



Sustainable Woodlands Fund II, L.P.



November 29, 2012

Dear Limited Partners:

We are pleased to provide you with the quarterly property performance update for Sustainable Woodlands Fund II, L.P. (the "Fund"). Our quarterly report will include an executive summary, property and market overview, and performance commentary.

Executive Summary

The Fund continues to perform as a high-quality timberland investment. The investment has realized an internal rate of return (IRR) of -2.38%, as compared to the modeled IRR of 4.33% through September 30, 2012. As you are aware, the IRR results include the lower, most recent, appraisal and investment-to-date cash flow on a nominal basis net of all fees. The assumptions driving the appraiser's market valuation, such as timber pricing and discount rate, have the potential to track upward as the economy improves.

Because of delays with the Anthony Forest Products Company (Anthony) Timber Harvest Agreement, operational cash flow since inception is approximately \$400,000 behind the modeled cash flow to date. To offset these delayed revenues, we are implementing our new tactical plan to increase open market sales to \$3.6 million from the budgeted \$1.7 million and land sales from \$363,600 to \$985,000 in 2012. Year to date, approximately \$2.9 million in open market sales are under contract, and we are on target to close \$1.15 million in Higher and Better Use (HBU) land sales by year end. These successes along with other cash flow generated during the year, may allow for the Fund to pay a year-end distribution of \$1.5 million.

While we have had success in implementing the new plan, year-to-date cash receipts are \$1.3 million behind plan through September. Expenses were favorable, resulting in an unfavorable cash flow variance year to date of \$1.14 million. While our timber marketing efforts have been successful, buyers have not harvested their purchased timber due to tight markets typical for summer. With winter approaching, we expect harvesting activity to significantly increase. However, since our standard harvesting term for market sales is twelve to eighteen months, it may be 2013 before the current shortfall in cumulative cash is realized.

On July 30, Anthony and SWF Red River Timber, LLC, signed a Memorandum of Settlement to settle all matters in the motion filed by Anthony to Vacate the Arbitration Award in the Circuit Court of Union County, Arkansas. Also, on that same day, all parties signed the First Amendment to the Timber Support Agreement and the First Amendment to the Timber Harvest Agreement. These amendments released Anthony's timber rights on approximately 15,087 acres included in the original agreements. This is a significant achievement as it now allows us to accelerate potential timber revenues through open market transactions on the released acreage. Furthermore, we believe we have the potential to achieve higher pricing than that provided under the Anthony contract through well-timed, competitive offerings.



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Following recent acquisition success, Molpus made organizational changes that will accommodate our expansion and provide us an improved framework for future growth. Molpus created three new management regions for all properties: North, East, and South Central. Specific to this portfolio, Tom Tomlinson was promoted as the South Central Region Managing Director, which includes responsibilities for the Red River investment. Steve Marietta remains as Property Manager, reporting to Mr. Tomlinson. Additionally, as part of this restructuring, each region will have a dedicated, value-add specialist who will be focused on pursuing HBU and other value-added opportunities. Jerry Mahon in our Monroe, Louisiana, office was promoted and assumes this responsibility.

Property and Market Overview

Timber Marketing. Molpus continues to implement the new strategy for increased open-market timber sales discussed above. During the quarter, we sold three hardwood sawtimber pay-as-cut timber packages for stumpage prices averaging 10% above the model. As these stands are harvested, an additional \$600,000 in timber revenue will be generated.

Through the third quarter, we have marketed approximately \$2.9 million, or 81%, of the \$3.6 million revised annual plan for open market sales. In July, Molpus and Anthony signed an amendment to the Timber Harvest Agreement in which Anthony released its rights to the timber in the Caddo Unit, the timberland reserved to support Anthony's Atlanta, Texas, facility. As you may recall, this facility burned in 2010 and will not be rebuilt. Through this amendment, an estimated 200,000 tons of pine sawtimber is now available for future open market sales. We met with three potential buyers of pine sawtimber in the northeastern Texas and northwestern Louisiana area. These buyers—Roy O. Martin Lumber Co., West Frazer Lumber Co., and Snider Lumber Co.—are currently assessing the resource before submitting prices.

We are beginning to see signs that the area's pine sawtimber markets may be improving. Anthony recently extended its sawmill four-day shifts from ten-hour to twelve-hour days. Additionally, despite being almost two months behind on its capital improvement project at the Urbana sawmill, Anthony has communicated that its harvest production levels will not be curtailed.

During the quarter, we prepared the 2013 Timber Harvest Plan for submission to Anthony on October 1. The plan is for 143,117 tons of pine sawtimber, with an estimated value of \$2.9 million. By the agreement, Anthony has until November 15 to accept or reject the plan.

Higher and Better Use Land Sales. Because of delays in revenue from the 2012 Anthony Timber Harvest Plan, we increased the Higher and Better Use (HBU) land sales goal of \$363,600 to \$984,000. During the quarter, we negotiated four separate new transactions and closed on four pending sales. In total, HBU sales have generated \$490,700 in revenue year to date, with an additional \$658,472 in pending sales scheduled to close during the fourth quarter. Hence, we forecast generating approximately \$1.15 million, or 117% of the enhanced \$984,000 goal, by year end.



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Land Management Activities and Expenses. During the third quarter, we completed our first round of chemical site preparation on 1,361 acres. Including the 205 acres bedded during the quarter, we have completed this treatment for the year on 499 acres. The final round of chemical site preparation and release work will begin in October, with 298 acres and 597 acres scheduled for release and site prep spray, respectively. (See Exhibit A for specific summaries of individual silvicultural treatments.)

As you are aware on this property, we had modeled to cruise all of the higher-valued, natural pine stands during the first three years of ownership. This year's inventory work on approximately 19,000 acres will complete the three-year project. We began the stand-level field work in September and anticipate a completion in early December. This timber volume information will be used to update stand and property records for valuations and management decisions, formulate inventory and growth models, and, ultimately, more accurately quantify and report Red River's timber assets.

Returns

Character of Returns ¹²	Quarterly Return	YTD Return	Since Inception (01/2010) Annualized
<i>Distributions</i> ³	0.00%	0.00%	1.23%
<i>Estimated Appreciation/ (Depreciation)</i> ⁴	0.75%	-3.56%	-5.22%
<i>Est. Gross Total Return</i>	0.75%	-3.56%	-4.02%
<i>Est. Net Total Return</i>	0.50%	-4.29%	-4.98%

Source: Sustainable Woodlands Partners, LLC September 2012.

As disclosure, this information is provided at the request from our investors. We have attempted to provide some guidance regarding estimated quarterly returns and capital appreciation of the Fund. These

¹ Past performance is no guarantee of future results.

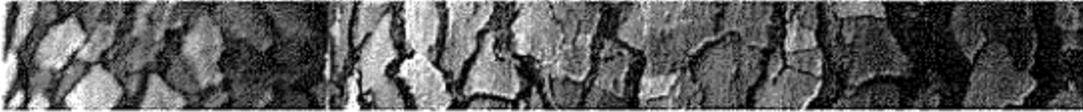
² The returns are unaudited and reflect the best judgment of the General Partner. In providing this information, we do so without any representations or warranties whatsoever, expressed or implied, and assume no responsibility or liability. The returns are subject to a year-end audit and subject to adjustment. The adjustment – based on the year-end audit – could be material. Further, the methodology used for the audit will likely differ. The returns are intended to provide investors with a better gauge of the return profile of the assets of the Fund. Returns are geometrically linked based on quarterly values which will result in a small variance between reported gross returns and the summed distribution and appreciation figures.

³ Includes distributions from January 1, 2010, through September 30, 2012, where appropriate. For the purpose of calculating estimated Fund performance, distributions will be treated as received the month in which the distribution was paid.

⁴ Appreciation includes the results of the year-end third-party appraisal. During interim years, third-party appraisal updates will be used.



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quarterly estimated returns reflect our best judgment as to the appreciation of the asset and will not be reflected in your capital account statement. Please note that going forward we will provide only the estimated annualized IRR as part of the quarterly reports as it is the most relevant calculation for this type of investment. We will gladly provide the alternative calculation upon request.⁵

Performance Discussion

Since inception, the Fund is performing behind modeled real return expectations. However, the Fund has generated cash flow through a successful HBU land sale program and accelerated harvesting plan, while the Fund is building up value for the long-term through biological growth. Moreover, there have been positive trends in the housing market, and further recovery of national housing starts could potentially help to stimulate sawtimber pricing.

Conclusion

In summary, we will continue to be aggressive in managing the timberland. We believe the Fund has a positive cash flow future and the potential to benefit from any improvements in the timber markets. The forestry team is continuing to act on both its accelerated harvesting plan and its HBU land sale program which have already generated healthy cash flow for the Fund this year. The expected year-end distribution is reflective of the success of the aforementioned forestry strategy and improvement in the local markets. The timber released from the Timber Harvest Agreement has prospective buyers, and we anticipate the potential for better pricing than previously negotiated under the Timber Harvest Agreement. We believe the long-term outlook for this fund remains strong.

Please contact David Hicks (713.993.4038), David Scott (601.949.3144 x28) or Mike Cooper (601.948.8733 x221) with any questions.

⁵ Past performance is no guarantee of future results. Returns are unaudited and have been included for illustrative purposes.



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DISCLOSURE

This presentation is for informational purposes only and does not constitute an offering of any security, product, service or fund. No investment strategy can guarantee performance results. Past performance is no guarantee of future results. All investments are subject to investment risk, including loss of principal invested. All information presented is compiled from sources believed to be reliable, but accuracy cannot be guaranteed.

This information is provided without regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not contain investment recommendations. This publication is also designed to provide general information about economics, asset classes and strategies. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon and risk tolerance. Not all asset classes and strategies will be suitable for all investors.

The opinions expressed in these materials represent the personal views of Sustainable Woodlands Partners, L.L.C. professionals and are based on their broad investment knowledge, experience, research and analysis. However, market conditions, strategic approaches, return projections and other key factors upon which the views presented in these materials are based remain subject to fluctuation and change. Consequently, it must be noted that no one can accurately predict the future of the market with certainty or guarantee future investment performance.

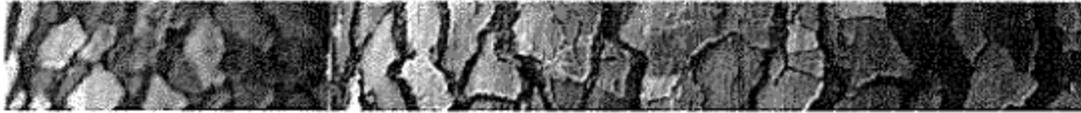
This publication contains "forward-looking statements." Forward-looking statements can be identified by the words "may", "will", "intend", "expect", "estimate", "continue", "plan," "anticipate," "could," "should," and similar terms and the negative of such terms. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect actual results are the performance of the portfolio securities, the conditions in the U.S. and international finance and other markets and other factors. Actual results could differ materially from those projected or assumed in our forward-looking statements.

Please refer to the PPM for a more complete description of the Fund's strategies, terms of offering, and the risks associated with investing in the Fund.

Sustainable Woodlands Fund, L.P. is advised by Sustainable Woodlands Partners, L.L.C., a US Securities and Exchange Commission registered investment adviser and General Partner to the Fund.



Sustainable Woodlands Fund II, L.P.



February 29, 2012

Dear Limited Partners:

We are pleased to provide you with the quarterly property performance update for Sustainable Woodlands Fund II, L.P. (the "Fund"). Our quarterly report will include an executive summary, appraisal review, property and market overview, and performance commentary.

Executive Summary

We are pleased to report that the Fund is performing well despite persistent market headwinds. The investment has an internal rate of return (IRR) of -2.5%, as compared to the modeled IRR of 1.18% through December 31, 2011. The IRR results include the most recent appraisal and investment-to-date cash flow on a nominal basis net of all fees. Cash flow since inception is in line with the model.

Despite strong harvest activity during the past six months, cash receipts for the year were behind plan by \$250,805, or 3.5%. Expenditures continued to be favorable to budget, resulting in an operational cash flow \$420,569 ahead of plan for the year. Due to the positive cash balances, a planned distribution of \$2,000,000 was made to the Limited Partners in December. Investment-to-date distributions from this fund total \$6,000,000 and track with the acquisition model projections.

The pricing reset for the 2012 Timber Harvest Plan for Anthony Forest Products (Anthony) went to arbitration in December. We were recently notified that the arbitrator ruled in Red River's favor. Anthony continues to evaluate the proposed timber package. Depending on the size of a final package, the advance payment could generate up to \$1.0 million.

Administrative Update

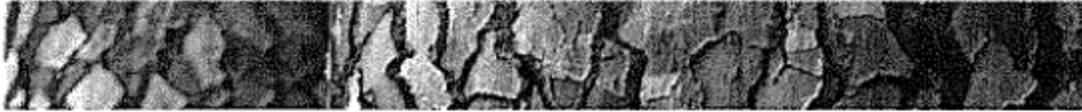
We are pleased to announce that David Scott has been elected by the Board of Managers to serve as Board Chairman. In addition, Salient Partners, L.P, recently welcomed Dan Amiri to their team as an analyst.

Year-End Valuation – 3rd Appraisal

As noted above, the year-end valuation resulted in a decline in appraised value of approximately 12% year over year primarily as a result of extended weakness in the pine sawtimber markets. Timberland markets have shown some downward movement as a result of our country's recent financial crisis, and future appraisal updates could at some point be additionally affected by financial pressures from this crisis. However, while an appraiser's view of timberland values may exhibit some positive or negative volatility in the short term, the investment's ability to perform at or near model is the factor that is designed to create the stability and potential long-term value that makes timberland an attractive, non-correlated portfolio investment. While the timber markets remained weak, we believe this last year



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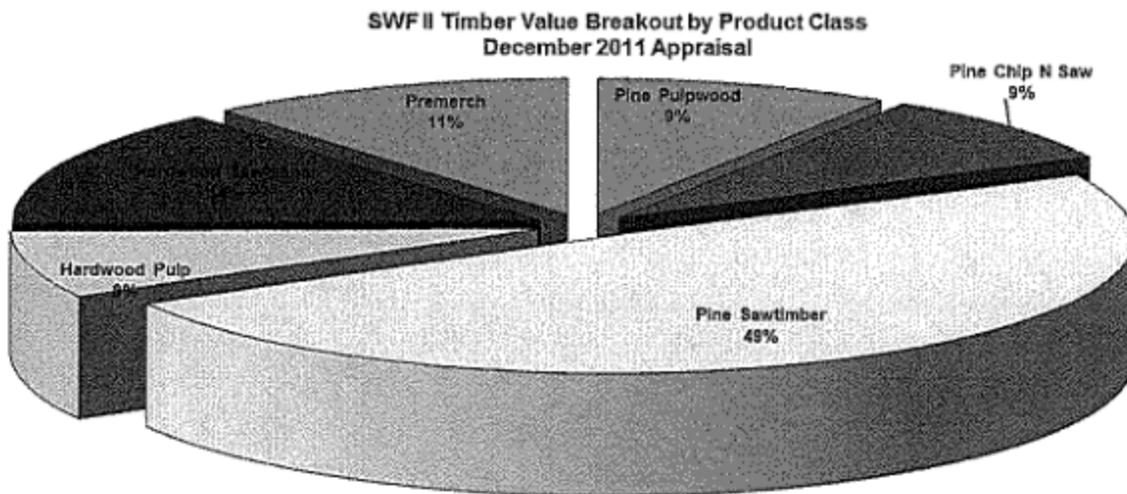


provided some positive signs and there are more promising indications that market fundamentals may be rebounding. First, it has been estimated that roughly \$5 billion will be invested globally which could put downward pressure on discount rates due to heightened acquisition activity.¹ Second, the relationship between southern pine sawtimber prices and lumber prices indicates the spread between the two is more than one standard deviation from the mean.² This is significant, as since 1995 mean reversion has occurred within two years. We feel that is further support that timber prices may have bottomed or even over-corrected in 2011 and that positive upward movement within the next two years is possible.³

Acreage. The Fund owns a total of 91,020 acres with an appraised value of \$156 million. The acreage is distributed as follows:

- *Eleven Arkansas counties – 55%*
- *Six Louisiana parishes – 31%*
- *Three Texas counties – 14%*

The pie chart below reflects the product class diversification based on the appraised values.



Source: James W. Sewall, December 2011.

As shown above, approximately 70% of the appraised timber value is merchantable southern pine. While the premerchantable timber represents 11% of the appraised timber value, 26% of the property acreage is premerchantable pine, representing substantial future value. Over the life of the fund, the property makeup will likely change considerably as the trees move through product classes and the pine sawtimber

¹ Source: James W. Sewall and RISI, December, 2011

² Source: Salient Partners, L.P., December, 2011

³ Past performance is no guarantee of future results.



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is harvested according to the timber supply agreement. We have included a copy of the appraisal summary as Exhibit "A".

Property and Market Financial Overview

Timber Marketing. Despite the delay in closing the Anthony 2011 Timber Harvest Plan earlier this year, strong production in the second half of the year resulted in annual timber receipts of \$6.1 million, exceeding the plan by 2%. During the fourth quarter, the Anthony crews accelerated harvesting on its contract. This production resulted in quarterly timber receipts exceeding the budget by 73%, or \$755,084. Additionally, Molpus sold two hardwood packages and one pine thinning package on the open market. The hardwood transactions sold for prices averaging 2% above the modeled price. The pine thinning package's price was 29% below model but was sold for silvicultural reasons: the plantation's growth rate had slowed, and reducing its density was required to improve tree growth. For the year, open-market timber sales generated over \$850,000 in revenue. In anticipation of continued success in capitalizing on opportunities, additional hardwood and pine plantation packages have been prepared for potential sale in the first quarter of 2012.

During the quarter, Anthony and Molpus met several times to discuss the stumpage price reset for both regular and large pine sawtimber. The new reset prices would be used for the 2012 Timber Harvest Plan that was submitted to Anthony on September 1. Due to extreme differences regarding pricing, no decision could be reached, and the price decision went to arbitration. After each party presented its case in December, the arbitrator ruled in Red River's favor, establishing the new prices for large and regular sawtimber as \$26.00 per ton and \$21.50 per ton, respectively. Anthony continues to evaluate the 2012 Timber Harvest Plan of 159,200 tons of pine sawtimber and will pay up to \$1.0 million as a 25% advance payment when the contract closes.

Higher and Better Use Land Sales. Molpus successfully negotiated a \$1,950 per-acre price, or \$156,000, for an 80-acre parcel in Ashley County, Arkansas. The transaction closed December 21 and yielded a return to the investment of 38.1%, net of fees. Even though no Higher and Better Use (HBU) land sales were modeled for this investment, we had anticipated HBU land sale opportunities and budgeted \$633,000 for 2011. In total, we generated \$357,000, accounting for 56.3% of the annual budgeted land sales revenue.

Land Management Activities. During the fourth quarter, we were actively completing site preparation treatments on the 2,743 acres scheduled for planting in 2012. The final round of chemical treatment was applied on 1,315 acres. The mechanical bedding treatment was completed on 487 acres. We took advantage of the extended dry ground conditions and bedded 144 acres more than budgeted. This preparation created a high quality micro-site with improved soil tillage and drainage for better seedling growth and survival.

For the year, operating expenditures were \$420,569 favorable to budget, due primarily to the postponement of fertilization treatments, fewer acres available to site prepare, and favorable planting costs. (See Exhibit "B" for a summary of all reforestation and silvicultural treatments.)



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The cruising of the 21,044 natural pine and thinned pine plantation acres scheduled by the Inventory Management and Planning group for inventory updates was completed. The overall cost of the project came in at the budgeted \$148,500. Information provided from the inventory cruise provides updated stand and property records for valuations, harvest plans, management decisions, and tracking of Red River's timber assets. The cruise captured the annual growth in these stands and reported an increase of 28,122 tons of pine and 118,403 tons of hardwood. By applying appraisal per-unit product values, this increase is valued at approximately \$1.1 million.

We finalized the purchase of eighty acres in Columbia County, Arkansas, on October 17, 2011. The two forty-acre parcels join Red River's current ownership and are located, conveniently, within 65 miles of the Urbana, Arkansas, sawmill. Not only is the purchase property accretive to the investment as a stand-alone opportunity, it enhances the value of the adjoining Red River parcel by providing alternative access to forty acres of mature timber. The closing cost of \$154,495 was funded from contributed capital.

Returns

Character of Returns ⁴⁵	Quarterly Return	YTD Return	Since Inception (01/2010) Annualized
<i>Distributions</i> ⁶	1.12%	1.69%	1.69%
<i>Estimated Appreciation/ (Depreciation)</i> ⁷	-11.28%	-12.44%	-5.41%
<i>Est. Gross Total Return</i>	-10.15%	-10.83%	-3.75%
<i>Est. Net Total Return</i>	-10.40%	-11.75%	-4.72%

Source: Salient Partners, L.P., December 2011.

⁴ Past performance is no guarantee of future results.

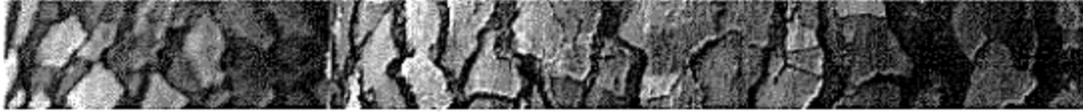
⁵ The returns are unaudited and reflect the best judgment of the General Partner. In providing this information, we do so without any representations or warranties whatsoever, expressed or implied, and assume no responsibility or liability. The returns are subject to a year-end audit and subject to adjustment. The adjustment – based on the year-end audit – could be material. Further, the methodology used for the audit will likely differ. The returns are intended to provide investors with a better gauge of the return profile of the assets of the Fund. Returns are geometrically linked based on quarterly values which will result in a small variance between reported gross returns and the summed distribution and appreciation figures.

⁶ Includes distributions from January 1, 2010, through December 31, 2011, where appropriate. For the purpose of calculating estimated Fund performance, distributions will be treated as received the month in which the distribution was paid.

⁷ Appreciation includes the results of the year-end third-party appraisal. During interim years, third-party appraisal updates will be used.



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Performance Discussion

As mentioned previously, the Fund is currently performing to expectations based on distributions. However, the estimated performance illustrates the impact the recent appraisal had on performance but does not reduce our confidence in the investment's long-term return potential. As mentioned above, we believe there are multiple indications that inspire optimism for potential market improvement over the coming years.

As disclosure, this information is provided at the request from our investors. We have attempted to provide some guidance regarding estimated quarterly returns and capital appreciation of the Fund. Please note that these quarterly estimated returns reflect our best judgment as to the appreciation of the asset and will not be reflected in your capital account statement. Further, they will vary from the stated IRR which is the most relevant return calculation for this type of investment.⁸

Conclusion

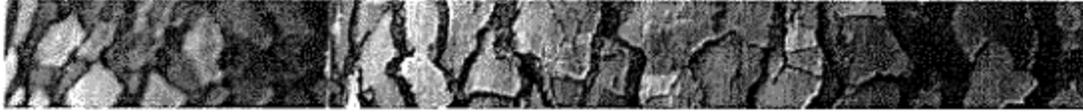
We believe the long-term outlook for this Fund remains quite good. In the near term, the Molpus team is aggressively pursuing spot market opportunities, while the Fund also benefits from the long-term supply agreement that offers some downside price protection.

Please feel free to contact David Hicks (713-993-4038) with any questions or comments.

⁸ Past performance is no guarantee of future results. Returns are unaudited.



Sustainable Woodlands Fund II, L.P.



March 8, 2011

Dear Limited Partners:

We are pleased to provide you with the quarterly property performance update for Sustainable Woodlands Fund II, L.P. (the "Fund"). Our quarterly report will include an executive summary, appraisal review, property and market overview, and performance commentary.

Executive Summary

The SWF Red River investment has completed its first full year with a solid performance. Since inception, net cash flow of \$4.8 million is tracking in line with model. Due to favorable performance, the planned distribution of \$1.5 million was made to the Limited Partners in December. To-date distributions from this Fund total \$3 million as compared to a projection of \$2 million in the acquisition model.

The Fund received its first appraisal which was conducted by Sizemore and Sizemore. The results of the appraisal are discussed in the next section. The assigned property value was \$178 million versus the November 2009 acquisition price of \$176 million. Including this recent appraised value and investment-to-date cash flow, the internal rate of return (IRR) estimate for this investment to date is 3.30% on a nominal basis, net of all fees, as compared to the IRR of -3.5% modeled for the first year.¹

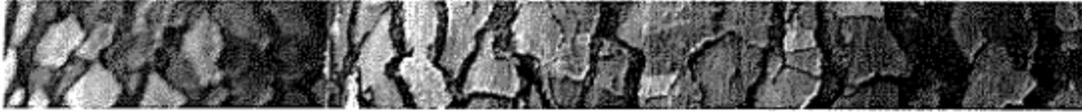
As recently reported, Anthony Forest Products (Anthony) recently announced that it would not rebuild its Atlanta, Texas, sawmill that burned in February, 2010. Since the fire, the investment's cash receipts from timber had remained behind plan. However, through our aggressive market sales strategy, diligent harvesting efforts, and Anthony's November request for an additional sawtimber package, total receipts were only 8.5% behind plan by year end.

Our supply agreement is working well, and Anthony's desire to harvest its committed volume has remained unchanged. During the quarter, the proposed plan for the 2011 Timber Harvest Agreement was accepted. This transaction, with an estimated pine sawtimber value of \$4 million, is scheduled to close the first week in February.

¹ The Fund NAV is subject to the year-end audit. The estimated IRR is subject to change based on the final audited year-end value.



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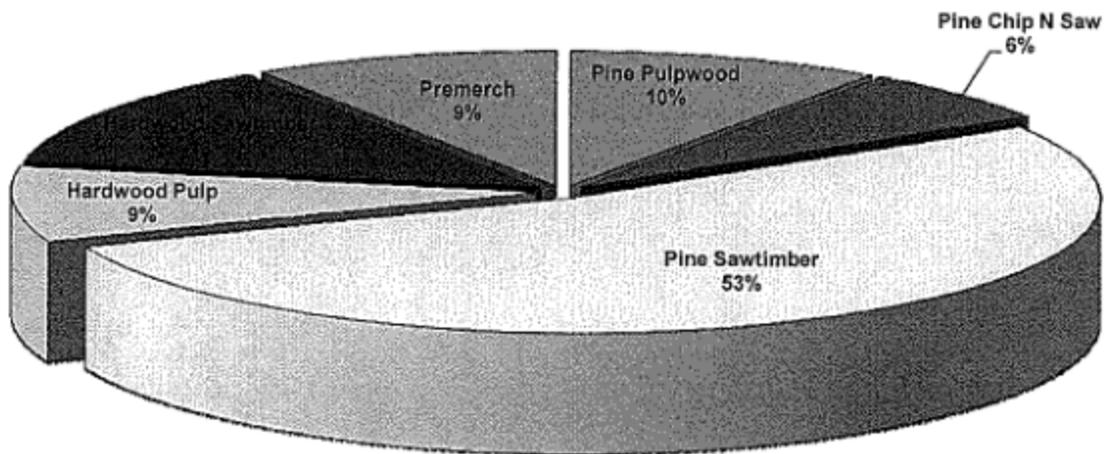
Year-End Valuation – 3rd Appraisal

On an acreage basis, the Fund owns a total of 91,194 acres with an appraised value of \$178 million. The acreage is distributed as follows:

- 11 Arkansas counties – 55%
- 6 Louisiana parishes – 31%
- 3 Texas counties – 14%

The pie chart below provides the product class diversification based on the appraised values.

**SWF II Value Breakout by Product Class
December 2010 Appraisal**



The pie chart above indicates that approximately 70% of the appraised timber value is southern pine. While the premerchantable timber represents 9% of the appraised timber value, 27% of the property acreage is premerchantable pine representing substantial future value. Over the life of the fund, the property makeup will likely change by a considerable amount as the trees move through product classes and the pine sawtimber is harvested consistent with the timber supply agreement. We have included a copy of the appraisal summary as Exhibit "A".



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Property and Market Financial Overview²

Timber Marketing. Timber sales were 5% unfavorable to budget during the year (\$7.72mm vs. \$8.10mm) due to the earlier impact of the fire at Anthony's sawmill in Atlanta, Texas. For the quarter, timber sales were 6% unfavorable to budget (\$1.58mm vs. \$1.57mm budgeted). Anthony has completed harvest on the last stands of timber specified in the 2010 Wood Supply Agreement that were not affected by the fire. To supplement the wood flow into their Urbana sawmill, Anthony asked to purchase additional pine sawtimber as part of the "Excess Timber" provision in the agreement. In November, we finalized the sale of 16,925 tons of pine sawtimber for \$585,000. In December, an additional second sale of 19,119 tons was proposed. However, we were unable to reach an acceptable pricing agreement in 2010. In January, Anthony expressed renewed interest in purchasing this package, and we are optimistic that an agreement can be reached soon.

Anthony announced on November 23, 2010, that the board of directors voted not to rebuild the company's sawmill in Atlanta, Texas. Molpus has met with Anthony's representatives to begin discussions on Anthony's plans for harvesting the remaining timber in the 2010 Timber Harvest Agreement and for future purchases of sawtimber from SWF Red River property around the Atlanta, Texas, area.

The 2011 Timber Harvest Agreement package was submitted and has been accepted by Anthony. An estimated \$4 million in pine sawtimber revenue will be generated from this plan.

Market prices for pine and hardwood pulpwood continue to remain weak. However, Molpus has been selective in choosing appropriate stands to market as opportunities arise, and these market sales were a bright spot for the year. To date, these sales have generated \$1.1 million in revenue, more than doubling the budgeted amount of \$450 thousand. Furthermore, the actual pricing achieved across these market sales exceeded model by 28%. This quarter, two biomass³ and one thinning package, with an estimated combined value of \$81 thousand, were also sold. Additionally, we have reached verbal agreement with Koppers Industries to begin marking utility poles on the property, with plans to finalize the sale agreement in early 2011. This pay-as-cut contract for poles will yield at least an \$11.00-per-ton premium above current pine sawtimber prices.

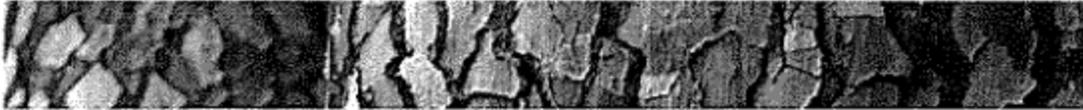
Higher and Better Use Land Sales. Even though no Higher and Better Use (HBU) land sales were modeled for this investment, Molpus was successful in negotiating an attractive sales price of \$213 thousand, or \$2,700 per acre, for a 79-acre parcel in the Bossier Unit. This transaction closed December 21 and yielded a return to the investment of 74%, net of fees. In anticipation of capitalizing on future

² The financial overview is based on the property level financials included as part of the exhibits.

³ Biomass is a term used to describe non-merchantable timber, brush, and logging debris (including limbs and tops) that can be used as a renewable energy source.



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opportunities, revenues of \$500 thousand in land sales were included in the recently submitted 2011 budget.

Other Revenue. Other revenue on the Red River property was 29% unfavorable to the quarterly budget (\$143k vs. \$202k budgeted) and 1.5% favorable to the year-to-date budget (\$615k vs. \$606k budgeted). The majority of budgeted miscellaneous income is tied to hunting leases and seismic income with the upside variance attributed to unbudgeted easements, right-of-ways, biomass, and miscellaneous income. The biomass income is a good example of the expanding revenue opportunities associated with alternative energy.

Gross Profit. Red River quarterly gross profit was 755% favorable to budget (\$143k vs. \$17k budgeted) and year-to-date gross profit was 247% favorable to budget (\$434k vs. -\$295k budgeted). The favorable year-to-date variance is primarily reflective of selling timber at prices above the implied budgeted level combined with favorable depletion due to harvesting less volume than budgeted for.

Land Management Activities. We stayed on target in our efforts to prepare all acres planned for reforestation in 2011. During October, we completed the last round of chemical site preparation work. For the year, 3,960 acres were aerially treated with herbicide to control competing vegetation. The cost came in at \$276 thousand, well below the budgeted amount of \$343 thousand.

The mechanical site preparation work has been completed, with 738 acres bedded. We made the decision to take advantage of the dry operating conditions this fall and bed acres that could have lain unproductive for a year or more if not bedded during this window of opportunity. By bedding these sites now, this acreage will be ready to plant this 2011 planting season. A total of 538 additional acres were bedded, resulting in costs being \$103 thousand over budget.

(See Exhibit "B" for a summary of all reforestation and silvicultural treatments.)

As previously reported, we finalized the transaction on October 15 to acquire an additional 100 acres of timberlands for SWF Red River for the price of \$120 thousand. The parcel, adjacent to SWF Red River property in Union County, Arkansas, contains a seven-year-old loblolly pine plantation and will be accretive to the financial performance of the overall investment as well as secure better access to a tract in the existing ownership.

For the quarter and year-to-date, operating expenses were favorable to budget. Specifically, quarterly expenses were 13% favorable to budget (\$366k vs. \$420k budgeted) and 14% favorable to the year-to-date budget (\$1.611mm vs. \$1.88mm budgeted).

Net Income. Net income was favorable through December. Red River quarterly net income was 45% favorable to budget (-\$222k vs. -\$403k budgeted). Year-to-date net income was 46% favorable to budget



Sustainable Woodlands Fund II, L.P.



(-\$1.18mm vs. -\$2.17mm budgeted). The shift in the product mix harvested and favorable operating expenses resulted in a favorable net income variance.

Operating Cash Flow. The Fund experienced positive operating cash flows for the quarter, \$992 thousand, and year-to-date, \$5.52 million. These figures are in line with modeled expectations.

Returns

Character of Returns ⁴	Quarterly Return	YTD Return
<i>Distributions</i> ⁵	0.84%	1.69%
<i>Estimated Appreciation/ (Depreciation)</i> ⁶	4.25%	2.19%
<i>Est. Gross Total Return</i>	5.10%	3.89%
<i>Est. Net Total Return</i>	4.85%	2.87%

As mentioned previously, the Fund is currently performing to expectations. We have a high degree of confidence in the investment's long-term return potential. Based on requests from our investors, we have attempted to provide some guidance regarding estimated quarterly returns and capital appreciation of the Fund. Please note that these quarterly estimated returns reflect our best judgment as to the appreciation of the asset and will not be reflected in your capital account statement.

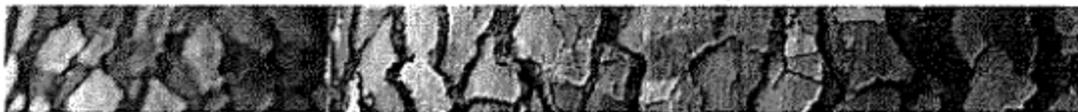
⁴ The returns are unaudited and reflect the best judgment of the General Partner. In providing this information, we do so without any representations or warranties whatsoever, expressed or implied, and assume no responsibility or liability. The returns are subject to a year-end audit and subject to adjustment. The adjustment – based on the year-end audit – could be material. Further, the methodology used for the audit will likely differ. The returns are intended to provide investors with a better gauge of the return profile of the assets of the Fund. Returns are geometrically linked based on quarterly values which will result in a small variance between reported gross returns and the summed distribution and appreciation figures.

⁵ Includes distributions from January 1, 2010, through December 31, 2010, where appropriate. For the purpose of calculating estimated Fund performance, distributions will be treated as received the month in which the distribution was paid.

⁶ Appreciation includes the results of the year-end third-party appraisal. During interim years, third-party appraisal updates will be used.



Sustainable Woodlands Fund II, L.P.



The year-end appraisal indicated an increase in the property value and supports our belief that the property was purchased at an attractive value.

Conclusion

The long-term outlook for this Fund remains quite good. In the near term, the Molpus team is aggressively pursuing spot market opportunities, while the Fund also benefits from the long term supply agreement which provides some downside price protection.

Please feel free to contact David Hicks (713-993-4038) with any questions or comments.



Sustainable Woodlands Fund II, L.P.



February 25, 2010

Dear Limited Partners:

We are excited about the recent acquisition now known as SWF Red River Land, LLC and SWF Red River Timber, LLC (collectively referred to as "SWF Red River"). The property was purchased from Anthony Forest Products Company ("Anthony"), a vertically integrated company that owned and managed the approximately 91,360 acres of predominantly southern pine timberland.

These Sustainable Forestry Initiative® (SFI)-certified timberlands are strategically located in southern Arkansas, northern Louisiana, and eastern Texas in close proximity to the Anthony sawmills and in a highly attractive wood basket with a strong regional wood and paper industry. The Fund will continue the SFI certification of the timberlands. Approximately ninety-three percent (93%) of the land is classified as pine sites, the balance consisting of hardwood sites (4 percent) and non-forest (3 percent). This is an unusually high percentage of pine site land compared to the typical southern pine property average of about 80 to 85 percent pine. The timberlands contain a significant amount of mature pine timber, with 74 percent of the growing stock in diameter classes greater than 16". Further, SWF Red River consists of some of the finest mature timber stands the Molpus foresters have seen, as well as having a very high site quality throughout. We have provided a detailed acquisition overview and due diligence package as Exhibit "A".

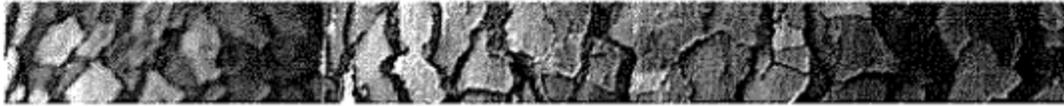
Immediately after closing on November 13, 2009, the management team began focusing on the Anthony Forest Products (Anthony) Timber Harvesting Agreement and market sales opportunities. Under the Anthony agreement, SWF Red River agrees to sell a predetermined volume of standing timber to Anthony each year. The bulk of this timber will be harvested and delivered to Anthony-owned facilities. This agreement, coupled with good markets for pine pulpwood and hardwood pulpwood, provides a solid foundation for this new fund.

The SWF Red River transaction closed during a period when many local mills' on-site inventories had dwindled as a result of heavier than normal rainfall. With our management team in place at closing, we were able to immediately begin negotiating the sale of pine and hardwood pulpwood at premium prices above those in the model.

Overall, 2009 was a challenging year for most timberland investments. We have seen wood-using facilities across the U.S. slow production, announce indefinite shutdowns, and/or close permanently. We hope to see signs of improvement in 2010. New markets in pellet manufacturing operations should increase the value of pine pulpwood fiber, and an eventual upward turn in housing starts will help the



Sustainable Woodlands Fund II, L.P.



solid wood business. We will continue to evaluate additional market opportunities, including higher and better use land sales (HBU) and other value-added initiatives. As we start to realize improved timber markets, we believe this investment is well positioned to achieve and perhaps exceed its long-range financial goals.

Property and Market Overview

Timber Marketing

Following the terms of the agreement, SWF Red River received an advance payment of \$1,754,852 for pine sawtimber at closing. Total revenue under this agreement for 2010 should exceed \$7 million from pine sawtimber deliveries to Anthony's sawmills at Urbana, Arkansas, and Atlanta, Texas. Additionally, as part of the closing, SWF Red River was to receive payment for harvested volume in excess of 52,000 tons during the period beginning July 1, 2009 thru closing. This payment amounted to \$269,544.

In addition to managing the supply agreement, the forestry team began to actively market other timber products from this property. Continued rains and depleting inventories at local pulp and paper mills led to increased demand for pine pulpwood. As a result, a sales package of 623 acres of pine plantation thinnings was sold at a price exceeding model by 40%. The buyer, Becton Timber Company of Hampton, Arkansas, is an established company with a reputation for high quality work. This sale is for 18,690 tons of pine pulpwood, with an anticipated gross value of \$299,040. We are also focusing on potential niche market opportunities that will allow us to maximize this property's revenue potential. One of the more significant niche market initiatives involves an inventory and marketing analysis of higher-valued utility poles.

Land Management Activities

Chemical site preparation had been completed on 1,103 acres prior to closing. These acres will be planted during the first quarter of 2010 with a combination of Weyerhaeuser Company genetically improved bare root seedlings along with CellFor Inc. varietal seedlings. Varietal seedlings claim to offer superior performance in growth, quality, and stand uniformity.

Chemical release work was completed on 492 acres of two- and three-year-old pine plantations that were inundated with hardwood competition. This application controls the hardwood, allowing the pine trees to grow without competition through the remainder of their rotation.

Acquisition inventory data was recently incorporated into Molpus's internal GIS database. Approximately two years ago, Anthony inventoried their entire property. As part of the acquisition due diligence process, Molpus conducted a verification stand-level cruise on a subset of the mature stands.



Sustainable Woodlands Fund II, L.P.



The balance of the merchantable stands will be re-inventoried over the next three years, with approximately 20,000 acres budgeted to be cruised in 2010.

Forward Presentation

The 2010 Budget is complete, and future reports will provide an analysis of property performance relative to the annual budget. The quarterly analysis will report on the budgeted performance variance for Revenues, Other Income from Value Added initiatives such as HBU land sales, Gross Profit, Expenses, Net Income and Operating Cash Flow. We will also provide estimated quarterly performance for the Fund with a performance discussion. Quarterly financials at the Fund and Property level will be included as Exhibits.

Conclusion

We greatly appreciate the trust and patience of our investors as the Fund's Board of Managers waited for the right opportunity to be identified. After nearly a year of negotiations with the Anthony Family, the Fund is fully invested in a diversified portfolio property. We look forward to serving you for the duration of the Fund. Please feel free to contact David Hicks (713.993.4038), David Scott (601.949.3144) or Mike Cooper (601.948.8733 x21) with any questions or comments.



Sustainable Woodlands Fund II, L.P.



Exhibit “A”

Acquisition Due Diligence Overview

(See Attached)

SUSTAINABLE WOODLANDS PARTNERS, L.L.C.
GENERAL PARTNER

SUSTAINABLE WOODLANDS FUND II, L.P.

**ACQUISITION OVERVIEW AND DUE DILIGENCE
SUMMARY**



February 25, 2010

Table of Contents

- 1. Acquisition Overview**
- 2. Financial Model**
- 3. Property Map**
- 4. Historical Pricing and Analysis**

Introduction

On November 13, 2009, Sustainable Woodlands Fund II (the "Fund") closed on the acquisition of a substantial timberland property. The property was purchased from Anthony Forest Products Company ("Anthony") which is a vertically integrated company that owned and managed the approximately 91,360 acres of predominately southern pine timberland. Anthony also operates mills that produce lumber and engineered wood products for the building industry as well as wood chips for the paper industry. Anthony has over forty years of operating history. The Fund will provide Anthony's mills timber via a mutually favorable timber supply agreement that is discussed later in this document.

The Molpus Woodlands Group, LLC ("Molpus") first began negotiating the acquisition when Anthony attempted to sell the entire enterprise (timberland and mills) in a multi-stage bid process. Molpus made a non-binding bid for strictly the timberlands that eventually resulted in a direct negotiation for the purchase of the timberlands.

These Sustainable Forestry Initiative® (SFI) - certified timberlands are strategically located in southern Arkansas, northern Louisiana, and eastern Texas in close proximity to the Anthony's sawmills and in a highly attractive wood basket with a strong regional wood and paper industry. The Fund will continue the SFI certification of the timberlands. Approximately ninety-three percent (93%) of the land is classified as pine sites, the balance consisting of hardwood sites (4 percent) and non-forest (3 percent). This is an unusually high percentage of pine site land compared to the typical southern pine property average of about 80 to 85 percent pine. The timberlands contain a significant amount of mature pine timber, with 74 percent of the growing stock in diameter classes greater than 16".



In addition to revenue from the premium timber inventory, the Fund will be able to generate supplemental income through recreational leasing. Furthermore, several tracts of land are located near high-volume traffic corridors and offer significant incremental value through higher and better use (HBU) opportunities. The proposed I-69 highway corridor currently under consideration is expected to have a significant impact on the HBU potential of this property. However, HBU is not factored into the base model, and HBU land sales are not a key driver in the nominal-return scenarios. We believe this property has been conservatively modeled and has the potential to provide substantial upside later in the life of the Fund or at divestiture.

The negotiated sale price was \$173,150,000, which, in our opinion, was approximately 20 percent below the price of comparable southern transactions that occurred in 2008 and early 2009. The per-acre value of the timberland is approximately \$1,895, of which \$612/acre is attributable to the bare land value. Comparable bare land sales for the region are \$906/acre; therefore an attractive discount is embedded in the bare land component to help allow for a margin of safety at ultimate disposition. To demonstrate this finding, the Fund performed the base model analysis

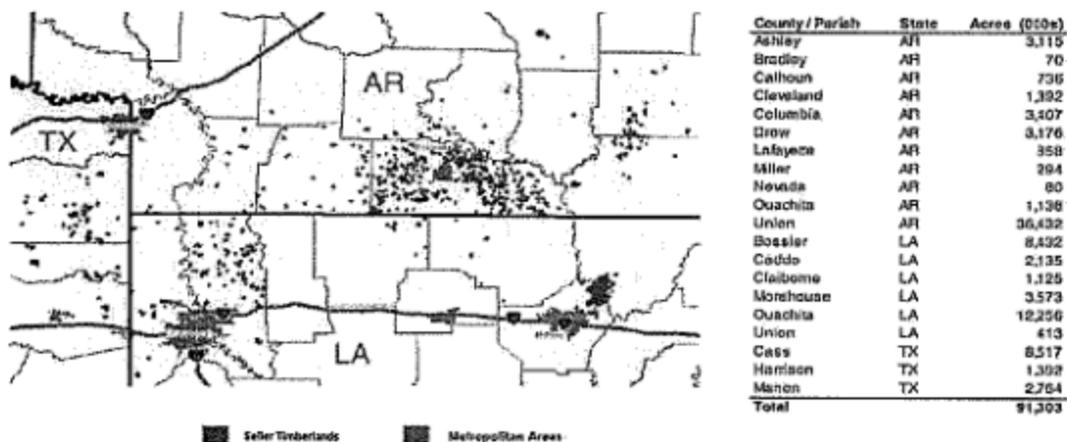
multiple ways, with the model summary and detail provided in a separate section. The higher per-acre value also reflects the substantial amount of mature sawtimber on the property; timber that will be harvested throughout the life of the Fund as the property is converted to faster growing southern pine plantations. Further, Molpus believes that its forestry management team can make improvements to the site index via intensive silviculture practices, which will increase the productivity of the property and therefore its value.

The purchase price translates into a modeled real return of 5.88 percent using what we believe are conservative assumptions. When considering a range of nominal return scenarios it is expected that the average annual return over the life of the Fund will range between 8-12+ percent. The financial model summary and detail has been included as Exhibit "I".

Forms of Diversification

This property provides diversification on multiple levels: geographic, species, product class, and income source.

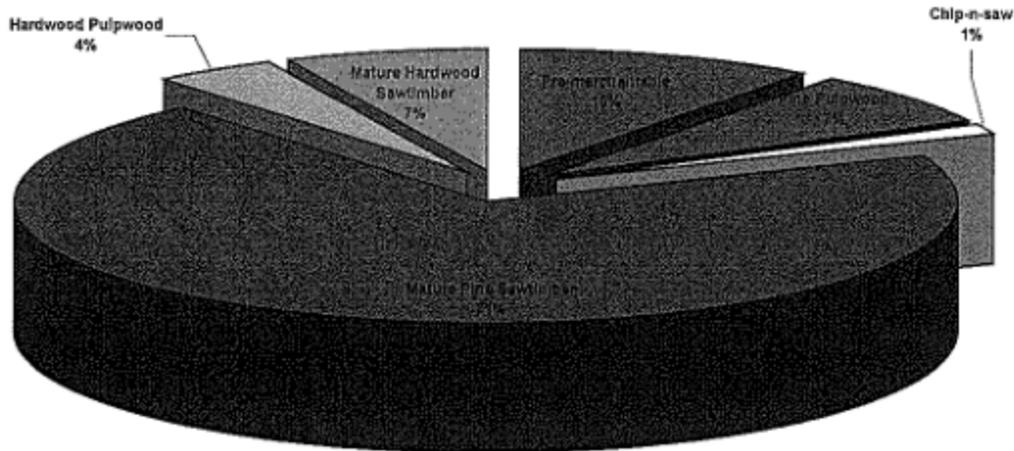
Geography – Generally speaking, the local timber market is located within a fifty-mile radius. However, there are many micro-markets within the property throughout the 91,360 acres of timberland. These micro-markets are highly developed, with strong regional wood and paper industries providing demand for the standing timber. The map below provides a layout of the property along with proximity to metropolitan areas. An enlarged map is included as Exhibit "II".



Note: Data as of 2006 and seller provided. The acreage has been updated as a result of the due diligence process. Provided for illustrative purposes only

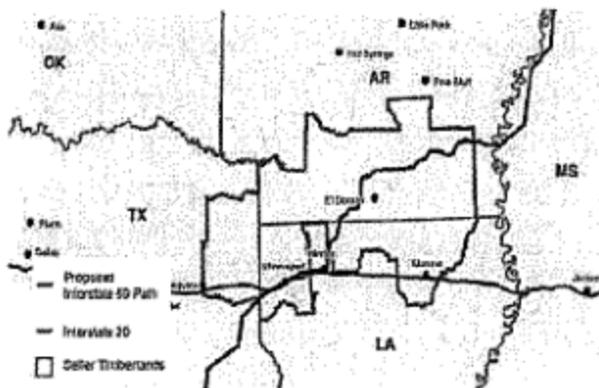
Species and Product Class – This well-stocked timberland property contains approximately 2.9 million tons of sawtimber and 1.6 million tons of pulpwood, representing an attractive mix of southern pine and various common southern hardwoods, including red oak and white oak. The sawtimber is 88 percent southern pine and 57 percent of the pulpwood is southern pine. This species and product mix complements the end use markets in the region which, despite the recent economic downturn, are still operating at a high capacity. The high percentage of mature sawtimber represents good early cash flow opportunities. Over the life of the Fund, the estimated average annual income is approximately 4 percent.

The pie chart below illustrates the diversity of both the species and product classes. Throughout the life of the investment, we expect to harvest the sawtimber while converting the property to fast-growing southern pine plantations. Thus, the property composition will likely look considerably different at divestiture.



Income Source – The primary return driver for this property is biological growth, with 98 percent of base model revenues generated from timber. Therefore, we believe this to be an optimal timberland investment with additional upside offered by the other return drivers (product price changes and land price changes). Moreover, we believe there to be good recreational use, higher-and-better-use land sales, and non-traditional income potential from the emerging bioenergy sector (biomass, wood pellets, and wood ethanol). This property already has approximately \$501k in annual income derived from existing recreational leases. The Molpus value-added team will seek to maximize that revenue as it did in our first timber fund, Sustainable Woodlands Fund, L.P.

HBU Opportunities. This property offers two land sale strategies. First, small tracts of timberland can be sold to adjacent landowners, a rare opportunity for buyers to expand their existing land ownership, since the previous owner has held the land, in many cases, more than fifty years.

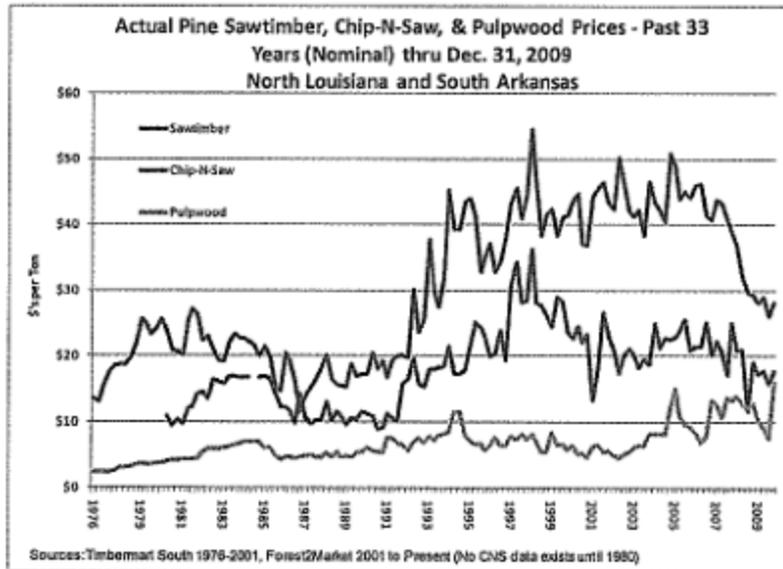


Second, we will seek to capitalize on the development of the aforementioned proposed I-69 corridor, an interstate highway connector that would effectively link Mexico to Canada. The currently proposed route would bisect a good portion of the property. Further, numerous tracts are close to metropolitan areas such as Shreveport and Monroe, Louisiana, which typically merit higher per-acre prices than rural timberland.

Recreational Income. Over 400 individual hunting leases are already established on the timberlands, most with local hunting clubs that have used these lands for decades. The majority of these clubs and their members are responsible stewards of the property and in fact serve as a very effective means of thwarting trespassing, vandalism, and forest fires on the timberlands. The strategy will be to retain the existing relationship with these hunting clubs, charging them a regionally appropriate annual lease rate, one that currently produces approximately \$500,000 in annual income. There is also an immediate opportunity for an additional \$20,000 in annual recreational income for hunting privileges.

Timber Pricing Analysis

The graph below represents the available historical regional pricing information. The graph below highlights a few key points which are discussed in greater detail as part of Exhibit "III"



- Timber prices, particularly sawtimber prices, are at 15+ year lows.

- The Fund's offer price factors in timber prices at or near these lows, reflecting the discount we believe is embedded in the purchase price.
- Stumpage prices (excluding pulp prices) have traded in a band for much of the last 10+ years; again, they are presently at the low end of that range.
- Given the conservative base model assumptions, the Fund sees considerable upside should prices return to the long-term trend during the life of the investment. In that scenario, the annualized return could exceed 12 percent.

Timber Supply Agreement

The timber supply agreement that will be in place between the Fund and Anthony will have a minimum 10-year duration, with mutually agreeable options for annual renewals thereafter. Any long-term agreement such as this must provide some benefits to both parties. For Anthony, the primary lure is the guarantee of a fixed amount of annual volume of large diameter pine logs for at least the next 10 years at a price that will track the market price of pine sawtimber for the Arkansas-Louisiana-Texas geographic region. For the Fund, the benefits include a guaranteed outlet for approximately sixty percent (60%) of the projected annual pine sawtimber harvest at market prices that should mimic the modeled future sawtimber prices. For example, under the Timber Harvest Agreement, Anthony is scheduled to purchase a minimum of 151,750 tons of pine sawtimber during the first contract year.

The agreement has a provision for a bi-annual pine sawtimber price adjustment based on a timber pricing formula for the Arkansas-Louisiana-Texas geographic region provided by Forest2Market (F2M), an independent timber pricing service that collects, compiles and reports on a real-time basis the volumes and prices of literally thousands of individual truck loads of logs delivered to participating mills.

The agreement also recognizes two classes of pine sawtimber – regular (less than 18-inch diameter) and large (greater than 18-inch diameter). This feature is important because the Fund was able to negotiate and incorporate into the agreement a separate F2M price adjustment calculation for each class of pine sawtimber. It is Molpus' analysis that the relative scarcity of large pine sawtimber in this market could result in an accelerated price adjustment for this class that could exceed the overall modeled future pine sawtimber prices.

Additional beneficial provisions of the agreement include a minimum 25% cash advance at the beginning of each calendar year by Anthony on the value of that year's harvest plan, a stipulation that Anthony's loggers harvest and deliver lesser valued pulpwood products to local mills at market prices, a favorable provision that allows HBU sales to occur in concert with the supply agreement, and provisions in case of a mill closure by Anthony.

Finally, the timber is being harvested consistent with the Sustainable Forestry Initiative guidelines. For more information concerning SFI, please visit www.sfiprogram.org

Site Analysis

A component of the value embedded in this acquisition is the plantation yield gains from genetic and silvicultural improvements. The site index is a forestry metric that demonstrates the approximate average height trees will attain at or near maturity (typically age twenty-five for southern pine). In general, each additional foot of site index (i.e., an additional foot of average height) translates into an approximate 2 to 3 percent gain in volume. The current property site index is somewhat complex as approximately 70 percent of the property is made up of sixty- to

seventy-year-old natural pine growth that has never been managed with modern forest management techniques. Rather, these timber stands are simply naturally regenerated trees. For such old growth, without enhanced site preparation, the average site index as reported by Anthony is 59. For the newer plantation growth on the property that has had appropriate site preparation and enhanced tree genetics but no fertilizer enhancements, the projected site index is 70, which is typical of properly grown and managed pine plantations in northern Louisiana and southern Arkansas with similar soil and geologic characteristics. Molpus foresters and soil scientists believe that, with the addition of a prescriptive fertilizer treatment, the site index could and should average 75 on pine plantation growth for this property. Consequently, with the anticipated appropriate application of silvicultural practices, it is possible that the next rotation of pine plantations on this property will yield somewhere between 20 to 45 percent more volume per acre than the existing timber stands. While the majority of this gain will not be harvested during the anticipated ownership of the Fund, it will likely be recognized in the disposition price of the property.

These improvements represent possible increased annual returns of as much as 1.94 percent per annum over the life of the investment. Thus, simply growing the trees and managing the forest to maximize productivity could result in a 7.82 percent return before any inflation assumptions or other income assumptions are made. We view that prospect as very attractive.

Summary

In summary, the General Partner is pleased to make this initial acquisition of 91,360 acres of timberland in Arkansas, Louisiana, and Texas on behalf of the Fund for the following previously discussed reasons:

- This timberland property is a classically sound timberland investment, with the majority of its returns generated from timber revenue and located in a region with stable timber markets and highly productive timber growth rates.
- The base case model as presented is conservatively modeled yet returns an attractive 5.88 percent constant dollar return on investment and could exceed 12 percent on a nominal basis.
- There is likely upside return on investment potential from a number of additional return drivers including HBU, recreational income opportunities, emerging bioenergy opportunities, and the application of active timberland management techniques.
- This property meets the Fund's investment objectives of being a core southern pine property with diversification characteristics such as: geographic (over three states), species (pine and hardwood), and product (pulpwood and sawtimber).

Exhibit “I”

Financial Model Summary and Detail

Sustainable Woodlands Fund II, L.P.

Anthony Timberlands Final Closing Model

November 13, 2009

Anthony Timberlands Model Assumptions for Sustainable Woodlands Fund 2

- 1) Total investment of \$177.120 million funded in 2009, including \$1,500,000 of working capital. This model is based on the final purchase price of \$1,895 per acre and on final closing costs. The beginning acreage and timber volumes used in this model are from the final data as provided by the seller, except that Molpus estimates based on due diligence are used for premerchantable acres and for pine pulpwood topwood tons.
- 2) Investment consists of 14% pre-merchantable, 7% pine pulpwood, 1% chip-n-saw, 64% mature pine sawtimber, 4% hardwood pulpwood, and 9% mature hardwood sawtimber.
- 3) Assumes property tax of \$4.00 per acre per year, forestry costs of \$10.00 per acre per year, hunting lease and miscellaneous income of \$6.78 per acre per year, and no mineral payments. Reforestation is assumed to be \$325 per treated acre. Forestry costs are cyclical, seasonal, and dependent on weather. These factors can affect the timing of modeled forestry expenses.
- 4) Investment pays all direct acquisition, forest management and disposition expenses on a cost basis.
- 5) Page 8 of this model shows the assumed product prices before and after inflation. Using data from 1910 to the present, RISI projects a 1.2% real price increase for southern sawtimber from 2007-2022. This final base model indicates a 5.80% real return compared to 5.88% in the original base model.
- 6) Assumes a timber supply agreement with the seller for 70% of the modeled pine sawtimber harvest with 30% of the pine sawtimber and all pole timber to be sold at market prices. This final version assumes all market prices are equal to supply agreement prices. The model assumes the timber supply agreement will have a blended pine sawtimber price of \$28.00/ton for the first two years followed by a gradual increase to a long term trend price from years three to six. The market sawtimber prices are also assumed to gradually increase to the trend level from years three to six. In the sixth year and beyond all timber prices remain constant in the constant dollar model. The timber supply agreement currently being negotiated contemplates a beginning blended price of \$28/ton for all pine sawtimber, adjusted by Forest2Market.com every six months in years 1 and 2. The beginning price will be reset at a negotiated market price at the beginning of year 3, followed by a price indexing mechanism to reflect market prices after year 2.
- 7) The Base Model assumes no higher and better use land sales.
- 8) No financing is considered in this model.
- 9) Annual timberland management fee of 1.00% of appraised value, acquisition fee of 1%, and an incentive fee of 15% of the profits in excess of a 7% cash return. Harvesting fee is 7% of timber sales, which includes all marketing and supervision costs related to harvesting. Disposition fee is 3% of HBU land sales. Administrative fee of \$2.50 per acre per year. The \$10.00 per acre per year estimate for forestry costs mentioned in Assumption 3 above is an assumed amount which includes the cost of mid-rotation silviculture, road maintenance, and other direct costs. Of that \$10.00 amount, \$1 to \$2 per acre per year could be paid to the manager for direct work on the property that would otherwise be billed by third parties. All fees and expenses estimated to be paid to the manager are included in this cash flow model.
- 10) This model is intended as an illustrative tool only. The model reflects projections of future events and actual results almost certainly will vary. There is no guarantee that any of the assumptions underlying the model are or will be correct.

Anthony Timberlands Model for SWF2
Internal Rates of Return for Base Model Before Inflation
 Based on \$1,895/acre Purchase Price
 As of November 13, 2009

Using exit discount rate (5.33%) equal to acquisition discount rate	with \$28.00/ton Pine Sawtimber Supply Agreement Price	5.33%	with Four-Year average Pine Sawtimber Price	5.21%
Using land value at exit equal to 2009 comparable sales value (\$906/ac)		6.05%		6.14%
Using a 5.0% exit discount rate		5.80%		5.50%

Anthony Timberlands Model Sensitivity for SWF2
Based on \$1,895/acre Purchase Price with \$28.00/ton Pine Sawtimber Supply Agreement Price
Using 5.0% Exit Discount Rate to determine terminal land value for each scenario
As of November 13, 2009

	Base Model	Probable Model	Possible Model
Constant Dollar Model	5.80%	5.80%	5.80%
Plantation yield gains from genetic & silvicultural improvements	n/a	0.35%	2.01%
Constant Dollar IRR	5.80%	6.15%	7.81%
Add 1.2% real price increases (RISI projection)	1.10%	1.10%	0.98%
Real subtotal IRR	6.90%	7.25%	8.79%
Carbon credits starting in year 4 at \$3/ton for probable model and \$6/ton for possible model	n/a	0.04%	0.08%
Add \$2/ton to pine pulpwood for biomass starting in year 6	n/a	n/a	0.19%
Probable-Assume 10% HBU in years 2-6 at \$1,050/ac in land, Possible-Assume 15% HBU in years 2-6 at \$1,400/ac in land	n/a	-0.01%	0.10%
Add \$16.43/acre surface disturbance income in each of years 7 & 8	n/a	n/a	0.11%
Add 2.8% inflation (CPI-All Urban Consumers 1998-2008 per DOL). Year 6 trend price begins to be inflated in Year 7.	1.61%	1.52%	-
Possible model assumes the Year 6 trend price is inflated from 2009	-	-	2.25%
Return with real and nominal prices	8.51%	8.80%	11.52%

ANTHONY TIMBERLANDS

	TIMBER VALUES	PRICE PER UNIT	UNIT TOTAL MEASURE	UNITS
LAND	55,120,734	603	ACRE	91,360
PINE PLANTATION AGE 0	639,385	343	ACRE	1,864
PINE PLANTATION AGE 1	557,445	384	ACRE	1,451
PINE PLANTATION AGE 2	573,135	430	ACRE	1,332
PINE PLANTATION AGE 3	591,792	482	ACRE	1,228
PINE PLANTATION AGE 4	744,308	540	ACRE	1,379
PINE PLANTATION AGE 5	1,194,520	605	ACRE	1,976
PINE PLANTATION AGE 6	1,033,187	677	ACRE	1,526
PINE PLANTATION AGE 7	856,882	758	ACRE	1,130
PINE PLANTATION AGE 8	1,555,066	849	ACRE	1,831
PINE PLANTATION AGE 9	3,004,887	951	ACRE	3,159
PINE PLANTATION AGE 10	1,630,002	1,065	ACRE	1,530
PINE PLANTATION AGE 11	2,220,552	1,193	ACRE	1,861
PINE PLANTATION AGE 12	2,037,992	1,336	ACRE	1,525
HARDWOOD PULPWOOD	5,034,262	7.85	TON	641,307
ESTABLISHED TIMBER-PULP	8,567,011	11.37	TON	753,475
CHIP-N-SAW	1,603,849	21.93	TON	73,135
MATURE TIMBER - PINE	75,629,094	29.35	TON	2,576,800
MATURE TIMBER - HARDWOOD	10,555,897	28.41	TON	371,497
	<u>173,150,000</u>	= \$1,895/AC		

ANTHONY TIMBERLANDS
CASH FLOW ANALYSIS

	CLOSING DATE November 13, 2009	BY FISCAL 2010	2011	2012	2013
NET TIMBER SALES		3,080,106	5,896,642	6,539,245	7,564,556
HIGHER AND BETTER USE LAND SALES		0	0	0	0
HUNTING LEASE & OTHER MISC. INCOME		619,218	619,218	619,218	619,218
WORKING CAPITAL	(1,500,000)				
REPLANTING		(1,098,114)	(492,314)	(1,969,187)	(1,159,178)
PURCHASE TIMBERLAND	(173,150,000)				
PROPERTY TAX & LEASE PAYMENTS		(365,440)	(365,440)	(365,440)	(365,440)
FORESTRY & ADMINISTRATIVE COSTS		(1,142,000)	(1,142,000)	(1,142,000)	(1,142,000)
CLOSING COSTS	(2,164,859)				
APPRAISAL & INVENTORY COSTS	(304,829)	(91,360)	(91,360)	(91,360)	(91,360)
MANAGEMENT FEE		(1,634,538)	(1,630,800)	(1,731,937)	(1,819,591)
INCENTIVE FEE		0	0	0	0
NET CASH FLOW AFTER INCENTIVE	(177,119,689)	5,367,871	2,793,945	1,858,538	3,606,205
CUMULATIVE CASH FLOW		8,161,816	10,020,355	13,626,560	13,626,560
RETURN ON INVESTOR CASH		3.03%	1.58%	1.05%	2.04%

	2014	2015	2016	2017	2018	2019
NET TIMBER SALES	8,256,072	20,861,937	21,135,265	23,593,933	25,886,793	198,612,983
HIGHER AND BETTER USE LAND SALES	0	0	0	0	0	0
HUNTING LEASE & OTHER MISC. INCOME	619,218	619,218	619,218	619,218	619,218	619,218
WORKING CAPITAL						1,500,000
REPLANTING	(1,142,346)	(1,097,207)	(1,049,064)	(2,390,050)	(2,323,750)	(2,275,000)
PURCHASE TIMBERLAND						
PROPERTY TAX & LEASE PAYMENTS	(365,440)	(365,440)	(365,440)	(365,440)	(365,440)	(365,440)
FORESTRY & ADMINISTRATIVE COSTS	(1,142,000)	(1,142,000)	(1,142,000)	(1,142,000)	(1,142,000)	(1,142,000)
CLOSING COSTS						
APPRAISAL & INVENTORY COSTS	(91,360)	(91,360)	(91,360)	(91,360)	(91,360)	(91,360)
MANAGEMENT FEE	(1,898,503)	(1,874,491)	(1,746,755)	(1,649,864)	(1,484,255)	(1,348,702)
INCENTIVE FEE	0	0	0	0	0	0
NET CASH FLOW AFTER INCENTIVE	4,235,640	16,910,657	17,359,864	18,574,437	21,098,206	195,509,698
CUMULATIVE CASH FLOW	17,862,200	34,772,857	52,132,721	70,707,158	91,805,364	287,315,063
RETURN ON INVESTOR CASH	2.39%	9.55%	9.80%	10.49%	11.91%	110.38%

**Anthony Timberlands Model
Product Pricing
As of November 13, 2009**

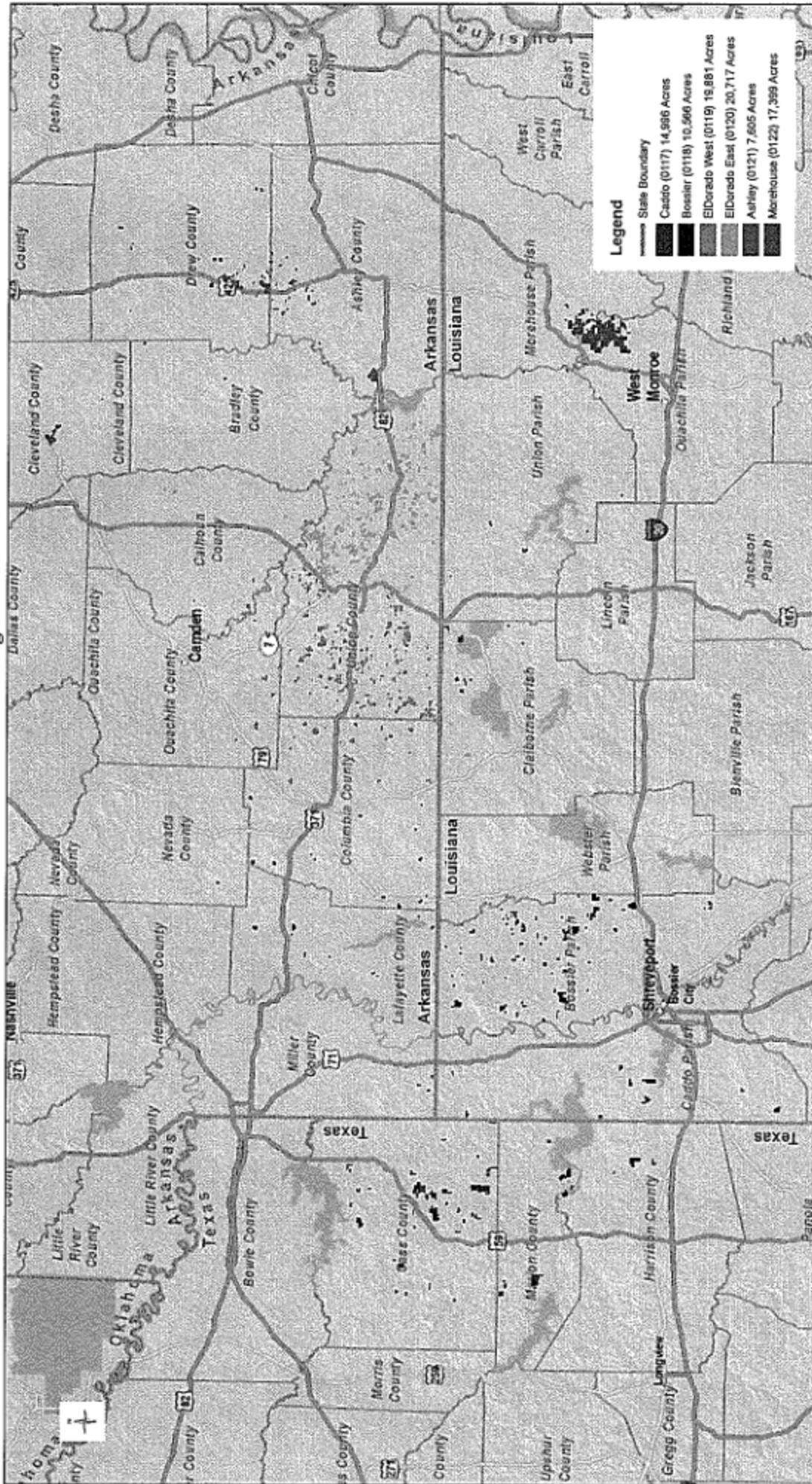
no inflation										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Supply agreement %	100%									
% of large PST in supply agreement	50%									
% of large PST in market	50%									
Overall Pole % on entire property-all to market	5%									
	Total price \$173,000,000 = \$1,895/ac									
	Beginning allocated land value = \$603 per acre									
Supply agreement regular pine sawtimber	\$ 24.00	\$ 24.00	\$ 28.50	\$ 33.00	\$ 37.50	\$ 42.00	\$ 42.00	\$ 42.00	\$ 42.00	\$ 42.00
Supply agreement large pine sawtimber	\$ 32.00	\$ 32.00	\$ 37.39	\$ 42.77	\$ 48.16	\$ 53.54	\$ 53.54	\$ 53.54	\$ 53.54	\$ 53.54
Market regular pine sawtimber	0.00%	\$ 24.00	\$ 28.00	\$ 31.50	\$ 35.00	\$ 38.50	\$ 42.00	\$ 42.00	\$ 42.00	\$ 42.00
Market large pine sawtimber	0.00%	\$ 32.00	\$ 34.00	\$ 38.89	\$ 43.77	\$ 48.66	\$ 53.54	\$ 53.54	\$ 53.54	\$ 53.54
Market poles	5.00%	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00
	<u>100.0000%</u>									
Overall blended model price for all PST	\$ 29.35	\$ 29.35	\$ 34.05	\$ 38.74	\$ 43.44	\$ 48.13	\$ 48.13	\$ 48.13	\$ 48.13	\$ 48.13
all pine pulpwood	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37	\$ 10.01	\$ 10.01	\$ 10.01	\$ 10.01	\$ 10.01	\$ 10.01
all pine chip-and-saw	\$ 21.93	\$ 21.93	\$ 21.93	\$ 21.84	\$ 21.84	\$ 21.84	\$ 21.84	\$ 21.84	\$ 21.84	\$ 21.84
all hardwood pulpwood	\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.45	\$ 7.45	\$ 7.45	\$ 7.45	\$ 7.45	\$ 7.45
all hardwood sawtimber	\$ 28.41	\$ 28.41	\$ 28.41	\$ 28.41	\$ 27.49	\$ 27.49	\$ 27.49	\$ 27.49	\$ 27.49	\$ 27.49
Cash on cash percentages	3.0%	1.6%	1.0%	2.0%	2.4%	9.5%	9.8%	10.5%	11.9%	110.4%

with 4.0% inflation on timber and 2.8% inflation on expenses										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Supply agreement %	100%									
% of large PST in supply agreement	50%									
% of large PST in market	50%									
Overall Pole % on entire property-all to market	5%									
	Total price \$173,000,000 = \$1,895/ac									
	Beginning allocated land value = \$603 per acre									
Supply agreement regular pine sawtimber	\$ 24.00	\$ 24.00	\$ 30.83	\$ 37.12	\$ 43.87	\$ 42.00	\$ 43.68	\$ 45.43	\$ 47.24	\$ 49.13
Supply agreement large pine sawtimber	\$ 32.00	\$ 32.00	\$ 40.44	\$ 48.11	\$ 56.33	\$ 53.54	\$ 55.68	\$ 57.91	\$ 60.23	\$ 62.63
Market regular pine sawtimber	0.00%	\$ 24.00	\$ 29.12	\$ 34.07	\$ 39.37	\$ 45.04	\$ 43.68	\$ 45.43	\$ 47.24	\$ 49.13
Market large pine sawtimber	0.00%	\$ 32.00	\$ 35.36	\$ 42.06	\$ 49.24	\$ 56.92	\$ 55.68	\$ 57.91	\$ 60.23	\$ 62.63
Market poles	5.00%	\$ 55.00	\$ 57.20	\$ 59.49	\$ 61.87	\$ 64.34	\$ 66.92	\$ 69.59	\$ 72.38	\$ 78.28
	<u>100.0000%</u>									
Overall blended model price for all PST	\$ 29.35	\$ 29.46	\$ 36.82	\$ 43.58	\$ 50.81	\$ 48.13	\$ 50.68	\$ 52.70	\$ 54.81	\$ 57.00
all pine pulpwood	\$ 11.37	\$ 11.82	\$ 12.30	\$ 12.79	\$ 10.01	\$ 10.41	\$ 10.83	\$ 11.26	\$ 11.71	\$ 12.18
all pine chip-and-saw	\$ 21.93	\$ 22.81	\$ 23.72	\$ 24.67	\$ 21.84	\$ 22.71	\$ 23.62	\$ 24.56	\$ 25.55	\$ 26.57
all hardwood pulpwood	\$ 7.85	\$ 8.16	\$ 8.49	\$ 8.83	\$ 7.45	\$ 7.75	\$ 8.06	\$ 8.38	\$ 8.72	\$ 9.07
all hardwood sawtimber	\$ 28.41	\$ 29.55	\$ 30.73	\$ 31.96	\$ 27.49	\$ 28.59	\$ 29.73	\$ 30.92	\$ 32.16	\$ 33.45
Cash on cash percentages	3.0%	1.6%	1.2%	2.3%	2.7%	9.4%	10.2%	11.3%	13.4%	148.8%

Exhibit "II"

Property Map

SWF Red River Entities - Management Units



Produced by MTM GIS Dept., October 26, 2008.



Exhibit "III"

Historical Pricing Analysis

MWG Approach to Pine Sawtimber Pricing
Modeled Timber Prices for the Anthony transaction

- MWG has historically used Forest2Market region specific data for multiple periods for the purposes of analyzing potential returns in acquisition scenarios. The multiple period approach has varied from one to four years with the variance being driven by the number of "data" years available from Forest2Market. MWG also evaluates representative data to ensure that the quality and quantity of reported sales are fair representations of existing circumstances.
- In the constant dollar approach, historically the four year average became "Year-1" and continued without any price increases throughout the investment horizon.
- Given the existing economic circumstances, we decided to deviate from past practices yielding to a more conservative approach. Instead of using the four year average in "Year-1"(the beginning point), we made the assumption that timber prices would need an additional five years to return to the average. After the sixth year, there are no adjustments to timber prices in the constant dollar model.
- After "Year-1", the beginning point, we step up to our estimate of the pine sawtimber trend price in year 6. All other products are constant until year 4, after which they decline and then remain constant.
- The following two tables will explain the approach:

		Year 1	Year 2	Year 3	Year 4	Year 5	Years 6- 10
Supply agreement regular pine sawtimber	33.25%	\$ 24.00	\$ 24.00	\$ 28.50	\$ 33.00	\$ 37.50	\$ 42.00
Supply agreement large pine sawtimber	33.25%	\$ 32.00	\$ 32.00	\$ 37.39	\$ 42.77	\$ 48.16	\$ 53.54
Market regular pine sawtimber	14.25%	\$ 28.00	\$ 28.00	\$ 31.50	\$ 35.00	\$ 38.50	\$ 42.00
Market large pine sawtimber	14.25%	\$ 34.00	\$ 34.00	\$ 38.89	\$ 43.77	\$ 48.66	\$ 53.54
Market poles	5.00%	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00
	<u>100.000%</u>						
Overall blended model price for all PST		\$ 30.21	\$ 30.21	\$ 34.69	\$ 39.17	\$ 43.65	\$ 48.13
all pine pulpwood		\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37	\$ 10.01	\$ 10.01
all pine chip-and-saw		\$ 21.93	\$ 21.93	\$ 21.93	\$ 21.93	\$ 21.84	\$ 21.84
all hardwood pulpwood		\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.85	\$ 7.45	\$ 7.45
all hardwood sawtimber		\$ 28.41	\$ 28.41	\$ 28.41	\$ 28.41	\$ 27.49	\$ 27.49

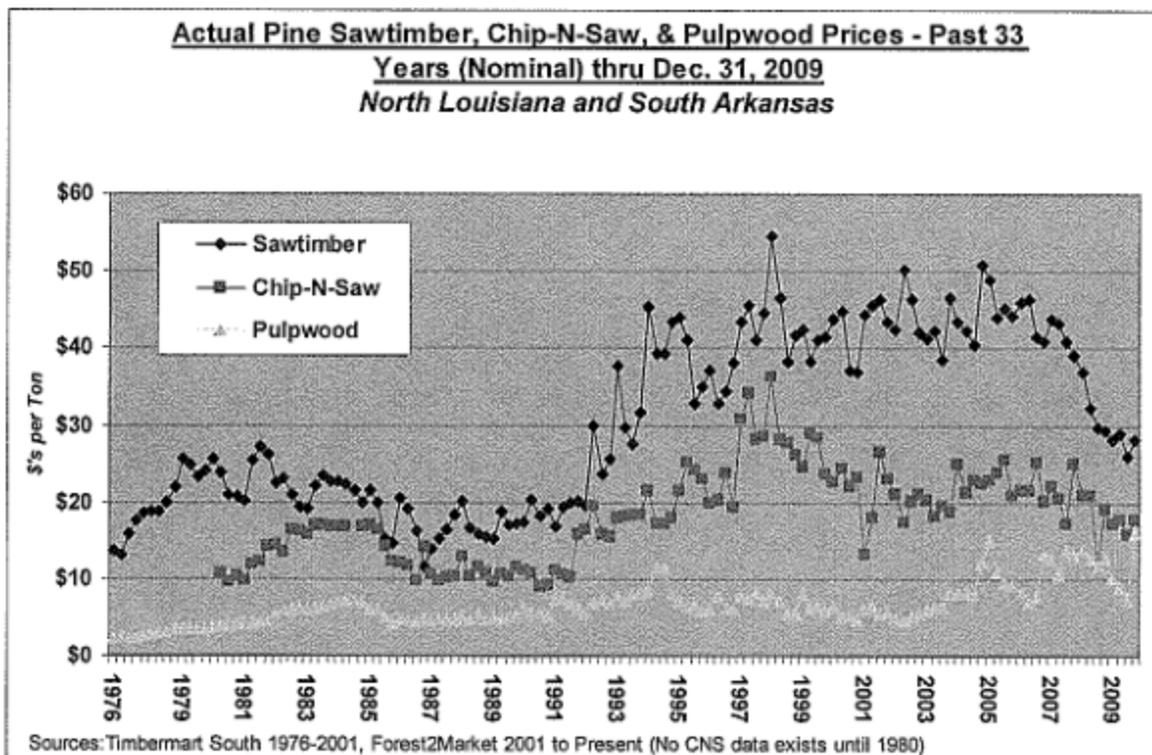
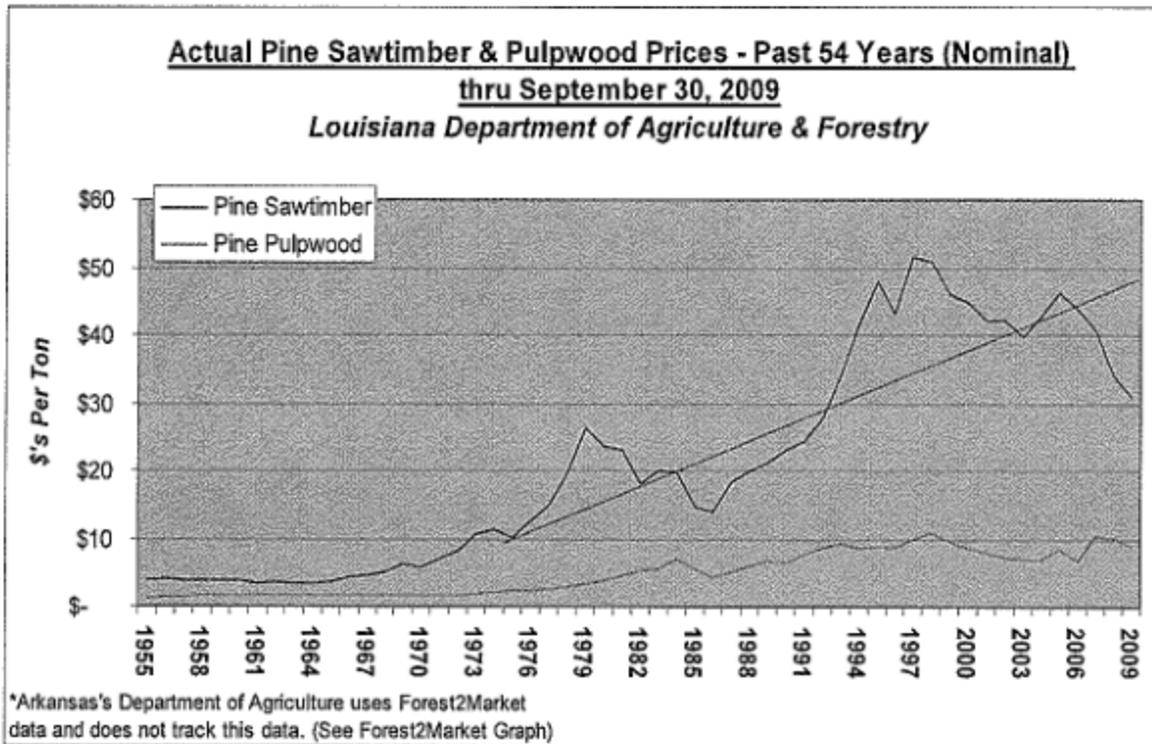
Forest2Market - MicroMarkets 29 North Louisiana, 30 Southeast Arkansas

	2006	2007	2008	2009
PST Tons	690,944	1,016,308	356,985	322,271
PST \$/Ton	\$ 47.63	\$ 42.83	\$ 34.85	\$ 28.27
W.Avg DBH	16.0	16.2	16.1	15.3
# of Sales	263	320	125	106
Large PST Tons	6,689	2,199	19,095	29,744
Large PST \$/ton	\$ 52.42	\$ 51.28	\$ 39.51	\$ 38.72
W.Avg DBH	26.5	26.2	20.8	19.7
# of Sales	85	34	31	31

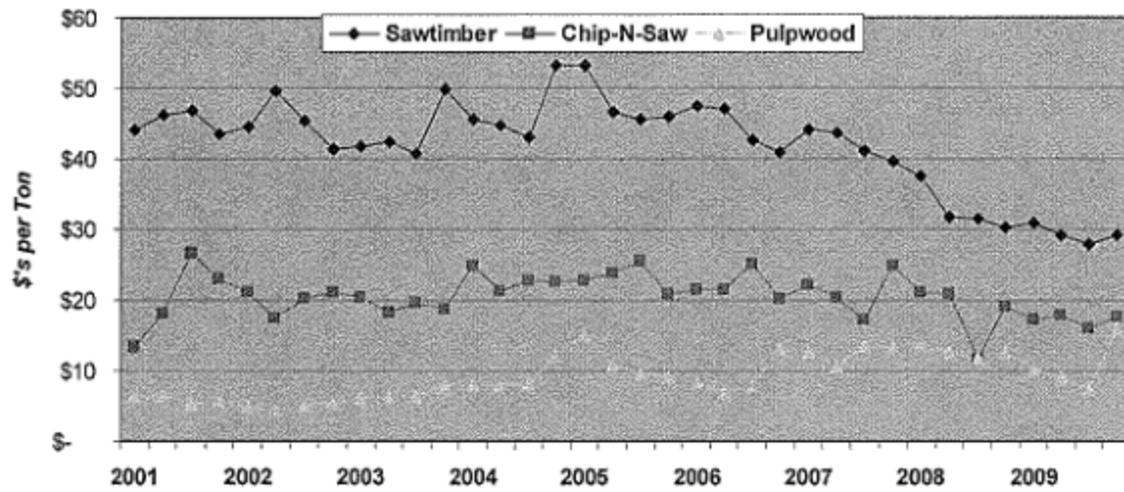
Forest2Market - MicroMarkets 31 Southwest Arkansas/Southeast Oklahoma/Northeast Texas

	2006	2007	2008	2009
PST Tons	1,061,764	657,564	239,714	261,208
PST \$/Ton	\$ 42.88	\$ 40.90	\$ 32.33	\$ 27.50
W.Avg DBH	14.9	15.1	14.4	14.3
# of Sales	285	200	67	49
Large PST Tons	4,866	4,830	837	11,156
Large PST \$/ton	\$ 55.83	\$ 49.16	\$ 45.68	\$ 39.41
W.Avg DBH	24.5	22.2	28.0	20.2
# of Sales	38	11	5	4

- MWG's timberland model is based on a 50 year term. The window that we select for the purposes of the beginning timber product values is of significant importance. The following graphs illustrate this.



Pine Sawtimber, Chip-N-Saw, and Pulpwood (nominal)
thru Dec. 31, 2009
North Louisiana and South Arkansas



Source: Forest2Market



Sustainable Woodlands Fund II, L.P.



Exhibit “B”

Fund Financial Statements¹

(See Attached)

¹ The Fund's financial statements consolidate the operations of SWF Red River and contain certain Fund level expenses (e.g. management fees) not borne at the Property level. Your capital account statements will tie to the Fund level financial statements. Our analysis of each property will, however, tie to the Property level financial statements (e.g. the SWF Red River financial statements).

Sustainable Woodlands Fund II, LP
Balance Sheet
As of December 31, 2009

	<u>Dec 31, 09</u>
ASSETS	
Current Assets	
Checking/Savings	
Total Checking/Savings	3,127,996.31
Total Current Assets	3,127,996.31
Other Assets	
Investments	
Total Other Assets	153,139.58
Total Prepaids and Deposits	4,783.51
Total Other Assets	177,067,213.95
TOTAL ASSETS	180,195,210.26
LIABILITIES & EQUITY	
Liabilities	
Total Current Liabilities	503,913.70
Total Liabilities	503,913.70
Equity	
Total Equity	179,691,296.56
TOTAL LIABILITIES & EQUITY	180,195,210.26

Sustainable Woodlands Fund II, LP

Profit & Loss

October through December 2009

	<u>Oct - Dec 09</u>
Income	
Interest Income	
41400-0 · Interest Income	31,564.06
41500-0 · Investor Penalty	<u>99,166.67</u>
Total Interest Income	130,730.73
Other Income	
49810-0 · Equity in earnings-SWF RR Land	-13,650.12
49820-0 · Equity in earnings-SWF RRTimber	<u>-196,677.84</u>
Total Other Income	<u>-210,327.96</u>
Total Income	-79,597.23
Expense	
Expenses	
70100-0 · Legal Fees	7,510.47
71100-0 · Delivery Costs	43.00
72300-0 · Telephone	2,046.55
73200-0 · Audit/Tax Fees	6,666.66
74100-0 · Travel	0.00
75200-0 · Assessment/Regulatory/Filing	1,558.58
75300-0 · Bank Service Charges	768.00
75800-0 · Insurance Expense	1,793.82
76780-0 · Other Expenses	2,747.08
76800-0 · Management Fee Expense	447,819.99
90110-0 · Amort Exp-Organizational Costs	<u>11,205.33</u>
Total Expenses	<u>482,159.48</u>
Total Expense	<u>482,159.48</u>
Net Income	<u><u>-561,756.71</u></u>

Sustainable Woodlands Fund II, LP
Profit & Loss
January through December 2009

	<u>Jan - Dec 09</u>
Income	
Interest Income	
41400-0 · Interest Income	63,346.17
41500-0 · Investor Penalty	2,784,542.67
Total Interest Income	<u>2,847,888.84</u>
Other Income	
49810-0 · Equity in earnings-SWF RR Land	-13,650.12
49820-0 · Equity in earnings-SWF RRTimber	-196,677.84
Total Other Income	<u>-210,327.96</u>
Total Income	2,637,560.88
Expense	
Expenses	
70100-0 · Legal Fees	41,072.34
71100-0 · Delivery Costs	43.00
72300-0 · Telephone	2,046.55
73200-0 · Audit/Tax Fees	36,666.63
74100-0 · Travel	0.00
75200-0 · Assessment/Regulatory/Filing	3,230.68
75300-0 · Bank Service Charges	768.00
75800-0 · Insurance Expense	2,391.76
76000-0 · Printing & Stationery	275.25
76780-0 · Other Expenses	3,697.02
76800-0 · Management Fee Expense	732,280.28
90110-0 · Amort Exp-Organizational Costs	44,821.32
Total Expenses	<u>867,292.83</u>
Total Expense	<u>867,292.83</u>
Net Income	<u><u>1,770,268.05</u></u>



Sustainable Woodlands Fund II, L.P.

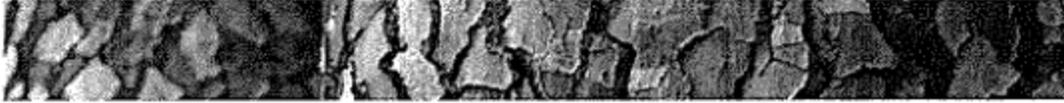


Exhibit “C”

SWF Red River Financial Statements

(See Attached)

SWF RED RIVER CONSOLIDATED
Balance Sheet
December 31, 2009

ASSETS

Current Assets

BancorpSouth Operating Account	\$3,307,285.78	
Total Cash	3,307,285.78	
Prepaid Exp - Liability Insurance	39,542.99	
Prepaid Exp - Pine Seedlings	52,000.00	
Prepaid Exp - Harvest Fee	94,783.34	
Total Prepaid Expenses	186,326.33	
Total Current Assets		3,493,612.11

Property

INV - Hardwood Sawtimber	10,738,579.10	
INV - Hardwood Pulpwood	5,121,385.36	
INV - Pine Sawtimber	78,569,545.59	
INV - Pine Pulpwood	9,773,529.22	
Total Merchantable	104,203,039.27	
Premerch. YR Planted 1998	2,413,343.97	
Premerch. YR Planted 1999	1,771,520.82	
Premerch. YR Planted 2000	3,265,776.31	
Premerch. YR Planted 2001	1,690,079.48	
Premerch. YR Planted 2002	931,277.71	
Premerch. YR Planted 2003	1,122,890.15	
Premerch. YR Planted 2004	1,298,230.05	
Premerch. YR Planted 2005	808,930.04	
Premerch. YR Planted 2006	643,171.87	
Premerch. YR Planted 2007	622,895.04	
Premerch. YR Planted 2008	605,842.92	
Premerch. YR Planted 2009	694,897.12	
Total Pre Merch - 12 Yrs	15,868,855.48	
Timber Land Investment	56,074,660.10	
Total Timber Land	56,074,660.10	
Chemical Site Prep	2,550.00	
Total Reforestation in Progress	2,550.00	
Total Timber Resources		176,149,104.85
Allowance For Depletion		(837,724.73)
Total Property - Net		175,311,380.12
Total Assets		178,804,992.23

SWF RED RIVER CONSOLIDATED
Balance Sheet
December 31, 2009

LIABILITIES AND CAPITAL

Current Liabilities

Accounts Payable	40,263.54
Unearned Revenue - Htg Lse.	213,988.82
Unearned Revenue-Sand/Gravel Lease	22,560.00
Molpus Accounts Payable	67,616.25
Performance Deposit	5,000.00
Prop Tax Pay.- Arkansas	138,345.87
Prop Tax Pay - Texas	53,879.17

Total Cur. Liabilities & Acc. Exp. 541,653.65

Long-Term Liabilities

Advance Deposit- Anthony AY0110	1,354,047.72
Total Unearned Revenue Advance Deposits	1,354,047.72

Total Long-Term Liabilities 1,354,047.72

Total Liabilities 1,895,701.37

Capital

Contributions	1,500,000.00
Beginning Capital - Sustainable Woodlands Fund II, LP	175,619,618.82

Total Partner Capital Account 177,119,618.82

Net Income (210,327.96)

Total Capital 176,909,290.86

Total Liabilities & Capital 178,804,992.23

SWF Red River Consolidated
Income Statement
Variance Report For December 31, 2009

	Current Quarter		Current Quarter		YTD Actual	YTD Budget	YTD Variance	YTD Vol		YTD Vol	
	Actual	Budget	Budget	Variance				Actual	Budget	Variance	\$/Ton
Revenues											
Timber Sales - Pine PW	\$28,365.39			\$28,365.39	\$28,365.39		\$28,365.39	3,074	0	3,074	\$9.23
Timber Sales - Pine S/T	722,544.07			\$722,544.07	722,544.07		\$722,544.07	26,407	0	26,407	\$27.36
Timber Sales - H&wd PW	18,804.91			\$18,804.91	18,804.91		\$18,804.91	1,596	0	1,596	\$11.79
Timber Sales - H&wd S/T	538.00			\$538.00	538.00		\$538.00	29	0	29	\$18.70
Subtotal Timber Sales	770,252.37			\$770,252.37	770,252.37		\$770,252.37	31,106	0	31,106	
Revenues											
Hunting Lease Income	48,389.26			\$48,389.26	48,389.26		\$48,389.26				
Sand & Gravel Lease Income	4,172.30			\$4,172.30	4,172.30		\$4,172.30				
Interest Income	70.15			\$70.15	70.15		\$70.15				
Subtotal Miscellaneous Income	52,631.71			\$52,631.71	52,631.71		\$52,631.71				
Total Revenues	822,884.08			\$822,884.08	822,884.08		\$822,884.08				
Cost of Sales								Volume	\$/s/Ton		
Dept - Pine PW	41,163.94			(41,163.94)	41,163.94		(41,163.94)	3,074	\$13.39		
Dept - Pine S/T	782,979.74			(782,979.74)	782,979.74		(782,979.74)	26,407	\$29.65		
Dept - H&wd PW	12,749.31			(12,749.31)	12,749.31		(12,749.31)	1,596	\$7.99		
Dept - H&wd S/T	831.74			(831.74)	831.74		(831.74)	29	\$28.91		
Total Cost of Sales	837,724.73			(837,724.73)	837,724.73		(837,724.73)	31,106			
Gross Profit	(14,840.65)			(\$14,840.65)	(14,840.65)		(\$14,840.65)				
Expenses											
General & Administrative											
G&A - Bank Line of Credit Fee	17,617.13			(17,617.13)	17,617.13		(17,617.13)				
G&A - Administrative Fee	30,296.89			(30,296.89)	30,296.89		(30,296.89)				
G&A - Miscellaneous	379.43			(379.43)	379.43		(379.43)				
G&A - Property Tax	33,592.59			(33,592.59)	33,592.59		(33,592.59)				
G&A - Insurance	5,202.31			(5,202.31)	5,202.31		(5,202.31)				
G&A - Legal	16,418.54			(16,418.54)	16,418.54		(16,418.54)				
G&A - MTM Services	1,066.25			(1,066.25)	1,066.25		(1,066.25)				
Subtotal General & Administrative	104,573.14			(104,573.14)	104,573.14		(104,573.14)				

SWF Red River Consolidated
Income Statement
Variance Report For December 31, 2009

	Current Quarter		Current Quarter		YTD Actual	YTD Budget	YTD Variance	YTD Vol		YTD Vol	
	Actual	Budget	Variance	Variance				Actual	Budget	Variance	\$/Ton
Forest Inventory											
For Inv - GIS MTM Services	5,814.50		(5,814.50)		5,814.50		(5,814.50)				
For Inv - MTM Services	2,629.00		(2,629.00)		2,629.00		(2,629.00)				
Subtotal Forest Inventory	8,443.50		(8,443.50)		8,443.50		(8,443.50)				
Harvest Administration											
Hvst Admn - Harvesting Fees	53,917.67		(53,917.67)		53,917.67		(53,917.67)				
Subtotal Harvest Administration	53,917.67		(53,917.67)		53,917.67		(53,917.67)				
Protection											
Prot - MTM Services	4,116.00		(4,116.00)		4,116.00		(4,116.00)				
Subtotal Protection	4,116.00		(4,116.00)		4,116.00		(4,116.00)				
Reforestation											
Ref - MTM Services	1,715.00		(1,715.00)		1,715.00		(1,715.00)				
Subtotal Reforestation	1,715.00		(1,715.00)		1,715.00		(1,715.00)				
Silviculture											
Silv - MTM Services	812.00		(812.00)		812.00		(812.00)				
Silv - Release Expense	21,567.00		(21,567.00)		21,567.00		(21,567.00)				
Subtotal Silviculture	22,379.00		(22,379.00)		22,379.00		(22,379.00)				
Wildlife Management											
Wildlife - MTM Services	343.00		(343.00)		343.00		(343.00)				
Subtotal Wildlife Management	343.00		(343.00)		343.00		(343.00)				
Total Expenses	195,487.31		(195,487.31)		195,487.31		(195,487.31)				
Net Income	(210,327.96)		(\$210,327.96)		(210,327.96)		(\$210,327.96)				

SWF RED RIVER CONSOLIDATED
CASH FLOW STATEMENT
Quarter and Year Ending 12/31/2009

OPERATING ACTIVITIES

Net Income	(210,328)	(210,328)
Changes In Operating Assets and Liabilities		
Accounts Receivable	0	
Prepaid Expenses	(186,326)	
Accounts Payable and Accrued Expenses	541,654	
Change in Unearned Timber Revenue	1,354,048	
Depletion Expense - Fee lands	837,725	
Amortization of Bridges & Culverts	0	
Amortization of Prepaid Loan Cost	0	2,547,100
NET CASH PROVIDED BY OPERATIONS:		2,336,772

INVESTING ACTIVITIES

Change in Property and Equipment	0	
Fire Loss	0	
Acquisition of Land and Timber	(176,146,555)	
Disposition of Land and Timber	0	
Accrual Adj for Non-Adv Tbr - Land and Timber	0	
Reforestation Activities	(2,550)	
Bridges and Culverts	0	
Prepaid Loan Cost	0	(176,149,105)
NET CASH PROVIDED BY INVESTING:		(176,149,105)

FINANCING ACTIVITIES

Distributions		
Contributions	177,119,619	
Tax Distribution		
NET CASH PROVIDED BY FINANCING:		177,119,619
		3,307,286

October 2009	\$	-
December 2009	\$	3,307,286
	\$	3,307,286