
APPENDIX P

DOCUMENTS RELATING TO LAKE HURON

Diane Ray@LEGAL@TNCMRO

From: Bill McCort@PROTECT@TNCMIFO
Sent: Friday, September 29, 2000 5:28 PM
To: Diane Ray@LEGAL@TNCMRO
Cc: Helen Taylor@ADMIN@TNCMIFO
Subject: Larry Harmon Deal

Diane, Helen has a tentative deal with Larry Harmon as I left on a phone message for you. I relayed to Helen the \$100,000 number that you said we could pay for Shillingburg. Larry is willing to take \$100,000 above what he is paying, \$1,375,000. Helen now wants to know if we can do \$100,000 more for Shillingburg, can we also do \$100,000 more for Connolly? Larry Harmon is willing to give us both properties for \$200,000. So that works out to $\$2,367,500 + \$200,000 = \$2,567,500$. Ed Steigerwaldt's appraisal is at \$2,500,000. So that puts us 2.7% over appraised value. Will this work?

Larry wants to know what our involvement is in his tax deduction. He would use his appraisal to claim a bargain sale. Will we have any problem filling out our part of the 8283 form?

This deal puts the task on Helen to get Connolly and Shillingburg to agree to the assignment of the purchase agreement to TNC.

Last question is Helen wants to know if we can buy Larry out next week if she can get Connolly and Shillingburg to agree to the assignment?

Larry wants to know asap on Monday. He is meeting with his attorneys at 10:00 am.

Thanks,

Bill

MEMORANDUM

TO: File

FROM: Diane B. Ray 

DATE: September 29, 2000

RE: Northern Lake Huron (Chi-Mac and Shillingburg Tracts)

I spoke with Bill McCort this morning about the status of the above-referenced transactions.

Bill indicated that our review appraiser, Lloyd Kirby, has said that the methodology used by Harmon's appraiser is suspect and that she is not qualified to do appraisals of that dollar value (she is licensed, but not certified, meaning she can't do appraisals on properties valued over \$1 million). To provide us with a supportable value, he will need to do his own appraisal and he doesn't really have time for that right now – his best guess is that the property is worth something in the \$1.9 to 2 million range. Ed Steigerwalt had earlier said his best guess at value was \$2.5 million, and he agreed that the appraisal conducted by Harmon's appraiser was not acceptable under appraisal standards. Bill is going to check with Steigerwalt and Kirby to see which one of them could get us a "real" appraisal the quickest, but it looks very unlikely that we will have an appraisal which supports the purchase price under the assignments by our contingency removal date of Oct. 4. I told Bill that we can not go above FMV as determined by an appraisal for properties with values of this magnitude, and that in all likelihood we will have to tell Harmon that the contingencies have not been satisfied, and we will not waive them, and that the assignments are therefore terminated.

Another problem is the lack of assignability of the original contracts. Harmon did not secure prior written permission of either Chi-Mac or Shillingburg, and our assignment is therefore invalid. We cannot remove our contingencies unless he secures their written permission. Harmon's answer to this is that we should have property deeded to TNC and him, and then he'll quit claim to us. I'm not at all sure about that, but it is a moot point anyway unless we can resolve the valuation issue. I think that in order to get around this problem, we would have to have a double closing – they sell to him, then he sells to us. That would be the cleanest way of dealing with the lack of assignability, but Harmon does not want to incur the transaction costs (including the transfer tax) of doing it that way.

On another front, Chi-Mac (the Connelly family) has gotten wind of the assignment and wants to back out of their purchase agreement with Harmon. They want to sell to us (although we suspect that they will want a bump in value, which may be possible to a small degree but not to the degree they expect). Harmon has said he will sue for specific performance if they rescind. In fact, Harmon has indicated to Bill that he'll "sue everyone" (including TNC) if this falls through. I told Bill that Harmon will not have a cause of action against us on the assignment – but that we

RECEIVED JUL 31 2003

need to be careful not to do anything that interferes in the contractual relationship between Chi-Mac and Harmon. However, we need to be prepared to step into the breach to secure the property if there are holes in that contract between Chi-Mac and Harmon. The Connellys have told their realtor to begin working with TNC on an agreement. I told Bill I thought we could do that, but that we'd need to make any agreement contingent on their successful rescission of the contract with Harmon. One option might be to get a right of first refusal from them on specific terms, triggered by the failure of the sale to Harmon. If Harmon's deal with Chi-Mac fails, he has problems as he really needs the two properties together to have a successful development.

In any event, completion of the deal as presently structured with Harmon appears to me to be impossible. The valuation support is not there, which is the primary problem. Secondly, the issue of the lack of assignability of the original contracts is probably an insurmountable problem for Harmon.

Diane Ray@LEGAL@TNCMRO

From: Bill McCort@PROTECT@TNCMIFO
Sent: Monday, October 02, 2000 9:40 AM
To: Diane Ray@LEGAL@TNCMRO
Cc: Helen Taylor@ADMIN@TNCMIFO
Subject: re: RE: Larry Harmon Deal

Diane, I just talked with Larry Harmon re. the following:

1. He asked if we could buy him out this week, he would greatly appreciate it. I told him the next step for us is to get Connolly and Shillingburg to agree to the assignment. Helen is working on this.
2. Larry said regardless on how we handle our money on our side of the transaction, he plans to treat the \$200,000 as if it were all for Shillingburg. He will then quit claim Connolly to us without any additional payment. He wants to do this in order to avoid problems with Connolly. I suspect this will cause problems for us, but I am leaving it to you to tell me what to say on this.
3. I told him what you emailed me re. our involvement in the donation, including that we may add a disclaimer if we think his valuation is questionable. He said he understands and does not intend to take his full appraised value as the donation.
4. In order to be able to claim ownership and then his donation of the properties, he wants to add our name to his name on the deeds. He will provide us a quit claim deed. We close with both names, and then record the quit claim deed. Does this work?

Bill

Diane Ray@LEGAL@TNCMRO Wrote:

I think we can do the deal as you have described it. We can probably buy Harmon out next week, as long as we've got a secure deal (i.e. Shillingburg and Connolly have agreed to the assignment, in writing).

As for our involvement with the donation, it is limited to signing the 8283 - all that says is that we received the property, not that we are agreeing to the donor's valuation. If we feel the valuation is too far out of line, we have been known to sign the 8283 with a disclaimer indicating we think the donor's valuation is questionable. One thing Harmon will need to get clear with his own advisors is that he can count this as a gift of property - since he has never held title to the property, and won't before we acquire, I'm not sure if he can claim that he donated "real estate" to us. I'm not sure if donating a contractual interest in real estate qualifies. I'm not sure it doesn't, either, I just don't know one way or the other and he needs to check with his own advisors if this is a route he plans to take.

Diane

JUL 31 2003

Diane Ray@LEGAL@TNCMRO

From: Diane Ray@LEGAL@TNCMRO
Sent: Tuesday, October 03, 2000 8:59 AM
To: 'Bill McCort@PROTECT@TNCMIFO'
Subject: Connelly Letter

Bill,

I agree with Helen. Additionally, buyers who are getting fair market value for their property cannot expect to have any voice in its future management - if they want to restrict the property before it comes to us, they will have to accept a decreased purchase price. I doubt that's what they want.

I'm attaching a revised version of the letter. I really think it is a bad idea to tell them that someone is willing to "pay" us \$1 million for the property, even as restricted. That could give them grandiose notions of its value and convince them they've sold too low - making the situation worse. What our conservation buyer is really doing is buying the property for its (reduced) fair market value, then making a donation of the rest. If we need to mention this to the Connellys at all, it needs to be framed in that way. Other than that more substantive change, I just made a few other changes that were more for clarity or style issues (you know us lawyers and our red pens . . .)

Let me know if you have any questions.

Diane



wilson.doc



JUL 31 2003

Midwestern Resource Office
1313 Fifth Street Southeast, Suite 314
Minneapolis, Minnesota 55414-1588
TEL 612 331-0700
FAX 612 331-0770

International Headquarters
Arlington, Virginia
TEL 703 841-5300

October 3, 2000

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STATE DIRECTOR
Helen Taylor

Mr. Mark Wilson
ADDRESS??????

Dear Mark:

As we discussed, this letter is intended for Michael Connolly, his sister, and brother (I apologize for not knowing their names). I am very excited and pleased that Chi-Mac Associates Limited Partnership is wanting to protect its property near Cedarville, Michigan through The Nature Conservancy. I believe that the Conservancy is in an excellent position to meet their wishes. Let me outline my proposal for their and your consideration.

Upon acquiring Chi-Mac Associates Limited Partnership's property, The Nature Conservancy would place a conservation easement on the property. The conservation easement is a legally binding document that restricts the use of the property. It is recorded with the deed and must be followed by all those that come into the chain of title from then on. The conservation easement will restrict the property to no further development beyond the existing buildings. The existing house could be replaced with another single-family home, but it would have to be in the same location as the existing house. Otherwise, the property would be protected as is and would be required to stay in its current natural state.

The Nature Conservancy has a conservation buyer identified who will buy the property, with the conservation easement in place, from the Conservancy. Although the conservation easement will greatly lower the value of the property (up to 70 percent lower is not uncommon), our conservation buyer is willing to purchase the property from the Conservancy with the conservation easement in place, and also make a donation of additional funds to ensure the Conservancy's work at this site has financial resources behind it. His wonderful generosity makes it possible for the Conservancy to acquire such an expensive property, and the conservation easement assures that the property will remain in its current natural state.

The Nature Conservancy will hold the conservation easement and monitor it to make sure it is upheld. As the holder of the largest private collection of nature preserves in the world, The Nature Conservancy is prepared to enforce the terms of this conservation easement. In the very unlikely event that The Nature Conservancy should go out of business, our by-laws require that the conservation easement be



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transferred to another nonprofit conservation organization for its continued protection of the property.

In short, Chi-Mac Associates Limited Partnership can rest assured that its property will be protected in its current natural state! This is The Nature Conservancy's mission as well as its commitment.

One difficulty that I should mention here is how to get the property into The Nature Conservancy's ownership. My understanding is that Chi-Mac Associates Limited Partnership is wanting to rescind its purchase agreement with Larry Harmon. I also understand that Larry Harmon intends to take the matter to court. Fortunately, this confrontation is not needed. Larry Harmon is willing to assign his purchase agreement to The Nature Conservancy. However, he needs Chi-Mac Associates Limited Partnership to agree to this assignment. Since you would like The Nature Conservancy to protect the property, I sincerely hope that you will agree to this assignment. I believe all or our goals can be met in this manner without any further confrontation or expense.

Please let me know if I can explain The Nature Conservancy's intentions any further. I sincerely appreciate your interest in protecting your property and hope you are encouraged by this proposal. Thank you for your consideration!

Sincerely,

Helen Taylor
State Director

MEMORANDUM

**Please share this
information with
appropriate staff.**

To: Helen Taylor, State Director, MIFO
cc: Bill McCort, Director of Protection, MIFO
From: Sue Corbin, Legal Assistant, MRO 
Date: October 19, 2000
Re: Northern Lake Huron (Harmon Tract)(fka Shillingburg)
Mackinac County, Michigan

This memo is to inform you that we closed on the acquisition of the Harmon tract (fka Shillingburg) tract at Northern Lake Huron on October 13, 2000.

STEWARDSHIP ENDOWMENT: Enclosed please find a copy of the Journal Entry Request Form transferring \$20,000 from the No. Lake Huron-Shillingburg center, #2220629085-0001, into the Michigan Stewardship Endowment center, #4220628000, to cover the stewardship endowment for this tract.

STEWARDSHIP START-UP FUNDS: You did not request any stewardship start-up costs.

REAL ESTATE TAXES: All real estate taxes due in the year of closing were prorated to the date of closing and the Conservancy received a credit of \$338.98 at closing to cover the seller's share of those taxes. All future taxes are the responsibility of the Conservancy.

We asked the title company to notify the appropriate taxing officials of the change in ownership. You may want to follow up on this, or track this in some way, to ensure that you receive the next tax statements.

BUILDINGS: There are improvements located on the property – a cabin and a shack. If these structures are of value, please notify our insurance agent (Franey, Parr & Muha, Inc., Dulles Gateway Center I, 13921 Park Center Road, Suite 160, Herndon, VA 20171. 800-298-7373 or 703-397-0977) of this and ask that the buildings be added to the Conservancy's insurance policy.

Helen Taylor
October 19, 2000
Page 2

MISCELLANEOUS: The original Tract Detail Record submitted by the your office indicates that the Conservancy must grant a right of way easement to Interfaith Varsity Fellowship to use existing trails across this property. Please work with Diane Ray on this.

AUTHORIZED TRANSACTIONS: You obtained approval to:

- Acquire the property.
- Issue leases, licenses or permits for hunting or other recreational uses.
- Sell a portion of the property, to be determined, with a conservation easement, or other appropriate use restrictions, to a conservation buyer.
- Loan: approximately \$1,721,429. 2 years. LPF or other sources acceptable to Chief Operations Officer.
- Fundraise: \$1,721,429.

AGRICULTURAL LAND: If there is any agricultural land located on this tract, please let Sue Corbin or Dianne Masters know so that we can contact the local FSA Office (fka ASCS) and inform them of the change in ownership.

As soon as we have received the documents covering this transaction, we will forward copies to you for your file of only the documents we received at and after closing. Please let me know if you need copies of any other documents.

Please call if you have any questions regarding this memo.

smc:
Enclosure

Diane Ray@LEGAL@TNCMRO

From: Bill McCort@PROTECT@TNCMIFO
Sent: Monday, October 02, 2000 9:40 AM
To: Diane Ray@LEGAL@TNCMRO
Cc: Helen Taylor@ADMIN@TNCMIFO
Subject: re: RE: Larry Harmon Deal

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Diane

To: Bill McCort@PROTECT@TNCMIFO

JUL 31 2003

Cc:
Bcc:
From: Diane Ray@LEGAL@TNCMRO

Subject: RE: CHI-MAC QUESTION

Date: Monday, November 20, 2000 at 4:49:52 pm EST

Attach:
Certify: N

I don't think there's anything specific I can direct him to - it's just common sense, really. It's certainly well more than my opinion (and it is strict TNC policy besides), but I doubt there are any cases out there on it, if that's what he's getting at. People take deductions for gifts of easements all the time - because they have value, and they reduce the value of the remaining title to that property. We also purchase conservation easements in some circumstances, paying for the difference between the fair market value unrestricted and the fair market value with the easement in place. Development rights are often purchased separately, again because they have value. A conservation easement is an interest in property with a value, and a commitment on our part to put one on property we buy amounts to a devaluation of that property by the value of the conservation easement. Typically, the value of an easement is 1/3 to 1/2 the value of the fee simple title, unrestricted. Essentially, if we are agreeing not to develop the property, the property has to be valued as if it cannot be developed (divided into smaller lots, etc.). I'll look for an article or something tomorrow, but I don't know if I'll find anything that will satisfy this guy. Perhaps if we send him to the regs regarding "qualified charitable contributions" regarding conservation easements, he'll see that it is implicit that they have value otherwise they wouldn't be able to count as contributions!

Diane

To: Diane Ray@LEGAL@TNCMRO
Cc:
Bcc:
From: Bill McCort@PROTECT@TNCMIFO
Subject: CHI-MAC QUESTION
Date: Monday, November 20, 2000 at 3:52:55 pm EST
Attach:
Certify: Y

JUL 31 2003

Diane, our email is giving me problems, so I am certifying this to see if you get it.

I had a call from Mark Wilson, attorney for the Connollys and the Chi-Mac Associates Limited Partnership this morning. He wants to call you directly, but I am trying to get the answer without him doing so, and I am not going to give him your number (although he may already have it somehow?). He is questioning what is your "legal authority" or is it your "opinion" that if Chi-Mac requires us to do a conservation easement as part of the purchase agreement, the value of the property is decreased. I can't find anything here that makes it clear legally.

He noted that he asked you before and received information from you regarding a nonprofit not benefitting the individual. He said that did not answer/address his question.

Let me know if this is one of those things I should know or should be able to find on my own. I understand that Chi-Ma is not selling us all of the property rights if they require that we restrict it with an easement. Hence, it is worth less. But I don't know what legal document I can refer him to...if there is any.

Thanks,

Bill

JUL 31 2003

TELEPHONE MEMORANDUM

TO FILE:

DATE: 12-1-00

INDIV. SPOKEN TO :

Mark Wilson

AGENCY:

ADDRESS:

PHONE:

810-775-5578

NOTES TAKEN BY:

SUBJECT:

PURPOSE/REASON FOR CALL:

COMMENTS:

• Diane Ray: ~~not get point more~~
that her opinion that cons. easement
has value; hence if require it as part
of deal, value is lowered.

look at regs. regarding "qualified
charitable contributions." — cons. easements
implicit that they have value otherwise
they wouldn't count as contributions.

FOLLOW-UP:

• IRS would not let us pay full value
to cons. easement on it

TICKLE:

• We won't pay more than what
we are paying Larry Harmon

Wilson thinks these
are an additional,
200

not 1600' but
→ 1800'

JUL 31 2003

TELEPHONE MEMORANDUM

TO FILE:

DATE:

1-23-01

INDIV. SPOKEN TO :

Gail Lowellan

AGENCY:

ADDRESS:

PHONE:

NOTES TAKEN BY:

SUBJECT:

Larry Harmon

PURPOSE/REASON FOR CALL:

1. Authority to ~~re~~archive was approved.

COMMENTS:

FOLLOW-UP:

TICKLE:



Midwestern Resource Office
1313 Fifth Street Southeast, Suite 314
Minneapolis, Minnesota 55414-1588
TEL 612 331-0700
FAX 612 331-0770

International Headquarters
Arlington, Virginia
TEL 703 841-5300

March 7, 2001

Larry D. and Sandra Harmon
P.O. Box 108
Drummond Island, MI 49726

Re: Northern Lake Huron (Shillingburg Tract)
Mackinac County, Michigan

Dear Mr. and Mrs. Harmon:

The Nature Conservancy is pleased to have completed its recent bargain sale purchase from you of approximately 131.50 acres of land in Mackinac County, Michigan, which closed on October 13, 2000.

Under federal tax law, an income tax deduction will be allowed for any gift of \$250 or more only if the donor has written substantiation of the gift from the charity receiving the gift. This letter is intended to meet this requirement, and you should keep it with your tax records.

At closing on October 13, 2000, The Nature Conservancy provided no consideration for the described above other than as outlined in the purchase agreement for the property. This consideration included the purchase price of \$1,475,000.00. Only the value of the land in excess of the consideration received is deductible to the extent permitted by law. Please consult your tax adviser for specific information in this regard.

If you wish to take a charitable deduction for a gift of land with a value in excess of \$500, you must prepare IRS form 8283 on which you will record the value of your gift and the amount of consideration received. The Nature Conservancy does not play a role in determining the value of your gift. If the value of your gift exceeds \$5,000, the IRS requires you to substantiate its value through a qualified appraisal. Again, consult with your tax adviser if you have questions.

Larry D. and Sandra Harmon
March 7, 2001
Page 2

For your convenience, I am enclosing a copy of IRS form 8283 and instructions. If you elect to complete it, please send the completed form to me at the address below and I will sign the form on behalf of the Conservancy and return it to you.

Sincerely,



Diane B. Ray
Division Attorney

DBR:smc
enclosures

Name(s) shown on your income tax return

N. cash Charitable Contributions

▶ Attach to your tax return if you claimed a total deduction of over \$500 for all contributed property.

▶ See separate instructions.

OMB No. 1545-0908

Attachment
Sequence No. **55**

Identifying number

Note: Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A—List in this section **only** items (or groups of similar items) for which you claimed a deduction of \$5,000 or less. Also, list certain publicly traded securities even if the deduction is over \$5,000 (see instructions).

Part I Information on Donated Property—If you need more space, attach a statement.

	(a) Name and address of the donee organization	(b) Description of donated property
1		
A		
B		
C		
D		
E		

Note: If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (d), (e), and (f).

	(c) Date of the contribution	(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) Fair market value	(h) Method used to determine the fair market value
A						
B						
C						
D						
E						

Part II Other Information—Complete line 2 if you gave less than an entire interest in property listed in Part I. Complete line 3 if conditions were attached to a contribution listed in Part I.

- 2 If, during the year, you contributed less than the entire interest in the property, complete lines a–e.
- a Enter the letter from Part I that identifies the property ▶ _____. If Part II applies to more than one property, attach a separate statement.
- b Total amount claimed as a deduction for the property listed in Part I: (1) For this tax year ▶ _____
(2) For any prior tax years ▶ _____
- c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):
- Name of charitable organization (donee) _____
- Address (number, street, and room or suite no.) _____
- City or town, state, and ZIP code _____
- d For tangible property, enter the place where the property is located or kept ▶ _____
- e Name of any person, other than the donee organization, having actual possession of the property ▶ _____

3 If conditions were attached to any contribution listed in Part I, answer questions a – c and attach the required statement (see instructions).

- a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property?
- b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire?
- c Is there a restriction limiting the donated property for a particular use?

Yes	No

Name(s) shown on your income tax return

Identifying number

Section B—Appraisal Summary—List in this section only items (or groups of similar items) for which you claimed a deduction of more than \$5,000 per item or group. **Exception.** Report contributions of certain publicly traded securities only in Section A.

If you donated art, you may have to attach the complete appraisal. See the **Note** in Part I below.

Part I Information on Donated Property—To be completed by the taxpayer and/or appraiser.

4 Check type of property:

- Art* (contribution of \$20,000 or more)
 Real Estate
 Gems/Jewelry
 Stamp Collections
 Art* (contribution of less than \$20,000)
 Coin Collections
 Books
 Other

*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antique furniture, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.

Note: If your total art contribution deduction was \$20,000 or more, you must attach a complete copy of the signed appraisal. See instructions.

5 (a) Description of donated property (if you need more space, attach a separate statement)		(b) If tangible property was donated, give a brief summary of the overall physical condition at the time of the gift	(c) Appraised fair market value
A			
B			
C			
D			

(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) For bargain sales, enter amount received	See instructions	
				(h) Amount claimed as a deduction	(i) Average trading price of securities
A					
B					
C					
D					

Part II Taxpayer (Donor) Statement—List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions. ▶ _____

Signature of taxpayer (donor) ▶ _____

Date ▶ _____

Part III Declaration of Appraiser

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this appraisal summary may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). I affirm that I have not been barred from presenting evidence or testimony by the Director of Practice.

Sign

Here

Signature ▶ _____

Title ▶ _____

Date of appraisal ▶ _____

Business address (including room or suite no.)

Identifying number

City or town, state, and ZIP code

Part IV Donee Acknowledgment—To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on ▶ _____ (Date)

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 2 years after the date of receipt, it will file Form 8282, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use? ▶ Yes No

Name of charitable organization (donee)

Employer identification number

Address (number, street, and room or suite no.)

City or town, state, and ZIP code

Authorized signature

Title

Date

Diane Ray

From: Diane Ray [dray@tnc.org]
Sent: Friday, March 23, 2001 2:42 PM
To: Bill McCort
Subject: RE: Chi-Mac

JUL 31 2003

Bill,

I've already asked Rose Anne to send the Assignment and the Consent to both the title co. and the realtor, so you don't need to do that. I will call the title co. this afternoon to see what we can do regarding closing -- if they can't have the updated title work done until Tuesday, I don't think we'll be closing Wednesday. Essentially, we have two weeks within which to close, but I'd like to see it happen by next Friday.

I've talked with Mark Wilson about the second letter agreement. We had talked before he drafted it and had reached an understanding of what it was to say. If you note, Wilson rather cryptically notes in several places that "this was Michael Connelly's understanding." As I had told him when we spoke (before the letter was drafted), we can provide them with a copy of our appraisal but they'll need their own (and need to pay for it) if they plan to take a charitable deduction. Also, I told him I didn't think there was any donative intent and that they would be asking for trouble if they do try to take this as a deduction. /K

On the easement issue, Mark understands that we can't (as a legal matter) put a conservation easement in our own favor on property we own -- sequentially, we have to sell and then get an easement back. He understands this, but had to placate Michael Connelly.

I talked with Mark this morning and will be redrafting the letter to change these two items. I'll send you a copy when that happens (hopefully yet this afternoon).

Diane

-----Original Message-----

From: Bill McCort [mailto:bmccort@TNC.ORG]
Sent: Friday, March 23, 2001 2:23 PM
To: Diane Ray
Subject: FW: Chi-Mac

Diane, I just talked to Helen. I will forward a copy of the consent to seller to assignment of sales contract between Chi-Mac and TNC if that is okay with you. Helen said we are to close on next Wednesday? Should I mention that to the title company to give them the heads up?

Also, the second agreement that Chi-Mac wants us to sign talks about our letting them use our appraisal for their bargain sale documentation with IRS. I thought we couldn't do that?

Bill

-----Original Message-----

From: Bill McCort [mailto:bmccort@tnc.org]
Sent: Friday, March 23, 2001 3:05 PM
To: Helen Taylor; Diane Ray
Subject: Chi-Mac

Larry Harmon just called and seemed appreciative that we got things straightened out. He said Sally Brumleve, the real estate broker for Chi-Mac, is coordinating notices and that the title company wanted something indicating that Chi-Mac has agreed to the assignment. Hence, I assume they want a copy of the agreement with Chi-Mac. At Larry's suggestion, I called Sally Brumleve, and she confirmed the same. She said we should send the agreement to David Morey, Eastern Upper Peninsula Title Co., FAX (906) 632-6153, phone: (906) 632-0603. She also would like a copy of whatever we send. Sally's fax is (906) 484-9974.

The title company can be ready with the title work by next Tuesday. They would like to know approximately when we are thinking of closing.

Bill

JUL 31 2003

JUL 31 2003

Bill McCort

From: Pat Bray [pbray@tnc.org]
Sent: Monday, April 02, 2001 5:39 PM
To: JEFFREY D KNOOP
Cc: WILLIAM D. MCCORT
Subject: Connelly/Shillingberg notes
 Hey Jeff,

Hope the drive went well - and that Duke lost.

Bill thought it would be a good idea if I gave you some background on these properties and what we need from you when the papers do get signed.

Here's the Readers Digest version:

A friend and former trustee, Jerry Jung, is willing to buy whatever property he can of the two peices for a total commitment of \$1.7 million. We have other commitments and donations for the property that total another \$600,000 (us & Little Traverse at 200,000 each; an individual donor at \$100,000, and GM and Georgia Pacific at \$50,000 each). Cedar Campus through its national organization, the InterVarsity Christian Fellowship, is going to ask its board to put in \$200,000 this summer.

Our line of thought is to have the two pieces appraised as one and to request a fair market value price with a conservation easement in place. Our goal is to get out of the project without having to do anymore fund raising while covering our costs. If the value is equal to or lower than \$1.7 we would want to sell it all to Jerry. If it's lower we hope Jerry will donate the difference.

Additional items of note and questions:

1) Cedar Campus is interested in buying 10 - 20 acres of the Shillingberg property to build some staff housing. This amout would come out of their \$200,000. Tina is aware of the location. They have a board meeting this summer and we have to have an understanding on the feasibility of this purchase to them no later than May 1. Little T. is working on an easement on the Camp property to protect its shoreline and other designated natural areas. Also, Cedar Campus uses a trail across the Connelly/Shillingberg land for their campers. Continued use of a trail will need to be included in the easement and Jerry is aware of that.

2) I'm concerned that if we do look at selling all the property to Jerry that we may have a problem because donations from others were included in covering the original purchases. I don't know if this is a legal concern or not since the easement would protect the land and we never talked about a preserve that would be open to the public. That seems to be a question for our legal folk that you'll need to clarify. I know it is donor relations concern of mine and if it appears to be okay I would check in with the donors to keep them in the loop. Little T is okay with leaving their money in and so are we.

Contacts:

At Little T. we're working with Tom Lagerstrum on the fund raising and Mary Kay on the easement for the camp. Their number is 231-347-0991.

At Cedar Campus/InterVarsity I'm talking with Don Erickson in WI. His number is 608-274-4823 Ext. 459.

Why don't we talk on Monday if you can to go over your questions. And I hope this helps a little.

Pat

04/09/2001



JUL 31 2003

Midwestern Resource Office
1313 Fifth Street Southeast, Suite 314
Minneapolis, Minnesota 55414-1588
TEL 612 331-0700
FAX 612 331-0770

International Headquarters
Arlington, Virginia
TEL 703 841-5300

April 6, 2001

VIA FACSIMILE (906) 484-9974

Sally Brumleve
ERA Brumleve Properties, Inc.
143 South Meridian Street
Cedarvill, MI 49719

Re: Northern Lake Huron Site (Chi-Mac Associates Limited Partnership Tract)
Mackinac County, Michigan

Dear Sally,

This letter is to confirm the verbal agreement that we have reached regarding the transaction associated with the above-referenced party. As you know, in settlement of the litigation surrounding the Chi-Mac Associates Limited Partnership's breach of the Sales Contract for the above party, Chi-Mac Associates has consented to the assignment by Larry Harmon of the Sales Contract to The Nature Conservancy. Mr. Harmon has assigned the contract to the Conservancy, contingent on a closing occurring by April 6, 2001, today. Chi-Mac Associates has held up the closing due to a dispute with you over payment of your commission. Chi-Mac Associates is unwilling to pay your full commission, but has agreed to allow a payment to you of \$50,000 out of the closing proceeds. You have indicated to them that you will not accept a payment less than your full commission of \$59,550.

In order to fully resolve all matters, and to secure the real estate for conservation, the Conservancy is willing to make payment to you of \$9,550 if the transaction closes today and if you will accept the proffered payment of \$50,000 from Chi-Mac at closing. Obviously, the Conservancy cannot get a payment to you today in this amount. If, however, the transaction closes today, we will forward a check to you for \$9,550 as soon as possible after closing as described above (but within five business days).

As with all other matters surrounding the settlement, this agreement will become null and void if the closing on the above-referenced real estate has not taken place by the close of business on April 6, 2001.

Ms. Sally Brumleve
April 6, 2001
Page 2 of 2

JUL 31 2003

If this letter accurately describes your understanding of the agreement between you and The Nature Conservancy, please sign where indicated below and return a copy of this letter to me for the Conservancy's records.

Thank you for your help in bringing this matter to a conclusion.

Sincerely,



Diane B. Ray
Division Attorney

Cc: Bill McCort, MIFO

I agree that the foregoing accurately states the agreement between The Nature Conservancy and me regarding the payment of my commission in the sale of property owned by Chi-Mac Associates Limited Partnership.

Sally Brumleve 4/6/2001
Sally Brumleve

JUL 31 2003

Bill McCort

From: Diane Ray [dray@tnc.org]
Sent: Wednesday, April 04, 2001 11:14
To: bmccort@tnc.org
Subject: Chi-Mac

Bill,

I heard from Mark Wilson this morning -- maybe this thing will close after all. He's got a call in to Sally Brumleve's lawyer to try to work out something there. I don't know what will come of that. Sally has said to me unqualifiedly that she will not take a cut in her commission, and I don't know whether Chi-Mac will close if she won't. But I can't get into the middle of that. We just have to keep our fingers crossed.

~~We disagree about whether they can limit our number of divisions. After reviewing the law again, I am certain they can't. I think that even if they put the limit to three divisions in the deed, it would be totally unenforceable since they are conveying a parent tract to us. I finally told Mark Wilson that if that turns out to be the only problem, I'll close with the deed saying we get only three divisions since it is my opinion that it is totally unenforceable. As a practical matter, it isn't really important since we don't plan to subdivide. It is a value thing, however, which is why it is important to me that it isn't enforceable -- if it were, we might have value problems.~~ Then again, Harmon wasn't worried about it since he could do this as a condo development, so why should we?

They are still stuck on the appraisal issue. I am holding firm that we won't pay for the update. I hope this isn't a deal killer, but I just don't see why we should pay for an updated appraisal when we don't even think there's donative intent. Mark Wilson may be calling you for information on what it will cost. I also gave him Ed Steigerwalt's name and number so he can talk with him directly. If you or Helen feel differently about the appraisal costs, let me know. If we did pay, they have to deduct what we pay from their donation -- but then we are out of pocket \$1,500 (or whatever the update costs). They are pushing this because it is far cheaper for them to deduct that from their charitable donation than to spend it out of pocket.

Let me know your thoughts.

Diane

update:

split: #

04/04/2001

Bill McCort

JUL 31 2003

From: Bill McCort [bmccort@tnc.org]**Sent:** Monday, April 09, 2001 2:57 PM**To:** Jeff Knoop**Cc:** Christine Hall-Forward; Jessie Hadley; Patrick Bray; Helen Taylor

Jeff, Tina, and Jessie, it's my pleasure to let you know that we closed on the Chi-Mac property last Friday. It took the entire day working the phones with Diane and Helen, but we got it done. We ended up paying \$107,000 to Larry Harmon for the assignment of the purchase agreement, \$992,500 to the seller for the property, plus \$450 maximum to the seller for an appraisal update for their tax purposes (Diane Ray said we can do this), and \$9,550 to the Chi-Mac realtor because they refused to pay the full \$59,550 due her (again okayed by Diane). This totals \$1,109,500 which is 5.2% above the \$1,054,500 appraised value. Shillingburg cost \$1,475,000 plus another \$100,000 (though I need to confirm this to make sure I am right) for Larry Harmon's assignment of the purchase agreement to us. Grand total for Chi-Mac and Shillingburg (not including closing costs, stew. endowment, and future legal defense fund costs, appraisals, etc.) is \$2,684,500 (but again, I will send documents detailing all costs to confirm these).

Jeff, I will send you relevant documents for your files. Chi-Mac and Shillingburg are now in your hands to work out 1) the conservation buyer details, 2) donor funding issues if we sell a part or all of Chi-Mac and Shillingburg to a conservation buyer (see Pat's email of April 2, 2001, attached), 3) Cedar Campus conservation easement and possibly providing them with 20 acres of Shillingburg, 4) Michigan Limestone conservation easement, 5) and our partnership with Little Traverse Conservancy for funding and conservation easement ownership.

After you get the materials I am sending, please call with questions.

Thanks,

Bill

04/09/2001

Sue Corbin

From: Sue Corbin [scorbin@tnc.org]
Sent: Wednesday, April 25, 2001 8:37 AM
To: Bill McCort
Subject: No. Huron Lake (Shillingburg)

Hi Bill - Rose Anne forwarded your e-mail to her about the Shillingburg transaction. The file seems to be hiding, but I did confirm with Diane that we considered the purchase price to be \$1,475,000 - the \$1,375,000, plus the \$100,000 to Harmon. Even though the \$100,000 was paid to Harmon for the assignment of his purchase agreement, it is still considered part of the purchase price because this is what we had to pay in order to acquire the property. The closing date is the date that the money and documents change hands - so it's often true that the deed is signed and recorded on different days from when the transaction actually closed. I hope this answers your questions. If not, please contact me - Sue

Sue Corbin, Legal Assistant
Midwestern Resource Office
Minneapolis, MN
612-331-0717
scorbin@tnc.org

JUL 31 2003

Bill McCort

From: Bill McCort [bmccort@tnc.org]
Sent: Thursday, May 17, 2001 12:30
To: Crufone@aol.com
Subject: RE: Tools at Cottage

Michael, Thanks for the reply. Yes, I do realize that we are to notify you about the identity of the conservation buyer 10 days before closing. There is no secrecy about who it is, we are just careful to not bother our donors. The conservation buyer's name is Jerry Jung. He is very supportive of The Nature Conservancy and what we do. Jerry is a businessman and is very busy. If you would like to write him, please send the letter or email to me or Helen Taylor, and we will make sure he gets it. Regarding your generous offer of the tools, we will have a staff member look at them this weekend, and then we will let you know early next week if Jerry wants them.

Thanks,

Bill

-----Original Message-----

From: Crufone@aol.com [mailto:Crufone@aol.com].
Sent: Wednesday, May 16, 2001 9:27 AM
To: bmccort@tnc.org
Subject: Re: Tools at Cottage

Bill,

You do realize that TNC is bound by the sales agreement to notify the Partnership of the identity of the Conservation Buyer ten (10) days prior to the closing of the sale of the property to the Conservation Buyer. If you have a buyer, why all the secrecy around who it is? Our offer is based on getting to know the buyer and if we warm up to them and are on the same page then we would probably offer to leave some of the tools in the workshop as a kindness. This is no different than any other sale. The seller normally has an interest in who the buyer is and what they are like.

Let me hear from you shortly as I would like to get the cottage and garage cleaned out prior to the end of May, per our sales agreement.

Sincerely,

Michael Connolly

05/17/2001

E: Easement on lakeshore property near Cedarville

Subject: RE: Easement on lakeshore property near Cedarville

Date: Fri, 21 Sep 2001 16:17:34 -0400

From: Jerry Jung <Jerry.Jung@michigancat.com>

To: 'jeff knoop' <jknoop@tnc.org>

Hi Jeff,

Taking your items one at a time.

- 1) I bet the Army Corps would never have approved the ditching that the previous owner did. It looked as if he wanted to put in a new drive across a wet areas without importing any materials, but he abandoned the project halfway through.
- 2) No problem limiting ATVs and Snowmobiles to established trails.
- 4) Regarding square footage, my thoughts would be not to exceed 8,000 sq ft for a house and the dock (crib) not to extend more than 75 feet into the lake.

I'm looking forward to reviewing your next draft.

-----Original Message-----

From: jeff knoop [mailto:jknoop@tnc.org]

Sent: Tuesday, September 18, 2001 2:18 PM

To: Jerry Jung

Cc: htaylor@tnc.org

Subject: Re: Easement on lakeshore property near Cedarville

Jerry,

Yes, I do realize that there is still a legal problem concerning the developer and the original owners. In the interim, we have contracted out an Environmental Consulting firm located in Mackinaw City. They will be collecting and analyzing soil samples in and around the barn and testing those samples among other things. We will send you a copy of the report once it is completed.

As for the easement here are my comments:

1. Regarding pond and ditch restoration, I don't believe this will be a problem. We may even want to address this issue in a separate Management Plan so as to get input and expertise from our science team. We do have to be careful, however, with the Army Corp to make sure that any filling activity is in compliance with their regulatory guidelines.
2. ATV/snowmobile use would not be a problem. I'm assuming such use would be restricted to current roads and paths?
3. Yes, we can specify garden use and flower beds. That's a fairly standard request.
4. Dock repair/replacement is not a problem. We can specify in easement. In reference to square footage is your thinking here about the size of the dock or the size of any new or replacement structure? We would need to put some limitation on the size of a replacement of, or additions to, any authorized structures. That amount could be rather large but will need an outer limitation.
5. Will need to defer to TNC legal counsel about section 6.8. I worked on one other easement and

E: Your easement in Cedarville

We can put a special citation in under the restoration section to allow you to do this...

- 5) I'd like to put up posts to prevent motorized access to some of the side-trails.
- 6) At some point in time, I would like to rebuild the existing house on the property. The new house should be on the same site as the existing structure. I'd prefer that we delete any restrictive language here regarding square footage since I had pictured a two story "Cap Cod" type structure.

This should not be a problem

- 7) What about the dock? Could I rebuild it if water levels continue to decline?

Yes we may want size limits put into the easement...

- 8) I thought that the easement would run to the Little Traverse Conservancy. It doesn't matter to me if it's the TNC.

TNC will do the easement, we may in the future assign it to Little T.

- 9) I have reserved \$1,700,000 to purchase the property with easement. I'd prefer to purchase the property for as little as possible and make a charitable contribution of the balance. We will see what the appraisal says.

Thanks Jerry, thank you so much for your conservation concern.

Christine "Tim" Hull

*UP Director of Conservation
UP Conservation Center - TNC
125 W. Washington St. Suite C
Marquette, MI 49855
906-225-0399
906-225-6731 - Fax*



JUL 31 2001

August 3, 2001

*I called
8/23/01,
All OK
now.*

PERSONAL AND CONFIDENTIAL

Little Traverse Conservancy
Northern Michigan's Land Trust
3264 Powell Road
Harbor Springs, MI 49740-9469
Phone: 231 347-0991
Fax: 231 347-1276
Email: ltc@landtrust.org
Web: www.landtrust.org

TO: Helen Taylor, Michigan Nature Conservancy
FROM: Tom Bailey
SUBJECT: Connolly-Schillingburg Project

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Chair
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Vice Chair
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Jim & Linda Patterson
Bill & Jane Petzold
Al & Mary Polk
Joan Seaton
Don Spalding
Dr. David J. Strawbridge
Ron Treloar
Brad White
Charles S. Winston, Jr.
Ken & Ginger Winter

Based upon our most recent phone conversations about the Connolly-Schillingburg project, I feel the need to put a few things in writing in an effort to express my frustrations and straighten things out between us. I want to be very direct and tell you that several things are really bothering me about the direction of the project and some of the things you have said. I am doing this in a personal and confidential memo because I think that we can work through it.

I acknowledge up front that this is a large and complicated project involving some volatile and unpredictable sellers, three primary participant organizations and several staff members from TNC and LTC. The pace of the project has been very fast at times. I know it has not been easy for you.

I also want to affirm that we are a hundred percent in favor of the conservation goals of this project. The protection of this property is a great thing and the conservation aspects of this project are not an issue.

Our problems have to do with communication, money and public access. Regarding communication, most all of it has been verbal, primarily confined to phone conversations and involving a number of different people. This got us into trouble. So much has been changed in the project through bits and pieces of phone conversations that I did not fully understand where a number of things were headed—particularly that public access had been dropped. Because things were not confirmed in writing, not everyone involved in the project had a handle on where things stood or where they were going.

The money and public access issues are directly related when it comes to our role. You asked the other day whether we were "good for" the money for this deal. I need to respond at this point that we'd like to be, but the project as modified is not very "good for" us to be able to raise money. We said from the start that public access was the key to our involvement—the "handle" for us to raise funds. That key has been bargained away and yet you're talking about holding us to a commitment when you yourself bargained away the reason for that commitment. Being pushed to hand over the money when our primary stake in the project has been pulled out from under us in bits and pieces is not my idea of partnership, Helen.

*← No good
this way
true*

Our board approved the project with public access as a key element. Tom Lagerstrom and MaryKay O'Donnell voiced concerns about the public access component of the project at every opportunity—and specifically because it affected our ability to raise funds. We made it clear at our joint meeting at the Perry Hotel in spring that George Covington's contacts and ours in the Islands are essentially

JUL 31 2003

the same, and without the public access component to appeal to a broader segment of the population, we don't have any leverage to raise more money than George. As things currently stand, it is clear that TNC and the Les Cheneaux Foundation have no real problem in proceeding with the project as a totally private conservation effort. But for LTC, the situation is not the same.

Regarding the nature.org money, it bothers me to hear you repeatedly speak of the money from the nature.org deal as though it is somehow not good enough for this project. Yes, it is coming from The Nature Conservancy, but the fact is that this money would not be on the table if it weren't for the Little Traverse Conservancy. You yourself mentioned the possibility of using nature.org money for Conolly-Shillingberg, or the Cheboygan River area, when we first discussed it. I do not understand the little barbs I have heard from you in our conversations about this money.

Finally, I want to clarify the business about working with Cedar Campus. You said the other day that Cedar Campus is up to us. I'm not sure what you mean by that. Is this project a partnership when you want money for the parts of the project which you have modified, but then we're on our own to pursue the Cedar Campus easement and reclaim some sort of public access?

As I said in Cedarville and on the phone since then, I would like to work together to resolve these issues. But right now, I don't feel like we're working together. I feel as though you're pressing us for money to fund a project which you have modified so much that it doesn't resemble what we agreed to in the first place. It has become your project and our goals have been abandoned.

Of course there is still the hope that we will get access from Michigan Limestone and some sort of easement from Cedar Campus—and perhaps things will work out through both avenues. This would be wonderful, but as you indicated we probably won't know whether this will be possible until fall, and even then it could take quite a while to implement. Can we still create some public access on the Connolly or Schillingburg parcels?

The bottom line at this point is that LTC has been left high and dry with public access excluded from the project. When you negotiated away the key element that got us involved in the first place, it greatly affected our leverage to raise funds. It is my sincere hope that you will recognize that and work with us to resolve it somehow, not just press us for money.

modified it.
↓

↑
not
incl

JUL 31 2003

Diane Ray

From: jeff knoop [jknoop@tnc.org]
Sent: Thursday, October 25, 2001 5:46 PM
To: dray@tnc.org
Subject: Re: ChiMac Sales

Diane,

Jerry has agreed to pay a lump sum of \$1.7M. The appraised value of the property subject to the Conservation Easement will be lower than that amount according to the appraiser. How much, I don't know. I'm not sure how to structure this? Is it best for him to pay the FMV for the property and make a cash contribution? He does in fact need a write-off for any amount in excess of the FMV. Jerry did ask me this question:

"Would there be any advantage having TNC buy the easement with a donation that I made to the Conservancy? For instance, what if I write two checks to the Conservancy--one for \$1,500,000 to purchase the property and one for \$1,200,000 as a donation. TNC would then purchase the easement for \$1,000,000. This provides the same net proceeds of \$1,700,000 to TNC. It would also better document the transaction for tax purposes."

I don't think it will work but may be so. Ever hear of such a transaction? Sounds like a couple steps too many to me. Lets discuss this on Monday for I'll be out of the office tomorrow.

Jeff

Diane Ray wrote:

> Which form I send you depends on the answer to this question: Is Jerry Jung
> going to pay full FMV for the property, not taking into consideration the
> reduction in value due to the restrictions imposed by the conservation
> easement? Or is he paying the value of the property as reduced by the
> conservation easement's limitations?

>
> Thanks,
>
> Diane

> -----Original Message-----

> From: jeff knoop [mailto:jknoop@tnc.org]
> Sent: Thursday, October 25, 2001 3:45 PM
> To: dray@tnc.org
> Subject: Re: ChiMac Sales

>
> Hi Diane,

>
> Just chatted with both the surveyor and appraiser about timing. The two
> surveys are
> nearly complete and they plan to get them to me next week. Appraiser is
> ready to go
> but of course needs the legal descriptions to complete the appraisal. Once
> legals are
> in I'll get the easement language and survey to the appraiser and he will
> shoot for
> the end of November for the final product.
>

> Thanks for reviewing and making the changes- Yes, the two Options were to be
> removed.
>
> Why don't you just go ahead and e-mail me a copy of the Conservation Buyer
> Template
> and I'll take a stab at it.
>
> Thanks,
>
> Jeff
>
> Diane Ray wrote:
>
>> Jeff,
>>
>> Your approach regarding appraisals sounds exactly on target.
>>
>> The survey work you're having done also sounds very good.
>>
>> Attached is a very slightly revised version of the easement. I took out
> the
>> word "optional" before those monitoring/management provisions (that's just
>> to guide staff drafting the document), and I fixed up the signature pages
>> a
>> bit (added witness signature blocks and "drafted by" language required in
>> Michigan.
>>
>> Are you wanting me to draft a purchase agreement with Jerry Jung? If so,
>> let me know the terms of the deal and I'll get to work on that, or I can
>> provide you with a template to use in this sort of conservation buyer
>> scenario. Let me know.
>>
>> Diane
>>
>> -----Original Message-----
>> From: jeff knoop [mailto:jknoop@tnc.org]
>> Sent: Wednesday, October 24, 2001 9:56 AM
>> To: dray@tnc.org
>> Subject: ChiMac Sales
>>
>> Diane,
>>
>> In reference to the ChiMac sales to Cedar Campus and Jung, I'm going to
>> get a separate appraisal done for each parcel. There will be a couple
>> deed restrictions attached to the Cedar Campus sale and of course the
>> easement with the Jung sale.
>>
>> Secondly, a legal description and survey plat has been completed for the
>> Cedar Campus sale. I'm going ahead and having the easement parcel also
>> described along with a survey plat. The surveyor is drawing in the
>> access road and building location/dimensions on the plat so we can
>> insert this directly into the easement.
>>
>> As these documents become available I'll send them up.
>>
>> Also, if all possible we would like to complete the Jung sale by the end
>> of this year (Cedar Campus sale is less critical this year). The Jung
>> sale will put \$1.7M in our coffers and Helen is screaming about the
>> interest this parcel is accruing!
>>
>> Thanks,
>>
>> Jeff
>>

RE: Chi-Mac Sale to Jung

JUL 31 2003

Diane Ray

From: Jeff Knoop [jknoop@TNC.ORG]
Sent: Friday, December 21, 2001 4:43 PM
To: Diane Ray
Subject: RE: Chi-Mac Sale to Jung

That's what I say- Whew!! Yes, sounds like we may get a good dump of snow- lets hope!

Jeff

-----Original Message-----

From: Diane Ray
Sent: Fri 12/21/2001 5:09 PM
To: Jeff Knoop
Cc:
Subject: RE: Chi-Mac Sale to Jung

Jeff,

Whew! That is good news! I return on Jan. 2 and we can make this a priority then -- I know from Helen's perspective, the sooner the better.

Happy holidays to you, too! We're still waiting for our white Christmas, but it does look more hopeful now .

Diane

-----Original Message-----

From: Jeff Knoop [mailto:jknoop@TNC.ORG]
Sent: Friday, December 21, 2001 4:04 PM
To: Diane Ray
Subject: FW: Chi-Mac Sale to Jung

Diane,

Received this note from Jerry and we are a-okay with a 2002 closing.

Thanks and happy holidays!!!

Jeff

-----Original Message-----

From: Jerry Jung
Sent: Fri 12/21/2001 4:19 PM
To: Jeff Knoop
Cc:
Subject: RE: Chi-Mac Sale to Jung

Jeff,

Congratulations on the Keweenaw deal!

RE: Chi-Mac Sale to Jung

I'm leaving for Costa Rica on 12/27, returning 1/3. There is no need to push the deal into 2001, from my perspective.

Enjoy the holidays!

Jerry

-----Original Message-----

From: Jeff Knoop [mailto:jknoop@TNC.ORG]
Sent: Friday, December 21, 2001 11:37 AM
To: Jerry Jung
Subject: FW: Chi-Mac Sale to Jung

Hi Jerry,

Below find a note from our Regional Attorney, Diane Ray, regarding the Harmon lawsuit. I truly don't believe Harmon has a leg to stand on since he signed an agreement stating that he would transfer his agreement to buy to TNC for a \$100,000. There will be language in the Purchase Agreement that our deal can be undone and your funds returned if sometime unusual happens.

I'm having some difficulty in the appraisal process which is a critical matter in our deal. I had hired a very good appraiser, who we use frequently, back in early November. He called me the first week of December and said he was too busy and could not meet the year end dead line. So I've hired another appraiser who may be able to get it done by years end but cannot guarantee the dead line. Is it going to be a major problem if we don't close by years end? If it boils down to a major tax implication for you there is a possibility that we can complete it by the 30th. If we could hold off until early January that would make it better for TNC and we would be assured of having the appraisal in hand. Please let me know ASAP. My best guess is that the value of the property subject to the easement is going to come in at ~ \$1.2M but that is only a guess.

As I may have already told you the best, and cleanest, way to structure this deal is for you to acquire the property at full market value subject to the easement. The difference up to the \$1.7M can be made as a cash contribution for income tax purposes.

You may or may not have heard but we will be closing on 6,275 acres at Tip of the Keweenaw next week. Spectacular property! The land will be transferred to DNR and TNC will recoup the acquisition costs via a Trust Fund grant. This deal kept me busy for a very long time.

Please let me know your thoughts on the closing and happy holidays!!

Thanks,

RE: Chi-Mac Sale to Jung

Jeff Knoop

-----Original Message-----

From: Diane Ray
Sent: Mon 12/17/2001 12:24 PM
To: Jeff Knoop
Cc:
Subject: Chi-Mac Sale to Jung

Jeff,

I have looked over the "new and improved" draft Purchase Agreement that you sent in November. I need to add the language to that regarding his acknowledging the litigation and agreeing that the deal can be "undone" if the court so requires. It also looks like we still need his address and some exhibit clarification in the Conservation Easement, but otherwise I think we're close.

You had indicated in a recent voice mail message to me that there had been some problems getting the appraisal(s) done and those are not complete yet.

That's a fairly significant missing piece we're waiting on, of course.

I wanted to update you on the status of the litigation between Harmon and Chi-Mac. We've hired Tom Evashevski to represent us in the litigation.

Chi-Mac is planning on bringing us in as a third party. I tried to talk them out of that (indicating I don't know what claims they really have against us -- we are more a significant witness than a party).

But Mark Wilson thinks (and I suspect he's right) that there's a better chance of getting the litigation dismissed in its entirety if we are a party rather than if we're just helping out. The plan is for us to file a pretty quick motion for summary judgment and try to get this thing dismissed ASAP. But the courts never seem to move quickly, so I don't know how long

RE: Chi-Mac Sale to Jung

this might
drag on.

One of Harmon's complaints to me is that we "duped" him in paying him so little for the property, using our appraisal (which he considered low) and our non-profit status (which prohibits us from paying more than FMV) to do so. I don't think he's got a leg to stand on, as he agreed to what he agreed to, and no one was twisting his arm. He made an easy \$100,000 on this. I don't know where your appraisal is going to come in on this, but I think we ought to do what we can to keep that very confidential, perhaps having the appraiser send it directly to me so that we can claim attorney client privilege or other confidentiality privileges that might be available to us. Given that it appears we are going to wind up in litigation on this, we need to be very careful how we handle the sale to Jung so we don't jeopardize our position in the litigation.

I wanted to get these thoughts down and off to you in written form so we both have a record for our files, but if you'd like to discuss any of this please give me a call.

Thanks,

Diane

Diane B. Ray
Division Attorney
The Nature Conservancy
Midwestern Resource Office
1313 5th Street S.E., Suite 314
Minneapolis, MN 55414
Phone: (612) 331-0732
Fax: (612) 331-0770
Email: dray@tnc.org

The information contained in this email, or attached files, including replies and forwarded copies, is confidential and intended solely for the

RE: Chi-Mac Sale to Jung

addressee(s) and may be legally privileged or prohibited from disclosure and unauthorized use.

Diane Ray

From: Bill McCort [bmccort@tnc.org]
Sent: Friday, February 15, 2002 10:38 AM
To: jknoop@tnc.org; dray@tnc.org
Cc: Andrea L. Kline
Subject: RE: ChiMac

Jeff, here are my thoughts and options that I can think of regarding getting the 2 acres from Shillingburg:

1. When Shillingburg and I talked on the phone on 8-25-2000, he told me about the 2-acres he quit claimed to Cedar Campus, but my notes do not indicate that he said anything about the 2-acres Cedar Campus gave to him. I still kinda remember that he explained the swap to me. It certainly would have been odd to give Cedar Campus something without anything in return. My purchase agreement that I sent to Shillingburg on August 25, 2000 after our phone conversation does not include the 2-acre swap in the legal description, not the 2-acres excepted out, nor the 2-acres he got from Cedar Campus. So, I just don't know what his intentions were. He may have known that he was not conveying the 2-acres he got from Cedar Campus. He may have overlooked the two acres given that he never did record his deed.
2. You or I can call him and explain that we think an error was made in this transaction and see how he responds.
3. Cedar Campus can approach him as you suggested below.
4. Either Cedar Campus or TNC can offer him the tax benefits for a gift of the two acres (though it bothers me that I think I was expecting to get all that he owns in the original deal).
5. If Cedar Campus gets the gift from him, will they still give you the full \$200,000 that we were looking for in this deal? If not, and they are only going to give us money for the 24 acre tract on the north end of the tract, I would suggest that we should try to get it from Shillingburg first, and then get all the money from Cedar Campus.
6. If Cedar Campus will and can give us the \$200,000 without the Shillingburg 2-acre parcel, and they have a good working relationship with them, I don't have a problem with them going ahead and asking for the gift.
7. Remember Shillingburg wrote us on January 17, 2001 asking if we wanted to sell the property back to him with deed restrictions. I suspect that he was trying and will try to get as much money out of this as he can get.

Hope this helps.

Bill

-----Original Message-----

From: Jeff Knoop [mailto:jknoop@tnc.org]
Sent: Thursday, February 14, 2002 5:06 PM
To: bmccort@tnc.org; dray@tnc.org
Subject: ChiMac

I forgot to tell the two of you. Don Erickson and others at Cedar Campus seem to have a good relationship with Shillingburg and they have agreed to approach him for gift of two acre parcel. If he agrees fine and dandy he can take write-off. If not he's stuck with a land-locked two acres. The tract was appraised for an

JUL 31 2003



A fax from...

Faxed
2/14/03

The Nature Conservancy, Michigan Chapter
101 E. Grand River u Lansing, MI 48906
Phone: (517) 316-0300 u Fax: (517) 316-9886
Email: michigan@tnc.org u nature.org/michigan

To: Priscilla G. Herbilla

Fax: 703.247.3725

Re: Presidential Acknowledgement - Jerry Jung

No. of pgs

w/cover: 4

Message:

Here is the info you requested and below you will find the verbage Helen Taylor would like you to use in the letter. Thank you and feel free to contact me with any further questions.

Renee Marcoux

517.316.2271

Jerry, Helen speaks very highly of you, and I realize from her comments that you are one of those special behind-the-scenes advisors and leaders that makes our work possible. Your efforts in Michigan in helping them advance the scale and scope of their conservation is truly remarkable. Your support on so many fronts with the staff in Michigan is truly helping them take the chapter, and the Conservancy overall, to the next level.



Michigan Field Office
101 East Grand River
Lansing, Michigan 48906

TEL 517 316-0300
FAX 517 316-9886

Upper Peninsula Conservation Center
125 West Washington Street, Suite G
Marquette, Michigan 49855

TEL 906 225-0399
FAX 906 225-6731

West Michigan Project Office
456 Plymouth Avenue NE, Suite A
Grand Rapids, Michigan 49505

TEL 616 776-0230
FAX 616 776-0231

Worldwide Office
Arlington, Virginia
TEL 703 841-5300

nature.org/michigan
michigan@tnc.org

January 22, 2003

Mr. Jerrold M. Jung
4669 Ravine Drive
Bloomfield Hills, MI 48301-3640

Dear Jerry:

Thank you for your \$650,000 gift on December 30, 2002, which has been applied toward the protection of the Northern Lake Huron Portfolio Site. We are deeply grateful for your strong commitment to the preservation of Michigan's natural heritage, and especially to the protection of this truly unique area.

Your donation is another demonstration of your commitment to land conservation and your faith in the Conservancy. We are pleased that our efforts merit your confidence.

Again, thank you for your support.

Sincerely,

Helen Taylor
State Director

So that you may fully deduct this gift when you file a tax return, we must detail that any services or goods provided in return for your contribution are defined within the meaning of applicable tax law as "nominal value" or "low cost logo items." Any items we provide to members in acknowledgment of contribution do not affect the value of your gift. Please retain this letter for your tax purposes.

JUL 31 2003

Memorandum

To: File

From: Densie Copen, Senior Attorney, Midwestern Resource Office

cc: Gail Lewellan, Attorney, MRO; Helen Taylor, State Director, MIFO

Date: May 6, 2003

Re: Purchase of Chi-Mac and Shillingburg/Sale to Jung

The Nature Conservancy purchased Northern Lake Huron (Chi-Mac Associates Limited Partnership) for a total of \$1,099,500 (which includes \$107,000 of assignment consideration that was paid to the developer, Larry Harmon, who assigned his purchase agreement to buy the land to the Conservancy). The appraised fair market value of the approximately 81 acre Chi-Mac tract was \$1,054,000. The purchase of the Chi-Mac tract was completed in April of 2001.

The Conservancy purchased the approximately 129 acre Northern Lake Huron (Shillingburg) for a total of \$1,475,000 (which includes assignment consideration of \$100,000 paid to Larry Harmon). The appraised fair market value of Shillingburg at the time of our purchase was \$1,578,000. The Shillingburg purchase took place in October of 2000.

The Conservancy's total investment in the two properties was \$2,574,500, and the FMV of the combined properties was \$2,632,000.

The Conservancy sold 24.8 acres of the property, subject to several use restrictions contained in the deed, to Inter-Varsity Ministries, a tax-exempt, non-profit organization that owned a neighboring property, for \$200,000. This sale was completed in December of 2002.

The fair market value of the remaining property (184.5 acres), without any restrictions on use, was determined by appraisal to be \$2,298,500. The conservation easement was valued by appraisal at \$1,236,500. The property was sold to Jerrold Jung, as Trustee of the Jerrold M. Jung Trust UTA. The trust's purchase price for the property as restricted by the easement was the difference between these two figures, \$1,062,000. I do not have any documentation in our file regarding the charitable pledge/donation made by Jerry Jung.



The Nature Conservancy
Midwestern Resource Office
1101 West River Parkway, Suite 200
Minneapolis, Minnesota 55415-2

tel [612] 331-0700
fax [612] 331-0770

Memorandum

JUL 31 2003

To: File

From: Diane Ray, Senior Attorney, Midwestern Resource Office

cc: Gail Lewellan, Attorney, MRO; Helen Taylor, State Director, MIFO

Date: May 6, 2003

Re: Purchase of Chi-Mac and Shillingburg/Sale to Jung

During the summer of 2000, The Nature Conservancy was negotiating with two sellers of interlocking adjacent parcels along the shores of Lake Huron which totaled approximately 210 acres. These parcels are located on a major road close to the Mackinac Bridge, in an area where second home development is booming. Both sellers rejected options presented to them by the Conservancy in favor of a purchase agreements with a local developer, Larry Harmon. Harmon secured the rights to purchase each property and had plans drawn up for construction of at least 27 residential housing units and a golf course on the combined properties. Upon learning of the purchase agreements that the developer secured, Helen Taylor began talks with the developer to attempt to convince him of the importance of preserving these parcels, and to request that he assign his purchase agreements to The Nature Conservancy. Simultaneously, in order to secure funding for the purchase, Helen Taylor made several phone calls to current trustees to determine if they or anyone they knew would be interested in being a conservation buyer for the parcels. The only person who emerged from that inquiry as a potential conservation buyer was Jerry Jung, a former Michigan Chapter Trustee. Helen had never worked with Jerry Jung as a Trustee as his term had expired prior to her becoming State Director.

The Nature Conservancy purchased Northern Lake Huron (Chi-Mac Associates Limited Partnership) for a total of \$1,099,500 (which includes \$107,000 of assignment consideration that was paid to the developer, Larry Harmon, who assigned his purchase agreement to buy the land from Chi-Mac to the Conservancy). The appraised fair market value of the approximately 81 acre Chi-Mac tract was \$1,054,000. This appraisal was completed by an appraiser hired by the Conservancy, Edward Steigerwalt. Larry Harmon had an appraisal of the property performed by another local appraiser which valued the property at \$1,210,000. The purchase of the Chi-Mac tract was completed in April of 2001.

The Conservancy purchased the approximately 129 acre Northern Lake Huron (Shillingburg) tract (which interlocked with the Chi-Mac Tract) for a total of \$1,475,000 (which includes assignment consideration of \$100,000 paid to Larry Harmon). Based on an appraisal by Ed Steigerwalt, the appraised fair market value of Shillingburg at the time of the Conservancy's

purchase was \$1,578,000. Again, the developer had his own appraisal for the property which placed its value at \$1,700,000. The Shillingburg purchase took place in October of 2000.

The Conservancy's total investment in the two properties was \$2,574,500, and the FMV of the combined properties, based on the Steigerwalt appraisals, was \$2,632,000.

The Conservancy sold 24.8 acres of the property, subject to several use restrictions contained in the deed, to Inter-Varsity Ministries, a tax-exempt, non-profit organization that owns a neighboring property run as a Christian camp, for \$200,000. This sale was completed in December of 2002.

The fair market value of the remaining property (184.5 acres), without any restrictions on use, was determined by appraisal (again performed by Ed Steigerwalt) to be \$2,298,500. The conservation easement is a VERY restrictive one that essentially allows maintenance or replacement in the same location of existing structures/roads/dock etc. and no other development or commercial use. The easement was valued by appraisal at \$1,236,500. The Conservancy signed a purchase agreement with Jerrold Jung, as Trustee of the Jerrold M. Jung Trust, on March 1, 2002. The trust's purchase price for the property as restricted by the easement was the difference between these two figures, \$1,062,000. The sale was completed on December 9, 2002.

I never had any direct contact with the purchaser, Jerry Jung, and my file contains no documentation or information about his gift to the Conservancy. However, I have checked with the Michigan Field Office staff who indicated that Jerry Jung never made any kind of formal pledge, written or unwritten, in conjunction with the transaction. Approximately two weeks after closing, Jung made a gift of \$650,000 to the Michigan chapter.

CHI-MAC job

Denise Copen

From: Diane Ray [dray@tnc.org]
Sent: Tuesday, May 6, 2003 12:40 PM
To: glewellan@tnc.org; Helen
Cc: Sue Corbin; Denise M. Copen
Subject: RE: Jung numbers check

JUL 31 2003

All,

I have checked the numbers in our files regarding the purchases and sales of the two Northern Lake Huron tracts. We purchased Northern Lake Huron (Chi-Mac Associates Limited Partnership) for a total of \$1,099,500 (which includes a \$107,000 assignment payment to Larry Harmon). We purchased Northern Lake Huron (Shillingburg) for a total of \$1,475,000 (which includes a \$100,000 assignment payment to Larry Harmon). That makes our total investment in the two properties \$2,574,500. We sold 25 acres of the property to Inter-Varsity Ministries for \$200,000. We sold the remainder of the combined Chi-Mac and Shillingburg properties to Jerry Jung for \$1,062,000. I do not have any documentation in our file regarding the charitable pledge/donation made by Jerry Jung. Please let me know if you have any further questions I can answer.

Diane

-----Original Message-----

From: Gail Lewellan [mailto:glewellan@tnc.org]
Sent: Tuesday, May 06, 2003 10:48 AM
To: Helen Taylor
Cc: Diane Ray; Sue Corbin; Denise M. Copen
Subject: Jung numbers check

Diane Ray has checked the numbers on the Jung deal from the article and we'll get back to you. Gail

Gail Lewellan, Attorney
The Nature Conservancy
1101 West River Parkway
Minneapolis, MN 55415-1291
(612) 331-0725
Fax: (612) 331-0770
E-mail: glewellan@tnc.org

5/6/2003