by a REIT that are attributable to gains on sales of USRPIs are taxed to non-U.S. shareholders as if the distributions were ECI, even if the non-U.S. shareholder is not in fact engaged in a U.S. trade or business. Accordingly, if a REIT subsidiary distributes capital gains to which FIRPTA applies, it is expected that the Fund will be taxed on such ECI as described above under "Taxation of the Fund Generally." Further, the REIT (or an applicable Holding Company) will be required withhold applicable taxes in respect of such any such distributions.

A disposition of REIT equity by the Fund generally will not be subject to U.S. federal income taxation unless the stock sold constitutes a USRPI. A REIT's equity generally will not constitute a USRPI unless 50% or more of its assets are USRPIs. No assurance can be given that equity in any REIT subsidiary will not, at some point, constitute a USRPI.

To the extent that a REIT subsidiary has available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that must be made in order to comply with the REIT distribution requirements. See "—Taxation of REITs in General" and "—Annual Distribution Requirements." Such losses, however, would not be passed through to the Fund (or the Shareholders) and would not offset income of the Shareholders from other sources, nor would they affect the character of any distributions that were actually made by a REIT subsidiary.

#### Taxation of REITs in General

Provided that a REIT qualifies as a REIT, such REIT generally would be entitled to a deduction for dividends that such REIT pays and, therefore, would not be subject to U.S. federal corporate income tax on its net taxable income that is currently distributed to its member. This treatment substantially eliminates the "double taxation" at the corporate and member levels that results generally from investment in a corporation. Rather, income generated by a REIT is generally taxed only at the shareholder level, upon a distribution of dividends by such REIT.

Even if a REIT qualifies for taxation as a REIT, however, such REIT would be subject to U.S. federal income taxation as follows:

- A REIT would be taxed at regular U.S. federal corporate rates on any undistributed income, including undistributed cashless income, such as accrued but unpaid interest.
- A REIT could be subject to the "alternative minimum tax" on its items of tax preference, if any.

- If a REIT had net income from “prohibited transactions,” which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income would be subject to a one hundred percent (100%) tax. See “—Prohibited Transactions” and “—Foreclosure Property” below.
- If a REIT elected to treat property that it acquires in connection with a foreclosure of a mortgage loan or from certain leasehold terminations as “foreclosure property,” such REIT may thereby avoid (i) the one hundred percent (100%) tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction) and (ii) treating any income from such property as non-qualifying for purposes of the REIT gross income tests discussed below; provided, however, that the gain from the sale of the property or net income from the operation of the property that would not otherwise qualify for the seventy-five percent (75%) income test (discussed below) but for the foreclosure property election would be subject to U.S. federal corporate income tax at the highest applicable rate (currently twenty-one percent (21%)).
- If a REIT failed to satisfy the seventy-five percent (75%) gross income test or the ninety-five percent (95%) gross income test, as discussed below, but nonetheless maintained its qualification as a REIT because other requirements are met, such REIT would be subject to a one hundred percent (100%) tax on an amount equal to (i) the greater of (A) the amount by which such REIT failed the seventy-five percent (75%) gross income test or (B) the amount by which such REIT failed the ninety-five percent (95%) gross income test, as the case may be, multiplied by (ii) a fraction intended to reflect profitability.
- If a REIT failed to satisfy any of the REIT asset tests, as described below, other than a failure of the five percent (5%) or ten percent (10%) REIT asset tests that do not exceed a statutory de minimis amount as described more fully below, but such REIT’s failure was due to reasonable cause and not due to willful neglect and such REIT nonetheless maintained its REIT qualification because of specified cure provisions, such REIT would be required to pay a tax equal to the greater of \$50,000 or the highest corporate tax rate (currently twenty-one percent (21%)) of the net income generated by the non-qualifying assets during the period in which such REIT failed to satisfy the asset tests.
- If a REIT failed to satisfy any provision of the Code that would result in its failure to qualify as a REIT (other than a gross income or asset test requirement) and the violation is due to reasonable cause and not due to willful neglect, such REIT could retain its REIT qualification but would be required to pay a penalty of \$50,000 for each such failure.
- If a REIT failed to distribute during each calendar year at least the sum of (i) eighty-five percent (85%) of its REIT ordinary income for such year, (ii) ninety-five percent (95%) of its REIT capital gain net income for such year and (iii) any undistributed taxable income from prior periods, such REIT would be subject to a four percent (4%) non-deductible excise tax on the excess of the required distribution over the sum of (A) the amounts actually distributed (taking into account excess distributions from prior years), plus (B) retained amounts on which income tax is paid at the corporate level.
- A REIT could be required to pay monetary penalties to the IRS in certain circumstances, including if such REIT fails to meet record-keeping requirements intended to monitor



compliance with rules relating to the composition of such REIT's members, as described below in "—Requirements for Qualification as a REIT."

- A one hundred percent (100%) excise tax may be imposed on some items of income and expense that are directly or constructively paid between a REIT and any taxable REIT subsidiary (a "TRS"), such REIT may own if and to the extent that the IRS successfully adjusts the reported amounts of these items because the reported amounts were not consistent with arm's-length amounts.
- If a REIT acquires appreciated assets from a corporation that is not a REIT in a transaction in which the adjusted tax basis of the assets in such REIT's hands is determined by reference to the adjusted tax basis of the assets in the hands of the non-REIT corporation, such REIT may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if such REIT subsequently recognizes gain on a disposition of any such assets during the 5-year period following their acquisition from the non-REIT corporation.
- A REIT may elect to retain and pay U.S. federal income tax on its net long-term capital gain. In that case, a REIT shareholder would include its proportionate share of such REIT's undistributed long-term capital gain in its income (to the extent such REIT makes a timely designation of such gain to the shareholder), would be deemed to have paid the tax that it paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the member's basis in such shareholder's REIT interest.
- A REIT may own subsidiaries that will elect to be treated as TRSs, and a REIT may hold equity interests in its borrowers or other investments through such TRSs, the earnings of which would be subject to U.S. federal corporate income tax.

In addition, a REIT may be subject to a variety of taxes other than U.S. federal income tax, including state, local, and non-U.S. income, franchise property and other taxes.

#### Effect of Subsidiary Entities

Ownership of Partnership Interests. In the case of a REIT that is a partner in an entity that is treated as a partnership for U.S. federal income tax purposes (such as potentially a Holding Company subsidiary of the Fund), the REIT is deemed to own its proportionate share of the partnership's assets and to earn its proportionate share of the partnership's gross income based on its pro rata share of capital interests in the partnership for purposes of the asset and gross income tests applicable to REITs, as described below. However, solely for purposes of the ten percent (10%) value test, described below, the determination of a REIT's interest in partnership assets will be based on the REIT's proportionate interest in any securities issued by the partnership, excluding for these purposes, certain excluded securities as described in the Code. For purposes of determining the amount of the REIT's taxable income that must be distributed, or is subject to tax, the REIT's share of partnership income is determined under the partnership tax provisions of the Code and will reflect any special allocations of income or loss that are not in proportion to capital interests. Income earned through partnerships retains its character for U.S. federal income tax purposes when allocated among its partners. The Investment Manager anticipates that a REIT investor and a REIT subsidiary, as

applicable, will seek covenants from a Holding Company to operate in compliance with the REIT requirements.

**Disregarded Subsidiaries.** If a REIT owns a corporate subsidiary that is a “qualified REIT subsidiary,” that subsidiary is disregarded for U.S. federal income tax purposes, and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of income, deduction and credit of the REIT itself, including for purposes of the gross income and asset tests applicable to REITs, as summarized below. A qualified REIT subsidiary is any corporation, other than a TRS, that is wholly owned by a REIT, by other disregarded subsidiaries of a REIT, or by a combination of the two. Single-member limited liability companies or other domestic unincorporated entities that are wholly owned by a REIT also generally are disregarded as separate entities for U.S. federal income tax purposes, including for purposes of the REIT gross income and asset tests, unless they elect TRS status. Disregarded subsidiaries, along with partnerships in which the REIT holds an equity interest, are sometimes referred to herein as “pass-through subsidiaries.”

In the event that a disregarded subsidiary ceases to be wholly owned by the REIT (for example, if any equity interest in the subsidiary is acquired by a person other than a REIT subsidiary or another disregarded subsidiary of a REIT subsidiary), the subsidiary’s separate existence no longer would be disregarded for U.S. federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect a REIT subsidiary’s ability to satisfy the various asset and gross income tests applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than ten percent (10%) of the value or voting power of the outstanding securities of another corporation. See “—Asset Tests” and “—Gross Income Tests.”

**Taxable REIT Subsidiaries.** A REIT, in general, may jointly elect with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary corporation as a TRS. A TRS generally would be subject to U.S. federal income tax on its taxable income, which may reduce the cash flow generated by the REIT and its subsidiaries in the aggregate and the REIT’s ability to make distributions to its equity owners.

A REIT is not treated as holding the assets of a TRS or other taxable subsidiary corporation or as receiving any income that the subsidiary earns. Rather, the stock issued by the subsidiary is an asset in the hands of the REIT, and the REIT generally recognizes dividend income when it receives distributions of earnings from the subsidiary. This treatment can affect the gross income and asset test calculations that apply to the REIT, as described below. Because a parent REIT does not include the assets and income of its TRSs in determining the parent REIT’s compliance with the REIT requirements, such entities may be used by the parent REIT to undertake indirectly activities that the REIT rules might otherwise preclude the parent REIT from doing directly or through pass-through subsidiaries. If dividends are paid to the REIT by one or more domestic TRSs, a portion of the dividends that the REIT distributes to equity owners who are taxed at individual rates generally will be eligible for taxation at preferential qualified dividend income tax rates rather than at ordinary income rates. See “—Taxation of REITs in General” and “—Annual Distribution Requirements.”

A REIT may hold any equity interests it receives in its borrowers or certain other investments through one or more TRSs. While the Investment Manager would intend to manage the size of any

REIT subsidiary's TRSs and dividends from any REIT subsidiary's TRSs in a manner that permits a REIT subsidiary to qualify as a REIT, it is possible that the equity investments appreciate to the point where such TRSs exceed the thresholds mandated by the REIT rules. In such cases, a REIT subsidiary could lose its REIT status if it is unable to satisfy certain exceptions for failing to satisfy the REIT income and asset tests. In any event, any earnings attributable to equity interests held in TRSs would be subject to U.S. federal corporate income tax.

### Gross Income Tests

**General.** In order to maintain a REIT's qualification as a REIT, the REIT annually must satisfy two gross income tests. First, at least seventy-five percent (75%) of the REIT's gross income for each taxable year, excluding gross income from sales of inventory or dealer property in "prohibited transactions" and certain hedging and foreign currency transactions, must be derived from investments relating to real property or mortgages on real property, including "rents from real property," dividends received from and gains from the disposition of other shares of REITs, interest income derived from mortgage loans secured by real property, and gains from the sale of real estate assets, as well as income from certain kinds of temporary investments. Second, at least ninety-five percent (95%) of the REIT's gross income in each taxable year, excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, must be derived from some combination of income that qualifies under the seventy-five percent (75%) income test described above, as well as other dividends, interest, and gain from the sale or disposition of stock or securities, which need not have any relation to real property.

**Interest Income.** Interest income constitutes qualifying mortgage interest for purposes of the seventy-five percent (75%) gross income test to the extent that the obligation is secured by a mortgage on real property. The failure of a loan to qualify as an obligation secured by a mortgage on real property within the meaning of the REIT rules could adversely affect a REIT subsidiary's ability to qualify as a REIT. Even if a loan is not secured by real property or is under-secured, the income that it generates may nonetheless qualify for purposes of the ninety-five percent (95%) gross income test.

To the extent that a REIT derives interest income from a loan where all or a portion of the amount of interest payable is contingent, such income generally will qualify for purposes of the gross income tests only if it is based upon the gross receipts or sales and not the net income or profits of any person. This limitation does not apply, however, to a mortgage loan where the borrower derives substantially all of its income from the property from the leasing of substantially all of its interest in the property to tenants, to the extent that the rental income derived by the borrower would qualify as rents from real property had it been earned directly by such REIT.

**Timber-Cutting Contracts.** The income from timber-cutting contracts generally will be treated as "rents from real property" or as capital gain from the sale of real property for purposes of the gross income tests if the REIT retains an economic interest in the timber, depending on whether the REIT has a holding period of more than one year in the property. Section 631(b) of the Code provides that if the owner of timber held for more than one year disposes of such timber under any contract by virtue of which it "retains an economic interest in such timber," the gain or loss realized will be treated as capital gain or loss. An owner of timber retains an "economic interest in such timber" under

a timber-cutting contract if the amount of the payment for the timber depends solely on the actual quantity of timber cut.

**Dividend Income.** A REIT subsidiary may receive material distributions from TRSs. These distributions generally are classified as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions generally constitute qualifying income for purposes of the ninety-five percent (95%) gross income test, but not the seventy-five percent (75%) gross income test.

If a REIT invests in an entity treated as a “passive foreign investment company” or “controlled foreign corporation” for U.S. federal income tax purposes, such REIT could be required to include a portion of its earnings in its income prior to the receipt of any distributions. Any such income inclusions would not be treated as qualifying income for purposes of the seventy-five percent (75%) gross income test and may not be qualifying income for purposes of the ninety-five percent (95%) gross income test.

**Phantom Income.** Due to the nature of the assets in which a REIT may invest, a REIT may be required to recognize taxable income from those assets in advance of a REIT receipt of cash flow on or proceeds from disposition of such assets, and may be required to report taxable income in early periods that exceeds the economic income ultimately realized on such assets. For example, the tax treatment of various debt instruments requires holders to recognize income before the receipt of, or without receiving any, cash. A REIT could acquire debt instruments that provide for interest that accrues or is payable in kind, in which case the REIT may be required to include a share of that income for tax purposes as it accrues rather than when it is paid in cash. To the extent a REIT were to purchase debt instruments at a discount after their original issuance, the discount may represent “market discount.” Unlike original issue discount, market discount is not required to be included in income on a constant yield method. However, the holder is required to treat a portion of any principal payments as ordinary income in an amount equal to the market discount that has accrued while the holder held the debt instrument. If a holder ultimately collects less on a debt instrument than the purchase price and any original issue discount or accrued market discount that has been included in income, and a REIT is required for income tax purposes to report these amounts on its tax return, there may be limitations on a REIT’s ability to use any losses resulting from that debt instrument.

If debt instruments acquired below par are subsequently modified by agreement between the borrower and lender, such modifications may be treated as a taxable event in which the old debt instrument is exchanged for a new debt instrument, the value of which may be treated as equal to the face amount of the new debt instrument. The tax basis in such debt instruments being substantially less than the face value could give rise to significant income without any corresponding receipt of cash.

In addition, in the event that any debt instruments are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular debt instrument are not made when due, a holder may nonetheless be required to continue to accrue the unpaid interest as taxable income.

Due to each of these potential timing differences between income recognition or expense deduction and cash receipts or disbursements, there is a risk that the REIT may have substantial taxable income

in excess of cash available for distribution. In that event, the REIT may need to borrow funds or take other action to satisfy the REIT distribution requirements for the taxable year in which this “phantom income” is recognized. See “—Annual Distribution Requirements.”

**Failure to Satisfy the Gross Income Tests.** If applicable, the Investment Manager would intend to monitor a REIT subsidiary’s sources of income, including any non-qualifying income received by such REIT subsidiary, and manage such REIT subsidiary’s assets so as to ensure such REIT subsidiary’s compliance with the gross income tests. No assurance can be provided, however, that a REIT subsidiary would be able to satisfy the gross income tests. If a REIT subsidiary were to fail to satisfy one or both of the seventy-five percent (75%) or ninety-five percent (95%) gross income tests for any taxable year, such REIT subsidiary may still qualify as a REIT for the year if such REIT subsidiary is entitled to relief under applicable provisions of the Code. These relief provisions generally will be available if a REIT subsidiary’s failure to meet these tests was due to reasonable cause and not due to willful neglect and, following the identification of such failure, such REIT subsidiary sets forth a description of each item of its gross income that satisfies the gross income tests in a schedule for the taxable year filed in accordance with the Regulations. It is not possible to state whether a REIT subsidiary would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving a REIT subsidiary, such REIT subsidiary will not qualify as a REIT. As discussed above under “Taxation of REITs in General,” even where these relief provisions apply, a tax would be imposed upon the profit attributable to the amount by which a REIT subsidiary fails to satisfy the particular gross income test.

#### **Asset Tests**

**General.** At the close of each calendar quarter, a REIT also must satisfy tests relating to the nature of its assets. At least seventy-five percent (75%) of the value of the REIT’s total assets must be represented by some combination of “real estate assets,” cash, cash items, and U.S. government securities. For this purpose, real estate assets include loans secured by mortgages on real property to the extent described below, certain mezzanine loans and mortgage-backed securities as described below, interests in real property (such as land, buildings, leasehold interests in real property), shares in other qualifying REITs and stock or debt instruments held for less than one year purchased with the proceeds from an offering of shares of its units or certain debt and debt instruments issued by publicly offered REITs. A “publicly offered REIT” means a REIT which is required to file annual and periodic reports with the U.S. Securities and Exchange Commission under the U.S. Exchange Act of 1934. Assets that do not qualify for purposes of the seventy-five percent (75%) test and that are not securities of the REIT’s TRSs are subject to the additional following asset tests: (i) the value of any one issuer’s securities owned by the REIT may not exceed five percent (5%) of the value of the REIT’s gross assets, and (ii) the REIT generally may not own more than ten percent (10%) of any one issuer’s outstanding securities, as measured by either voting power or value, and (iii) not more than twenty-five percent (25%) of the REIT’s assets may consist of “nonqualified publicly offered REIT debt instruments.” A “nonqualified publicly offered REIT debt instrument” means debt instruments issued by publicly offered REITs that only qualify as “real estate assets” by virtue of provisions of the Code. In addition, the aggregate value of all securities of TRSs held by a REIT may not exceed twenty-five percent (25%) of the value of such REIT’s gross assets.



The ten percent (10%) value test does not apply to certain “straight debt” and other excluded securities, as described in the Code, including any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, (i) a REIT’s interest as a partner in a partnership is not considered a security for purposes of applying the ten percent (10%) value test; (ii) any debt instrument issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by the partnership if at least seventy-five percent (75%) of the partnership’s gross income is derived from sources that would qualify for the seventy-five percent (75%) REIT gross income test; and (iii) any debt instrument issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by the partnership to the extent of the REIT’s interest as a partner in the partnership.

For purposes of the ten percent (10%) value test, “straight debt” means a written unconditional promise to pay on demand on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower’s discretion, or similar factors other than certain contingencies relating to the timing and amount of principal and interest payments, as described in the Code. In the case of an issuer which is a corporation or a partnership, securities that otherwise would be considered straight debt will not be so considered if the REIT, and any of its “controlled taxable REIT subsidiaries” (as defined in the Code), hold any securities of the corporate or partnership issuer which (i) are not straight debt or other excluded securities (prior to the application of this rule), and (ii) have an aggregate value greater than one percent (1%) of the issuer’s outstanding securities (including, for the purposes of a partnership issuer, the REIT’s interest as a partner in the partnership). As a result, the straight debt exception would not be available to a REIT with respect to a loan where the REIT also holds an equity participation in the borrower through a TRS.

A real estate mortgage loan generally will be treated as a real estate asset for purposes of the seventy-five percent (75%) REIT asset test if, on the date the mortgage loan is acquired, the value of the real property securing the loan is equal to or greater than the principal amount of the loan. Existing guidance from the IRS provides that certain rules described above that are applicable to the gross income tests may apply to determine what portion of a mortgage loan will be treated as a real estate asset if the mortgage loan is secured both by real property and other assets. Under special guidance issued by the IRS, if the value of the mortgage loan exceeds the greater of the current value of the real property securing the loan and the value of the real property securing the loan at the time the REIT committed to acquire the loan, such excess will not be a qualifying real estate asset. Furthermore, the REIT may be required to retest modified loans to determine if the modified loan is adequately secured by real property as of the modification date if the modification results in a taxable exchange. However, under special guidance issued by the IRS, if a loan modification occurred as a result of default or there was a reasonable belief that there was a significant risk of default and the modification reduced such risk, the REIT generally would not be required to retest such modified loan.

Certain loans could be at risk of being treated as equity interests in the borrower for U.S. federal income tax purposes. In such cases, a REIT likely would be treated as owning its proportionate share of the borrower’s assets (if the borrower is a pass-through entity) or as owning corporate stock (if

the borrower is a corporation), which could adversely affect such REIT's ability to comply with the asset tests.

Further, there may be circumstances in which any mezzanine loans made by a REIT do not comply with the safe harbor under Revenue Procedure 2003-65. To the extent that any of mezzanine loans held by a REIT subsidiary do not meet all of the requirements for reliance on the safe harbor set forth in the Revenue Procedure, such loans may not be real estate assets and could adversely affect REIT status.

Participation interests in loans may not be treated as direct interests in the underlying mortgage loan, which may cause the participation interest to not qualify as a real estate asset.

Regular or residual interests in Real Estate Mortgage Investment Conduits ("REMICs") generally are treated as real estate assets. If, however, less than ninety-five percent (95%) of the assets of a REMIC consists of real estate assets (determined as if the REIT held such assets), the REIT will be treated as owning its proportionate share of the assets of the REMIC. The IRS has issued guidance providing that, among other things, if a REIT holds a regular or residual interest in an "eligible REMIC" that informs the REIT that at least eighty percent (80%) of the REMIC's assets constitute real estate assets, then the REIT may treat eighty percent (80%) of the value of the interest in the REMIC as a real estate asset for the purpose of the REIT asset tests. The remaining twenty percent (20%) of the value of the REIT's interest in the REMIC would not qualify as a real estate asset for purposes of the REIT asset tests and could adversely affect the REIT's ability to qualify as a REIT. In the case of interests in grantor trusts, the REIT will be treated as owning an undivided beneficial interest in the mortgage loans held by the grantor trust. Such mortgage loans will generally qualify as real estate assets for purposes of the seventy-five percent (75%) asset test to the extent they are secured by real property. Investments in mortgage-backed securities that are not interests in a grantor trust or REMIC or government securities would not be treated as qualifying assets for purposes of the seventy-five percent (75%) asset test and will be subject to the five percent (5%) asset test, the ten percent (10%) value test, the ten percent (10%) vote test, and the twenty percent (20%) securities test described above.

Failure to Satisfy Asset Tests. After initially meeting the asset tests at the close of any quarter, a REIT will not lose its qualification as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the REIT fails to satisfy the asset tests because the REIT acquires assets during a quarter, the REIT generally may cure this failure by disposing of sufficient non-qualifying assets within thirty (30) days after the close of that quarter. If the REIT fails the five percent (5%) asset test, or the ten percent (10%) vote or value asset tests at the end of any quarter and such failure is not cured within thirty (30) days thereafter, the REIT generally may dispose of sufficient assets (generally within six (6) months after the last day of the quarter in which the identification of the failure to satisfy these asset tests occurred) to cure such a violation that does not exceed the lesser of one percent (1%) of the REIT's assets at the end of the relevant quarter or \$10,000,000. If the REIT fails any of the other asset tests or the REIT's failure of the five percent (5%) and ten percent (10%) asset tests is in excess of the de minimis amount described above, as long as such failure was due to reasonable cause and not willful neglect, the REIT generally is permitted to avoid disqualification as a REIT, after the thirty (30) day cure period, by taking certain steps, including the disposition of sufficient assets to meet the asset test (generally within six (6) months

after the last day of the quarter in which the REIT identified the failure to satisfy the REIT asset test) and paying a tax equal to the greater of \$50,000 or the highest corporate income tax rate (currently twenty-one percent (21%)) of the net income generated by the non-qualifying assets during the period in which the REIT failed to satisfy the asset test.

### Annual Distribution Requirements

In order to qualify as a REIT, a REIT is required to distribute dividends, other than capital gain dividends, to its equity owners in an amount at least equal to:

- (i) the sum of:
  - Ninety percent (90%) of the REIT's "REIT taxable income" (computed without regard to its deduction for dividends paid and its net capital gains); and
  - Ninety percent (90%) of the net income (after tax), if any, from foreclosure property (as described below); minus
- (ii) the sum of specified items of non-cash income that exceeds a percentage of the REIT's income.

These distributions must be paid in the taxable year to which they relate or in the following taxable year if such distributions are declared in October, November or December of the taxable year, are payable to stockholders of record on a specified date in any such month and are actually paid before the end of January of the following year. Such distributions are treated as both paid by the REIT and received by each equity owner on December 31 of the year in which they are declared. In addition, at the REIT's election, a distribution for a taxable year may be declared before the REIT timely files its tax return for the year and be paid with or before the first regular dividend payment after such declaration, provided that such payment is made during the 12-month period following the close of such taxable year. These distributions are taxable to the REIT's equity owners in the year in which paid, even though the distributions relate to the REIT's prior taxable year for purposes of the ninety percent (90%) distribution requirement.

In order for distributions to be counted towards a REIT's distribution requirement and to give rise to a tax deduction by the REIT, such distributions must not be "preferential dividends." A dividend is not a preferential dividend if it is pro rata among all outstanding shares of stock within a particular class and is in accordance with the preferences among different classes of stock as set forth in the organizational documents. To avoid paying preferential dividends, the REIT must treat every equity owner of the class of interests with respect to which the REIT makes a distribution the same as every other equity owner of that class, and the REIT must not treat any class of interests other than according to its dividend rights as a class. Under certain technical rules governing deficiency dividends, a REIT could lose its ability to cure an under-distribution in a year with a subsequent year deficiency dividend if the REIT pays preferential dividends. Preferential dividends potentially include "dividend equivalent repurchases." Accordingly, a REIT subsidiary would intend to pay dividends pro rata within each class, and to abide by the rights and preferences of each class of such REIT subsidiary's interests if there is more than one and will seek to avoid dividend equivalent repurchases.



To the extent that a REIT distributes at least ninety percent (90%), but less than one hundred percent (100%), of its “REIT taxable income,” as adjusted, the REIT generally will be subject to tax at ordinary U.S. federal corporate tax rates on the retained portion. In addition, the REIT may elect to retain, rather than distribute, its net long-term capital gains and pay tax on such gains. In this case, the REIT could elect to have its shareholders include their proportionate share of such undistributed long-term capital gains in income and receive a corresponding credit or refund, as the case may be, for their proportionate share of the tax paid by the REIT. The REIT’s shareholders would then increase the adjusted basis of their units in the REIT by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their proportionate shares.

If a REIT fails to distribute during each calendar year at least the sum of (i) eighty-five percent (85%) of the REIT’s REIT ordinary income for such year, (ii) ninety-five percent (95%) of the REIT’s REIT capital gain net income for such year and (iii) any undistributed taxable income from prior periods, the REIT will be subject to a non-deductible four percent (4%) excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed (taking into account excess distributions from prior periods) and (y) the amounts of income retained on which the REIT has paid corporate income tax. A REIT would intend to make timely distributions so that it is not subject to the four percent (4%) excise tax, and accordingly the Investment Manager expects that a REIT investor or REIT subsidiary, as applicable, would seek assurances from any Holding Company in which it invests to make distributions sufficient to enable such REIT to timely satisfy its distribution requirements under the REIT rules.

It is possible that a REIT, from time to time, may not have sufficient cash from operations to meet the distribution requirements, for example, due to timing differences between the actual receipt of cash and the inclusion of the corresponding items in income by the REIT for U.S. federal income tax purposes prior to receipt of such income in cash or non-deductible expenditures. See “—Gross Income Tests – Phantom Income” above. In the event that such shortfalls were to occur, to meet a REIT subsidiary’s distribution requirements it might be necessary to arrange for short-term, or possibly long-term, borrowings, use cash reserves, liquidate non-cash assets at rates or times that a REIT subsidiary regards as unfavorable, or pay dividends in the form of taxable stock dividends. In the case of a taxable stock dividend, a REIT subsidiary’s members would be required to include the dividend as income and would be required to satisfy the tax liability associated with the distribution with cash from other sources. In addition, provided a REIT subsidiary were able to obtain the consent of its members, a REIT subsidiary may elect to declare a cashless consent dividend that would allow a REIT subsidiary to satisfy its distribution requirement and avoid entity level tax without an actual distribution of cash (subject to certain withholding requirements). In such case, a REIT subsidiary’s members must include the amount of the consent dividend in income as dividends.

A REIT may be able to rectify a failure to meet the distribution requirements for a year by paying “deficiency dividends” to shareholders in a later year, which may be included in the REIT’s deduction for dividends paid for the earlier year. In this case, the REIT may be able to avoid losing its qualification as a REIT or being taxed on amounts distributed as deficiency dividends. However, the REIT would be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends.

### Prohibited Transactions

Net income a REIT derives from a prohibited transaction outside of a TRS is subject to a one hundred percent (100%) tax. The term “prohibited transaction” generally includes a sale or other disposition of property (other than foreclosure property) that is held as inventory or primarily for sale to customers, in the ordinary course of a trade or business by a REIT. The one hundred percent (100%) tax will not apply to gains from the sale of property held through a TRS or other taxable corporations (which are taxed at regular corporate rates). Thus, a REIT would intend to conduct its operations so that assets owned (or deemed owned) by such REIT that were inventory or held primarily for sale to customers in the ordinary course of business would be held through a TRS. However, whether property is held as inventory or “primarily for sale to customers in the ordinary course of a trade or business” depends on the particular facts and circumstances, and no assurance can be given that a REIT would be successful in isolating all investments subject to the one hundred percent (100%) tax in its TRSs or that such REIT would not engage in prohibited transactions outside of its TRSs.

As noted, a REIT may make non-controlling investments in partnerships (such as a Holding Company). Such partnerships may engage in transactions that constitute prohibited transactions for purposes of the REIT rules, and accordingly, any gain that passes through to the REIT from such partnerships would be subject to this one hundred percent (100%) tax. The one hundred percent (100%) tax will not apply to gains from the sale of property held through a TRS or other taxable corporations (which are taxed at regular corporate rates). Accordingly, the Investment Manager anticipates that a REIT investor or REIT subsidiary, as applicable, would seek assurances from the Holding Company in which it invests that it will not engage in activities that would constitute prohibited transactions for purposes of the REIT rules.

### Foreclosure Property

Foreclosure property is real property and any personal property incident to such real property (i) that is acquired by a REIT as a result of the REIT having bid on the property at foreclosure or having otherwise reduced the property to ownership or possession by agreement or process of law after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (ii) for which the related loan or lease was acquired by the REIT at a time when default was not imminent or anticipated, and (iii) for which such REIT makes a proper election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum U.S. federal corporate rate (currently twenty-one percent (21%)) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the seventy-five percent (75%) gross income test. Any gain from the sale of property for which a foreclosure property election is in effect will not be subject to the one hundred percent (100%) tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or property held for sale in the hands of the selling REIT.

### Failure to Qualify

In the event that a REIT violates a provision of the Code that would result in the REIT’s failure to qualify as a REIT, the REIT nevertheless may continue to qualify as a REIT under specified relief provisions available to the REIT to avoid such disqualification if (i) the violation is due to reasonable

cause and not due to willful neglect, (ii) the REIT pays a penalty of \$50,000 for each failure to satisfy a requirement for qualification as a REIT and (iii) the violation does not include a violation under the gross income or asset tests described above (for which other specified relief provisions are available). This cure provision reduces the instances that could lead to the REIT's disqualification as a REIT for violations due to reasonable cause. If the REIT fails to qualify for taxation as a REIT in any taxable year and none of the relief provisions of the Code apply, the REIT will be subject to tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Distributions to a REIT's members in any year in which such REIT does not qualify as a REIT will not be deductible by such REIT, nor will they be required to be made. In this situation, to the extent of current or accumulated earnings and profits, and, subject to limitations of the Code, distributions to the Fund by a REIT subsidiary generally will be taxable as dividends as described above. Unless a REIT is entitled to relief under the specific statutory provisions, the REIT also will be disqualified from re-electing to be taxed as a REIT for the four taxable years following a year during which qualification was lost. It is not possible to state whether, in all circumstances, a REIT will be entitled to statutory relief.

## **TAX RISKS RELATING TO REIT STATUS**

### Failure to Qualify as a REIT

The following discussion outlines the potential risks relating to a REIT's failure to qualify as a REIT.

The Investment Manager believes that the organization, proposed ownership, and method of operation of any REIT subsidiary, the Fund and the Holding Companies would enable such REIT subsidiary and any REIT investor to meet the requirements for qualification and taxation as a REIT (in the case of a REIT investor, solely with respect to its investment in a Holding Company of the Fund). However, the Investment Manager cannot provide assurance that a particular REIT subsidiary or REIT investor would qualify as such. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within the Investment Manager's control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT or the U.S. federal income tax consequences of such qualification.

If any REIT is treated as a corporation for U.S. federal income tax purposes and fails to qualify as a REIT in any taxable year, it will face serious tax consequences that will substantially reduce the funds available for distribution to its direct and indirect equityholders (including, in the case of a REIT subsidiary, the Shareholders) because:

- Such REIT would not be allowed a deduction for distributions paid to its shareholders in computing its taxable income and would be subject to U.S. federal income tax at regular corporate rates; and
- Unless such REIT is entitled to relief under certain U.S. federal income tax laws, the REIT could not re-elect REIT status until the fifth calendar year after the year in which it failed to qualify as a REIT.

As a result of all these factors, failure to qualify as a REIT could impair a REIT's ability to expand its business and raise capital, and it would adversely affect the value of any REIT subsidiary interests held by the Fund.

Even if a REIT qualifies as a REIT, It May Owe Other Taxes

Even if a REIT qualifies for taxation as a REIT, it may be subject to certain U.S. federal, state and local taxes on its income and assets, on taxable income that it does not distribute to its members, on net income from certain "prohibited transactions," and on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. For example, to the extent a REIT satisfies the ninety percent (90%) distribution requirement but distributes less than one hundred percent (100%) of its REIT taxable income, it will be subject to U.S. federal corporate income tax on its undistributed taxable income. It also will be subject to a four percent (4%) nondeductible excise tax if the actual amount that it distributes to its members in a calendar year is less than a minimum amount specified under the Code. As another example, a REIT is subject to a one hundred percent (100%) "prohibited transaction" tax on any gain from a sale of property that is characterized as held for sale, rather than investment, for U.S. federal income tax purposes, unless it complies with a statutory safe harbor or earns the gain through a TRS. Further, any TRS that it establishes will be subject to regular corporate U.S. federal, state and local taxes. Any of these taxes could decrease cash available for distribution to the Shareholders.

REIT Distribution Requirements Could Adversely Affect Liquidity

In order to maintain REIT status and to meet the REIT distribution requirements, a REIT subsidiary may need to borrow funds on a short-term basis or sell assets, even if the then-prevailing market conditions are not favorable for these borrowings or sales. In addition, a REIT subsidiary may need to reserve cash (including proceeds from this offering) to satisfy the REIT distribution requirements, even though there are attractive investment opportunities that may be available. To qualify as a REIT, a REIT generally must distribute to its members at least ninety percent (90%) of its REIT taxable income each year, computed without regard to the dividends paid deduction and excluding net capital gains. In addition, a REIT will be subject to corporate income tax to the extent it distributes less than one hundred percent (100%) of its REIT taxable income, as adjusted. In addition, any REIT will be subject to a four percent (4%) nondeductible excise tax on the amount, if any, by which distributions paid by it in any calendar year is less than the sum of eighty-five percent (85%) of its ordinary income, ninety-five percent (95%) of its capital gain net income and one hundred percent (100%) of its undistributed income from prior years. The Holding Companies' and any REIT subsidiary's (and hence any REIT investor's) cash flows from operations may be insufficient to fund required distributions, for example as a result of differences in timing between the actual receipt of income and the recognition of income for U.S. federal income tax purposes, the effect of non-deductible capital expenditures, the creation of reserves or required debt service or amortization payments. To address and/or mitigate some of these issues, a Holding Company or, as applicable, a REIT subsidiary may be required to use cash reserves, incur debt, or liquidate non-cash assets at rates or at times that the Investment Manager regards as unfavorable. A REIT subsidiary would intend to distribute its REIT taxable income to its shareholders in a manner intended to satisfy the ninety percent (90%) distribution requirement and to avoid both corporate income tax and the four percent (4%) nondeductible excise tax. However, a REIT subsidiary's taxable income may

substantially exceed its net income as determined in accordance with GAAP because, for example, it may invest in assets that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets. To the extent that a REIT subsidiary generates such non-cash taxable income in a taxable year, it may incur corporate income tax and the four percent (4%) nondeductible excise tax on that income if it does not distribute such income to its members in that year. As a result of the foregoing, a REIT subsidiary may generate less cash flow than taxable income in a particular year. In that event, it may be required to use cash reserves, incur debt, or liquidate non-cash assets at rates or at times that the Investment Manager regards as unfavorable to satisfy the distribution requirement and to avoid corporate income tax and the four percent (4%) nondeductible excise tax in that year.

**If a Holding Company or a REIT subsidiary forms a TRS the Overall Tax Liability Attributable to a Shareholder's Investment Could Increase**

Any TRS formed by a Holding Company or a REIT subsidiary will be subject to U.S. federal, state and local income tax on its taxable income. Accordingly, although a REIT subsidiary's ownership of any TRSs may allow it to participate in the operating income from certain activities that it could not participate in without violating the REIT income tests requirements of the Code or incurring the one hundred percent (100%) tax on gains from prohibited transactions, the TRS through which it earns such operating income or gain will be fully subject to corporate income tax. The after-tax net income of any TRS would be available for distribution to the applicable REIT subsidiary; however, any dividends received by it from TRSs will only be qualifying income for the ninety-five percent (95%) REIT income test, but not the seventy-five percent (75%) REIT income test.

Although use of TRSs may partially mitigate the impact of meeting certain requirements necessary to maintain qualification as a REIT, there would be limits on a REIT subsidiary's ability to own and engage in transactions with TRSs, and a failure to comply with the limits would jeopardize its REIT qualification and may result in the application of a one hundred percent (100%) excise tax.

A REIT may own up to one hundred percent (100%) of the stock or securities of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. A TRS also may sell assets without incurring the one hundred percent (100%) tax on prohibited transactions.

Overall, no more than twenty percent (25%) of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a one hundred percent (100%) excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis (for example if the REIT charged its TRS interest in excess of an arm's length rate). A REIT investor may elect with one or more direct or indirect subsidiaries for those subsidiaries to be treated as TRSs for U.S. federal income tax purposes. The Investment Manager will monitor the value of a particular REIT subsidiary's REIT's investments in any TRSs, if applicable, that such REIT subsidiary may form for the purpose of ensuring compliance with TRS ownership limitations and intends to structure the REIT's transactions with any such TRSs on terms that the Investment Manager believes are arm's-length to avoid incurring the one hundred percent (100%) excise tax described above. There can be



no assurance, however, in such event, that the Investment Manager will be able to comply with the twenty-five percent (25%) TRS limitation or to avoid application of the one hundred percent (100%) excise tax.

Complying with REIT Requirements May Cause the Fund to Forego Otherwise Attractive Opportunities

To qualify as a REIT, a REIT must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts it distributes to its shareholders and the ownership of its shares. In the event a Holding Company elects to accept investments from or more REIT investors or the Fund or a Holding Company elects to make investments through one or more REIT subsidiaries, the Holding Company may be required to make distributions to the REIT investor or REIT subsidiary, or the REIT subsidiary may be required to make distributions to the Fund, at disadvantageous times or when it does not have funds readily available for distribution. Thus, compliance with REIT requirements may, for instance, hinder the Fund's ability to make certain otherwise attractive investments or undertake other activities that might otherwise be beneficial to it and the Shareholders (including through any REIT subsidiary), or may require it to borrow or liquidate investments in unfavorable market conditions and, therefore, may hinder its investment performance. As a REIT, at the end of each calendar quarter, at least seventy-five percent (75%) of the value of its assets must consist of cash, cash items, U.S. Government securities and qualified "real estate assets." The remainder of its investments in securities (other than cash, cash items, U.S. Government securities, securities issued by a TRS and qualified real estate assets) generally cannot include more than ten percent (10%) of the outstanding voting securities of any one issuer or more than ten percent (10%) of the total value of the outstanding securities of any one issuer. In addition, in general, no more than five percent (5%) of the value of its total assets (other than cash, cash items, U.S. Government securities, securities issued by a TRS and qualified real estate assets) can consist of the securities of any one issuer, and no more than twenty-five percent (25%) of the value of its total securities can be represented by securities of one or more TRSs. After meeting these requirements at the close of a calendar quarter, if a REIT fails to comply with these requirements at the end of any subsequent calendar quarter, it must correct the failure within thirty (30) days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its REIT qualification. As a result, the Fund (or, if applicable, its REIT subsidiary) may be required to liquidate from its portfolio or forego otherwise attractive investments. These actions could have the effect of reducing its income and amounts available for distribution to its members.

The Investment Manager's ability to provide certain services to tenants may be limited by the REIT rules, or may have to be provided through a TRS

A REIT generally cannot hold interests in rental property where tenants receive services other than services that are customarily provided by landlords, nor can it derive income from a third party that provides such services. If services to tenants at properties in which the Fund holds an interest (including, as applicable, through a REIT subsidiary) are limited to customary services, those properties may be disadvantaged as compared to other properties that can be operated without the same restrictions. However, the Investment Manager and its affiliates can provide such non-customary services to tenants or share in the revenue from such services if it can do so through a TRS, though income earned through the TRS will be subject to corporate income taxes.

The Investment Manager and its affiliates have limited prior experience managing a portfolio of assets to comply with REIT requirements

REITs are subject to numerous complex requirements in order to maintain their REIT status, including income and asset composition tests. The Investment Manager and its affiliates have limited prior experience managing a portfolio in the manner intended to comply with such requirements. To the extent the Investment Manager and its affiliates manage a REIT subsidiary in a manner that causes a REIT subsidiary to fail to be a REIT, it could adversely affect the value of the Interests in the Fund.

Restrictions on the Ownership of Shares in the REIT

In order to maintain a REIT subsidiary's REIT qualification, among other requirements, no more than fifty percent (50%) in value of such REIT subsidiary's outstanding interests may be owned, directly or indirectly, by five or fewer individuals, during the last half of any taxable year, other than the first year for which a REIT election is made. To assist in qualifying as a REIT, such REIT subsidiary's governing documents are expected to contain an ownership limit based on the number of interests held and the value of the interests held, whichever is the most restrictive. Generally, any of a REIT subsidiary's interests owned by affiliated owners will be added together for purposes of the ownership limit.

If anyone attempts to transfer or own a REIT subsidiary's interests in a way that would violate the ownership limit (or would prevent such REIT subsidiary from continuing to qualify as a REIT), unless such ownership limits have been waived prospectively or retroactively by the Investment Manager, those interests instead will be deemed transferred to a trust for the benefit of a charitable beneficiary and will be either repurchased by such REIT subsidiary or sold to a person whose ownership of the interests will not violate the ownership limit and will not prevent such REIT subsidiary from qualifying as a REIT. If this transfer to a trust fails to prevent such a violation or disqualification as a REIT, then the initial intended transfer or ownership will be null and void from the outset. Anyone who acquires or owns interests in any REIT subsidiary in violation of the ownership limit, unless such ownership limit or limits have been waived prospectively or retroactively by the Investment Manager bears the risk of a financial loss when the interests are repurchased or sold, if the net asset value of the interests falls between the date of purchase and the date of repurchase or sale.

Gains from sales of Property Subject to a 100% Prohibited Transaction Tax

A REIT subsidiary may sell assets from time to time to fund share repurchase requests, to satisfy its REIT distribution requirements, to satisfy other REIT requirements, or for other purposes. It is possible that the IRS may take the position that one or more sales of assets by the Fund may be a prohibited transaction with respect to a REIT Investor, or that such sales by a REIT subsidiary are a prohibited transaction with respect to such REIT subsidiary. A prohibited transaction generally would include a sale of property held by a Holding Company or a REIT subsidiary primarily for sale in the ordinary course of its trade or business. If a REIT investor or REIT subsidiary is deemed to have engaged in a prohibited transaction through a Holding Company, or a REIT subsidiary is deemed to have engaged in a prohibited transaction, the applicable REIT would be subject to a one hundred percent (100%) tax on the gain from such sale. The Code sets forth a safe harbor under which a REIT

may, under certain circumstances, sell property without risking the imposition of the one hundred percent (100%) tax, but there is no assurance that a REIT would be able to qualify for the safe harbor. A REIT subsidiary or the Fund would not intend to hold property for sale in the ordinary course of business, but there could be no assurance that the IRS would not challenge the Investment Manager's position, especially if it makes frequent sales of property in which it has short holding periods. For example, a REIT subsidiary could be subject to this tax if it were to own a portfolio of properties and shortly thereafter dispose of portions of the portfolio that the Investment Manager did not want to hold long term. In order to avoid the prohibited transactions tax, a Holding Company (or, as applicable, a REIT subsidiary) could choose to hold certain assets that it believes would not perform as well as the remaining assets of such a portfolio, or it may choose not to own a portfolio offered on an "all-or-none" basis, even though certain assets in the portfolio might otherwise satisfy the Investment Manager's investment criteria and be beneficial to the Fund and the Shareholders generally.



## 10. Glossary

---

**CHIP-N-SAW ("CNS"):** A type of lumber produced from medium-sized pine trees. At the sawmill, the CNS method grinds away the outermost layer of wood in the log, then saws lumber from the interior wood of the log beam, making 2x4 boards and other lumber.

**HARDWOOD:** A general category to describe trees with broad, flat, or scalloped leaves. Hardwood trees have their seed contained within a nut, fruit, berry or other outer casing.

**MEAN REVERTING:** Mean reversion is the theory suggesting that prices and returns eventually move back toward the mean or average.

**MICRO-MARKETS:** A micro-market is a wood sourcing area in which ninety percent (90%) of the wood is delivered and consumed.

**PRE-MERCHANTABLE TIMBER:** Trees that are too small to be sold for pulpwood or other commercial products.

**PULPWOOD:** A tree or log used to manufacture paper, absorbent pulp, cardboard, fiberboard and other wood fiber-based products. Generally these trees are the lowest-value product in a stand of trees.

**SAWTIMBER:** A log or tree that is large enough and of suitable quality to be sawn into lumber. Larger diameters are almost always more valuable. Sawlogs are generally the next higher grade of product above chip-n-saw.

**SILVICULTURE:** The art and science of controlling the establishment, growth, composition, health, and quality of forests and woodlands to meet the diverse needs and values of landowners and society such as wildlife habitat, timber, water resources, restoration, and recreation on a sustainable basis.

**SOFTWOOD:** A general category to describe trees with needles or scale-like leaflets. Softwood trees have their seed contained within a cone that releases the seed.

**STUMPAGE:** Term that describes the dollar value of standing timber. When selling timber, you will be quoted a 'stumpage price' that the buyer will pay you for each product class and/or species of timber as it exists un-cut on the stump.

**THINNING:** An intermediate harvest in a stand of trees that reduces the stocking level of the stand. Thinning should remove the poorly formed and suppressed trees, thereby allowing the more vigorous and healthy trees more room to grow to maturity. A thinning conducted when the trees are not yet merchantable is called a 'precommercial thinning.'