
APPENDIX K

**RELATED PARTY TRANSACTIONS
AND TNC REFORMS**

The Nature Conservancy
EIN: 53-0242652

STATEMENT 21

Form 990, Schedule A, Part III - Statement About Activities

- (1) The Nature Conservancy has a contract valued at \$50,000 with McKinsey and Company, to defray direct expenses of a McKinsey Consultant. In addition, TNC reimbursed \$104,291 to McKinsey for travel and travel related expenses. Mr. Carter Bales, an officer with McKinsey and Company, is a member of the Conservancy's Board of Governors.
- (2) The Nature Conservancy utilized office space which was provided free of charge to the Great Basin Field office in Salt Lake City, Utah by Ian Cumming, a member of the Conservancy's Board of Governors.
- (3) TNC has two contracts with WILLTEL, Inc. for support and maintenance of voice mail systems. WILLTEL is a part of the Williams Company. Mr. Joe Williams is the CEO of the Williams Company and is also a member of TNC's Board of Governors. The contract was awarded through a full competitive bidding process. Total expenses under this contract in fiscal year 1993 were \$8,165.

STATEMENT 21

SCHEDULE A, PART III - EXPLANATION FOR LINE 4

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MR. JOE WILLIAMS, A MEMBER OF THE CONSERVANCY'S BOARD OR GOVERNORS, FURNISHED OFFICE SPACE FOR TNC STAFF PREPARING THE BISON RELEASE. HE ALSO OFFERED FIELD SERVICE TO ASSIST TALLGRASS PRAIRIE STAFF IN REPAIRING GAS LINES AND OTHER FACILITIES.

MR. JOHN SMALE IS CHAIRMAN OF THE BOARD OF GENERAL MOTORS CORPORATION AND IS A MEMBER OF THE NATURE CONSERVANCY'S BOARD OF GOVERNORS. GENERAL MOTORS ENTERED INTO THE FOLLOWING DESCRIBED TRANSACTIONS WITH THE CONSERVANCY

- 1) AN AGREEMENT TO RENT MEMBERSHIP MAILING LISTS FROM THE CONSERVANCY AT FULL FAIR MARKET VALUE
- 2) AN AGREEMENT TO SUPPORT THE NATURE CONSERVANCY WHICH PROVIDES THE CONSERVANCY CASH, VEHICLE, POTENTIAL GIFTS OF LAND, DATA SYSTEMS EQUIPMENT AND OTHER MISCELLANEOUS ASSETS OF VALUE.

MR. SMALE HIMSELF RECUSED HIMSELF FROM PARTICIPATING IN AND VOTING UPON SAID TRANSACTIONS.

MR. ROBERT MITCHELL, A MEMBER OF THE CONSERVANCY'S BOARD OF GOVERNORS, SOLD A MAJORITY OF HIS RANCH TO HIS RANCH MANAGER. THE RANCH MANAGER, IN TURN, SOLD ONE-THOUSAND ACRES TO THE NATURE CONSERVANCY AND GAVE A CONSERVATION EASEMENT ON ONE-THOUSAND EIGHT HUNDRED ACRES.

MR. WARD W. WOODS, A BOARD MEMBER OF THE NATURE CONSERVANCY, IS ALSO A BOARD MEMBER OF FREEPORT MACMORAN, INC. THE NATURE CONSERVANCY SOLD 4,282 ACRES TO FM PROPERTIES OPERATING COMPANY, A PARTNERSHIP RELATED TO FREEPORT MACMORAN, INC., SUBJECT TO THE LEGAL CONDITION THAT 4,070 ACRES WERE DONATED BACK TO THE NATURE CONSERVANCY FOR CONSERVATION. MR. WOODS RECUSED HIMSELF FROM ANY INVOLVEMENT IN THIS PROJECT.

THE NATURE CONSERVANCY HAD A CONTRACT WITH MCKINSEY AND COMPANY, UPON WHICH, TNC REIMBURSED \$15,901 TO MCKINSEY FOR TRAVEL AND TRAVEL RELATED EXPENSES. MR. CARTER BALES, AN OFFICER WITH MCKINSEY AND COMPANY, IS A MEMBER OF THE CONSERVANCY'S BOARD OF GOVERNORS.

STATEMENT 14
FORM 990, SCHEDULE A, PART III - Explanation for line 2a

Mr. John Smale is Chairman of the Board of General Motors Corporation. General Motors entered into the following described transactions with The Nature Conservancy:

An agreement to support The Nature Conservancy which provides the Conservancy cash, vehicles, potential gifts of land, data systems equipment and other miscellaneous assets of value.

Mr. Smale recused himself from participating in and voting upon said transactions.

STATEMENT 21
FORM 990, SCHEDULE A, PART III - Explanation for line 2a

Mr. John Smale is Chairman of the Board of General Motors Corporation. General Motors entered into the following described transactions with The Nature Conservancy:

An agreement to support The Nature Conservancy which provides the Conservancy cash, vehicles, potential gifts of land, data systems equipment and other miscellaneous assets of value.

Mr. Smale recused himself from participating in and voting upon said transactions.

Mr. David C. Cole is President of AOL Enterprises. America Online entered into the following described transactions with The Nature Conservancy:

The Nature Conservancy is a content provider on America Online, and maintains a forum that provides information on the Conservancy's work both domestically and abroad.

Mr. Cole recused himself from participating in and voting upon said transactions.

Mr. Samuel C. Johnson is Chairman of the Board of S.C. Johnson & Sons, Inc. S.C. Johnson entered into the following described transactions with The Nature Conservancy:

The Nature Conservancy has a one-year contract with S.C. Johnson Wax which permits S.C. Johnson to use The Nature Conservancy's trademark in a national product promotion in exchange for \$100,000.

Mr. Johnson recused himself from participating in and voting upon said transactions.

**THE NATURE CONSERVANCY
990 TAX RETURN
ADDITIONAL STATEMENTS
FY97**

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**STATEMENT 21
FORM 990 - SCHEDULE A, PART III - EXPLANATION FOR LINE 2a**

Mr. A.D. Correll is the Chief Operating Officer of Georgia Pacific. Nekoosa Papers Inc., at the time a wholly-owned subsidiary of Georgia Pacific, entered into the following described transactions with The Nature Conservancy:

The Nature Conservancy acquired 1,000 acres of land in Wisconsin for the fair-market-value price of \$575,000.

Mr. Correll recused himself from participating in and voting upon said transactions.

Mr. Ward W. Woods owns the Quentin Corporation. Quentin Corporation entered into the following described transactions with The Nature Conservancy:

In a partial sale, The Nature Conservancy acquired property on September 23, 1996 and February 19, 1997 in the amounts of \$279,851 and \$359,950, respectively.
An unsecured promissory note dated February 19, 1997 was entered into and is payable September 12, 1997.

Mr. Woods recused himself from participating in and voting upon said transactions.

Mr. John Smale is a Director, and former Chairman, of the General Motors Corporation. General Motors entered into the following described transactions with The Nature Conservancy:

An agreement to support The Nature Conservancy which provides The Nature Conservancy cash for its general purposes, as it chooses; vehicles; and other miscellaneous assets of value.

Mr. Smale recused himself from participating in and voting upon said transactions.

Mr. Leigh Perkins is the President and Chief Executive Officer of The Orvis Company. The Orvis Company entered into the following transactions with The Nature Conservancy:

General activities on Mays Pond; and sale of fly fishing tackle to the Belize Program.

Mr. Perkins recused himself from participating in and voting upon said transactions.

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STATEMENT 21(CONTINUED)
FORM 990 - SCHEDULE A, PART III - EXPLANATION FOR LINE 2a

Mr. John Sawhill serves on the Board of Proctor and Gamble. Proctor and Gamble owns and controls Millstone Coffee, Incorporated. Millstone Coffee, Incorporated entered into the following described transactions with The Nature Conservancy:

An agreement executed January 10, 1997, between The Nature Conservancy and Millstone Coffee, Incorporated, grants Millstone the rights to use Conservancy trademarks on licensed product packaging, advertisements, point-of-purchase displays, and other material. Licensed product is defined as Organic, Estate, and Limited Edition coffees. The license is exclusive for whole bean coffee. The term is five years, from December 1, 1996, to December 2001. Millstone will pay the Conservancy royalties of a minimum of \$400,000 over five years plus two percent of net sales of licensed product.

Mr. Sawhill did not participate in said transactions.

Mr. Johnson is the Chairman of the Board of Directors of S.C. Johnson & Son, Inc. and the owner, personally, or as Trustee, of more than 50% of its voting Common Stock. S.C. Johnson & Son, Inc. entered into following described transactions with The Nature Conservancy:

During the fiscal year commencing on July 1, 1995, and terminating on June 30, 1996, S.C. Johnson & Son, Inc. paid \$100,000 to The Nature Conservancy for a trademark license to use the name The Nature Conservancy in a promotion. We have extended this arrangement for a second year and have also added two royalty streams to the \$100,000. The two additional sources were 1) royalties paid by S.C. Johnson & Son, Inc. on behalf of participating retailers, and, 2) royalties generated by customers buying a self-liquidating premium.

Mr. Johnson recused himself from participating in and voting upon said transactions.

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STATEMENT 24
FORM 990 - SCHEDULE A, PART III - EXPLANATION FOR LINE 2a

Mr. John Smale is a Director, and former Chairman, of the General Motors Corporation. General Motors entered into the following described transaction with The Nature Conservancy:

An agreement to support The Nature Conservancy which provides The Nature Conservancy cash for its general purposes, as it chooses; vehicles; and other miscellaneous assets of value.

Mr. Smale recused himself from participating in and voting upon said transactions.

Mr. John S. Hendricks is the founder, chair and chief executive officers of Discovery Communications, Inc. Discovery Communications entered into the following described transactions with The Nature Conservancy:

Effective September 17, 1997, in cooperation with the National Audubon Society, The Nature Conservancy licensed its name and logo to Discovery Communications for use in connection with the "All Bird Television" series. The non profits also provided funding for the series and performed editorial consulting services. In return, they received royalty rights, rights to use the original footage from the series, rights to purchase home video copies of the series at cost, and credits at the opening and end titles of every broadcast.

Effective June 1, 1998, The Nature Conservancy granted Discovery Communications permission to use its name to promote the Discovery Channel credit card. In return, the Conservancy receives revenues generated from the card.

Mr. Hendricks did not participate in said transactions.

Ms. Glenn Janss entered into the following described transactions with The Nature Conservancy:

Mr. Janss entered into an option agreement with The Nature Conservancy to sell property to the Conservancy for the original purchase price. On March 13, 1998, The Nature Conservancy exercised the option and purchased the property.

Ms. Janss recused herself from participating in and voting upon said transactions.

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STATEMENT 24

FORM 990 - SCHEDULE A, PART III - EXPLANATION FOR LINE 2a

Mr. A.D. Correll is Chairman of the Board and Chief Executive Officer of Georgia-Pacific Corporation, which entered into the following transaction with The Nature Conservancy:

The Nature Conservancy acquired 1108 acres in Maine from Georgia-Pacific Resins, Inc., on June 9, 1999 for consideration of \$380,000. Georgia-Pacific Resin, Inc., is closely affiliated with Georgia-Pacific Corporation.

Mr. Correll recused himself from participating in and voting upon said transactions.

Mr. John S. Hendricks is the founder, chair and chief executive officers of Discovery Communications, Inc. Discovery Communications entered into the following described transactions with The Nature Conservancy:

Effective September 17, 1997, in cooperation with the National Audubon Society, The Nature Conservancy licensed its name and logo to Discovery Communications for use in connection with the "All Bird Television" series. The non profits also provided funding for the series and performed editorial consulting services. In return, they received royalty rights, rights to use the original footage from the series, rights to purchase home video copies of the series at cost, and credits at the opening and end titles of every broadcast.

Effective June 1, 1998, The Nature Conservancy granted Discovery Communications permission to use its name to promote the Discovery Channel credit card. In return, the Conservancy receives revenues generated from the card.

Mr. Hendricks did not participate in said transactions.

Mr. Durk I. Jager, Chairman of the Board, President and Chief Executive of the Proctor & Gamble Co. Millstone Coffee, Inc. (a subsidiary of Proctor & Gamble) entered into the following transaction with The Nature Conservancy:

An agreement executed January 10, 1997, between The Nature Conservancy and Millstone Coffee, Inc., grants Millstone the rights to use Conservancy trademarks on licensed product packaging, advertisements, point-of-purchase displays, and other material. Licensed product is defined as Millstone Exotics brand Organic Mayan/Black Onyx and Organic Aztec Star & Sky coffees. The term is five years, from December 1, 1996 to December 2001. Millstone will pay the Conservancy royalties of a minimum of \$400,000 over five years plus two percent of net sales of licensed product.

Mr. Jager did not participate in said transaction.

Mr. Samuel C. Johnson is the chair of S.C. Johnson, Inc. S.C. Johnson Inc., entered into following described transactions with The Nature Conservancy:

During the fiscal year commencing on July 1, 1998, and terminating on June 20, 1999, S.C. Johnson & Son, Inc., paid \$100,000 to The Nature Conservancy in a promotion.

Mr. Johnson recused himself from participating in and voting upon said transaction.

**THE NATURE CONSERVANCY
990 TAX RETURN
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**STATEMENT 24
FORM 990 - SCHEDULE A, PART III - EXPLANATION FOR LINE 2a (CONTINUED)**

Mr. John P. Morgridge is chairman of Cisco Systems, Inc. which entered into the following transaction with The Nature Conservancy:

The Nature Conservancy acquires computer upgrades and purchases from Cisco Systems, Inc., at a substantial discount. Before any orders are placed Mr. Morgridge reviews the order and approves the discounts.

Mr. Leigh H. Perkins, Jr. is President and Chief Executive Officer of the Orvis Company, Inc., which entered into the following described transaction with The Nature Conservancy:

The Nature Conservancy acquired a conservation easement covering approximately 1622.48 acres in Florida from Orvis Services, Inc., for consideration of \$648,992. Orvis Services, Inc. is closely affiliated with The Orvis Company, Inc.

Mr. Perkins recused himself from participating in and voting upon said transactions.

Mr. John C. Sawhill serves on the Board of Proctor & Gamble. Proctor & Gamble owns and controls Millstone Coffee, Inc. Millstone Coffee, Inc. entered into the following described transaction with The Nature Conservancy:

An agreement executed January 10, 1997, between The Nature Conservancy and Millstone Coffee, Inc., grants Millstone the rights to use Conservancy trademarks on licensed product packaging, advertisements, point-of-purchase displays, and other material. Licensed product is defined as Millstone Exotics brand Organic Mayan/Black Onyx and Organic Aztec Star & Sky coffees. The term is five years, from December 1, 1996 to December 2001. Millstone will pay the Conservancy royalties of a minimum of \$400,000 over five years plus two percent of net sales of licensed product.

Mr. Sawhill did not participate in said transactions.

Mr. Jack Smith, Jr., is Chairman and Chief Executive Officer of General Motors Corporation. General Motors entered into the following described transaction with The Nature Conservancy:

An agreement to support The Nature Conservancy which provides The Nature Conservancy cash for its general purposes, as it chooses; vehicles; and other miscellaneous assets of value.

Mr. Smith did not participate or vote on said transactions.

STATEMENT 24

FORM 990 - SCHEDULE A, PART III - EXPLANATION FOR LINE 2a

Mr. A.D. Correll is Chairman of the Board and Chief Executive Officer of Georgia-Pacific Corporation, which entered into the following transaction with The Nature Conservancy:

Purchased by The Nature Conservancy (TNC) in February 2000, of 9,477 acres of land in Louisiana from North American Timber Corp. (dba) The Timber Company, a subsidiary of Georgia Pacific, for \$7.5 million. This transaction occurred in three partial closings, two of which occurred in FY00 (total of 1264 acres for \$1 million). The final closing on the remaining acreage occurred in November 2000. On October 7, 1999, TNC bought 5,481.9 acres (known as Van Swamp in North Carolina) from The Timber Co., a subsidiary of Georgia Pacific).

Mr. Correll recused himself from participating in and voting upon said transaction.

Mr. Durk I. Jager, retired Chairman of the Board, former President and Chief Executive of the Proctor & Gamble Co. Millstone Coffee, Inc. (a subsidiary of Proctor & Gamble) entered into the following transaction with The Nature Conservancy:

An agreement executed January 10, 1997, between The Nature Conservancy and Millstone Coffee, Inc., grants Millstone the rights to use Conservancy trademarks on licensed product packaging, advertisements, point-of-purchase displays, and other material. Licensed product is defined as Millstone Exotics brand Organic Mayan/Black Onyx and Organic Aztec Star & Sky coffees. The term is five years, from December 1, 1996 to December 2001. Millstone will pay the Conservancy royalties of a minimum of \$400,000 over five years plus two percent of net sales of licensed product.

Mr. Jager did not participate in said transaction.

Mr. John P. Morgridge is chairman of Cisco Systems, Inc. which entered into the following transaction with TNC:

The Nature Conservancy acquires computer upgrades and purchases from Cisco Systems, Inc., at a substantial discount. Before any orders are placed Mr. Morgridge reviews the order and approves the discounts.

Mr. John C. Sawhill serves on the Board of Proctor & Gamble. Proctor & Gamble owns and controls Millstone Coffee, Inc. Millstone Coffee, Inc. entered into the following described transaction with The Nature Conservancy:

An agreement executed January 10, 1997, between The Nature Conservancy and Millstone Coffee, Inc., grants Millstone the rights to use Conservancy trademarks on licensed product packaging, advertisements, point-of-purchase displays, and other material. Licensed product is defined as Millstone Exotics brand Organic Mayan/Black Onyx and Organic Aztec Star & Sky coffees. The term is five years, from December 1, 1996 to December 2001. Millstone will pay the Conservancy royalties of a minimum of \$400,000 over five years plus two percent of net sales of licensed product.

Mr. Sawhill did not participate in said transactions.

Mr. Jack Smith, Jr., is former Chairman and Chief Executive Officer of General Motors Corp. General Motors entered into the following described transaction with The Nature Conservancy:

An agreement to support The Nature Conservancy which provides The Nature Conservancy cash for its general purposes, as it chooses; vehicles; and other miscellaneous assets of value. General Motors signed an agreement with TNC to undertake a climate change project under which TNC received \$10 million and General Motors may potentially receive greenhouse gas mitigation offsets.

Mr. Smith did not participate or vote on said transactions.

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FORM 990 - SCHEDULE A. PART III - EXPLANATION FOR LINE 2a

Mr. A.D. Correll is Chairman of the Board and Chief Executive Officer of Georgia-Pacific Corporation, which entered into the following transaction with The Nature Conservancy:

Purchased by The Nature Conservancy (TNC) in February 2000, of 9,477 acres of land in Louisiana from North American Timber Corp. (dba) The Timber Company, a subsidiary of Georgia Pacific, for \$7.5 million. This transaction occurred in three partial closings, two of which occurred in FY00 (total of 1264 acres for \$1 million) and one of which occurred in FY01 in November 2000 (total of 8199.12 acres for \$6,489,396).

Mr. Correll recused himself from participating in and voting upon said transaction.

Mr. Durk I. Jager, retired Chairman of the Board, former President and Chief Executive of the Proctor & Gamble Co. Millstone Coffee, Inc. (a subsidiary of Proctor & Gamble) entered into the following transaction with The Nature Conservancy:

An agreement executed January 10, 1997, between The Nature Conservancy and Millstone Coffee, Inc., grants Millstone the rights to use Conservancy trademarks on licensed product packaging, advertisements, point-of-purchase displays, and other material. Licensed product is defined as Millstone Exotics brand Organic Mayan/Black Onyx and Organic Aztec Star & Sky coffees. The term is five years, from December 1, 1996 to December 2001. Millstone will pay the Conservancy royalties of a minimum of \$400,000 over five years plus two percent of net sales of licensed product.

Mr. Jager did not participate in said transaction.

Mr. John P. Morgridge is chairman of Cisco Systems, Inc. which entered into the following transaction with TNC:

The Nature Conservancy acquires computer upgrades and purchases from Cisco Systems, Inc., at a substantial discount. Before any orders are placed Mr. Morgridge reviews the order and approves the discounts.

Mr. Jeffrey N. Watanabe, is senior Partner, with the law firm of Watanabe, Ing & Kawashima. Watanabe, Ing & Kawashima entered into the following transaction with The Nature Conservancy:

Representation of The Nature Conservancy in reviewing a fishing license agreement encumbering Palmyra Atoll and addressing related legal issues, both prior and subsequent to the acquisition of Palmyra Atoll. The law firm contributed a substantial discount on legal fees to the Conservancy. Initiated possible acquisition of Kahuka Ranch on the Big Island of Hawaii from Damon Estate, a client of Watanabe, Ing & Kawashima. Watanabe, Ing & Kawashima, retained to assist The Nature Conservancy in the acquisition and management of the Palmyra Atoll.

Mr. Watanabe did not participate in said transactions.

Mr. John Smith, Jr., is former Chairman and Chief Executive Officer of General Motors Corp. General Motors entered into the following described transaction with The Nature Conservancy:

An agreement to support The Nature Conservancy which provides The Nature Conservancy cash for its general purposes, as it chooses; vehicles; and other miscellaneous assets of value. General Motors signed an agreement with TNC to undertake a climate change project under which TNC received \$10 million and General Motors may potentially receive greenhouse gas mitigation offsets.

Mr. Smith did not participate or vote on said transactions.

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STATEMENT 24 - PAGE 2 OF 2

Mr. William W. Murdoch, is a Professor of Ecology at the University of California in Santa Barbara and entered into the following transaction with The Nature Conservancy:

A \$1,200 consulting fee was paid to Mr. Murdoch as consideration for his attendance at a two-day meeting focusing on Science for Sustainable Conservation including discussions concerning establishing a Conservation Science Institute and developing plans for specific conservation projects.

Mr. Murdoch did not vote on said transaction.

Mr. Ian M. Cumming is chairman of Leucadia National Corporation. Silver Mountain Industries (SMI) is a subsidiary of Leucadia Corporation which entered into the following transaction with The Nature Conservancy:

On June 30, 2000, SMI donated a conservation easement (439.22 acres) valued at \$3,950,000, which included a public trail easement to The Nature Conservancy. In addition, SMI made a cash endowment contribution to the Conservancy in the amount of \$25,000, which was received in July 2000.

Mr. Cumming recused himself from participating in and voting upon said transaction.

Note> All transactions described occurred at fair market value, and appraisals were obtained as appropriate.

THE NATURE CONSERVANCY
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STATEMENT 24 - PAGE 1 OF 2
FORM 990 - SCHEDULE A, PART III - EXPLANATION FOR LINE 2a

Mr. A.D. Correll is Chairman of the Board and Chief Executive Officer of Georgia-Pacific Corporation, which entered into the following transaction with The Nature Conservancy:

Purchased by The Nature Conservancy (TNC) of the Integrated Forestry Management System from the North American Timber Corp. (NATC), a subsidiary of Georgia Pacific, for \$65,000 plus a \$100 per user fee, occurred in October 2001. This fee, half the current market price, will be guaranteed for a period of five years.

Mr. Correll did not participate in the negotiations and approvals of said transactions.

Mr. Leigh H. Perkins, Jr., is President and Chief Executive Officer of The Orvis Company, Inc., which entered into the following transaction with The Nature Conservancy:

The Nature Conservancy purchased a number of items of personal property from The Orvis Company, Inc., through its catalogue. The items were acquired for the purpose of furnishing the ranch house at the Conservancy's Matador Ranch property. Pursuant to an existing arrangement with The Orvis Company, Inc., allowing Conservancy employees to purchase items from the Orvis catalogue at a 40% discount, the Conservancy's Montana Program purchased discounted merchandise in the amount of \$2,482.60. The merchandise, which included bedding and other household items, was invoiced on June 5, 2002.

Mr. John P. Morgridge is chairman of Cisco Systems, Inc. which entered into the following transactions for which TNC paid a total of \$145,477:

From July 2001 to around March/April 2002 the arrangement was:

- 1) CISCO gives TNC an automatic 30% off their list price
- 2) TNC purchases its equipment DIRECTLY from CISCO.
- 3) TNC submits to Mr. Morgridge the amount paid to CISCO

This resulted in an effective 76% discount from list to TNC.

Mr. Jeffrey N. Watanabe, is senior Partner, with the law firm of Watanabe, Ing, Kawashima & Komeiji. He also serves as Chair of the Board of Trustees of TNC of Hawaii and as a member of TNC's Board of Governors. TNC paid \$2,371 for the following services:

TNC sought specialized advice and representation to address legal issues arising from a fishing license in place at TNC's recently acquired preserve, Palmyra Atoll, from the law firm of Watanabe, Ing, Kawashima & Komeiji LLP. The law firm has provided the services of Ed Rogin and Jim Kawashima at 50% of their usual rates. Jeff Watanabe has also provided legal counsel from time to time; his services have been donated to TNC.

TNC is in the process of acquiring certain property known as Kahuku Ranch on the Big Island of Hawaii, owned by the Estate of Samuel M. Damon, deceased ("Damon Estate"). The law firm of Watanabe, Ing, Kawashima & Komeiji LLP represents Damon Estate on a limited basis on other matters, not on the Kahuka Ranch transaction.

Mr. Watanabe did not participate in or vote on either the Palmyra Atoll or Kahuku Ranch acquisitions.

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STATEMENT 24 - PAGE 2 OF 2

Mr. John Smith, Jr., is Chairman of General Motors Corp. General Motors entered into the following described transaction with The Nature Conservancy:

An agreement covering a five year (1999-2004) which provides The Nature Conservancy cash for its general purposes, as it chooses; vehicles; and other miscellaneous assets of value. General Motors signed an agreement with TNC to undertake a climate change project under which TNC received \$10 million and General Motors may potentially receive greenhouse gas mitigation offsets.

Mr. Smith did not participate or vote on said transactions.

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STATEMENT 24 - PAGE 1 OF 2
FORM 990 - SCHEDULE A, PART III - EXPLANATION FOR LINE 2a

Mr. A.D. Correll is Chairman of the Board and Chief Executive Officer of Georgia-Pacific Corporation, which entered into the following transaction with The Nature Conservancy:

Purchased by The Nature Conservancy (TNC) of the Integrated Forestry Management System from the North American Timber Corp. (NATC), a subsidiary of Georgia Pacific, for \$65,000 plus a \$100 per user fee, occurred in October 2001. This fee, half the current market price, will be guaranteed for a period of five years.

Mr. Correll did not participate in the negotiations and approvals of said transactions.

Mr. Leigh H. Perkins, Jr., is President and Chief Executive Officer of The Orvis Company, Inc., which entered into the following transaction with The Nature Conservancy:

The Nature Conservancy purchased a number of items of personal property from The Orvis Company, Inc., through its catalogue. The items were acquired for the purpose of furnishing the ranch house at the Conservancy's Matador Ranch property. Pursuant to an existing arrangement with The Orvis Company, Inc., allowing Conservancy employees to purchase items from the Orvis catalogue at a 40% discount, the Conservancy's Montana Program purchased discounted merchandise in the amount of \$2,482.60. The merchandise, which included bedding and other household items, was invoiced on June 5, 2002.

Mr. John P. Morgridge is chairman of Cisco Systems, Inc. which entered into the following transactions for which TNC paid a total of \$145,477:

From July 2001 to around March/April 2002 the arrangement was:

- 1) CISCO gives TNC an automatic 30% off their list price
- 2) TNC purchases its equipment DIRECTLY from CISCO.
- 3) TNC submits to Mr. Morgridge the amount paid to CISCO

This resulted in an effective 76% discount from list to TNC.

Mr. Jeffrey N. Watanabe, is senior Partner, with the law firm of Watanabe, Ing, Kawashima & Komeiji. He also serves as Chair of the Board of Trustees of TNC of Hawaii and as a member of TNC's Board of Governors. TNC paid \$2,371 for the following services:

TNC sought specialized advice and representation to address legal issues arising from a fishing license in place at TNC's recently acquired preserve, Palmyra Atoll, from the law firm of Watanabe, Ing, Kawashima & Komeiji LLP. The law firm has provided the services of Ed Rogin and Jim Kawashima at 50% of their usual rates. Jeff Watanabe has also provided legal counsel from time to time; his services have been donated to TNC.

TNC is in the process of acquiring certain property known as Kahuku Ranch on the Big Island of Hawaii, owned by the Estate of Samuel M. Damon, deceased ("Damon Estate"). The law firm of Watanabe, Ing, Kawashima & Komeiji LLP represents Damon Estate on a limited basis on other matters, not on the Kahuka Ranch transaction.

Mr. Watanabe did not participate in or vote on either the Palmyra Atoll or Kahuku Ranch acquisitions.

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STATEMENT 24 - PAGE 2 OF 2

Mr. John Smith, Jr., is Chairman of General Motors Corp. General Motors entered into the following described transaction with The Nature Conservancy:

An agreement covering a five year (1999-2004) which provides The Nature Conservancy cash for its general purposes, as it chooses; vehicles; and other miscellaneous assets of value. General Motors signed an agreement with TNC to undertake a climate change project under which TNC received \$10 million and General Motors may potentially receive greenhouse gas mitigation offsets.

Mr. Smith did not participate or vote on said transactions.

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STATEMENT 24

FORM 990 - SCHEDULE A, PART III - EXPLANATION FOR LINE 2a

Mr. Leigh H. Perkins, Jr. (TNC board member), is President and Chief Executive Officer of The Orvis Company, Inc. Orvis entered into the following transactions with The Nature Conservancy:

Orvis paid The Nature Conservancy \$59,000 for licenses to conduct two experimental ecotourist fishing trips to its acquired Palmyra Atoll property. The first trip took place from about April 5, 2003 until about April 11, 2003; the second, from about May 25, 2003 until about June 1, 2003. The major purpose of these trips was to evaluate the long-term feasibility of conducting environmentally compatible ecotourism on Palmyra.

Mr. John P. Morgridge (TNC board member) is chairman of Cisco Systems, Inc., which entered into the following transaction with The Nature Conservancy:

The Nature Conservancy purchased computer equipment directly from Cisco Systems, Inc. for \$8,366.

Mr. John Smith Jr. (TNC board member), retired as Chairman of the Board of General Motors Corporation in March, 2003. General Motors entered into the following two transactions with The Nature Conservancy:

An agreement covering a five-year period (1999-2004) which provides The Nature Conservancy cash for its general purposes, as it chooses, vehicles, and other miscellaneous assets of value, in exchange for the right to publicize this relationship subject to Conservancy approval.

An agreement with the Conservancy to undertake a climate change project under which the Conservancy received \$10 million and General Motors may potentially receive greenhouse gas mitigation offsets.

Mr. Smith did not participate in or vote on said transactions.

JUL 25 2003

QUESTION 4: Loans

“TNC provided a home loan of \$1.55 million with a 1-year adjustable interest rate at 4.59 percent to Mr. McCormick. TNC states that this rate was based on ‘outside advice as to what a market rate would be.’ Please provide a copy of that advice.”

On April 29, 2002 Nature Conservancy staff determined market rates for five-year term interest-only ARM loans ranged from 5.17% to 5.30%, resulting in monthly payments exceeding \$6,250. Between April 29 and May 6, Nature Conservancy staff undertook additional research on interest rates for one-year ARM loans. The Wall Street Journal national average for one-year ARMs, as published on May 3, 2002, was 4.59% (see attached page C-2 of WSJ). One-year Treasury yields on that date approximated 2.6%. This one-year Treasury bill rate was, and remains, one of the more popular indexes for one-year ARM loans. Nature Conservancy staff also researched one-year Treasury security rates over the prior ten years, May 1991 through May 2001, and found that those rates had exceeded 6.00% on only one occasion, May 2000, over the ten-year period. Steve McCormick’s loan rate was capped at eight percent over the life of the loan.

MARKETS LINEUP

These items may not be sold, nor may offers to buy be accepted, prior to the time an Official Statement is delivered in final form. Under no circumstances shall this announcement constitute an offer.

News Before the Market Know

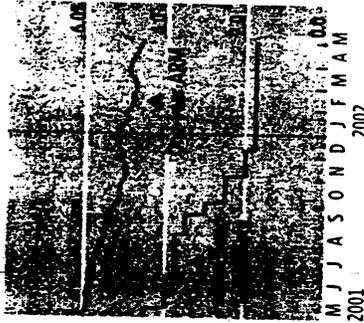
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Consumer Rates

Benchmark personal borrowing rate vs. Federal-funds target rate, the interest rate on overnight loans between banks.



	MATLAVG	WK'S CHG
Credit card	13.59%	-0.05
Money market APY	1.89	-0.02
Five-year CD APY	4.94	-0.04
New car loan	7.23	-0.03
30-year fixed mortgage	6.35	-0.07
Jumbo mortgages*	6.54	-0.07
One-year ARM	4.59	-0.11
Home equity loan	7.89	-0.01

*Over \$300,700

Most Competitive Rates Available

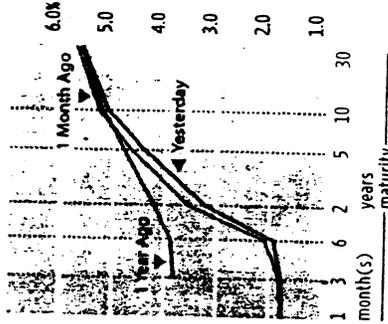
One-year ARM	4.78% APR
Republic Bank	4.78% APR
Cleveland, OH, 440-918-0801	
Your Best Rate Financial	4.82%
Atlanta, GA, 877-587-5363	
American Home Mortgage Co.	4.82%
Cleveland, OH, 216-883-7123	
<ELL>Thornburg Mortgage	4.85%
San Francisco, CA, 877-862-2002	
All-Florida Mortgage Centers	4.87%
New Port Richey, FL, 727-372-6060	

Note: Rates and fees are quoted on loans not exceeding \$300,700, with an 80% loan-to-value ratio.

Source: Bankrate.com

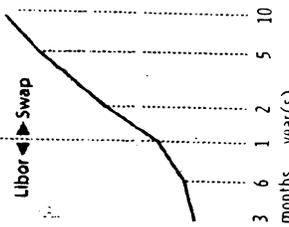
INTEREST RATES & BONDS

Treasury Yield Curve
Yield to maturity of current bills, notes and bonds.



Source: Reuters

Libor/ Swap Curve
Counterparty receives (mid-mark semi-annual swap rates for 2 to 10 years) and pays floating 3-month Libor.



Source: Prebon Yamane (USA)

Major Bond Indexes

U.S. Treasury Securities	Lehman Brothers	Close	Net Chg	% Chg	52-Week High	52-Week Low	\$ CH
Lehman Brothers	6796.29	-12.65	-0.19		6823.78	6353.64	
Intermediate	10157.56	-62.88	-0.62		10726.90	9305.67	
Long-term	7527.37	-25.12	-0.33		7696.71	6983.75	
Composite							

Broad Market Lehman Brothers (preliminary)

U.S. Aggregate	929.03	-1.43	-0.15		934.85	852.03	+7.83
U.S. Gov't/Credit	1057.19	-1.70	-0.16		1077.96	973.23	+7.14

U.S. Corporate Debt Issues Merrill Lynch

Corporate Master	1211.30	-2.83	-0.23		1230.20	1128.12	+6.07
High Yield	537.05	-0.81	-0.15		537.86	491.28	+3.44
Yankee Bonds	896.72	-3.10	-0.34		907.35	831.56	+6.81

Mortgage-Backed Securities current coupon, Merrill Lynch, Dec. 31, 1986-100

Ginnie Mae (GNMA)	382.32	-2.28	-0.59		384.60	357.51	+5.69
Fannie Mae (FNMA)	377.77	-2.17	-0.57		379.94	352.22	+6.37
Freddie Mac (FHLMC)	230.50	-1.34	-0.58		231.84	215.38	+6.05

Tax-Exempt Securities Merrill Lynch, Dec. 22, 1999

6% Bond Buyer Muni	104.00	-0.19	-0.18		108.09	101.25	+1.77
7-12 Yr G.O.	173.34	-0.08	-0.05		173.42	162.15	+6.90
12-22 Yr G.O.	180.50	-0.21	-0.12		181.25	169.24	+6.65

AUG 2 1 2003

QUESTION 4: Loans

“Please describe in particular all of the above loans that have a 0% interest rate and all loans that defaulted or in which there was partial or full loan forgiveness. Please describe the process of TNC in approving loans, how the interest rate is determined and the material that is prepared in support of such loans.”

The process of approving loans follows the same delegation of authority which applies to the Conservancy's other transactions. Interest rates are determined by reference to prevailing economic conditions and to criteria for particular types of loans, when applicable. The material prepared in support of loans primarily consists of the loan documents themselves, along with documentation of the value of any collateral.

AUG 21 2003

QUESTION 4: Loans

As previously reported to the Committee, the Conservancy has made twelve loans to employees. Seven of the twelve loans were made with interest at or above the Applicable Federal Rate and are therefore not below-market loans as defined in § 7872.

Four of the twelve loans were made at zero interest. The borrowers were Wayne Klockner, \$4,000 in 1996; William Possiel, \$35,000 in 1997; Bruce Runnels, \$80,000 in 1998; and Rodney Salm, \$10,000 in 1999.

The loans to Klockner and Salm are exempt from the provisions of § 7872 under an exception for compensation-related loans of \$10,000 or less that do not have tax avoidance as a principal purpose (§ 7872(c)(3)). The loan to Runnels is exempt from § 7872 under an exception for bridge loans made in connection with the purchase of a new principal residence at a new place of work (§ 7872(c)(1)(E); Reg. § 1.7872-5T(c)(ii)).

The loan to Possiel was subject to the provisions of § 7872. The Nature Conservancy complied with those requirements by imputing interest on the loan and reporting it on Possiel's 1998 Form W-2 (attached).

The twelfth loan was the Shared Appreciation loan to Graham Chisholm. This loan is exempt from § 7872 under an exception for mortgage loans on a new principal residence acquired in connection with transfer to a new place of work.

NOV 18 2003

QUESTION 4: Loans

Senate Finance Committee staff asked for an expanded description regarding the process TNC follows in deciding when and how it will make loans. The following expands on earlier information submitted by The Nature Conservancy regarding loans.

The Nature Conservancy's process for approving loans is based on, and flows from, the legal authority and responsibility that the Board of Governors has for all business of TNC. Loans made by the Conservancy generally fall within one of three separate categories: loans involving conservation land transactions; loans involving disposition of trade lands (non-conservation land); and, in a few instances, loans to employees associated with housing due to job relocation.

Loans Involving Conservation Real Estate Transactions

With respect to conservation transactions, dollar levels of authority have been specifically delegated for conservation real estate projects to the President and to other staff of TNC. Under TNC's Policy for "Presidential Real Estate Project Authority, as amended February 5, 1999," among other things, the Board delegated to the TNC President authority to "acquire and transfer any real estate in any transaction provided the purchase price does not exceed Two Million Dollars." In addition, the Board delegated authority to make "...loans...to...other conservation organizations for land protection activities provided that such loans will not exceed Two Million Dollars." The President, in turn, has delegated his project authority to the General Counsel and has made further delegations of his authority, at lower dollar levels, to TNC Regional Managing Directors, Division Directors and Operating Unit Directors. Any acquisition and transfer of real estate or making of a loan above two million dollars must be approved by the Board of Governors.

Whether a loan for a conservation project is to be made in a particular situation is determined based on considerations made by the local TNC operating unit that is attempting to undertake the conservation project. If the local operating unit of TNC believes a loan to support the work of another conservation group will advance TNC's conservation goals at a particular site, that operating unit would prepare a "project package" with project explanations and justifications. This would include information about the conservation objectives to be served by such project, the nature of TNC's involvement and its relationship to the other conservation organization, and an explanation of the financial aspects of the project (the 'credit-worthiness' of the conservation organization-borrower, what the loan will be used for, how and when it will be repaid, the terms of the loan, and any security for the loan). Depending on the level of dollars involved, the project package would be submitted for review and approval to the relevant TNC unit with the delegated legal authority to approve the loan project (i.e. the Board of Governors, the President, the General Counsel, a Regional Managing Director, a Division Director or an Operating Unit Director). A copy of a project package is attached as an example.

With regard to loans made to private individuals or entities involving a conservation land transaction, authority for making such loans similarly flows from the authority delegated by the Board to the President. As noted above, under TNC's Policy for "Presidential Real Estate Project Authority, as amended February 5, 1999," among other things, the Board delegated to the TNC President authority to "...transfer any real estate in any transaction provided the purchase price does not exceed Two Million Dollars." The President, in turn, has delegated his project authority to the General Counsel and has made further delegations of his authority, at lower dollar levels, to TNC Senior Managers. Any sale of conservation real estate or making of a loan in connection therewith above two million dollars must be approved by the Board of Governors.

Typically, loans to private individuals and entities may appear on TNC's books in connection with the sale of conservation land to a conservation buyer where TNC provides some of the financing to enable the sale to be concluded. The repayment of the seller financing provided by TNC is secured by a promissory note and mortgage. Certainly, it would be TNC's first choice for such sales to be structured on an all-cash basis. There are, however, a limited number of cases where such financing is necessary to make the transaction feasible and TNC will conduct due diligence with respect to the credit worthiness of the buyer to whom such financing is being provided. When TNC sells conservation buyer property subject to a note and mortgage, TNC will charge an interest rate based on market rates and on other terms to encourage the buyer to refinance or pay off the loan quickly. Many notes are amortized over 15 to 30 years but include a balloon payment in 3 to 5 years, for example.

Depending on the level of dollars involved in the sale of the conservation buyer land, the project package, as described above, would be submitted for review and approval to the relevant TNC unit with the delegated legal authority to approve the loan project (i.e. the Board of Governors, the President, the General Counsel, a Regional Managing Director, a Division Director or an Operating Unit Director).

Finally, there are often cases where private companies or individuals will work with TNC to support a large conservation project, in effect becoming a conservation (but not legal) partner in the project. In certain limited cases where the Conservancy is making a large commitment of funds, the Conservancy will ask for and receive a legally enforceable commitment (in the form of a promissory note as distinct from a charitable pledge) from that individual or company to pay to the Conservancy sums pledged as their contributions toward that project. These commitments which are, in effect, notes receivable, show up on the Conservancy's 990 Tax Return, Statement 26, Part IV – Other Notes and Loans Receivable. An example of this type of situation can be found in the WEBCO transaction where Wisconsin Electric Power (WEPCO) made a pledge to support the Conservancy's Rio Bravo Conservation Project in Belize. Because there was some possibility that WEPCO would receive carbon dioxide mitigation credits from the project, we asked them to convert their pledge into a promissory note with an interest rate of 7 percent. They agreed to do this and have made regular payments on this note since that time.

The determination of the interest rates to be used in any of the particular transactions described above are made by reference to prevailing economic conditions, to the other financial or conservation benefits to be obtained in a particular transaction and whether or not such loan is to be made to another tax-exempt conservation organization or to a private entity or individual. In the later case, special care is taken to make sure that the terms of such loans are made on market rate terms to ensure that no private benefit takes place. Financial market information is obtained in house from TNC's Finance Department. The material prepared in support of such loans will also include the loan documents themselves, tax-exempt status and financial information from the conservation borrower, along with documentation of the value of any collateral.

Loans Made in Connection with the Sale of Trade Lands (Real Estate Held for Other Than Conservation Purposes)

The bulk of non-conservation real estate loans involve Trade Lands. "Trade Land" is the term the Conservancy applies to real estate given to the Conservancy (both developed and undeveloped), that has limited or no conservation value, and that is resold by the Conservancy with the proceeds used for general conservation purposes.

With respect to loans made for purposes relating to the sale of Trade Lands, authority for making such loans flows from the authority delegated by the Board to the President. As noted above, under TNC's Policy for "Presidential Real Estate Project Authority, as amended February 5, 1999," among other things, the Board delegated to the TNC President authority to "...transfer any real estate in any transaction provided the purchase price does not exceed Two Million Dollars." The President, in turn, has delegated his project authority to the General Counsel and has made further delegations of his authority, at lower dollar levels, to TNC Senior Managers. Any sale of trade land real estate or making of a loan in connection therewith above two million dollars must be approved by the Board of Governors.

Since 1993, of the 782 Trade Land sales only 69 were sold with a note receivable. This represents only 8.8% of total sales. The Conservancy does not like to sell property subject to a note. We prefer to collect all the sales proceeds in cash up front, at the time of the sale, so we can apply the proceeds to our mission related programs. There is a lost opportunity cost for the Conservancy on money loaned. However, commercial lending institutions often will not extend mortgages on undeveloped properties. Therefore, it is sometimes necessary for the Conservancy to carry a note if the individual cannot pay all cash and we wish to sell the property for the highest amount possible. When we sell property subject to a note, we often charge an interest rate at the high end of the market to encourage the buyer to refinance or pay off the loan quickly. Many notes are amortized over 15 to 30 years but include a balloon payment in 3 to 5 years. As described above, TNC's takes special care to ensure that such financing is made on a market basis to avoid problems with issues of private benefit. Statement 26, Part IV of the Conservancy's 990 shows a large number of Trade Land notes because the list is cumulative; these loans stay on the Conservancy's books until they are paid in full.

An example of a property sold with a note receivable is the Beutell Trade Land in Jackson County, NC. The 61-acre property was donated in 1996 with instructions from the donor that the unimproved land be sold and the net proceeds be split 60% to the Conservancy and 40% to the World Wildlife Fund. The donor appraisal was \$123,360. The land was sold in 1997 for \$200,000 with \$40,000 down and a note for \$160,000 at 7.25%. The note calls for 8 annual payments of \$27,055.01.

Loans Made by TNC in Connection with Other Purposes

With respect to loans made for purposes other than related to conservation real estate or trade lands, authority for making such loans flows from the implicit authority delegated by the Board to the President and his senior managers to conduct the day-to-day affairs of the organization.

Prior to June 13, 2003, TNC from time-to-time made loans to employees. All of these loans were compensation-related loans, made in conjunction with employee relocations to new positions, and were negotiated with the employees as part of the relocation package. Whether a loan was made in a particular situation, and the terms and conditions of the loan, was determined case-by-case by the manager extending the job offer in consultation with TNC's Human Resources and Legal departments and in accordance with generally accepted terms meeting benefits package standards. A schedule detailing these 12 loans was previously conveyed to the Committee.

QUESTION 13: Travel, Conferences, Meetings and Other

JUL 31 2003

The Nature Conservancy
Travel Procedures Effective in Fiscal Year 2002

When an employee of The Nature Conservancy completes a trip, the employee is obliged to submit a Travel Expense Report (TER) to seek reimbursement for their business related expenditures. The TER provides for the recording of expenditures across several different travel categories, which each represent separate detailed line items (i.e., accounts) in our general ledger. Among those line items (i.e., accounts) on the TER are:

Airfare	5101
Mileage	5104
Car Rental	5104
Meals/lodging	5107
Other travel	5108
Business entertainment	5109

The \$13 million of travel expenses represented on the Conservancy's Form 990 for fiscal year 2002 are effectively the sum of charges to all of the above accounts. However, the TER's alone do not account for all of the expenditures found in account numbers 5101 through 5109. For example, many employee travelers located at the Worldwide Office of the Conservancy utilized the services of a travel agency. If airfare for travel was booked utilizing the services of the travel agency then the resulting airfare expense is NOT a reimburseable item reportable on the employee's TER. Rather, the travel agency bills the Conservancy directly through the use of the Conservancy's corporate credit card number. This billing is then paid and the various airfare charges (i.e., account #5101 expenses) are allocated among the myriad of cost centers related to the underlying charge. Since these expenses are paid by the Conservancy directly, there is no reimbursement made to the employee. The "vendor" which is paid for the airfare is effectively the credit card vendor itself (e.g., Diner's Club) rather than the employee.

This process makes determining the total amount expended "on behalf of" a traveler for any given trip very difficult to expediently obtain. Some of the expenses are to be found directly on the TER of the employee, some are charge directly to the Conservancy under corporate purchasing arrangements, and all of the above charges are grouped by line item (e.g., mileage) and by date rather than by trip.

JUL 31 2003

QUESTION 13: Travel, Conferences, Meetings and Other

As a general rule, members of the Board of Governors are not reimbursed for expenses incurred performing services as Board members. As each new Board member joins the Board, the Chairman will apprise them that this is the practice. Occasional exceptions have been made for Board members from academia because they do not have the same level of financial independence as other Board members. Below you will find the documentation for reimbursements that have been provided to Board members going back to January 1, 2002.

		1999-2000			2000-2001	
		January	June	October	January	June
1	Joel E. Cohen	\$364.15	*	*	\$701.70	**
2	John W. Fitzpatrick	**	*	\$1,409.83	\$1,179.07	**
3	Frances C. James	\$360.50	\$190.75	**	\$582.50	\$808.50
4	William W. Murdoch	*	\$587.67	\$964.00	*	\$1,351.00
5	Joy B. Zedler	*	\$535.51	\$422.00	*	*

*Did not attend.

**Has not requested reimbursement.

Question 8: Executive Compensation

JUL 25 2003

“In addition, please provide the minutes of the Compensation Committee or Board of Governors meetings relating to compensation (including loans) for officials listed in Form 990 since January 1, 1998, as well as all employment contracts for these individuals.”

The Nature Conservancy Board of Governors does not utilize a Compensation Committee. The Board of Governors has a process for determining the executive compensation. First, the Executive Committee of the Board of Governors holds an executive session where they discuss the performance and total remuneration of the President/CEO, there are no minutes kept for the Executive Session. The Executive Committee receives information on comparison market compensation, competitive trends, and performance assessments from the Human Resources department prior to the executive session. Second, at that Executive Session the President/CEO presents information about the salaries of the officers and top five non-officers, consistent with what is reported in the Form 990. This is for their information. Third, the Executive Committee concludes the Executive Session with a compensation recommendation on the President/CEO to the Board of Governors at the January meeting for approval. The compensation for the President/CEO is effective January 1 of each year. The Chairman of the Board of Governors sends a letter to the Vice President of Human Resources detailing the compensation decisions for the President/CEO. The President/CEO then finalizes the compensation for the Executive Leadership Team members.

The portions of the executive session presentations on ELT and top 5 compensation for the Executive Committee of the BOG for 2002 and 2003 are attached, as are the letters from the Chairman of the BOG to the Vice President of Human Resources for the compensation of the President/CEO for 2002 and 2003. The executive session presentation for 2003 erroneously excluded Michael Coda, a long-time officer. We have added his name to the presentation materials attached. The ELT salaries listed in the 2003 presentation do not reflect the 5% voluntary pay reduction adopted by the ELT members effective July 1, 2003.

The Nature Conservancy does not have formal employment contracts with employees. We have included the offer letters located to date for any individual listed in the Form 990 from January, 1998 to present.

JUL 25 2003

Question 8: Executive Compensation

“Please provide a detailed discussion, including value, of any deferred compensation programs that TNC or its related organizations operates for any of its employees.”

In June, 2000, The Nature Conservancy implemented a 457(f) non-qualified deferred compensation plan for Executive Vice Presidents of the organization. Eligible participants could defer a portion of their salary into the plan, and The Nature Conservancy, at its discretion, could make contributions to the plan on behalf of the employee. It was designed as a retention tool for the topmost officers, excluding the President/CEO. At the time of implementation, there was only one eligible participant, W. William Weeks. The intent was to gradually establish other Executive Vice Presidents, however, the President/CEO, John Sawhill, unexpectedly passed away. In July, 2000, Bill Weeks began deferring 1% of his salary and TNC contributed \$15,000. Following the death of John Sawhill, the search for a successor, and the subsequent management changes, there were no further participants added to the plan. In October, 2001, Mr. Weeks' title and position changed and he was no longer an eligible participant. According to the plan design, Mr. Weeks was required to submit a deferral election form each year to postpone the asset payout. In October, 2002, Mr. Weeks did not submit the deferral election form and his plan assets were paid to him in March, 2003. He received \$14,187.80. There are no other participants or plan assets in the 457(f) plan at this date – July 21, 2003.

The executive summary of the plan is attached, as are the relevant communications.

Note, although not a deferred compensation plan, TNC does have a 401(k) plan available to all staff.

JUL 25 2003

Question 9: President's Discretionary Fund

"The Committee would like information regarding the policies and procedures with respect to the President's discretionary fund (and its successor the Quick Strike Fund). Please explain how funds become part of the discretionary fund; whether there are or have ever been any limitations on the amount of money in the discretionary fund; who can authorize the fund's use; and any limits on the use of the funds."

The President's Discretionary Fund was an internal budget center of The Nature Conservancy. It was created to facilitate budgeting and internal allocation of certain private contributions that are given to the Conservancy by private donors who do not designate particular projects or geographic areas in which they want their funds used. Within TNC, these are referred to as undesignated contributions. Some of the sources of undesignated contributions are inherently difficult to predict. These include bequests and revenue from the sale of tradelands.

The sources of revenue to the President's Discretionary Fund are almost exclusively these - undesignated bequests and revenue from the sale of tradelands in cases where the donors of the tradelands did not designate a particular project or program for the use of the revenue generated by selling the tradeland properties. In some instances, a significant undesignated gift (other than a bequest or tradeland) from a private contributor has been placed into the President's Discretionary Fund.

Senior management, in consultation with the Board of Governors, has made decisions about the allocation of the money in the Fund among TNC programs and projects. This is generally done as part of the budgeting process several months before the beginning of the fiscal year in July, taking into account the amount of money in the Fund at that time and using a conservative estimate of what is likely to come in from the undesignated sources described above. Ultimate authority for the allocation of the Fund rests with the President of the organization, as part of his responsibility in preparing a budget for the organization. The Board approves the detailed annual expense budget for the organization, which includes expenses supported by the allocations from the President's Discretionary Fund. Final authority for the actual spending of the funds which are in the President's Discretionary Fund is governed by the Conservancy's delegation of authority policy. In general, these authorizations are made by Country or State Program Directors or by Division Directors. Expenditures from the President's Discretionary Fund are governed by the same restrictions imposed on all TNC expenditures under TNC's policies and procedures. In only a handful of instances over the last 10 years have funds that have passed through the President's Discretionary Fund been sent directly from the Fund to outside entities.

The guiding objective that has prevailed since the Fund was created has been to direct these funds toward the most urgent needs of the organization. For example, the President's Discretionary Fund has been a critical source of operations funding for our international programs, which have been a top conservation priority for the past 10 years. These funds have also provided important support to our science work and to our information systems programs.

Another important criteria in deciding on the use of these funds is to cover organizational expenses that are difficult targets for fundraising activities. An example in this area is the assembly and installation of the Fundraising Management System, the software that houses our membership information.

There are no limitations on the amount of money that passes through the President's Discretionary Fund. Indeed, such limitations would be counterproductive since the revenue that passes through the Fund is used for organizational priorities. As a general practice, management seeks to allocate the money that passes through the Fund to operating programs as quickly as possible, following the process described above.

JUL 25 2003

THE BOARD OF GOVERNORS AND ROLE OF THE TRUSTEES

The Nature Conservancy is organized as a 501(c)3 not-for-profit corporation. The Board of Governors of The Nature Conservancy has the ultimate authority for exercising all fiduciary responsibilities, creating and maintaining policies and procedures, approving annual operating plans and budgets and selecting, evaluating and compensating the President and Chief Executive Officer of The Nature Conservancy. With the exception of the President and Chief Executive Officer who serves as a Board member, none of the Board members are compensated for Board service. The Board of Governors as well as all staff are subject to the Conservancy's Conflict of Interest Policy.

The key operating units of The Nature Conservancy are its state and country programs which are led by staff directors. Because much of The Nature Conservancy's success over the years is attributable to the support and work of volunteers, the state and country program directors have identified key volunteers to serve as advisors. While these advisors are often referred to as Trustees or State Board Directors, they have no legal authority to commit The Nature Conservancy to act. Therefore, these advisory boards are structured very loosely and their membership is continually changing. Our operating unit directors are given the flexibility to organize and utilize these volunteers in a way that best enhances their particular operating units.

It is very difficult to track all the activities of our volunteer advisors which number in excess of 1500. The Conservancy asks our volunteer advisors and staff to treat any transactions between volunteer advisors and the Conservancy as perceived conflicts if the transaction relates to an activity within that advisor's operating unit. When these perceived conflicts are identified we address them in accordance with the Conservancy's Conflict of Interest Policy (copy attached).

The Conservancy does own and control several subsidiaries. These subsidiaries have often been established in order to satisfy some particular state law. Because these subsidiaries are legal extensions of The Nature Conservancy, their Boards and staff are usually identical to the Board and staff of The Nature Conservancy Corporation and these subsidiaries are subject to the Conservancy Conflict of Interest Policy.

JUL 25 2003

QUESTION 14: Transactions with Board Members

Prior to June 13, 2003, any transactions which had real or perceived conflicts are addressed under the Conservancy's Conflict of Interest Policy (copy attached). For example, a purchase of land from a Board member would have created a conflict and would have been addressed in accordance with the Conflict of Interest Policy. At its June 13, 2003 Board meeting, the Board passed a policy which would prohibit any purchases or sales of land or interests in land between the Conservancy, Board members, chapter advisors, employees and close relatives (see attached). In addition, we attempt to identify any transactions with conflicts involving chapter advisors. Therefore, to satisfy the request under paragraph 14, we will provide documentation of any such transactions where there was a possibility of a perceived or real conflict.

JUL 25 2003

Conflict of Interest

POLICY:

It is the policy of The Nature Conservancy to identify real or perceived conflicts of interest involving The Nature Conservancy, to assure that these real or perceived conflicts of interest are fully disclosed, and then to take the appropriate action.*

PURPOSE:

To assure and ensure that The Nature Conservancy will live up to its high fiduciary obligations and operate in compliance with our highest corporate value: "Integrity Beyond Reproach."

ORIGIN:

Approved by the Board of Governors in June, 1995. Revised March 15, 1996 and October 2, 2002.

REFERENCES, RESOURCES, and EXPLANATORY NOTES:

All Board of Governors members have read and signed. All staff and Chapter/local trustees and advisors will read, understand, and comply.

Refer to the President and to the Worldwide Office Legal Function for additional information.

* See attached complete Conflict Policy as approved by the Board of Governors, June 1995. See Conservation Sales to or From Related Parties Policy as approved by the Board of Governors, June 13, 2003.

Attachment

Conflict of Interest

Policy:

It is the policy of The Nature Conservancy to attempt to identify real or perceived conflicts of interest involving The Nature Conservancy, to assure that these real or perceived conflicts of interest are fully disclosed and then to take the appropriate action.

Purpose:

The Mission of The Nature Conservancy is to preserve the plants, animals, and natural communities that represent the full diversity of life on Earth by protecting the lands and waters they need to survive.

The Conservancy's effectiveness depends upon its record of accomplishment and its reputation. Our success results directly from maintaining the confidence of the individuals, groups and organizations with whom we work. The Conservancy's greatest asset is its good name. "Integrity beyond reproach" is one of The Nature Conservancy's defining values and is crucial to the success of our mission. For that reason it is crucial that we have a responsible and well conceived Conflict of Interest policy. In addition, the Conservancy Board of Governors is required to have a Conflict of Interest policy by outside watchdog organizations such as the National Charities Information Bureau.

The Conservancy's Code of Ethics, which was most recently adopted by the Board of Governors in 1984, is designed to protect The Nature Conservancy's reputation and effectiveness by providing guidance in making decisions that have ethical implications, including potential conflicts of interest.

To accommodate tremendous growth in an ever-changing and more complex world, The Nature Conservancy has decided to amend and replace the above-referenced Code of Ethics with the following Conflict of Interest policy. Its purpose is to protect the organization's reputation by helping our staff and Board members define some key conflict terms, set out some rules of conduct with appropriate examples, and explain the administrative process that governs conflict issues.

Administration:

One of the principal purposes of this policy is to help staff and Board members identify and then avoid getting involved in conflicts of interest with The Nature Conservancy. For that reason, employees and Board members must read and retain a copy of this Conflict of Interest Policy at the outset of their tenure with the Conservancy. There may be certain volunteers who, because of the level of their involvement in Conservancy business, and because of their access to inside information, may be covered by this Conflict of Interest policy and will be fully informed of its contents. Should you have any questions concerning the possible impact of this Conflict of

Interest policy upon any volunteers, please contact Conservancy Legal Counsel. In addition, the Conflict of Interest policy will be discussed at all orientation sessions for new employees and Board members.

Disclosure:

If a real or perceived conflict of interest involves a member of the staff, it must be brought by the affected staff to his or her supervisor. There may be occasions in which a conflict is unavoidable or engaging in a potential conflict may be permissible. In such instances, the facts and circumstances surrounding the potential conflict will be brought by the supervisor to the attention of the General Counsel with a recommended course of action. The General Counsel will then submit the request to the President, along with a recommended course of action, with the President being the final arbiter of the issue. While the request is pending, the employee will refrain from participating in the questionable activity or withdraw from any discussion of or decision on the matter. Each request will describe in detail the particular activity in question, the reasons why the individual believes the request should be granted, and any special circumstance surrounding the case. A member of the Board of Governors or member of a Chapter Board involved in a real or perceived conflict will bring the matter to the attention of the General Counsel who will work with the member to develop an appropriate recommended course of action, which will then be submitted to the President as the final arbiter of the issue. If such a conflict is brought to the attention of a staff member, then the staff member will immediately notify the General Counsel of the matter.

At a minimum, the recommended course of action will ask the individual to recuse and absent him/herself from any involvement in decisions pertaining to the potential conflict.

Definitions:

COVERED PERSONS: All employees, Board of Governors and Chapter Trustees, and related organizations and close relatives.

EMPLOYEE: Any individual employed in the service of The Nature Conservancy, whether exempt, non-exempt, full-time or part-time, but excluding independent contractors.

RELATED ORGANIZATION: Any organization in which the covered person directly or indirectly:

- a. owns or controls 5% or more of any voting security; or
- b. is a director, executive officer, executor, administrator, trustee, beneficiary, controlling partner, or otherwise serves in a fiduciary capacity or holds a substantial beneficial interest; or
- c. has legal or de facto power to control the election of a majority of directors; or

Attachment (Cont'd)

- d. has legal or de facto power to exercise a controlling influence over the management or policies.

"Organization" includes a corporation, partnership, trust, estate, joint venture, and unincorporated affiliation of any kind.

INTEREST: An individual or organization has an interest in an issue, matter or transaction when he, she or it, directly or indirectly:

- a. has an identifiable economic or political stake or will stand to gain or lose financially from an issue, matter or transaction in a manner identifiably different from the general public; or
- b. is an agent for an entity with an identifiable goal of influencing a decision by The Nature Conservancy on an issue, matter or transaction.

CLOSE RELATIVE: Spouse, child (natural or adoptive), parent and step-parent, in-laws, grandchild, grandparent, brother or sister of the employee or Governor or Trustee are all close relatives. Also any person with whom a covered person shares living quarters under circumstances that closely resemble a marital relationship or is financially dependent upon the employee, Governor, or Trustee is considered a close relative for purposes of this policy.

INSIDE INFORMATION: Any material information that is identified as confidential and proprietary, pertaining to the business and affairs of The Nature Conservancy, whether related to a specific transaction or to matters pertaining to The Nature Conservancy's interests, activities and policies.

CONFLICT OF INTEREST: A conflict exists when a covered person:

- a. acts as an agent, representative or spokesperson for any business, group or organization in order to influence the Conservancy on any issue, matter or transaction in which the foregoing has an interest; or
- b. has an interest in an issue, matter or transaction in which the Conservancy has an economic or political stake.

Attachment (Cont'd)

Potential Conflicts:

1. **INSIDE INFORMATION**: A conflict or perceived conflict exists when inside information is used by a covered person either for the purpose of gaining advantage for the covered person, or for any other purpose not specifically approved by The Nature Conservancy.
2. **ACCEPTING OF GIFTS**: A conflict or perceived conflict exists when a covered person accepts from any individual or organization that has an interest in any issue, matter or transaction in which the Conservancy also has an interest, any personal gift, benefit, service, loan, discount, concession or other item of more than nominal value. For the purpose of this document, nominal value shall mean less than \$100 in value.
3. **EMPLOYMENT OF CLOSE RELATIVES**: A conflict or perceived conflict exists when an employee will be placed in a division where the employee and a close relative will have the same supervisor or manager. Likewise, a conflict or perceived conflict will exist when an employee will be placed in a position where he/she will report, either directly or indirectly, to a close relative.
4. **FEES FOR ADVISORY SERVICES**: A conflict or perceived conflict exists when a covered person provides advisory or consulting services to an individual or organization that has an interest in any issue, matter, or transaction in which the Conservancy has an interest whether or not a fee or other consideration is paid for the services rendered.
5. **OUTSIDE WORK**: A conflict or perceived conflict exists if an employee, Trustee or Governor engages in any employment or activity outside the Conservancy that:
 - a. competes with Conservancy business or takes an opportunity from the Conservancy;
or
 - b. implies Conservancy sponsorship or support of the outside employment or activity that may adversely affect the public image of the Conservancy.

EXAMPLES: For specific examples of conflict or perceived conflict situations see attached Appendix A.

Attachment (Cont'd)

Conclusion:

The Nature Conservancy has maintained a high standard of ethics and integrity throughout the years. It is important to all of its employees, Board members and Trustees that these standards continue to be maintained as one of our key corporate values. Adhering to this Conflict Policy is a condition of association with The Nature Conservancy as an employee, Board member or Trustee. Violations of the Conflict of Interest policy may be grounds for dismissal as an employee or severance from the Board of Governors or a Chapter board. The Conservancy will review this policy on a regular basis and notify employees, Board members and Trustees of any proposed deletions or additions.

SEEN AND AGREED TO:

Signature

DATE: _____

Appendix A

Examples:

EXAMPLE: The Nature Conservancy has offered \$500,000 to acquire parcel X that belongs to the brother of a Chapter Trustee. The Conservancy had fund-raised \$1 million for this project and would be prepared to pay up to \$1 million, which happens to be the fair market value of the property. It would be an inappropriate use of inside information if the Chapter Trustee were to disclose to his brother that the Conservancy had \$1 million available for this land. In addition, the Chapter Trustee will disclose the relationship and recuse himself from any involvement in the decision to acquire this land.

EXAMPLE: Employee X has worked for The Nature Conservancy's science program for several years. X serves as a volunteer board member on a local land trust. The land trust has undertaken a project to try to figure out priority sites for protection within its covered region. X volunteers to provide heritage methodology training to the staff of the land trust. Although this may be a worthy goal, because heritage methodology is proprietary to The Nature Conservancy it is treated as inside information and should not be used by X in this fashion without getting the written permission of The Nature Conservancy.

EXAMPLE: X, who is a land-protection specialist for The Nature Conservancy, is negotiating to acquire a critical natural area from the Y corporation. X has developed a good working relationship with the real estate director of the Y corporation. The Y corporation invites X to use the Y corporation's mountain retreat for a weekend getaway. Assuming that the value of the use of the mountain retreat to X is in excess of \$100, X is confronted with a potential conflict situation. For example, this arrangement could create the perception that X has received this benefit from Y corporation in exchange for some concession in the business negotiations. X should not accept this offer.

EXAMPLE: The facts are the same as above except the real estate director of the Y corporation will be using the retreat at the same time as X. In addition, X and the real estate director have decided that they will hammer out the final details of negotiations while at the mountain retreat. Although X's use of the mountain retreat in this instance is not a conflict situation, there still is a risk of a perceived conflict. Therefore, X still would have an obligation to disclose.

EXAMPLE: X is the head of the benefits program for TNC and is recruiting for a position to have responsibility for TNC's health insurance program. X's spouse has expertise in managing health insurance programs. Unless there are some very unusual circumstances, X would be discouraged from hiring his or her spouse because of the potential conflict of interest. For example: if X hired his or her spouse, X would be in the position of making salary decisions which would directly, or at least indirectly, have a financial impact upon X.

EXAMPLE: XYZ Corporation is selling property to The Nature Conservancy. The Conservancy's Board member, Jones, is also a member of the board of XYZ Corporation. Jones appraises the property for XYZ Corporation. Even if Jones waives all appraisal fees, a conflict exists both because Jones is a director of both corporations and both corporations have an interest in the transaction, and because Jones rendered consulting services. Jones should recuse himself, on the record, from any involvement in this project.

EXAMPLE: X is on the Board of The Nature Conservancy and is also the chairman of the Board of the Y Corporation. The Y Corporation owns land which is of great ecological interest to the Conservancy. Through the intervention of X, Y Corporation is willing to sell this property to the Conservancy at a substantial discount, the discount being confirmed by the Conservancy's independent appraisals. Because of X's relationship with both Y Corporation and the Conservancy, X has a conflict. However, provided that there is full disclosure of the situation to both Y Corporation and the Conservancy, and provided that X recuses himself from any involvement in the decision concerning this property, there is no reason why the Conservancy could not proceed with the transaction. The Conflict of Interest policy is not intended in any way to discourage covered persons from helping the Conservancy acquire property through gifts or partial gifts.

CONSERVATION SALES TO OR FROM RELATED PARTIES

POLICY:

It is the policy of The Nature Conservancy to prohibit both the purchase of real estate (or any interest therein) from and the sale of real estate (or any interest therein) to any "covered person." For this purpose, a covered person includes:

- a) Any individual who is, or who was at any time during the 12-month period ending on the date of the purchase or sale, a member of the Board of Governors, a Trustee, or an employee of the Conservancy;
- b) Any individual who is a close relative of such an individual; or
- c) An entity in which the individual owns and/or his close relatives own directly or indirectly more than five percent of the equity interest therein.

PURPOSE:

To assure and ensure that The Nature Conservancy lives up to its high fiduciary obligations and operate in accordance with our highest corporate value: "Integrity Beyond Reproach."

This policy deals specifically with transactions involving the potential sale or purchase of real estate to or from a Board of Governors member, a Trustee, or a Conservancy employee (or their close relatives). While these transactions have been governed in the past by the Conservancy's Conflict of Interest Policy (requiring disclosure and potential action), this Policy goes beyond the existing Conflict of Interest Policy and absolutely prohibits these transactions. Although sales of real estate to Board of Governors, Trustees, or employees have been infrequent, the Board of Governors felt that any sale or purchase of real estate to these related parties could be perceived as a breach of the high standard set for the organization, and accordingly, prohibited any of these transactions. This policy also specifically prohibits sales to or purchases from Board of Governors, Trustees, or employees of interests in real estate --including sales and purchases of conservation easements.

This policy is separate but complementary to the existing Conflict of Interest Policy. All potential conflicts of interest – other than purchases and sales of lands – will continue to be handled in accordance with the Conservancy's existing Conflict of Interest Policy.

For purposes of this Policy, "close relative" has the same definition as applied in the Conservancy's Conflict of Interest Policy: Spouse, child (natural or adoptive), parent and step-parent, in-laws, grandchild, grandparent, brother or sister. Note, the definition of a related "entity" as set forth in this policy ("an entity in which the individual owns and/or his close relatives own directly or indirectly more than five percent of the equity interest therein") applies to this policy only. For purposes of this policy, "related organizations" will not be included unless the party owns more than a five percent equity interest in the organization.

ORIGIN:

Approved by the Board of Governors on June 13, 2003.

REFERENCES, RESOURCES, and EXPLANATORY NOTES:

See Conflict of Interest Policy as approved by the Board of Governors, June 1995, revised October 4, 2002.

AUG 26 2003

QUESTION 14: Transactions with Board Members

Question 14 requests a list of all land transactions between The Nature Conservancy and any Trustees, Governors or staff (national and state) since January 1, 1998. We have already provided the Senate Finance Committee with Form 990 for the past five years which includes any transactions, land or otherwise between The Nature Conservancy and its Board of Governors and Key Employees. In addition, we have provided the Senate Finance Committee with a spreadsheet and background documents covering Conservation Buyer Transactions between The Nature Conservancy, Trustees, Governors or staff covering the period of time from FY 1998 through FY 2002. Any other such land transactions of which The Nature Conservancy is aware appear in our Conflict Of Interest files. In a review of those files we have identified three transactions set forth in the following spreadsheet (with attachments). As part of the Conservancy's conflict procedure, the individuals involved in these transactions were not permitted to participate in any discussions on behalf of The Nature Conservancy.

SFC II RESPONSE

XIV. Transactions with Board Members, Question 1a

Discuss in detail all the land and service transactions between TNC and Georgia Pacific Corp., International Paper Co., and Orvis Services Co., or their subsidiaries, while an executive of these companies sat on TNC's Board of Governors or Leadership Council. In discussing your answer, include the following:

- a. Identify the period that the executive of each company sat on the TNC Board of Governors or Leadership Council.

TNC Board of Governors	Membership Period
Georgia-Pacific	1995-Present
International Paper, Co.	None
Orvis Services Co.	1996-Present

ILC Member	Membership Period
Georgia-Pacific	1995-Present
International Paper, Co.	1995-Present
Orvis Services Co.	None

SFC II RESPONSE

XIV. Transactions with Board Members, Question 1b, c

1. Discuss in detail all the land and service transactions between TNC and Georgia Pacific Corp., International paper Co., and Orvis Services Co., or their subsidiaries, while an executive of these companies sat on TNC's Board of Governors or Leadership Council. In discussing your answer, include the following:
 - b. Identify each particular transaction with each company in a gross amount of over \$200,000
 - c. State whether TNC realized a gain or a loss on each transaction with such companies identified in your answer to the preceding question.

SERVICE TRANSACTIONS			
Date	Name of Entity	Description of Transaction	Amount Paid by TNC to Orvis
June 5, 2002	The Orvis Company, Inc.	The Nature Conservancy purchased a number of items of personal property from The Orvis Company, Inc., through its catalogue. The items were acquired for the purpose of furnishing the ranch house at the Conservancy's Matador Ranch property. Pursuant to an existing arrangement with the Orvis Company, Inc., allowing Conservancy employees to purchase items from the Orvis catalogue at a 40% discount, the Conservancy's Montana Program purchased discounted merchandise in the amount of \$2,482.60. The merchandise, which included bedding and other household items, was invoiced on June 5, 2002.	\$2,482.60
Date	Name of Entity	Description of Transaction	Amount Paid by Orvis to TNC
April 2003	The Orvis Company, Inc.	Orvis conducted ecotourism trips to Palmyra on behalf of TNC. Prior to proceeding with these trips, The Nature Conservancy discussed potential trips with other ecotourism companies and service providers. Pursuant to these discussions and its evaluations of other companies and providers, The Nature Conservancy made a determination to proceed with Orvis. (The Conservancy also conducted one trip with The Oceanic Society, an entity unrelated to The Nature Conservancy.) These amounts defrayed Conservancy costs, and no profits were made on either trip	\$59,000.00

SFC II RESPONSE

XIV. Transactions with Board Members, Question 1d

1. Discuss in detail all the land and service transactions between TNC and Georgia Pacific Corp., International Paper Co., and Orvis Services Co., or their subsidiaries, while an executive of these companies sat on TNC's Board of Governors or Leadership Council. In discussing your answer, include the following:

d. Describe TNC's Leadership Council and discuss its official function with TNC.

The International Leadership Council (ILC) was created as a corporate "giving club" in 1995. Each company on the council contributes \$25,000 per year to the Conservancy. Up to \$10,000 of that amount may be designated to a local Conservancy project or program. Alternatively, a company can receive a credit of up to \$10,000 against the \$25,000 contribution if it is currently contributing at least that amount directly to a local Conservancy project or program. The balance that is not designated to a local Conservancy project or program is counted as unrestricted fundraising. ILC contributions totaled \$722,500 in FY03, \$663,764 in FY02, and \$696,957 in FY01.

The Conservancy facilitates a meeting for ILC supporters approximately every nine months. The purpose of the meetings are to showcase Conservancy projects and programs as opportunities for further corporate development. Meeting attendees typically are the vice president or director for environmental affairs or public/community affairs. The Conservancy's President & CEO and corporate CEOs are sometimes invited as keynote speakers. Attendees are responsible for covering their own travel and hotel expenses.

The ILC is co-chaired by Alfred R. Berkeley, a member of the Conservancy Board of Governors, and Thomas Jorling, Vice President for Environmental Affairs at International Paper. There are no formal committees or subcommittees. It is staffed by the Conservancy's Corporate Partnerships Department.

The ILC has no governance function within the Conservancy.

SFC II RESPONSE

XIV. Transactions with Board Members, Question 2, 3

2. Identify similar large transactions with other corporations having an executive serving on TNC's Board of Governors at the time of the transaction, beginning in 1998 to the present.

- To the best of our knowledge, all transactions involving a corporation with an executive serving on The Nature Conservancy's Board of Governors at the time of the transaction are set forth in the Conservancy's 990s, previously supplied to the Committee.

3. Please provide a list of lawyers, accountants, and other outside counsel who have provided tax opinions or other tax advice (including opinions or advice regarding compliance with relevant conflicts of interests requirements) to TNC with respect to the consequences to TNC or other parties regarding transactions between TNC and its board members, trustees, officers, executives or local chapter officials; please provide a copy of such opinions or written advice.

- To the best of our knowledge, there are none.

Question 19

Has TNC adopted a revised Conflicts of Interest Policy after that policy which was revised on October 2, 2002?

The Nature Conservancy Board of Governors has adopted numerous changes related to conflicts of interest. In June of 2003, the Board of Governors adopted a policy prohibiting the purchase or sale of real estate to any "covered person." In March of 2004, the Board of Governors also adopted a revised conflict of interest policy and standard operating procedure, as well as a policy and procedure concerning donations of land and IRS Forms 8282 and 8283. In addition, in September, 2004, the Board of Governors adopted a policy regarding gifts of land from Board members. These six policies and procedures are included as part of this transmittal letter.

The Conservancy has for many years had a formal conflicts of interest policy intended to ensure proper advance review of transactions involving employees, members of the Board of Governors, state chapter trustees and other related parties. This policy has been administered by the Conservancy's Legal Department and the review process has focused primarily on the potential misuse of proprietary or inside knowledge and on whether the terms of all such transactions meet the arm's length standards of applicable law.

The Conservancy has strengthened its conflicts of interest policies in several key areas. First, *purchases and sales of land (including interests in land, such as easements) involving related parties have been prohibited* even though they are permitted under applicable tax laws if structured in accordance with arm's length standards. For this purpose, a "related party" means any person who, within the 12-month period preceding a proposed purchase or sale, was a member of the Board of Governors, a Chapter trustee or an employee. In addition, the prohibition applies to close relatives of any such individual and entities in which the individual and/or a close relative owns more than five percent equity interest.

Second, *other transactions with related parties* (i.e., those that do not involve the purchase and sale of land) will be subject to advance review under the Conservancy's *expanded conflicts procedures*. Under the expanded procedures, a new interdisciplinary committee of experienced Conservancy staff will supplement legal review of all proposed transactions; actual or potential conflicts involving special circumstances (e.g., those with organizational implications and those involving members of the Board of Governors) will be referred to the Audit Committee of the Board for decision; and additional training and guidance will be provided to all employees to enable them to identify potential conflict situations and seek review on a timely basis.

Third, *purchases and sales of conservation lands involving major donors* will be subject to advance scrutiny under the expanded conflicts of interest policy. For this purpose, a "major donor" means any individual, corporation, foundation or other entity that has made gifts or pledges of at least \$100,000 (in cash or in kind) on a cumulative basis within the five-year period preceding the proposed transaction.

Fourth, special rules will apply in the case of *gifts of land (including easements) by related parties and major donors*. In these cases, such gifts will be accepted only if the Conservancy receives a written certification from the appraiser used by the donor to value the land for tax purposes that the appraiser is aware of the relationship between the related party or major donor and the Conservancy and that the relationship did not influence the appraiser's conclusion as to value. In addition, all such gifts would be subject to advance review under the Conservancy's expanded conflicts of interest procedures.

Fifth, while financial supporters of the Conservancy can be elected to the Board of Governors, *if a member of the Board or a company with which he or she is affiliated intends to claim a tax deduction for a gift of land (or an interest in land, such as a conservation easement) to the Conservancy, the transaction will be subject to strict scrutiny by the Conservancy and must be approved by the disinterested members of the Board*. Among other things, this new policy requires *independent assessments by unrelated and qualified persons* of both the conservation value of the land to the Conservancy's mission and of the tax valuations of the gift to be used by the donor.

Conflict of Interest

POLICY:

It is the policy of The Nature Conservancy to identify conflicts of interest involving The Nature Conservancy and related parties as well as situations which may give rise to an appearance of a conflict of interest and to address such conflicts and situations in a manner that will fully protect the integrity and reputation of The Nature Conservancy as well as related parties.

PURPOSE:

To assure and ensure that The Nature Conservancy will live up to its high fiduciary obligations and operate in compliance with our highest corporate value: "Integrity Beyond Reproach."

ORIGIN:

Approved by the Board of Governors June, 1995. Revised March 15, 1996, October 2, 2002 and revised March 12, 2004 to delete former attachment which was revised and incorporated into a new Conflict of Interest standard operating procedure.

REFERENCES, RESOURCES, AND EXPLANTORY NOTES:

All Board of Governors members have read and signed. All staff and Chapter Trustees/Advisors will read, understand, and comply.

Refer to the President and to the Worldwide Office legal Function for additional information.

See Conflict of Interest standard operating procedure.

Conflict of Interest

STANDARD OPERATING PROCEDURE:

INTRODUCTION:

The Conservancy's effectiveness depends on its record of accomplishment and its reputation. The Conservancy's success results directly from maintaining the confidence of the individuals, groups, and organizations with whom it works. The Conservancy's greatest asset is its good name. For that reason, it is crucial that the Conservancy have a responsible and well-conceived Conflict of Interest policy and procedure. In addition, having a sound Conflict of Interest policy and procedure will help the Conservancy comply with the Standards for Charity Accountability established by the BBB Wise Giving Alliance, the premiere charity watchdog organization in the United States. The policy and procedure will also help assure compliance with the Internal Revenue Service rules against private inurement and private benefit and with state statutes addressing conflict transactions.

One of the principal purposes of the Conflict of Interest policy and of this procedure is to help Conservancy staff and Board members identify and avoid or resolve conflicts of interest with The Nature Conservancy. For that reason, Conservancy employees and Board members must read and retain a copy of this Conflict of Interest Policy and Procedure at the outset of their tenure with the Conservancy and at such time as the policy or procedure is amended. There may be certain volunteers, such as Chapter Trustees, who, because of the level of their involvement in Conservancy business, and because of their access to inside information, are covered by this Conflict of Interest policy and must be fully informed of its contents. Any questions concerning the scope or possible impact of the Conflict of Interest policy or procedure upon any volunteers should be addressed to the Worldwide Office Legal Function. In addition, the Conflict of Interest policy and this procedure will be discussed at all orientation sessions for new employees and Board members.

This Standard Operating Procedure provides guidance in three areas:

1. Understanding conflict concepts and definitions;
2. Key questions to evaluate conflicts and potential conflicts; and
3. The Conservancy's administration and procedure for reviewing and managing conflicts.

I. UNDERSTANDING CONFLICT CONCEPTS AND DEFINITIONS

- A. **Conflict of Interest:** A conflict exists when a covered person (as defined below) proposes to act on any issue, matter, or transaction in which the Conservancy has an interest, and the covered person may have an interest separate from the Conservancy. A conflict of interest also exists in situations in which there is an appearance that a covered person is utilizing inside information that is proprietary to the Conservancy for his or her benefit, is acting in his or her own interests rather than the best interests of the Conservancy, has the ability to exercise undue influence over Conservancy decisions, or is receiving favorable treatment by the Conservancy because of his or her status as a covered person.
- B. **Covered Persons:** All employees, Board members, Chapter Trustees/Advisors, and, as defined below, close relatives, major donors, related organizations, and other insiders.
- C. **Close Relative:** Spouse, child (natural or adopted), parent and step-parent, in-laws, grandchild, grandparent, brother or sister of a covered person, and any person with whom a covered person shares living quarters under circumstances that closely resemble a marital relationship or who is financially dependent upon the covered person.
- D. **Inside Information:** Any material information that is identified as confidential and proprietary, pertaining to the business and affairs of The Nature Conservancy, whether related to a specific transaction or to matters pertaining to The Nature Conservancy's interests, activities, and policies.

- E. **Major Donor:** An individual, corporation, or foundation that makes a gift or pledge of \$100,000 or more at any one time or cumulatively within a 5 year period prior to the occurrence of the conflict either in cash, appreciated securities, other assets or in land, easement, or bargain-sale value.
- G. **Other Insiders:** Individuals, such as former BOG members, former Chapter Trustees, members of Conservancy advisory boards or committees, members of the President's Conservation Council, volunteers or former employees who, by virtue of their continued involvement with the Conservancy, either have access to inside information that could place them within a conflict situation or could give the appearance of such persons having the ability to unduly influence the Conservancy. Depending on the facts and circumstances, an independent contractor may be an "other insider" where that person or entity has access to inside information.
- C. **Related Organization:** Any organization in which a covered person directly or indirectly:
- owns or controls 5% or more of any voting security; or
 - is a director, executive officer, executor, administrator, trustee, beneficiary, controlling partner, or otherwise serves in a fiduciary capacity or holds a substantial beneficial interest; or
 - has legal or de facto power to control the election of a majority of directors; or
 - has legal or de facto power to exercise a controlling influence over the management or policies.

"Organization" includes a corporation, partnership, trust, estate, joint venture, and unincorporated affiliation of any kind as well as public boards and commissions and not-for-profit organizations.

II. KEY QUESTIONS TO EVALUATE CONFLICTS AND POTENTIAL CONFLICTS:

There are many difficult and ambiguous issues associated with the types of conflict issues that confront the Conservancy. In order to help those involved with Conservancy activities to understand and evaluate those actual and potential conflicts as well as situations that give rise to the appearance of a conflict, the following are typical categories of situations where conflicts might arise. While not all-inclusive, the following represent the great majority of types of conflict situations confronted by the Conservancy. Key questions and issues that must be addressed for each of these types of conflicts are set out below:

- Hiring individuals who are close relatives of covered persons.
 - Is this job integral to the success of the Conservancy?
 - Have all Conservancy policies and procedures relevant to employment been followed?
 - Can this position be structured so that the conflicted party has no supervisory responsibilities with the employee without disrupting the Conservancy's business practices?
 - Will the conflicted party play any role in the hiring process?
 - Has the Conservancy assessed the public relations and political environment at all scales to be sure that this hire will not damage the Conservancy's reputation?
 - Does this person have a unique expertise that the service cannot be obtained anywhere else?
 - What are the alternatives if this person is not employed by the Conservancy?
 - Has the Conservancy balanced the financial benefits to the Conservancy with the reputational risk to the Conservancy of the hire?
 - How will this appear in the eyes of the public when tested against the value of "integrity beyond reproach?"
- Contracting for products or services with covered persons.
 - Is this product or service integral to the success of the Conservancy?
 - Has the Conservancy taken appropriate measures to ensure that the Conservancy obtains the best market price for the work or services?
 - Has the Conservancy received information from parties other than the conflicted party that address the quality of the service or products being acquired or provided?
 - Has the Conservancy accessed the local public relations and political environment to be sure that this hire will not damage the Conservancy's reputation?

- Will the management of the delivery of the service or product within the Conservancy be done by someone other than the conflicted party or other than someone who is supervised by the conflicted party?
- How will this appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

3. Purchases or Gifts of Interests in Land from or Sales of Interests in Land to Covered Persons.

- For acquisitions, has the Conservancy determined that this is an interest in land that would be acquired by The Nature Conservancy regardless of ownership?
- Has the proposed transaction been characterized accurately in the legal documents and with the public?
- Have appropriate independent valuations been obtained in compliance with the Conservancy's Real Estate - Documentation of Value and Conservation Buyer Transactions procedures?
- Has the proposed transaction been reviewed to ensure that appropriate conservation benefits are obtained?
- Are the terms and conditions of the purchase sufficient to protect the land and on terms favorable to TNC?
- Will the covered person obtain any direct or indirect economic benefit from the transaction and, if so, have such benefits have been properly reflected in pricing the transaction and determining values?
- Has the transaction been structured to ensure that the Conservancy's standards of transparency will be achieved?
- Does the transaction comply with the Conservancy's policy on Conservation Sales To or From Related Parties? (Note: There may be cases where the Conservancy will want to grant exceptions to that policy. The questions in this paragraph may be relevant for an analysis of when an exception may be appropriate.)
- For sales, has the Conservancy marketed the property in an open, equitable, and transparent marketing process?
- Has the Conservancy done a political and public relations assessment of the impact of this donation, purchase, or sale on the Conservancy's reputation.
- How will this transaction appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

4. A covered person serving on public and/or private boards, commissions, or councils transacting business with the Conservancy or with which the Conservancy may have a potential adverse interest.

- Is the covered person serving on the board of that entity as part of his or her job responsibility for the Conservancy?
- Was there an advance disclosure and have both parties agreed that, in cases of conflict or where there was a direct and adverse interest/competition, there would be a mechanism for recusal, disclosure, or any other safeguards to protect the Conservancy?
- Is there a plan in place for how staff will conduct themselves when serving on other Boards?
- Will the individual's time spent working on issues for the other board take away from his or her ability to perform his or her job for the Conservancy and if so, what is the benefit to the Conservancy?
- What impact will this service have on the Conservancy's ability to do its business and on the Conservancy's reputation?
- Will any decisions made by the individual working for the other organization be made with regard to the Conservancy's best interests?
- What are the costs and benefits to the Conservancy?
- What are the alternatives, if any?
- How will this appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

5. Use of inside information by a covered person.

- Is the information proprietary to the Conservancy?
- What steps have been taken to protect the information?
- What are the costs and benefits to the Conservancy?
- Is there any private benefit or private inurement?
- What are the alternatives, if any?
- How will this appear in the eyes of the public when tested against the value of "integrity beyond reproach?"

In evaluating conflict situations in order to determine an appropriate course of action, the Conservancy shall be guided by the following criteria and considerations:

- Compliance with the letter and the spirit of all applicable laws relevant to all parties to the transaction;
- Adherence to Conservancy policies and procedures;
- Ability to act within the scope of the Conservancy's values, such as "integrity beyond reproach;"
- Avoidance of private benefit and inurement;
- Transparency;
- Conservation benefits likely to be achieved;
- Consequence to the Conservancy from declining to participate;
- Financial or other benefit to the Conservancy;
- Nature and extent of risk to the Conservancy's reputation;
- Availability of other alternatives;
- Ability to mitigate reputational risks; and
- Financial or other benefits to the other party.

III. CONSERVANCY ADMINISTRATION AND PROCEDURE FOR REVIEWING AND MANAGING CONFLICTS

Procedure:

A member of the staff involved in a conflict or appearance of a conflict will disclose and bring the matter to the attention of his or her supervisor. The supervisor will bring the matter to the attention of the appropriate Conservancy attorney with a recommended course of action. Each request for approval of a proposed course of action will describe in detail the particular activity in question that gives rise to the conflict or appearance of conflict, the reasons why the proposed course of action should be approved, and any special circumstances surrounding the situation. The attorney will then submit the request to the General Counsel, along with a recommended course of action. The General Counsel will convene a Conflicts Review Committee as the final arbiter of the matter. The Committee will be comprised of the Director of External Affairs, the Director of Finance, the Chief Administrative Officer and the Chief Conservation Officer and the General Counsel and will review and approve, approve with modifications, or disapprove the recommended course of action.

A Chapter Trustee/Advisor involved in a conflict or appearance of a conflict will disclose and bring the matter to the attention of the appropriate Operating Unit Director and Conservancy attorney who will work with the Chapter Trustee/Advisor to develop an appropriate recommended course of action, which will be reviewed and approved by the Chapter Board and which will then be submitted to the General Counsel. Each request for approval of a proposed course of action will describe in detail the particular activity in question that gives rise to the conflict or appearance of conflict, the reasons why the proposed course of action should be approved, and any special circumstances surrounding the situation. The General Counsel will bring such conflict and the recommended course of action to the above-referenced Conflicts Review Committee as the final arbiter of the issue. The Committee will review and approve, approve with modifications, or disapprove the recommended course of action. If a conflict involving a member of a Chapter Board of Trustees is brought to the attention of a Conservancy staff member, the staff member will immediately notify the appropriate operating unit director and the Conservancy attorney of the matter.

A member of the Board of Governors involved in a conflict or appearance of a conflict will disclose and bring the matter to the attention of the appropriate Conservancy attorney who will work with the Board member to develop an appropriate recommended course of action, which will then be submitted to the General Counsel. Each request for approval of a proposed course of action will describe in detail the particular activity in question that gives rise to the conflict or appearance of conflict, the reasons why the proposed course of action should be approved, and any special circumstances surrounding the situation. The General Counsel will bring such conflict

MEMORANDUM

From: Bob Bendick for the Risk Assessment Committee
To: Board of Governors Project Review Committee
Subject: Operation of Risk Assessment Committee
Date: June 2, 2004

Risk Committee Established

A ten-member Risk Assessment Committee (RAC) has now been appointed by the Chief Conservation Officer to help evaluate the risks of exceptionally complex or precedent-setting land acquisition, partnership and policy projects undertaken by field and headquarters units. The committee is part of the effort of the Board of Governors and senior management to ensure that actions taken by The Nature Conservancy (TNC) are consistent with our values. The committee held an organizational meeting on April 14, 2004, and is now ready to accept project proposals for review. The remainder of this memo is a description of the committee's purpose, composition and the process by which it will accomplish its work.

Background

As part of the project for managing reputational risk at The Nature Conservancy, the Board of Governors and the senior managers of TNC determined that the organization should have an internal staff committee that will evaluate the organizational risk associated with projects or activities that:

- fall outside of existing TNC policies;
- represent a high profile "first instance" for the organization or operating unit; and
- otherwise involve substantial financial, legal, ethical or other reputational risk to the organization.

Reputational risk to the organization is meant specifically to include actions that in some manner may be or seem to be inconsistent with TNC's stated values.

A working group of senior staff was appointed to propose how this Risk Assessment Committee should be structured and operated. The group was chaired by Kent Wommack and included Katherine Skinner, Dennis Wolkoff, Ian Dutton and Mike Dennis. Bob Bendick joined the working group for its final discussions.

The working group drafted a paper that defines how the committee will operate. This paper was discussed at the Senior Managers meeting in Atlanta in March and has now been adopted by the Executive Leadership Team.

Purpose and Approach of the Committee

The Risk Assessment Committee's purpose is to aid Conservation Region Directors and Worldwide Office (WO) Department Heads in reviewing projects for risk to the organization. The committee will not supplant day-to-day line management responsibility but will act on matters of precedent and potential risk such that its decisions can further guide effective decision-making by managers at TNC. The RAC will evaluate exceptional projects and/or actions proposed by Operating Units or by the Worldwide Office and advise the relevant Conservation Region Directors or WO Department Heads whether those projects and/or actions should proceed, be modified, or be abandoned. On infrequent occasions, Conservation Region Directors or Department Heads may request that the RAC review existing projects with newly-emerging risks to determine whether and how they should continue, but the primary function of the committee is to review projects in the planning stage. As a committee of peers made up largely from the field, the RAC is intended to play a constructive role in assessing risk and conveying lessons derived from its decisions to the rest of the organization. The committee is not intended to avoid risk, but to better ensure that risks and benefits of projects to the entire organization are carefully weighed.

Size and Composition

Mike Andrews solicited nominations to the committee from the field in early March. The committee has now been appointed and consists of 10 members plus one Ex-Officio member, all of whom have direct experience in the development and implementation of complex land conservation projects and policies. The committee represents a variety of perspectives, geographic areas and responsibilities within TNC, is largely drawn from the field, and includes both domestic and international experience. The committee members are:

Bob Bendick, Director, Southeast Conservation Region, Chair
Charles Bedford, Director of Conservation Programs, Colorado Chapter
Karen Berky, Acting Director of External Affairs
Mike Dennis, Director of Conservation Real Estate and Private Lands
Andrea Erickson, Director, Southern Mexico Program
Bill Ginn, Northern Forest Representative
Alan Holt, Director of Conservation Programs, Northwest Division
Katherine Skinner, Director, North Carolina Chapter
Robert Troya, Director, Equator Country Program
David Weekes, Director, Washington Chapter
Phil Tabas, Ex Officio

A representative from legal staff will be available (or assigned) to provide advice to the committee at every meeting. Experts from within and outside TNC will be invited to provide input to specific project and program discussions. The committee members will serve for terms such that other staff will rotate through the committee over time.

Field of Projects

The kinds of projects subject to review are:

- Extremely complex and unusual land transactions
- Complex exceptions to the No Net Profit Rule on sales of land to the government
- Compatible human use/resource extraction projects
- Land transactions involving substantial financial risk
- Unusual, risky or precedent setting partnerships
- Certain kinds of public policy involvement
- Land acquisitions involving retained rights
- Major legal actions

Attachment 1 to this memo contains a longer list of the kinds of projects envisioned to come before the committee.

The committee will not address waivers from formal policies adopted by the Board of Governors unless the board refers such a waiver to the committee. The committee may consider elements of financial risk as part of its review of projects, but the RAC will not supplant the financial reviews and approvals required by and from the Board of Governors for conservation projects.

Review After Six Months

After six months of operation the committee will work with the Chief Conservation Officer and Chief Administrative Officer to evaluate its work and make process changes as required.

Relationship to Board of Governors Project Review Committee

The RAC will report regularly on its decisions to the Project Review Committee of the Board of Governors. The board committee will provide periodic input and advice to the RAC. In the few cases where the policy issues involved require board decision-making, the RAC will refer projects with its recommendations through the Chief Conservation Officer to the Project Review Committee for a final decision.

Process

1. Projects from the field will be referred to the committee only through Regional Directors or Worldwide Office Department Heads. Operating Unit Directors should, in turn, notify their Regional Directors of projects that may warrant consideration by the committee. It will be the responsibility of each Regional Director or Department Head to determine when a project within their division or department is appropriate for referral to the committee. They will be held accountable when a project or action poses substantial risk if they have not brought it to the committee. As noted above, the committee is not intended as a substitute for day-to-day management judgement, but rather to provide advice, guidance and decision-making for projects with exceptional risks. It is expected that regions or the Worldwide Office will

employ whatever procedures they deem useful to identify projects within their areas of responsibility that should be brought to the committee.

2. A regular schedule of committee meetings has been established (every two weeks); submission deadlines, and decision timeframes have also been established by the committee. The schedule has been designed insofar as possible to avoid project delays and to fit with other elements of the project approval process, including Board of Governors meetings. Initially the RAC will meet every two weeks by conference call. The schedule for the balance of this program year is Attachment 2.
3. Informal consultation about whether a project or action is suitable for referral may take place with the committee chair or other designated members of the committee designated by the committee to provide such consultations. The process for such pre-submission consultation will be refined after some initial experience.
4. Referrals will be by way of the referral form filed with the secretary of the committee. The form is Attachment 3. In filling out the form, the applicant should already have consulted the legal department and should describe the status of legal review to answer or at least raise basic questions of legality. It is the obligation of the applicant to include all the information needed on the form to assess risks and benefits of the project. The committee will not ordinarily conduct independent fact finding. The committee may request that additional information be provided through the Regional Director or Department Head. The committee may invite experts from within or outside TNC to participate in discussions. Applicants should avoid lobbying individual committee members about projects or providing information to individual members not provided to the committee as a whole. The Regional Director and/or another representative of the unit undertaking the project should be present by telephone at the RAC meeting where the project is to be discussed.
5. Projects should be referred to the committee before there is a substantial or irrevocable commitment of resources to the project and/or before withdrawal from the project would in itself be a risk to TNC's reputation. Projects should be brought to the committee once the outlines of the project and risk are well known, but before it is too late to change the strategy or the key terms of the transaction.
6. As the committee gains experience with the process, it will further develop guidelines and will use examples from past decisions to assist managers in determining suitable projects for referral.
7. Upon receipt of the form, the secretary will distribute it to the members of the committee and schedule it for discussion at a committee meeting.
8. Committee meetings will require a quorum of not fewer than five of the ten committee members to ensure that a meeting schedule can be maintained to meet project timetables. The RAC will attempt to make decisions by consensus of those present. In the event that the committee cannot make a decision, the project will be referred to the Chief Conservation Officer, who will determine what further evaluation will be required.

9. The committee will make one of the following findings:
 - that the project may proceed;
 - that the project may only proceed with modifications and conditions; or
 - that the project should not be allowed to proceed without the approval of the Chief Conservation Officer and Chief Administrative Officer as noted in 10, below.
10. While an oral decision may be provided at the meeting, all final decisions will be in writing and will be provided by the secretary back to the Regional Director with a copy to the Chief Conservation Officer and the chair of the Project Review Committee of the Board of Governors (or to another Board committee chair appropriate to the subject matter of the decision). Decisions will clearly state what has been decided and why. A summary of decisions and lessons learned will be distributed to the Board of Governors at each of their meetings and to senior managers. The Board of Governors' Project Review Committee will oversee the committee's work and suggest course corrections based upon reports from the committee and detailed discussions with committee as required. The Board of Governors Conservation Strategies and Marketing Committees will participate in such reviews where decisions affect their jurisdictions.
11. The Board of Governors may request that the committee review and comment on major policy issues in advance of Board discussions.
12. Appeals from decisions of the committee will be by the relevant Regional Director or Department Head to the Chief Conservation Officer and the Chief Administrative Officer. The committee may also refer exceptionally complex or difficult projects to the Chief Conservation Officer and the Chief Administrative Officer for a decision along with a clear recommendation and rationale from the committee.
13. Recognizing that projects will be brought to the committee at early stages of development, project forms and committee meetings will be confidential. Committee members will not be permitted to discuss projects with others unless authorized to do so by the committee. Decisions back to applicants will be confidential, but, as noted below, summaries of such decisions that extract critical lessons will be distributed to senior managers and Board members.

Training and Information

Information about the committee and its operation will be conveyed to senior staff. A question and answer session with Regional Directors will be held as soon as possible. A session on the committee should be included in the July Senior Managers meeting. An information package, including this document and questions and answers, will be provided to chapter boards with follow-up presentations by committee members as required. The periodic reports of the committee will be written and distributed as educational tools designed to highlight concepts and precedents illustrated by committee decisions. These lessons should help guide decisionmaking in the field and future submissions to the committee.

Attachment 1

Types of Projects Likely to Be Submitted to the Committee

1. Extremely complex and unusual land transactions
 - Taking security interests in land which can result in refinancing
 - Multi-state negotiations with a single landowners
 - Acquiring land through a corporate acquisition
 - Application of a new or untested tax or legislative concept
2. Complex exceptions to the No Net Profit Rule on sales of land to government
3. Compatible human use/resource extraction
 - Exceptions to TNC policies on oil drilling, timber harvesting, ranching and trapping, or new uses which may be controversial or appear inconsistent with TNC's public image
 - Building on tropical rain forest timber concessions
 - Limited development activity
 - Involvement in land use planning where TNC's efforts to mitigate threats may be viewed as "enabling" incompatible uses (e.g. allowing road building in "less sensitive" areas)
4. Land transactions involving substantial financial risk
 - Undertaking financial commitments for land acquisition far beyond the operating unit's capacity based on historical track records
 - Unusually large land transactions (e.g., where more than \$10 million is at risk)
 - Significant loans to partner organizations (where more than \$5 million of TNC assets are at risk)
5. Partnerships
 - Cause related marketing agreements with companies of questionable reputation
 - Staff joining politically controversial boards or committees
 - Partnering with donors or landowners with questionable reputation
 - Joining advocacy coalitions whose missions extend well beyond TNC's or whose public image may be inconsistent with our own
6. Natural resource use certification programs
7. Public Policy Involvement
 - Major administrative action (such as filing for intervener status in a dam relicensing)
 - Major controversial legislative initiatives
 - Complex and politically charged issues whose public profile usurps conservation issues (e.g., indigenous rights, free trade, etc.)
8. Land acquisition involving retained rights
 - Easement enforcement action on easements involving "covered persons"
 - Fee acquisition subject to economic rights held by third parties
9. Legal action
 - Legal claims or actions against sensitive parties
 - Major lawsuits initiated by the Conservancy

All of the above types of projects may be, but are not required to be, reviewed by the RAC.

Attachment 2

RISK ASSESSMENT COMMITTEE
SCHEDULED MEETINGS
APRIL – JULY 2004

MEETING DAY/TIME: WEDNESDAY, 3:30 PM (EDT)
DURATION: APPROXIMATELY 2 HOURS

<u>PROJECT SUBMISSION DEADLINE & DISTRIBUTION TO RAC COMMITTEE</u>	<u>MEETING DATE</u>
APRIL 23, 2004	APRIL 28, 2004
MAY 7, 2004	MAY 12, 2004
MAY 21, 2004	MAY 26, 2004
JUNE 4, 2004	JUNE 9, 2004
JUNE 18, 2004	JUNE 23, 2004
JULY 2, 2004	JULY 7, 2004
JULY 16, 2004	JULY 21, 2004

Attachment 3

**Organizational Risk Identification and Assessment Report
(ORIAR)
Project Submission Form**

A: Origin Information

Proposal or Project Name: _____

Contact Person(s):

A. OU Director or Department Head _____

B. Conservation Region Director or Chief Administrative Officer _____

Date Submitted: _____

Date Decision is needed by: _____

Person(s) Presenting Project to RAC: _____

Contact Person for Additional Information: _____

Name of Attorney Who Has Provided Initial Review: _____

B: Risk Description

1. Why is this proposal of concern

(circle or underline to indicate the "trigger" for submission of this ORIAR)

- Complex and unusual land transactions
- Waiver to the No Net Profit Rule on Sales of land to the Government
- Compatible Human Use/Resource Extraction
- Land transactions involving substantial financial risk
- Partnerships that may represent a conflict with the mission or values of TNC
- Public Policy Involvement
- Land Acquisition involving retained rights
- Administrative Action
- Litigation
- Other reputational risk

If none of the above applies, please indicate why Committee review is nonetheless appropriate:

2. Brief Project History

(a) Please provide a summary of the salient facts of the specific proposed action.

(b) Describe very briefly the origin and history of the project including contacts and relationships with other parts of TNC and with key partners or other participants.

3. Nature of Risk

Please describe in as much detail as appropriate, the nature and magnitude of potential risks of this conservation proposal, including (as applicable), but not limited to TNC's reputation, relationship with donors/ partners, legal/political risk, security, etc.

4. Benefits Assessment

(Summarize the key benefits of the proposal and how they relate to the risks described above)

5. Risk Mitigation

Describe what steps (if any) have already been taken or are proposed to mitigate/reduce risk and what further action is proposed. Most importantly describe what we can not mitigate.

6. Overall Conclusion and Request

(Summarize the case here – what will/could happen if we proceed/don't proceed and define in one sentence exactly what you are requesting from Committee)

7. Need for Confidentiality

Describe level of confidentiality required in discussion or transmission of reports

D: Decision of the Committee:

1. Decision

2. Recommended Next Steps

3. Signed + Dated

Member Name

Date

GUIDELINES FOR PROJECT SUBMISSION

1. Projects should be referred to the Risk Assessment Committee by Conservation Region Directors. Projects from the Worldwide Office, including the Office of the President, External Affairs and Marketing, will be referred to the committee through Department Heads.
2. Informal consultation about whether a project or action is suitable for referral may take place with the committee chair or other designated members of the committee.
3. Contact the secretary of the committee to obtain a schedule of committee meetings, submission deadlines, and decision deadlines, and to submit an *ORIAR* form to the committee.
4. Projects should be referred to the committee before there is a substantial or irrevocable commitment of resources to the project and/or before withdrawal from the project would in itself be a risk to TNC's reputation. Projects should be brought to the committee once the outlines of the project and risk are well known, but before it is too late to change the strategy or the key terms of the transactions.
5. The committee will make one of the following findings:
 - that the project may proceed;
 - that the project may only proceed with modifications and conditions; or
 - that the project should not be allowed to proceed without the approval of the Chief Conservation Officer and Chief Administrative Officer.

Final decisions will be in writing and will be provided by the secretary back to the relevant Conservation Region Director or Department Head with a copy to the Chief Conservation Officer and the Chair of the Projects Review Committee of the Board of Governors.

6. Appeals from decisions of the committee will be by the Conservation Region Director or Department Head to the Chief Conservation Officer and the Chief Administrative Officer. The committee may also refer exceptionally complex or difficult projects to the Chief Conservation Officer and Chief Administrative Officer for a decision, along with a clear recommendation and rationale from the committee.