

PROFILE: TIMBERLAND INVESTMENT MANAGEMENT ORGANIZATIONS' (TIMOs') ROLE IN COMMUNITY-BASED FORESTRY

The Lyme Timber Company

The Lyme Timber Company demonstrates the potential role of timberland investment management organizations (TIMOs) in community-based forestry. Lyme Timber is a New Hampshire-based limited partnership, organized in 1976, that specializes in forestland investment and sustainable forest management. It has invested in New England, Pennsylvania, New York, Virginia, West Virginia, North Carolina, Tennessee, Delaware, Wisconsin, and Minnesota.

While Lyme Timber is not unique in its structure as a TIMO, it is a trailblazer in advancing practices that demonstrate the economic value of conservation partnerships and community-based forestry. This is a key part of Lyme Timber's forestland investing niche. Lyme Timber's experience in this niche led to the creation in 1992 of an affiliated consulting business. Specific innovative activities by Lyme Timber include the following:

Community Forests: Lyme Timber was a critical partner in the establishment of the Errol Community Forest in Errol, New Hampshire. When the Hancock Timber Resource Group put the 5,269-acre tract of land up for sale, the town of Errol was interested in purchasing it. But it would take time to organize the town, to structure the financing, and to raise the money to purchase the land. Lyme Timber stepped in with ready capital to purchase the property and hold it until the town, supported by The Trust for Public Land and Sustainable Forest Futures, was able to put together the financing to purchase the forestland and established it as a community-owned forest. Lyme Timber is also a key partner in the new Grand Lake Stream Lands community-based forestry project in Maine.

Cut-to-Length Initiative: In addition to managing its forestland properties in accordance with principles of sustainable forest management, including third-party certification from the Forest Stewardship Council or the Sustainable Forestry Initiative, Lyme Timber also manages its forestlands to simultaneously promote environmental sustainability, economic development, and community benefits. In 2007, Lyme Timber

implemented an initiative, in partnership with Sustainable Forest Futures and Coastal Enterprises, Inc., designed to encourage and facilitate the use of Cut-to-Length (CTL) harvesting on Lyme's holdings in the four-state Northern Forest region in Maine, New Hampshire, Vermont, and New York. Lyme Timber owns more than 500,000 acres of forestland in the Northern Forest and is the largest private landowner in both New York and New Hampshire. CTL harvesting is ecologically sensitive to the forest ecosystem, leads to dramatic fuel savings, and has the potential to lead to higher paying, more sustainable logging jobs. Substantial barriers have inhibited the transition to CTL by logging contractors, including the heavy capital investment and the need to train loggers in the use of the new equipment. The CTL Initiative is designed to overcome these barriers and facilitate a transition to this technology. If success can be demonstrated in the marketplace, this will encourage replication by other landowners and other loggers throughout the region. If CTL harvesting becomes institutionalized as a standard harvesting method in the region, this will provide a benefit for community-based forestry initiatives that can take advantage of the benefits of CTL harvesting to meet their management goals.

Ecosystem Services: Lyme Timber recently invested with Ecosystem Investment Partners up to \$27.5 million in conservation projects in Virginia's Great Dismal Swamp and in the forests of Delaware. The goal is to make money on the investment by "generating multiple environmental successes from improving water quality and biodiversity to restoring timberland and wetlands." Ecosystem Investment Services will use the money from Lyme and other investors to acquire land and restore it. Restored wetlands will result in the capacity to sell mitigation credits. Other lands will be restored for biodiversity (biodiversity credits) or for resale to conservation buyers (value of conservation easements). The forestland will be restored and managed sustainably to produce high-end forest products.