The Nature Conservancy

SAVING THE LAST GREAT PLACES ON EARTH

Board of Governors

Real Estate Project Abstract & Resolution

GUSTAVUS FORELANDS WITHIN ICY STRAIT, ALASKA

(ALASKA MENTAL HEALTH TRUST AUTHORITY TRACT)

Ecoregion: This project lies within the Southeast Alaska - British Columbia Coastal Forests and Mountains ecoregion. The dominant habitat type is coastal temperate rainforest (within the temperate coniferous forest major habitat type). Coastal temperate rainforests are a globally rare ecosystem type, occurring on 0.2% of the earth's surface. The best and most extensive areas of intact, coastal temperate rainforests remaining in the world occur in central British Columbia and Southeast Alaska. Alaska accounts for over 40% of this type worldwide.

Ecoregional significance of the site: Although the ecoregional plan has not been completed, the Alaska Chapter has identified Icy Strait as an area of high biological significance. Icy Strait is a marine waterway that connects the Gulf of Alaska to Chatham Strait and the Inside Passage. To the north are the mainland coastal and marine features of Glacier Bay National Park (including Glacier Bay proper) and the Gustavus forelands. To the south, Icy Strait is bordered by Chichagof and Yakobi Islands. Within the Ice Strait area, the 34,000 acre Gustavus forelands ecosection site described by Nowacki et al. (2001), has been identified as a focal area for conservation action. The 4000 acre Alaska Mental Health Trust Authority tract constitutes nearly 40 percent of the unprotected and undeveloped land within the Gustavus forelands and encompasses almost the entire beach front. Although an ecoregional assessment has not been completed for this region of Alaska, our goals for the Gustavus forelands site are clear; we intend to maintain this site as an intact ecological area whose unique features have not been undermined by fragmentation or habitat loss. This is a very different conservation arena and goal than is typical of conservation planning in the lower 48 states, where goals are often set at some small percentage of what was once there (10-40% of the remaining habitat under protection). Our goal is that on the order of 90% of the Gustavus foreland site be protected in some form of conservation status.

When Vancouver charted this coast 250 years ago, Glacier Bay was entirely covered by a glacier and Icy Strait was filled with broken ice. Today, major glaciers have retreated as much as 80 miles and the area exhibits diverse marine, intertidal and upland biotic communities. The scientific significance of the area has long been recognized. Famed naturalist John Muir wrote about it beginning in 1879. In 1922, the Ecological Society of America recommended that Glacier Bay area and its surroundings be protected as a living laboratory "for permanent scientific research and education." That recommendation was based on "the scientific interest associated with glacial recession and ecological change" and "the magnificence of the coastal forest and its relationship to ecological studies in the Glacier Bay drainage." Based in part on that recommendation, Glacier Bay National Monument was created in 1925. The monument was enlarged in 1939; it became a national park in 1980. Glacier Bay was added to the

IUCN list of World Heritage Sites in 1992 (Catton 1995). With recent closures to commercial fisheries, Glacier Bay has become the largest de facto marine reserve in the world (Taggert and Hooge 2002).

The Gustavus forelands are a biologically unique part of the greater Icy Strait area. Created by the outwash plain in front of the glacier that once filled Glacier Bay, the Gustavus forelands form an ecosection that has no close analogs in the ecoregion (Nowaki et al. 2001). Following glacial retreat, the land has risen approximately 10-12 feet, and continues to rise at greater than one inch per year - the highest known rate of post-glacial isostatic rebound yet discovered on earth. The recent glacial outwash origin and dynamic nature of ongoing uplift have created a unique assemblage of plant communities and wildlife.

The Gustavus forelands area is the southernmost extension of interior Alaska flora into typical Southeast Alaska plant communities. Several species (eg: *Salix lasiandra*, *Antennaria pulcherrima*, *Shepherrdia canadensis*) reach their coastal extremes at Icy Strait. Of greatest ecological significance, lodgepole pine reaches its ecological limit here. The wetter Gustavus climate precludes fire, so the pine forests differ strikingly from the fire-maintained ones in the southern Yukon Territory and northern British Columbia. Little Ice Age glacial activity has left a youthful, low-gradient outwash complex whose generally high water table has encouraged the development of fens, on which pine-dominated wetlands with a distinctive flora have developed. Such forests are almost entirely limited to the Gustavus area (Streveler, G., personal communication; Streveler 1996).

Many of the plant communities found in the Gustavus forelands have high value as habitat, relative to more common types found in Southeast Alaska. For example, the area's mudflats and sedge meadows are the most extensive in the ecoregion, and provide essential resting and feeding habitat for migrating birds. The Gustavus forelands are especially significant as coastal wetland habitat for sandhill cranes (Streveler and Matkin 1986), upland birds, and waterfowl (USFWS 1981). The rich forb meadows along the shoreline are characteristic of an area where post-glacial rebound is faster than forest growth. These habitats are extremely important for wildlife, but are neither widespread nor common in Southeast Alaska. A portion of the Gustavus forelands is designated by the State of Alaska as the Dude Creek Critical Habitat Area, in recognition of its importance for sandhill cranes (annually used by 10,000-17,000 sandhill cranes during spring and fall migration). Small furbearers and large mammals including brown and black bear and moose are common. Marbled murrelets, endangered elsewhere in their range, are also common in this area. The relative scarcity of the Gustavus forelands habitat types makes them that much more valuable for species that rely on them.

Marine waters immediately adjacent to the Gustavus forelands are highly productive for marine mammals, including humpback, minke, and Orca whales; sea otters; harbor seals; harbor porpoise; sea lions, and a wide variety of fish species. Submarine and terrestrial features at the mouth of Glacier Bay create currents and upwelling that contribute greatly to marine and terrestrial biodiversity. Commonly occuring seabirds include marbled murrelets, puffins, and guillemots. And freshwater streams within the project site provide spawning and over-winter habitat for three species of Pacific salmon, contributing marine nutrients to watershed ecosystems and linking marine and upland habitats. (Streveler 1996).

In summary, no other place in Alaska has the same combination of geological and biological characteristics as the area encompassed by the Gustavus forelands. The Gustavus forelands contain ecoregionally outstanding examples of several conservation targets within the Icy Strait site. These include:

- Lodgepole pine (*Pinus contorta*) forested wetlands; within the coastal forest and mountains ecoregion, these pines are found only in Gustavus.

- Sedge-dominated wetlands (best represented in the Dude Creek Critical Habitat Area) that are used by 10,000-17,000 lesser sandhill cranes (Streveler et al. 2004). These wetlands are one of the most important of all the migratory stop-overs for sandhill cranes in the ecoregion, and one of only two major stop-overs in the ecoregion. This habitat also has high value for other migratory bird species including shorebirds and geese (Streveler and Matkin 1983).

- Extensive coastal wetlands and shallow gradient tidal flats, which are uncommon in Southeast Alaska and valuable for migratory waterfowl and shorebirds. The Gustavus forelands have the second largest low-gradient tidal flats in the ecoregion. The Alaska Department of Fish and Game (ADF&G) has identified these coastal mudflats and adjacent wetlands as a "Most Environmentally Sensitive Area" (MESA).

- Coastal willow thickets, which are an early successional subset of the uplifted tidal flats. These thickets support the densest concentrations of moose in Southeast Alaska. Moose browse of this quality is infrequent in SE Alaska (Streveler et al. 2003).

Conservancy's specific role at the site: The Conservancy's primary role at the site is identification and protection of important coastal and wetland habitats in cooperation with the Gustavus Community Association (GCA), the Alaska Mental Health Trust Authority, and state and federal resource agencies (ADF&G, National Park Service (NPS), U.S. Fish & Wildlife Service (USFWS)). Specific strengths and activities of the Conservancy include conservation planning, public and private partnerships and fundraising, and real estate transactions. Specifically, the Conservancy has:

- Completed a site conservation plan for the Gustavus forelands.
- Negotiated and signed a purchase option agreement with the Mental Health Trust Authority for over 4,000 acres of mostly wetland habitat on the Gustavus forelands (the subject of this PROP).
- Raised funds for and commissioned two studies on vegetation dynamics and sandhill crane fall migration use of the Dude Creek Critical Habitat area and its environs (Streveler et al., 2002) and (Streveler et al., 2003).
- Raised approximately $3 million for land protection.

The Conservancy is closely coordinating its efforts with key partners. The Gustavus Community Assocation (GCA), a non-profit community association comprised of local residents interested in long-term conservation of the area, has been assisting the Conservancy with fundraising and on long-term conservation planning. With recent incorporation as a second-class city, the new municipality will assume the duties of the GCA and is expected to become a major partner in long-term monitoring and managment of the site, including possible transfer of title subject to a conservation easement held by the Conservancy or a local land trust.

Ducks Unlimited is supporting the project financially.

ADF&G has been a project partner on vegetation mapping studies and is the recipient-of-record for two USFWS Coastal Wetlands Conservation Act grants that will be used to purchase the tracts described

below. Under the terms of a draft cooperative agreement with the Conservancy for the use of those funds, ADF&G will assume ownership and management responsibilities for the project tracts adjacent to the Dude Creek Critical Habitat Area. ADF&G is also the manager of the Dude Creek Critical Habitat Area.

NPS has an active marine and coastal ecosystem research program in this area, and supports an applied research program of the USGS-BRD and numerous university-funded research projects each year. These research programs cover moose, bears, shorebirds, migratory waterfowl, sandhill cranes and salmon, target species that occupy and migrate between NPS lands in Glacier Bay National Park and the project tracts on the Gustavus forelands. NPS staff have assisted in development of the Gustavus Forelands Conservation Plan and vegetation mapping and classification efforts.

USFWS has supported the project through grants from the Alaska Coastal Program and national Coastal Wetlands Conservation Act.

The Alaska Mental Health Trust Authority owns land across the Gustavus forelands and within the community of Gustavus. The Trust is required by law to manage its lands to produce revenue for mental health programs in Alaska. The Conservancy has worked closely with the Trust and the Gustavus Community Association, since 1999, to complete a habitat protection project for selected Trust lands, consistent with goals of the Conservancy, the Trust and the local community.

Key threats: The dominant sources of stress to biodiversity at the Gustavus Forelands are residential and tourism development and associated road development. Specific stresses include:

- Habitat fragmentation, especially of the shoreline corridor.
- Alteration of groundwater hydrology from ditching and draining (necessary for road and residential development) that will accelerate afforestation of wetlands.
- Disturbance to sandhill cranes from increased human activity (and associated activity such as harassment by dogs)
- "Defense of life and property" killing of bears.

These threats are best addressed by taking priority developable tracts off the market, particularly adjacent to the sandhill crane resting/feeding areas and along the coastal margin.

Key conservation strategies: The Conservancy is employing a mix of conservation strategies to abate key threats in the Gustavus forelands area. Our goal to conserve all native species and communities. To achieve that goal, we are working to protect critical habitat on land and in near-shore areas, expand local awareness of the area's biodiversity, and encourage compatibility of human use with the area's natural systems (TNC 2002). Our principle strategies fall within the following categories:

1. Land protection: Our primary strategy for conservation of the Gustavus forelands is acquisition of critical tracts that will protect conservation targets within the coastal and riparian corridors linking Glacier Bay National Park and Dude Creek Critical Habitat Area. With this project, the Conservancy will secure Mental Health Trust properties along the shoreline and forelands adjacent to the Dude Creek Critical Habitat Area, large wetland tracts east of the airport, and substantial portions of the Good River riparian corridor. Negotiations are underway with the owners of a 137 acre tract that will protect additional key habitat, extend and provide a buffer to Dude Creek Critical Habitat Area, and connect the coastal properties with critical habitat to the

north. The Conservancy is encouraging the continued conservation management of other key homestead parcels - the sole remaining private lands within the east-west shoreline corridor – to ensure these lands remain unfragmented. Where possible, the Conservancy will seek to obtain conservation easements to protect lands within the shoreline corridor and adjacent to the Dude Creek Critical Habitat Area.

2. Conservation management of public lands. Relatively small amounts of public land remain within these habitat corridors, owned and managed by the State of Alaska. The Gustavus airport master plan designates state lands southeast of the airport as Habitat Reserve Lands. These lands extend from the runway to the beach and are immediately adjacent to the Mental Health Trust lands the Conservancy is acquiring. These areas are identified in the airport plan as "...valuable wildlife habitat warranting protection for habitat values consistent with maintaining airport air space obstruction free. No development would be permitted except for transportation corridors, such as roads. These habitat areas will remain under ownership of ADOT&PF, but due to unique environmental aspects of the topography, they will not be identified as developable areas." Airport Master Plan, Alaska Department of Transportation and Public Facilities, Southeast Region, January 1996. p. 71). The Conservancy will advocate that these and other state lands managed by the State of Alaska be maintained in their natural condition.

3. Community and watershed planning and management: The Conservancy will finalize a cooperative land management agreement for its lands - based on a draft written in 2002 - with the Gustavus Community Association (GCA), and implement that agreement through a land management plan. Following Gustavus' recent incorporation as a municipality, the Conservancy can provide it with information on progressive ordinances and will advocate for and assist the city with adoption of planning, zoning, and land management ordinances to provide authority for habitat protection, parks and open space. Depending on the strength of such ordinances and other demonstrated land management capacity, the Conservancy may transfer title to some or all its lands to the city, subject to a conservation easement. The Conservancy will work with the GCA to initiate a Gustavus Clean Water program to monitor ground water quality and identify necessary clean water action strategies.

These conservation strategies are based on a number of critical assumptions:

1. Ditching the area to develop roads and residential properties will promote drying of wetland sites and alter the plant communities and wildlife use values. These changes will favor more common species at the expense of unique plant assemblages such as the lodgepole pine fens and open sedge wetlands used by sandhill cranes. This trend in vegetation growth has been observed in areas where ditching has occurred (Bishop and Streveler, 1987).

2. The east-west corridor along the shoreline serves as an important movement corridor for migratory waterfowl and shorebirds, as well as terrestrial mammals (wolf, brown and black bear, moose). There have been no telemetry studies to document wildlife movements. Local naturalists and the ADF&G area biologist have verified the relatively high level use of the shoreline area by terrestrial mammals.

3. Maintaining the natural areas along the shoreline, adjacent to the Dude Creek Critical Habitat Area, and other large wetland tracts will not be possible through improved zoning and planning. The community incorporated as a 2nd Class City in March 2004. Based on experience

throughout Alaska, such zoning takes years to put in place, and then is less than effective at maintaining productive wildlife habitat. The pace of residential and tourism development in the area will outrun the pace of land protection through regulatory means.

4. The Conservancy will be a prominent and well-informed conservation landowner and voice in the new government. As a major landowner, the Conservancy will work closely with the new city government to encourage land and water conservation programs and ordinances.

5. Within ten years, following enactment of a municipal land protection ordinance and development of institutional capacity, title to some of the project lands retained by the Conservancy may be transferred to the city of Gustavus for stewardship and monitoring, subject to a conservation easement held by the Conservancy or a local land trust.

6. One key assumption is that the acquisition of a relatively small parcel of privately owned land can make a major contribution to conservation in a state that is largely publicly owned, and a state with vast areas under some sort of protected status. The reason this is likely the case is that the specific lands being acquired have unique value (e.g., fire-free pine forests, critical habitat for sandhill cranes, for meadows rich in mammals) that distinguishes them from other lands. Secondly, our goal is not the protection of remaining fragments of habitats, but rather preservation of the unique large wild landscape that is Alaska.

Tract significance: The Alaska Mental Health Trust tract consists of approximately 4,139 acres of pristine and near-pristine sandy beach, salt marsh, wet meadow, wetland, forested wetland and forest. These tracts create a much used wildlife travel corridor between the national park to the west of the Gustavus forelands, the Dude Creek Critical Habitat Area, and the national park lands to the east. The shoreline tracts are particularly important habitat in winter, as they experience the mildest conditions in the area (TNC 2002).

The project tracts include five of the eight conservation targets in the Icy Strait Conservation Area: brown bear, salmon, migratory and sea bird areas, near-shore intertidal vegetated areas, and forested and non-forested wetlands. Acquistion will contribute significantly to the protection of these conservation targets (43% of the acreage selected for acquisition is wetland habitat (Streveler et al. 2003)). Conversely, failure to acquire these parcels will likely result in the subdivision and development of the coastal corridor between Glacier Bay National Park and Dude Creek Critical Habitat area, disconnecting areas that have high wildlife habitat value and adversely affecting the biodiversity those areas presently support.

Although both the Tongass National Forest and Glacier Bay National Park are nearby, neither provide protection for the unique resources of the Gustavus forelands. Virtually all the high quality winter habitat for moose, for example, is at Gustavus, within a half-mile of the shore; the shoreline is itself a major thoroughfare for many species of wildlife (Streveler et. al, 2003). Major concentration areas for sandhill cranes do not occur within either the national park or the national forest.

The Dude Creek Critical Habitat Area (CHA) protects core areas of sedge wetlands important to sandhill cranes, but it excludes the shoreline, beach fringe, and other important habitat (Streveler et. al 2002).

Rapid successional changes due to uplift could reduce the value of habitat within the CHA and increase the value of near-beach areas (Bosworth 1985, Streveler and Matkin 1983).

Protection of MHLT lands addresses the need for broader scale habitat protection for recently accreted lands and mudflats that could soon become vegetated wetlands. In the well drained inland areas, protection will ensure that the process of succession continues, permitting existing and developing stands of undisturbed coastal temperate rainforest to mature.

Science Point of Contact: Randy Hagenstein, Director of Conservation, TNC Alaska Chapter, Anchorage, Alaska, is familiar with the conservation value of this project and the critical assumptions. He may be reached by email at rhagenstein@tnc.org and by telephone at (907) 276-3133, ext.119.

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Maps: See attached PROP maps, showing: 1) conservation area (Icy Strait) and focal area (Gustavus Forelands) within SE Alaska - B.C. Coastal Forests and Mountains ecoregion, and 2) Mental Health tract parcel locations within Gustavus Forelands area boundaries. Exhibit B to Purchase Sale Agreement also attached.

Description of the Transaction:

1. Acquisition: The Nature Conservancy (TNC) will acquire the Gustavus-MHLT tract, comprised of seven parcels totalling approximately 4,139 acres, located in the Icy Strait Conservation Area (as depicted on Exhibit B to Purchase Sale Agreement, attached). A survey and replat of the parcels that will determine the exact acreage figure is pending, as is an appraisal to determine fair market value. Based on a June 2000 limited appraisal and preliminary survey results, the fair market value of the seven parcels combined is estimated to be between $3,800,000 and $5,325,000. The property is being offered to TNC by its owner, the Alaska Mental Health Trust Authority (MHLT) for its appraised value as determined in accordance with UASFLA appraisal standards. There is no donative intent. The Conservancy has the option to purchase some but not all of the seven parcels. That decision will depend on the final survey and appraisal results and the status of fundraising.

The Conservancy will complete the acquistion of all seven parcels, or any reduced purchase option, in one consolidated land transaction. The overall plan for management of the parcels will emphasize habitat protection while allowing continued access and recreational or subsistence use. Day to day management will occur through a cooperative management process involving the Conservancy, ADF&G, and the municipality of Gustavus.

2. Stewardship and management: Parcels 1 and 2 are adjacent to Dude Creek Critical Habitat Area (a state refuge) and Glacier Bay National Park. Acquisition is funded in part by Phase I of a USFWS Coastal Wetland Grant passed through ADF&G. In accordance with a draft cooperative management agreement with the state, TNC will purchase the property and will transfer it to the State of Alaska for management by ADF&G. The Conservancy may retain a conservation easement and/or record a notice of grant on these parcels to ensure that the land is managed consistent with the federal grant and the

Conservancy's conservation goals. Management and taxes will be the responsibility of the Alaska Chapter until transfer occurs.

Parcels 3, 4 and 5 are coastal properties extending further east and are funded in part by Phase II of the USFWS Coastal Wetlands Grant. Title will remain with the Conservancy. The State of Alaska will hold a conservation easement and/or rights under a notice of grant to ensure that the land is managed consistent with the federal grant. Management will be the responsibility of the Alaska Chapter of TNC and the Gustavus Community Association per a cooperative management agreement to be executed by the parties.

Parcel 6 lies inland of parcel 2 and is adjacent to Dude Creek Critical Habitat Area. Parcel 7 is inland of and adjacent to parcel 5. Funding for acquisition is through a pending EPA grant and private donations. Title will remain with the Conservancy. Management will be the responsibility of the Alaska Chapter of TNC and the Gustavus Community Association Land Legacy per a Cooperative Management Agreement to be executed by the parties. Subject to funding source restrictions and consistent with overall project conservation goals, consideration will be given to the possibility of selling small portions of the acquisition to conservation buyers.

Within ten years, following enactment of a municipal land protection ordinance and development of institutional capacity, title to some of the project lands retained by the Conservancy may be transferred to the city of Gustavus for stewardship and monitoring, subject to a conservation easement held by the Conservancy or a local land trust.

3. Compatible human use: Human uses of the lands acquired through this project will include subsistence hunting, fishing, and trapping; nature study, and general recreation. Hunting and fishing will occur under the Alaska Constitution's sustained yield mandate and specific laws of the State of Alaska that pertain to this area. More detailed use prescriptions will be determined under the terms of a land management agreement and management plan that includes a long-term monitoring and adaptive management component. Such an agreement has existed in draft form since 2002. When final, signatories will be the Conservancy, the Gustavus Community Association, and the ADF&G.

4. Risk analysis and return on investment consideration: The greatest risk to this project is that the final surveyed acreage and/or appraised value of the Mental Health Trust parcels greatly exceeds the present estimates and fundraising and we are unable to acquire all of the seven available parcels at this time. The parcels constituting the east-west migratory corridor along the coast (parcels 1-5) are the highest ecological priority. Of these, the highest value parcels lie to the west (parcels 1-2) with values diminishing moving to the east (parcels 3-5). The Conservancy's partial purchase option permits that prioritization. The worst case scenario would be an inability to purchase some or all of the easternmost parcels and that those are subsequently sold and developed, potentially interrupting the east-west migratory corridor. An inability to maintain or enhance conservation protections for other private and state-owned parcels in that corridor could have the same effect. Even so, however, the conservation value of the project would not be lost as there would still be a migratory corridor along beach accretions and intertidal areas.

The conservation values of this project are excellent. At over 4000 acres in the heart of a biologically unique ecosection, the project directly protects more land and conservation targets than any other single project in Alaska. It provides exceptional leverage by connecting, adding to, and buffering existing federal and state reserves. Begun at the behest of the local community, this project surrounds the core

populated areas with a protected periphery that extends across rich coastal habitat to the adjacent National Park boundaries. It is an extraordinary integration of wildlands, wild resources and a sustainable, conservation-minded community that will serve as a model in Alaska.

5. Commitment of staff resources: As a result of this project, the Conservancy will become the predominant landowner in Gustavus and will assume related stewardship and monitoring responsibilities. In addition, the Conservancy's long term conservation strategies contemplate close working relationships between the Conservancy and its community, state and federal partners. Initially, cultivating and maintaining those partnership relationships will entail a significant commitment of staff time and resources. Within ten years, as community members and institutions assume more of a role, the Conservancy's partnering role as well as its stewardship and monitoring responsibilities will decrease.

6. Conflicts of interest: The seller, Alaska Mental Health Trust Authority, is an independent agency of the State of Alaska. Per a Seller Disclosure Form for Real Estate Transactions executed on March 1, 2004, there are no conflicts of interest involving the Conservancy in this transaction.

Total project costs: $5,838,995 (estimated), based on purchase price of $5,325,000 (high range estimate). The actual purchase price will be based on appraised value.

Status of funding: As of March, 2004, the Conservancy has raised $3,141,000 towards this project, consisting of public grants and donated or pledged private funds. Grant agreements needed to access the awarded public funds are pending. An additional $437,000 public grant applications have been proposed. The remaining $2,697,995 is being actively pursued through on-going private fundraising activities. An LPF loan in that amount will be sought to fully fund the project at the time of closing.

Proposed loan repayment schedule: Approximately $2,697,995 will be needed from the LPF on September 1, 2004 (closing date). The LPF loan will be repaid within 3 years.

Approvals: Any officer of The Nature Conservancy, any person designated in writing by any such officer, the Northwest Division Director or the Alaska State Director may take any and all actions (including the execution, delivery or acceptance of deeds and other legal documents), provided such actions are consistent with internal policies and procedures, necessary to implement the project as described above, including:

- Acquire all or some portion of the Gustavus Forelands-Mental Health tracts of the Icy Strait conservation area, as described above.
- Accept USFWS Coastal Wetlands grant funding pursuant to a cooperative management agreement with the ADF&G, as well as funding from other state, federal and private sources.
- Record a notice of grant and/or such other restrictions on title as may be required by the granting entity.
- Transfer all or some portion of the tracts, or a legal interest in the tracts such as a conservation easement, to the State of Alaska, Department of Natural Resources, the City of Gustavus, or another appropriate entity for conservation management and stewardship as described above.
- Sell small portions of the acquisition to conservation buyers, subject to funding source restrictions and consistent with overall project conservation goals.
- Retain title to or a legal interest in any remaining tracts for management as a TNC nature reserve.

- Enter into a cooperative management agreement with ADF&G, the Gustavus Community Association and/or other interested parties to restore, enhance and maintain forested and wetland communities and, where compatible, maintain traditional uses of the tracts for subsistence hunting, fishing, and trapping, nature study, and general recreation.
- Fundraise: $2,697,995.
- Loan: $2,697,995. Three years. Land Preservation Fund (LPF) or other sources acceptable to the Chief Operations Officer.

Project costs:

Expenses:

Purchase Price (estimated):	$5,325,000.00
Appraisal:	$34,000.00
Survey:	$38,000.00
Phase I:	$8,000.00
Title Insurance:	$10,000.00
Escrow/Closing Fees:	$3,000.00
TNC Tax Obligation:	$0.00
Stewardship Startup:	$7,000.00
Stewardship Endowment:	$70,000.00
Total LPF Interest:	$343,995.00
TOTAL EXPENSES:	**$5,838,995.00**

Income:

FWS Coastal Wetlands Phase I grant (confirmed):	$953,000.00
FWS Coastal Wetlands Phase II grant (awaiting receipt):	$1,000,000.00
CIAP funds (awaiting receipt):	$100,000.00
Non-federal funds (confirmed):	$1,043,000.00
Non-federal funds (pledged):	$45,000.00
Subtotal (funds available at closing):	$3,141,000.00
LPF loan:	$2,697,995.00
TOTAL INCOME:	**$5,838,995.00**

Loan comments: $5,838,995.00 (purchase price and expenses) - $3,141,000.00 (available funds) = $2,697,995.00 (LPF loan amount). $2,697,995.00 (LPF loan amount) x 4.25 % x 3 years = $343,995.00 (maximum LPF interest).

Stewardship comments: Anticipated stewardship start-up needs include development and implementation of a cooperative management plan at an estimated cost of $ 7,000, including travel to the property. 100% of this cost will be supported through a USFWS Coastal Conservation grant or other grants.

Anticipated annual stewardship and management needs include signage, response to public inquiries, consultation with the new city of Gustavus, TNC travel, and general monitoring of uses of the property and adjacent areas. These costs are estimated to be $7,000 annually.

An endowment of $70,000, at 5% annual interest, would generate adequate funds to cover 50% of this cost, as required by TNC's stewardship financing policy. The Alaska Field Office does not have these funds on hand and does not anticipate having them by the time of closing. Accordingly, the Alaska Field Office will borrow $70,000 to fund these costs from the LPF for deposit into the following budget centers: $ 70,000 will be transferred into the Alaska Stewardship Endowment Account (TNC Center #4020519000) for the stewardship endowment.

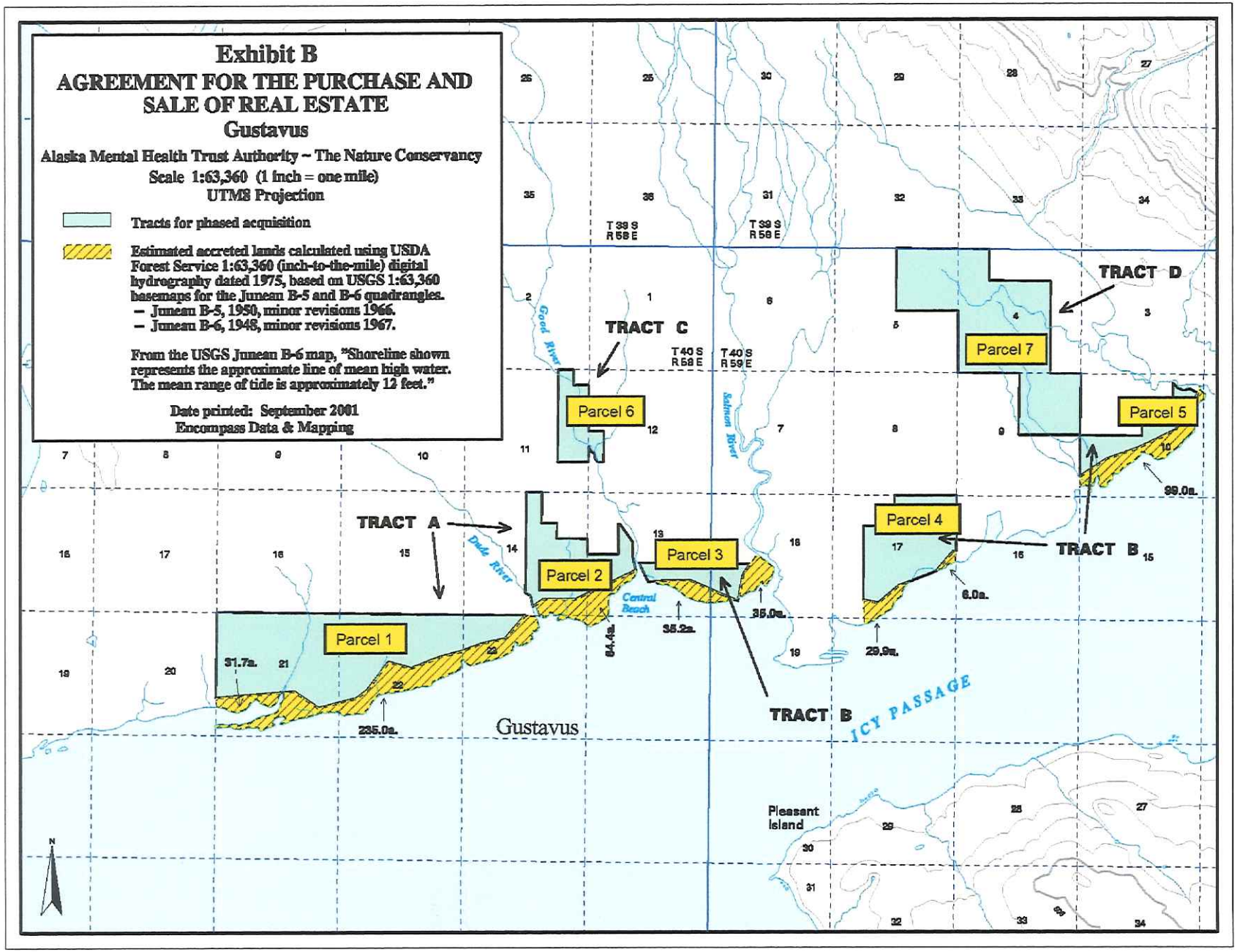
Exhibit B
AGREEMENT FOR THE PURCHASE AND SALE OF REAL ESTATE
Gustavus
Alaska Mental Health Trust Authority – The Nature Conservancy
Scale 1:63,360 (1 inch = one mile)
UTM8 Projection
Tracts for phased acquisition
Estimated accreted lands calculated using USDA Forest Service 1:63,360 (inch-to-the-mile) digital hydrography dated 1975, based on USGS 1:63,360 basemaps for the Juneau B-5 and B-6 quadrangles.
– Juneau B-5, 1950, minor revisions 1966.
– Juneau B-6, 1948, minor revisions 1967.
From the USGS Juneau B-6 map, "Shoreline shown represents the approximate line of mean high water. The mean range of tide is approximately 12 feet."
Date printed: September 2001
Encompass Data & Mapping
T 39 S R 58 E
T 39 S R 59 E
T 40 S R 58 E
T 40 S R 59 E
Good River
Salmon River
Dude River
Central Beach
TRACT A
TRACT B
TRACT C
TRACT D
Parcel 1
Parcel 2
Parcel 3
Parcel 4
Parcel 5
Parcel 6
Parcel 7
31.7a.
235.0a.
84.4a.
35.2a.
35.0a.
6.0a.
29.9a.
99.0a.
Gustavus
ICY PASSAGE
Pleasant Island
N