

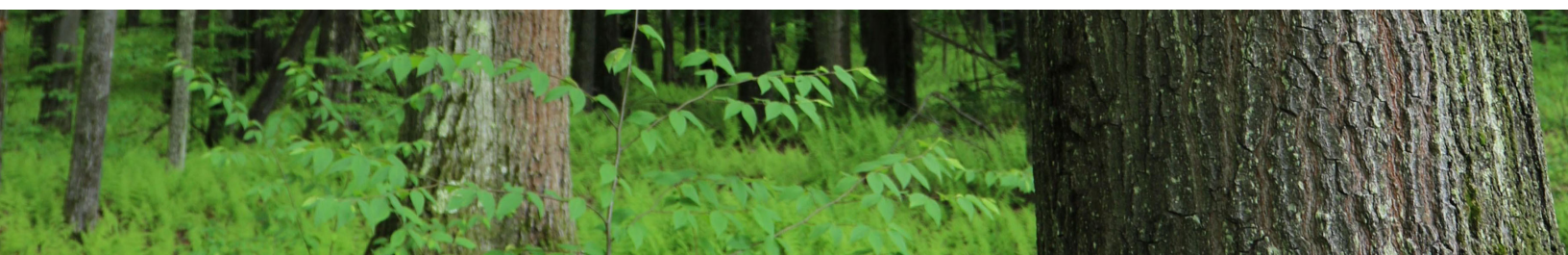


THE
LYME TIMBER
COMPANY

2021 ANNUAL REPORT

FIRM AND PORTFOLIO UPDATES, ESG INITIATIVES, AND IMPACT REPORTING

PUBLISHED APRIL 2022



ABOUT THE LYME TIMBER COMPANY

Founded in 1976, The Lyme Timber Company LLC (“Lyme”) is an employee-owned investment management company that focuses on timberland and timberland-related investments in the US and Canada. The Company’s current portfolio includes 1.5 million acres of sustainably managed forestland in New York, Pennsylvania, West Virginia, Tennessee, Alabama, Florida, Michigan, and Wisconsin. Lyme also invests in supply chain businesses, including sawmills, forest management companies, logging businesses, and log distribution yards in the regions where it manages timberland. Finally, Lyme invests in mitigation banks and other ecosystem services projects throughout the United States. Recognized as a leader in conservation, Lyme has protected over 1 million acres through conservation easements, mitigation bank instruments, and 100-year carbon sequestration projects.

OUR VALUES AND CULTURE

Our values and culture are built on investment discipline, fairness, and integrity. We embrace creative problem solving, collaboration, and continuous improvement. We recognize that trees and forests are a renewable resource with multiple stakeholders. Their management requires thoughtful and careful stewardship, and a commitment to forest health and biological diversity. We seek to have a positive impact on the people who work in our businesses and the communities where we operate.



INTRODUCING THE 2021 LYME ANNUAL REPORT

2021 was an exciting year for The Lyme Timber Company: we expanded ownership and leadership of the firm, experienced a strong recovery in log and lumber markets, and made progress in our work to conserve land, address supply chain challenges, and improve job quality and community benefits across our portfolio.

As the leader of a firm that many regard as a pioneer in the field of ESG and impact investing, I believe that two of the most important things we can do are to: (1) avoid overstating the environmental and social impacts of our work; and (2) acknowledge circumstances where the current legal or regulatory frameworks constrain our ability to fully implement environmental and social impact goals. I recognize that this is an unconventional perspective for a firm with a long-standing commitment to impact investing, but given the growth and current popularity of “ESG investing” as a tool for addressing global challenges, I believe a measured approach to reporting, and one that acknowledges the limitations of private capital, is especially important right now.

Doubtless, there are many opportunities for us to make the world a better place - through our conservation efforts, supply chain investments, and DEI initiatives - and we should pursue such opportunities with seriousness and discipline. But many of the most intractable problems in our society - climate change, loss of biodiversity, income inequality, and even systemic racism - will require more than impact-oriented investment; solving these challenges will also require rule changes and investments by governments. For example, we cannot achieve the full potential of our conservation strategies without robust public funding for conservation easements; similarly, our carbon projects will not deliver durable climate benefits without rule changes that require rotation extensions and harvest reductions.

In this context, firms that overstate the benefits of their ESG and impact strategies do a disservice to society by engendering a false sense of confidence that problems can be solved primarily by businesses through voluntary

initiatives and capital allocation. We hope to avoid that pitfall by being honest with ourselves and with you about both the scope and the limits of our work.

The desire to avoid overstating the impact of what we do, while also holding ourselves accountable for achievable goals that we set for ourselves, prompted us to overhaul our approach to impact reporting.

The main body of the report is divided into two sections. The first describes each of our major investments and reports on our efforts in four key areas: sustainable forestry, carbon and climate, land protection and conservation, and forest products supply chain. We attempt to describe our successes and failures in each area and the factors that constrain our ability to have greater impact. While these descriptions may not fit neatly into an ESG scorecard, we hope they provide sufficient information to allow the reader to evaluate the environmental and social impacts of our work.

The second part of the report addresses our firmwide five-year ESG goals. As we previewed in last year’s impact report, these are internal goals and metrics that our team believes are relevant and realistic targets to achieve over a five-year timeframe. As you would expect, with only one year of work behind us, we have made significant progress in some areas and little or no progress in others. Again, we seek to provide an honest assessment of our progress.

The work that went into this report, alongside our ongoing efforts to achieve investment returns while also delivering positive environmental and social outcomes, reflects the tremendous skill, collaboration, and commitment of the entire Lyme team. We hope you enjoy the report, and we welcome your feedback.

Jim Hourdequin, Chief Executive Officer



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ABOUT THIS REPORT

The purpose of this report is to provide a high-level summary of The Lyme Timber Company's activities across all of its businesses. It is not intended to describe financial or investment performance or provide fund-specific investment information, which is available to investors in fund-specific quarterly and annual investment reports.

Information included in the first part of the report is current as of the date of publication (April 2022). Impact data reported in the appendices is based on the 2021 calendar year reporting cycle to align with our historical impact reporting.

2021 IN BRIEF

FIRM UPDATE

As of January 1, 2022, we completed a restructuring of ownership of The Lyme Timber Company by buying the passive minority interest controlled by the retired founders of the firm and expanding ownership to include three additional employees. Lyme is now wholly owned by active employees, and we expect to continue to broaden ownership in coming years. We are proud of our success in managing succession from one generation to the next while remaining independent and employee-owned.

We expanded our leadership team to include Sarah Kitz, who started her professional career with Lyme in 2009, then completed an MBA and worked for a private timber company on the west coast before returning in 2019. As of April 2022, Lyme's team included 17 employees.



The Lyme leadership team: Sean Ross, Sarah Kitz, Tom Morrow, Jim Hourdequin, David Hoffer, and Peter Stein

MARKET ENVIRONMENT

2021 was a good year to be an investor in timberland. Log and lumber markets surged as housing and economic activity rebounded from the initial impacts of the COVID-19 pandemic. Demand for wood products outpaced

supply, and log prices reached record levels. However, labor shortages, rising costs, and supply disruptions put extra stress on many small businesses in the forest products supply chain. We were able to manage through many of these challenges by supporting our contractors and employees, increasing logging rates, and working closely with customers.



Climate became an increased focus for the investment community in 2021. Forests became widely recognized and accepted as an important natural climate solution, piquing corporate and investor interest in forestland investments to meet climate and environmental, social, and governance ("ESG") goals. At the same time, more scrutiny, which we believe is warranted, was put on forest carbon offsets as a tool for mitigating climate change.

LYME INITIATIVES

Alongside our commitment to best-in-class forestry operations, we began to analyze how forest carbon offset markets need to shift to compensate landowners for the true cost of delivering climate benefits through harvest reductions and rotation extensions. We spoke publicly about the evolution of carbon markets and the need for carbon projects to deliver greater additionality to offset emissions. We believe baseline forecasts need to more accurately forecast what a landowner would do in the absence of carbon payments, and buyers of forest carbon offsets need to pay higher prices, to make a real climate impact.

In response to many of the supply-chain challenges of 2021, we doubled down on our commitments to the logging and trucking workforces. We proactively raised

logging and trucking rates for contractors, added an in-house road crew and logging crew in New York, extended financing to several logging contractors in Tennessee and West Virginia, and continued to invest in Mountaineer Mechanized, our in-house winch assist logging crew in West Virginia. We also encouraged our sawmill and log yard operating partners to increase wages for hourly employees.

In 2021, we began work on our five-year ESG initiatives, as discussed in greater detail in this report. Of note, we put greater emphasis on understanding community concerns related to conservation and invested in building support for conservation easements in Pennsylvania, Michigan, Florida, and other locations.

Finally, we continued to invest in understanding our forests. We spent over \$1 million on LiDAR imagery to develop stand-level inventory and mapping tools to

assist forestry operations and improve growth and yield modelling. We also invested \$13 million in the purchase of a second sawmill and approved over \$5 million of capital spending at the Emporium Hardwoods sawmill in Pennsylvania.

FUNDS UPDATE

The Lyme Forest Fund V (Fund V) reached the end of its investment period on January 31, 2022 with 90% of committed capital invested. The Lyme Conservation Opportunities Fund (LCOF) is in the third year of its investment period with 38% of committed capital invested. We continue to manage investments for The Lyme Forest Fund III (Fund III) and The Lyme Forest Fund IV (Fund IV).

We are weighing different strategies for future investments.

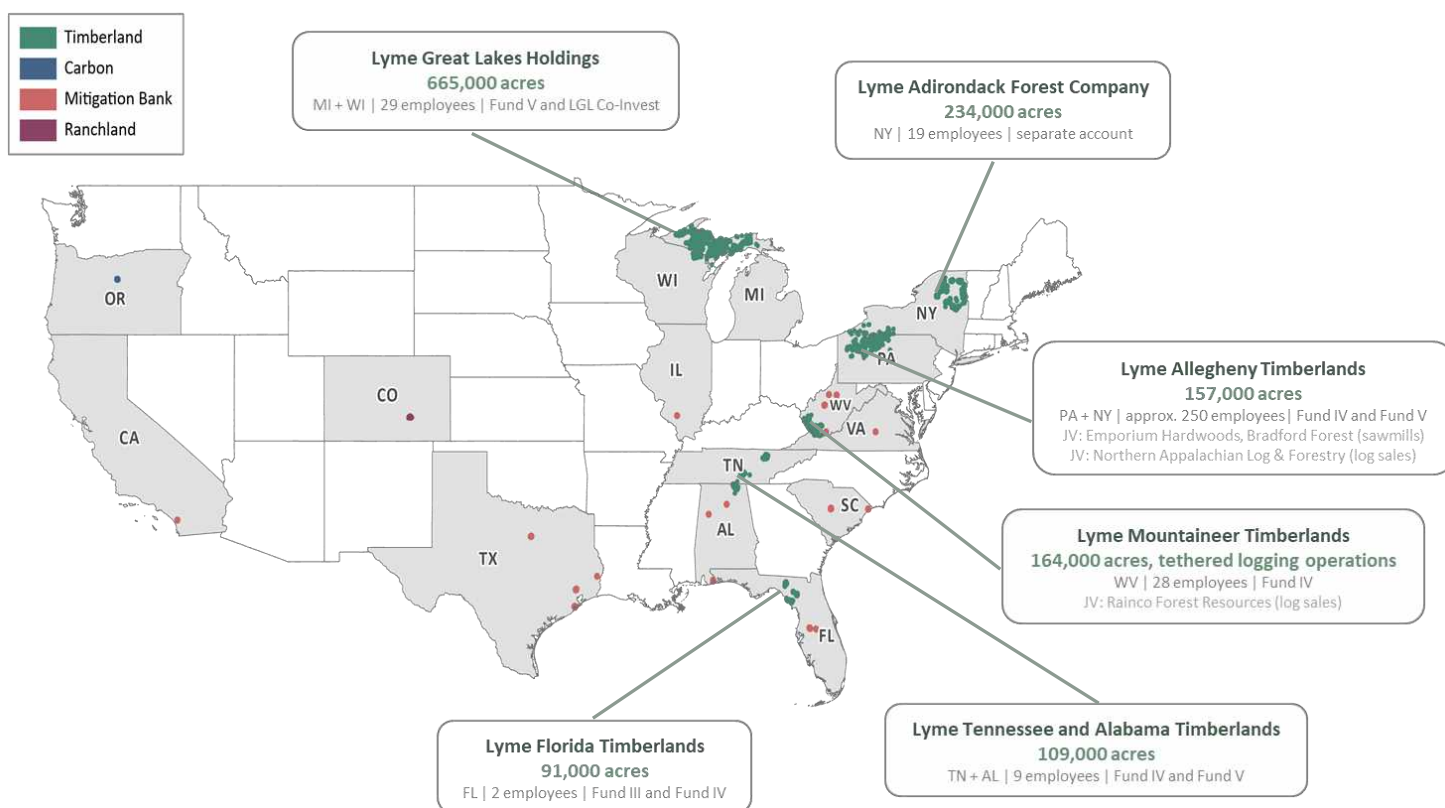


View from Mt. Arvon, Michigan's highest point, located on Lyme Great Lakes Timberlands

PORTFOLIO UPDATE

Lyme’s current portfolio includes six forestland business units (each managed by a fund- or investor-owned forest management company), three supply chain joint ventures, three in-house logging/road crews, 20 mitigation investments, a working ranch, and a carbon-focused timberland investment.

In 2021, we focused on integrating 90,000 acres of forestland in Pennsylvania that we purchased in December 2020. Midway through the year, we restructured our sawmill joint venture and invested in Bradford Forest, a second sawmill in Pennsylvania. The Lyme Conservation Opportunities Fund made two mitigation investments, in Virginia and Texas. In January 2022, Fund IV sold its interest in 112,000 acres of coastal redwood forests in California.



1.5 MILLION ACRES

\$1B ASSETS UNDER MANAGEMENT

367 TOTAL EMPLOYEES

100% FORESTLAND CERTIFIED TO SUSTAINABLE FORESTRY STANDARDS

Every acre of forestland that Lyme manages is third-party certified to the Sustainable Forestry Initiative (SFI)® and/or Forest Stewardship Council (FSC)® standards. These standards require sustainable management and compliance with laws and regulations, respect for Indigenous Peoples’ rights, community relations and workers’ rights considerations, minimizing environmental impacts, maintenance of high conservation value forests, and ongoing monitoring and assessment. We select the certification standard for each property based on local markets and stakeholder input.

Individual timberland properties are certified as part of multi-site certificates held by The Lyme Timber Company with annual field audits on a subset of the properties each year. We are proud of our record of achieving high marks on our audits and view the process as an opportunity to learn and improve. In the pages that follow, we report audit results on properties where physical audits were performed.

Data as of January 2022

OVERVIEW

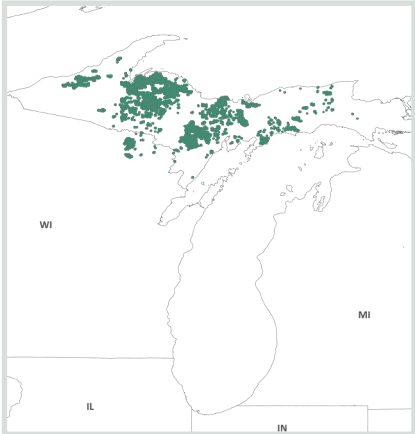


In late 2019, Lyme purchased three properties totaling 675,000 acres in the Upper Peninsula of Michigan and northern Wisconsin. The property features high-quality northern hardwoods, dominated by sugar maple, and includes significant softwood plantations, lowland conifers, and aspen stands.

Our investment strategy is focused on income generation from sustainable forestry activities, alongside income from retail land sales, conservation sales, carbon offset projects, and recreational leasing. The lands are managed by

Lyme Great Lakes Forest Management, a Lyme portfolio company with 29 employees. We seek to build a set of going-concern businesses that will thrive beyond the our current investment fund’s ownership.

2021 was a strong year for Lyme Great Lakes, with excellent hardwood markets, good operating conditions, and great focus by the team. As anticipated, the long-time general manager for the property retired and we promoted an internal candidate to the role. We began construction on a forestry office and log yard in Escanaba, Michigan, which we expect to complete in 2022. Although contractors in the Great Lakes have historically been well capitalized and highly capable, we identified logging contractor financial health as an area of concern in 2021 and began adjusting our logging rates upward at the end of the year.



**LOCATION UPPER PENINSULA
MICHIGAN & NW WISCONSIN**

AREA 665,000 ACRES

**OWNERSHIP FUND V AND LGL
CO-INVESTMENT FUND**

EMPLOYEES 29

CERTIFICATION SFI

SUSTAINABLE FORESTRY



Forestry operations are conducted under SFI certification. A physical audit in 2021 indicated no corrective actions and full compliance with the standard. We continue to evaluate our acquisition assumptions to determine whether we need to make downward adjustments to medium-term harvest levels based on stand conditions and our long-term goal of growing quality hardwood trees.

We conducted multiple site visits and trainings with the field staff to ensure forest management strategies aligned with our management philosophy. We are evaluating a former owner’s practice of converting a portion of poor performing or degraded hardwood stands to softwood plantations. This practice, while permissible under SFI certification, has raised concerns among conservation partners.

We partnered with Michigan State University and the Michigan Department of Natural Resources (DNR) in a habitat and species monitoring project for wood turtle, which is listed a species of special concern.

LYME GREAT LAKES TIMBERLANDS (CONTINUED)

CARBON AND CLIMATE



Our acquisition strategy included a plan to develop a California Air Resources Board (CARB) forest carbon project on the Wisconsin portion of the property. We completed this work and sold 840,340 initial issuance offsets in 2021. Although the carbon project has limited impact on our planned near-term harvest levels, it does impose additional management requirements on the property and requires that standing carbon stocks be maintained for the next 100 years.

We evaluated the possibility of selling additional carbon offsets from the core Michigan holdings. Our analysis indicated that offsets could be generated from harvest reductions, but the current price of carbon is well below the price necessary to pay for such reductions alongside the cost of other obligations under a carbon project. We intend to continue to evaluate the opportunity.

LAND PROTECTION AND CONSERVATION



The property contains many important conservation attributes, including connectivity to public lands and trails, climate-resilient forests, and wildlife habitat. The Wisconsin portion of the property (30,600 acres) was encumbered at the time of our purchase by a working forest conservation easement held by the Wisconsin Department of Natural Resources. Over time, we seek to sell new conservation easements over a large portion of the Michigan property. At a smaller scale, we will also pursue fee sales to public agencies or land trusts.

In 2021, we sold 95 miles of trail easements to Michigan DNR for snowmobile and ATV use. We also sold 1,240 acres to The Trust for Public Land for transfer to the Ottawa National Forest and 40 acres to the UP Land Conservancy. Finally, we entered discussions with state agencies and our conservation partners regarding phased conservation easement transactions that would encumber over 150,000 acres.

FOREST PRODUCTS SUPPLY CHAIN



The Great Lakes region stands out as having one of the healthiest supply chains within Lyme's portfolio. Logging contractors are generally better capitalized with newer equipment, bona fide employees, and responsible business practices. Similarly, the region supports many successful sawmill businesses. We supply 54 mill customers and provide steady work for 42 logging and trucking contractors.

Despite the overall health of the supply chain, our logging and trucking contractors struggled with rising fuel costs, parts shortages, and challenges in hiring and retaining workers. In response, we implemented a rate increase for our contractors. We anticipate making additional changes to contractual arrangements to ensure a healthy and viable contractor base.

Lyme Great Lakes operates three log merchandising yards to sort and sell high-end hardwood logs. This approach drives value for our customers and our forestry operations.

OVERVIEW



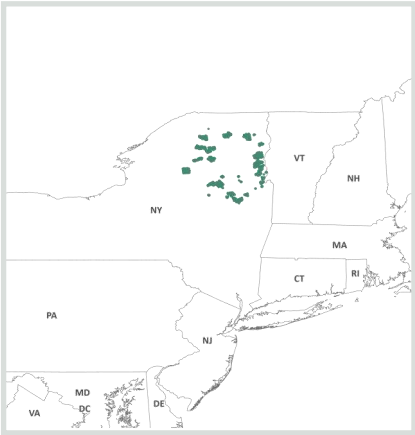
In 2006, Lyme purchased former International Paper land in New York’s Adirondack State Park on behalf of its second pooled investment fund. The lands currently comprises 234,000 acres and include a mix of quality northern hardwoods and natural softwood stands. In 2007, we sold working forest conservation easements on 211,000 acres of the property. These easements, in combination with earlier easements, extinguished development rights, opened the property to public recreational access, and set a higher standard for sustainable forest management practices.

In 2015, Fund II sold its interest in the timberland and operating businesses to an insurance company, who retained Lyme as an investment advisor. The lands continue to be managed by Lyme Adirondack Forest Company (LAFCo), a 19-person business that includes forestry and log yard staff, a company road crew, and a company logging crew.

Having transitioned the investment to a stable long-term ownership model, our strategy is focused on generating income from sustainable forestry operations and recreational leasing, addressing supply chain challenges, and leveraging the scale of our log yard operations to create accretive business opportunities.

We closely monitor the health of logging contractors in the Adirondacks. Despite our efforts to pay fair contracting rates, we have seen established contractors downsize and/or leave the business altogether due to the challenges associated with recruiting and retaining workers.

In 2021, we opened a new log yard in Chestertown and established in-house road and logging crews. Markets were favorable, and the team was able to achieve the harvest budget despite record rainfall and challenges with contractor capacity. In addition, the team expanded its third-party log purchase program.



LOCATION NE NEW YORK
AREA 234,000 ACRES
OWNERSHIP SEPARATE
ACCOUNT (FORMERLY OWNED BY FUND II)
EMPLOYEES 19
CERTIFICATION SFI & FSC

SUSTAINABLE FORESTRY



Forestry operations are managed under SFI and FSC certification. Physical audits under each standard indicated no corrective actions. In 2021, we completed a new field-based forest inventory and collected LiDAR imagery on the entire property. The inventory and LiDAR data will help us refine our growth and yield models to better evaluate optimal harvest levels to achieve our long-term income and silvicultural objectives.

We continue to survey and manage the property for wildlife habitat including our long running young forest initiative and demonstration area in partnership with the Wildlife Management Institute and New York Audubon.

LYME ADIRONDACK FOREST COMPANY (CONTINUED)

CARBON AND CLIMATE



In 2021, we began to consider the potential of developing a forest carbon project that would compensate us for reducing harvest levels. To evaluate this potential and to update our baseline harvest plan, we completed a property-wide inventory and LiDAR imaging project. In 2022, we will utilize the inventory data and LiDAR mapping to update our growth and yield modelling.

LAND PROTECTION AND CONSERVATION



The majority of the LAFCo property is subject to working forest conservation easements held by the state of New York, which prevent development and subdivision and provide public recreational access. We continue to maintain our strong working relationship with New York Department of Environmental Conservation (DEC), the agency with responsibility for monitoring compliance with the conservation easements. In 2021, we worked with a local town to develop a trail to a lookout fire tower on an adjacent state-owned property, as well as numerous other recreation projects with the state of New York.

FOREST PRODUCTS SUPPLY CHAIN



LOG DISTRIBUTION YARD: The new LAFCo log yard occupies 10 acres in Chestertown, New York. The yard employs five full-time staff who work alongside LAFCo foresters to scale, sort, store, and market logs from the LAFCo lands. The log yard also purchases logs and standing timber from third parties.



ROAD CREW: The LAFCo road crew was established in 2021 to fill the need for road work that we could not source from third-party contractors due to contractor availability. The crew helps LAFCo maintain roads, install stream crossings, and prepare access to new harvest units.



LOGGING CREW: After years of challenges securing contractors for the northern portion of the LAFCo ownership, we decided to invest in an in-house/company-owned logging crew in 2021. We purchased all-new cut-to-length equipment because we felt it was better suited to wetter conditions and smaller jobs than the conventional logging systems that dominate the LAFCo ownership. In cut-to-length logging, a harvester mechanically fells the tree and processes it to length in the woods. Then a wheeled “forwarder” picks up the logs and carries them to roadside landings. The system is widespread in Scandinavia and has gradually becoming a preferred system in the US for efficient, low impact, and safe logging activities.

OVERVIEW



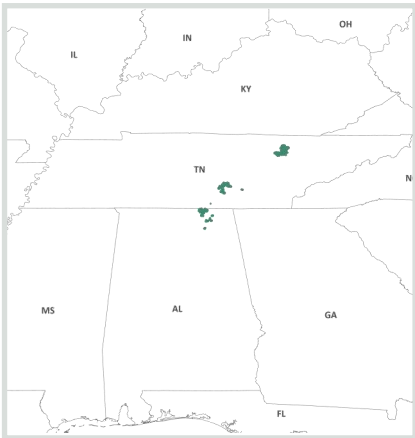
Between 2016 and 2019, Lyme made three investments totaling 109,000 acres in Tennessee and Alabama. The properties include well stocked, natural hardwood forests with quality white oak, red oak, and tulip poplar. The terrain is mountainous with generally good access and road infrastructure. We developed forest carbon projects on approximately 40,000 acres of the land and manage an existing forest carbon project on an additional 5,000 acres. Approximately 42,000 acres of the land is subject to a working forest conservation easement. Local log markets are strong, but the logging infrastructure is generally undercapitalized and struggling.

Our strategy is to manage the lands for a combination of timber harvesting, carbon, and recreational leasing cash flows. The investments are managed by Straight Fork Forest Management, a Lyme portfolio company with 9 employees. We seek to build a set of synergistic going-concern businesses that will thrive beyond the term of our current investment fund’s ownership.

While our Tennessee businesses benefited from excellent log markets in 2021, we had trouble recruiting and retaining sufficient logging capacity to achieve our production goals. To address this issue and our broader objective to improve safety and job quality in the logging sector, we expanded our efforts to stabilize the local logging force, extending loans to contractors who struggled with rising fuel costs, parts shortages, and challenges in hiring and retaining workers. We also invested in LiDAR mapping projects to improve planning and better evaluate operability and access constraints.



STRAIGHT FORK
FOREST
MANAGEMENT
LLC



LOCATION TENNESSEE & NE
ALABAMA

AREA 109,000 ACRES

OWNERSHIP FUND IV & V

EMPLOYEES 9

CERTIFICATION SFI & FSC

SUSTAINABLE FORESTRY



Forestry operations on the northern Tennessee properties are conducted under the FSC certification while the remaining property is managed under the SFI certification. No physical audits were conducted in 2021. Our team focused on improving water quality protection to standards above business-as-usual practice in the region. We also implemented forest management strategies to improve habitat for golden-winged and cerulean warbler, both species of greatest conservation need in the region.

LYME TENNESSEE TIMBERLANDS (CONTINUED)

CARBON AND CLIMATE



There are three forest carbon projects on the Lyme Tennessee properties, covering a total of 44,800 acres and enrolled under the California Air Resources Board (CARB) compliance market protocol.

In 2021, the projects generated 913,157 carbon offsets as a result of harvest levels in recent years falling below assumed biological growth rates. We sold these offsets in 2021 and expect that our planned harvest levels in coming years will continue to generate offsets that we can make available for sale. We are currently evaluating a fourth carbon project on a portion of the remaining acres.

LAND PROTECTION AND CONSERVATION



There are two conservation easements within the Tennessee portfolio – encumbering 38% of the property – which restrict development and subdivision but allow for ongoing forest management. In 2021, we entertained interest from a conservation buyer in the fee purchase of a portion of our lands not subject to conservation easements. We elected not to proceed because doing so would reduce operational efficiencies on adjacent properties. We would like to sell additional conservation easements, which would enable us to maintain operational efficiencies, but do not currently see a pathway for conservation funding from state agencies.

FOREST PRODUCTS SUPPLY CHAIN



STRAIGHT FORK LENDER: We established Straight Fork Lender in 2019 to make loans to logging contactors and truckers whose businesses required capital to support expansion and ongoing operations. We made loans to two key logging contractors. The loan terms provide repayment flexibility depending on production and weather conditions. While these loans have succeeded in supporting our contractors' operations, they have required more capital, time, and risk than anticipated, and we are evaluating whether to continue the program.



COMPANY LOG YARDS: Straight Fork Forest Management operates two company-owned log yards where Lyme and third party logs are concentrated, remerchandised, and sold. The scale advantages of these yards have enabled Straight Fork to pursue opportunities on third-party lands, including timber harvesting and log marketing for a large, FSC-certified landowner in the region and the purchase of standing timber from a mix of private and state landowners.

OVERVIEW



In December 2017, Lyme purchased 164,000 acres in southern West Virginia. The lands are steep and difficult to access, but the rich soils support a mix of quality hardwoods, including red oak, white oak, and tulip poplar. We inherited two forest carbon offset projects that were initiated by the former owner. These cover the majority of our land base and require us to maintain carbon stocking for 100 years.

Our investment strategy is to manage the lands for a combination of timber harvesting and

carbon cash flows, recognizing that particularly steep and difficult (though not impossible) to access portions of the property are better suited to carbon sequestration than commercial timber management. The lands are managed by Mountaineer Forest Management, a Lyme portfolio company with 12 employees. We seek to build a set of synergistic going-concern businesses that will thrive beyond the term of our current investment fund’s ownership.

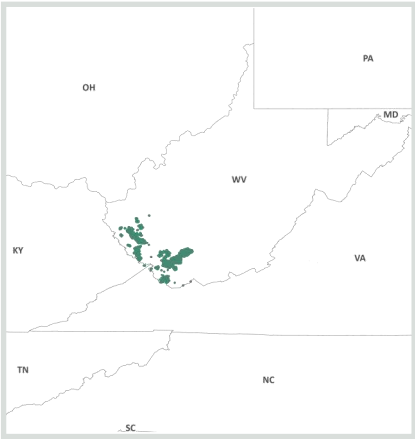
One of the most significant challenges to our strategy is logging capacity, especially among logging contractors that meet our insurance, safety, and work quality standards. Southern West Virginia is among the most economically depressed regions in the US. Historically, logging has not offered sufficient profitability to attract contractors with the capital and experience to address many of the issues facing the logging workforce, including safety, job quality, and wages. To begin to address these issues, we established Mountaineer Mechanized, an in-house logging crew that brought the first winch-assist (“tethered”) logging system to the Eastern US.

Following several years of tariff-related weakness in log export markets and limited domestic demand for red oak and other key species, the Lyme Mountaineer businesses experienced a strong rebound in 2021 as hardwood log and lumber markets improved. Our focus in 2021 centered on improving operations at Mountaineer Mechanized, where we retained employees despite competition from nearby coal mines. We also utilized new LiDAR imagery to make better forest management decisions on the ground.

SUSTAINABLE FORESTRY



Approximately 65% of Lyme Mountaineer Timberlands are managed under FSC certification and 35% are managed under SFI certification. No physical audits were conducted in 2021. We recently made a significant investment in a new LiDAR inventory for a large portion of the property. This has enabled us to update forest stand typing and incorporate operability constraints into our harvest planning. The investment has proven invaluable for our foresters given the property’s challenging topography, difficult access, extensive road networks, and the need to protect water quality and other conservation attributes.



LOCATION SOUTHERN WEST VIRGINIA

AREA 164,000 ACRES

OWNERSHIP FUND IV

EMPLOYEES 12

CERTIFICATION SFI & FSC

LYME MOUNTAINEER TIMBERLANDS (CONTINUED)

CARBON AND CLIMATE



There are two forest carbon sequestration projects covering a total of 144,829 acres of the property, each developed for the California Air Resources Board (CARB) compliance market.

In 2021, the projects generated 186,150 carbon offsets as a result of harvest levels in recent years falling below assumed biological growth rates. We sold these offsets in 2021 and expect that our planned harvest levels in coming years will continue to generate offsets that we can make available for sale. The potential to sell offsets has influenced our thinking on harvest level and contributed to our decision to reduce our long-term harvest volume expectations for the property.

LAND PROTECTION AND CONSERVATION



Conservation opportunities in West Virginia are minimal due to limited development or land conversion pressure and limited funding for traditional conservation strategies. Still, we hope to sell a 2,225-acre conservation easement to the State of West Virginia in 2022.

FOREST PRODUCTS SUPPLY CHAIN



MOUNTAINEER MECHANIZED: In 2018, Lyme established Mountaineer Mechanized to improve logging safety and job quality while reducing the environmental impacts of steep-slope logging in southern West Virginia. Mountaineer Mechanized established the first tethered harvesting system in the Eastern US. We have hosted dozens of tours and now at least three additional systems have been started in West Virginia. This investment provided critical logging capacity, enabled timber harvests to occur in a manner that reduces soil erosion and stream sedimentation, and allowed us to provide attractive wages and benefits to the eight workers on this crew.



Mountaineer Mechanized has largely achieved its safety and job quality objectives, but still has not achieved its production and profitability goals. However, we face even greater challenges with our third-party logging force, which continues to shrink and present supervision challenges for our foresters. We understand that establishing a new business model and harvesting system takes time and plan to continue to invest time and capital in helping the business achieve its full potential.



RAINCO: In 2018, Lyme made a 49.9% equity investment in Rainco Forest Resources (“Rainco”), an existing small business that operates pulpwood concentration yards and markets high-grade logs. We contract with Rainco to market sawlogs and veneer from our timberlands and have supported its growth into new business areas, including additional log yards and a road building crew.

OVERVIEW

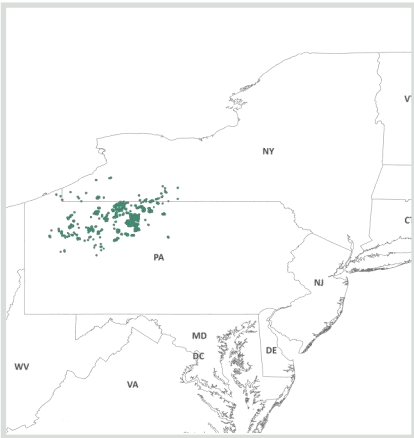


Between 2017 and 2020, Lyme made three investments totaling 167,000 acres in northwestern Pennsylvania and southwestern New York. The lands grow some of the finest quality hardwood sawtimber in the world, including black cherry, sugar maple, red maple, and red oak. We also invested in two local hardwood sawmills and a log marketing business.

Our investment strategy is to establish and grow a set of synergistic timberland and forest products businesses that will thrive beyond the term of our current investment funds’

ownership. We seek to conserve our core working forest holdings to return capital and ensure a long-term focus on forest productivity and supply chain innovation. The timberlands are managed by Three Rivers Forest Management, a Lyme portfolio company with eight employees.

2021 was a strong year for Lyme Allegheny, with excellent hardwood log and lumber markets. Three Rivers Forest Management experienced significant growth with Lyme’s purchase of an additional 90,000 acres of forestland known as the Seneca property in late 2020 and our investment in the Bradford sawmill.



LOCATION PENNSYLVANIA & SW NEW YORK

AREA 167,000 ACRES

OWNERSHIP FUND IV & V

EMPLOYEES 8

CERTIFICATION SFI & FSC

SUSTAINABLE FORESTRY



The property is managed under SFI and FSC certification. A physical audit in 2021 for FSC identified the need for improved pre-application documentation for chemical applications, but otherwise recognized that management was in full compliance with the standard.

To help us integrate the Seneca lands and develop more robust long-term growth and yield modelling, we invested in LiDAR imagery, new forest typing, and field-based information technology. We are working with the Wildlife Management Institute, Ruffed Grouse Society, and PA Audubon in various projects to integrate wildlife habitat goals into our harvest plans.

CARBON AND CLIMATE



Because of the high unit value of timber on our Pennsylvania lands, we do not consider carbon development to be a viable opportunity. Our climate-related efforts will instead focus on making our supply chain more efficient. We believe that our investment in a second log yard location has helped to shorten haul distances, and in years to come we expect to look for other ways to increase trucking efficiency and thereby reduce emissions.

LYME ALLEGHENY TIMBERLANDS (CONTINUED)

LAND PROTECTION AND CONSERVATION



As part of our acquisition of the Lyme Allegheny property, we secured attractive financing through the Pennsylvania clean water revolving loan fund administered by PENNVEST. As part of the transaction, we: (i) donated a working forest conservation easement on 9,400 acres known as the Sterling Run tract; (ii) optioned the right for future conservation easements to Pennsylvania Department of Conservation and Natural Resources (DCNR); and (iii) committed to \$750,000 of acid mine drainage (AMD) remediation on the property. Lack of funding and political opposition have stymied our efforts to convey additional conservation easements to date, but we continue to work with community groups, legislators, and state agencies to design an easement that is responsive to public concerns. One possibility is a conservation easement that accommodates ATV access to the property on designated trail corridors. Our AMD work is ongoing and on track.

FOREST PRODUCTS SUPPLY CHAIN



SAWMILL INVESTMENTS: Lyme now owns a majority interest in two sawmills located in the center of our Pennsylvania timberlands – Emporium Hardwoods and Bradford Forest. The mills are operated and managed by a capable sawmill operating partner, Rossi Group, which maintains a significant investment in the operations. Our investment in the Bradford Forest mill in 2021 enabled increased lumber production, created job stability for mill employees, and further stabilized Lyme’s forestland investment by providing a market for low-grade logs. The two mills currently employ 227 people in the region, and our investment in the Bradford mill added over 40 jobs. We continue to support and invest in new capital projects at the mills, including a new dry line at Emporium Hardwoods that will increase efficiency and improve job quality at the mill.



NORTHERN APPALACHIAN LOG AND FORESTRY: In 2019, Lyme purchased a 49.9% investment in Northern Appalachian Log & Forestry (“NALF”), an existing, local log marketing business that markets and exports high-grade logs harvested from Lyme’s and adjacent lands. In 2021, we established a second log yard for NALF and partnered with NALF for our sawmills’ wood procurement. Our unique, non-controlling investment in this business enabled ongoing local management control and ownership while creating alignment between our timberland and log marketing interests.



INVESTMENTS IN LOGGING INFRASTRUCTURE: In 2021, we began exploring ways to reduce logging accident rates and minimize the environmental impacts of logging on steep slopes through the deployment of tethered logging systems, similar to the one we established in West Virginia. In 2022, we will begin leasing a tethering system to one or more local logging contractors to pilot the technology in the region. If the program is successful, we expect to sell the system to one of our contractors with the hope that it will be more widely adopted.

OVERVIEW



Between 2013 and 2015, Lyme made four investments totaling 91,000 acres in the Big Bend region of Florida. The properties include a mix of slash pine plantations and natural bottomland hardwoods. The lands are managed by Cross City Forest Management, a Lyme portfolio company that employs two people. The investments benefit from a strong local forest products industry with access to deep markets and a healthy contractor force.

Our investment strategy in Florida has focused on plantation management, conservation of the core forestland holdings, and retail land sales. We have pursued funding for working forest conservation easements that restrict development, expand public recreational access, and restrict harvesting in bottomland hardwoods while accommodating conventional forest management in the upland plantations.

In 2021, our Florida businesses benefited from strong log markets and contractor stability. We continued to invest in our in-house growth and yield modelling as a tool for harvest planning. We began exploring the potential to extend plantation rotations, and thereby increase the amount of carbon stored on the property.



LOCATION NW FLORIDA
AREA 91,000 ACRES
OWNERSHIP FUND III & IV
EMPLOYEES 2
CERTIFICATION SFI

SUSTAINABLE FORESTRY



Forestry operations are managed under SFI certification. No physical audits were conducted in 2021. During the year, we continued our participation in Florida’s “Wildlife Best Management Practices for State Imperiled Species” program. We also continued our efforts to maintain nesting sites for Gopher Tortoise, a state-listed Threatened Species.

CARBON AND CLIMATE



We are in the early stages of exploring carbon development in Florida by modeling the additional carbon sequestration that would result from increasing the age of pine plantations at final harvest. Our preliminary analyses indicate that the current price of carbon offsets is well below the level necessary to compensate for delayed harvesting. Recognizing that a quality carbon project that incentivizes rotation extension in pine plantations could set an important precedent, we will continue to look for a carbon buyer who is seeking “premium quality” carbon offsets and who has a willingness to pay for them.

LYME FLORIDA TIMBERLANDS (CONTINUED)

LAND PROTECTION AND CONSERVATION



In 2021, we completed our 7-year effort to fully conserve 46,500 acres located in Dixie County, Florida. The fourth phase of this conservation project, covering the final 13,352 acres, closed at the end of 2021. We are grateful to The Conservation Fund for its hard work and partnership in pursuing this outcome. The conservation easements prevent harvesting in bottomland hardwoods and restrict subdivision and development, resulting in significant protection of natural groundwater systems.

We pursued conservation sales to the State of Florida on other portions of our Florida property but were not able to negotiate a mutually acceptable price.

FOREST PRODUCTS SUPPLY CHAIN



We deliver wood products to five sawmills and two pulp mills from our Florida lands. With this strong mill infrastructure and a long history of commercial forest management in the region, the Lyme Florida portfolio benefits from a healthy forest products supply chain. We have not made any supply chain investments in Florida in recent years and have no plans to do so.



Glenn Osteen, General Manager for Cross City Forest Management, inspecting slash pine plantations in Florida

OVERVIEW



In December 2015, Lyme purchased 112,000 acres in coastal California and established the Lyme Redwood Forest Company to manage the property. The lands feature coastal redwood and douglas-fir forests, and include the Ten Mile River and Noyo River, two significant waterways that include habitat for salmon and steelhead populations. At our purchase, we partnered with a local sawmill owner with the intention of ultimately selling our interests to them at the end of our ownership tenure.

2021 was a strong year for Lyme Redwood due to dry operating conditions and strong log markets. At the end of the year, we agreed to sell the property to our joint-venture partner. The transaction closed in January 2022. Consistent with our goal of building a business that would thrive beyond the term of our investment fund’s ownership, the new owner acquired the operating business, and the 19-person Lyme Redwood Forest Company team continues to manage the property.



LOCATION NW CALIFORNIA
AREA 112,000 ACRES
OWNERSHIP FUND IV
EMPLOYEES 19
CERTIFICATION SFI

SUSTAINABLE FORESTRY



Our harvesting operations were planned and performed in compliance with California forest practice rules and the SFI certification standard. No physical audits were conducted in 2021. The California rules require detailed geological, historical resource, plant, wildlife, and fish surveys to ensure forestry operations do not impact water quality or habitat for the region’s many protected species and other unique conservation features. In 2021, we continued our partnership with conservation organizations, including The Nature Conservancy and Trout Unlimited, to monitor fish populations and restore important fish streams on the property.

CARBON AND CLIMATE



We did not consider developing a forest carbon project on this property.

LYME REDWOOD FOREST COMPANY (CONTINUED)

LAND PROTECTION AND CONSERVATION



When Lyme acquired the property in 2015, we entered an option agreement with The Nature Conservancy (TNC) that gave them assignable rights to purchase a conservation easement over approximately 60% of the property. After nearly four years of negotiation, we were not able to reach agreement on the terms of the conservation easement in time to secure state funding. The property was released from the option without a conservation easement sale.

FOREST PRODUCTS SUPPLY CHAIN

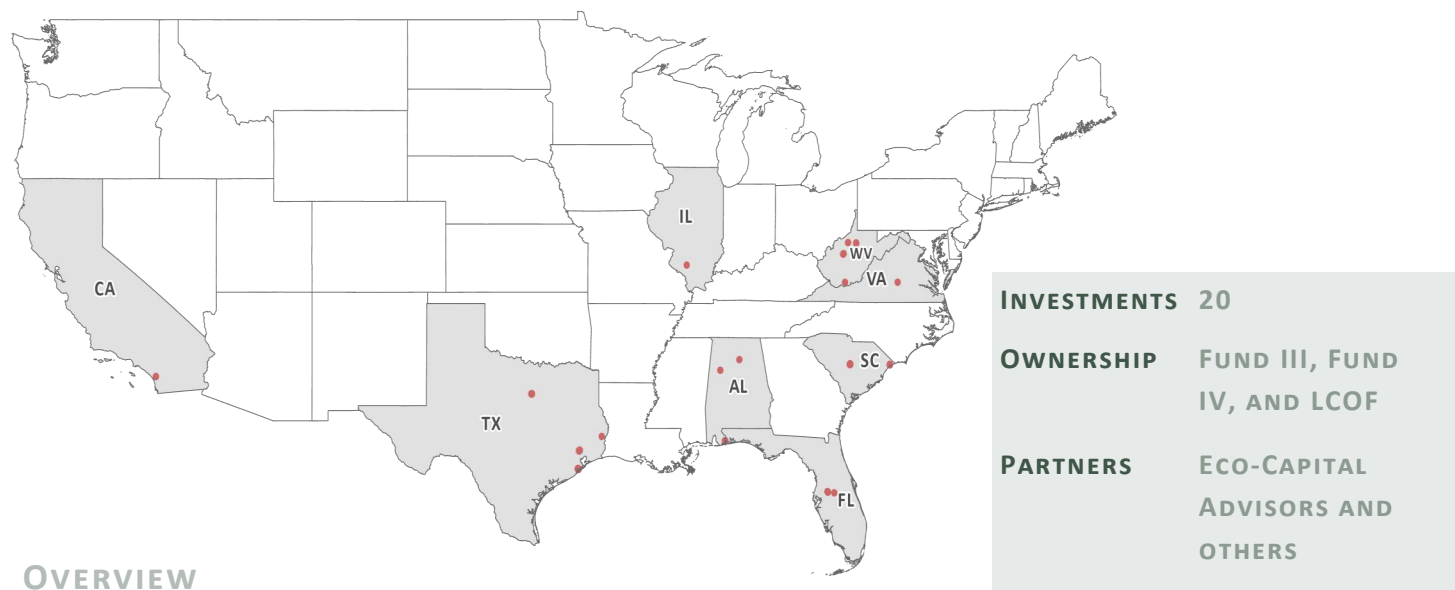


During our ownership of the property, we formed a strong partnership with Anderson Logging, a large contractor in the region. Our partnership ensured that Anderson had year-round work for its crews, and in return, we had a stable, reliable, and high-quality operator in the woods.



Pair of mature Coastal Redwood trees on Lyme Redwood Timberlands

Mitigation Banks



OVERVIEW

Lyme develops and manages wetland and stream mitigation banks, where restoration of damaged ecosystems generates credits that can be sold to developers (both public and private) to mitigate their ecological impacts. Our current mitigation portfolio comprises 20 wetland and stream banks or sites in eight states. The banks are in various stages of the permitting process—some have been fully or partially restored and are actively generating and selling credits, while others are working their way through the permitting process. Permitting, restoration, monitoring, and credit sales are done in partnership with local teams. Credits are purchased by state highway departments, residential and commercial real estate developers, natural resource extraction businesses, and others whose activities cause adverse impacts to wetlands or streams.

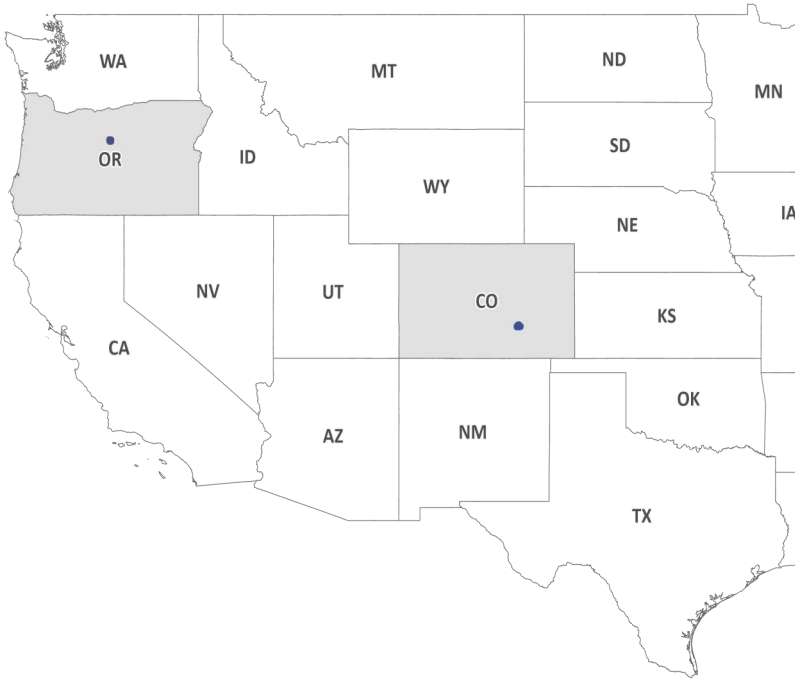
In 2021, we undertook restoration efforts on three mitigation banks, and restoration is now complete on nine banks. Across the portfolio, we generated \$4.2 million in revenue from the sale of mitigation credits in 2021. We also sold, in three separate transactions, a total of 4,976 acres from one mitigation site in Illinois and two mitigation sites in Texas, the bulk of which (4,714 acres) was purchased by the Galveston Bay Foundation for permanent conservation.



View of coastal wetlands on Chocolate Bay property in Texas

OTHER ECOSYSTEM SERVICES INVESTMENTS

INVESTMENTS	2
OWNERSHIP	FUND III AND LCOF
PARTNERS	SAVORY INSTITUTE, FINITE CARBON, THE NATURE CONSERVANCY, PALMER LAND TRUST



CARBON INVESTMENT

Lyme has made one carbon-focused timberland investment, where the sale of carbon offsets, rather than timber harvesting, is the primary driver of returns. In 2020, Lyme purchased a 17,000-acre timberland property in Oregon to pursue a forest carbon sequestration project in partnership with Finite Carbon. The carbon project is currently under review by the California Air Resources Board, and we expect it to generate offsets for sale in the California compliance market. In July 2021, we sold the underlying real estate to a recreational buyer who will assume the 100-year restrictions on timber harvesting associated with the carbon project.



RANCHLAND INVESTMENT

The BX Ranch in Colorado is Lyme’s only ranchland investment. Purchased in 2014, this 25,000-acre property was selected for its conservation values. We sold a conservation easement to the Palmer Land Trust and undertook a grassland restoration project in collaboration with the Savory Institute and the Colorado Chapter of The Nature Conservancy. A new cattle watering system and extensive fencing were completed and allow the ranch to be managed using vastly improved grazing practices, increased herd size and better grassland utilization.

LYME BY THE NUMBERS

	2021	2020
INVESTMENT MANAGER PROFILE		
Acres under management	1,664,718	1,671,531
Assets under management ¹	\$ 1,018,910,991	\$ 832,442,737
Currently active investment funds/accounts ²	6	6
Investors across all funds	478	478
Lyme Timber employees	17	19
Average years employed	12	9
Ownership by employees	100%	85%
Employee owners	8	5
FORESTLAND INVESTMENTS		
Forestland portfolio companies	7	7
Annual revenue	\$171,368,895	\$145,115,916
Log sales	\$128,511,311	\$113,413,607
Conservation and carbon sales on core forestlands	\$35,715,065	\$26,472,610
Other revenue	\$7,142,519	\$5,229,698
Forest management portfolio company employees	86	77
Contractors engaged in forestry operations	119	111
Disbursements to contractors	\$70,652,254	\$70,165,360
Mill customers supplied	223	209
Truckloads of wood products harvested	52,944	54,676
SUPPLY CHAIN INVESTMENTS		
Sawmill investments	2	1
Logging and log marketing business investments	5	3
Annual lumber sales, log sales, and contract revenue	\$87,449,381	\$52,920,397
Employees in supply chain investments	264	138
ECOSYSTEM SERVICES INVESTMENTS		
Ecosystem services investments—mitigation banks and carbon	21	18
Revenues from ecosystem services	\$ 4,223,955	\$ 6,954,132
CLIMATE AND CONSERVATION		
Forestland certified by third party sustainable forestry standards (% of overall) ³	100%	100%
Acres protected in year	18,098	5,835
Lands subject to conservation restrictions ⁴	644,164	626,294

Data reported as of December 31, 2021 and December 31, 2020

See notes in Appendix 4

LYME’S 5-YEAR ESG GOALS

BACKGROUND ON LYME’S ESG FRAMEWORK

In 2020, we decided to rethink our approach to impact reporting and to environmental, social, and governance (“ESG”) goals. We were fielding an increasing number of ESG-related requests from investors while simultaneously attempting to standardize metrics for various impact reporting frameworks. At the same time, we felt that many of the existing metrics and reporting frameworks did not capture some of the work and impacts that were most important to us and an increasing focus for our team. For example, we were not being asked to report on accident rates and improvements in job quality within our supply chain. We were also not being asked to evaluate the extent to

which carbon offset projects were compelling us to find ways to sequester and store more carbon within our forests. In short, we saw a disconnect between commonly reported metrics and the impact measures relevant to the land, people, and communities associated with our investments.

As a result, we decided to define for ourselves a set of five-year ESG goals, and to focus our impact reporting on our progress toward meeting these goals. Despite our reservations about some of the more common definitions of “ESG”, we organized our strategies into “E”, “S”, and “G” areas, as follows:



White oak seedling on Lyme Tennessee Timberlands

E

ENVIRONMENTAL
FOREST SUSTAINABILITY, CONSERVATION,
CLIMATE CHANGE, AND ECOSYSTEM SERVICES

S

SOCIAL
RURAL ECONOMIES, JOBS, SAFETY,
COMMUNITY ENGAGEMENT, AND THE
FOREST PRODUCTS SUPPLY CHAIN

G

GOVERNANCE
ORGANIZATION & CULTURE
DIVERSITY, EQUITY & INCLUSION

From mid-2020 to mid-2021, we engaged the entire organization in the goal-setting process, utilizing a combination of company-wide and small work group meetings.

Through a series of meetings, each work group sought to accomplish the following:

- 1) Define underlying Lyme values and objectives within each ESG area
- 2) Define a set of goals in each area that Lyme is uniquely positioned to achieve and will make a meaningful impact
- 3) Define a set of five-year metrics that we can use to measure performance against each goal

Everyone employed directly by The Lyme Timber Company participated in at least one work group, and several people participated in two or three. The process proved to be rewarding and motivating for our team and helped further reinforce Lyme's core values as a firm.

We finalized our five-year ESG plan and metrics in May of 2021. We then formed implementation groups to advance work in each area, review progress, identify challenges, and plan next steps. We have started to implement some of our goals, as we describe in the following pages of this report.



NOTE ABOUT EXTERNALLY DEVELOPED METRICS



While Lyme's five-year ESG goals align with the UNPRI Sustainable Development Goals and the Global Impact Investing Network's IRIS metrics, and tracking third-party metrics is important for industry standardization, doing so was not the driver for our ESG goal-setting process. Still, Lyme has reported on SDG goals and IRIS metrics for many years and is continuing to do so. You can find more information on our alignment with these frameworks in the appendix of this report.

Photo: Aerial view of hardwood timberlands in Pennsylvania

ENVIRONMENTAL GOALS

With a 1.5-million-acre forestland portfolio and history of partnership with conservation organizations and public agencies, we are positioned to raise the bar for sustainable forest management and deliver conservation and climate benefits through our investments.

Historically, we have achieved conservation outcomes through the sale of working forest conservation easements and, to a lesser extent, property sales to public agencies. More recently, we have entered forest carbon markets with the objective of achieving both conservation and climate benefits.

Some of our environmental goals aim to drive systemic change in forest and business practices (e.g., our efforts to demonstrate a higher standard for forest carbon offsets) while others are more internally focused (e.g., continuous improvement in forest management practices). We have defined measures of improvement, like reducing chemical use, that will push us to find new ways of doing things. Finally, we have set goals for traditional land conservation, an area that has been a critical part of our investment strategy for the past 20 years.

- 
1. INCREASE FOREST CARBON SEQUESTRATION TO HELP MITIGATE CLIMATE CHANGE AND DELIVER OTHER CONSERVATION BENEFITS
 2. REDUCE THE CARBON FOOTPRINT OF OUR CORPORATE AND PORTFOLIO COMPANY OPERATIONS
 3. PERMANENTLY PROTECT HIGH CONSERVATION VALUE WORKING FORESTS AND OTHER UNIQUE CONSERVATION LANDS
 4. CONTINUOUS IMPROVEMENT IN OUR FOREST MANAGEMENT PRACTICES AND PROTECTION OF WATER QUALITY, SOIL, WETLANDS, AND HABITAT ON OUR LANDS



Mature stand of black cherry in Pennsylvania

ENVIRONMENTAL GOAL #1

INCREASE FOREST CARBON SEQUESTRATION TO HELP MITIGATE CLIMATE CHANGE AND DELIVER OTHER CONSERVATION BENEFITS

We manage our forests for both environmental benefits and quality forest products. While we have been active in carbon markets for the past 10 years, we recognize that many early forest carbon offset projects, including projects on our lands, did not require immediate changes in management to increase carbon storage. We are now working to develop the analytical tools to help us achieve the right balance between management for carbon sequestration and management for traditional forest products. We will continue to share our work and analysis in the hope that carbon markets will continue to evolve and will create financial incentives for management changes that help to mitigate climate change.

5-YEAR MEASURES



300,000 new acres of forestland enrolled in carbon protocols that ensure 40 + years of carbon storage

UPDATE: We did not initiate any new forest carbon projects in 2021, but we did analyze the potential to develop premium quality offsets from three properties. In 2022, we will focus on identifying offset buyers who are willing to pay a premium for offsets that require management changes to increase carbon sequestration. If no buyers with these objectives are identified, we may not make further progress on carbon development.

ASSESSMENT: On track, but dependent on the evolution of carbon markets



Sequester 30,000 additional tons of carbon per year through modified management plans and harvest reductions

UPDATE: Given strong log markets and the absence of a market for premium quality carbon offsets that incentivize immediate harvest reductions, we did not modify our forest management plans or practices to sequester additional carbon in 2021. As noted above, we plan to continue efforts to advance the market for carbon offsets and educate buyers on carbon values, and will build plans for harvest reductions into new forest carbon projects in the future.

ASSESSMENT: On track, but dependent on the evolution of carbon markets

ENVIRONMENTAL GOAL #2

REDUCE THE CARBON FOOTPRINT OF CORPORATE AND PORTFOLIO COMPANY OPERATIONS

Carbon emissions are generated from the harvest, transport, and manufacturing of logs from our forestlands. Our corporate activities – driving, airplane travel, and our office space – also generate emissions. While timber and travel-related activities will continue to depend on fossil fuel combustion, we seek to find ways to reduce our fossil fuel consumption and associated emissions.

5-YEAR MEASURES



Reduce or offset travel-related net carbon emissions by 30%

UPDATE: In 2021, we began developing our methodology and tracking systems for Lyme's travel-related carbon footprint. Throughout the pandemic, travel was reduced as we developed new ways to collaborate virtually. We will continue to incorporate these virtual meeting tools to reduce corporate travel post-pandemic.

ASSESSMENT: Needs Attention



Reduce carbon emissions from harvesting and hauling by 15% through supply chain efficiency improvements and investments in lower emission technologies

UPDATE: In 2021, we created a calculator to estimate baseline carbon emissions from harvesting and hauling. We expect to pilot this tool in our Michigan and West Virginia portfolios in 2022. We also began testing a new electronic ticketing system to identify inefficiencies in trucking in Michigan.

ASSESSMENT: Needs Attention

ENVIRONMENTAL GOAL #3

PERMANENTLY PROTECT HIGH CONSERVATION VALUE WORKING FORESTS AND OTHER UNIQUE CONSERVATION LANDS

We have been an industry leader in the sale of working forest conservation easements and have protected approximately 1 million acres during Lyme's 45-year history. We will continue to seek permanent conservation outcomes by working closely with conservation partners and public agencies to protect working forestlands.

5-YEAR MEASURES



Protect an additional 150,000 acres through conservation buyers

UPDATE: In 2021, we protected 13,393 acres through permanent conservation easements and sold another 5,980 acres to conservation buyers in Florida, Michigan and Texas. We advanced larger conservation projects in Michigan, West Virginia, and Pennsylvania. In Pennsylvania, we recognized the opportunity to broaden support for conservation by designing easements that accommodate recreational use on dedicated corridors.

ASSESSMENT: On Track

ENVIRONMENTAL GOAL #4

CONTINUOUS IMPROVEMENT IN FOREST MANAGEMENT PRACTICES AND PROTECTION OF WATER QUALITY, SOIL, WETLANDS, AND HABITAT ON OUR LANDS

Lyme's forestland operations are all third-party certified to sustainable forestry standards. Lyme has a long history of being an industry leader in sustainable forest management and has always achieved high marks on the annual third-party audits. We realize great value in managing to these standards, but also see an opportunity to formalize our internal audit process to collect baseline information and set a higher internal standard for ourselves, with greater emphasis on continuous improvement.

5-YEAR MEASURES



Establish internal forest management audit process and baseline performance measures

UPDATE: We did not formalize our internal audit and baseline collection processes in 2021.

ASSESSMENT: Needs Attention



Portfolio companies demonstrate continuous improvement in internal forestry audit performance

UPDATE: We continued to spend time with field forestry staff to convey our priorities and discuss approaches to improving silviculture and best management practices. In 2022, we plan to develop a more formalized approach to internal assessments of forestry operations.

ASSESSMENT: Needs Attention



Reduce chemical use in forestry operations by 20%

UPDATE: In 2021, we identified practices to reduce chemical applications (herbicide to control herbaceous competition) associated with overstory removal and regeneration harvests in Pennsylvania and Michigan. On our West Virginia lands, we began exploring alternatives to methyl bromide fumigation for log yard exports. We met with researchers at Virginia Tech, Department of Sustainable Biomaterials and supported their grant applications to commercialize a vacuum pressure system to address phytosanitary requirements for exports. We have not yet established a baseline and consequently cannot yet report on the extent to which these efforts reduced chemical use.

ASSESSMENT: On Track

SOCIAL GOALS

Lyme is unique among US forestland investment managers because we establish and invest in locally managed businesses that supply, purchase from, or provide services to our forestland holdings. Through six forest management companies, two sawmills, three logging/road businesses, and two log marketing joint ventures, we employ over 350 people in rural communities across the US. Our lands also support thousands of additional jobs in logging, trucking, and manufacturing.

The rural communities in which we operate face varying challenges. Some communities, such as those surrounding Lyme’s West Virginia lands, have suffered many years of job losses and wage stagnation attributable, in part, to globalization, automation, and the decline of the coal industry. Others, such as rural Tennessee and the Adirondacks, are challenged by a scarcity of labor, especially in the forest industry. Although the forestry sector can support stable and well-paying jobs, a range of factors, including historically low wages, poor safety records, and low social status, have made it difficult to recruit young people to many of the communities where we own land.

We have an opportunity to strengthen the rural communities where we own land by supporting good paying jobs, investing in safety and innovation, and responding to the interests of local stakeholders.

S

1. REDUCE ACCIDENT RATES AND IMPROVE SAFETY IN LOGGING, FORESTRY, AND LOG TRUCKING
2. INCREASE ENGAGEMENT WITH COMMUNITY MEMBERS IN THE REGIONS WHERE WE OWN LAND
3. CREATE AND MAINTAIN HIGH-QUALITY JOBS IN RURAL COMMUNITIES
4. INNOVATE AND INVEST IN THE FOREST PRODUCTS SUPPLY CHAIN



Cherry logs laid out in NALF log yard during Lyme’s community tour in Pennsylvania

SOCIAL GOAL #1

REDUCE ACCIDENT RATES AND IMPROVE SAFETY IN LOGGING, FORESTRY AND TRUCKING

Hundreds of logging, trucking, and forestry professionals are involved on our lands every day – laying out harvests, felling trees, manufacturing logs, and transporting products to market. Historically, the logging industry has had the highest fatality rate of any industrial occupation. Mechanization in logging has started to improve safety outcomes, but there is still a long way to go. As a landowner and the owner of several logging and related businesses, we can help to set a higher standard for safety and thereby save lives and make the forest products industry a more attractive profession.

5-YEAR MEASURES



Zero logging and forestry fatalities on Lyme lands

UPDATE: There were no logging or work-related fatalities on Lyme lands in 2021. We intend to develop a safety monitoring and accident reporting process in 2022.

ASSESSMENT: On Track



25% reduction in reportable accidents on Lyme lands

UPDATE: We have not yet established a baseline or a system for accident reporting on our lands, but we plan to do so in 2022.

ASSESSMENT: Needs Attention



100% of workers on Lyme lands covered by worker's compensation insurance

UPDATE: Unlike many other forestland owners, we provide workers' compensation insurance for all portfolio company employees and require that contractors provide us proof of their coverage. We know that the cost of workers' compensation (sometimes 50+% of wages) is difficult for many logging contractors. Some contractors avail themselves of exemptions, such as those for sole-proprietor subcontractors. We will continue to encourage (and support through higher logging rates) contractors who obtain coverage for all their employees and subcontractors.

ASSESSMENT: On Track

SOCIAL GOAL #2

INCREASE ENGAGEMENT WITH COMMUNITY MEMBERS IN THE REGIONS WHERE LYME OWNS LAND

Much of our forestland is open to the public and used by communities for recreation. Our lands are adjacent to and within the viewshed of towns, homes, and businesses. Our activities – timber harvesting, log trucking, and vegetation management – can impact our neighbors. We also directly employ people and engage many businesses in the communities where we own forestland. For these reasons, it is important that we engage with community members, hear concerns, and work collaboratively to improve outcomes. We also believe that good corporate citizenship involves giving back to communities and doing so is important to our portfolio company staff.

5-YEAR MEASURES



**Achieve \$1,000/
employee level of
community contribution
by Lyme and all portfolio
forest management
companies**

UPDATE: In 2021, Lyme and its portfolio companies contributed over \$72,000 to community organizations. In 2022, we will provide guidance and support to portfolio companies as we formalize annual giving.

ASSESSMENT: On Track



**Establish or enhance
programs to incentivize
employee engagement
in their local community
(board participation,
events, forums, and
volunteering)**

UPDATE: In 2021, we did not establish or enhance any new programs or policies related to employee engagement.

ASSESSMENT: Needs Attention



**Pilot a program for
portfolio companies to
host stakeholder forums
(or local community
advisory boards) to
better integrate
community input into
land management and
public access plans**

UPDATE: We did not conduct any pilots in 2021 and may not begin work in this area until 2023.

ASSESSMENT: Needs Attention

SOCIAL GOAL #3

CREATE AND MAINTAIN HIGH-QUALITY JOBS IN RURAL COMMUNITIES

Our forest management and logging companies directly employ 86 people in the rural communities where we own land. We are responsible for designing the wage and bonus structures, benefits, and employment policies at these companies. We do this work in collaboration with our general managers to whom portfolio company employees report.

Our three joint venture investments employ an additional 264 people. These employment arrangements are designed by our joint venture partners who also serve as the operating partners for the businesses. In these relationships, we primarily play an advisory role.

In both our employer and advisory roles, we can support some of the best paying and highest quality jobs in the rural communities where our lands are located. We take this responsibility seriously and have worked hard to be the employer of choice and thereby raise the bar for employment in the forest products industry.

5-YEAR MEASURE



\$15/hour minimum wage (2021 dollars), benefits, and company retirement contributions for full-time employees of companies in which Lyme has an ownership interest

UPDATE: In 2021, 99% of all Lyme-managed portfolio company employees were paid a minimum of \$15 per hour and were eligible for health insurance and other benefits. We did not analyze wages at our joint venture businesses, but plan to do so in 2022. We did encourage our operating partners to evaluate pay scales for fairness and to raise wages, particularly at the bottom of the pay scale, to fill positions and support a higher standard of living for hourly workers.

ASSESSMENT: On Track



Employee processing logs at LAFCo log yard in New York

SOCIAL GOAL #4

INNOVATE AND INVEST IN THE FOREST PRODUCTS SUPPLY CHAIN

The long-term success of our timberland investments depends on healthy supply chains: logging contractors, truckers, log export businesses, sawmills, and secondary manufacturers. In the predominantly hardwood regions where we operate, the forest products supply chain has suffered from low profitability and under-investment in technology and innovation. This makes recruiting young people to these industries more challenging and presents risk for future forestry operations. As a large timberland owner, we can support supply chain innovation in a variety of ways: through financing arrangements, direct investments in supply chain businesses, long-term commitments to suppliers and customers, and through fair and transparent business practices.

5-YEAR MEASURE



Invest \$5 million in businesses, joint ventures, loans, and capital projects that address challenges and opportunities in the forestry supply chain and the communities where we operate, including job quality, worker safety, environmental protection, and/or forestry practices

UPDATE: In 2021, we invested over \$19.6 million in supply chain businesses. In Pennsylvania, we invested \$16.2 million in our sawmill joint venture (\$13 million towards the purchase of the Bradford Forest mill and \$3.2 million for capital projects at the Emporium Hardwoods mill). In New York, we invested \$1.8 million to establish a company road crew and a company logging crew. In West Virginia, we invested \$1 million in Mountaineer Mechanized, our company winch-assist logging crew. Finally, we invested \$0.6 million in loans to logging contractors in Tennessee and West Virginia. We do not expect this pace of investment to continue in 2022.

ASSESSMENT: Ahead of Plan



Sawing hardwood lumber at the Emporium Hardwoods sawmill in Pennsylvania

GOVERNANCE GOALS

Open and honest communication, collegiality, respect, and a genuine interest in understanding each person’s point of view have been hallmarks of Lyme’s culture. Our leadership has always included a combination of backgrounds, including foresters, MBAs, lawyers, and small business owners. We have treated each other with respect and our leadership team has made decisions by consensus. While Lyme has benefited from the diversity of its leaders’ educational, personal, and professional backgrounds, we understand that it takes work to maintain a respectful and inclusive culture, create a path to broader diversity in leadership, and to ensure that all employees can achieve their professional goals.

While we have tried to establish quantifiable metrics in our Environmental and Social goals, we chose not to do so in the Governance area because of the relatively small size of our organization and the potential to achieve metrics while failing to achieve the underlying goals. Instead, we placed greater focus on our internal processes, employment practices, and culture, with an emphasis on continuous feedback, evaluation, and improvement.



1. AN INCLUSIVE AND RESPECTFUL CULTURE
2. CREATE CAREER DEVELOPMENT OPPORTUNITIES FOR PEOPLE WITH DIVERSE BACKGROUNDS AND EXPERIENCE
3. GREATER DIVERSITY IN OUR BUSINESSES AND LEADERSHIP



Lyme Great Lakes team during their annual ice fishing tournament

GOVERNANCE GOAL #1

FOSTER AN INCLUSIVE AND RESPECTFUL CULTURE

We believe that an inclusive and respectful culture is the foundation upon which to build a great organization. Historically, we prided ourselves on having relatively few corporate policies, instead relying on our leadership and managers to engage on matters of concern and use good judgment to answer questions and resolve conflicts. While in the past that approach worked reasonably well for our small team, it is not the right approach for our current business, which includes 17 corporate employees and 86 portfolio company employees. Over the past few years, we have recognized the need to document policies to ensure fairness and understanding across the organization. Updating and modifying these policies is a continuous process, and one that benefits from engagement by people at all levels of our organizations. These policies lead to practices that support the culture we want to maintain and improve.

5-YEAR MEASURES



Review employee handbooks annually with input from a diverse cross-section of employees to ensure policies that are equitable and which support an inclusive and respectful culture

UPDATE: In 2021, we began the process of updating and standardizing employee handbooks and evaluating their responsiveness to employee concerns. One such change was an improved parental leave policy. In 2022, we will solicit input from the general managers and employees in our portfolio companies to continue our effort to broaden participation in the process and share ideas.

ASSESSMENT: On Track



Implement new employee orientation and ongoing employee training in cultural understanding, conflict resolution, and practices that support an inclusive and respectful culture

UPDATE: We have not yet designed or implemented any new orientation or training programs. We expect to begin work in this area in 2022.

ASSESSMENT: Needs Attention



Collect and analyze data on hiring, employment and retention within Lyme and its portfolio companies to better evaluate policies and practices

UPDATE: In 2021, we did not collect data in these areas. We are evaluating what kinds of data are appropriate and useful to better evaluate our policies and practices.

ASSESSMENT: Needs Attention

GOVERNANCE GOAL #2

CREATE CAREER DEVELOPMENT OPPORTUNITIES FOR PEOPLE WITH DIVERSE BACKGROUNDS AND EXPERIENCE

We want to ensure that we have a diverse pipeline of future leaders. We have seen first-hand the success of an internship program that was established by the former owner of our Michigan lands; many of the current employees at Lyme Great Lakes started their career as interns, and it has proven to be an effective program for recruiting a talented cohort of young foresters and increasing gender diversity. We also recognize the need to create opportunities for all team members to grow and develop to their potential.

5-YEAR MEASURES



Expand internship programs to identify and develop employees from diverse backgrounds

UPDATE: We did not establish or expand internship programs in 2021. The Michigan program had another successful year with five interns, one of whom became a full-time employee. We expect to establish at least one new internship program in 2022 and others beyond.

ASSESSMENT: On Track



Provide mentorship to new and less experienced employees

UPDATE: No formal program was established.

ASSESSMENT: Needs Attention



Ensure ongoing professional development opportunities for all employees

UPDATE: We have asked general managers to encourage employees to take advantage of company-funded professional development, but we have not yet evaluated the number of employees who have done so and whether there is more we can do to support professional development.

ASSESSMENT: Needs Attention

GOVERNANCE GOAL #3

GREATER DIVERSITY IN OUR BUSINESSES AND LEADERSHIP

We recognize the benefits of diversity in our businesses and leadership teams. We seek to maintain an inclusive and respectful culture that will accommodate growth and leadership opportunities for people from all backgrounds. As a relatively flat organization, we encourage collaboration and ongoing learning opportunities for staff at all levels of the organization.

5-YEAR MEASURES



Increase the diversity of our investment committee members and firm owners

UPDATE: As of January 2022, Lyme became 100% employee owned after buying out the passive minority interest held by former partners. We added three new employee-owners, including two women, bringing the total number of employee-owners to eight. In addition, we added a female employee to our corporate leadership team and investment committee. We expect to further expand ownership and leadership in the future.

ASSESSMENT: On Track



Increase the diversity of our portfolio company leaders

UPDATE: We believe this goal will be achieved gradually over time as we recruit and support the professional growth of newer employees.

ASSESSMENT: On Track

APPENDIX 1: THIRD-PARTY FRAMEWORKS

Although our internal ESG strategies and goals discussed in the body of the report offer a robust description of our efforts and progress on many impact related metrics, Lyme also acknowledges the importance of recognizing the alignment with the available impact reporting frameworks.

We have been reporting on the impact of our investments since 2012 using the Impact Reporting and Investment Standards (IRIS) metrics developed by the Global Impact Investing Network (GIIN). This report includes fund-level impact metrics and background information on our investment strategies. We remain committed to reporting on these metrics.



Lyme's impact themes align with the Impact Management Project and GIIN's IRIS+ and Navigating Impact Project frameworks that were developed with stakeholder input and have been widely used to evaluate impact.

IMPACT THEMES	LYME ACTIVITIES IN SUPPORT
SUSTAINABLE FORESTRY AND LAND MANAGEMENT	- Conserving forests and forest resources - Increasing the sustainability of wood, wood-based and non-wood forest products - Increasing the sustainability of rural economies through forestry and land use
BIODIVERSITY, ECOSYSTEM, AND NATURAL RESOURCE CONSERVATION	- Conserving wetlands and river flows - Improving water quality and sustainability through water source protection - Providing wildlife habitat - Connecting conserved lands to achieve landscape scale
CLIMATE CHANGE MITIGATION, RESILIENCE, AND ADAPTATION	- Removing carbon from the atmosphere - Keeping forests intact to sequester carbon - Delivering valued wood-products that continue to store carbon in their biomass

TARGET BENEFICIARIES
1) OUR PLANET AND THE PEOPLE THAT DEPEND ON IT
Ecosystem services support planetary health
Sustainably sourced products increase global natural resource efficiency
2) PEOPLE IN RURAL COMMUNITIES, INCLUDING LOW-INCOME COMMUNITIES, IN THE FORESTED REGIONS IN WHICH WE INVEST
Primary benefits derived by the people we employ, the jobs we support, and the economic activity we enable in the regions where we own land

IRIS metrics reporting appears in fund-specific tables in Appendix 2

APPENDIX 1: THIRD-PARTY FRAMEWORKS (CONT.)



Lyme is also a signatory to the UN Principles for Responsible Investment (UN PRI). Under this globally-recognized framework, we maintain a responsible investment policy and annual public reporting. Lyme's investment strategies contribute to accomplishing the UN's Sustainable Development Goals (SDGs).

PRIMARY



PROTECT, RESTORE, AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, HALT AND REVERSE LAND DEGRADATION, AND HALT BIODIVERSITY LOSS

Lyme's forestland and ecosystem services investments protect ecologically important land; reverse land degradation; promote biodiversity, air quality and soil health; and sustain livelihoods and quality of life.

SECONDARY



TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Lyme's forests sequester carbon at scale and mitigate the impact of natural disasters caused by climate change with naturally occurring flood control, soil health, and air quality maintenance. Scientific research led by The Nature Conservancy indicates that natural climate solutions, including sustainable forestry and land conservation, have the potential to reduce global emissions by over 30% by 2030.



ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

Community outreach initiatives to engage stakeholders with our work and the range of forestry related jobs open doors to a historically non-diverse industry. Lyme's growing internship program successfully prioritizes gender diversity and creates a path to good jobs and leadership positions for women entering the industry.



PROMOTE SUSTAINED, INCLUSIVE, AND SUSTAINABLE FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

Sustainable forest management creates and maintains quality jobs in rural communities that depend on forests for livelihoods. The protection of high conservation value lands with public access for recreation supports tourism economies.

ALSO LINKED



BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION

Innovative supply chain investments in forestry and logging operations in rural communities improve safety, increase economic stability, and allow for testing of different technologies and approaches.



ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL

Lyme's forestlands protect watersheds, which supply clean water. Stream and wetland mitigation bank projects restore degraded natural aquatic resources.

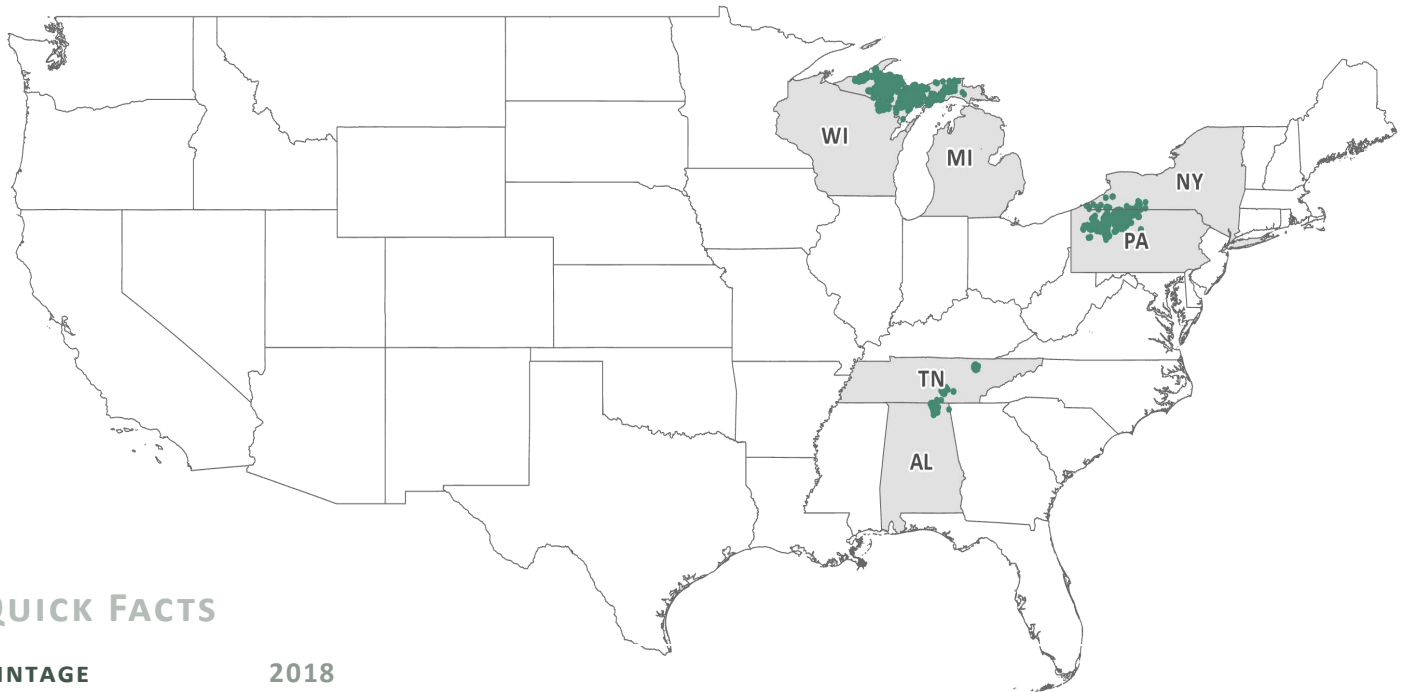


SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

Sustainable timber production provides renewable resources at scale for critical human needs. Long-lived forest products store carbon in their biomass. Forest products can help facilitate the transition to less carbon-intensive building materials and packaging, and forest products markets can support long-term forest management objectives.

APPENDIX 2: FUND V DETAILS & IMPACT METRICS

PORTFOLIO



QUICK FACTS

VINTAGE	2018
INVESTMENTS	5
INVESTED CAPITAL	\$270M (90% OF COMMITTED CAPITAL)
ACRES AS OF YE 2021	917,009
STRATEGIES	92% WORKING LANDS 8% SUPPLY CHAIN⁵

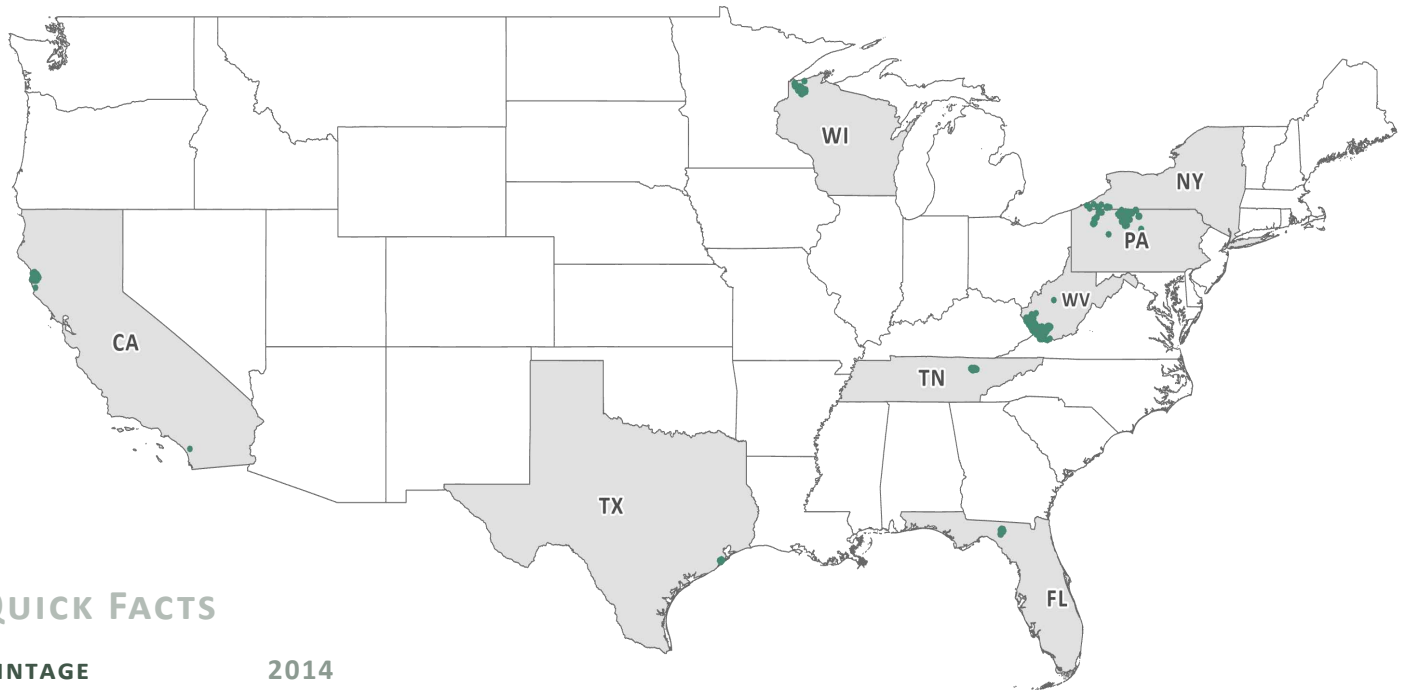
IMPACT DETAIL

Impact Metric	IRIS ID	Unit	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Cumulative
Land area directly controlled: sustainably managed	OI6912	Acres	-	-	-	-	-	-	71,205	794,967	883,952	917,009	-
Operational certification	OI1120	Acres	-	-	-	-	-	-	-	794,967	883,952	874,449	-
Area of adjacent protected land	PI5750	Acres	-	-	-	-	-	-	716,881	1,959,207	3,232,819	3,232,819	-
Area of fresh water bodies present	PI7170	Acres	-	-	-	-	-	-	48	32,102	32,110	32,049	-
Length of streams present	PI3239	Kilometers	-	-	-	-	-	-	368	3,057	3,332	3,307	-
Ecological restoration management area	PI9556	Acres	-	-	-	-	-	-	-	-	-	-	-
Jobs maintained at directly supported/ financed enterprises	PI5691	FTEs	-	-	-	-	-	-	99	146	156	282	-
Protected land area: permanent	PI3924	Acres	-	-	-	-	-	-	3,998	-	-	1,321	5,319
Units/ volume of sustainably harvested wood products sold	PI1263	Metric tons	-	-	-	-	-	-	17,411	103,298	758,842	872,488	1,752,039
Native trees planted	PI3848	Acres	-	-	-	-	-	-	-	-	4,747	2,811	7,558
Ecosystem services provided by land	PD8494	Biological raw material, regulation of climate, habitat, erosion control, recreation and ecotourism											

See notes on impact data provided in Appendix 4

APPENDIX 2: FUND IV DETAILS & IMPACT METRICS

PORTFOLIO



QUICK FACTS

VINTAGE	2014
INVESTMENTS	11
INVESTED CAPITAL	\$250M (100% OF COMMITTED CAPITAL)
ACRES AS OF YE 2021	394,458
STRATEGIES	88% WORKING LANDS 5% SUPPLY CHAIN 8% ECOSYSTEM SERVICES

Map includes current portfolio and sold investments

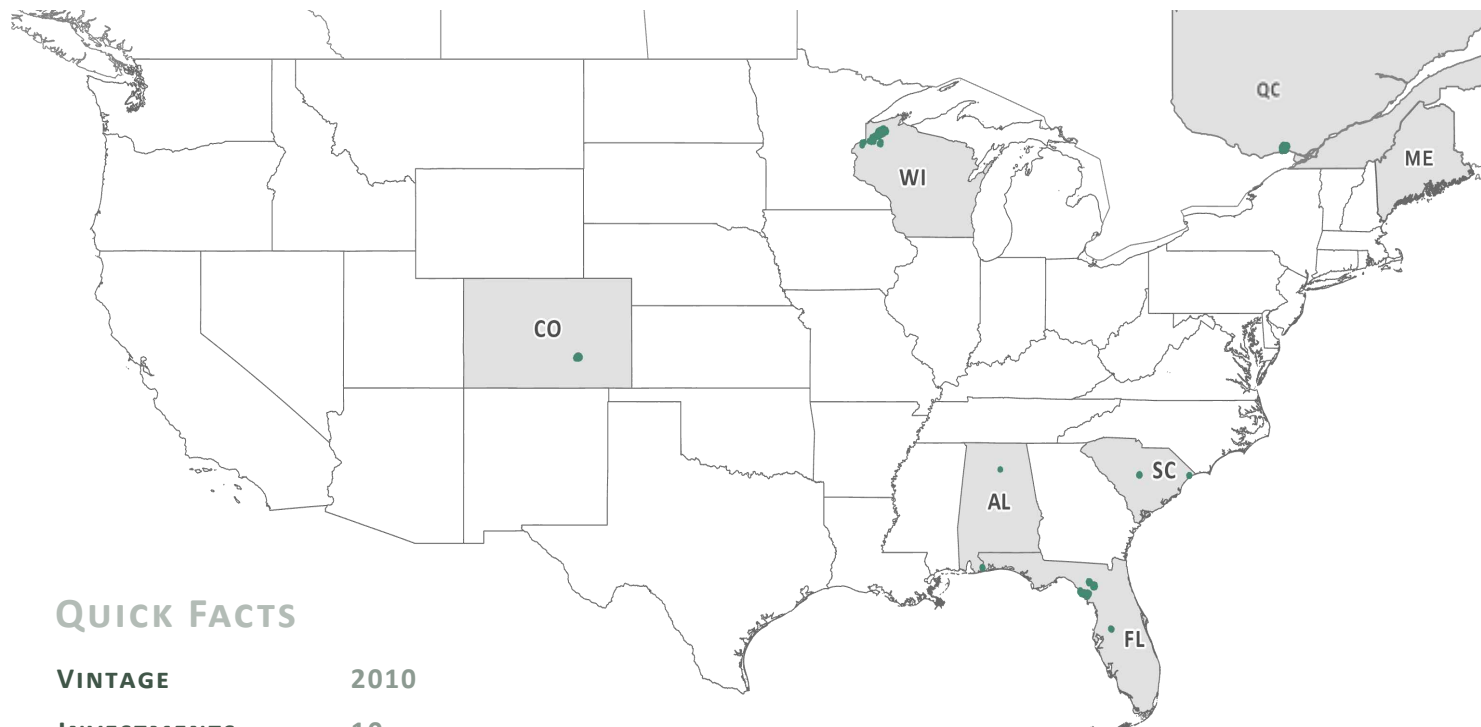
IMPACT DETAIL

Impact Metric	IRIS ID	Unit	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Cumulative
Land area directly controlled: sustainably managed	OI6912	Acres	-	-	-	136,695	169,591	372,773	368,715	368,421	367,491	394,458	-
Operational certification	OI1120	Acres	-	-	-	22,779	55,627	318,409	318,409	356,791	355,807	355,642	-
Area of adjacent protected land	PI5750	Acres	-	-	-	-	3,132,566	3,277,611	3,277,611	4,093,881	4,093,881	4,093,881	-
Area of fresh water bodies present	PI7170	Acres	-	-	-	13,258	13,860	13,476	18,089	17,906	17,907	13,463	-
Length of streams present	PI3239	Kilometers	-	-	-	1,872	1,994	3,024	2,831	2,988	2,993	2,956	-
Ecological restoration management area	PI9556	Acres	-	-	-	20	63	184	2,298	2,298	2,332	2,332	-
Jobs maintained at directly supported/ financed enterprises	PI5691	FTEs	-	-	-	15	15	23	135	166	175	305	-
Protected land area: permanent	PI3924	Acres	-	-	-	826	7,090	-	5,364	382	-	4,714	18,376
Units/ volume of sustainably harvested wood products sold	PI1263	Metric tons	-	-	-	-	164,421	193,659	288,396	401,082	387,887	356,126	1,791,571
Native trees planted	PI3848	Acres	-	-	-	-	1,642	964	938	-	734	1,020	5,298
Ecosystem services provided by land	PD8494	Biological raw material, regulation of climate, habitat, erosion control, recreation and ecotourism											

See notes on impact data provided in Appendix 4

APPENDIX 2: FUND III DETAILS & IMPACT METRICS

PORTFOLIO



Map includes current portfolio and sold investments

QUICK FACTS

VINTAGE	2010
INVESTMENTS	10
INVESTED CAPITAL	\$107.5M (64% OF COMMITTED CAPITAL)
ACRES AS OF YE 2021	99,299
STRATEGIES	80% WORKING LANDS 8% HIGH PRIORITY CONSERVATION 12% ECOSYSTEM SERVICES

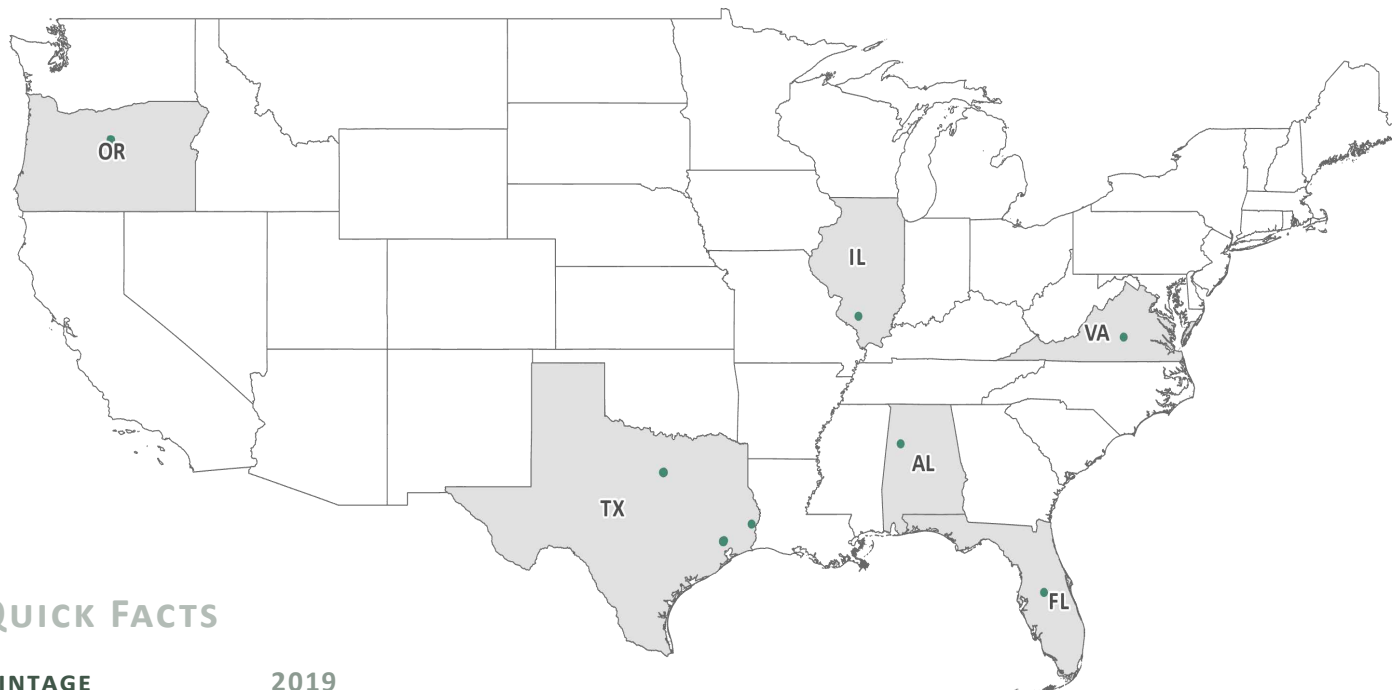
IMPACT DETAIL

Impact Metric	IRIS ID	Unit	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Cumulative
Land area directly controlled: sustainably managed	OI6912	Acres	72,783	169,709	223,580	170,502	169,604	102,119	101,131	99,572	97,899	99,299	-
Operational certification	OI1120	Acres	72,783	69,060	192,945	139,867	139,794	72,253	71,265	69,864	69,463	68,506	-
Area of adjacent protected land	PI5750	Acres	2,929,116	2,942,484	2,944,270	3,027,813	3,051,832	3,051,832	3,301,724	3,500,915	3,500,915	3,500,915	-
Area of fresh water bodies present	PI7170	Acres	405	31,546	42,397	37,521	37,521	37,116	36,727	35,169	34,567	34,253	-
Length of streams present	PI3239	Kilometers	34	352	508	219	218	184	184	170	169	169	-
Ecological restoration management area	PI9556	Acres	-	150	164	781	967	1,296	1,708	1,709	1,649	1,649	-
Jobs maintained at directly supported/ financed enterprises	PI5691	FTEs	-	-	1	1	2	2	2	2	2	2	-
Protected land area: permanent	PI3924	Acres	49,036	15,355	1,927	45,966	8,138	-	1,027	19,225	5,835	13,384	159,893
Units/ volume of sustainably harvested wood products sold	PI1263	Metric tons	57,200	91,098	160,224	158,033	125,842	98,999	126,209	139,301	174,759	147,510	1,279,175
Native trees planted	PI3848	Acres	1,201	1,250	4,686	2,245	2,825	1,299	707	2,261	1,112	2,148	19,733
Ecosystem services provided by land	PD8494	Biological raw material, regulation of climate, habitat, erosion control, recreation and ecotourism											

See notes on impact data provided in Appendix 4

APPENDIX 2: LCOF DETAILS & IMPACT METRICS

PORTFOLIO



QUICK FACTS

VINTAGE	2019
INVESTMENTS	8
INVESTED CAPITAL	\$19.1M (38% OF COMMITTED CAPITAL)
ACRES AS OF YE 2021	19,639 ACRES
STRATEGIES	80% MITIGATION BANKS 20% FOREST CARBON

IMPACT DETAIL

Impact Metric	IRIS ID	Unit	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Cumulative
Land area directly controlled: sustainably managed	OI6912	Acres	-	-	-	-	-	-	-	477	19,457	19,639	-
Operational certification	OI1120	Acres	-	-	-	-	-	-	-	-	-	-	-
Area of adjacent protected land	PI5750	Acres	-	-	-	-	-	-	-	6,714	152,167,759	152,167,759	-
Units/ volume of sustainably harvested wood products sold	PI1263	Metric tons	-	-	-	-	-	-	-	-	-	-	-
Area of fresh water bodies present	PI7170	Acres	-	-	-	-	-	-	-	246	246	486	-
Length of streams present	PI3239	Kilometers	-	-	-	-	-	-	-	3	60	76	-
Native trees planted	PI3848	Acres	-	-	-	-	-	-	-	-	-	-	-
Ecological restoration management area	PI9556	Acres	-	-	-	-	-	-	-	280	847	2,283	-
Jobs maintained at directly supported/ financed enterprises	PI5691	FTEs	-	-	-	-	-	-	-	-	-	-	-
Protected land area: permanent	PI3924	Acres	-	-	-	-	-	-	-	322	-	-	322
Ecosystem services provided by land	PD8494	Biological raw material, regulation of climate, habitat, erosion control, recreation and ecotourism											

See notes on impact data provided in Appendix 4

APPENDIX 3: KEY TERMS AND CONCEPTS

FOREST CARBON SEQUESTRATION

Trees, through natural biological processes, absorb carbon dioxide from the atmosphere and store it in biomass and soils. Voluntary and regulatory carbon markets enable forestland owners to secure the carbon sink and generate revenue through the sale of carbon offsets.

Many companies that emit carbon and have a regulatory obligation or voluntary commitment to offset emissions can buy carbon offsets to help achieve targets. Forest owners can generate offsets by committing to maintain or increase a forest's absorptive capacity or protect forestland at risk of development or degradation. In 2013, California implemented a statewide cap on greenhouse gas emissions, imposing annual emissions reduction obligations to meet its targets for reducing statewide emissions. Utilities, oil refineries, and heavy manufacturers inside the state are required to comply.

California's carbon market is administered by California's Air Resources Board. California's offset protocols ensure the maintenance of an enrolled property's carbon stock for over 100 years. Commitments under voluntary market protocols are typically for a period of 40 years. Voluntary carbon markets, in which companies purchase carbon offsets to meet voluntary climate and net-zero commitments, continue to grow and develop.

FOREST CERTIFICATION

Forest certification promotes and confirms the sustainable use and management of forests for biological diversity, local economies, and economic viability, and identifies sustainably produced products for consumers. Certification includes a set of standards and periodic audits to ensure environmentally and socially responsible sources of forest products. Forests in the United States are commonly certified under one or both of the leading standards - the Forest Stewardship Council (FSC)[®] and the Sustainable Forestry Initiative (SFI)[®].

IRIS METRICS

The Impact Reporting and Investment Standards ("IRIS") metrics were developed by the Global Impact Investing Network ("GIIN") to standardize the way investors communicate and report their social and environmental performance. In 2019, GIIN released the IRIS+ system to increase data clarity and comparability by providing guidance and core metrics to be used in impact reporting. IRIS+ is now a generally accepted impact reporting system used by leading impact investors to measure, manage, and optimize their impact.

LIDAR

LiDAR, which stands for Light Detection and Ranging, is a remote sensing method that uses light in the form of a pulsed laser to measure ranges (variable distances) to the Earth. These light pulses—combined with other data recorded by the airborne system—generate precise, three-dimensional information about the shape of the Earth and its surface characteristics. This technology is useful in creating accurate inventory of forestlands by providing information on the location of all of the overstory trees and the total height of each tree.

APPENDIX 3: KEY TERMS AND CONCEPTS (CONT.)

MITIGATION BANK

A mitigation bank is a degraded property restored to its original ecological function and then permanently protected. The owner of an approved mitigation bank can sell credits to public and private developers who need to mitigate their nearby impacts to streams, wetlands, and endangered species habitats.

Federal laws (the Clean Water Act and the Endangered Species Act) and certain state laws require public and private developers to mitigate ecosystem impacts by restoring ecosystems similar to those damaged. Projects that require mitigation include draining, filling, or damaging wetlands for highway construction, real estate development, energy infrastructure, or other development. Mitigation is also required to offset the impact of channelizing or rerouting streams and of adversely affecting endangered species habitat.

Under 2008 guidance from the US Army Corps of Engineers, the preferred mitigation mechanism is the project developer's purchase of credits from nearby mitigation banks that proactively restore degraded lands at a larger scale and ensure their preservation in perpetuity. Rather than undertake their own restoration efforts, developers are encouraged to buy mitigation credits from approved mitigation banks. Regulators oversee these banks and release "credits" for sale based on the bank's achievement of predetermined ecological success factors.

SDG - SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals ("SDGs") were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated—they recognize that action in one area will affect outcomes in others, and that development must balance social, economic, and environmental sustainability.

WORKING FOREST CONSERVATION EASEMENTS (WFCEs)

A WFCE is a legal agreement that permanently restricts development and other activities on a piece of property in order to protect specific conservation values, while allowing sustainable timber harvesting. It is binding on all future landowners but does not change the ownership of the underlying property. WFCEs can enable conservation NGOs or government agencies to conserve working forests for a fraction of the cost of purchasing the land outright, while enabling the property to be managed for timber production.

APPENDIX 4: NOTES

ENDNOTES

1. Assets under management reported as equity NAV plus uncalled capital commitments.
2. Includes four active pooled funds, one separate account, and one co-investment fund. Multiple sleeves of the same investment fund are not counted as separate funds.
3. Does not include mitigation banks or non-forested properties.
4. Conservation restrictions include conservation easements, conservation option agreements, carbon encumbrances, and mitigation banking instruments
5. Percentage allocation across strategies in each fund is based on contributed capital.

NOTES ON IMPACT DATA

- IRIS (Impact Reporting and Investment Standards) metrics were developed by the Global Impact Investing Network.
- Area of adjacent protected land includes lands adjacent to properties that the Fund owned, conserved, and has since sold.
- Jobs maintained includes all jobs at Fund-owned portfolio companies, including businesses where Lyme has made minority, non-controlling investments and businesses jointly owned with joint venture partners, including other Lyme funds. Cross City Forest Management is jointly owned by Fund III and Fund IV. Straight Fork Forest Management, Three Rivers Forest Management, Northern Appalachian Log & Forestry, and the Emporium Hardwoods and Bradford Forest sawmills are jointly owned by Fund IV and Fund V.
- Jobs maintained data does not include logging, road, and trucking contractors that our forest management activities consistently support.
- Acreage and metric tons data reflects each Fund's pro-rata share of ownership and harvest activity.
- Selections for "Ecosystem Services Provided" are informed by types of investments we make and the activities undertaken within our investment portfolios. *Biological raw materials* are produced by Lyme's timber harvesting activities to supply fiber for sawmills and pulp mills in the region. Our 1.5 million-acre forestland portfolio, and the sustainable forest practices we employ, sequester carbon dioxide, provide wildlife habitat, provide erosion control, and afford public access for recreation, providing ecosystem services such as *Regulation of climate*, *Habitat*, *Erosion control*, and *Recreation and ecotourism*. Erosion control is also provided by restoration activities undertaken within Lyme's mitigation banking portfolio.

APPENDIX 4: NOTES

DISCLAIMERS

This report may contain information relating to potential investment opportunities (each an “Investment”) presented by The Lyme Timber Company LLC (“Lyme”) and does not constitute an offer to sell or a solicitation of offers to buy securities, nor does it represent an assurance of investment returns. Past performance is not necessarily indicative of future results. An offer of interests in one or more vehicles constituting an Investment will only be made through separate documents and will require interested parties to make certain representations and agree to certain restrictions as set forth in those documents. The statements in this report are the opinions of Lyme, which are subject to change at any time and without notice. Lyme further reserves the right to modify the information in this report at any time without providing notice, but does not undertake any obligation, either express or implied, to update the information in this Report as additional data become available or circumstances change.

Descriptions of ESG initiatives in this report related to Lyme, its portfolio companies, and its joint venture investments (collectively, “portfolio companies”) are not guarantees or promises that all or any such initiatives will be successful or achieve their stated goals or objectives. Statements about ESG initiatives or practices related to portfolio companies do not apply in every instance and depend on factors including, but not limited to, the relevance or implementation status of an ESG initiative to or within the portfolio company; the nature and/or extent of investment in, ownership of or, control or influence exercised by Lyme with respect to the portfolio company; and other factors as determined by Lyme and/or the management teams of individual portfolio companies on a case-by-case basis. In particular, certain ESG initiatives or practices described in this report are less applicable to or may not be implemented at all with respect to Lyme’s joint venture investments. While Lyme believes that its investment and management strategies, including ESG initiatives, can generate attractive investment returns, Lyme makes no representations as to the level of incremental returns, if any, attributable to its ESG initiatives.



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Aerial view of Lyme Redwood Timberlands in Mendocino County, CA