

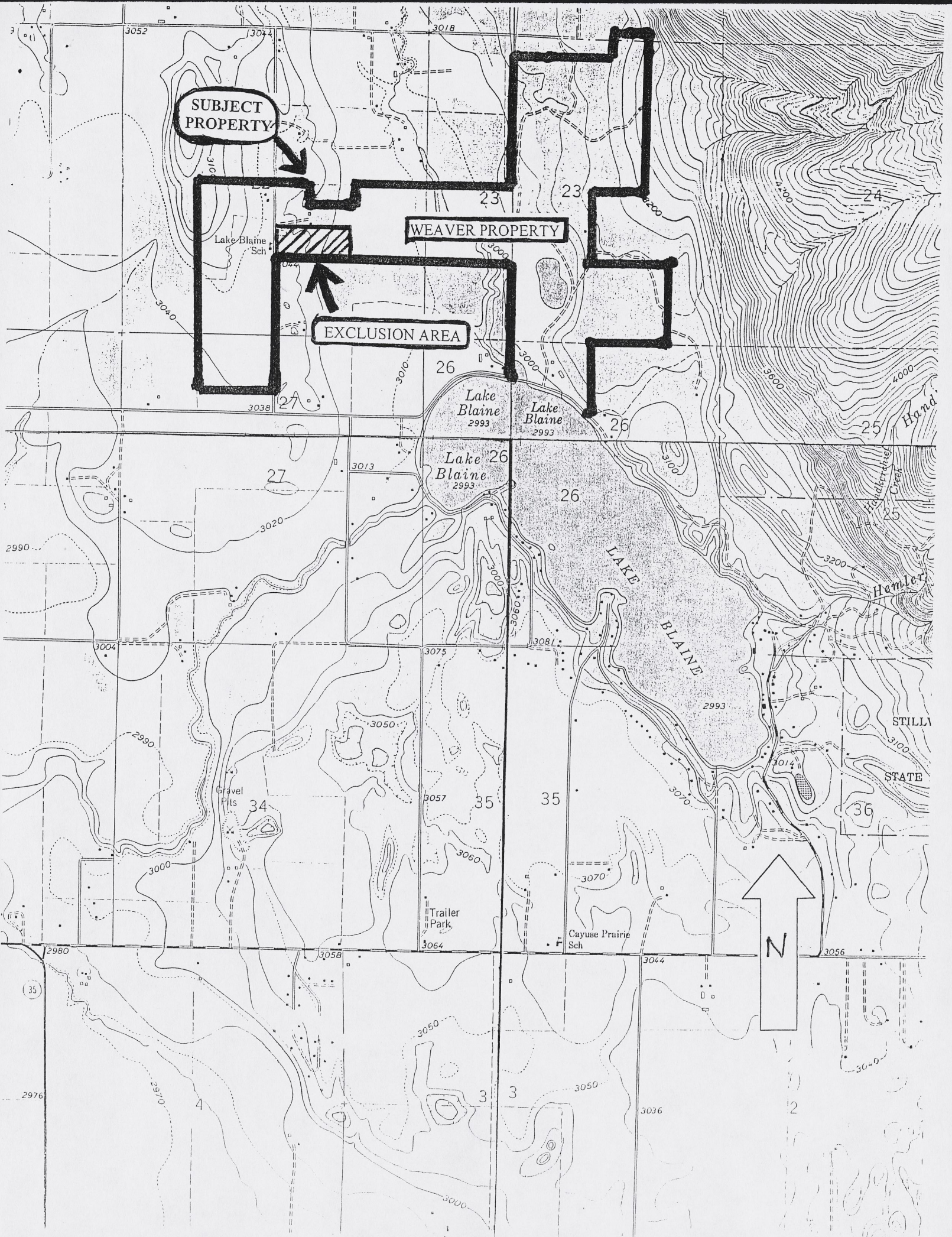
WEAVER PROPERTY

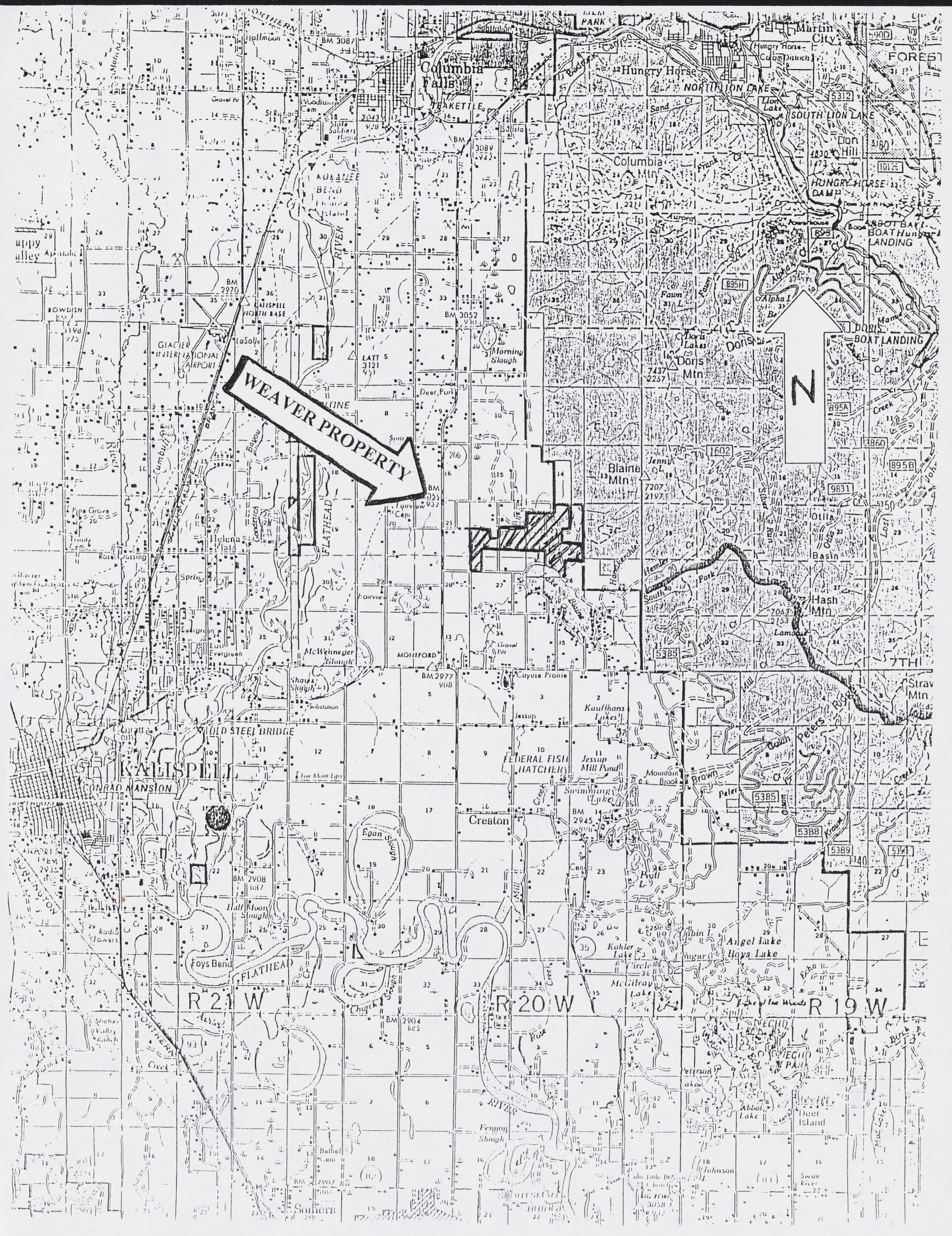
The Weaver family wishes to place a conservation easement on their property. Consisting of approximately 500-acres, this property is located south of Columbia Falls in the Creston area. Bordered on the east by Flathead National Forest, part of the Northern Continental Divide Ecosystem, and on the south by Lake Blaine, this property has an irregular boundary and is in an area where Montana Land Reliance (MLR) has several other conservation easements. It is heavily forested on the eastside and the northwest corner, while the rest of the property is primarily pasture and alfalfa. A 15-acre pond located near the eastern property line is a gathering place for waterfowl. Mooring Creek travels through the property, forming a property boundary before emptying into Lake Blaine. A significant elk herd utilizes the property year-round, especially in the winter and spring. This parcel, a combination of timber and wetlands, provides habitat not only to the elk herd but also to numerous other wildlife species, including whitetail and mule deer, black and grizzly bear, mountain lion, myriad hawks, eagles, and wild turkeys.

This property has been in the Weaver family for over 100 years. Mrs. Weaver resides on the property. The family uses the property as a cow/calf ranch, including hay production, and a timber operation. Currently there is one development area where the current residence and outbuildings are located. It is at the southeast corner of the property near Lake Blaine.

1. Relationship of the easement project to MLR organizational goals and objectives.
 - Protection of significant scenic open space and natural habitat.
 - Protection of land from inappropriate development and subdivision.
 - The project would continue appropriate use of the property for its scenic values and wildlife habitat.

2. Relationship of the easement project to the conservation purposes as defined by the IRS Code.
 - Preservation of open space. The property is currently in one parcel and, under the terms of the conservation easement, the family would like to retain the right for the property to transfer as two parcels. There are several existing structures, including a residence, two barns (one 100 years old), a corral, and a storage structure. The Weavers would like to allow for one additional development area that would include a residence and additional non-residential agricultural structures. Surface mining would be prohibited. Under state and federal laws, timber harvest would continue with no review or approval by MLR. The property is highly visible to the public from Montana Highway 206 and Yeoman Road.





WEAVER PROPERTY



Columbia Falls

Hungry Horse

NORTON

SOUTH LION LAKE

Columbia Falls

HUNGRY HORSE DAM

BOAT LANDING

BOAT LANDING

N

Blaine Mtn

Hash Mtn

WILD STEEL BRIDGE

CONRAD MANSION

FEDERAL FISH HATCHERY

Creston

R 21 W

R 20 W

R 19 W

FLATHEAD

FLATHEAD

Fennon Slough

Angel Lake

Hay Lake

McGilray Lake

Johnson Lake

Swan River

Deer Island

Abbot Lake

Johnson Lake

Swan River

GARDNER PROPERTY

Lynn and Greg Gardner wish to place a conservation easement on a 240-acre portion of their Irving Flats property west of Big Arm. The property is within a neighborhood that is largely undeveloped. Their ranch consists of more acreage; however, Greg and Lynn are not in a position to place the entire ranch under conservation easement. The property is within the Flathead Indian Reservation.

The 240 acres is known as the Black Canyon. Within the canyon is a 3-acre pond with a magnificent water fall dropping more than 100 feet; below that are two more smaller waterfalls. Ponderosa pine, Douglas fir, western larch, and quaking aspen blanket the entire canyon. Rock cliffs and numerous slides are also part of the scenic beauty of this property. Several wildlife species frequent the property such as white tail deer, black bear, mountain lion, and mule deer.

Currently, there are no structures on the property. Lynn and Greg would like to reserve the right to build two residences clustered at the ranch headquarters. Additionally, they would like to retain the right to build non-residential agricultural structures such as barns and corrals. These structures would also be confined to the ranch headquarters. The only structure that may possibly be built outside of the ranch headquarters would be a hay barn. Any timber harvest would conform to state and federal laws with no Montana Land Reliance (MLR) review or approval. Surface mining would be restricted and roads would be built for residential access and timber management.

1. Relationship of the easement project to MLR organizational goals and objectives.
 - Protection of significant scenic open space and wildlife habitat.
 - Protection of land from inappropriate development and subdivision.
 - Continuation of appropriate land and timber use and promotion of natural resource management and stewardship.

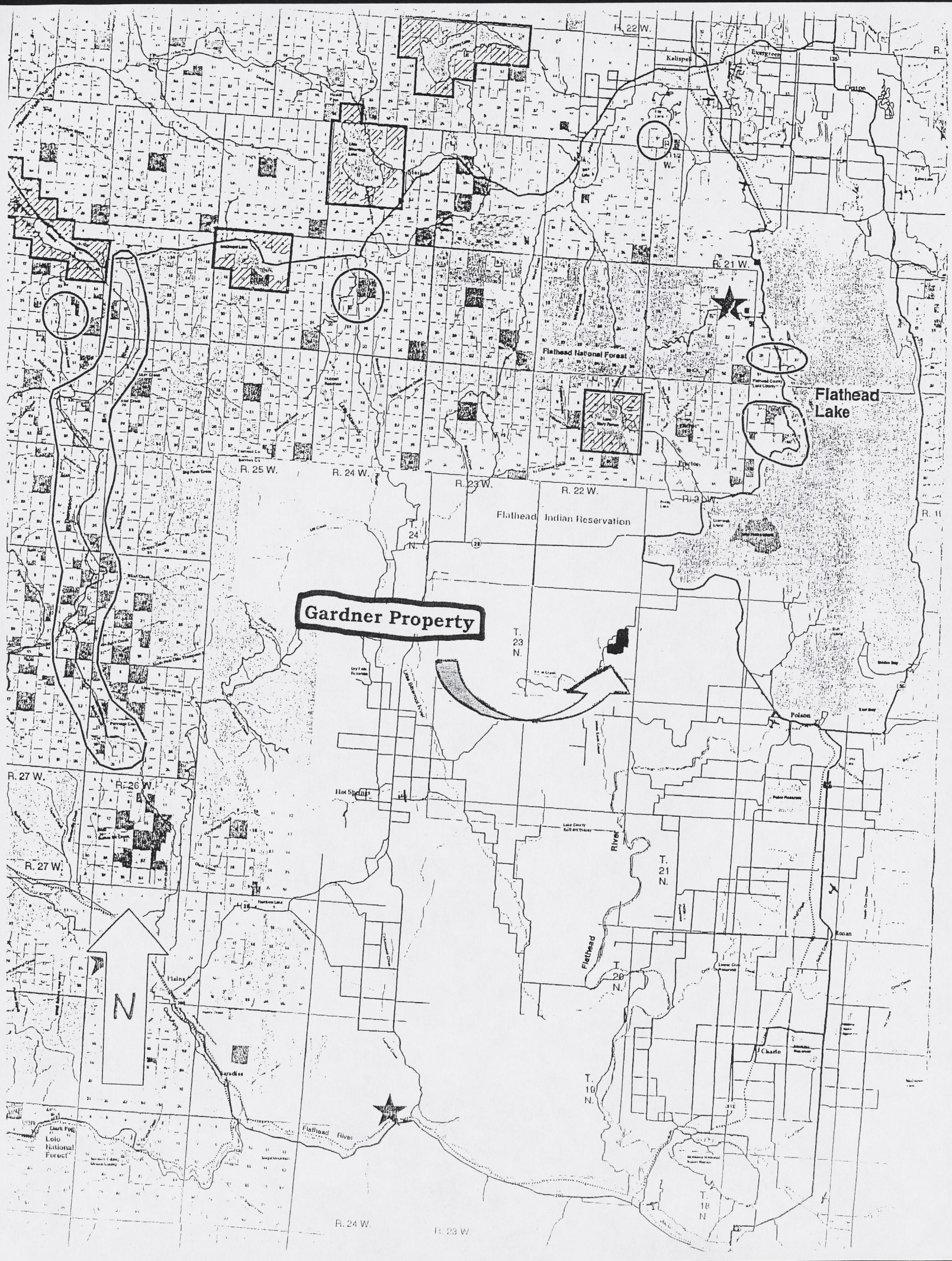
2. Relationship of the easement project to the conservation purposes as defined by the IRS Code.
 - Preservation of open space. The property is currently in one parcel and under the terms of the conservation easement would transfer as one parcel. Two residents would be allowed and confined to a development area. In addition, agricultural activities would continue such as livestock grazing. Surface mining would be prohibited and roads would be for access into the building envelope and timber management use only.

3. Relationship of the easement project to the MLR operational objectives.
 - Greg and Lynn are not able to help with any of the project costs. Staff is submitting a cost share request to the DFWP for project costs. However, the DFWP funding does not cover any of MLR's costs such as staff and document preparation. Staff is requesting that the remainder costs be covered by MLR as a Special Protection Project.

4. Related items to this project.
 - Staff has been meeting with Greg and Lynn for over nine years. They run a cattle and timber operation. Due to the challenges of agriculture, they are not able to place an easement on the entire ranch. In May, they sold a portion of the ranch to a neighbor. It is feasible at this time for Greg and Lynn to place the 320 acres under easement so they can utilize the tax deduction.

The staff contact for this project is Amy Eaton.

Gardner Property



Flathead Lake

Flathead National Forest

Flathead Indian Reservation

T. 23 N.

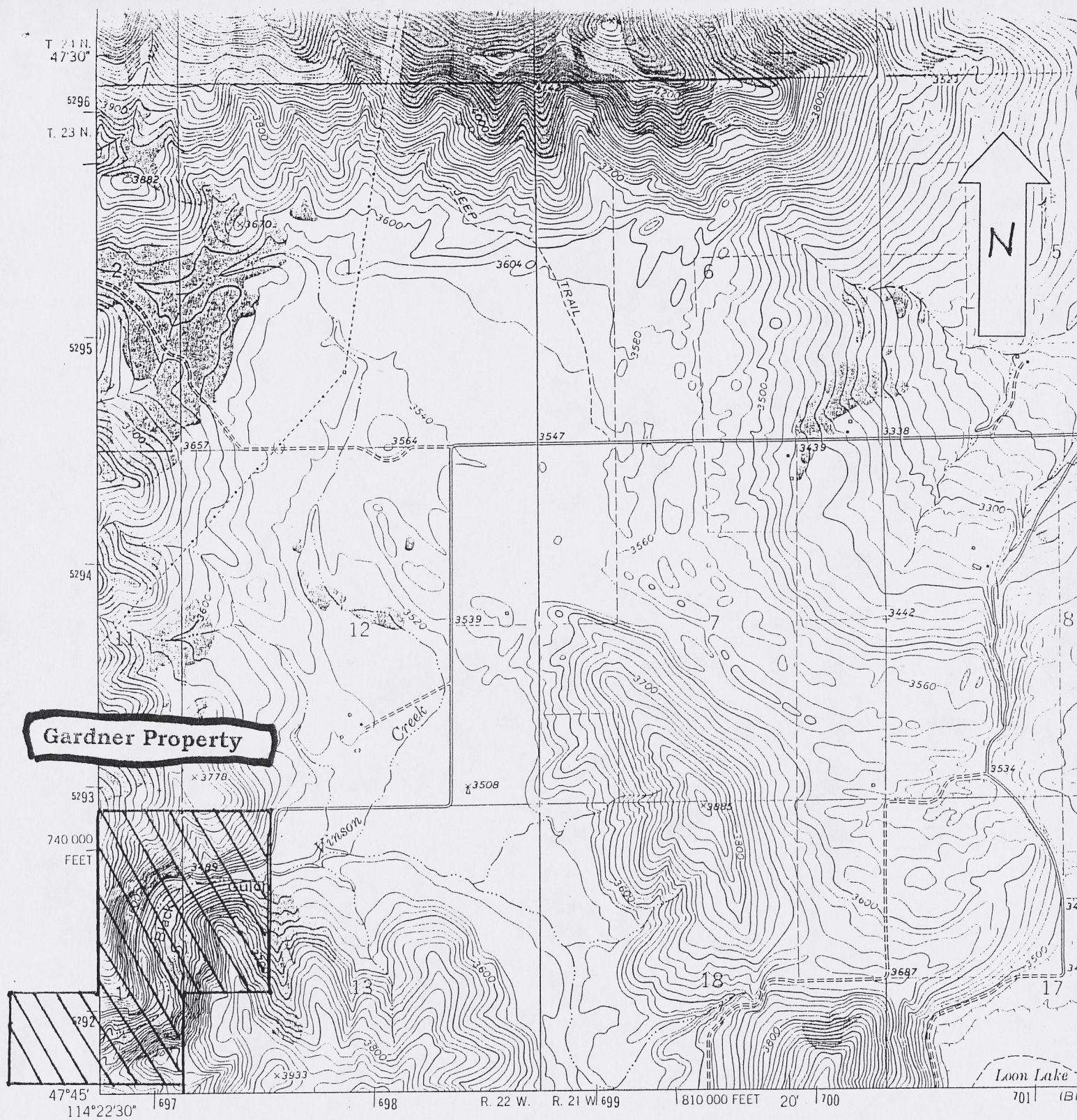
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Gardner Property

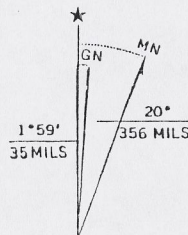
Mapped, edited, and published by the Geological Survey

Control by USGS and USC&GS

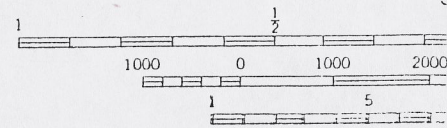
Topography by photogrammetric methods from aerial photographs taken 1958. Field checked 1964

Polyconic projection. 1927 North American datum
 10,000-foot grid based on Montana coordinate system, central zone
 1000 meter Universal Transverse Mercator grid ticks, zone 11, shown in blue

Fine red dashed lines indicate selected fence lines



UTM GRID AND 1964 MAGNETIC NORTH DECLINATION AT CENTER OF SHEET



CONTOUR DATA

THIS MAP COMPLETES SET FOR SALE BY U. S. GEOLOGICAL SURVEY, IN A FOLDER DESCRIBING TOPOGRAPHY

SIXTEEN MILE CREEK RANCH

Members of the Sixteen Mile Creek Ranch Limited Partnership want to donate a conservation easement on approximately 4,200 acres just west of Ringling along Sixteen Mile Creek. The property is used for livestock grazing. Wildlife values include a resident elk herd that uses this ranch as well as the property to the west and south.

The wildlife values of the property will be protected by allowing for only four residences (the existing one is an old cabin at the original headquarters that will be restored). The property will transfer as one parcel only. The landowners want to allow for outfitting, non-commercial removal of timber, residence-based business, bed and breakfast business, and guest ranching in permitted and existing structures. They want to preclude game, fur and fish farming.

1. Relationship of the conservation easement project to MLR organizational goals and objectives.
 - Protection of ecologically significant agricultural lands and open space.
 - Protection of land from inappropriate development and subdivision.

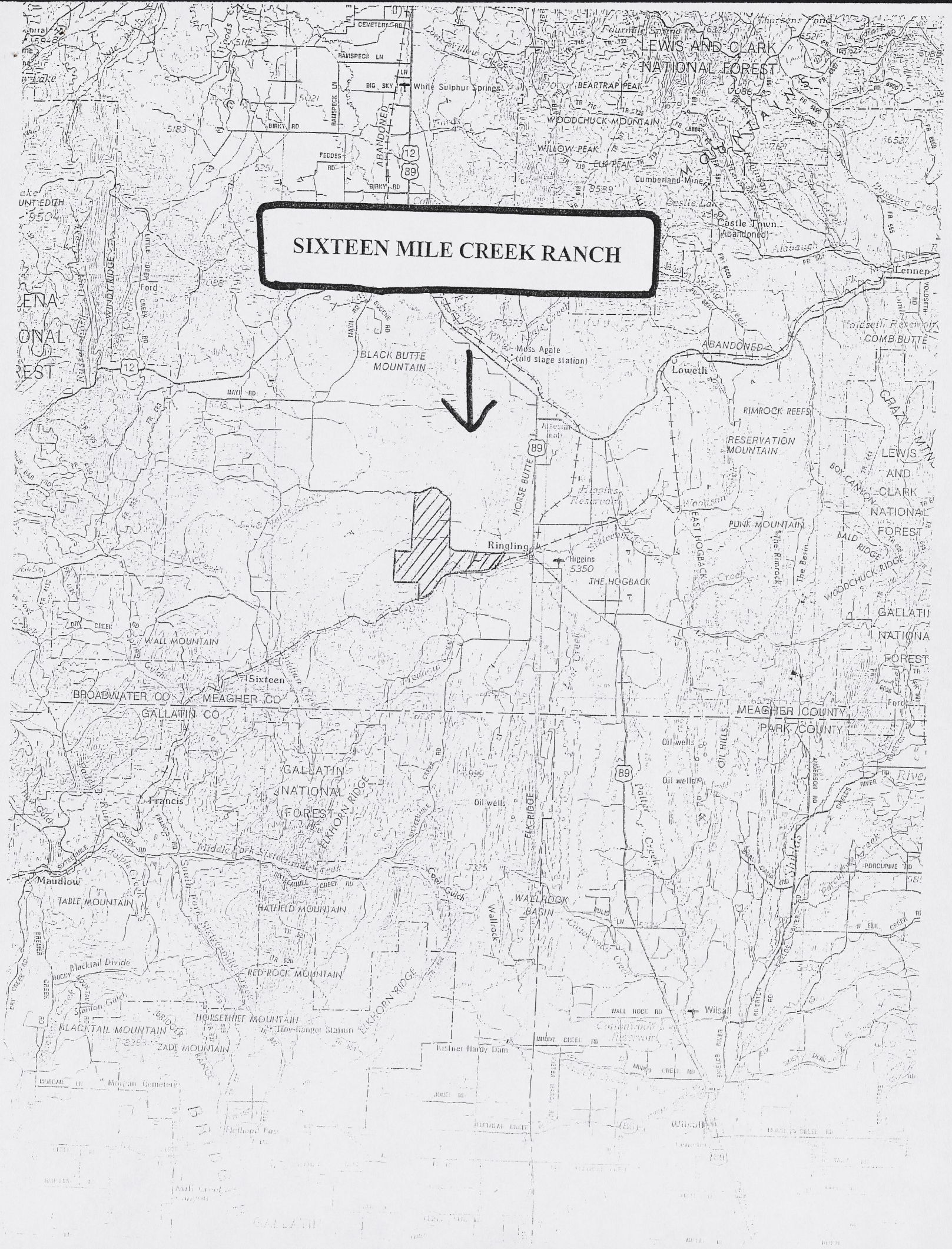
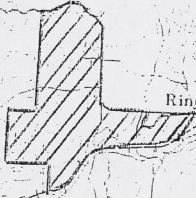
2. Relationship of the conservation easement project to conservation purposes as defined by the IRS Code.
 - The Sixteen Mile Creek Ranch conservation easement covers approximately 4,200 acres of range and forest lands along Sixteen Mile Creek west of Ringling. The purpose of the conservation easement is to protect the open space values of the property and thereby maintain the rural, agricultural, and natural scenic qualities of the area by retaining open space for a variety of uses including wildlife habitat, recreation, and agricultural purposes.
 - The open space values of the property are visible to the general public traveling Highway 89 between White Sulphur Springs and Livingston. The conservation easement will protect the open space values of the property into the future by limiting the residential development to three new residences and the transfer of the property as one parcel only. These restrictions

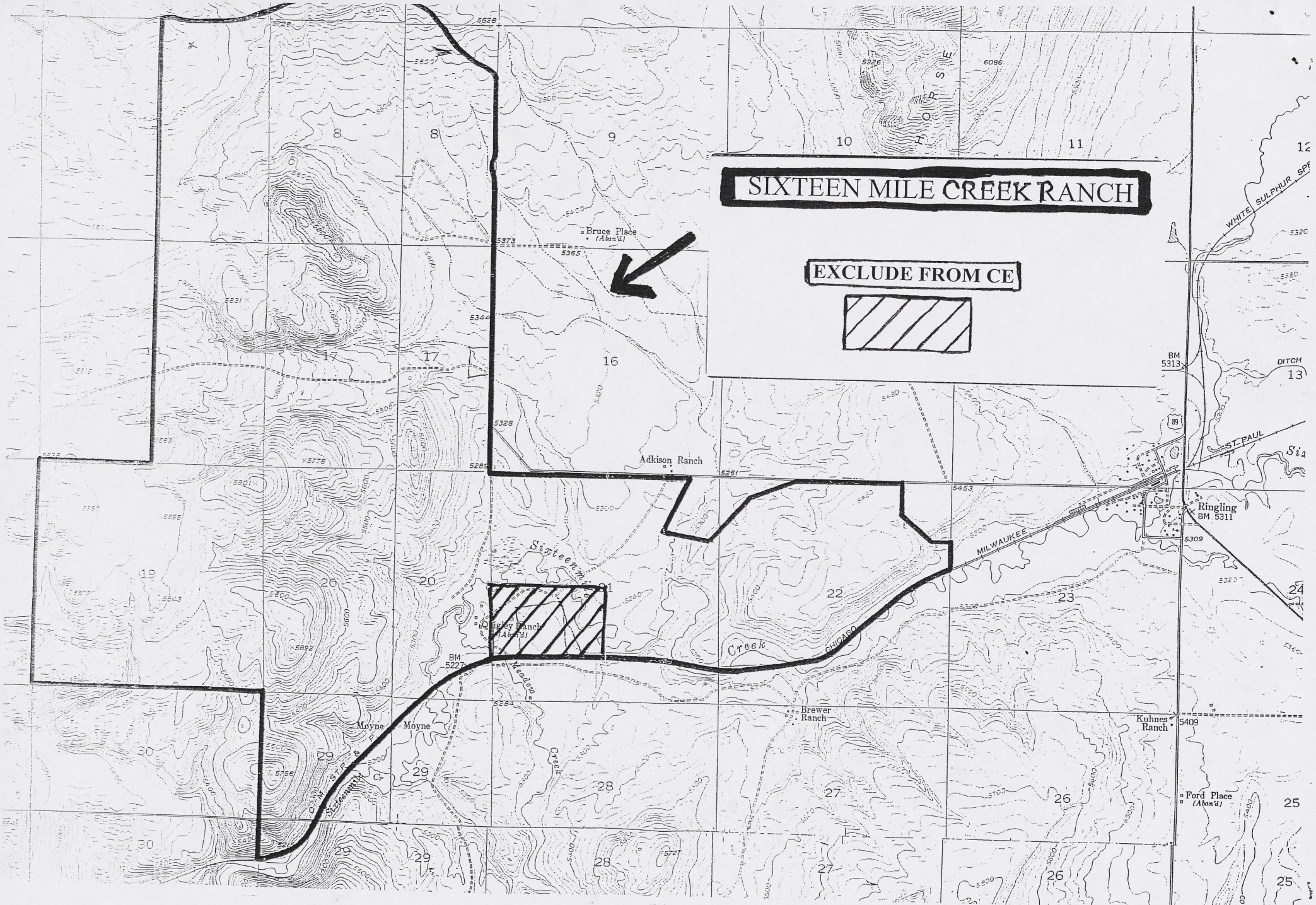
not only assure that the rangelands will stay in agricultural production, but assure that habitat for a variety of wildlife, including elk and mule deer, will remain intact.

3. Relationship of the conservation easement project to MLR operational goals.
 - The landowner will pay expenses to put the conservation easement in place. We discussed a gift to the LPF, but reached no resolution as to the amount or timing. Staff will need to follow-up.
 - The property is adjacent to a ranch which has a conservation easement on it held by the Rocky Mountain Elk Foundation.
4. Potential conservation easement project issues.
 - Staff did not get a clear commitment to a specific gift to the LPF.

The staff contact for this project is Bill Long.

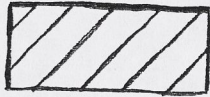
SIXTEEN MILE CREEK RANCH





SIXTEEN MILE CREEK RANCH

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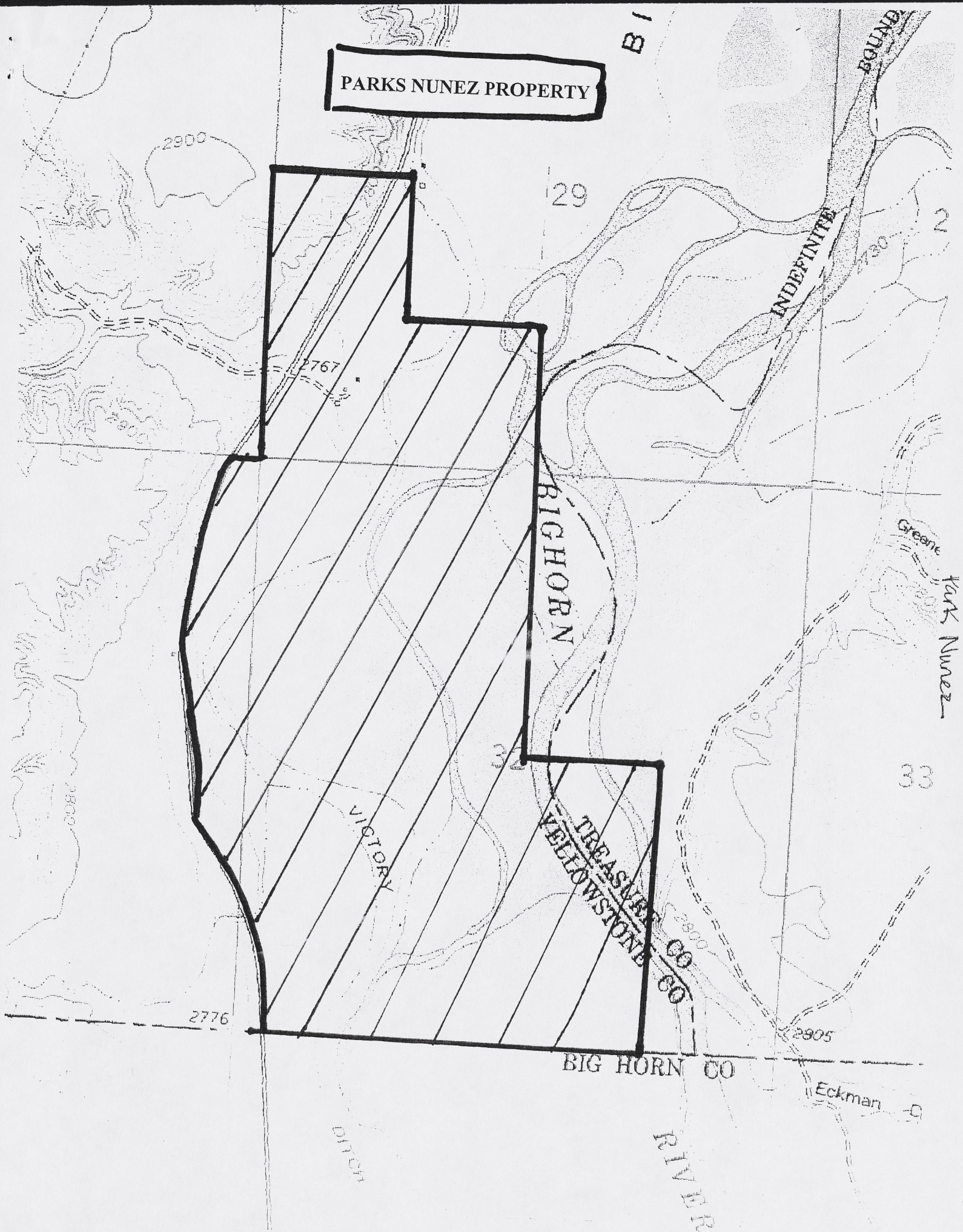
PARKS NUNEZ PROPERTY

Lance Parks and Dale Nunez are partners wishing to place a conservation easement on their property located 10 miles south of the confluence of the Yellowstone and Bighorn rivers. The property is approximately 450 acres and consists mostly of cottonwood bottoms and islands along the Bighorn. It is productive agricultural land, currently used for cattle and recreational purposes. Existing structures include one house, machine shed, and garage. They wish to retain the right to replace or rebuild existing structures and the right to build one additional single family dwelling and garage, excluding mobile or prefab homes, within a 20-acre building envelope that includes the existing residence. The property can be viewed from a well traveled county road and from the Bighorn River. This property is located roughly 5-8 miles south of Frank Borman's property which was placed under conservation easement in 2000. The owners also have additional acreage they are willing to put under easement at a later date. Under the terms of the conservation easement the property will transfer as one parcel.

1. Relationship of the conservation easement project to MLR organizational goals and objectives.
 - Protection of scenic open space and agricultural land.
 - Protection of land from inappropriate development and subdivision.
 - Continuation of appropriate land use and stewardship.
2. Relationship of the conservation easement project to conservation purposes as defined by the IRS Code.
 - Preservation of scenic open space and natural habitat. The property can be seen from a well traveled county road. It provides habitat for numerous species of wildlife including whitetail deer, ducks, geese, and pheasant. Under the terms of the easement the property would transfer as one parcel. Surface mining would be prohibited. Currently there is one residence with a machine shed and garage. The new residence would be within a 20-acre nucleus of the existing structures and appropriate agricultural structures.
3. Relationship of the conservation easement project to MLR operational goals.
 - The owners will cover the costs associated with the conservation easement. Discussions have taken place with the owners in regard to future contributions to the Land Protection Fund.
4. Other items related to project.
 - This property is in an area that is seeing increased conservation activity.

The staff contact for this project is Chris Montague.

PARKS NUNEZ PROPERTY



**LYNDES PROPERTY
(V-O RANCH)**

John Lyndes and his three siblings, Jeff, Jill, and Jay, own a 200-acre ranch on Silver Creek between Green Meadow Drive and Silver City. This is approximately 10 miles northeast of Helena. The property consists of irrigated pasture and grazing land. The property is primarily used as a cow/calf operation. The Lyndes hold a 2,200-acre BLM lease on adjacent land. The Lyndes' wish to place a conservation easement on their property to keep it as is. Currently there is one home and six agricultural buildings at the ranch headquarters. They wish to retain the right to replace or rebuild existing structures. The property will transfer as one parcel.

The property can be seen from Highway 279.

1. Relationship of the conservation easement project to MLR organizational goals and objectives.
 - Protection of scenic open space.
 - Protection of land from inappropriate development and subdivision.
 - Continuation of appropriate land and timber use and promotion of the continuation of intact agricultural operations to future generations.
2. Relationship of the conservation easement project to conservation purposes as defined by the IRS Code.
 - Preservation of open space and scenic qualities of the Silver Creek drainage. Under the terms of the easement, the property would transfer as one parcel. The easement helps in the appropriate development of the area. No commercial timber harvest would be permitted. No new roads would be allowed.
3. Relationship of the conservation easement project to MLR operational goals.
 - Staff requests approval of this project as a Special Protection Project. However, they may pay these costs. The landowners previously paid for a mineral title search.

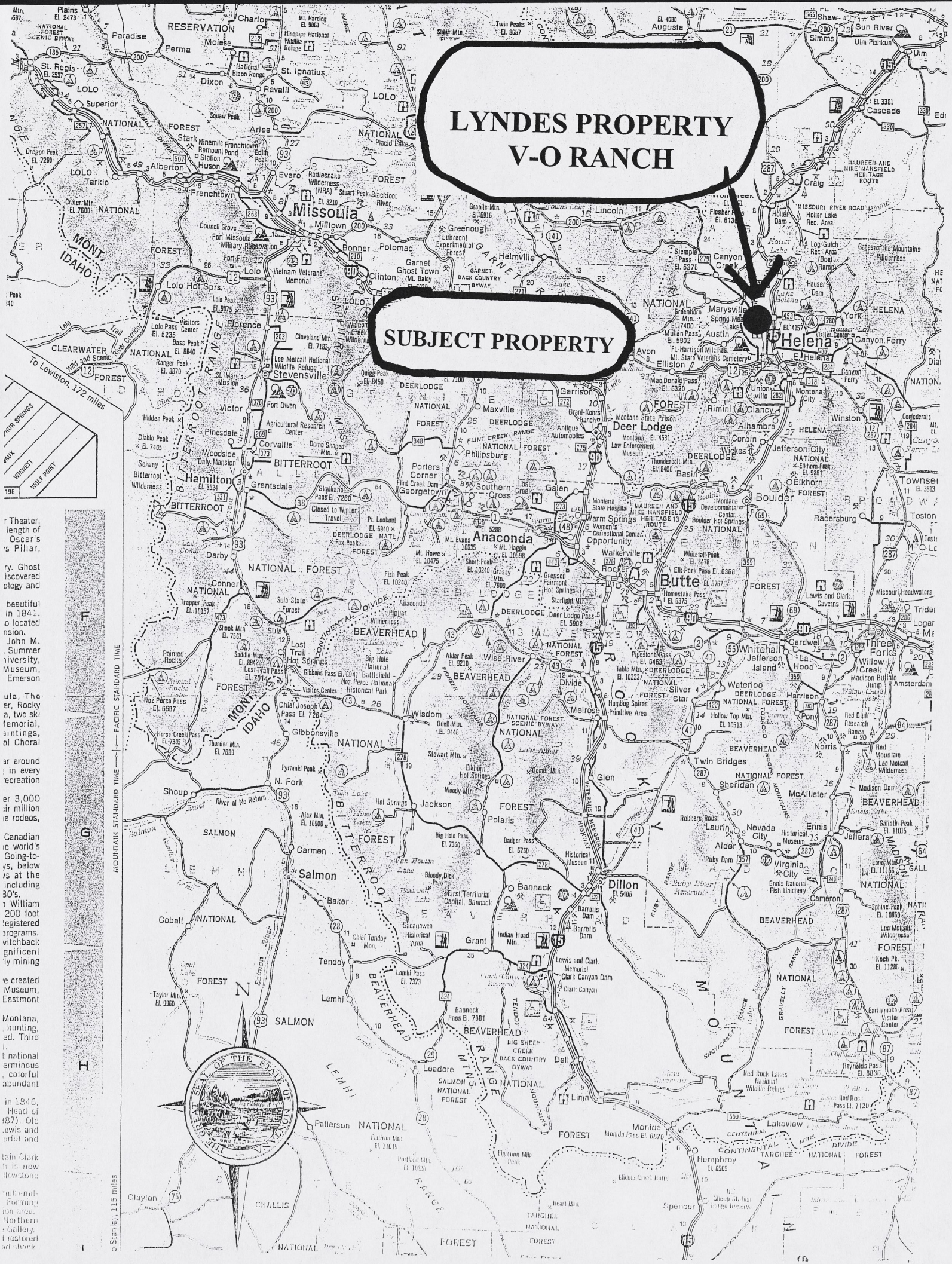
4. Other items related to the project.

- There are two 3-acre inholdings upon which Jeff and Jill reside.

Staff contact for this project is Jay Erickson.

LYNDES PROPERTY V-O RANCH

SUBJECT PROPERTY



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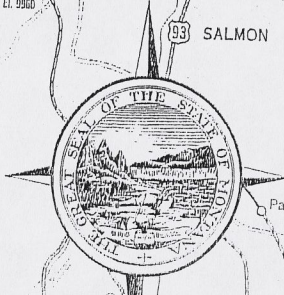
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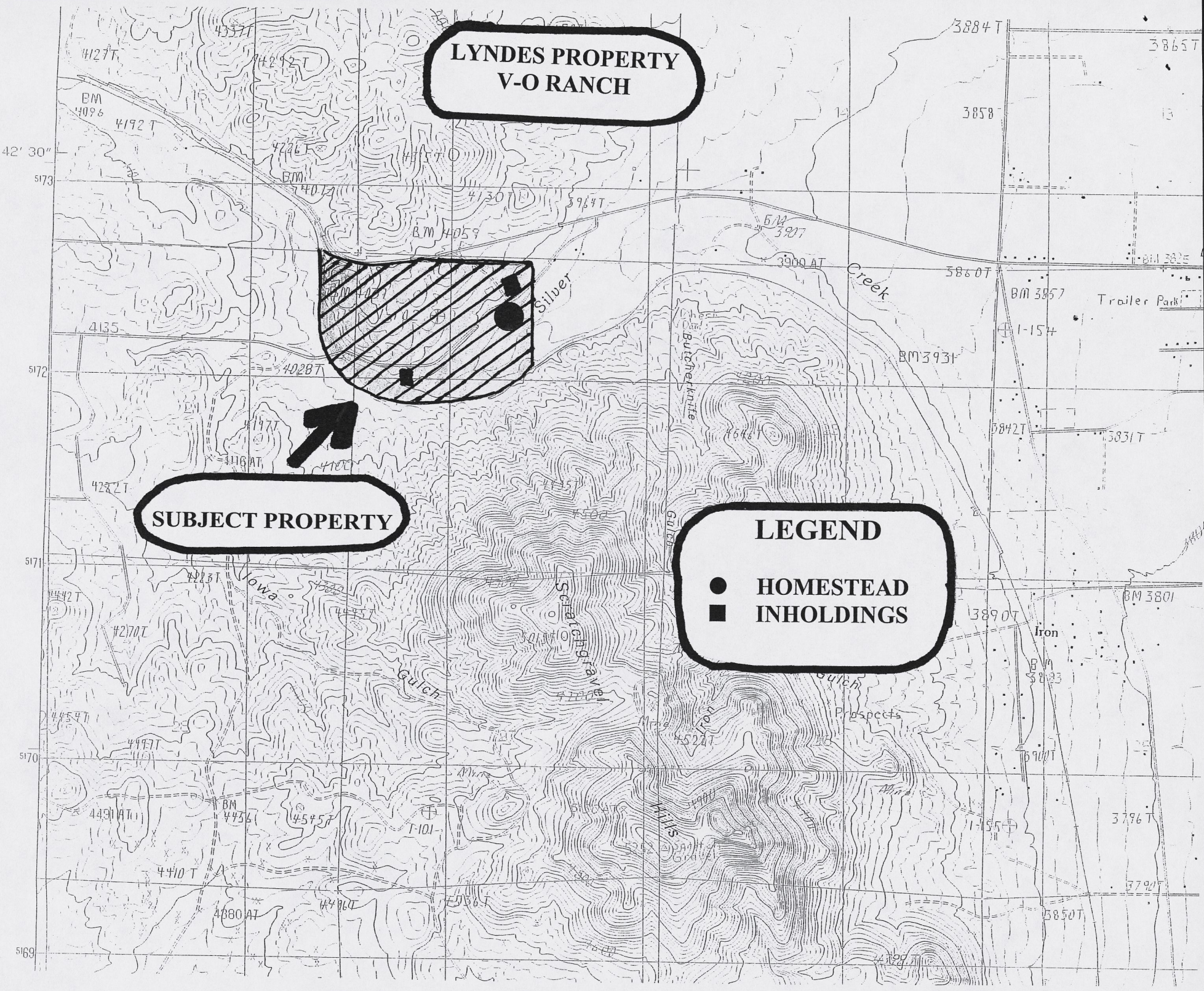
© Stanley, 115 miles

**LYNDES PROPERTY
V-O RANCH**

SUBJECT PROPERTY

LEGEND

- HOMESTEAD
- INHOLDINGS



D & A RANCH IV

Herb Boyer and Dave Goeddel own the D & A Ranch located 18 miles south of Big Timber. These landowners have donated three easements to The Montana Land Reliance (MLR) on approximately 3,200 acres. Herb and Dave intend to donate the final easement this year on the remaining 845-acre parcel of the ranch.

The property consists of irrigated pasture and foothill land in the Boulder River Valley. The Boulder River runs through the property for approximately 1 mile. The property is primarily used as a cow/calf operation. The owners wish to place a conservation easement on their property to keep it as is. Currently there is one home, a cabin, and several agricultural buildings on the property. They wish to retain the right to replace or rebuild existing agricultural structures and to build one additional residence on the property.

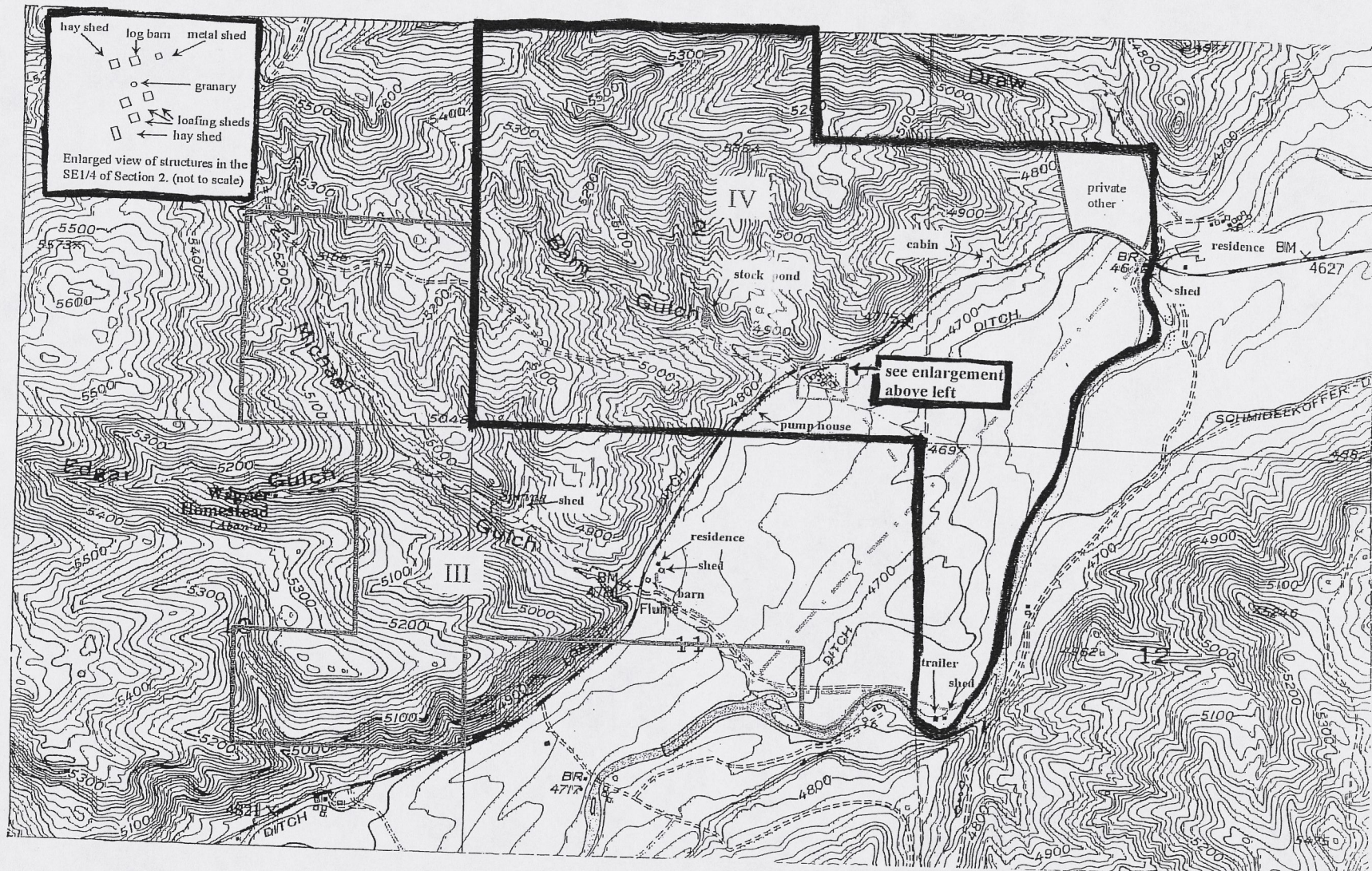
The property can be seen from Highway 298. It is an integral portion of the Boulder Valley viewshed.

1. Relationship of the conservation easement project to MLR organizational goals and objectives.
 - Protection of scenic open space.
 - Protection of land from inappropriate development and subdivision.
 - Continuation of appropriate land and timber use and promotion of the continuation of intact agricultural operations to future generations.
2. Relationship of the conservation easement project to conservation purposes as defined by the IRS Code.
 - Preservation of open space and scenic qualities of the Boulder Valley. Under the terms of the easement, the property would transfer as one parcel. One residence will be allowed. No commercial timber harvest would be permitted. New roads would be limited to agricultural use and to provide access to the residence.

3. Relationship of the conservation easement project to MLR operational goals.
 - The landowners plan to make a contribution to the Land Protection Fund and cover the costs associated with completion of the easement.
4. Other items related to the project.
 - The residence would be a floating building site with MLR's consultation required.

Staff contact for this project is Jay Erickson.

D & A RANCH IV



HEART BAR HEART RANCH III

Roy and Susan O'Connor wish to place an easement on their 3,000-acre ranch on the Blackfoot River immediately east of the Scotty Brown Bridge and south of Highway 200. This is approximately 10 miles east of Ovando and 6 miles west of Clearwater Junction. The property consists of grazing land and partially forested rolling hills. Monture Creek runs through the property from the northeast. The property is primarily used as a bison operation. The O'Connors also own the property immediately south of the Blackfoot River which was previously placed under conservation easement with the Montana Land Reliance (MLR). Currently there is one home and five agricultural buildings at the ranch headquarters. There is another residence 1 mile east of the ranch headquarters. The O'Connors wish to build two quest cabins near this existing residence. They also wish to retain the right to build another new residence with MLR consultation regarding location. The property will transfer as two parcels.

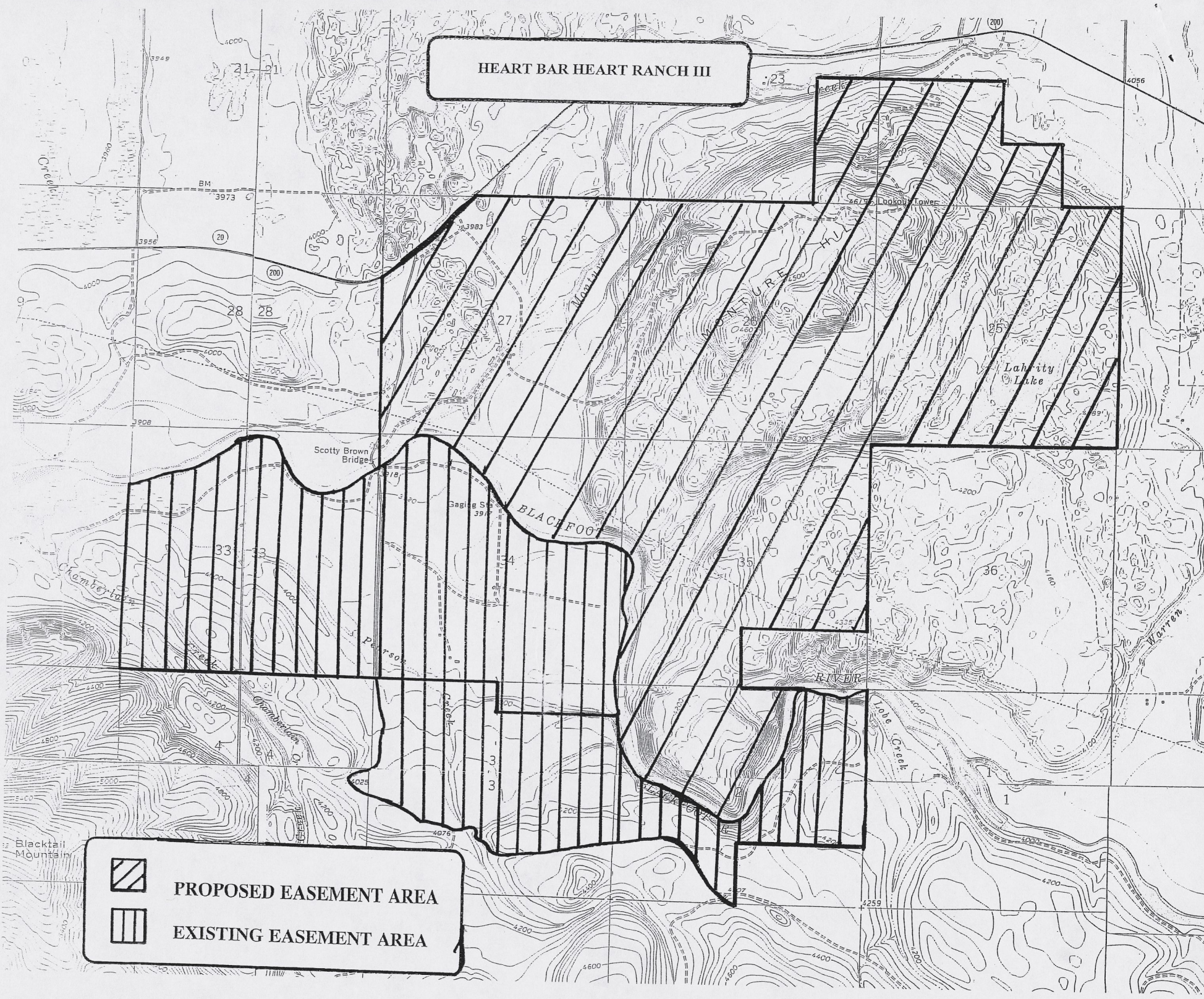
The property can be seen from Highway 200 and the River Junction Road.



1. Relationship of the conservation easement project to MLR organizational goals and objectives.
 - Protection of scenic open space and wildlife habitat.
 - Protection of land from inappropriate development and subdivision.
 - Continuation of appropriate land and timber use and promotion of the continuation of intact agricultural operations for future generations.
2. Relationship of the conservation easement project to conservation purposes as defined by the IRS Code.
 - Preservation of open space and scenic qualities of Monture Creek and the Blackfoot River. Under the terms of the easement, the property would transfer as two parcels. The easement helps in the appropriate development of the area.

3. Relationship of the conservation easement project to MLR operational goals.
 - The landowner has agreed to cover the costs associated with completion of the easement and make a donation to the Land Protection Fund.
4. Other items related to the project.
 - A gravel pit will not be included in the conservation easement property.

The staff contact for this project is Jay Erickson.

HEART BAR HEART RANCH III



-  PROPOSED EASEMENT AREA
-  EXISTING EASEMENT AREA

KOOTENAI SPRINGS RANCH

Lewis and Susan Coleman would like to place a conservation easement on their 735-acre Kootenai Springs Ranch. The ranch is located approximately 2 miles south of Stevensville along the Bitterroot River. The western portion of the property is bisected by Highway 93. The Bitterroot River traverses the property with 1 mile of river frontage.

There are currently two older homes used by ranch employees on the portion of the property located west of Highway 93. There is a third residence located near the property entrance on the east side of Highway 93. The main home, a guest home, and several outbuildings are located near the river on the eastern border of the property. The property would transfer as one parcel.

The Colemans' have done extensive rehabilitation to the irrigation canals and springs to enhance wildlife, fish, and waterfowl habitat. Several ponds have been created. As a result the Kootenai Springs Ranch supports a large population of deer, waterfowl, and raptors, as well as trout.

The Colemans plan to use the property as a family vacation site.

1. Relationship of the conservation easement project to MLR organizational goals and objectives.
 - Protection of scenic open space and relatively natural wildlife habitat.
 - Protection of land from inappropriate development and subdivision.
2. Relationship of the conservation easement project to conservation purposes as defined by the IRS Code.
 - Preservation of open space and scenic qualities of the Bitterroot Valley. The property is viewed from Highway 93. The property is currently in one parcel and under the terms of the easement would transfer as one parcel.

3. Relationship of the conservation easement project to MLR operational goals.

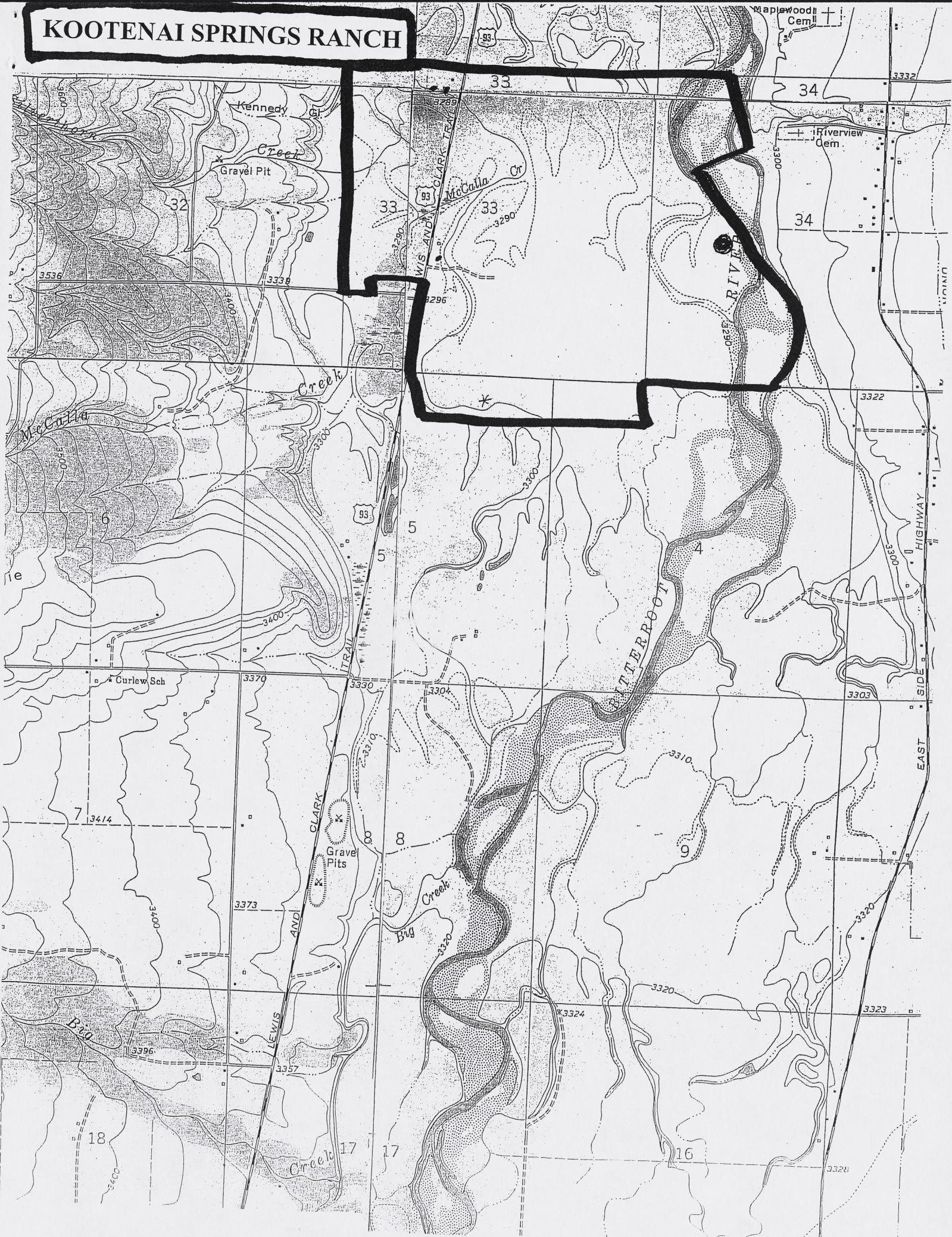
- The Colemans have agreed to cover the costs of the transaction and make a contribution to the Land Protection Fund.

4. Other items related to the project.

- Lew Coleman is the Executive Director of the Gordon Moore Foundation.
- There are several homes on the property. However, given the location of homes in relation to the property boundaries, this conservation easement preserves a substantial amount of open space in the Bitterroot valley.

The staff contact for this project is Jay Erickson.

KOOTENAI SPRINGS RANCH



MEADOR PROPERTY

Richard and Margaret Meador recently purchased a 160-acre parcel from Joe and Sally Keeva on Logan Creek 15 miles west of Whitefish. This property is located within the Tally Lake Ranger District and is bordered on three sides by Forest Service land. Logan Creek traverses the property with 0.5 miles of stream frontage. There are currently no structures on the property. Richard and Margaret would like to build a residence at a site not currently designated. They have agreed the site will be away from the Logan Creek bottom ground. The Meadors also plan to build a garage and a barn.

The property was logged, but continues to provide habitat to elk, moose, and a variety of predators. The Meadors plan to use the property as a family vacation site.

The property is bisected by a Flathead National Forest road.

1. Relationship of the conservation easement project to MLR organizational goals and objectives.
 - Protection of scenic open space and wildlife habitat.
 - Protection of land from inappropriate development and subdivision.
2. Relationship of the conservation easement project to conservation purposes as defined by the IRS Code.
 - Preservation of open space and scenic qualities of the Logan Creek drainage. The property is currently in one parcel and under the terms of the easement would transfer as one parcel.
3. Relationship of the conservation easement project to MLR operational goals.
 - The Meadors have agreed to cover the costs of the transaction and make a \$3,000 contribution to the Land Protection Fund.
4. Other items related to the project.
 - The Meadors would like MLR's input regarding weed infestation which is significant following the recent timber harvest.

Staff contact for this project is Jay Erickson.

DANA RANCH

The Cameron family wants to begin the process of protecting the 42,500-acre Dana Ranch this year. The ranch will be protected through several conservation easements donated over a period of time. The ranch is located southeast of Cascade and contains the headwaters of Hound Creek. It is one of the most spectacular ranches in Montana. The ranch encompasses some of the best grass lands in the state, as well as abundant and diverse wildlife populations. The family desires to insure that the ranch will never be altered from its historical uses of ranching and limited timber harvest, as well as protecting the native grasses and critters.


1. Relationship of the easement project to MLR organizational goals and objectives.
 - Protection of extremely productive native grasses that support a viable livestock business, as well as significant wildlife and aquatic populations such as elk, deer, antelope, game birds, and trout (cutthroat, brown, rainbow, and brook). The ranch has three headquarters around its perimeter, while the interior has minimal human impact and development...significant open space.
 - Protection of the ranch from inappropriate development as the heart of the ranch will have no development under the proposed easement, as well as no residential subdivision.
 - The easement will continue appropriate land use on the property. The landowners have been exceptional stewards of the land.
2. Relationship of the easement project to conservation purposes as defined by the IRS Code.
 - Protection of a relatively natural habitat of fish, wildlife, and plants. The easement will prohibit any development in the center of the ranch beyond roads and fences. The proposed easement will also prohibit any timber harvest on ridgelines. The upper ranch will transfer as one parcel only (allowing for the adjustment of boundaries with neighbors). There will be no utilities allowed beyond 1 mile from existing facilities.
 - Preservation of open space as the ranch is viewed on the west and east by county roads and will have no development in the interior, which is visible from both roads.
3. Relationship of the easement project to MLR operational objectives.
 - Although the landowners have agreed to assist in covering the costs of the easement up to \$2,500, staff requests this project be approved as a Special Protection Project to cover the costs over and above that amount. We have discussed some type of gift to the LPF. The landowners are very generous in allowing MLR staff to use the ranch for fundraising purposes.

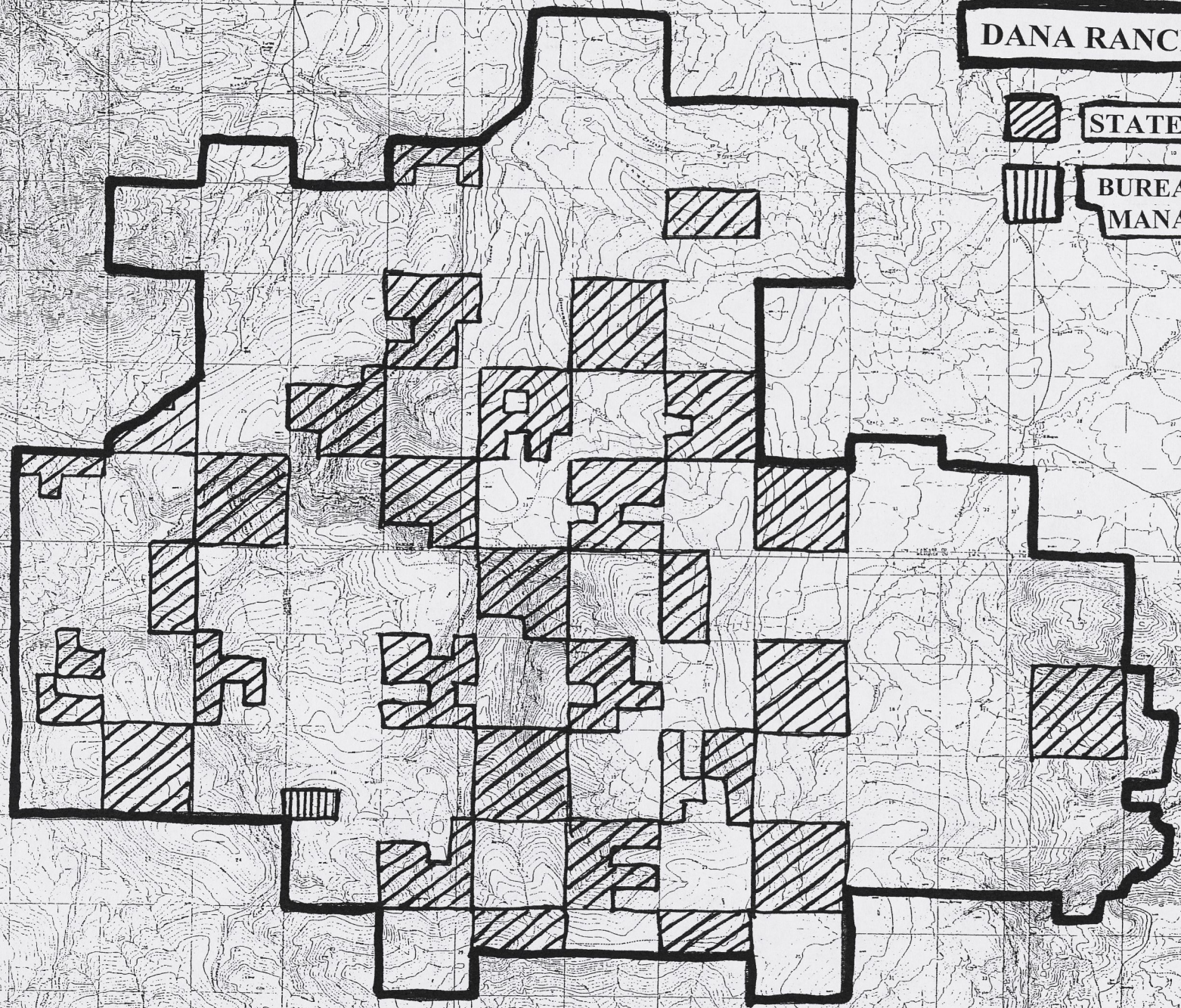
- The Dana Ranch by itself is a tremendous conservation action by MLR. The Camerons want to use the protection of the ranch as an anchor for further protection of the Adel area. There is a neighboring property owner who has told MLR staff that he will donate a conservation easement if his neighbors will.

The staff contact for this project is Bill Long.

DANA RANCH

 **STATE LANDS**

 **BUREAU OF LAND
MANAGEMENT**



**RAFANELLI PROPERTY
(WHITEROCK RANCH)**

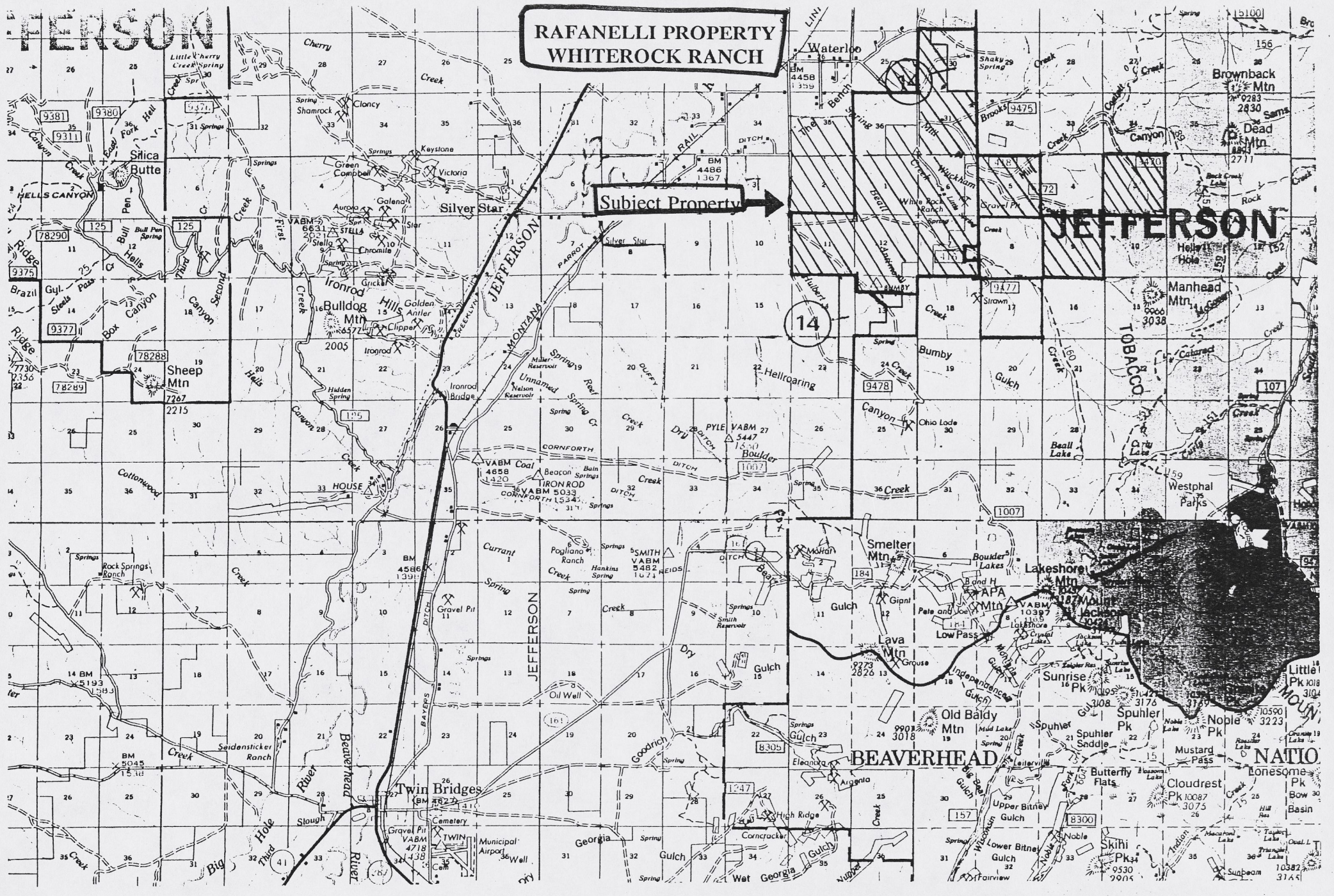
The 7,172-acre Whiterock Ranch was originally approved as a project in 1999. Staff is requested to reapprove the acceptance of a conservation easement on this property. The property climbs from the Jefferson River Valley up the western edge of the Tobacco Root Mountains into the Beaverhead National Forest. The ranch is owned by Mark Rafanelli and is a working cattle ranch. Mark desires to protect the ranch for scenic open space and agricultural purposes. Several sections of the ranch are surrounded (checkerboarded) by the National Forest.

The ranch consists of irrigated hay meadows, grazing land, and forested uplands. There are several small streams on the property plus ponds. The ranch hosts a variety of wildlife species including mountain goats, elk, deer, black bear, mountain lions, and a host of bird species. Generally what Mark desires is to preserve the ranch as open space.

1. Relationship of the easement project to MLR organizational goals and objectives.
 - Protection of lands for agriculture uses.
 - Protection of land from inappropriate development and subdivision thereby providing scenic open space.
2. Relationship of the easement project to conservation purposes as defined by the IRS Code.
 - Scenic open space preservation. This property is highly visible from Montana Highway 41 and the towns of Waterloo, Silver Star, and Whitehall. Its size and location create substantial scenic open space for the enjoyment of the general public.
3. Relationship of the easement project to MLR operational objectives.
 - The landowner will pay for costs associated with the conservation easement completion. A contribution to the Land Protection Fund has not been discussed.
4. Related items to this project.
 - There appears to be several mineral rights on the ranch and the adjacent areas have been actively patented in the past. However, the mineral remoteness test completed in 1999 determined that the potential for surface mining was so remote as to be negligible.

- For nearly a decade Mark has attempted to trade the “checkerboarded” sections to the Federal government for other BLM lands contiguous with the lower ranch. Because a conservation easement may inhibit this type of trade, Mark wishes to weigh the current value of the donated easement on these sections against the potential for future trade. If the appraisal reveals that the value is low, it is likely that he will remove the two “checkerboarded” sections from the easement.

The staff contact for this project is Jay Erickson



**RAFANELLI PROPERTY
WHITEROCK RANCH**

Subject Property →

14

CONSERVATION EASEMENT PROJECTS -- ACTIVE

AUGUST 22, 2001

Project	Staff	Fcol No	Acres	Board Appt	Accept Letter	Minerals		Property			Extra Exhibit	Title Ins	County			Type CE	Resource Report		Signatures		Recording		Last Dat	Aprser	
						Remt	Cont	Deed	Sub	Map			Locde	Mailed	Rec'd		Visit	Report	Grantor	MLR	Sent	Record			
1 Bennett II	LD	741	8	2/10/00	2/15/00	N/A		X	N/A	V-X		X	Powell	10/20/00	11/17/00	S/O	10/18/00	MLR-JS					9/25/00	Neibergs	
2 H&H Ranch (Harrison)	LD/JE	742	2,192	2/10/00	2/15/00	X	X-Maxim	X	M8/B/01	V-X		X	Powell	10/9/00	11/17/99	S/O	Ready	X-LD					8/8/01	Hall/Hall	
3 Michelsen	LD	823	1,280	9/6/00	9/12/00	N/A		X	X-File	V-X		X	Broadwater	7/16/01		O	8/9/01	X-LD					7/11/01	Hall/Hall	
4 Smith (Edwina)	LD	895	872	9/6/00	9/12/00	X	X-Geolex	X	N/A	V-X		X	Park	10/20/00	11/20/00	S/O/H	10/26/00	X-LD/BG					8/2/01	Wheeler	
5 Barthelmess	AE	231	67	2/7/01	2/12/01	Need	X-LB	X	N/A	V-X		X	Flathead	7/24/01		S/O	Ready	T-GE	JK - Timber				6/7/01	Heine	
6 Collins	AE	785	460	5/16/01	5/22/01	Need	X-LB	X	N/A	X	Need	X	Flathead			S/O/M		T-GE	JK - Timber				6/5/01	Heine	
7 Coupe I (DFWP)	AE	275	30	2/7/01	2/12/01	N/A		X	N/A	V-X	X	X	Sanders	7/18/01		S/O	Ready	X-GE	JK - Timber				8/1/01	Heine	
8 Coupe II (DFWP)	AE	277	123	2/7/01	2/12/01	N/A		X	N/A	V-X	X	X	Sanders	7/18/01		O/H	Ready	X-GE	JK - Timber				7/11/01	Heine	
9 Herndon	AE	323	60	2/7/01	2/12/01	Need	X-LB	X	N/A	V-X		X	Flathead	7/24/01		S/O	Ready	X-MLR-JK	JK - Timber; RDR/Minerals on total 99 acres				4/23/01	Heine	
10 Fertwig	AE	369	160	2/7/01	2/12/01	N/A		X	X-File	V-X		X	Lincoln	6/27/01	8/13/01	O/H	Ready	X-GE	JK - Timber				5/31/01	N/A	
11 Lens (DFWP)	AE	825	44	9/6/00	9/12/00	N/A		X	N/A	V-X		X	Sanders	6/27/01	7/13/01	S/O	8/20/01	X-LD					4/18/01		
12 Levin	AE	602	120	2/7/01	2/12/01	Need	Bid in File	X	N/A	V-X		X	Ravalli			S/O		T-LD					8/15/01		
13 Logan	AE	724	190	9/6/00	8/10/98	N/A		X	N/A	X			Lake	10/15/99	11/10/99	O	10/13/98	MLR-JK					7/16/01	Ill	
14 Malta Island	AE	713	64	5/16/01	5/22/01	N/A		X	N/A	X	Need		Lake/Trib			S/O		MLR-JK					6/27/01	Heine	
15 Meyer I (Lion Crk) (DFWP)	AE	845	120																						
16 Meyer II (Simmons) (DFWP)	AE	846	80																						
17 Tabor (DFWP)	AE	899	40																						
18 Thayer	AE	610	320	2/7/01	2/12/01	Need	X-LB	X	N/A	V-X		X	Sanders	6/27/01	7/13/01	S/O	8/6/01	X-MLR-JK	JK - Timber				5/31/01	N/A	
19 Weaver **	AE	805	475			Search-Hold		Need	N/A	X	Need	Need-Hold	Flathead			O							6/27/01		
20 Carroll**	JE	743	140	5/16/01	5/22/01	Need		X	Need	X		X	Madson			S/O		MLR	Check for no tax deduct language				4/26/01	N/A	
21 Coleman (Kodenal Sprgs)	JE	622	35			Search		Need	N/A	X		Need	Ravalli			S/O/H		T-LD						Neibergs	
22 D & A Ranch IV	JE	824	845			Search		X	N/A	X		Need	Sweet Grass			S/O/H	Update	MLR-CP							
23 Engwis	JE	795	1,800	5/16/01	5/22/01							Need													Wheeler
24 Gillean (Dan)**	JE	723	360	5/11/00	5/23/00	Search		X	Need	X		Need	Cascade			S/O		MLR					8/13/01		
25 Gillean (Tom/Laurie) II**	JE	718	600	5/11/00	5/23/00	Need??		X	Need	X	Draft	Need	Cascade			S/O		MLR					9/25/00		
26 Heart Bar Heart III	JE	691	3,010			??		X	N/A	X		Need	Powell			S/O/H		T-LD					6/13/01	Wheeler	
27 Kennedy (Rimrock Ridge)	JE	822	12,980	9/6/00	9/12/00	X	X-LB	X	N/A	V-X		X	Meagher	9/27/00	11/15/00	S/O/H	11/17-20/00	X-Gilbert					8/1/00	Pearce	
28 LaMarche Crk (Guckenberg)	JE	727	1,630	5/16/01	5/22/01	Need		X	N/A	X		X	Deer Lodge			S/O		T-LD	SIGNING 1/1/2002				4/23/01	Neibergs	
29 Lyndes (V-O Ranch)**	JE	821	200			Need			N/A	Need		Need	Lewis & Clark			S/O		MLR-NP					8/13/00	N/A	
30 Meador	JE	669	160			??		Need	N/A	X			Flathead			S/O		T-LD							
31 Milburn**	JE	744	160	5/11/00	5/23/00							Need	Cascade					MLR							
32 Shannon**	JE	751	110	5/16/01	5/22/01	S6/B/01		X	N/A	X		R6/B/01	Madson			S/O/H		MLR	Check for no tax deduct language				4/26/01	N/A	
33 Schemann	JK	733	310	5/16/01	5/22/01	Search		X	N/A	X		R6/1/01	Ravalli			S/O		MLR-JK					7/10/01		
34 Avis II (Elk Park/Anderson)	BL	844	16,120	5/16/01	5/21/01	X	X-DH	Title	N/A	X		X	Park			S/O	10/18-20/00	X-LD	JK - Timber				6/7/01	Wheeler	
35 Beartooth Ranch (Stlwr Mng)	BL	843	160	11/29/00	12/11/00	N/A		X	N/A	V-X		X	Stillwater	3/23/01	4/9/01	O	4/5-6/01	X-LD					4/26/01		
36 Berg **	BL	657	77	2/7/01	2/19/01	N/A		X	N/A	V-X		X	Cascade			S/O		MLR	V-map questionable (64 acres?); Revisions pending				5/17/01		
37 Bee Ranch (Stlwr Mng)	BL	843	2,200	11/29/00	12/11/00	N/A		X	N/A	V-X		X	Sweet Grass	3/23/01	4/5/01	O	4/5-6/01	X-LD					4/26/01		
38 Double D Ranch II	BL	728	1,920	5/16/01	5/21/01	Sec 23		X	N/A	X		R6/B/01	Galstin			S/O		MLR-NP	NP - Timber				5/31/01	Wheeler	
39 Ekworzel (Stlwr Mng)	BL	843	160	11/29/00	12/11/00	N/A		X	N/A	V-X		X	Stillwater	3/23/01	4/9/01	O	4/5-6/01	X-LD					4/26/01		
40 Maggie Parcel (Stlwr Mng)	BL	843	600	11/29/00	12/11/00	N/A		X	N/A	V-X		X	Stillwater	3/23/01	4/9/01	O	4/5-6/01	X-LD					4/26/01		

Project	Staff	Proj No	Acres	Board Appr	Accept Letter	Minerals		Property		Map	Extra Exhibit	Title Ins	County			Type CE	Resource Report		Signatures		Recording		Last Draft	Aprsr
						Remt	Cont	Deed	Sub				Locate	Mailed	Rec'd		Visit	Report	Grantor	MLR	Sent	Record		
41 McNeil (Brad)	BL	806	192	5/11/00	5/23/00	6/25/01	Owner	X	N/A	V-X		X	Galatin	10/9/00	10/26/00	S/O	10/20/00	X-LD					10/6/00	Wheeler
42 McNeil (Mooseeat)	BL	840	525	5/11/00	5/23/00	6/25/01	Owner	X	N/A	V-X		X	Galatin	10/9/00	10/26/00	S/O	10/20/00	X-LD	Include timber harvest plan per LS				10/6/00	Wheeler
43 Owen (Tim)	BL	761	78	5/16/01	5/21/01	N/A		X	Need	X		R6/8/01	Galatin			S/O		T-LD					5/31/01	Wheeler
44 Sixteen Mile Crk Ranch	BL	849	4,200			??	Owner	X	N/A	X		R6/14/01	Meagher			S/O		T-LD					8/6/01	Wheeler
45 Strand Ranch **	BL	807	12,800	5/11/00	5/23/00	X	X-Geotex	Title	N/A	V-X	X	X	Chouteau/Judith Basin	8/1/01		O	6/11-14/01	MLR-NP/JK					8/1/01	Wheeler
46 Stratton Ranch (Stwr Mng)	BL	843	152	11/29/00	12/11/00	N/A		X	N/A	V-X		X	Stillwater	3/23/01	4/9/01	O	4/5-6/01	X-LD					4/26/01	
47 Yates Parcel (Stwr Mng)	BL	843	46	11/29/00	12/11/00	N/A		X	N/A	V-X		X	Sweet Grass	3/23/01	4/5/01	O	4/5-6/01	X-LD					4/26/01	
48 Dickinson**	CM	383	357	2/7/01	2/23/99	Need		Need	N/A			R6/14/01	Carbon			S/O		MLR					4/19/99	
49 Glynn Family** -- LAF	CM	794	4,623	5/14/01	10/25/99	X	X-HR	X	N/A	V-X	X	X	Wheatland	10/7/99	11/24/99	S/O	11/22 & 23/99	MLR-NP					8/16/00	Wicks
50 Kelsey	CM	831	8,915	9/6/00	9/14/00	Need	X-HR	X	N/A	V-X		X	Yellowstone/Big Horn	7/18/01		S/O	Ready	X-LD					7/9/01	Wicks
51 Legg	CM	764	305	5/16/01	5/22/01	Need	X-NO	X	N/A	V-X		X	Madson	7/18/01	8/1/01	S/O	Ready	X-LD					6/23/01	Colvin
52 Pinks/Nunez	CM	850	450																					
53 Peterson (Gerold) **	CM	782	946	5/16/01	5/22/01	Need	Biddng	X	N/A	X		X	Fergus	7/18/01		O	Ready	X-MLR-JK	JK - Timber				5/31/01	Wicks
54 Anderson (Gary) II ** - LAF	RR	599	240	5/16/01	5/21/01	??		X	N/A	X		Need	Cascade			S/O		MLR-NP					8/8/01	
55 Box Elder Ranch (Campbell)	RR	254	10,000	9/6/00	9/10/98	Need		Need	N/A	X		Need	Fergus			S/O		T-LD					7/19/99	
56 Coulter (David)	RR	796	5,630	5/16/01	5/21/01	X		X	M6/14/01	V-X		X	Sweet Grass			S/O		8/14/01	X-LD				6/8/01	Pearce
57 Dana (Nelson Scrip) II	RR	804	1,600	5/16/01	5/22/01	Need	Owner	X	N/A			X	Park			S/O/H		T-LD					3/30/01	Wheeler
58 Three Creeks Ranch II	RR	685	700	2/7/01	2/8/01	X		X	Need	X		Need	Madson			Old	Done	LD					6/13/01	
59 Triple B Ranch (Orenberg)	RR	826	3,127	9/6/00	9/14/00	Need		X	N/A	V-X		X	Lewis & Clark			S/O	8/16/01	X-LD					9/25/00	Neibergs
60 Wagon Road ** (Kittredge)	RR	700	2,300	5/16/01		X	X	Need	N/A	X	X	Need	Cascade	10/30/97	12/15/97	S/O	11/11/97	MLR					10/7/97	N/A
61 Wilson (Ken)(5-Mile)	RR	314	5,205	9/6/00	8/10/98	X	X-DH	X	N/A	V-X		X	Park	10/24/00	11/20/00	O	Ready	X-LD					8/2/01	Pearce

P/C(date) = Approval by Phone Poll
M(date) = Done Mailed
S(date) = Search Requested
** = Special Protection Project
N/A = Not Applicable/Needed
C(date) = Conference Call Approval
X = Information In File
V-X = Map has been verified
Minerals (CONT) 'X' = Contract prepared
[Pattern] = Need Board Approval
[Pattern] = Needs Board Reapproval (2 yrs up)
RDR = X (contract prepared)

CODICIL, OPTION & PURCHASE PROJECTS

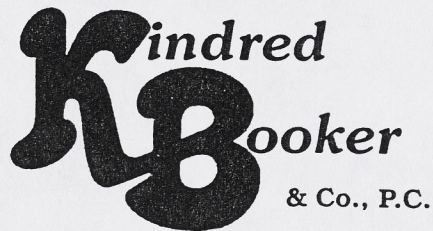
Project	Staff	Proj No	Acres	Board Appr	Accept Letter	Minerals		Property		Map	Extra Exhibit	Title Ins	County			Type CE	Resource Report		Signatures		Recording		Last Draft	Aprsr	
						Remt	Cont	Deed	Sub				Locate	Mailed	Rec'd		Visit	Report	Grantor	MLR	Sent	Record			
1 Abot (DFWP) II	AE	637	40	2/7/00	2/12/00	N/A		X	Need	V-X		X	Missoula			O/H	Done	X-LD	AMENDMENT/CODICIL TO WILL				6/29/01	Heine	
2 Anderson (Fehr)	BL	598	640	C10/30/00	11/14/00	Need		Need	N/A	X		Need	Park			O	12/21/00	LD	2/14/01	2/9/01			2/2/01		
3 Ays III **	BL	596	640	C10/13/99	10/25/99	N/A-Need document		Need	N/A	X		Need	Park	N/A-Yet		O	Option-Section 30		3/6/00	3/9/00			11/1/99		
4 Blacktail Ranch II (Sec 19)	RR	773	630	9/1/99	9/15/99	Need		Need	N/A	X		Need	Lewis & Clark			O	Option	MLR-NP	5/27/99				9/14/99		
5 Chicken Creek (Rahn II)	RR	665	160	2/7/01	2/26/01	X	X-Geotex	X	N/A	V-X		X	Park	2/14/01	2/16/01	O	2/24-25/01	MLR-NP					2/14/01		
6 Combs (Fete)	RR	258	1,800	9/14/00	8/10/98	Need		X	N/A	X	X	X	Madson			S/O	Codicil						7/19/98	Wheeler	
7 Cove Canyon III	CM	592	660	2/7/01		Need	Biddng	X	M3/6/01	X		R6/14/01	Yellowstone			S/O	4/8/01	X-LD					3/8/01	Neibergs	
8 Gray III **	BL	629	155	5/20/99	5/26/99	N/A		X	N/A	X		X	Park			O	Codicil	MLR-NP					10/29/99	Renaud	
9 Guckenberg	JE	595	600	5/16/01		Need		X	N/A	X		X	Deer Lodge/Beaverhead			S/O	Option	T-LD					4/23/01	Neibergs	
10 Hemlock II	RR	580	160	5/16/01	5/21/01			X	N/A	X		X													
11 Strand Ranch **	BL	807	13,200	5/11/00	5/23/00	X	X-Geotex	Title	N/A	V-X	X	X	Chouteau/Judith Basin			O	6/11-14/01	MLR-NP/JK						8/1/01	Wheeler
12 Vermillion III	BL	811	260	5/11/00																					

COMPLETED CONSERVATION EASEMENTS -- 2001

Project	Staff	Proj No	Acres	Board Appr	Accept Letter	Minerals		Property		Map	Extra Exhibit	Title Ins	County			Type CE	Resource Report		Signatures		Recording		Last Draft	Aprsr
						Remt	Cont	Deed	Sub				Locate	Mailed	Rec'd		Visit	Report	Grantor	MLR	Sent	Record		
1 Brown (John)**	AE	324	42	2/10/00	2/16/00	X	X-LB	X	X-File	V-X	X	X	Sanders	10/9/00	10/27/00	S/O	11/27/00	MLR-JB-X	1/27/01	3/1/01	3/1/01	3/2/01	F11/16/00	N/A
2 Curran II (Flum Crk)	JE	705	326	9/1/99	9/20/99	X	X-DH	X	N/A	X		X	Powell	9/30/99	11/17/99	S/O	9/17/99	X-LD	6/5/01	6/20/01	6/20/01		F5/31/01	Neibergs

CONSERVATION EASEMENT PROJECTS -- INACTIVE

Project	Staff	Proj No	Acres	Board Appr	Accept Letter	Minerals		Property		Map	Extra Exhibit	Title Ins	County			Type CE	Resource Report		Signatures		Recording		Last Draft	Aprser
						Remt	Cont	Deed	Sub				Locate	Mailed	Rec'd		Visit	Report	Grantor	MLR	Sent	Record		
1 Arias (Msta)	AE	379	80	9/6/00	9/9/98	N/A		X	N/A	X			Missoula	8/31/98	11/30/98	O/H	Done - File	X-LD					8/28/98	
2 Dfani	AE	753	2,135	5/11/00	5/25/00	X	X-LB	X	N/A	V-X	X	X	Lake/Tribal	6/16/00	7/11/00	O	8/24/00	MLR-JK-X					2/21/01	Illl
3 Hughes	AE	386	55	2/7/01	2/12/01	N/A		X	N/A	X		X	Sanders					T-LD						
4 Kelly	AE	815	428	9/6/00	9/12/00	P-Need	X-LB	X	N/A	V-X		X	Gallatin	10/30/00	12/14/00	S/O/H	12/8/00	X-LD					12/1/00	Colvin
5 MacPhee	AE	655	70	2/10/00	2/16/00	Need		X	Need	V-X		X	Sanders			O/H		T-LD					6/7/00	Neibergs
6 Ports	AE	358	94	2/10/00	2/16/00	N/A		X	N/A	V-X	Need	X	Ravalli	10/23/00	11/28/00	S/O/H	11/10/00	X-LD					12/20/00	Neibergs
7 Wilson (L/C) II	AE	783	12	5/16/01	10/25/99	X	X-LB	X	N/A	Need		X	Flathead	11/11/99	12/10/99	S/O	11/4/99	MLR-JS					11/11/99	Heine
8 Wilson (L/C) III	AE	623	2,800	2/7/01	2/12/01	Need		X	N/A	X		Need	L/C & Teton			S/O/H		T-LD					5/31/01	
9 Witman (DFWP)	AE	628	40	5/16/01	6/1/99	Need	X	X	N/A	V-X	Need	X	Lake			O		T-LD					6/15/99	
10 White Rock Ranch (Rafanelli)	JE	766	7,172	9/1/99	9/20/99	X	X-DH/S	X	N/A	X	X	X	Madison	10/14/99	10/28/99	S/O	10/25 & 27/99	X-LD					F12/10/99	Pearce
11 Dana Ranch **	BL	661	3,360	5/20/99	7/18/97	X	X-DH	Title	N/A	X		X	Meagher	8/18/99	9/23/99	O	10/6/99	MLR-CP					12/13/00	Wheeler
12 Grasshopper (Harrington)	BL	738	4,720	9/6/00	11/10/98	X	X-DH	X	N/A	X	X	X	Beaver head	10/28/98	11/16/98	O	Done	X-LD					9/15/99	Johnson
13 Leffingwell**	BL	701	640	5/11/00	5/23/00	N/A		X	N/A	V-X		X	Park			O		MLR-NP					4/14/00	Colvin
14 Martn	BL	752	6	5/16/01	5/21/01	N/A		X	N/A	V-X		X	Madison			S/O		T-LD	Revisions Pending				5/31/01	Wheeler
15 RDE Ranches (Turner)**	BL	707	3,840	5/11/00	5/23/00	Need		Need	N/A	X			Park			O		MLR-NP					4/14/00	Colvin
16 Saddle Butte (H O Connor)	BL	630	2,500	2/7/01	2/19/01	S6/27/01		Title	N/A	X		X	Chouteau			S/O		T-LD					6/7/01	
17 S Jack Creek II (Fossell)	BL	677	760	9/1/99	9/11/97	N/A		Need	N/A	X			Madison			Old	Done-95	X-CV					11/3/97	Wheeler
18 Sterling Ranch	BL	652	200	5/20/99	5/26/99	Search		Need	N/A	X			Lewis & Clark			O							10/29/99	
19 Pfeifer (Chuck)	CM	781	852	5/11/00	5/29/00	X		X	N/A	V-X		X	Fergus	7/18/01		S/O	Ready	T-LD					7/18/01	Wicks
20 Big Creek Ranch (Kendall)	RR	819	510	9/6/00	9/14/00																			Griswold
21 Gould (Greg) **	RR	732	656	9/6/00	8/10/98	??		X	M7/24/98	X			Cascade	10/30/98	90 days	S/O	11/10/98	MLR-NP					7/21/98	Renaud?



Karen M. Booker
Michael W. Danzer
Marcia Miller

Certified Public Accountants

P.O. Box 245
Helena, MT 59624-0245
(406) 442-4206

June 22, 2001

Board of Directors
Montana Land Reliance
P.O. Box 355
Helena, Montana 59624

Board members:

We are pleased to provide this management letter containing comments, observations and recommendations on the controls and procedures of the Montana Land Reliance (MLR). This letter is based on our audit of the financial statements of the Montana Land Reliance for the year ended December 31, 2000 and on the general knowledge of the Reliance's affairs we have gained over the years as your auditors. Before deciding on a course of action based on our comments, you may wish to assess the expected benefits and related costs of our suggestions. We would be glad to clarify any of our comments or discuss with you how we may provide further assistance.

SALE OF DONATED PROPERTY

The sale of donated property was recorded as contribution revenue rather than as a sale with gain or loss. This resulted in a significant overstatement of contribution revenue.

RECOMMENDATION

Sales of donated property should be recorded like sales of donated securities with a gain or loss recorded as applicable.

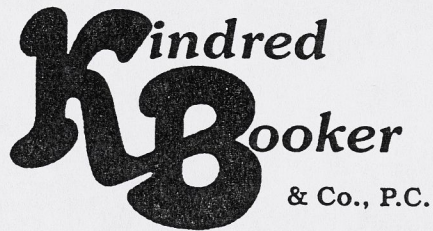
We would like to thank the Operations Manager, the Administrative Assistant, the Managing Directors, and all the staff at The Montana Land Reliance for their cooperation and courtesy during our audit.

This report is intended solely for the information and use of the Board, management and others in the organization.

Sincerely,

Kindred Booker & Co. P.C.
Kindred Booker & Co., P.C.

c.c. Montana Land Reliance



Karen M. Booker
Michael W. Danzer
Marcia Miller

Certified Public Accountants

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(406) 442-4206

June 25, 2001

Board of Directors
Montana Land Reliance
Helena, Montana

Dear Board Members:

We have audited the financial statements of The Montana Land Reliance for the year ended December 31, 2000, and have issued our report thereon dated June 7, 2001. The following are matters required to be communicated to the Board of Directors.

OUR RESPONSIBILITY UNDER U.S. GENERALLY
ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated April 26, 2001, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of The Montana Land Reliance. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Montana Land Reliance are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2000. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that the future events affecting them may differ significantly from those expected.

AUDIT ADJUSTMENTS

For purposes of this letter, our professional standards define an audit adjustment as a proposed correction of the financial statements, that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect of the Organization's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Organization, either individually or in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

We made several audit adjustments related to reclassification of contribution and sale income, recording gain or loss on sales, recording purchased easements as assets, sale and trade of vehicles, capitalization of equipment, depreciation, and transfers. The audit adjustments have been provided to the Reliance.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATION WITH OTHER ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

ISSUES DISCUSSED PRIOR TO RETENTION OF INDEPENDENT AUDITORS

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Directors and management of The Montana Land Reliance and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Kindred Booker & Co. P.C.

Kindred Booker & Co., P.C.

Certified Public Accountants

THE MONTANA LAND RELIANCE

AUDIT REPORT

DECEMBER 31, 2000

KINDRED BOOKER & CO., P.C.
Certified Public Accountants
June, 2001

THE MONTANA LAND RELIANCE

DECEMBER 31, 2000

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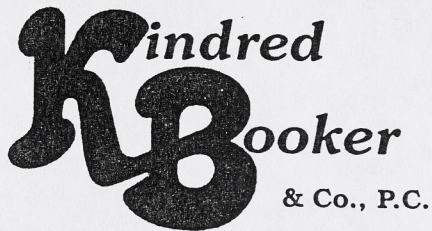
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Karen M. Booker
Michael W. Danzer
Marcia Miller

Certified Public Accountants

P.O. Box 245
Helena, MT 59624-0245
(406) 442-4206

Independent Auditors' Report
June 7, 2001

To the Board of Directors
The Montana Land Reliance

We have audited the accompanying statement of financial position of The Montana Land Reliance (a nonprofit organization) as of December 31, 2000, and the related statements of activity and cash flows for the year then ended. These financial statements are the responsibility of the Reliance's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Montana Land Reliance as of December 31, 2000, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of changes in net assets by fund on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kindred Booker & Co. P.C.
KINDRED BOOKER & CO., P.C.
Certified Public Accountants

THE MONTANA LAND RELIANCE
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2000

=====

ASSETS:

Current Assets:

Cash and cash equivalents	\$	74,569
Accounts receivable - billed		65,716
Accounts receivable - projects in process		39,935
Promises to give - current		17,500
Total current assets		197,720

Investments		8,124,795
Note receivable		50,000
Promises to give - noncurrent		53,329
Equipment and vehicles, net of accumulated depreciation		95,253
Contributions receivable from remainder trusts		171,322
Conservation easements and minerals donated		445
Conservation easements purchased		205,350

Total Assets	\$	8,898,214
		=====

LIABILITIES AND NET ASSETS:

Current Liabilities:

Accounts payable	\$	55,254
------------------	----	--------

Net Assets:

Unrestricted:		
Unrestricted		419,893
Board designated		5,657,353
Temporarily restricted		2,571,912
Permanently restricted		193,802

Total Net Assets		8,842,960
------------------	--	-----------

Total Liabilities and Net Assets	\$	8,898,214
		=====

See the accompanying notes to
the financial statements.

THE MONTANA LAND RELIANCE
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2000

=====
Change in Unrestricted Net Assets:

Support and Revenue:

Contributions	\$ 841,529
Land projects & stewardship	38,623
Miscellaneous receipts	2,351
Income on investments	341,880
Loss on sale of assets	(37,568)
Net realized gains on investments	193,446
Net unrealized loss on investments	<u>(234,282)</u>
Total unrestricted support and revenue	1,145,979

Expenses:

Salaries	484,997
Employee benefits	87,383
Contract	56,607
Equipment expense & maintenance	19,655
Insurance and licensing	9,492
Interns	12,075
Legislative expense	20,954
Legal	15,923
Postage and supplies	35,768
Printing	4,105
Rent	26,883
Telephone	23,425
Travel and per diem	40,346
Depreciation	34,155
Uncollectible accounts	<u>16,242</u>
Total Expenses	(888,010)

Capital additions:

Easements and rights acquired	<u>62</u>
-------------------------------	-----------

Change in unrestricted net assets	258,031
-----------------------------------	---------

Change in Temporarily Restricted Net Assets:

Contributions	239,855
---------------	---------

Change in Permanently Restricted Net Assets:

Contributions	<u>14,106</u>
---------------	---------------

Total change in net assets	511,992
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Net Assets, beginning of year	<u>8,330,968</u>
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Net Assets, end of year	\$ 8,842,960
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=====
See the accompanying notes to
the financial statements.

THE MONTANA LAND RELIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000

=====

<u>Cash flows from operating activities:</u>	
Change in net assets	\$ 511,992
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	34,155
Net unrealized losses on investments	234,282
Increase in payables	13,633
Increase in receivables	(61,034)
Noncash contributions	(8,912)
Contributions restricted for long-term purposes	(14,106)
Net cash provided by operating activities	<u>710,010</u>
<u>Cash flows from investing activities:</u>	
Purchase of investments	(823,883)
Net investment gains reinvested	(193,446)
Purchase of equipment and vehicles	(19,721)
Sale of assets	336,865
Increase in remainder trust receivables	(11,741)
Purchase of easements and options	(30,350)
Net cash used in investing activities	<u>(742,276)</u>
<u>Cash flows from financing activities:</u>	
Contributions to permanent endowment	<u>14,356</u>
Net decrease in cash and cash equivalents	(17,910)
Cash and cash equivalents, January 1	<u>92,479</u>
Cash and cash equivalents, December 31	\$ 74,569 =====

No interest or income tax was paid in 2000.

Noncash contributions represents 63 conservation easements and mineral rights acquired in 2000 and donated equipment and supplies with a fair market value of \$8,849.

See the accompanying notes to
the financial statements.

THE MONTANA LAND RELIANCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000

=====

NOTE 1: Organization

The Montana Land Reliance (MLR) is a conservation organization committed to the conservation of ecologically significant Montana land for agriculture and natural habitat.

The Montana Land Reliance is a 501(c)(3) organization exempt from income taxes. The IRS has determined that MLR is not a private foundation within the meaning of section 509(a) of the code.

NOTE 2: Summary of Significant Accounting Policies

Basis of Accounting

MLR utilizes the accrual method of accounting. Support or revenue is recognized in the accounting period in which it is earned and measurable. Expenses are recorded when the liability is incurred.

Reporting Entity

The financial statements include all funds for which MLR has oversight responsibility (financial interdependency, governing authority, designation of management, ability to influence operations, and fiscal accountability).

Financial Statement Presentation

The Reliance has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under these provisions, net assets and support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Reliance are reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Equipment is also classified as unrestricted. Unless stipulated, income on investments earned are unrestricted and available for general purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations as to the purpose for which they can be spent.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Reliance.

THE MONTANA LAND RELIANCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000

=====

NOTE 2: Summary of Significant Accounting Policies (continued)

Contributions

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as unrestricted if the restrictions are met in the same year in which the contributions are received.

Split-interest Agreements

Irrevocable split-interest agreements for the benefit of MLR are recorded as contributions at their estimated fair present value when MLR is notified of the gift's existence.

Fund Accounting

To ensure observance of donor restrictions and board restrictions placed on the use of resources available to the Reliance, the accounting records are maintained in accordance with the principles of fund accounting, whereby resources are classified into funds established according to their nature and purpose. Donor restricted resources are separately accounted for in each of the funds. Funds used by MLR are:

General fund for operations and administration;

Land Protection fund for monitoring, legal defense and special protection projects;

Education and Research fund for research, outreach and education on land protection;

Land Acquisition fund for future land purchases, limited easement purchases, or bridge capital for property acquisitions;

Eastern Montana fund for outreach and land conservation in the eastern part of the state;

Glacier Flathead fund for outreach and land conservation in the western part of the state;

Conservation fund, an endowment fund to provide an independent base of financial stability and source of revenue for the work of MLR.

THE MONTANA LAND RELIANCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000

=====

NOTE 2: Summary of Significant Accounting Policies (continued)

Cash Equivalents

Cash equivalents consist of all highly liquid investments available for current use with terms of maturity of three months or less from year end. They are recorded at market value. No investments held in designated or restricted funds are included in cash equivalents.

Investments

Investments are stated at fair market value. The net realized and unrealized gains or (losses) on investments are reflected in the statement of activity. Donated securities are recorded at market value on the day the donor requests transfer of the security to MLR.

Equipment and Vehicles

Property and equipment are capitalized for amounts exceeding \$400 and recorded at cost. Donated property is carried at its estimated fair market value at the date of acquisition. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Depreciation is provided using the straight-line method for all depreciable assets over their estimated future lives as follows:

Vehicles	5-7 years
Computer equipment	5 years
Furniture and fixtures	5-7 years

Receivables and Payables

Promises to give are recorded as receivables at present value provided written verifiable evidence exists that an unconditional promise was made and received.

Accounts receivable are recorded for expenses expected to be reimbursed by landowners even though the landowner will not be billed until the completion of the project. These receivables for projects in process are separately reported from billed receivables in the financial statements.

The direct write-off method for bad debts is used, and therefore no allowance for bad debts is reflected in the financial statements. Accounts receivable and promises to give at year end are considered fully collectible.

THE MONTANA LAND RELIANCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000

=====

NOTE 2: Summary of Significant Accounting Policies (continued)

Receivables and Payables cont'd

Accounts payable are recorded for land projects as soon as the process is started with a site visit even though the contractor performing the work may not have billed MLR. As of December 31, 2000, all of the accounts payable are unbilled.

Any outstanding payroll or contract expense is accrued at year end. Other payables not recorded are consistent from year to year and are not material to the financial statements.

Compensated Absences

A liability for compensated absences is not recorded in the financial statements since it is consistent from year to year. The maximum liability for the current employees would be approximately \$30,000.

Conservation Easements

The Montana Land Reliance has acquired conservation easements from various contributors. By accepting the easement contribution, the Reliance commits to protecting the easement restrictions in perpetuity. The easements have no market value in the hands of the Reliance. There is no value to a development right that cannot be used. The Reliance can assign the easements only to another qualified conservation organization. Accordingly, they are presented in the financial statements at a nominal value of one dollar per easement. Purchased easements are recorded at cost. The 442 easements represent 405,490 acres under the protection of the Reliance.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Contributed Services

MLR does not receive any material contribution of services which meet the requirements for recognition in the financial statements.

THE MONTANA LAND RELIANCE
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2000

=====

NOTE 3: Investments

Investments as of December 31, 2000 consisted of the following:

	<u>Unrestricted & Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Total</u>
Corporate stocks & bonds	\$ 5,068,860		\$ 5,068,860
Mutual funds	960,471	\$ 21,361	981,832
CDs, money market funds liquid assets	<u>591,764</u>	<u>1,446</u>	<u>593,210</u>
COST	\$ 6,621,095	\$ 22,807	\$ 6,643,902
Market Value	\$ 8,105,421	\$ 19,374	\$ 8,124,795

All investments of MLR are held by one brokerage.

NOTE 4: Equipment and Vehicles

Equipment and vehicles at December 31 consisted of the following:

Computers and office equipment	\$ 57,355
Office furniture and fixtures	7,949
Vehicles	149,200
Rafts and floating equipment	<u>7,588</u>
	222,092
Less accumulated depreciation	(126,839)
	<u>\$ 95,253</u>
	=====

Note 5: Note Receivable

In 1999, \$50,000 was loaned to a Montana Joint Venture Partnership to help finance the purchase of 162 acres in Park County to prevent its subdivision and to ensure its continued agricultural use. The term of the loan is two years, due March 9, 2001. Interest is at 5.75%, however, interest is forgiven if before the due date, borrowers permanently protect the property with a conservation easement or convey the property to a buyer who does. The borrowers complied with this provision and repaid \$50,000 before the due date in 2001.

NOTE 6: Rent

Office space in Helena was leased from Associated Agencies for \$1,277.50 per month for twelve months beginning March 1, 2000, under a five year term ending March 1, 2004. Office space in Kalispell was leased from Weese Enterprises for \$550 per month on a five year lease ending August 31, 2003. In Billings, office space was leased from the Grand Company for \$250 per month on a month to month basis.

THE MONTANA LAND RELIANCE
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2000

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NOTE 6: Rent (continued)

The Reliance also rents a copier from Empire Office Machines for \$267 per month on a 36 month lease ending December 20, 2002, a Konika copier in Big Fork for \$50 per month under a lease dated September 8, 1999 with Northwest Business Equipment, Inc., and a Lanier copier in Billings for \$158 per month under a 36 month lease with Stringer Business Systems, Inc. ending September 30, 2003.

Future minimum rental payments required are:

2001	\$ 27,281
2002	27,030
2003	23,352
2004	6,955
2005	<u>-0-</u>
	\$ 84,618
	=====

NOTE 7: Retirement Plan

A profit sharing plan was implemented in 1984. The plan covers all employees with six months of service, and provides for 100% vesting in one year. The plan is funded quarterly. Contributions were 11% of base salaries in 2000, an increase from 10% in 1999. Employer contributions for 2000 were \$47,772.

MLR adopted a 401(k) plan in 1998. Participants in the plan may contribute up to 4% of their compensation under a salary reduction agreement. There is no provision for employer matching contributions.

MLR also has an employee cafeteria plan. Employees may elect to reduce their salary by up to \$5,000 for health care and/or \$5,000 for child care expenses.

NOTE 8: Program and Support Services

Expenses were allocated to significant program and support services as follows:

Program Expenses:	
Project monitoring	\$ 47,949
New land projects	93,777
Stewardship	73,591
Other project costs	81,889
Education and outreach	<u>190,875</u>
Total Program Expenses	488,081

THE MONTANA LAND RELIANCE
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2000

NOTE 8: Program and Support Services (continued)

Support Services:	
General and administrative	\$ 323,199
Fund raising	<u>76,730</u>
Total support services	<u>399,929</u>
Total expenses	\$ 888,010 =====

NOTE 9: Subsequent Fund Transfers

In 2001 the board approved the following transfers from board designated funds to the general fund for 2000 expenditures paid from the general fund:

Land Protection Fund	\$ 159,386
Education and Research Fund	60,183
Land Acquisition Fund	6,885
Eastern Montana Fund	<u>27,000</u>
	\$ 253,454 =====

NOTE 10: Concentration of Credit Risk

In four months during 2000, MLR had cash on deposit with Norwest Bank exceeding the federally insured limit of \$100,000.

NOTE 11: Split-Interest Agreements

MLR is a beneficiary under several split-interest agreements with unrelated trustees. All contributions were made to the permanently restricted endowment funds.

<u>Date of Gift</u>	<u>Type of Gift</u>	<u>Present Value</u>
12/29/97	Charitable remainder unitrust. MLR is 6.28% beneficiary upon death	\$ 2,513
12/30/97	Charitable remainder annuity trust. \$1095 per year to donor, balance to MLR in five years	17,462

MONTANA LAND RELIANCE
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2000

NOTE 11: Split-Interest Agreements (continued)

<u>Date of Gift</u>	<u>Type of Gift</u>	<u>Present Value</u>
12/20/99	Charitable remainder unitrust. 5% per year to donor, balance to MLR in five years	13,794
3/15/99	Charitable remainder annuity trust. \$29,893 per year to donor, balance to MLR in ten years	125,812
1/27/00	Charitable remainder unitrust. \$1086 per year to donor, balance to MLR in five years.	11,740
		\$ 171,321
		=====

Assets related to the split-interest agreements are recorded at lower of cost or market value. Present values were determined using a discount rate of 6-8%.

MLR has also been notified of planned gifts to the endowment fund by donors who are their own trustees and donors who have designated MLR as a beneficiary of the endowment funds of the Montana Community Foundation. MLR does not have sufficient information to estimate the fair market value of these gifts. No direct gifts have been made to Montana Community Foundation for the benefit of MLR.

Note 12: Net Assets

Net assets consist of the following:

	----Unrestricted----		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Board designated</u>			
Cash & cash equivalents	\$ 74,569				\$ 74,569
Receivables	105,652	\$ 50,000	\$ 70,828		226,480
Investments	199,673	5,401,558	2,501,084	\$ 22,480	8,124,795
Fixed assets - net	95,253				95,253
Remainder trusts				171,322	171,322
Easements & minerals		205,795			205,795
Accounts payable	(55,254)				(55,254)
Net Assets	\$ 419,893	\$ 5,657,353	\$ 2,571,912	\$ 193,802	\$ 8,842,960
	=====	=====	=====	=====	=====

MONTANA LAND RELIANCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000

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Note 13: Related Party Transactions

Five of the members of the Board of Directors have donated conservation easements to the Montana Land Reliance. These directors abstained from any action on their easements. Board members are often donors of material cash or securities contributions to the Reliance.

Note 14: Promises to Give

Promises to give are recorded at estimated present value using a discount rate of 6%. Amounts receivable are:

less than one year	\$ 17,500
one to five years	50,211
more than five years	<u>3,118</u>
	\$ 70,829
	=====

Experience indicates that promises to give are 100% collected, therefore no allowance for uncollectible promises has been recorded.

No unamortized discount has been recorded.

Promises receivable are donor designated temporarily restricted support.

THE MONTANA LAND RELIANCE
SCHEDULE OF CHANGES IN NET ASSETS BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	General Fund	Land Protection Fund	Education & Research Fund	Land Acquisition Fund	Eastern Montana Fund	Glacier Flathead Fund	Conservation Fund	Total
Net Assets, January 1	\$ 721,962	\$ 4,175,706	\$ 1,921,815	\$ 572,744	\$ 651,760	\$ 106,563	\$ 180,418	\$ 8,330,968
Contributions	594,529	354,614	61,665	10,000	35,168	25,406	14,106	1,095,488
Investment earnings	22,235	90,031	180,983	29,940	(10,745)	(7,320)	(4,079)	301,045
Other support & revenue	(7,984)			11,391				3,407
Expenses	(888,010)							(888,010)
Fund transfers - to (from)	(19,732)	(76,256)	(59,946)	(27,316)	(17,000)	200,000	250	62
Easements/rights acquired		62						
Net increase (decrease)	(298,962)	368,451	182,702	24,015	7,423	218,086	10,277	511,992
Net Assets, Dec. 31	\$ 423,000	\$ 4,544,157	\$ 2,104,517	\$ 596,759	\$ 659,183	\$ 324,649	\$ 190,695	\$ 8,842,960
Unrestricted	\$ 423,000							
Unrestricted - board designated		\$ 2,847,363	\$ 1,558,867	\$ 332,759	\$ 628,715	\$ 289,649	\$ (3,107)	\$ 419,893
Temporarily restricted		1,696,794	545,650	264,000	30,468	35,000		5,657,353
Permanently restricted	\$ 423,000	\$ 4,544,157	\$ 2,104,517	\$ 596,759	\$ 659,183	\$ 324,649	\$ 193,802	\$ 8,842,960
							\$ 190,695	\$ 8,842,960
Cash	\$ 74,569							\$ 74,569
Investments	202,780	\$ 4,472,885	\$ 2,104,517	\$ 341,407	\$ 659,183	\$ 324,649	\$ 19,374	\$ 8,124,795
Other net assets	145,651	71,272		255,352				643,596
	\$ 423,000	\$ 4,544,157	\$ 2,104,517	\$ 596,759	\$ 659,183	\$ 324,649	\$ 171,321	\$ 8,842,960
							\$ 190,695	\$ 8,842,960

MONTANA LAND RELIANCE
FINANCIAL STATEMENT

July 31, 2001

	HELENA ACTUAL	BUDGET	FLATHEAD ACTUAL	BUDGET	EASTERN ACTUAL	BUDGET	COMBINED ACTUAL	BUDGET
GENERAL FUND								
<i>Revenues</i>								
Foundations	\$79,500	128,335	\$17,500	\$21,585	\$54,333	11,670	\$151,333	\$161,590
Individuals	92,669	182,585	21,100	\$49,585	6,600	26,250	120,369	258,420
Receipts/Reimbursements	477	585	852	0	0	0	1,329	585
Interest	11,588	11,230	0	0	0	0	11,588	11,230
Realized Gains/Losses	(244)	0	0	0	0	0	(244)	0
Land Projects	2,859	0	951	0	0	0	3,810	0
Stewardship	1,400	2,335	5,600	14,585	0	1,750	7,000	18,670
Art Auction	0	0	28,905	175,000	0	0	28,905	175,000
Associate Supporters Corporations/Organizations	230	585	95	0	50	0	375	585
Corporations/Organizations	15,224	12,835	270	1,750	2,000	1,170	17,494	15,755
TOTAL REVENUES	\$203,703	\$338,490	\$75,273	\$262,505	\$62,983	\$40,840	\$341,959	\$641,835
<i>Transfers</i>								
Transfer from LPF	\$159,386		(2000)				\$159,386	\$0
Transfers from ERF	60,183		(2000)				60,183	0
Transfers from LAF	6,885		(2000)				6,885	0
Transfers from EMF	27,000		(2000)				27,000	0
TOTAL TRANSFERS	\$253,454	\$0					\$253,454	\$0
Change in Market Value	\$2,229	(from 1st of the year)						
<i>Expenditures*</i>								
Salaries	\$254,342	\$284,243	\$75,306	\$79,682	\$36,209	40,616	\$365,857	\$404,541
Printing	2,896	2,920	459	295	145	175	3,500	3,390
Rent	11,249	12,600	4,225	4,200	1,795	1,870	17,269	18,670
Equipment	7,539	5,545	889	1,460	1,979	1,985	10,407	8,990
Insurance & Licensing	4,952	4,670	1,812	1,170	1,175	875	7,939	6,715
Telephone	7,111	9,045	2,424	3,035	2,712	3,210	12,247	15,290
Contract	38,478	35,350	2,828	585	45	295	41,351	36,230
Legal	5,225	8,750	1,535	2,045	499	585	7,259	11,380
Postage/Supplies	12,298	14,000	3,428	2,920	1,112	1,170	16,838	18,090
Travel/Per Diem	17,584	17,500	3,793	4,085	1,807	4,085	23,184	25,670
SUBTOTAL	\$361,674	\$394,623	\$96,699	\$99,477	\$47,478	\$54,866	\$505,851	\$548,966
<i>Special Expenses</i>								
Art Auction	0	0	13,365	116,670	0	0	13,365	116,670
Office Equipment	995	875	345	295	0	295	1,340	1,465
Conference/Training	0	585	0	0	0	0	0	585
Federal Legislation	96,777	78,750	0	0	352	1,750	97,129	80,500
Land Steward Equip	1,196	1,750	0	585	0	470	1,196	2,805
Computer Upgrades	3,230	2,920	449	295	0	295	3,679	3,510
Uncollectibles	0	0	0	0	0	0	0	0
TOTAL EXPENDITURE	\$463,872	\$479,503	\$110,858	\$217,322	\$47,830	\$57,676	\$622,560	\$754,501
<i>Reimbursables:</i>								
* \$88,443 – LPF			* \$58,719 – ERF		* \$18,667 – EMF		* \$1,000 – LAF	* \$8,750 – GFF

	HELENA ACTUAL	BUDGET	FLATHEAD ACTUAL	BUDGET	EASTERN ACTUAL	BUDGET	COMBINED ACTUAL	BUDGET
LAND PROTECTION FUND								
<i>Contributions</i>		\$96,250		\$14,585		\$5,835		\$116,670
General Fund	\$58,518		\$20,457		\$8,333		\$87,308	
Hilger Fund	0		0		0		0	
Bitterroot Fund	0		0		0		0	
Blackfoot Fund	774		0		0		774	
Missouri Fund	0		0		0		0	
Yellowstone Basin Fund	0		0		0		0	
<i>Income</i>								
Dividends/Interest	\$105,198	\$112,000	\$0	\$0	\$0	\$0	\$105,198	\$112,000
Capital Gains/Losses	39,149		0		0		39,149	
TOTAL INCOME	\$203,639	\$112,000	\$20,457	\$0	\$8,333	\$0	\$232,429	\$112,000
Change in Market Value	(\$270,807)	(from 1st of the year)						\$0
<i>Transfers</i>								
Transfer to General Fund	(\$159,386)		0		0		(\$159,386)	0
TOTAL TRANSFER	(\$159,386)	\$0	\$0	\$0	\$0	\$0	(\$159,386)	\$0
EDUCATION AND RESEARCH FUND								
<i>Contributions</i>		\$58,335		\$0		\$0		\$58,335
General Fund	\$34,390		\$0		\$5,000		\$39,390	
Broadbent Fund	0		0		0		0	
Milton Fund	0		0		0		0	
Tyler Fund	0		0		0		0	
<i>Income</i>								
Dividends/Interest	\$46,009	\$55,420	\$0	\$0	\$0	\$0	\$46,009	\$55,420
Capital Gains/Losses	4,049		0		0		4,049	0
TOTAL INCOME	\$84,448	\$113,755	\$0	\$0	\$5,000	\$0	\$89,448	\$113,755
Change in Market Value	(\$150,931)	(from 1st of the year)						0
<i>Transfers</i>								
Transfer to General Fund	(\$60,183)		0		0		(\$60,183)	
TOTAL TRANSFER	(\$60,183)	\$0	\$0	\$0	\$0	\$0	(\$60,183)	\$0
LAND ACQUISITION FUND								
<i>Contributions</i>		\$0		\$0		\$0		\$0
General Fund	\$2,000		\$0		\$50,000		\$52,000	
<i>Income</i>								
Dividends/Interest	\$22,315	\$0	\$0	\$0	\$0	\$0	\$22,315	\$0
Capital Gains/Losses	(178)		0		0		(178)	
TOTAL INCOME	\$24,137	\$0	\$0	\$0	\$50,000	\$0	\$74,137	\$0
Change in Market Value	(\$1,743)	(from 1st of the year)						
<i>Transfers</i>								
Transfer to General Fund	(\$6,885)		0		0		(\$6,885)	
TOTAL TRANSFER	(\$6,885)	\$0	\$0	\$0	\$0	\$0	(\$6,885)	\$0

	HELENA ACTUAL	BUDGET	FLATHEAD ACTUAL	BUDGET	EASTERN ACTUAL	BUDGET	COMBINED ACTUAL	BUDGET
<u>EASTERN MONTANA FUND</u>								
<i>Contributions</i>								
General Fund	\$5,000	\$0	\$0	\$0	\$1,050	\$0	\$6,050	\$0
<i>Income</i>								
Dividends/Interest	\$17,987	\$18,670	\$0	\$0	\$0	\$0	\$17,987	\$18,670
Capital Gains/Losses	(\$3,122)						(\$3,122)	
TOTAL INCOME	\$19,865	\$18,670	\$0	\$0	\$1,050	\$0	\$20,915	\$18,670
Change in Market Value	\$9,626 (from 1st of the year)							
<i>Transfers</i>								
Transfer to General Fund	(\$27,000)		0		0		(\$27,000)	
TOTAL TRANSFER	(\$27,000)	\$0	\$0	\$0	\$0	\$0	(\$27,000)	\$0
<u>CONSERVATION FUND</u>								
<i>Contributions</i>								
General Fund	\$1,000	\$0	\$0	\$0	\$0	\$0	\$1,000	\$0
Hylton Unitrust	0		0		0		0	
Norwest Annuity	0		0		0		0	
<i>Income</i>								
Dividends/Interest	\$23	\$0	\$0	\$0	\$0	\$0	\$23	\$0
Capital Gains/Losses	(4,977)		0		0		(4,977)	
TOTAL INCOME	(\$3,954)	\$0	\$0	\$0	\$0	\$0	(\$3,954)	\$0
Change in Market Value	\$1,714 (from 1st of the year)							
<u>GLACIER FLATHEAD FUND</u>								
<i>Contributions</i>								
General Fund	\$0	\$200,000	\$5,000	\$0	\$0	\$0	\$5,000	\$200,000
<i>Income</i>								
Dividends/Interest	\$9,402	\$8,750	\$0	\$0	\$0	\$0	\$9,402	\$8,750
Capital Gains/Losses	(\$2,727)						(\$2,727)	
TOTAL INCOME	\$6,675	\$8,750	\$5,000	\$0	\$0	\$0	\$11,675	\$208,750
Change in Market Value	(\$3,921) (from 1st of the year)							
<u>MLR FUND (MONTANA COMMUNITY FOUNDATION)</u>								
<i>Contributions</i>								
General Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Income</i>								
Dividends/Interest	\$2	\$0	\$0	\$0	\$0	\$0	\$2	\$0
Capital Gains/Losses	\$3						\$3	
TOTAL INCOME	\$5	\$0	\$0	\$0	\$0	\$0	\$5	\$0
Change in Market Value	(\$13) (from 1st of the year)							

FUND ACTIVITY

Fund Balance 12/31/00

Income

	HELENA	FLATHEAD	EASTERN	TOTAL
Contributions	\$294,041	\$100,730	\$127,366	\$522,137
Dividends & Interest	212,524	0	0	212,524
Realized Gains/Losses	31,953	0	0	31,953
Total Income	\$538,518	\$100,730	\$127,366	\$766,614

Expenditures

Excess (Rev-Exp)	\$74,646	(\$10,128)	\$79,536	\$144,054
Change in Market Value	(\$413,846)	\$0	\$0	(\$413,846)

Net Change Fund Balance

\$8,294,317

(269,792)

\$8,024,525

Fund Balance 07/31/01

CASH AND SECURITIES

General Fund

Checking	10,899
Savings - Wells Fargo	25,947
First Interstate CD	50,000
Stockman's Bank CD	50,000
Dean Witter	97,916

Land Protection Fund

General Fund	3,450,654
Hilger Fund	85,378
Bitterroot Fund	259,138
Blackfoot Fund	774
Missouri Fund	67,587
Yellowstone Basin Fund	411,590

Education and Research Fund

General Fund	879,728
Broadbent Fund	180,457
Milton Fund	359,414
Towne Fund	546,469
Tyler Fund	10,483

Land Acquisition Fund

Chicken Creek Loan	0
American Federal Savings/Loan	59,002
Dean Witter	397,912

Eastern Montana Fund

662,723

Conservation Fund

17,737

Glacier Flathead Fund

332,402

MLR Fund (Montana Community Fnd)

246

Accounts Payable

Accounts Receivable

GRAND TOTAL

234,762

4,275,121

1,976,551

456,914

662,723

17,737

332,402

246

(9,248)

77,317

\$8,024,525

12/31/00
Balances

270,387

4,472,886

2,098,217

391,406

659,182

19,977

324,648

254

(48,292)

105,652

\$8,294,317

FINANCIAL STATEMENT – PERCENTAGE COMPARISON
July 31, 2001

	Annual Budget	2001 Actual	%	Annual Budget	2000 Actual	%	Annual Budget	1999 Actual	%
REVENUES									
Foundations	\$220,000	\$79,500	36%	\$205,000	\$176,676	86%	\$146,800	\$209,050	142%
Individuals	313,000	92,669	30%	159,000	159,741	100%	217,000	106,541	49%
Receipts/Refunds	1,000	477	48%	1,000	4,628	463%	1,000	1,907	191%
Interest/Gains/Losses	19,250	11,344	59%	12,600	14,237	113%	12,600	9,489	75%
Land Projects	0	2,859	0%	0	2,828	0%	0	671	0%
Associate Supporters	1,000	230	23%	1,000	1,980	198%	1,000	420	42%
Corps/Organizations	22,000	15,224	69%	24,500	12,011	49%	32,000	19,172	60%
Stewardship	4,000	1,400	35%	13,000	1,400	11%	0	4,300	0%
Glacier Office	150,000	46,368	31%	130,000	25,455	20%	121,000	51,885	43%
Art Auction	300,000	28,905	10%	0	0	0%	0	0	0%
Eastern Office	70,000	62,983	90%	50,000	29,950	60%	45,000	18,150	40%
TOTAL REVENUES	\$1,100,250	\$341,959	31%	\$596,100	\$428,906	72%	\$576,400	\$421,585	73%
EXPENDITURES									
Salaries	\$487,273	\$254,342	52%	\$408,924	\$227,925	56%	\$370,386	\$208,372	56%
Printing	5,000	2,896	58%	5,000	1,928	39%	5,000	3,470	69%
Rent	21,600	11,249	52%	17,140	9,995	58%	16,300	9,220	57%
Equipment	9,500	7,539	79%	8,000	5,408	68%	8,000	4,836	60%
Insurance/Licensing	8,000	4,952	62%	9,000	5,603	62%	8,500	6,295	74%
Telephone	15,500	7,111	46%	14,500	6,559	45%	12,500	6,704	54%
Contract	60,600	38,478	63%	51,500	27,714	54%	49,500	22,119	45%
Legal	15,000	5,225	35%	8,500	8,352	98%	8,000	5,200	65%
Postage/Supplies	24,000	12,298	51%	22,000	12,188	55%	22,000	11,514	52%
Travel/Per Diem	30,000	17,584	59%	21,500	14,134	66%	20,000	12,137	61%
Glacier Office	172,492	97,493	57%	153,424	104,590	68%	138,804	80,697	58%
Eastern Office	98,826	47,478	48%	87,374	37,770	43%	63,258	36,658	58%
Subtotal Expenditures	\$947,791	\$506,645	53%	\$806,862	\$462,166	57%	\$722,248	\$407,222	56%
SPECIAL EXPENDITURES									
Office Equipment	\$1,500	\$995	66%	\$500	\$300	60%	\$500	\$0	0%
Conference Training	1,000	0	0%	1,000	125	13%	1,500	0	0%
Computer Upgrade	5,000	3,230	65%	5,000	2,395	48%	3,000	2,753	92%
Drift Boat/Trailer	0	0	0%	0	0	0%	5,000	3,460	69%
Vehicle	0	0	0%	0	0	0%	20,000	35,237	176%
Art Auction	200,000	13,365	7%	0	0	0%	0	0	0%
Employee Gift	0	0	0%	0	0	0%	0	0	0%
Uncollectibles	0	0	0%	0	0	0%	0	0	0%
Federal Legislation	135,000	97,129	72%	0	11	0%	0	0	0%
Interns	0	0	0%	0	10,777	0%	0	0	0%
Land Steward Equipment	3,000	1,196	40%	3,000	860	29%	1,850	0	0%
TOTAL EXPENDITURES	\$1,293,291	\$622,560	48%	\$816,362	\$476,634	58%	\$754,098	\$448,672	59%
LPF Reimbursement	(\$191,375)	(\$88,443)	46%	(\$151,004)	(\$80,670)	53%	(\$134,100)	(\$65,181)	49%
ERF Reimbursement	(95,000)	(58,719)	62%	(70,500)	(42,691)	61%	(67,000)	(39,758)	59%
EMF Reimbursement	(32,000)	(18,667)	58%	(27,000)	(18,000)	67%	(27,000)	(15,750)	58%
GFF Reimbursement	(15,000)	(8,750)	58%	0	0	0%	0	0	0%
LAF Reimbursement	0	(1,000)	0%	0	0	0%	0	(4,564)	0%
GENERAL FUND EXPENSE	\$974,916	\$474,398	49%	\$567,858	\$353,273	62%	\$525,998	\$323,419	61%

The Montana LAND RELIANCE

MEMORANDUM

TO: Board of Directors

FROM: Bill Long/Lois Delger

DATE: August 22, 2001

RE: Origin and History of Land Acquisition Fund.

On January 23, 1990, The Montana Land Reliance (MLR) Board of Directors unanimously voted to accept a \$100,000 grant from the Wenger Foundation for land acquisition activities in the Greater Yellowstone Ecosystem. Those funds were then loaned to the Cinnabar Foundation for acquisition of a large subdivision at the mouth of Tom Miner Basin, near Crystal Cross Mountain, in the Paradise Valley. In 1991, the Wenger Foundation granted another \$100,000 to MLR, which was also loaned to the Cinnabar Foundation. MLR began receiving payments on the loan (including interest) in 1993 upon the sale of the property. The loan was completely paid off in 2000.

At the September 24, 1993, Board meeting, staff requested the establishment of the Land Acquisition Fund (LAF). Staff proposed that the funds be used as bridge capital for property acquisition or for option purchases for all or a portion of a threatened property to be resold to a conservation buyer. Staff presented a draft governing document to the Board for approval. At that time it was suggested that we look at doing land acquisition through a nonprofit subsidiary organization. Staff agreed to consult with Mark Engebretson and Bill Hutton in regard to the establishment of such an organization. In the interim, staff requested that the Board approve the governing document so that it was in place while they were researching the establishment of a subsidiary organization. The Board approved the governing document for the LAF on February 9, 1994 by unanimous vote.

Over the course of the next year, Engebretson, Dietrich, and staff continued to research the potential of establishing a subsidiary organization. After numerous discussions, conference calls, drafting of Articles of Incorporation and by-laws for the

GLACIER FLATHEAD OFFICE

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406/837-2178 • Fax: 406/837-4980
email mlrnw@digisys.net

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Helena, Montana 59624-0355
406/443-7027 • Fax 406/443-7061
email mtland@mt.net

EASTERN OFFICE

2320 Third Ave. N. • PO Box 171
Billings, Montana 59103-0171
406/259-1328 • Fax 406/259-1437
email mlr@mcn.net

new organization ("Landscape"), more research, etc., at the November, 30, 1995, Board meeting the establishment of a subsidiary organization to operate the LAF and activities for MLR was discussed for the final time. Board members, as well as staff members, voiced concerns in regard to legal liabilities and financial and administrative burdens. From a liability standpoint, to turn over assets that MLR would have basically no control over did not make anyone very comfortable. The nonprofit subsidiary organization was never formed.

Until 1998, there was little activity in regard to the LAF. Board and staff continued to discuss various tools to utilize in regard to purchasing options and conservation easements. Those discussions always ended in "we'll approach these issues on a case-by-case basis when they arise." In 1999, the Board approved revised governing documents for all of its investment funds, including the LAF (see attached).

In 1998, MLR received a gift of \$200,000 into the LAF. This was the first contribution to the fund since the Wenger Foundation's contributions back in 1990 and 1991. We have received a total of \$516,000 in donations into the LAF since 1990.

After receipt of the generous gift in 1998, we started utilizing the LAF. In late 1998, we purchased a conservation easement on the Brockway property in the Dixon area for \$175,000. Additionally, there was a transfer of \$10,000 from the LAF to the Land Protection Fund to cover the costs of monitoring the Brockway property. In 1999, we loaned the Chicken Creek Ranch Partnership \$50,000 to purchase a threatened property in the Yellowstone Valley. This loan was paid off earlier this year. In 2000, we used income from the LAF to purchase a conservation easement on the MacKay Ranch near the Bull Mountains for \$4,500 and to purchase an option of the Avis Property (Section 30) in the Shields Valley for \$250. This year we purchased an option on the Pehr Anderson property (Shields Valley) for \$1,000.

As of the writing of this update, the following options, purchases, leases, and loans have already been approved by the Board, with the monies coming from the LAF:

Options:

- 1) Avis Property (Section 30) -- \$250 for option, strike price of \$25,000).
- 2) Anderson (Pehr) Property -- \$1,000 for option, strike price \$50,000.
- 3) Cove Canyon Ranchlands Property III -- \$250 for option, strike price of \$10,000.

Board of Directors
August 22, 2001
Page Three

Options (continued)

- 4) Guckenberg Property -- \$250 for option, strike price of \$25,000.
- 5) Heminway Property -- \$500 for option, strike price of \$50,000.

Purchases:

- 1) Anderson (Gary) Property -- \$100,000.
- 2) Glynn Ranch -- \$25,000.

Leases/Loans

- 1) Candlestick Loan -- \$50,000.
- 2) Saddle Butte Ranch Lease -- \$50/year.

As of June 30, 2001, the market value of the LAF was \$454,629.

MONTANA LAND RELIANCE
LAND ACQUISITION FUND
GOVERNING DOCUMENT

SCOPE AND INTENT

To create a fund to provide funding for the following activities:

- (a) Bridge capital for property acquisition; or
- (b) Option purchase for all or a portion of a threatened property to be resold to a conservation buyer.

USE OF FUND

- (a) Corpus may be used for the following purposes:
 - * fee purchase of property to be resold by MLR;
 - * with other monies for fee purchase of property to be resold;
 - * to purchase conservation easements;
 - * to acquire options to purchase property; or,
 - * as a loan to other entities exclusively for the purchase of property to be conserved -- the loan secured by an equity interest in the property.
- (b) Income and capital gains may be used for (a), or for operational expenses of MLR.
- (c) Corpus shall be repaid to fund, in addition to profits.

SOURCES OF REVENUE OF FUND

- ~~(a) Bequests, gifts of property, and donations.~~
- (a) Bequests, gifts of property, and gifts from individuals, foundations, corporations, and/or partnerships designating their contributions for long-range, stable operational support.
- (b) Profits from acquisitions involving this fund.

AUTHORIZATION OF USE

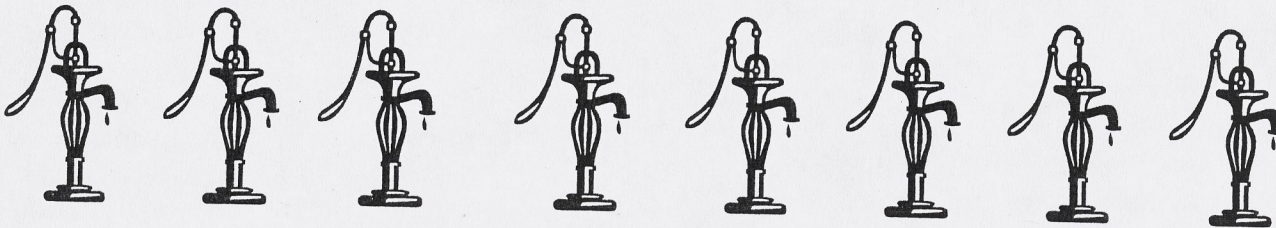
Use of the Land Acquisition Fund shall be made by a vote of the ~~Executive Acquisition~~ Committee of the Board of Directors ~~(President, Vice President, and Secretary/Treasurer)~~. The full Board of Directors shall be notified of anyratify any action taken by the Acquisition Committee regarding use of the Land Acquisition Fund at the next regularly scheduled board meeting.

Created: September 24, 1993
Adopted: February 9, 1994
Revision Adopted: September 1, 1999

drilling of replacement wells will be permitted in the area. The closure may be extended for an additional two years if needed to complete the study. The intent is to determine whether there is enough water for the continued growth and development of the area, and to protect existing water rights.

Ms. Drake has created a web site that is intended to provide information about the petition. You can see it at

www.drakeengineering.com/drywells.htm. For more information about controlled groundwater areas, you can call the DNRC at 444-6610. And if you have questions about information that I have presented in this article, or if you would like to report a dry well in Lewis & Clark County or the Helena area, please call me at 457-8926.



Conservation Easements--How to Decide?

—Candace Durran, Communications Coordinator, Montana Land Reliance, Helena, MT

Some people swear by them, and some swear at them. Recently there has been much discussion about conservation easements, what they are and what they do. A clear-eyed evaluation may be instructive in helping individuals decide if this is the right tool for the job in present and future management of their land.

What They Are

A conservation easement is the legal glue that binds a property owner's good intentions to the land in perpetuity. It is a voluntary, mutually agreed upon, legally binding agreement between the landowner and the organization being given the easement. Only if both parties agree to the terms of the easement can there be an easement.

Landowners grant conservation easements to protect their land from uses they view as incompatible for a term they deem appropriate. Such incompatible uses **may** include: construction of non-agricultural buildings, subdivision for commercial or residential activities, surface mining, or

dumping of toxic wastes. No two conservation easements are alike, and each is tailored to the unique character of the land and the conservation desires of the landowners. The landowner retains ownership of the land, and forgoes only those development rights agreed upon in the easement document. The deed of conservation easement is a legal document that is recorded like a warranty deed, and runs with the title to the property regardless of changes in ownership.

Montana law authorizes the grant of conservation easements to qualified private organizations or public entities. It allows for the local county planning department to review and comment on the easement. Federal law governs **only** the tax treatment on an easement as a charitable gift.

What They Do

A conservation easement can have positive estate tax and income tax consequences for the landowner (be it an individual or corporation). Criteria for qualification include:

1. The easement must be granted **permanently** to a qualified nonprofit organization (i.e. the Montana Land Reliance), or qualified public agency (i.e. the Montana Dept. of Fish, Wildlife and Parks).
2. The easement must meet at least one of the following criteria: Protection of relatively natural habitat for wildlife, fish, plants, or similar ecosystems; preservation of open space for scenic enjoyment or significant public benefit; preserve land for public education or outdoor recreation; or preserve an historically important structure.
3. The easement must prohibit all surface mining.

A conservation easement reduces the value of agricultural land, lowering estate taxes while allowing continuation of agricultural uses. Income tax liability can also be reduced, assuming you have income to offset. Another potential benefit is the net reduction of the purchase price if you are buying agricultural property.

For example, if you own a ranch in western Montana, the appraised value of which is \$2,000,000, and the value after donating a conservation easement is \$1,300,000, the amount of your charitable donation, and thus both your state and federal tax deduction is \$700,000. The IRS allows a maximum deduction of 30 percent (10 percent for C corporations) of your adjusted gross income in any given year for a charitable contribution. However, you can take the 30 percent deduction up to six years or until the value of the charitable

contribution is used up, whichever comes first.

Additionally, say you lease acreage from your neighbor for grazing. He donates a conservation easement on his property, and then puts it up for sale. The conservation easement can reduce the price of the land so that it can be purchased for agricultural prices rather than development prices.

A conservation easement can be a valuable tool in matters of income and estate taxes. Evaluation of tax benefits in conjunction with management objectives, family dynamics, financial obligations and other considerations of your specific property is necessary to making the best decision for your situation. As with any significant financial decision, consult with your tax advisor, CPA or attorney.

Potential Changes to Existing Tax Law

Federal legislation proposed by Max Baucus would allow a 100 percent tax deduction for the value of the donation for qualified agricultural producers. All other landowners, including non-publicly traded corporations, would be able to deduct up to 50 percent of their adjusted gross income. In all cases, taxpayers would have up to 15 years to utilize the deduction. Additionally, estate tax would be reduced by \$500,000 beginning in 2002 for those properties covered by a qualified conservation easement.



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WEB!!!!
<http://lccd.mt.nacdnet.org>**

Total sensory saturation is the feeling evoked by early scenes in the movie, "What Dreams May Come" when the husband of an artist goes to heaven and finds himself actually "in" a painting of his wife's creation. I recently spent a day in paradise, the Paradise Valley, that is. This awe-inspiring gem of the Greater Yellowstone Ecosystem entirely saturated my senses; the play of light on the landscape and water; the delicate scent of midseason wildflowers and hay; frenzied dancing waters inspired by marble-sized hail; humbling rugged peaks and cirques garlanded by vast aspen parks and broad meadows; and the Yellowstone River winding its way placidly through the valley, the elemental thread tying it all together.

Looking Down the Road

Long-term residents as well as more recent arrivals are looking to the future of this sweeping landscape within the Greater Yellowstone Ecosystem, and have a vision for the Paradise Valley as it will be. Some see the opportunity for continued recreational, commercial, and timber development. Others reflect on the opportunity for their grandchildren to come and enjoy a wild lands experience similar to the experience that captivated them when they first arrived. One vehicle to insure a variety of experiences are available to future generations is

through a conservation easement. A conservation easement is the legal glue that binds a property owner's good intentions to the land in perpetuity. Typically, no two conservation easements are alike. Despite common elements precluding

Thus, protecting open space and wildlife habitat, and the economic viability of the land and region.

A number of landowners in the Paradise Valley are placing conservation easements on their land and working with a land trust, such as the



Deer Haven Ranch picnic area for floaters, complete with llamas Grizzly Creek Ranch looking southwest up Tom Miner Creek

subdivision, certain commercial developments, and activities detrimental to soil, water, and wildlife habitat, each conservation easement is tailored to the unique character of the land and the conservation desires of its owners. The landowner retains ownership and management, but certain rights, such as the number of home sites, are limited or restricted.

Montana Land Reliance, to ensure their legacy remains. Since 1978, the Montana Land Reliance (MLR) has been working with landowners across

the state to create conservation solutions that include their long-term family, tax, and financial goals. As Montana's statewide, apolitical, non-profit land trust, MLR and private landowners have conserved more than 440,000 acres of open space, productive lands, and wildlife habitat. MLR has been actively and creatively working with landowners in the Paradise Valley, and has helped 14 families to achieve their land management and estate goals by placing 9,908 acres in the Paradise under conservation easement.

Neighborhood Conservation

In 2000, MLR found that 70 percent of easements donated were within five miles of existing easements. This is because neighbors talk to each other, find out the benefits of an easement, and want to participate in the program. We call this clustering of conservation easements "neighborhood conservation." Individual conservation decisions evolve into neighborhood decisions, which in turn amplify the cumulative impact.

Stewardship Leads to Legacy

Many landowners have lived in the Paradise Valley for years, some

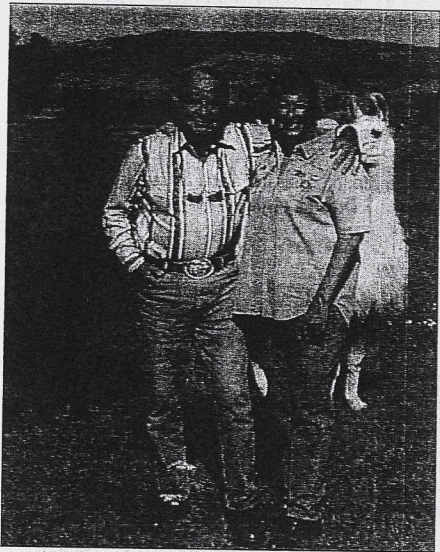
for generations. Livestock operators mingle with recreational property owners. Stewardship, a common theme among these landowners, is a desire to responsibly manage the land to promote sustained livestock production, wildlife habitat, timber growth, and watershed protection; a desire shared by many people in the Paradise.

Ranching, recreation, and logging have long been the staples of the valley's economy. Bill and Mary Strong have been running cattle on their ranch in Deep Creek since 1975, although Mary has lived most of her 70 some years in the drainage. Her parents moved to Deep Creek when she was two years old, and raised hay, pigs, and countless chickens. The Strong's are only the third owners of this parcel since it was homesteaded. They used a conservation easement to meet two of their goals. One was estate planning: they wanted their children to be able to keep the land if that was their desire. Precluding subdivision was their second goal. Proximity to national forest and magnificent vistas make their land a prime development parcel. They didn't want the lush meadows and aspen parks, home to many species of wildlife, developed into home sites.

continued page 5

THE ROCKY DIAMOND Ranch has been in Charlie Rahn's family since 1946.

Long a cattle operation, Rahns now lease their ground for grazing and Charlie does some logging during winter months. While Charlie and Joene didn't directly benefit from their conservation easement, they gave it for estate purposes and to keep the land adjacent to national forest from subdivision. They have seen many ranches broken up to pay estate taxes, and wanted their daughter to be able to keep the ranch. Charlie is also a supporter of a zoning district in their area, which would "limit subdivision, haphazard development which snowballs and perpetuates itself".



Al and Michele Feldstein with llamas, and residence in background

A Refuge for All

Deer Haven Ranch provides a refuge to a menagerie of animals including horses, llamas, burros, ponies, cats, dogs, chickens, and Mavis the turkey. As Al Feldstein, an accomplished artist and editor, puts it, "I paint and Michele rescues animals". Al and Michele Feldstein bought Deer Haven Ranch in 1991 and immediately put a conservation easement on it. Having seen places

in Colorado and Wyoming where subdivision had forever changed the nature of the place, they wanted to insure their land would remain undivided. Yet they share their land with the public through a picnic site for floaters and fishermen on the Yellowstone River.

Michele is deeply steeped in private property rights as a fifth generation landowner. Their conservation easement protects their property rights as it allows them to do as they wish in the present, and be assured that their wishes are maintained into the future. They want their grandchildren to have the opportunity to develop a land ethic and grow to be good stewards of the land.

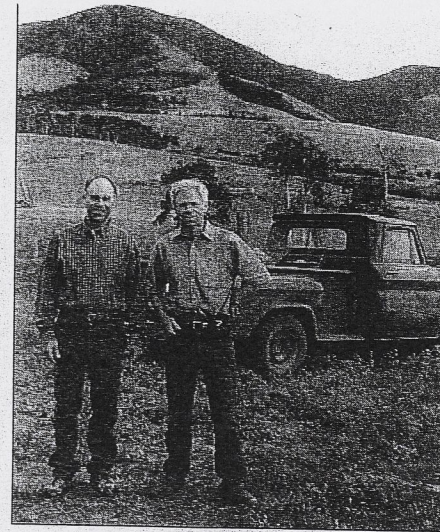
Hope for the Future

The proximity of Yellowstone Park to the railroad in Livingston brought opportunity to the Paradise Valley that many places in Montana lacked. Opportunity has also brought challenges. From their ranch in Tom Miner Basin, three generations of the Anderson family have seen the "relentless march of development" in the Paradise Valley. "We have seen the critical mass of subdivision create a shift in feeling about a place," says Hannibal Anderson.

Lifestyle choices in terms of family cohesion, love of the freeness of nature in the midst of open space, and an enjoyment of ranching keeps this family on their land. Their lifestyle also demands that they work outside the ranch to maintain their low impact, low intensity

ranch operation.

Protecting about 1,500 acres of their ranch from subdivision was not necessarily an easy decision. Many obstacles presented themselves, and only an up front commitment to doing



Hannibal and Sam Anderson (left to right) Grizzly Creek Ranch looking south

the easement moved them through the obstacles. The grandchildren support the easement decision and are comfortable with how that will affect their future.

The Grizzly Creek Ranch has "a very special sense of place" for Larry and Diana Erdmann. Situated west of the Anderson ranch, the Erdmanns wanted to protect their land in perpetuity, and a conservation easement was the tool they used to achieve that goal.

Gayleen Malone, MLR Land Steward, provides range, water, and weed management planning assistance for landowners with easements in the Paradise. Annually, she meets with each landowner to review the easement's provisions and tour the land. Gayleen grew up in Paradise Valley, enjoys visiting with people and touring the properties on horseback. Thus far

this year she has met with several of the landowners including the Strongs, Andersons, and the Erdmanns, and her input has been well received.

The Montana Land Reliance has worked for over 20 years with landowners on a vision for the future, a future which allows for economic growth and ecological conservation. On August 23, 2001, the Montana Land Reliance will hold an Open House at the Emigrant Community Hall at 7:00 p.m. MLR staff will provide information about its work and be available to answer any questions regarding the conservation easement process. For additional information, contact Candace Durran at the MLR office in Helena at 443-7027 or candace@mtland.mt.net.



Grizzly Creek Ranch

CHARLIE Church Collections HELD by THE
WEST YELLOWSTONE HISTORICAL SOCIETY

ATTACHMENT A

307-344

7374

ITEM

QUANTITY

UNIT PRICE

International Fly Fishing Center - Museum - Acquisition Log



<u>Date Acquired</u>	<u>Acquisition Code</u>	<u>Item</u>	<u>Donor</u>
Dec. 12, 1985	B-OH-12	The Guide to Trout Fishing in Otago Edited by: Brian Turner	Lorin "Red" Wilcox 119 East Green Street Dunkirk NY 14048
June, 1985	FR-OH-13 BI-140	9' Greenheart - 2 piece/2 tips	Charles Church
June, 1985	FR-OH-14 BI-138	9' Leonard Model 51 - 3 piece/ 2 tips w/detachable extension butt	8 Island Road Stuart, FL 33494
June, 1985	FR-OH-15 BI-144	10½' E.F. Payne - 3 piece/2 tips #41 w/detachable extension butt	
June, 1985	FR-OH-16 BI-141	9½' Kosmic made for H.A. Whittemore #2812 & Co., Boston, MA. 1 butt/ 2 mids/3 tips w/detachable handle	
June, 1985	FR-OH-17 BI-136	9½' Kosmic - U.S. Net and Twine #2545 markings. 1 butt/2 mids/3 tips w/detachable handle	
June, 1985	FR-OH-18 BI-137	8½' Kosmic made for H.A. Whittemore #2748 & Co., Boston, MA. 3 Piece/2 mids/3 tips	
June, 1985	FR-OH-19 BI-135	7½' Kosmic made for H.A. Whittemore #2818 & Co., Boston, MA 3 Piece/2 mids/3 tips. Cherry slide band reel seat	
June, 1985	OT-OH-20 BI-145	Antique brown leather rod case	
February, 1986	F-OG-01 ^{Not} Found	6 Snelled Trout Flies	Charles Church
February, 1986	F-OG-02 BI-139	85 Gut Eyed Salmon Flies	8 Island Road
February, 1986	R-OG-03 BI-L031	Julius Vom Hofe 5/0 Single Action Salmon Reel w/hard leather case '03 Patent date	Stuart, FL 33494
February, 1986	R-OG-04 BI-L030	Edward Vom Hofe 4/0 Single Action Salmon Reel w/hard leather case	
February, 1986	R-OG-05 ^{Not} Found	Edward Vom Hofe 3/0 Multiplying Salmon Reel w/hard leather case	
February, 1986	R-OG-06 BI-L041	Hardy 4" Salmon Perfect	
February, 1986	R-OG-07 BI-L029	Julius Vom Hofe Raised Pillar Trout Reel. 2" Diameter. Full Aluminum side plates. In fitted leather case.	
February, 1986	R-OG-08 ^{Not} Found	Unmarked Raised Pillar Nickel Silver & Hard Rubber Fly Reel. 2½" Diameter Non-descript Vom Hofe copy in hard leather case	
June, 1986	FR-OG-14 BI-143	10' Kosmic, U.S. Net and Twine CO #2613 1 butt/ 2 mids/ 3 tips w/handle	Mr. Charles Church 8 Island Road Stuart, FL 33494
	FR OG-15 BI-142	9½' Kosmic, H.A. Whittemore & CO #2815 1 butt/ 2 mids/ 3 tips w/handle	

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715 USA
(406) 587 5261 (406) 587 9437

Account: 600261

Date: 1/4/01

STATE FARM INS(DAN RUST)
P O BOX 1335
BOZEMAN, MT 59771

DATE	DESCRIPTION	COMMENT	BALANCE DUE
11/16/00	A/R TRANSFER	#144811, LILLY, BUD	\$101.61
11/16/00	A/R TRANSFER		\$268.22
11/22/00	A/R TRANSFER	#144577, LILLY, BUD	\$584.76
11/22/00	A/R TRANSFER	#144579, LILLY, BUD	\$90.51
12/06/00	A/R TRANSFER		\$47.54
12/12/00	A/R TRANSFER		(\$47.54)

*Paid in full
01-04-2001
KJ
check #
5496*

CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL BALANCE DUE
\$0.00	\$1,045.10	\$0.00	\$0.00	\$0.00	\$1,045.10

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7

47.54+

54.86+

002

102.40*+

13:55

144810

\$47.54

11/10/00 1 11/11/00

5 11/10/00 MISC

PHONE CALLS (\$47.54 SJ

157 RK

DD 4

LILLY, BUD(BUD'S ROOM)

DB

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

13:53

144577

\$54.86

11/06/00 3 11/09/00

18 11/09/00 LD LD2044524125/1 \$34.96 auto

140 RK 19 11/09/00 LD LD2046636443/1 \$19.90 auto

DD 4

LILLY, BUD

4719025002469535 03/07

CC

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

29.85+

13.90+

002

43.75*+

13:56

144811

\$29.85

11/10/00 1 11/11/00

154	RK	1	11/10/00	NINTENDO	09000SERVICE/2	\$6.95 auto
		2	11/10/00	MOVIES	09224SERVICE/1	\$10.95 auto
		3	11/10/00	MOVIES	11035SERVICE/1	\$11.95 auto
DD	4					

LILLY, BUD

DB

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

13:53

144577

\$13.90

11/06/00 3 11/09/00

12	11/08/00	NINTENDO	09000SERVICE/2	\$6.95	auto
14	11/08/00	NINTENDO	09000SERVICE/2	\$6.95	auto

140 RK

DD 4

LILLY, BUD

4719025002469535 03/07

CC

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

26·20+

157·20+

18·75+

003

202·15*+

13:55

144810

\$26.20

11/10/00 1 11/11/00

157 RK

DD 4

LILLY, BUD(BUD'S ROOM)

8	11/11/00	RESTAURANT	157/ 412/412 /400	\$3.77	auto
9	11/11/00	RESTAURANT	157/ 412/412 /400	(\$3.77)	auto
10	11/11/00	RESTAURANT	157/ 412/412 /400	\$2.20	auto
11	11/11/00	RESTAURANT	157/ 412/412 /400	\$0.75	auto
12	11/11/00	RESTAURANT	157/ 449/449 /102	\$4.70	auto
13	11/11/00	RESTAURANT	157/ 449/449 /104	\$18.55	auto

DB

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

13:53

144577

\$157.20

11/06/00 3 11/09/00

140 RK

DD 4

LILLY, BUD

5	11/07/00	RESTAURANT	140/ 455/455 /101	\$17.35	auto
6	11/07/00	RESTAURANT	144579 142/ 455/	\$10.00	auto
7	11/07/00	RESTAURANT	140/ 462/462 /106	\$30.55	auto
13	11/08/00	RESTAURANT	140/ 488/488 /106	\$52.55	auto
17	11/09/00	RESTAURANT	140/ 455/455 /102	\$8.75	auto
20	11/09/00	RESTAURANT	140/ 448/448 /401	\$23.35	auto
21	11/09/00	RESTAURANT	140/ 475/475 /106	\$14.65	auto

4719025002469535 03/07
CC

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

13:49

144579

\$18.75

11/06/00 3 11/09/00

1	11/08/00	RESTAURANT	142/ 474/474 /101	\$10.75	auto
2	11/08/00	RESTAURANT	142/ 475/475 /105	\$8.00	auto

142 RK

DD 1

LILLY, BUD
2007 SOURDOUGH RD
BOZEMAN, MT 59715

4719025002469535 07/03

CC

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

71.76+

194.48+

358.80+

71.76+

004

696.80*+

Room & Tax

13:56

144811

\$71.76

11/10/00 1 11/11/00

4	11/10/00	ROOM	#154 LILLY, BU	\$69.00 auto
5	11/10/00	BED TAX		\$2.76 auto

154 RK

DD 4

LILLY, BUD

DB

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

13:54

144810

\$194.48

11/10/00 1 11/11/00

157 RK

DD 4

LILLY, BUD(BUD'S ROOM)

1	11/10/00	ROOM	DAYS INN (11-9-	\$59.00	SJ
2	11/10/00	BED TAX		\$2.36	SJ
3	11/10/00	ROOM	DAYS INN (11-9-	\$59.00	SJ
4	11/10/00	BED TAX		\$2.36	SJ
6	11/10/00	ROOM	#157 LILLY, BU	\$69.00	auto
7	11/10/00	BED TAX		\$2.76	auto

DB

BW GRANTREE
 1325 NORTH 7TH AVE
 BOZEMAN, MT 59715
 Phone (406) 587 5261 Fax (406) 587 9437

13:53

144577

\$358.80

11/06/00 3 11/09/00

140 RK

DD 4

LILLY, BUD

1	11/06/00	ROOM	144579 #142 LIL	\$69.00	auto
2	11/06/00	BED TAX	144579 #142 LIL	\$2.76	auto
3	11/06/00	ROOM	#140 LILLY, BU	\$69.00	auto
4	11/06/00	BED TAX		\$2.76	auto
8	11/07/00	ROOM	#140 LILLY, BU	\$69.00	auto
9	11/07/00	BED TAX		\$2.76	auto
10	11/07/00	ROOM	144579 #142 LIL	\$69.00	auto
11	11/07/00	BED TAX	144579 #142 LIL	\$2.76	auto
15	11/08/00	ROOM	#140 LILLY, BU	\$69.00	auto
16	11/08/00	BED TAX		\$2.76	auto

4719025002469535

03/07

CC

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

13:49

144579

\$71.76

11/06/00 3 11/09/00

3	11/08/00	ROOM	#142 LILLY, BU	\$69.00 auto
4	11/08/00	BED TAX		\$2.76 auto

142 RK

DD 1

LILLY, BUD
2007 SOURDOUGH RD
BOZEMAN, MT 59715

4719025002469535 07/03
CC

BW GRANTREE
1325 NORTH 7TH AVE
BOZEMAN, MT 59715
Phone (406) 587 5261 Fax (406) 587 9437

TABOR PROPERTY

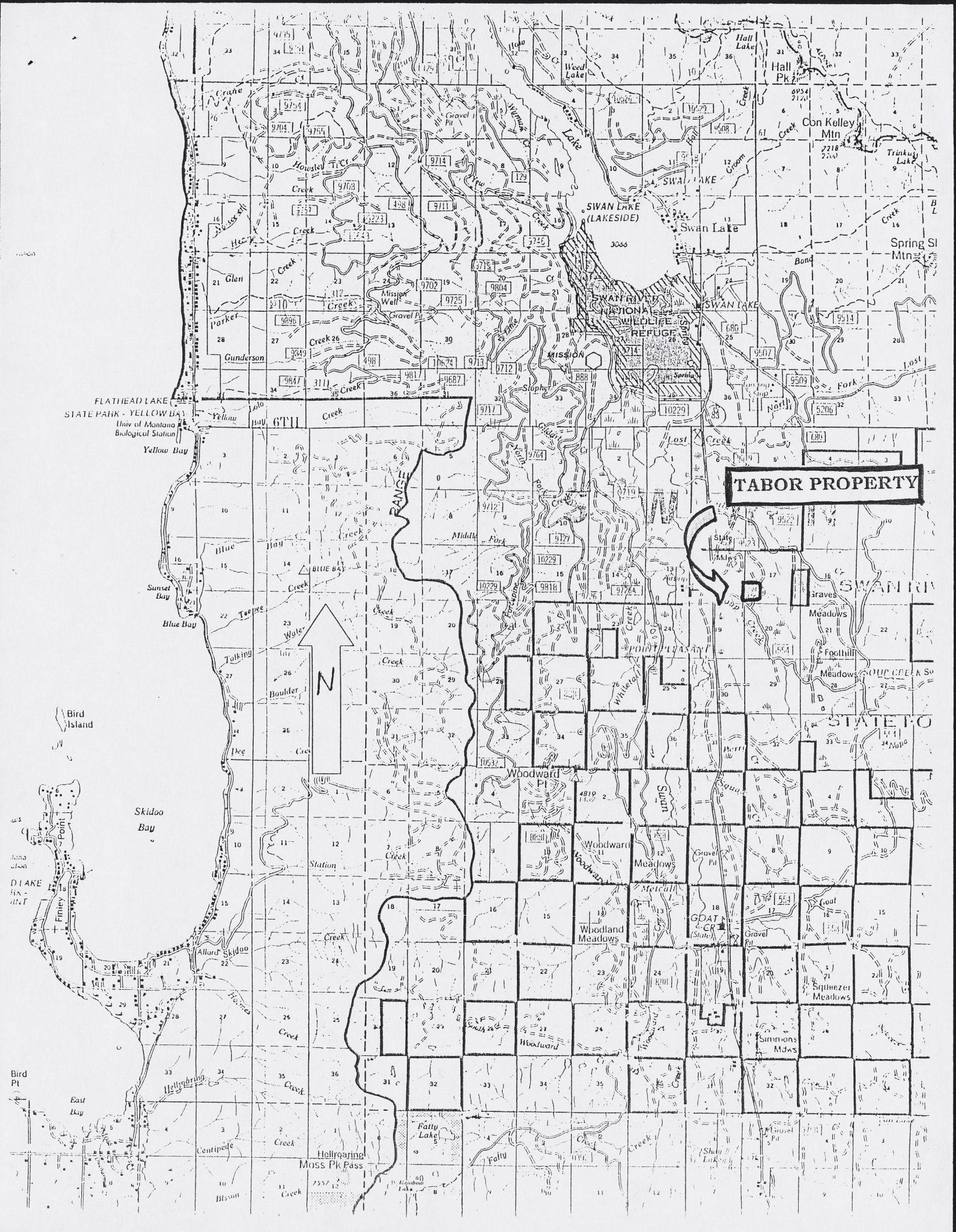
Pat and Joanne Tabor wish to place a conservation easement on their Swan Valley property. The 40-acre property is surrounded by the Swan River State Forest land and is within the Flathead National Forest. This property is located approximately 5 miles south of Swan Lake. A tributary of Soup Creek flows through the property; there is an associated pond. The conservation easement would help Pat and Joanne meet their conservation, estate planning, and financial goals. The property contains significant wildlife habitat, fisheries, and open space, making it a key component of the Northern Continental Divide Ecosystem. In addition, this property provides habitat to many species of mammals, waterfowl, and fish. The property is heavily forested which provides thermal cover for the wildlife, and is a major spring and winter range for elk, moose, mule deer, and whitetail deer. This area is a key migration corridor which connects the Bob Marshall Wilderness with the Mission Mountain Wilderness. It is extremely critical that this corridor be kept intact for wildlife travel as well as plant species.

1. Relationship of the easement project to MLR organizational goals and objectives.
 - Protection of significant scenic open space, wildlife habitat, and fisheries.
 - Protection of land from inappropriate development and subdivision.
 - Continuation of appropriate land and timber use and promotion of natural resource management and stewardship.
2. Relationship of the easement project to the conservation purposes as defined by the IRS Code.
 - Preservation of open space. This property would transfer as one parcel. There is currently a single residence and garage, along with a guest house and a barn on the property. The Tabors would like to retain the right to modify the existing structures to accommodate a commercial bed and breakfast, but allow no new structures. The timber management would be for non-commercial, on-site use only, except in the case of catastrophic event, and then only with MLR approval. Surface mining would be restricted and roads would be for access to the structures and timber management use only. Livestock grazing would be allowed; however, the riparian habitat would be protected with fencing.
3. Relationship of the easement project to the MLR operational objectives.
 - Pat and Joan are willing to make a donation to help cover the costs associated with the conservation easement. They are also planning to make a donation to the Land Protection Fund. In addition, staff is submitting a request for cost share dollars to the Montana Department of Fish, Wildlife and Parks. The request would be for the title and mineral reports, resource documentation and mineral remoteness reports, and recording fees.

4. Related items to this project.

- This would be the 19th project in the Swan Valley. This property is a part of our overall Swan Valley strategy to accomplish neighborhood conservation.
- This would be one of three new Swan Valley projects.
- The Tabor property is within 1 mile of the Harris property (see attached map) whose easement was completed in 2000.

The staff contact for this project is Amy Eaton.



NATIONAL

FOREST

12

RIVER

HARRIS PROPERTY
(2000 CE)

TABOR PROPERTY

F N F

Graves
Meadows

F N F

SWAN RIVER

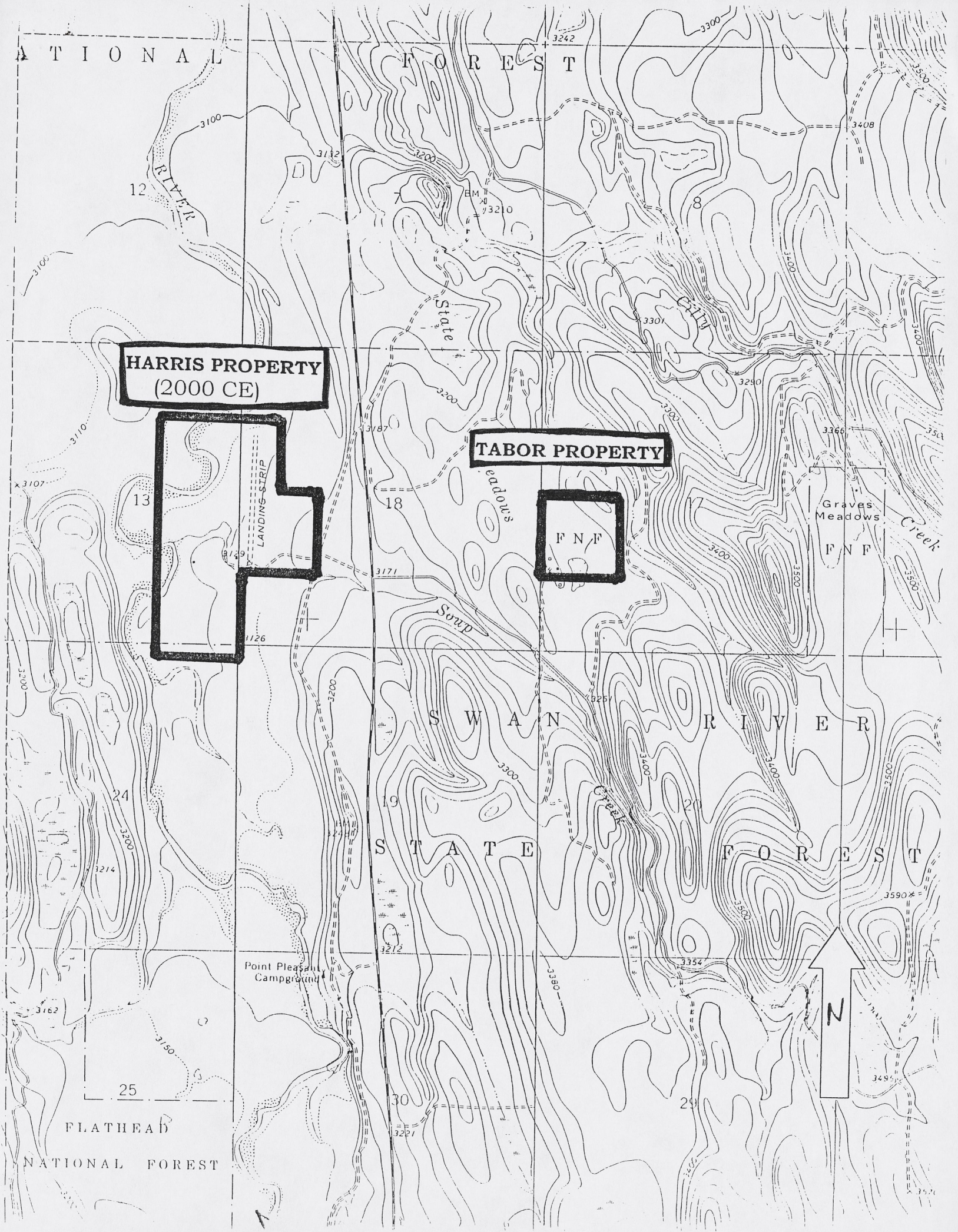
STATE

FOREST

Point Pleasant
Campground

N

FLATHEAD
NATIONAL FOREST



MEYER PROPERTIES

Henry and Joan Meyer wish to place a conservation easement on their Swan Valley properties. The Meyers have two tracts, both purchased in 1950, which consist of approximately 200 total acres. The properties are 4 miles apart and the terms of the easements would differ per parcel. Because of different terms applying to each parcel, staff is proposing that two separate easements be completed. Henry and Joan have four children. The conservation easement would help Henry and Joan meet their conservation and estate planning goals. The two tracts contain significant wildlife habitat, fisheries, and open space, making them key components of the Northern Continental Divide Ecosystem. This area is a key migration corridor which connects the Bob Marshall Wilderness with the Mission Mountain Wilderness. It is extremely critical that this corridor be kept intact for wildlife travel as well as plant species.

Lion Creek Property

The first property - 120 acres - is adjacent to Lion Creek, (a tributary of the Swan River and a Bull Trout spawning area), and approximately 8 miles from the Bob Marshall Wilderness Area. It is bordered on the East, South, and West by Flathead National Forest and on the North and Northeast by Plum Creek Timber property. There is currently a single residence on this tract. The Meyers would like to limit development to one additional homesite. In addition, this tract would transfer as one parcel. This property provides habitat to many species of mammals, waterfowl, and fish, including the Bull Trout. The Lion Creek property is heavily forested which provides thermal cover for the wildlife, and is a major spring and winter range for elk, moose, mule deer, and whitetail deer.

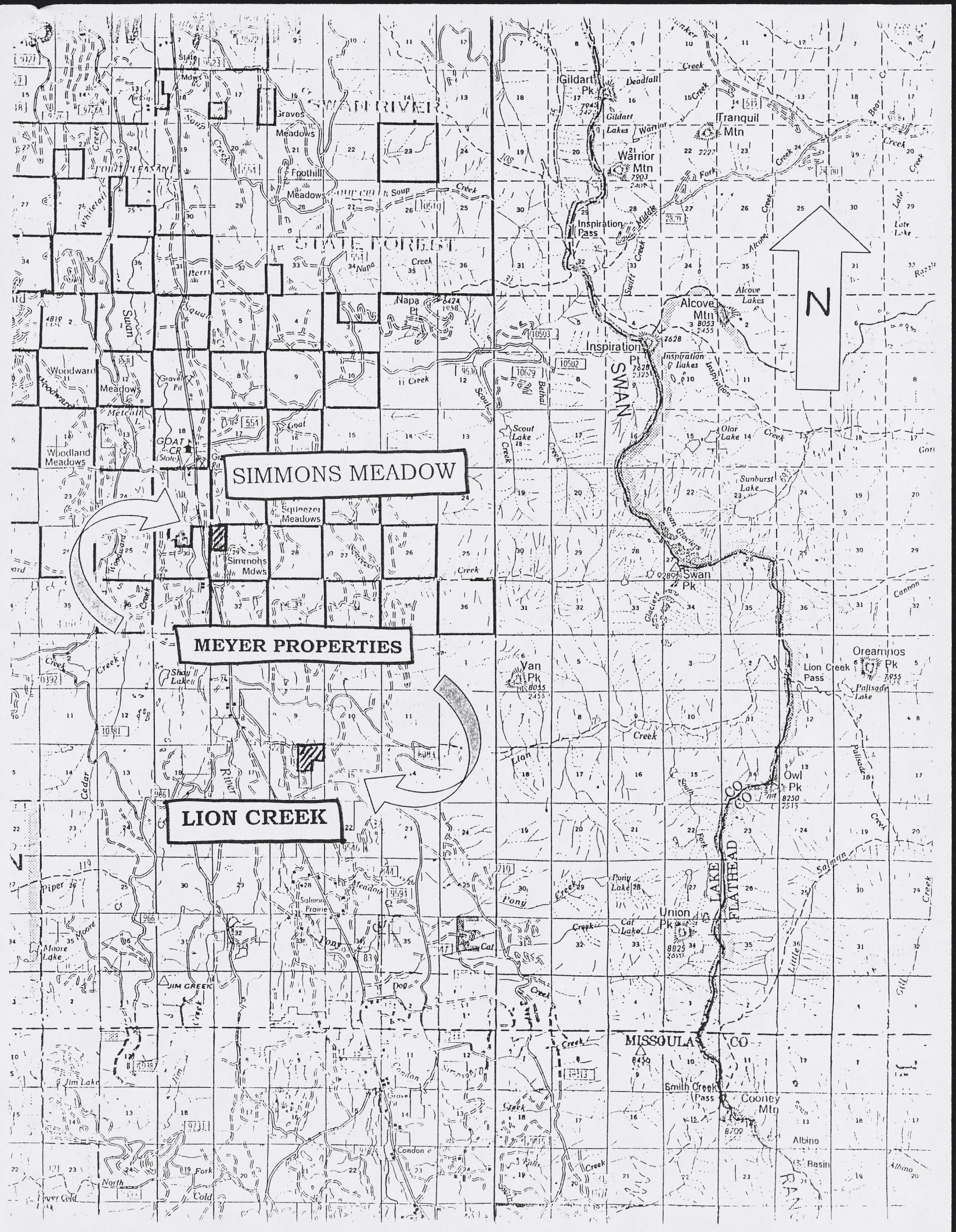
Simmons Meadow Property

The second property - 80 acres - is in Simmons Meadow, a vital wetlands area in the Swan Valley. This tract is bordered by State lands to the North, South, and West and by Plum Creek Timber property to the East. There is currently a single residence on this tract. The Meyers would like to limit development to one additional residence, reserving the right to transfer this property as two parcels to immediate family members only. The Simmons Meadow property, adjacent to Montana Highway 83, is primarily marshy bottom land. There is a scenic overlook on the highway from which you can see this entire tract and its variety of native and migratory waterfowl.

1. Relationship of the easement project to MLR organizational goals and objectives.
 - Protection of significant scenic open space, wildlife habitat, and fisheries.
 - Protection of land from inappropriate development and subdivision.
 - Continuation of appropriate land and timber use and promotion of natural resource management and stewardship.

2. Relationship of the easement project to the conservation purposes as defined by the IRS Code.
 - **Lion Creek Property.** Preservation of open space, natural habitat, and fisheries. This tract is currently in one parcel and under the terms of the conservation easement would transfer as one parcel. There is a single residence on this tract. Henry and Joan wish to retain the right for one additional residence. In addition, they want to create a commercial educational research business on this property, utilizing the existing and/or permitted structures. The timber management would be for a sustainable harvest and for wildlife habitat enhancement, watershed protection, fire abatement, and disease control all with MLR review and approval of a timber harvest plan. Surface mining would be restricted and roads would be for access to the residences and timber management use only. Livestock grazing would be allowed, however, Lion Creek's riparian habitat would be protected with fencing.
 - **Simmons Meadow Property.** Preservation of scenic open space and natural habitat for wildlife and waterfowl. This property could transfer as two parcels for a family member only under the terms of the easement. Henry and Joan want to retain the right for one additional residence that would be confined to a building envelope. The Simmons Meadow property is highly visible to the public from Montana Highway 83. The timber management would be for wildlife habitat enhancement, watershed protection, fire abatement, and disease control all with MLR review and approval of a timber harvest plan. Surface mining and peat removal would be restricted and roads would be for access to the residences and timber management use only. Livestock use on this property would be for management purposes only.
3. Relationship of the easement project to the MLR operational objectives.
 - Henry and Joan are willing to make a small donation to help cover the costs associated with the conservation easement. They are also planning to donate funds as part of their estate for the long-term stewardship of these properties. In addition, staff is submitting a request for cost share dollars to the Montana Department of Fish, Wildlife and Parks. The request would be for the title and mineral reports, resource documentation and mineral remoteness reports, and recording fees.
4. Related items to this project.
 - Staff first made contact with the Meyers' nine years ago.
 - These properties are a part of our overall Swan Valley strategy to accomplish neighborhood conservation.

The staff contact for this project is Amy Eaton.



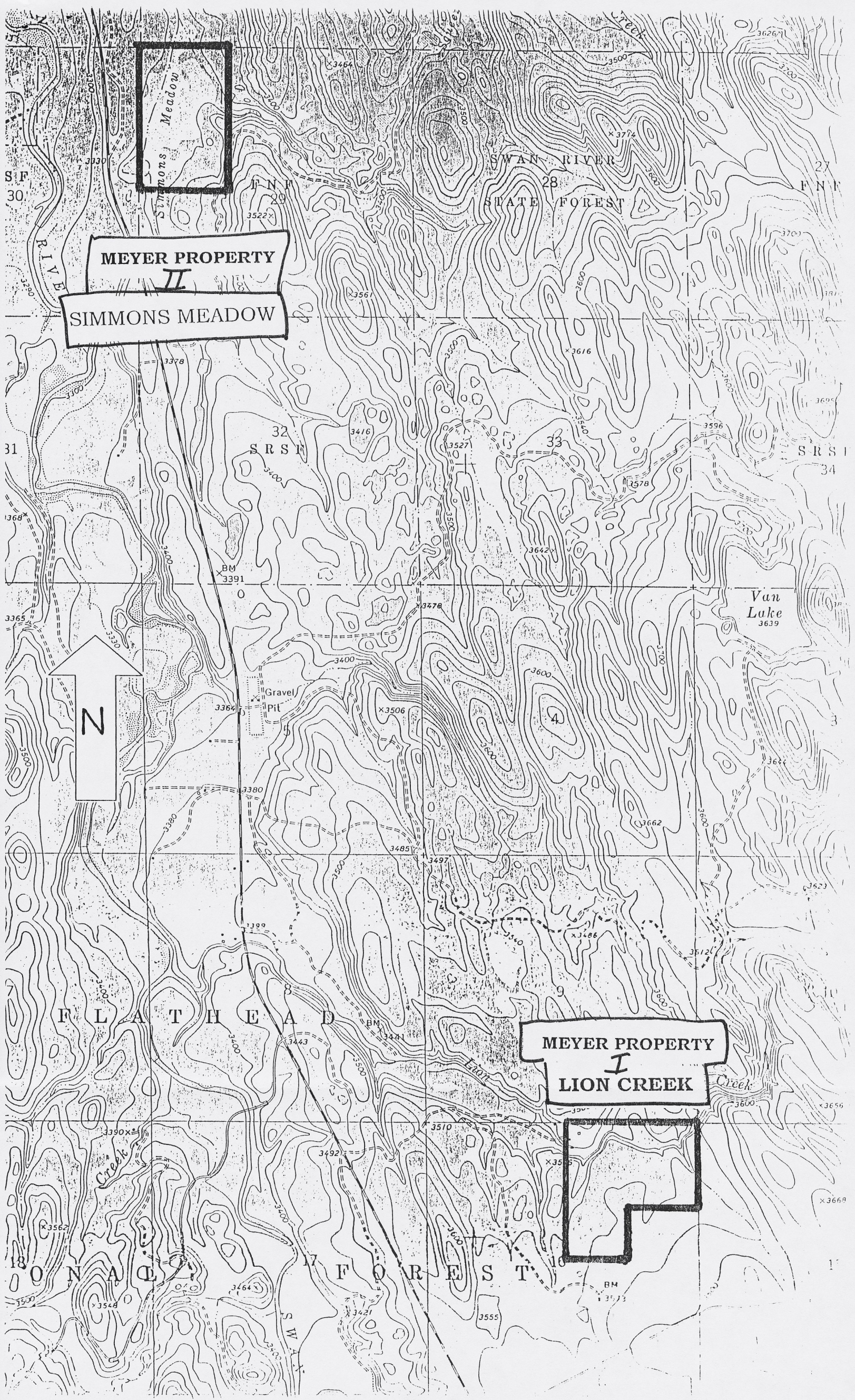
SIMMONS MEADOW

MEYER PROPERTIES

LION CREEK

MISSOULA CO

FLATHEAD CO



MEYER PROPERTY
II
SIMMONS MEADOW

MEYER PROPERTY
I
LION CREEK



The Montana LAND RELIANCE

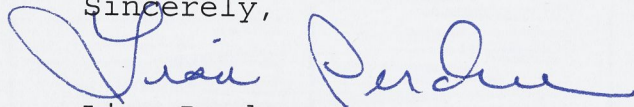
August 27, 2001

Bud Lilly
Bud Lilly's Angler's Retreat
16 W. Birch
Three Forks, MT 59752

Dear Bud,

Enclosed is the board packet for the Montana Land Reliance's Board of Directors' Meeting on September 5, 2001. We will be meeting at the Lewis and Clark Library, 120 S. Last Chance Gulch, in Helena. If you have any questions, please do not hesitate to call.

Sincerely,



Lisa Perdue
Office Assistant

enclosures

GLACIER FLATHEAD OFFICE

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The **Montana** LAND RELIANCE

**MONTANA LAND RELIANCE - BOARD OF DIRECTORS MEETING
WEDNESDAY, SEPTEMBER 5, 2001
LEWIS AND CLARK LIBRARY**

- 10:00 Call to Order and Approval of May 14-16, 2001 Annual Meeting Minutes
- 10:15 **Directors**
Director Emeritus - Dude Tyler
Director-at-Large (Lyons/Beattie)
Ratification of Conference Call
- 10:30 **Legislative Update**
- 11:00 **Amendment Policy**
- 11:30 **Annual Report Photos**
- 12:00 **Lunch**
- 1:00 **Stewardship/Monitoring**
Amendment - Koenig
- 2:00 **Land Conservation**
New Projects: Tabor; Meyer (Lion Creek/Simmons Meadow); Weaver; Gardner; Sixteen Mile Creek Ranch; Parks/Nunez; Lyndes; D & A Ranch IV; Heart-Bar-Heart III; Kootenai Springs; Meador
- Reapprovals: Dana Ranch
Rafanelli (Whiterock Ranch)
- Updates: (see attached tracking sheet)
Dan Gilleon Easement Purchase
- 2:30 **Break**
- 2:45 **Financial Review**
2000 Audit and Recommendations
Year-to-Date Financial Statement
Land Acquisition Fund
- 3:15 **Outreach**
Art Auction
General Outreach Update
- 4:00 **Adjourn**

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**MONTANA LAND RELIANCE
BOARD OF DIRECTORS ANNUAL MEETING
FLATHEAD LAKE LODGE
Monday, May 14, 2001**

The meeting was called to order by Vice President Jerry Townsend at 1:30 p.m. Board members present were Jerry Townsend, Allen Bjergo, Bill Leaphart, George Olsen, Betty Thisted, Jack Dietrich, Susan Heyneman, and Elise Donohue. Staff present were Bill Long, Rock Ringling, Jay Erickson, Chris Phelps, Lois Delger, Noorjahan Parwana, Chris Montague, Amy Eaton, Jane Kile, Cathy Warner, Candace Durran, Becki Maki-Loney, Gayleen Malone, Greg Smith, and Jackie Bjergo. Directors-at-Large present were John Dale, Jay Proops, and Richard and Joan Schleicher. Director Emeritus present was Cathy Campbell. Flathead Advisors present were Chuck Mercord and Doug Averill. Guests present were Jack Heyneman and Millard and Mina Cox.

There were no corrections to the February 7, 2001 meeting minutes.

Dietrich moved to approve the minutes, Thisted seconded the motion which passed unanimously.

DIRECTORS

Harvey Resignation as Director-at-Large

Harvey resigned as of March 31, 2001. She indicated that conflicts with other commitments do not allow her ample time to serve on so many boards, but she will still support MLR.

Leaphart moved to accept the resignation of Harvey as a Director-at-Large, Heyneman seconded the motion which passed unanimously.

Directors-at-Large Nominations

Millard and Mina Cox were nominated as Directors-at-Large. Montague met them three years ago through the Heynemans. The Cox's, along with their partners, donated a conservation easement to MLR in 1998 on their Trout Creek Ranch property on the Stillwater River.

Thisted moved to accept Millard and Mina Cox as Directors-at-Large, Bjergo seconded the motion which passed unanimously.

Larry and Claire Wilson were also nominated as Directors-at-Large. They donated an easement to MLR in 1995 and we are currently working with them on two other conservation easements. They are committed to the conservation of Montana's open space and wildlife habitat.

Leaphart moved to accept Larry and Claire Wilson as Directors-at-Large, Donohue seconded the motion which passed unanimously.

LAND CONSERVATION

Completed Projects

Eaton reported that the Brown project has been completed. This 50-acre property in Sanders County included historical elements (i.e., 1900s terracing effect for agriculture).

New Project Presentation Format

Phelps explained the new project presentation format. Each presenter will go through the list on the "Conservation Easement Quality Decision" chart. These items include how the potential project relates to MLR's goals, such as the size of the project, stream frontage, if it is neighborhood conservation, and any exceptions (i.e., wildlife corridor, agricultural land, habitat, adjacent to other conservation easements, people/finances, location). The presenter will also address how the project fits in with our mission statement, any concerns about the project, and issues related to staff's capacity to handle the project.

Assuming that the Board has read the project writeups prior to the Board meeting, the presenter will take the project through this chart. This will eliminate the necessity of reading through each project writeup.

New Projects

- *Avis Property II* - This property consists of 16,120 acres in the Shields River Valley. Located in the Brackett Creek drainage west of Clyde Park, this property contains the Elk Park property, consisting of 5,120 acres that MLR has already approved for a conservation easement, and an additional 11,000 acres which the landowners recently purchased. MLR took an active role in bringing these two ranches in for a conservation easement.

Dietrich inquired about the prospect of amending a conservation easement upon acceptance. Long stated that the Avis' have other acres, so there may be an amendment in the future. Millard Cox asked if, in accepting a property, does the property have to have development potential. It doesn't have to be an immediate

threat. It is not a requirement of the IRS statute, Dietrich replied. MLR maintains the agricultural nature of the land.

The criteria of when we would not accept a project include when it's not conservation (i.e., too many homesites or not enough acreage), smaller projects (surrounded by development), to guard our reputation, and balancing MLR's time and capabilities against the amount of conservation.

Bjergo moved to accept the donation of a conservation easement on the Avis property II, Heyneman seconded the motion which passed unanimously.

- Double D Ranch Property II - This 1,920-acre property located at the head of Brackett Creek in the Greater Yellowstone Ecosystem includes two sections of land that went into private ownership as a result of the Gallatin II Land Exchange, as well as a section the landowner purchased from a neighbor.

Dietrich reported that, in reference to mineral exploration in the statutes, certain minerals may not be recognized by the IRS. Staff assured the Board that the IRS Code is referenced in the conservation easement.

Thisted moved to accept the donation of a conservation easement on the Double D Ranch property II, Bjergo seconded the motion which passed. Donohue abstained from participating in this discussion and voting on this project.

- Martin Property - This 6 acres is located along the Madison River near the town of Ennis. The landowners own these three contiguous parcels, upon which they wish to retain the right to construct one residence only. This property borders the Montana Department of Fish, Wildlife and Parks (DFWP) Burnt Tree fishing access on two sides.

Dietrich moved to accept the donation of a conservation easement on the Martin property, Leaphart seconded the motion which passed unanimously.

- Owen (Tim/Anne) Property - This 78-acre property is located south of Bozeman along Hyalite Creek. The landowners have done extensive habitat work (two ponds and fencing) as well as removed six old structures. This project provides an excellent introduction into the estate planning arm of D.A. Davidson, as Tim is their Bozeman manager.

Heyneman moved to accept the donation of a conservation easement on the Owen (Tim/Anne) property, Leaphart seconded the motion which passed unanimously.

- Melita Island - These landowners originally approached MLR concerning the donation of a conservation easement on their Flathead Lake island in 1996. Melita Island consists of approximately 64 acres, the only access being by boat. This would be MLR's thirteenth project on or near Flathead Lake. The landowners wish to design the conservation easement to allow for the transfer of the island to a youth group or camp.

Bjergo moved to accept the donation of a conservation easement on Melita Island, Olsen seconded the motion which passed unanimously.

- Collins Property - This 460-acre property is located on the North Fork of the Flathead River in the Northern Continental Divide Ecosystem (NCDE). It is adjacent to state and national forest lands and is in close proximity to Glacier National Park. Coal Creek, which is a major tributary of the North Fork of the Flathead River, is the northwest boundary of the property. This area is a key migration corridor which connects Glacier National Park with the Whitefish Range and beyond. Commercial use of buildings (i.e, guest ranching) would be prohibited.

Dietrich questioned whether we are unduly restricting a rancher from a few people helping out on the ranch. Discussion ensued. It is the landowners' wish to have it non-commercial. As more people come in, we're going to see more attacks on our conservation easements. We should have limited commercial use instead of no commercial use to strengthen our document.

Townsend asked if MLR would be looked upon as obstructionists? Townsend felt we would be making a mistake if we preclude grazing and harvesting of timber. It's not the current landowner who is the problem, it's in perpetuity where we are not enhancing conservation. The conservation easement is not the appropriate tool to manage the land. Monitoring staff only sees the property one day a year. We would need to do a baseline survey each year to cover ourselves in court.

The logical thing for us to do is accept the donation of a conservation easement for one or more of the following items that are acceptable under the IRS Code: open space, habitat, and educational. Our conservation easements are designed to protect these things.

Dietrich suggested that we reassess our position from time to time. We need to be proactive in monitoring and ensure that we have given the heirs (children of the conservation easement donors) a tool which they can use in the future, if needed.

Dietrich was uneasy about maybe discharging our obligation of monitoring by looking at the property once a year. Townsend believes that we have taken a wise position in reference to staying out of the management of the properties.

As long as the landowner makes the decision (as a well-informed decision maker) to lock up the land in perpetuity, then who are we to question that? The more intrusive we are in our monitoring, the more fights we will see in the future with heirs and future landowners.

Thisted moved to accept the donation of a conservation easement on the Collins property, Olsen seconded the motion which passed unanimously.

- Peterson (Gerald) Ranch Property - This 946-acre property is located in Fergus County near Giltedge, Montana. Part of the main house was the original Fort McGinnis, which adds historical value. Many artifacts of military and Native Americans have been found on the property. The writeup erroneously stated that the project provides a buffer from sprawl outside of Ennis. This would be a Special Protection Project.

Townsend questioned the preclusion of granting major utility corridor right-of-way easements. Does this mean transformer or pipeline? If eminent domain comes into play, then we cannot stop it. Staff responded that the preclusion means that the grantor cannot grant a right-of-way and impact the open space.

Olsen moved to accept the donation of a conservation easement on the Peterson (Gerald) Ranch property as a Special Protection Project, Leaphart seconded the motion which passed unanimously.

- Legg Property - This 304-acre property is located southeast of Ennis in Madison County. The property contains 0.75 miles of Bear Spring Creek on both sides and touches the conservation easement on the Longhorn Ranch.

Townsend expressed several concerns. This project would allow three homesites instead of one. Staff stated that this property could be completely subdivided without a conservation easement protecting it. The property borders a cemetery and the Longhorn Ranch conservation easement. There could very well be 30 homesites instead of the three with the conservation easement. Grazing limitations consist of buffering the stream. The one house per 100 acres restriction would protect the land from development, which is heading that way with its close proximity to Ennis. Townsend was also concerned about limiting the timber harvest. Staff assured the Board that there is no commercial timber located on the property.

Dietrich moved to accept the donation of a conservation easement on the Legg property, Thisted seconded the motion which passed unanimously.

- Schiemann Property - This 310-acre Bitterroot Valley property is located 12 miles south of Hamilton. Lick Creek traverses through the property. The "Big Ditch" that supplies irrigation water for the lower Bitterroot Valley begins on the property, so it is in the

public interest to maintain the open space. The property is bordered by U.S. Forest Service land and is near several other MLR conservation easements. This project is linked with a Forest Legacy Acquisition request (which is money appropriated through the Farm Bill) submitted to the Forest Service for fiscal year 2002 on an adjoining 220 acres.

Dietrich moved to accept the donation of a conservation easement on the Schiemann property, Thisted seconded the motion which passed unanimously.

- Carroll Property - This 150 acres is located in Madison County between Twin Bridges and Silver Star. There is 1 mile of Jefferson River frontage located on the property. The landowners talked about leaving the land to MLR in their will, but they cannot make a gift with a life estate. They would like to do a conservation easement and then sell the property. This would be a Special Protection Project.

Leaphart moved to accept the donation of a conservation easement on the Carroll property as a Special Protection Project, Bjergo seconded the motion which passed unanimously.

- Shannon Property - This 110-acre property is located in Madison County between Twin Bridges and Glen. There is nearly 1 mile of the Big Hole River frontage located on the property. This would be a Special Protection Project.

Townsend expressed his concern with the blanket prohibition of commercial timber harvest.

Dietrich moved to accept the donation of a conservation easement on the Shannon property as a Special Protection Project, Bjergo seconded the motion which passed. Leaphart abstained from participating in the discussion and voting on this project due to a conflict.

- LaMarche Creek Ranch and Guckenbergl Option - This 1,630-acre ranch is located in Deer Lodge County between Wise River and Wisdom. LaMarche Creek is a sanctuary for the threatened grayling. The creek has strong year-round flows and maintains cool temperatures throughout the summer months. The ranch is bordered by Forest Service and BLM land to the north and is within 4 miles of the Pintlar Wilderness Area boundary. The gravel pit located on the property is limited to noncommercial use and timber harvests would be allowed with staff approval.

Thisted moved to accept the donation of a conservation easement on the LaMarche Creek Ranch, Bjergo seconded the motion which passed unanimously.

The Guckenbergs Option involves an additional 600-acre parcel the Guckenbergs own adjacent to the LaMarche Creek Ranch which they intend to sell. This parcel surrounds the mouth of LaMarche Creek and straddles the Big Hole River south of Highway 43. The landowners would like to enter into a conservation easement purchase option with MLR before they place the property on the market. The option agreement would run for five years. The purchaser of the property would be required to enter into the option agreement prior to closing. The strike price would be \$25,000 to be paid to the purchaser. If MLR exercises the option, there would be a deduction to the purchaser for a bargain sale. MLR would pay the Guckenbergs \$250 from the Land Acquisition Fund for entering into the option agreement.

If MLR exercises the option, the landowner gets tax benefits for the difference between the bargain sale price and the market price. If the landowners donate the easement, they would still get tax benefits. Dietrich cautioned that we are getting dangerously close to losing the donative intent. Erickson stated that, for there to be a deduction for bargain sale, there does not have to be donative intent.

Dietrich moved to approve the purchase of an option to purchase a conservation easement in the amount of \$250 on the Guckenbergs property. If the option is exercised, the cost of the easement would be \$25,000. The purchase price of \$250 and the easement purchase (if necessary) price of \$25,000 would come from the Land Acquisition Fund. Olsen seconded the motion which passed. This was not a unanimous vote. Seven voted for the option and one voted against.

- Engwis Property - This 1,800 acres is located in Sweet Grass County between Livingston and Big Timber in the foothills of the Crazy Mountains. There are 2 miles of Yellowstone River frontage located on the property. The project writeup erroneously stated that no commercial activities would be allowed. There is basically no timber on the property except along the river.

Dietrich moved to accept the donation of a conservation easement on the Engwis property, Thisted seconded the motion which passed unanimously.

- Anderson (Gary) Property II - This 240 acres has 1 mile of the Smith River running through it. The landowners have been in conversations with DFWP about a purchased easement on the property. The landowners would like MLR to hold the easement and to participate in the purchase. DFWP can generate \$200,000 of the \$300,000 purchase price. DFWP has asked MLR to commit for the remainder of the monies (\$100,000). Though we do not have the money at this time, staff is confident that we can raise that amount over the next two years and have some verbal commitments already.

Dale questioned if this would involve public access land to the river with the state being involved. The answer was no. If DFWP held the conservation easement, then it may be an issue. That is why MLR would be holding the conservation easement.

Townsend thought the Smith River was an "all or nothing" deal so that the price did not escalate as MLR got further down the river. This project actually eats up the money available and sets the price for property. How are the people on the Smith River going to feel who have donated conservation easements? Staff reassured the Board that those landowners were able to consume the tax benefits. Ringling has talked to some of them and they are all for this project. Anderson has donated an easement on a 1,046-acre inholding to us previously. Anderson has timelines, so if we are going to vote it down, we need to just tell him no.

Proops asked why the DFWP would pay one-third of the value of the property for a conservation easement. The reason is the development potential for the Smith River property.

R. Schleicher asked why we couldn't counter \$250,000 to cut our cost. The \$300,000 mark is down from where we started. Anderson already has a buyer for the property who is not a conservation buyer.

Thisted is uncomfortable with partnering with DFWP. We would only momentarily be partnering with DFWP. It would be our conservation easement with the Andersons. It would be good politics for DFWP to join in because of the 4,500 people who float the river each year.

Heyneman moved to empower the Executive Committee after consulting with the staff to negotiate with the landowner on the purchase of the conservation easement on the Anderson (Gary) property II, Olsen seconded the motion which passed.

Thisted moved to approve the \$100,000 purchase of a conservation easement on the Anderson (Gary) property II as a Special Protection Project, Olsen seconded the motion which passed.

- Heminway (John) Property - This 160 acres surrounded by state and private lands lies across Big Timber Creek north of Big Timber in Sweet Grass County. Increased conservation stewardship would be of great value to the water resources on this property. The landowner would like us to take an option for the future purchase of an easement on the property. The amount of \$250 from the Land Acquisition Fund would secure the option. The option, if exercised, would be \$50,000 from the Land Acquisition Fund.

Bjergo moved to approve the purchase of an option to purchase a conservation easement in the amount of \$250 on the Heminway (John) property. If the option is exercised, the cost of the easement would be \$50,000. The purchase price of \$250 and the easement purchase (if necessary) price of \$50,000 would come from the Land Acquisition Fund. Leaphart seconded the motion which passed unanimously.

- Coulter (David/Susan) Property - This 6,000 acres of foothill lands north of Big Timber straddles Sweet Grass Creek. The creek flows through the ranch for approximately 4 miles.

Thisted moved to accept the donation of a conservation easement on the Coulter (David/Susan) property, Heyneman seconded the motion which passed unanimously.

- Nelson Spring Creek (Dana) - The landowners would like to place a new conservation easement over the old Trout Unlimited conservation easement. They wish to tighten up the conservation easement by eliminating transfers to family members. There will be two conservation easements on the property.

Dietrich moved to accept the donation of a second conservation easement on the Danas' Nelson Spring Creek property, Thisted seconded the motion which passed unanimously.

Reapprovals

- Wagon Rod Ranch Property - This project, originally approved by the Board in 1997, consists of 2,300 acres with approximately 2.5 miles of Missouri River frontage. The ranch headquarters used to be the jump off point of oxen freighters to White Sulphur Springs and Helena. Several historical sites, including a buffalo jump and camp sites, are located on the property. This project was originally (in 1997) approved as a Special Protection Project, however, The Conservation Fund has now offered to pay the costs associated with placing an easement on the property for the landowners.

Olsen moved to accept the donation of a conservation easement on the Wagon Rod Ranch property as a Special Protection Project, Bjergo seconded the motion which passed unanimously.

- Wilson (Larry) Property II - This project, originally approved by the Board in 1999, consists of 12 acres adjacent to the landowners' River Bend Ranch in the NCDE. The landowners would like to amend their original conservation easement to include this additional acreage. The two parcels are adjacent to the Swan River.

Leaphart moved to accept the donation of a conservation easement on the Wilson (Larry) property II, Bjergo seconded the motion which passed unanimously.

- Witman Property - This project, originally approved by the Board in 1999, consists of approximately 40 acres near Bigfork. The property contains significant bogs and forested wetlands associated with Swan Lake.

Leaphart moved to accept the donation of a conservation easement on the Witman property, Bjergo seconded the motion which passed unanimously.

Updates

There were no questions on the tracking sheet, which tracks the progress of our projects.

- Stillwater Mining - Long reported that we've been negotiating with Stillwater Mining on property located on the East Boulder and head of the Stillwater River. This type of a venture has not been embarked upon in this nation. The conservation easements have been drafted.
- Glynn Ranch Purchase - This 4,600-acre project was originally a Special Protection Project. The property is located on the northeast slope of the Crazy Mountains 10 miles south of Two Dot. The landowner applied to the Montana Agricultural Heritage Program (MAHP) for funding last summer, but was turned down. The landowner would now like MLR to purchase the conservation easement. Montague has raised \$100,000 from the Turner Foundation and would like to use \$25,000 of that to help purchase the conservation easement. TNC will fund \$10,000 and the Rocky Mountain Elk Foundation will fund \$15,000 for a total of \$50,000. There is currently one house on the property, which has been in the family for three generations. The landowner would like to add five more cabins and a residence within the development area.

Dietrich moved to approve the purchase of a conservation easement in the amount of \$25,000 on the Glynn Ranch property funded by the Turner Foundation's donation, Heyneman seconded the motion which passed unanimously. This approval is contingent upon receipt of the additional funding from TNC and the Rocky Mountain Elk Foundation.

The meeting was recessed at 5:30 p.m.

**MONTANA LAND RELIANCE
BOARD OF DIRECTORS ANNUAL MEETING
FLATHEAD LAKE LODGE
Tuesday, May 15, 2001**

The meeting reconvened at 9:15 a.m. Board members present were Jerry Townsend, Allen Bjergo, Bill Leaphart, George Olsen, Betty Thisted, Jack Dietrich, Susan Heyneman, and Elise Donohue. Staff present were Bill Long, Rock Ringling, Jay Erickson, Chris Phelps, Lois Delger, Noorjahan Parwana, Chris Montague, Amy Eaton, Jane Kile, Cathy Warner, Candace Durran, Becki Maki-Loney, Gayleen Malone, Greg Smith, Jackie Bjergo, and Mark Schiltz. Directors-at-Large present were John Dale, Jay Proops, Richard and Joan Schleicher, Bill Hutton, Tom Patterson, and Millard and Mina Cox. Director Emeritus present was Cathy Campbell. Flathead Advisors present were Chuck Mercord and Doug Averill. Jack Heyneman attended as a guest.

Townsend insisted on a roll call vote on the Anderson (Gary) property II. The "Yays" were Leaphart, Olsen, Dietrich, Thisted, Donohue, Bjergo, and Heyneman. Townsend was a "Nay".

Heyneman moved to reconsider the vote on the Anderson (Gary) property II, Olsen seconded the motion which passed unanimously.

Thisted moved, in consideration of the roll call vote on the Anderson (Gary) property II, to purchase the conservation easement with \$100,000 from the LAF, Donohue seconded the motion which passed.

Discussion ensued concerning the Anderson (Gary) property II and purchasing conservation easements in general.

R. Schleicher felt that, as a guideline, the landowner from whom we are purchasing a conservation easement should gain no more than if he/she donated the conservation easement. Dale felt this was too complex of an issue and we should seek outside counsel. Dietrich agreed. This should be handled on an ad hoc basis rather than have a set policy.

Proops was troubled about a few things concerning the Anderson (Gary) property II. The purchased conservation easement would greatly enhance the guest ranch property, which is the non-easement property. He was also troubled about the amount of the purchase price. The total amount of the purchase (\$300,000) would require a 66 percent appraisal. Proops has never seen a 66 percent appraisal on a conservation easement property (40 percent with no restrictions and 50 percent with some restrictions). Proops would rather see \$100,000 spent by MLR hiring a few more staff to look for properties on which conservation easements would be donated. He also

suggested we request Anderson to donate a conservation easement on the rest of his property.

Hutton noted that once MLR starts purchasing conservation easements, landowners will not be as generous. We should only purchase conservation easements in rare instances.

Heyneman suggested that staff put together a memo with the minutes of when we established the LAF. This memo should be sent to the Board. Eaton mentioned the gift of \$200,000 that was given to the LAF a few years ago that was used to purchase a conservation easement at bargain sale.

R. Schleicher mentioned that Marilyn Wood of The Nature Conservancy (TNC) in the Flathead area contacted them for money to purchase conservation easements. TNC had to raise private money before they could purchase conservation easements. Schleicher would like to see MLR investigate this process. Dietrich stated that it was TNC's policy to raise the money and not take the money out of TNC's general fund.

Olsen was troubled about the position MLR would be put in working with bargain sale donors. The diminution in value enhances the landowner's other property. The calculation of a tax benefit is very difficult.

Donohue feels we need guidelines and need to discuss this issue in greater detail.

STEWARDSHIP/MONITORING

Amendments

- *Pfister* - The landowner of this 13,850-acre cattle ranch located 25 miles north of Billings wants to take advantage of a 2031(c) tax benefit now that her mother has passed away. The property is located within a 25-mile radius of a metropolitan area (Billings). It is staff's understanding that, in order to take advantage of a 2031[©] tax benefit, the conservation easement must prohibit all recreational uses and commercial activities. The landowner has agreed to give up the right for oil and gas development and the right to a guest ranching/commercial outfitting business with associated lodge and cabins.

Andy Dana cautioned us about the adjacent land not under conservation easement. The landowner can do the guest ranch there and any trail riding on the eased portion of the ranch would be considered an access issue by MLR and would therefore be permitted. It should be noted in the file as to the understanding we have with the landowner on that issue.

Hutton raised concern over the access issue and stated that there could be considerable risk to the landowner with respect to benefits. Hutton also stated that removal of oil and gas development is not required under 2031(c).

Thisted moved to approve an amendment on the Pfister conservation easement to preclude oil and gas development and any guest ranching/commercial outfitting business with associated lodge and cabins, Donohue seconded the motion which passed unanimously.

- Taylor (Jean/Lucian) - The landowners own approximately 73 acres in Ravalli County, subject to two MLR conservation easements. At the time of the donation of the conservation easements, the property was owned by two separate legal entities (both controlled by the Taylors). The Taylors' attorney informed us that the Taylors planned to move title to the partnership property into a newly formed entity, "Lucian and Jean Taylor Partners". We informed their attorney that we would view separate conveyance of one of the tracts to a new legal entity as a technical violation of the easement, but the Taylors transferred title anyway. Staff would like to amend the two conservation easements so that the two parcels transfer as one.

Bjergo moved to approve an amendment on the Taylor (Lucian/Jean) conservation easement so that the two parcels transfer as one, Thisted seconded the motion which passed unanimously.

FINANCIAL REVIEW

Year to Date Financial Statement

Long reported that, as of March 31, 2001, MLR had received \$176,296 in total revenues in the General Fund. There is a disparity with the budgeted amount of \$275,103 that is due to changes at MLR (Erickson coming on board), potential changes in the market, and big individual supporters that have not donated yet. The art auction bumps that budgeted number up, but staff is confident that the revenues will look better in August. The budgeted amount is averaged over the course of the year. Long does not see any red flags. With regard to expenditures, we are significantly under budget.

The decline in the change in market value in both the Land Protection Fund and the Education and Research Fund is due to a challenging year for the equity market.

The Board would like to see a change on the percentage comparison page of the financial statement. The "Budgeted" column should be renamed "Annual Budget".

Bjergo moved to adjourn the meeting at 10:55 a.m., Leaphart seconded the motion which passed unanimously.

OUTREACH

Art Auction

Eaton reported that the art auction will be held on August 17, 2001. The art will be on display at the Glacier Gallery beginning on August 1. There will be a preview party at the Glacier Gallery on Wednesday, August 15. On Thursday night, August 16, there will be "Meet the Artists" parties hosted by Jack and Suzi Hanna and Ken and Tammy Bjorge. The art auction festivities will begin at 1 p.m. on August 17th. The silent auction will begin at 4 p.m. There are two cruises planned prior to the art show.

This fundraiser is the big social event in the Flathead. There were 550 invitations sent. In early June, there will be another 1,000 invitations sent. We anticipate 600 people at the event. The Big Sky Journal will have a two-page ad in their summer issue.

There are 62 artists participating in the art auction this year. Each will be doing a maximum of two pieces. Art will include furniture, sculptures, paintings, and a chandelier. There will also be four artists doing quick art (sketches) at 3 p.m. the day of the show. There will be approximately five raffle items including a Marolyn Stanley quilt. There will also be table decorations for sale. These will include fossils and minerals centerpieces.

Our target is \$150,000-200,000 to be raised at the show. Of the purchase price, two-thirds will go to the artist and one-third will go to MLR (unless the artist opts to give us more than one-third). Art that is purchased for \$10,000 or more will have a different breakdown. The artist will receive 80 percent and MLR will receive 20 percent. There will be a disclosure concerning charitable donation/purchase. Glacier Gallery will be in charge of absentee bidding.

Sponsors for the art auction include Doug and Maureen Averill, Mina and Millard Cox, Mike and Charlotte Delaney, Elise Donohue, Jack and Susan Heyneman, Roy and Susan O'Connor, Cindy and Alan Horn, Karen and David Lail, Van Kirke and Helen Nelson, Doug Nelson, Rob and Terri Ryan, John and Cheryl Dale, and Larry and Claire Wilson. Eaton has secured over twenty volunteers plus staff.

Eaton reported that it cost approximately \$25,000 to put on the 1999 art auction. This money was covered by sales and the sponsors, they were not out-of-pocket costs. The 1999 art auction hosted approximately 500 guests and was the number two art auction in the state (Charlie Russell being number one). Over 80 percent of the art sold at the last art auction.

Bridge Finance - Northern Rockies Land Trust Association

Long reported that MLR has been involved in meetings over the past year and a half with foundations interested in the area from Jackson Hole into the Rockies. Many land trusts

have been involved including TNC (Montana, Wyoming, Canada, and Idaho), Land Trust Alliance Northwest, Prickly Pear Land Trust, Flathead Valley Land Trust, the Jackson Hole Land Trust, the Five Valleys Land Trust, Wood River Land Trust, Gallatin Valley Land Trust, and Trust for Public Land, just to name a few.

This group of land trusts is interested in putting together a loose association. There will be recognition that there is communication between the land trusts. They have been getting feedback from large national foundations that collaboration is important. Long has some reservations about this proposed concept as a way to raise money, but feels that we need to talk about it.

Discussion ensued centered around raising money. The original idea was corridor protection. Long told the land trusts that MLR wasn't interested in anything to do with access or the Yukon to the Yellowstone Initiative. The Board gave its support to proceed with discussions.

Lonesome Dove/Sphinx Mountain

Long and Ringling met with Peter Stein, who is a representative of the Doris Duke Charitable Foundation. Stein asked if MLR could use \$500,000-750,000 for project work in the Greater Yellowstone Ecosystem.

MLR was granted \$600,000 by this foundation for a buy-out of the 1,700-acre Sphinx Mountain/Lonesome Dove subdivisions. These subdivisions are right in the middle of our conservation efforts in the Madison Valley.

Sphinx Mountain has 90 potential homesites. Staff proposes that MLR buy the property, leave only a few homesites, wait three years, and put it back on the market.

Proops noted that it would be nice to have an endowment so funds would always be there for situations like this. Ringling stated that foundations such as this one do not like to give to endowment funds or revolving funds.

Absaroka-Beartooth Front

There is a proposed coalition of TNC (Montana and Wyoming) and MLR. David Leuschen has pledged \$1 million to be split between the three groups for conservation from Livingston, Montana to Thermopolis, Wyoming. The coalition, named the Absaroka-Beartooth Ranchland Trust, would take an advisory role. MLR would hold the conservation easements in Montana.

TNC will buy the land, MLR will put the conservation easement on it, and then TNC will resell the land. The Board applauded staff on this concept.

Olsen stated that we will have to monitor these conservation easements. Montague assured him that 5 percent of the money from Leuschen would be split between our LPF for stewardship purposes and our General Fund.

The advisory group would be a legal entity. No monies would flow into it. MLR would set up a subfund of the LAF (the Absaroka-Beartooth Fund). MLR's portion of the money would come directly to us.

ONE MILLION ACRES - 1,500 MILES OF RIVER UPDATE

Heyneman indicated that she would like maps of the individual drainages. Staff stated that, due to our contract with the Montana Natural Heritage Program, maps would be difficult to obtain this year but, with advanced notice, we could obtain maps for interested Board members.

The targeted areas include the Madison Valley, where our conservation accomplishments are unparalleled anywhere in the nation (75,000 acres protected); Flathead Valley; NCDE including the Swan and Mission valleys; Stillwater Valley; Blackfoot Valley; Big Hole Valley; and Smith Valley.

MLR has a total of 442 conservation easements. We refer to these easement holders as our alumni. Our reputation has taken off through word of mouth. Our story has remained the same -- we work with private landowners.

We have been the key in bringing on board 47 other land trusts to support S.701, the federal legislative bill affecting conservation easements. With this new tax legislation, we will have a new tool to reach more landowners.

We have retained our staff and have kept key Board members. We have also been building our LPF so that the income from this fund can pay for our stewardship staff salaries.

The Board asked where we are the most vulnerable. Staff responded that the vulnerability lies in the burn-out of staff with the push of how much there is to be done. Staff is very dedicated and knowledgeable and it is important to retain them. The Board asked if we should increase the staffing to reduce burn-out. Staff responded that we are conservative in relation to our reasonable fundraising goals and the slow growth of the organization with regard to staffing. The Board suggested looking at this issue on a regular basis. Staff agreed.

Outreach and communication is a big part of reaching the One Million Acres - 1,500 Miles of River goal. Staff is aware of the potential for change in the tax laws and the motivation for substantial deduction for many donors.

The first stage, which we are currently in, involves the acquisition of conservation easements, either through donations or purchases. The second stage, which will be in approximately 10-20 years, will change the focus of MLR to monitoring and stewardship.

Communications Coordinator

Due to misinformation in the agricultural community, we felt we needed to get our story out to the public. Eighteen months ago, staff decided to hire a communications person to do publications and outreach. In April of this year, we hired Candace Durran as our new Communications Coordinator. She will be issuing press releases, writing articles for and coordinating production of the newsletter, sending out articles and photos to magazines and newspapers, and setting up appearances on T.V. and radio for managers.

One of her main responsibilities will be to inform the public as to what is a conservation easement. She has already written an article on conservation easements in general and distributed it to the Lewis and Clark County Conservation District, the Prairie Star, and Rural Montana magazine. She will be getting a revised conservation district directory and send out copies of the articles to all conservation districts in the state. She has been talking to major state newspapers about MLR, and has met with several editors and writers for the papers. She is also circulating copies of Doug Mitchell's article on S.701.

Durran plans to do outreach in the agricultural community by arranging for directors/managers to present to 4H groups and service organizations. Thisted suggested that we showcase Erickson working with the Big Hole Watershed Committee. Montana State University (MSU) can provide conservation districts and county agents for our mailing list. It would be a good idea for Durran to meet with Marcia Getting who does MSU's estate planning seminars.

Stewardship

MLR has four seasonal land stewards. They are Jackie Bjergo, Gayleen Malone, Mark Schiltz, and Greg Smith. These seasonal land stewards monitor our easement properties in their respective areas of Montana.

Phelps indicated how important it was for the stewardship staff to have accurate resource documentation reports and maps that match the legal description. Our job, as stewards, is to ensure the protection of the ecological qualities of the land as they are protected by the easement.

Dietrich inquired if we have a responsibility to determine, in our monitoring, whether the ground has been overgrazed to the point where the range resources are adversely affected. Dietrich is bothered by the idea that easements may not be adequately monitoring adverse grazing impacts. This is a vulnerability of our conservation easements. In our monitoring, we

should see that the land is being managed responsibly. Stewardship education of landowners goes a long way in this area.

Phelps stated that this is a complicated issue and one that MLR has been actively considering for many years. In fact, Phelps has participated in an LTA working group over the past two years to address and discuss among leaders in this agricultural land trust effort working with "working ranch lands" and what is effective and what is not. Phelps related that the consensus of opinion at these two conferences was that grazing management restrictions in easements were difficult to enforce, hard to monitor, a disincentive for easement donations by ranchers and better left to other accessory agreements with landowners rather than putting grazing management prescriptions into the rigid constraints of a conservation easement.

Dietrich still maintained his concern on this issue. Phelps followed with a detailed history of why MLR has moved to its position on easements where landowners retained their agricultural land use rights and how this position fit within the IRS Code while addressing the demands of easement compliance and enforceability.

Parwana has attended GIS training and has implemented a GIS program for MLR. Staff is able to get more accurate legal descriptions on maps. The changes on maps can be made quickly and accurately.

The stewardship staff entertained the group with a skit entitled, "As the World Turns, A Day in the Life of a Land Steward".

Tax Legislation Update

Montague reported that Congress passed a \$1.53 trillion tax reduction over the next 10 years. The 34-35 percent tax bracket is the top tax rate for individuals. If there is any money left over, "we will get to play with it". We do not know what is going to be left at this time.

MLR has done a 1,500-piece mailing to the land trusts in the United States. To date, there are 47 land trusts on board with us. Mimi Peacock has been contracted to call each land trust to get them to sign on with us on this important legislation.

MLR BOARD OF DIRECTORS
EXECUTIVE COMMITTEE
CONFERENCE CALL OF AUGUST 6, 2001

The conference call was called to order at 3:15 p.m. by President Roy O'Connor. Roll call showed O'Connor, Jerry Townsend, George Olsen, Rock Ringling, Jay Erickson, and Cathy Warner in attendance.

Anderson (Gary) Property II Conservation Easement Purchase

At the May 2001 annual meeting, the Board approved purchasing a conservation easement on the Gary Anderson property for \$100,000. The property consists of 240 acres with 1 mile of the Smith River running through it. At the time of the May annual meeting, the Department of Fish, Wildlife and Parks (DFWP) was going to pay Anderson \$200,000 and MLR was going to pay Anderson \$100,000 for the purchase of the easement. MLR would hold the easement.

Now, Anderson would like MLR to purchase the easement for \$100,000 with no involvement with the DFWP. DFWP wanted Anderson to allow public access and trails on his property and Anderson was unwilling to do this.

Anderson would like to retain the right for one homesite with MLR approval of the location.

Ringling stated that the purchase price of \$100,000 is approximately 10 percent of the value of the land, which is the low end of the scale with regard to conservation easement values in that area.

Staff has sent out letters to adjacent landowners asking them if they would help financially with this purchase. To date, staff has not heard back from them. Staff is also exploring other ways to recover the cost of the purchase price.

Townsend reiterated his initial reservation about partnering with DFWP. He is overjoyed with this new development of DFWP not being involved in this transaction.

Olsen stated his apprehension about the effects of purchasing conservation easements. Will other landowners be as willing to donate conservation easements? One effect is that it will cost us money. Olsen doesn't think landowners will be as prone to put money back into the Land Protection Fund if we purchase their conservation easements.

Ringling is unsure what effect this purchase will have on future donations of conservation easements. He doesn't believe other

landowners will be unwilling to donate an easement and ask us to purchase it instead. This project is clearly a bargain sale and we can tell other landowners interested in MLR purchasing their conservation easements that there were neighboring landowners who financed this transaction (if indeed the landowners agree to do so).

Townsend motioned that MLR approve the purchase of the Gary Anderson II property for \$100,000 from the Land Acquisition Fund with the right to construct one homesite with MLR approval of its location, Olsen seconded the motion which passed unanimously.

Townsend motioned the Executive Committee adjourn, Olsen seconded, and the meeting was adjourned at 3:45 p.m.

EXECUTIVE COMMITTEE CONFERENCE CALL -- GARY ANDERSON
PROPERTY

July 26, 2001

Roy, Jerry, and George,

There have been new developments in regard to the potential purchase of a conservation easement on Gary Anderson's Smith River property. Over the course of the last couple of months, the Department of Fish, Wildlife and Parks (DFWP) has pulled out of the deal. They were insisting on holding the easement and other provisions (i.e., public access) that Gary was not comfortable with. Rock has continued to negotiate with Gary in regard to the purchase. For your information, I've included (at the end of this message) the portion of the board meeting minutes that pertained to this project.

Staff would now like to propose that MLR purchase an easement on the 240 acres from Gary at a cost of \$100,000. Gary would be able to construct one residence on the property (located on the west side of the river and by MLR approval of the specific site). The property could transfer in two parcels (1 - the portion that lies west of the Smith; and 2) the remaining portion east of the river). No mineral activity would be allowed. Timber harvest would be for non-commercial/catastrophic event purposes. Roads would be allowed only for access to the portion of the property lying west of the river. Gary would like to continue outfitting activities on the property.

Roy, I believe Rock talked with you about this new proposal. Because the motion passed at the May meeting was somewhat different, I think we still need to have an Executive Committee conference call to approve/disapprove of this new proposal. If you all don't agree, please let me know and we will proceed. If you agree that we do need a new motion, I'd like to attempt to arrange a conference call early next week. My schedule is an absolute mess in the mornings all next week, but afternoons are good any given day. Rock is not going to be available except for Tuesday. Would you gentlemen be available on Tuesday at any time for a conference call regarding this issue?? We could do one without Rock's participation -- but I have to be honest, I don't know that I will be able to fully answer questions having not participated in the meetings with DFWP and Gary. I can certainly try, however, if need be.

Please let me know what time works for each of you. I'll try to coordinate something from there. Sorry for the urgency of this issue. Hope to hear from you soon.

Lois

MAY MEETING MINUTES:

- Anderson (Gary) Property II - This 240 acres has 1 mile of the Smith River running through it. The landowners have been in conversations with DFWP about a purchased easement on the property. The landowners would like MLR to hold the easement and to participate in the purchase. DFWP can generate \$200,000 of the \$300,000 purchase price. DFWP has asked MLR to commit for the remainder of the monies (\$100,000). Though we do not have the money at this time, staff is confident that we can raise that amount over the next two years and have some verbal commitments already.

Dale questioned if this would involve public access land to the river with the state being involved. The answer was no. If DFWP held the conservation easement, then it may be an issue. That is why MLR would be holding the conservation easement.

Townsend thought the Smith River was an "all or nothing" deal so that the price did not escalate as MLR got further down the river. This project actually eats up the money available and sets the price for property. How are the people on the Smith River going to feel who have donated conservation easements? Staff reassured the Board that those landowners were able to consume the tax benefits. Ringling has talked to some of them and they are all for this project. Anderson has donated an easement on a 1,046-acre inholding to us previously. Anderson has timelines, so if we are going to vote it down, we need to just tell him no.

Proops asked why the DFWP would pay one-third of the value of the property for a conservation easement. The reason is the development potential for the Smith River property.

R. Schleicher asked why we couldn't counter \$250,000 to cut our cost. The \$300,000 mark is down from where we started. Anderson already has a buyer for the property who is not a conservation buyer.

Thisted is uncomfortable with partnering with DFWP. We would only momentarily be partnering with DFWP. It would be our conservation easement with the Andersons. It would be good politics for DFWP to join in because of the 4,500 people who float the river each year.

Heyneman moved to empower the Executive Committee after consulting with the staff to negotiate with the landowner on the purchase of the conservation easement on the Anderson (Gary) property II, Olsen seconded the motion which passed.

Thisted moved to approve the \$100,000 purchase of a conservation easement on the Anderson (Gary) property II as a Special Protection Project, Olsen seconded the motion which passed.

Townsend insisted on a roll call vote on the Anderson (Gary) property II. The "Yays" were Leaphart, Olsen, Dietrich, Thisted, Donohue, Bjergo, and Heyneman. Townsend was a "Nay".

Heyneman moved to reconsider the vote on the Anderson (Gary) property II, Olsen seconded the motion which passed unanimously.

Thisted moved, in consideration of the roll call vote on the Anderson (Gary) property II, to purchase the conservation easement with \$100,000 from the LAF, Donohue seconded the motion which passed.

Discussion ensued concerning the Anderson (Gary) property II and purchasing conservation easements in general.

R. Schleicher felt that, as a guideline, the landowner from whom we are purchasing a conservation easement should gain no more than if he/she donated the conservation easement. Dale felt this was too complex of an issue and we should seek outside counsel. Dietrich agreed. This should be handled on an ad hoc basis rather than have a set policy.

Proops was troubled about a few things concerning the Anderson (Gary) property II. The purchased conservation easement would greatly enhance the guest ranch property, which is the non-easement property. He was also troubled about the amount of the purchase price. The total amount of the purchase (\$300,000) would require a 66 percent appraisal. Proops has never seen a 66 percent appraisal on a conservation easement property (40 percent with no restrictions and 50 percent with some restrictions). Proops would rather see \$100,000 spent by MLR hiring a few more staff to look for properties on which conservation easements would be donated. He also suggested we request Anderson to donate a conservation easement on the rest of his property.

Hutton noted that once MLR starts purchasing conservation easements, landowners will not be as generous. We should only purchase conservation easements in rare instances.

Heyneman suggested that staff put together a memo with the minutes of when we established the LAF. This memo should be sent to the Board. Eaton mentioned the gift of \$200,000 that was given to the LAF a few years ago that was used to purchase a conservation easement at bargain sale.

R. Schleicher mentioned that Marilyn Wood of The Nature Conservancy (TNC) in the Flathead area contacted them for money to purchase conservation easements. TNC had to raise private money before they could purchase conservation easements. Schleicher would like to see MLR investigate this process. Dietrich stated that it was TNC's policy to raise the money and not take the money out of TNC's general fund.

Olsen was troubled about the position MLR would be put in working with bargain sale donors. The diminution in value enhances the landowner's other property. The calculation of a tax benefit is very difficult.

Donohue feels we need guidelines and need to discuss this issue in greater detail.

The Montana LAND RELIANCE

MEMORANDUM

TO: MLR Board of Directors

FROM: Chris Phelps, Lands Manager

DATE: August 22, 2001

SUBJECT: Update to MLR Conservation Easement Amendment and Correction Policy

Based on discussions with Andy Dana and follow-up discussions and review by Jack Dietrich, staff has decided that an update to our Conservation Easement Amendment and Correction Policy is necessary. The attached updated policy uses redline to show added language and ~~strikeout~~ to indicate language that will be removed from our current policy. As with many things within MLR's operations, the impetus for these changes is to fine tune the policy to reflect our increased knowledge and awareness, particularly in this instance with the issues of "private inurement and private benefit." Staff recommends that the Board adopt this updated policy during the September 5, 2001, Board meeting. We will discuss it at that time if you have questions or concerns.

Thank you.

GLACIER FLATHEAD OFFICE

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Bigfork, Montana 59911-0460
406/837-2178 • Fax 406/837-4980
email mlrnw@digisys.net

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**THE MONTANA LAND RELIANCE
CONSERVATION EASEMENT CORRECTION AND AMENDMENT AND CORRECTION
POLICY AND PROCEDURE**

General Policy Statement

It is the policy of The Montana Land Reliance (MLR) to hold and enforce its conservation easements as originally executed. Amendments to conservation easements (hereinafter "amendments") will be authorized only in exceptional circumstances and only under the guidelines outlined below. No amendments will be granted which, in the sole opinion of MLR, could jeopardize MLR's tax-exempt status, or which could cause the easement to fail to comply with applicable federal, state, or local laws, regulations, or ordinances.

Subject to possible waiver, MLR's policy is that the party requesting the amendment shall pay all cost, including without limitation, appraisal fees, further baseline studies, staff time and consulting fees for reviewing the request, whether or not the amendment is granted, and for implementing the amendment if approved. Specifically, MLR may require that the party requesting the amendment cover the cost of a qualified appraisal of the value of the requested amendment, in order to assess whether the amendment will result in more than incidental private inurement or private benefit.

Amendment Policy

If circumstances arise under which an amendment to or modification of an easement would be appropriate within MLR's operational policies and procedures, Grantor and Grantee MLR are free to may jointly amend the easement; provided that no amendment shall be allowed that will affect the qualifications of the easement under any applicable laws, including Section 76-6-101, et seq., M.C.A., and the Internal Revenue Code at the time the conservation easement was executed provisions. Any amendment must be consistent with the conservation purposes of the easement, may must not affect its perpetual duration, and either must enhance, or must have no effect on the Conservation Values which are protected by the easement. Furthermore, the provisions concerning valuation of the Easement which are set forth in Section X and in Exhibit E, may not be amended any amendment must not result in more than incidental private inurement or private benefit to any party as hereinabove mentioned. Any Easement amendment must be in writing, signed by both parties, and recorded in the official records of the appropriate county.

Amendment Procedure

An ~~conservation easement~~ amendment may be proposed by either the Grantor or MLR staff. The decision to amend a particular easement will be based upon an evaluation of its advantages and disadvantages.

An amendment evaluation will be prepared for each proposed ~~conservation easement~~ amendment and will include discussions of the following items:

1. Conservation values protected by the amendment;
2. Conservation values lost by the amendment;
3. Costs of the amendment and who will pay; and,
4. Priority of conservation value trade offs.

Conservation Value Trade Offs

Potential trade offs of values protected or lost by an ~~conservation easement~~ amendment would be rank ordered and evaluated. Examples of such trade offs follow:

Highest trade off: Activities which cause extensive physical disturbance or impacts or represent a drastic change of land use or management such as residential or commercial development; logging; mineral exploration or extraction; road construction; and surface water degradation.

Secondary trade offs: Activities which cause limited physical disturbance or impacts and may or may not represent a change in land use and management such as construction of non-residential structures or improvements; changes in agricultural activities and practices; water resource use changes such as irrigation; limited timber thinning; limited appropriate commercial uses such as guest ranching/outfitting or other small business; utility right-of-ways; and agricultural use.

Tertiary trade offs: Activities which do not degrade property resources but may alter land use or management such as changes in agricultural activities and practices; water resource use changes such as appropriate pond development or enhancement activities; residence based business; changes in permitted building materials; and signing.

Neutral trade offs: Updating or changing easement "boiler plate" language; defining a residual right that is

consistent with maintaining the Conservation Values; and, making changes which are not substantive toward the conservation attained by the easement.

Amendment Preparation and Approval

The evaluation of potential amendments will be prepared by appropriate staff and may include the landowner. The evaluation shall include a recommendation whether to proceed or not.

The amendment approval process will be twofold:

- A. Staff reviews the evaluation and recommends to the Board of Directors to either proceed or not to proceed.
- B. The Board of Directors reviews the matter and decides whether the amendment meets the amendment policy requirements and whether it reflects in a positive manner on the conservation interests of MLR.

Correction Policy

If circumstances arise under which corrections of errors need to be made to an easement, ~~gGrantor and grantee~~ MLR are free to ~~may~~ jointly correct the easement. Making easement corrections does not require the approval of ~~The Montana Land Reliance (MLR) Board of Directors (Board)~~.

Corrections for the purposes of this policy and procedure are defined as follows: To make right or change errors that were inadvertently incorporated into the easement, such as, names, dates, addresses, locations, statements of fact, legal descriptions, and typographical errors ~~which in no way alter or affect the intent or qualifications of the easement~~. Such corrections must be in writing, signed by both parties and recorded in the official records of the appropriate county.

Correction Procedure

Errors in an easement should be pointed out by ~~gGrantor~~, MLR staff, or other interested third parties. Any corrections to an easement shall be prepared by MLR staff, submitted to ~~gGrantor and Board of Directors~~ representative for signature, and recorded.

Adopted - 2/9/94
Amended - 2/1/95
Amended - 12/3/96
Amended - 9/5/01

KOENIG FARM INC.
430 CHURCH DRIVE
KALISPELL, MONTANA 59901
Herb & Vonnie Koenig
406-752-3370 or 406-752-2410

FLATHEAD'S
FINEST
POTATOES



G II & G III
SEED POTATOES

*Produced from Tissue Culture Source
and our own Line Improvement Program*

August 17, 2001

Roy O'Connor, President
Board of Directors, Montana Land Reliance
P.O. Box 460
Bigfork, MT 59911

Dear Mr. O'Connor & Members of the Board,

This letter is being written to you at the request of Amy Eaton, District Representative for Montana Land Reliance. At our suggestion, Amy discussed your request for an Amendment to our Easement with management staff of M.L.R. in their August meeting. It is our understanding that the staff is not supportive of our request, but notes the Board has final authority.

Early last spring a principle investor in the Majestic Valley Arena came to Vonnie and I and wanted to know if we would sell them the east 80 acres of the 240 acres on which we have a conservation easement. He was advised up front about the easement. The 80 acres would be contiguous to the 140 acres already purchased for their arena.

In our initial conversation, we, in all honesty, figured we could separate out the 80 acres because it would be used for pasture for both cattle and horses. This would definitely be an agricultural use. We had the 80 acres surveyed out of the 240 acre parcel. We planted it to a forage mix and under seeded it with a pasture mix, and irrigated it twice. A tremendous hay crop is being baled at the time of this writing (attached please find some photos taken this morning). Stumpage was sold to the Arena enterprise.

We failed to reread our Conservation Easement Agreement or contact Amy Eaton prior to proceeding on this matter. We were advised by the land appraiser of the wording in the Conservation Easement prohibiting the breaking up of the full 240 acres.

What we realize now is that we created a situation with Montana Land Reliance where our land is in a state that is very binding and will prevent the sale of 80 acres to the Majestic Valley Arena. I guess at the time we took the easement on the 240 acres as one parcel, we felt that farming would go humming along for us and our family. In reality, now six years later, this is not the case. For reasons of health issues, our ages (approaching middle 70's), and with present economic trends in agriculture, farming for us is no longer a viable option. We have no family members available to take over the farm.

We have the opportunity now for the sale of a portion of this land and we are asking for an amendment to our Conservation Easement to accomplish this transaction. It is understood that the land will be used for agriculture as a pasture for Majestic Valley livestock. The potential buyers have indicated that they would like to use approximately three of those acres to park horse trailers during events. They say they will need pasture for up to 200 head of cattle for their various events. The full 240 acres has been offer to them, but their reply is that they cannot afford that much land at the requested price.

We have established a Charitable Remainder Annuity Trust. This far, some timberland and a 14 acre parcel have been put in this Trust. Our intent is to put the 80 acre parcel in the Trust, thereby receiving an income from it for the remainder of our lives. In the process of our estate planning, we are considering placing the entire farm in the Trust.

We very much appreciate the time Amy has spent with us and management staff. Please understand that we were not attempting to do an "end run" around M.L.R... We earnestly pray for God's guidance as to our stewardship with His farm... May His will be done.

Respectfully,

Herb Koenig
Vonnie Koenig
Herb & Vonnie Koenig

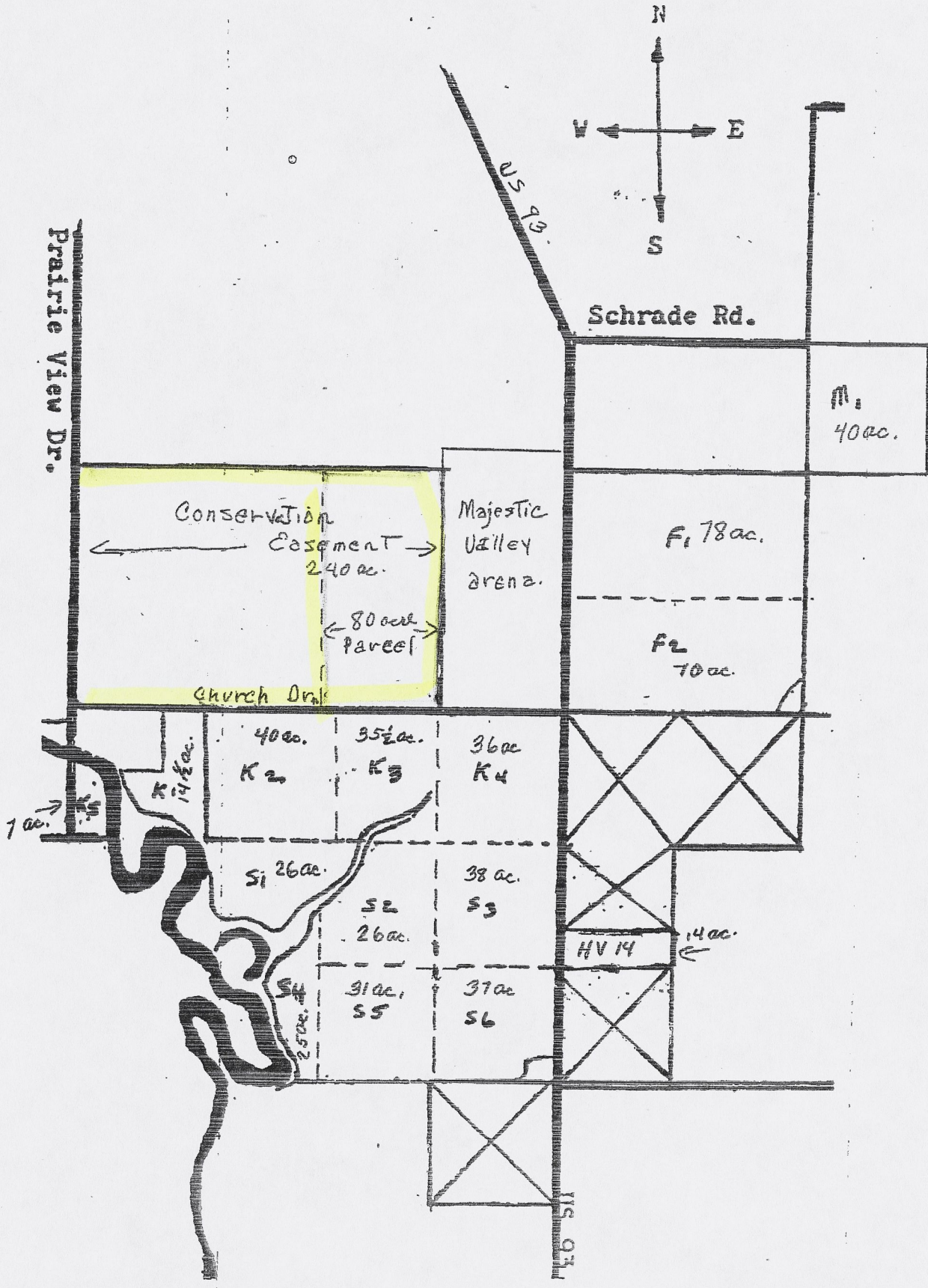
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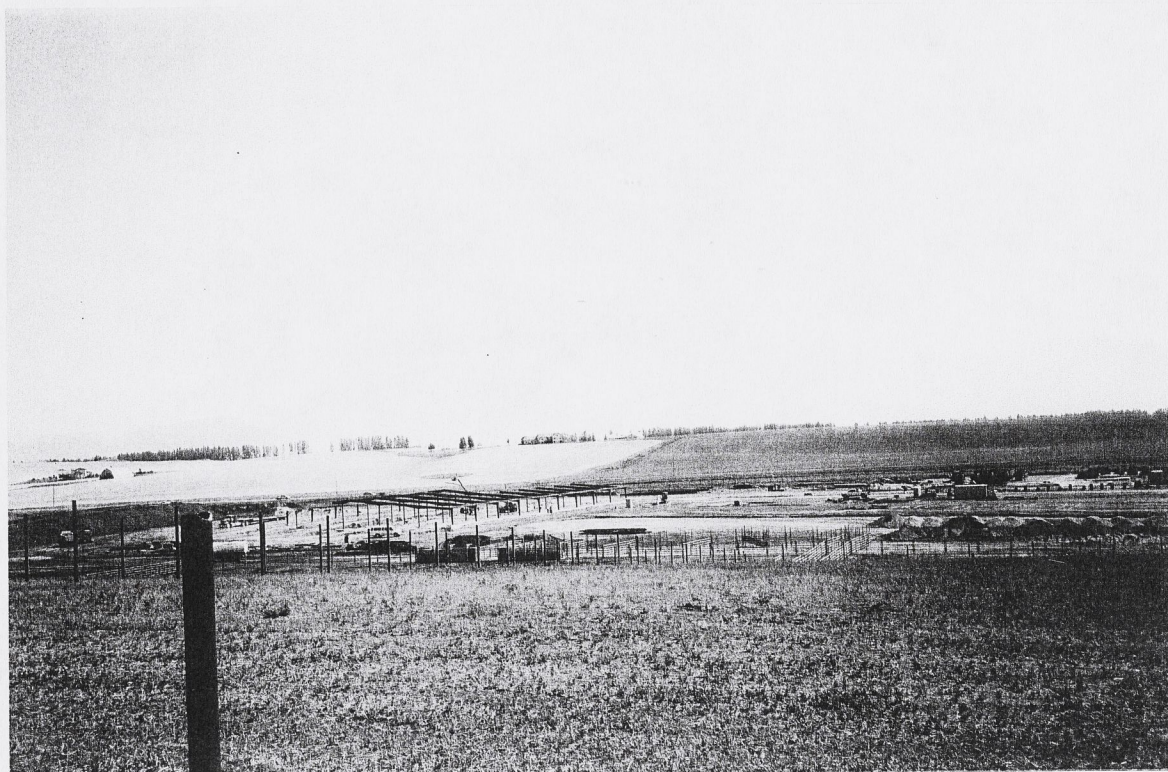
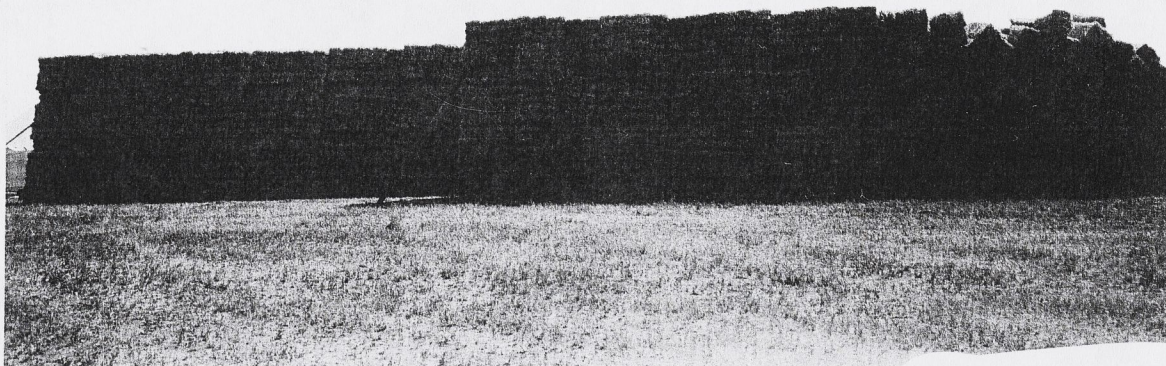
Article: Perpetual Conservation Easement

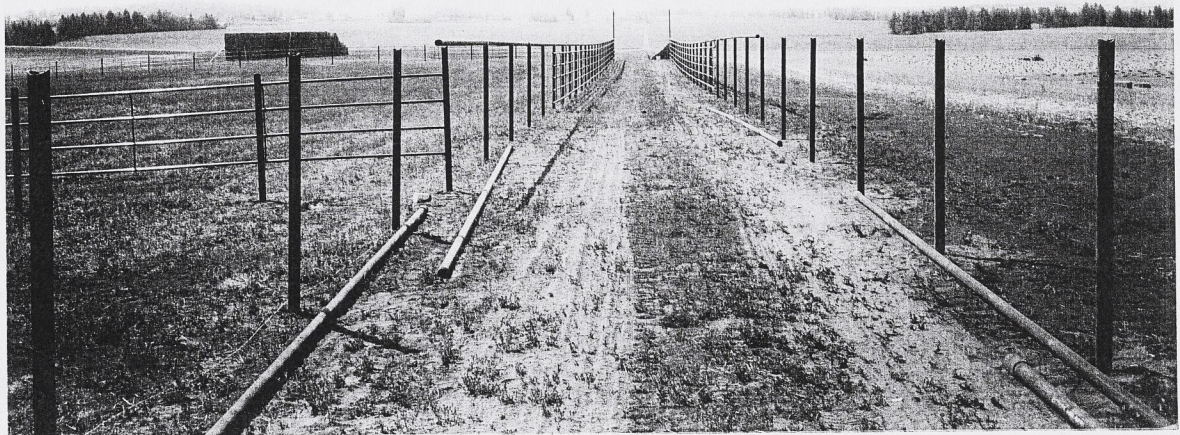
Photos: Hay crop on 80 acres

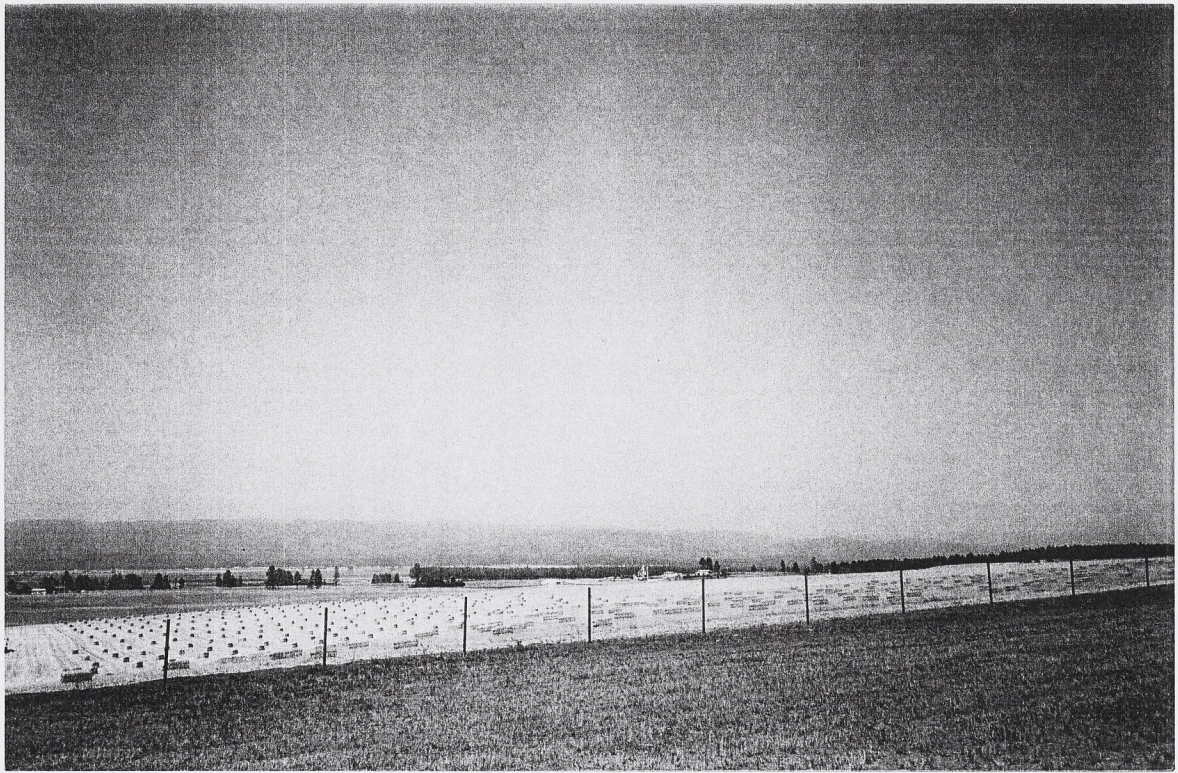
M.A.F. Koenig Farm

KOENIG FARM
 430 CHURCH DRIVE
 KALISPELL, MONTANA 59901
 Herb & Vonnie Koenig
 406-752-3370 or 406-752-2410











**Don't burn the
bridges to your
land with a . . .**

by Jill Carlson, Stewardship editor

Perpetual Conservation Easement

On the surface, a perpetual conservation easement sounds lovely. You get a big, up-front cash payment. You get a tax break. You still get to use the land for farming. And you no longer have to worry about the health of those furry and feathered creatures who've learned to call your land home. It's too lovely, in fact, to be true.

Perpetual easements represent an agreement between a landowner and a government agency — or a nonprofit conservancy — to limit development and specific farming practices.

We're not concerned here with 10-year, 15-year and 30-year agreements to limit land use. For purposes of this article we're only concerned with "perpetual" easements — the agreements to forever limit what you can do on your own land.

Perpetual conservation agreements are written creatively, with as few as two pages or as many as 100. They can list dozens of ways to limit land use. But the bottom line is that once a landowner agrees to the easement, it is binding "in perpetuity" — that is, forever. The easement is a legal "encumbrance," which you, your children — and your banker — will forever keep bumping into as a legal stumbling block.

Here's how one *LandOwner* reader describes the easement: "You feel exactly like the guy who's trussed up in a tuxedo. You look fantastic on the outside, but inside you'd like to run home, put on your sweatsuit, and kick the traces. But with easements you can't ever take off the tuxedo.... and you can't ever kick the traces."

Constitutional scholars are wary of conservation easements because they're not compatible with centuries of English law — the very bedrock of our Constitutional right to own property. Under English law, there is a bundle of three rights which comes with property ownership: the right to occupy; the right to use; and the right to transfer by will or sale.

The perpetual conservation easement diminishes all of these rights. If you think of those three rights as three straight sticks, says J. Zane Wally of the Paragon Foundation, then you'd have to add a perpetual conservation easement as a "log." It won't matter which way you try to re-arrange the sticks — the log is always the biggest stick — and it's always in the way.

The large-scale use of conservation easements as a preservation tool is so new that the legal ramifications are just now beginning to surface. The International Union for Conservation of Nature and Natural Resources, meeting in Switzerland in 1972, may have been one such group that influenced the large-scale use of easements. They saw it as a way to regulate private property without owning or paying for it, and as a strategy for NGOs (non-governmental organizations) to achieve authority.

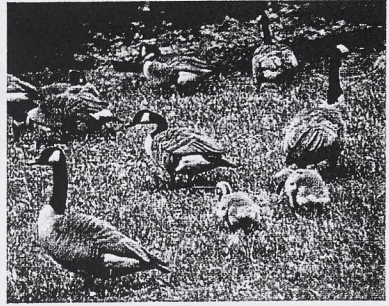
But of greater significance is the Uniform Conservation Easement Act, forged in 1981 by the National Conference of Commissioners on Uniform State Laws and later adopted whole or in part by many states. It has two major purposes: It cancels the tradition of excluding broad, negative encumbrances and it allows NGOs to sue to enforce conservation easements.

Federal and state agencies and conservancy groups tell us that conservation easements are effective tools for protecting the environment. But quite simply, the conservation easement is a tool for expanding government and NGO-controlled land, taking it out of private hands.

Many of the 1,200 small, local conservancy groups (600 accept easement donations and a handful actually buy them) are truly conservation-minded and have a deep love for all creatures great and small. In 1997-98 these small conservancies locked in more than 7,000 conservation easements representing 1.385 million acres. *But the conservation easement which they accept from you may some day be sold to a big national conservancy like the Trust for Public Land — or to a government program.*

A majority of America's private land is owned by ranchers and farmers. This poses a problem for large conservancy groups and government agencies intent on controlling land. So in the early 1990s the federal government sent up a trial balloon to see if the term "private land," combined skillfully with the term "public-private partnerships," would help us to think of private property as a shared responsibility.

But that attempt to join private with public was just a bit too in-your-face. Now the latest government terms for your property are "working lands" and "our natural resource." There's still a



hint of public-private partnership, but it's more subtle. Equally subtle is the hidden rationale explaining your need to enter into a perpetual conservation easement agreement.

At first blush the reasons look good: Get a tax break; conserve the environment; bequeath a precious inheritance to America's children. But the bottom line is really quite different. What the proponents of

perpetual easements really say, is: (1) you don't have enough money to make it on your own; (2) neither you nor your children can take good care of your land; (3) somebody else can do it better.

A gigantic partnership machine of government agencies, universities, corporations and NGOs grinds out tons of paper in statistics each year to prop up these basics. Government and private conservation groups know they'd better have a darned-good reason for taking your land. They invest millions of dollars in grants to statistically prove that your land should be put into public hands. Government agencies give grants to NGOs. Government agencies, corporations and NGOs give grants to Universities, and somewhere down the road it all comes full circle.

Statistical action often begins at the university level. Grants from groups like the EPA, the USDA, the DOI, Monsanto, the Sierra Club, the Nature Conservancy or local conservation groups get the college program rolling. Graduate students work under grants which also enlist help from nature-loving volunteers to count endangered fish, plants, mammals and birds. Meanwhile, down the road, an NRCS agent or someone with a USDA grant is counting wetland acres or establishing a link between economics and wetland reduction.

By the time those statistics find their way to the EPA, the NRCS or the USFWS, you have a heady amalgam of "partnership" data that's been sifted and analyzed to fit a political viewpoint — sometimes favoring one single opinion from surveys which originally yielded two opposing viewpoints (as occurs in global warming or TMDL policy). The analysis driving conservation easement policy is pigeonholed into one or more categories such as wetlands, forests, water, or endangered species.

Here's a sample of some of the thousands of analysis pages from federal wetlands data (note the use of "can" and "could"). *"Findings of this national-scale analysis should be viewed as providing information on targeting regional — or local-scale efforts to monitor wetland quality changes, but cannot determine whether some or all wetlands in the indicated watersheds are actually being degraded or improved by changes in the activities taking place in those watersheds.... Sediment can clog wetland vegetation and impair water-holding capacity.... Irrigation can degrade wetlands... thus, increases in irrigated acreage could impair wetlands, while decreases could improve wetlands."* (from a USDA report)

But this is the real clincher in that 1997 report: *"Baseline commodity prices (for 2001) are expected to be strong, a relatively favorable situation for land conversion."*

"Site-specific simulation models" were used by the USDA to "estimate" national wetland maps. The problem with statistical models is that they don't include all the ecological and economic variables which farmers know from long experience.

The data analysis is no better for endangered species. One biologist can sway an entire agency, such as the Klamath Basin federal opinion this April which says sucker fish and coho salmon benefit from high lake-water levels. But yearly charts for Klamath Lake

prove that higher fish populations come in low water years.

The 1999 wetlands controversy in South Dakota was locked into an endangered species 1998 opinion based on Fish and Wildlife data for the Topeka shiner. But the 27-page FWS report is nebulous, at best: *"Data regarding the food habits and reproduction of Topeka shiners are limited and detailed reports have not been published."* The rest of the report is peppered with qualifying words like "suggests" or "unlikely" or "data is lacking." Most unsettling of all: Deep inside this report is a suggestion to keep farmers ignorant of endangered species locations.

(California's Family Water Alliance tells us the U.S. Fish and Wildlife Service must render a "biological opinion" on any ground you've left untilled — to determine the presence of endangered species so you can enroll in a Habitat Conservation Program.)

But it is neither federal nor state governments which drive data analysis and ecology computer models. It is the career environmental groups which drive government policy for both Democrats and Republicans. Every move to conserve a wetland, every push to convert federal lands to pristine wilderness — begins first in the environmental grantmakers' boardrooms before they grind their way through government agencies. But sometimes public-private collusion memos come to the attention of Congress. During Congressional testimony last year, Rep. Dan Burton (R-Ind.) angrily waved an agreement memo while chastising then Forest Service chief Mike Dombeck for working behind the scenes with environmentalists.

There are big bucks in land acquisition, and the grantmaker environmentalists are very good at math: First, they find a "willing seller" who can't survive low commodity prices, high taxes, and/or intrusive federal regulations. Then they offer him a rock-bottom price for a perpetual conservation easement on all or part of his land, plus a supposed tax break. Before you know it, a trust group has bought the land outright or tied it up forever in a "perpetual" easement. Next, the land trust may sell the easement to a federal or state agency. Carol LaGrasse, Property Rights Foundation president, says sale of both easements and purchased land has brought the conservancies hefty markups of between 22% and 155%. "That sure beats a broker's percentage," she quips. A small, well-intentioned local land trust may retain the easement for a time, then sell it to a large national trust group, which in turn sells it to the government.

The first glimmer of an idea that you may want to convert some of your land to a conservation easement could have begun with one of the millions of bulk mail pieces and media blitzes from land conservancy trust groups. Or it may have been your fourth-grader who came home espousing the return of half your farm to pristine prairie.

Wildlife and forests are the centerpiece of the drive to conserve land. Conservancy groups pledge to take care of the wildlife on your farm, and into the bargain they'll be glad to partner with you, with cash on the barrel-head as proof of their good will. There's a very definite philosophy behind this strategy. It's a philosophy that puts earth at the center and humankind on the periphery. It's a philosophy that will settle for no less than re-wilded North and South American continents.

The vision behind the Wildlands Project was first proposed 30 years ago, and is gaining rapidly in acceptance by major environmental groups. Dave Foreman, one of the original visionaries, also proposes doing away with our 50 states, replacing them with 21 river-specific eco-regions. On a global scale, the eco-region is the cornerstone of the UN's Agenda 21, or the Biodiversity Treaty, and therefore was the main focus of the President's Council on Sustainable Development during the Clinton administration.

More than 200 environmental groups network through the Environmental Grantmakers Association to complete this vision of eco-regions. Their strategy is to remove all farmers and ranchers from federal land by flooding the courts with endangered species lawsuits. Their measuring rod of success is the 90% drop in timber production in the Pacific Northwest after the spotted owl lawsuits drove loggers out of federal forests. Some enviro groups make no bones about their goals. Others, like the Pew Charitable Trust which gave \$38.6 million in environmental grants in 1998, try to maintain an altruistic image. They vehemently deny involvement in the Wildlands Project, but their networking trails disprove this, says LaGrasse.

Conservancies are always looking for "willing sellers" who will sell whole tracts of land outright for fee simple — or partial tracts for perpetual easements. Indeed, when you read of a long-term conservation plan, note that the "strategy," is to "acquire land from willing sellers."

The Upper Mississippi River and Great Lakes Region Joint Venture Implementation Plan (not yet available to the public) includes Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio and Wisconsin.

Goal for the total project: Conserve 9.2 million additional acres of habitat capable of supporting an annual breeding duck population of 1.5 million (roughly 6 additional acres per duck in order to increase the regional duck population by 18%). Their proposed mechanism: The USDA's Wetlands Reserve Program, which is the biggest federal program administering conservation easements.

We've covered dozens of stories about potential willing sellers who have been so squeezed by taxes and environmental regulations that they could no longer function. Although conservation easements did not gain momentum until the mid-1970s (about the same time as the Tax Reform Act of 1976), probably the first documented cases of willing sellers, says Wally, was a 1960s wholesale purchase when hundreds of Cuyahoga Valley, Ohio landowners voluntarily sold or gave easements to the National Park Service to create the Cuyahoga Valley National Recreation Area.

But in later Congressional testimony, these landowners said that months and years into the program they were so intimidated by the myriads of tiny infractions that they gave up and sold their land. We repeatedly document that it is the elderly, isolated landowner who is the first targeted "willing seller" within a region.



voters are jumping on the bandwagon to restrict land use all across the country

In 1998 voters approved \$8.28 billion for local land preservation; in 1999 (an off-year election) it was \$1.8 billion; and in 2000, \$7.5 billion of taxpayer dollars was voted for local preserved open space for farmland, forests and city parks. And that's just voter-approved referenda. It does not include federal, state, county or city easement decisions, or Congressional authorization.

That's \$17.6 billion of local land preservation in just three years, or \$6 billion per year! To put this into perspective, the highly controversial U.S. House-sponsored Conservation and Reinvestment Act (CARA), which gets most of the national attention, would put just \$1 billion a year into land purchases.

And since there's only a small percentage of American farmland that comes up for sale each year, a potential for 30% of our "for sale" farmland could wind up in PDRs (purchased development rights).

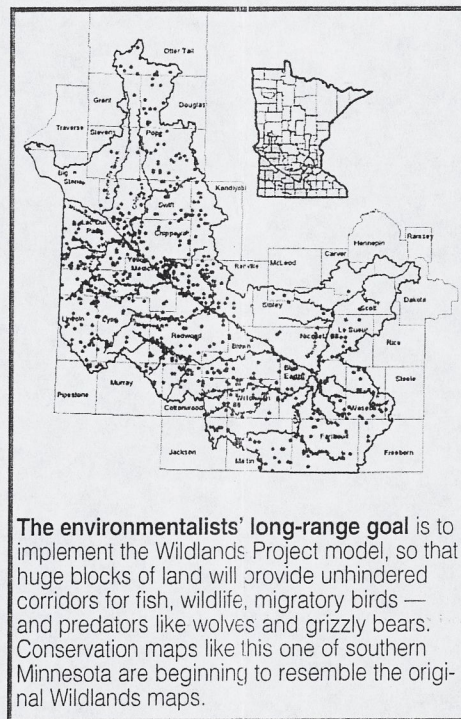
The Wetland Reserve Program has in recent years enrolled 900,000 acres with both perpetual and short-term conservation agreements. By October there will likely be 100,000 more acres. Federal agencies with wetlands responsibilities want a net gain of half a million more acres by 2005.

As R. J. Smith of the Competitive Enterprise Institute puts it, "How much land is enough? The combined government control of land at federal state and local levels is already at 42%!"

Bankers are no friend of perpetual easements. Once they get a whiff of an encumbrance on the estate, they're skittish about lending money, and before you know it, the rest of your land will be up for sale, with an eager conservancy group ready to outbid local farmers.

J. Zane Wally and Carol LaGrasse have personally interviewed bankers from coast to coast who strongly hesitate (if not refuse) to lend money to farmers with easement encumbrances. Major agricultural financial institutions no longer make loans on encumbered property. "Off the record, I won't loan a penny on property that has a conservation easement attached to the deed," one banker told Wally. Another banker said, "...conservation easements lower property loan values and are dangerous to agriculture and private property rights."

Landowners who consider perpetual easements are hopeful that a huge tax break and a generous cash payment will more than make up for their inability to develop the land later. But Wally advises property owners to beware of inflated appraisals which take place in the course of the agreement. This is a device used to appease the landowner with an up-front tax break. But the chickens will come home to roost later if IRS audits reveal an inflated appraisal. Then it will be time for back taxes, and plenty of them.



Most property rights consultants we talked with don't recommend perpetual easements. If your purpose is truly to let someone else preserve your land, we suggest that you sell (or donate) the property, then retain the option to rent it back.

Dr. Jefferson Edgens, assistant professor at the University of Kentucky, says a good alternative is to set up a land trust with your commodity organization. "The land trust can be a separate 501(c)(3) and still have board members from the commodity group to keep it consistent." Another advantage, he says, is the creative use of a data base showing who owns farmland and easements. "They can charge a fee for this information," he adds. "I don't know why most of them haven't done this."

This suggestion dovetails with the American Farm Bureau's *Landowner's Guide to Conservation Easements* (2001). It's not a neutral book, as some have suggested. There is surprising grit in their cautious approach. We have captured some of their recommendations here, and added a few of our own.

Still want a perpetual easement?

Here's what we recommend for you (the grantor) if you choose to work with a government agency or conservancy group (the grantee):

- Find an attorney who's familiar with conservation easements. Don't rely on the judgment of the grantee's lawyer.

- Ask the grantee to show you samples of agreements between them and other landowners in your area. Talk with those landowners — especially the ones with older agreements.

- If your easement is not a donation, do a spread sheet showing potential long-term values of your land compared to the cash donation offered by the grantee.

- If you are asked for a cash donation for purposes of administering your land, stipulate in the agreement that such cash should be used *only* for administering your specific easement.

- Don't take the grantee's word that your "contribution" of the easement, or cash based on a reduced value, qualifies you for a tax break according to IRC

Section 170(h). (You can't get a tax break, e.g., for an easement on which mineral rights belong to a third party). But if you do qualify, include in the agreement that your easement may only be sold to another conservancy which qualifies under IRC 170(h).

The June, 2001 tax law allowing for tax benefits for willed easements is also riddled with restrictions. Most agreements bind you to future tax payments on the property, even if taxes go sky high because your property later becomes a prime development spot. It is even possible to negotiate the tax burden to the grantee.

- Since you must have an appraisal to qualify for a tax deduction, make sure you hire your own appraiser, not the grantee's. In an accompanying report, spell out the exact current condition of your land and its resident buildings.

- Examine all possible ways to define the limits which the grantee wishes to put on your land. There are as many different interpretations of a "best management practice" (BMP) as there are people who will read your agreement. BMP fads come and go. The latest government fad is no-till, a system which forces you to rely totally on herbicide for weed control. Good forest

management requires judicious harvesting, but you will be hard-pressed to find a conservancy that agrees. You may establish a BMP in the agreement, only to discover in 10 years that a new government agent re-interprets what is suitable habitat for an endangered species. One way to bypass this dilemma is to restrict only the objectionable consequences of an activity, rather than the activity itself. It is also important to determine who will pay for administering BMPs.

- You can make your agreement contingent on future external events, too, such as natural disasters or changes in the tax code.

- The grantee is allowed regular inspection of the easement, but the timing, personnel and method can be negotiated, including your right to receive a copy of reports immediately following inspections. Pennsylvania law now requires that conservation easements be enforced by a third party, usually an environmental group. This is a lawyers' dream and a property owner's nightmare. Also negotiate who will pay for correction of infractions.

- Be very specific about the grantee's "affirmative rights" (the things they're allowed to do on the easement). A broad statement such as "for public enjoyment" could be a Pandora's box.

- If your goal is to halt future development, put into your agreement that the grantee is not allowed to cancel development restrictions (a real money-maker) if the perpetual easement is later sold to another conservancy or to the government. You can also put written limits on the future owners of the easement.

- Be very specific about your water rights.

- It is better to have a 99-page agreement than 10 pages which are open to shaky interpretation. If you want your children and grandchildren to build homes, be specific.

One landowner asked the county to determine whether his easement restriction to "allow small buildings" meant he could build a home. The county said yes, the banker gave a mortgage, so he built a lovely farmhouse. But the conservancy holding the agreement later challenged, and after several trips to

court the landowner stood helplessly by while a court-ordered bulldozer destroyed his new home. The family is still paying the mortgage on the demolished house.

- Your property may now be encumbered, but you still need to put in writing that you have the right to sell, lease, exchange or otherwise dispose of your property.

- Ask your banker whether he/she will lend you money on an encumbered property.

- Be sure to spell out who's legally responsible for future discovery of toxic wastes, and for damages. What if your easement is now open to the public and someone is injured? "It's prudent," says Farm Bureau, "to imagine a worst-case scenario," and prepare for liability.

- If you are beginning to sound like a tenant on your own property, reconsider. Demand up front that you be allowed to keep a *signed* copy of the agreement.

- Communicate, document, trouble-shoot, be pro-active. That way, if trouble comes, you and the grantee will have a baseline for resolving difficulties.

