Fresh out of the Oven!
Hot Ideas in Conservation Finance
Rally 2019
DID YOU ASK?

A Competitive, Market-Based Approach to Leveraging Protection Funding

Wayne Ostlie, Director of Land Protection / Minnesota Land Trust
Nick Bancks, Program Manager / Minnesota Land Trust

October 19, 2019
Minnesota Land Trust Mission

We protect and restore Minnesota’s most vital natural lands in order to provide wildlife habitat, clean water, outdoor experiences and scenic beauty for generations to come.
MINNESOTA LAND TRUST
Completed Conservation Projects through June 30, 2019

575 Projects
59,033 Acres
1,783,347 Feet of Shoreline
Avon Hills: The Pilot Program

Saint John’s University

Saint John’s Outdoor University

Minnesota Land Trust

Environment and Natural Resources Trust Fund
Prioritizing Potential Projects

Results:

Landowners contributed 27% of easement value ($900,000) through donation over the 8-year program.
Strategic Plan & Conservation Agenda

- **2015 Strategic Plan**
  Called for doubling of the Land Trust’s pace of conservation

- **2017 Conservation Agenda**
  Detailed where and how that goal would be achieved
Legacy Amendment

- Constitutional Amendment passed by referendum in 2008
- .375% Sales Tax
- Provides $100M - $140M annually for wildlife habitat protection and restoration.
- Awards given on a competitive basis.
State Grant Funding to Minnesota Land Trust

Overall Value | Leverage | % of Value
-------------|----------|----------
$31,376,436  | $13,968,413 | 45%

Millions

Year


$0 $5 $10 $15 $20 $25
Donative Value Provided by Landowners

- <20% Leverage
- 20%-40% Leverage
- 40%-60% Leverage
- >60% Leverage
THANK YOU!

https://mnland.org/whatpriceconservation

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Preserving our Lands with Carbon Finance

American Carbon Registry

AT WINROCK INTERNATIONAL

RALLY 2019
OCTOBER 17-19, 2019 • RALEIGH, NC
## Carbon Offsets

= 1 metric ton of CO$_2$e emissions reductions or removals from an unregulated source, fungible with other offsets, and of a specific year.

<table>
<thead>
<tr>
<th>Real</th>
<th>Additional</th>
<th>Permanent</th>
<th>Quantifiable</th>
<th>Verifiable</th>
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</thead>
<tbody>
<tr>
<td>GHG reductions or removals result from demonstrable actions that have already occurred. <strong>Ex post</strong> GHG accounting is conservative, comprehensive and scientifically credible.</td>
<td>GHG reductions or removals exceed those otherwise required by law, regulation or legally binding mandate.</td>
<td>GHG reductions or removals are not reversible. When they are, mechanisms are in place to replace any reversed emissions reductions or removals, to ensure credited reductions endure.</td>
<td>GHG reductions or removals can be accurately measured or calculated relative to a project baseline, in a reliable and replicable manner and accounting for uncertainty and leakage.</td>
<td>Offset Project Data Report assertion is well documented and transparent such that it lends itself to an objective review by an accredited third party verifier (auditor).</td>
</tr>
</tbody>
</table>
Carbon Registries

Protect the environmental integrity of offsets

- Develop and approve environmentally rigorous carbon offset accounting standards & methodologies (protocols)
- Oversee independent verification by accredited entities
- Review and register GHG emissions reduction projects, including issuance of serialized offsets
- Operate a transparent registry system
❖ Afforestation and Reforestation of Degraded Lands

❖ Improved Forest Management (IFM) for Non-Federal U.S. Forestlands

❖ Restoration of Degraded Wetlands of the Mississippi Delta

❖ Restoration of Pocosin Wetlands

❖ Restoration of California Deltaic Coastal Wetlands

❖ Avoided Conversion of Grasslands and Shrublands to Cropland
Impact Value from Conservation

Grassland and intermixed wetlands provide a myriad of benefits including habitat for migrating and nesting waterfowl, other wildlife, water quality, flood mitigation, economic base (e.g. ranching & recreation), & CARBON!
Grasslands and Shrublands store carbon primarily below ground in roots and soil carbon. Avoiding the conversion to cropland avoids oxidation and removal of soil carbon when disturbed for cultivation; avoids fertilizer application and avoids removal of permanent vegetation.
Avoided Conversion of Grasslands: How does it work?

1. Private landowners, work with project developer to voluntarily place their grassland under perpetual conservation easements to prevent tillage.

2. Lands can continue to be moderately grazed and hayed, and thus sustain an important local and regional economic base, while preserving other ecosystem services.

3. Project developer calculates carbon savings according to an approved methodology, has them verified by a third-party entity, and certified by registry.

4. The offsets can then be transacted.
Avoided Conversion of Grasslands: Eligibility

- Currently be Grassland or Shrubland in US, and have qualified as Grassland or Shrubland for at least 10 years

- Not include Grasslands or Shrublands on organic soils or peatlands, nor include wetland acres within Grassland/Shrubland tracts

- Be subject to a qualified Land Conservation Agreement (e.g. conservation easement), specifically prohibiting conversion of the land for the duration of the minimum Project Term

- Demonstrate risk to conversion to cropland – conversion threat is reasonable AND likely
## Avoided Conversion of Grasslands: Example Project

### ACR 232: Prairie Pothole Region

| 2010 - 2014 | 8 counties | 74 land owners | ~28,000 acres | ~76,600 MT CO$_2$e |

![Map of Prairie Pothole Region](image1)  
![Aerial view of grasslands](image2)  

USFWS
Pooled Timber Income Fund

Sophie Traficonte, Conservation Project Manager
Frank Lowenstein, Deputy Director
What is the Pooled Timber Income Fund?

NEFF has developed a new conservation option for landowners, the Pooled Timber Income Fund (PTIF). This option enables New England landowners to conserve their woodland while receiving lifetime income, as well as tax benefits.
What is the PTIF?

Traditional pooled income fund:

Allows donors to contribute cash or other assets to a charity.

The charity invests the assets, and income after expenses is distributed to the donors until their death, at which point the assets belong to the charity.

Donors receive both lifetime income and a charitable tax deduction at the time of the initial donation.
Financial Benefits

Annual Income

• Landowners receive shares in the fund proportional to the value of their timber donation.
• Income is generated from timber harvests on all land in the PTIF
• Estimated rate of return before expenses on timber donations to the PTIF should be around 2.5%
• Land donors will receive a more even stream of funding compared to managing their own land due to harvests happening across the pool of timber that is in the Fund and the reduced risk of loss from weather, insects, or other hazards
Financial Benefits

Potential Tax Benefits

• Landowners donating to the PTIF can likely claim a charitable tax deduction on their federal income tax returns for both the donation of the land to NEFF and the donation of the timber to the PTIF.

• After enrolling in the PTIF, the landowner is not responsible for further property taxes on the woodland. NEFF will pay property taxes on the property while it is enrolled in the PTIF.

• Additionally, the land and timber are removed from the landowner’s estate, and are thus not subject to federal or state estate taxes. This may allow the landowner to pass other assets on to heirs more easily.
Management of Fund Land

When you enroll in the PTIF:

• NEFF will sustainably managed your woodland through **Exemplary Forestry**, which we employ on our own Community Forests, which total more than 27,000 acres.

• NEFF works with local consulting foresters to develop a plan for each individual property.

• Plans are updated approximately every 10 to 15 years.
Leasing to the Fund

- Land trusts can lease land to the fund for a set number of years.
- Benefits include:
  - A small constant annual income from the harvesting of timber on the land.
  - There would be reduced risks.
  - The land trust would also have one less job of managing their land.
  - The land trust would be participating in a pool with other land trusts, thus reducing any reputational risks.
  - The land trust would retain ownership and recreational management of their lands.
- Land Trusts promoting PTIF
PTIF and its Future

- Replicating the PTIF: A bicoastal effort
- Grant to work with the Oregon Community Foundation to replicate this tool.
Questions?

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Conserving Forests for Future Generations
Fresh out of the Oven: Hot Ideas in Conservation Finance

Strategies For Diversified Stewardship Funding In Illinois

Olga Lyandres, Delta Institute
October 19, 2019
STRATEGIES FOR DIVERSIFIED STEWARDSHIP FUNDING IN ILLINOIS

1.5 M ACRES OF PROTECTED LAND

$4.4B CONSERVATION NEED

40+ CONSERVATION LAND TRUSTS

26.6M ACRES OF ROW CROPS

26.6M ACRES OF ROW CROPS
TOOLS

- Civics for environmentalists
- Funding and financing strategies
- Working lands pilot case-study
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Funded by: Grand Victoria Foundation
Utilizing Your Investment Professionals: Helping Protect More Land and Investing With Impact
What We Will Cover

• Why Engage Your Professional Investment Team
• Why Consider Investing with Impact
Utilizing Your Investment Professional

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<th>Easement Donations</th>
<th>Tax/Planning Impacts</th>
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<td>Charitable Donations</td>
<td>Wealth Planning</td>
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<tr>
<td>Fee Simple Donations</td>
<td>Legacy Planning</td>
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Legacy Protection

Morgan Stanley offers Legacy Protection Solutions that provide professional services that can be accessed to help with managing, preserving and transferring your assets.

SOLUTIONS OFFERED AT MORGAN STANLEY

- Open architecture platform of unique third party trust companies
- Access to Trust Specialists
- Custom-tailored solutions to help meet your personal, tax, financial, investment and estate planning needs

POTENTIAL BENEFITS TO YOU

- Help protect your wealth
- Control the current and future management of your assets
- Reduce current and future tax liabilities
- Support future generations and philanthropic goals

NEXT STEPS

Work with your Morgan Stanley Financial Advisor to learn how Legacy Protection Solutions can help you achieve your wealth and estate planning goals.
What Is Investing With Impact?

**FINANCIAL GOALS**
Financial performance driven by economic fundamentals

**IMPACT GOALS**
Positive social and/or environmental outcomes driven by values and mission

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Investing with Impact Framework

Morgan Stanley’s Investing with Impact Framework enables clients to align investment decisions with impact priorities across their portfolio.

<table>
<thead>
<tr>
<th>VALUES ALIGNMENT</th>
<th>ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INTEGRATION</th>
<th>THEMATIC EXPOSURE</th>
<th>IMPACT INVESTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Managing exposures by intentionally avoiding investments based on specific criteria</td>
<td>• Proactively considering ESG criteria alongside financial analysis to identify opportunities and risks during investment process</td>
<td>• Focusing on themes and sectors dedicated to solving sustainability-related domestic and global challenges</td>
<td>• Allocating to investment funds focused on private enterprises structured to deliver specific positive social and/or environmental impacts</td>
</tr>
<tr>
<td>IMPACT INVESTMENT CHARACTERISTICS</td>
<td></td>
<td></td>
<td>• Differentiated by impact approach, regional focus, liquidity and impact reporting</td>
</tr>
<tr>
<td>• Public equity, Public fixed income, alternatives</td>
<td></td>
<td>• Public equity and public fixed income</td>
<td>• May have investor restrictions</td>
</tr>
<tr>
<td>• Differentiated by restriction criteria and degree of shareholder advocacy</td>
<td>• Differentiated by ESG integration process and degree of shareholder advocacy</td>
<td>• Differentiated by macro-analysis, sustainability research and sector focus</td>
<td></td>
</tr>
<tr>
<td>• Not proactively seeking environmental and social impact</td>
<td>• May also include screens</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVESTMENT EXAMPLES</td>
<td>• Separately Managed Account (SMA) incorporating analysis of ESG performance into stock selection process</td>
<td>• Exchange-traded fund (ETF) tracking index of renewable energy companies</td>
<td>• A private equity fund focused on emerging consumers or project level renewable energy investment</td>
</tr>
</tbody>
</table>

PUBLICMARKETS | PRIVATEMARKETS

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Proof in the Performance

Indices that incorporate environmental, social and governance (ESG) factors have generally performed in line with, or better than, conventional indices. For example, a $1 invested in line with the holdings reflected in the sustainable index in 1990 grew to $1,838 versus $1,647 for a traditional index through June 28, 2019.

The MSCI KLD 400 Index of companies that meet best-in-class environmental, social and governance (ESG) criteria.

Source: Bloomberg, MSCI, Morgan Stanley Wealth Management.
Past performance is no guarantee of future results. The index returns are illustrative and shown for comparative purposes only. They do not represent the performance of any specific investments. An investor cannot invest directly in an index.

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Every dollar you send into the world makes an impact.

What do you want your impact to be?
THE INDIGO GROUP

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We work with individuals and institutions to develop financial strategies using sustainable investment portfolios.

The Indigo Group seeks to deliver competitive financial returns while helping drive positive environmental and social impact by investing in companies that exemplify leadership in social and environmental responsibility.

Our framework enables clients to align their portfolios with their unique impact investing priorities.

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Disclosures

INDEX DEFINITIONS

S&P 500 Index – Regarded as the best single gauge of the US equities market, this capitalization-weighted index includes a representative sample of 500 leading companies in leading industries of the US economy.

MSCI KLD 400 Social Index – The MSCI KLD 400 Social Index is a market capitalization-weighted Common Stock Index, consisting of 400 corporations that have passed multiple, broad-based social screens. The index is maintained by Kinder, Lydenberg, Domini & Co., Inc. and is intended to serve as a proxy and benchmark for the universe of stocks from which social investors might choose. The index was set at a value of 100 as of May 1, 1990. Since its inception, fewer than one change per month has been made in the index, primarily due to takeovers and acquisitions.

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The annual income and cash flow summaries are based on security and/or deposit terms, and are subject to actual payment by the security and/or deposit issuers. Although the securities and/or deposits may be offered in a proposed group, it is each investor's decision as to which, if any, of the security and/or deposit to buy. Upon purchase, each investor owns, and may sell, each security and/or deposit on an individual basis as he or she desires. There is no portfolio management. Price quoted may not include sales commissions. For additional information on any of the highlighted securities and/or deposits, please contact your Morgan Stanley Financial Advisor.

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Private equity interests may be highly illiquid, involve a high degree of risk and be subject to transfer restrictions. Funds (which include hedge funds are private equity funds) often engage in speculative investment techniques and are only suitable for long-term, qualified investors. Investors could lose all or a substantial amount of their investment. They are generally illiquid, not tax efficient, and have higher fees than many traditional investments.

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