



GLOSSARY OF FORESTRY INVESTMENT TERMS

Acquisition fee – fee charged by managers for purchasing new properties; usually charged as basis points on capital invested.

Appraisal – third-party, independent valuation of the current inventory on a property; typically uses three approaches to valuation: sum of the parts (cost), comparable values, and income.

Assets under management (AUM) – current value of an investors’ timberland holdings.

Best management practices (BMPs) - state or local regulatory or non-regulatory guidelines for protecting water quality as required by federal statutes, including the Clean Water Act and Water Pollution Control Act.

Chip-n-saw - small timber of which the outer part is chipped away for use in papermaking and the inner part is sawn into lumber, usually 2x4s.

Clearcut - harvest of all the trees in a given area.

Cruise - survey or sample to estimate the quantity of timber on a given area according to species, size, quality, and/or other traits.

Deal review – analysis and due diligence of properties considered for purchase or trade.

Forest certification – verification process by independent auditors which ensures that forests are responsibly managed.

Hardwood - general term for broad-leaved, deciduous trees or their wood. This term actually has nothing to do with the hardness of the wood.

Incentive fee – fee charged by managers for performance in excess of an agreed upon benchmark; usually expressed as a percentage of distributions in excess of an internal rate of return.

Inventory – survey or sample to describe or quantify the features of a forested area, such as soil conditions, vegetative cover, wildlife populations or topography. Sometimes used as a synonym for “cruise.”

Investment horizon – length of time an investor expects capital to be held in timberland assets.

Liquidated value – sale price of a property; when used in the context of IRR or incentive fee calculations, often refers to the current market value as a proxy sale price if the property has not been sold.

Log - trunk of a tree after it has been felled; or the raw material from which lumber, plywood and other structural products are made; or a unit of measure of the length of a standing tree’s trunk, typically 12 feet for hardwoods and 16 feet for softwoods in the South.

Lump sum timber sale - purchase arrangement under which the buyer and seller agree on a total price, usually paid in full at the closing of the sale, for all timber to be harvested from an area.

Merchantable timber - loose term meaning trees which have the size, quality and condition to be saleable.

Non-industrial private forest (NIPF) - forestland owned by farmers and other individuals or by corporations that do not operate wood-processing plants. These lands comprise the majority of forests in the South.

Parcelization – the process of partitioning larger properties into defined ownerships, or parcels, by client

Pass-thru expenses – property management or administrative fees paid to third parties which are paid by, or “passed through” to, the investor.

Pay as cut timber sale – purchase arrangement under which the buyer and seller agree on unit prices for timber to be harvested, usually to be paid weekly as wood is cut.

Pine - any of the various softwoods of the genus *Pinus*.

Plantation - manmade forest established by planting seedlings or sowing seed.

Premerchantable timber or “premerch” - loose term meaning trees of commercial species which have not yet grown large enough to be saleable.

Property management fee – fee charged by a third party, sometimes affiliated with the TIMO, for property management and silvicultural activities.

Pulpwood - loose term for trees or logs used to make pulp and paper, typically too small or too low in quality to be used for lumber or plywood.

Reforestation - process of re-establishing a forest after it has been logged or has been destroyed by natural forces like wildfire or disease. Reforestation is accomplished using a variety of methods such as site preparation, planting seedlings and controlling competition.

Sawtimber - loose term for trees or logs which are of sufficient size and quality to be sawn into lumber.

Silviculture - science and art of cultivating forests to achieve management objectives.

Site – an area considered in terms of its environment, particularly in reference to the type and quality of vegetation it can support. Roughly synonymous with “habitat.”

Site class or site index - measure of a forest site’s productivity or its potential to grow timber, expressed in terms of the average height of the tallest trees at a specified age.

Site preparation or “site prep” - process of preparing an area for planting by removing unwanted vegetation and debris, typically accomplished by using prescribed fire, herbicides and/or mechanical devices. Sometimes includes modifying the soil by operations such as fertilizing or ripping.

Site quality - loose term referring to the productivity of a site. Sometimes used as a synonym for “site index.”

Softwood - general term for evergreen trees that usually have needles and cones, or for their wood. This term actually has nothing to do with the softness of the wood.

Southern pine or southern yellow pine - species group comprised of the major commercial pine species of the U.S. South: loblolly, slash, longleaf and shortleaf. The southern pine region ranges from East Texas to Virginia.

Stand – contiguous group of trees which are sufficiently uniform in species composition, age and/or condition as to form a distinguishable unit.

Stumpage - standing timber, or timber “on the stump.”

Thin – to harvest part of a timber stand to accelerate the growth and improve the average quality of the remaining stand, to improve forest health, and/or to recover potential mortality.

Timberland investment management organization (TIMO) – firm that manages third-party, institutional financial assets invested in timberland properties or related assets.

Tract - defined area or parcel of land; a property.

Wood procurement - loose term for the acquisition of wood, in the form of stumpage, logs and/or chips, for use in wood products manufacture.

SOURCES:

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