Effective Instruments for Timber Investment Management Organizations (TIMO)  
Cooperation with Conservation Groups

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This work is dedicated to the trees, without them this paper would have been quite different.
Abstract

Forestry in the United States has changed rapidly in the past 20 years. Ownership of private forest land has changed from Integrated Forest Products Firms (IFP) to smaller landowners and investors. TIMOs have proliferated and purchased land rapidly following the sale of many IFP tracts. With the bevy of land sales, conservation groups have taken notice and have also been trying to obtain land, through fee sales as well as conservation easements in order to protect and prevent the rapid development that has replaced many traditional forest lands. One of the more interesting phenomena that has occurred amidst these swift changes in ownership and status of forestlands is the partnership between strictly for profit TIMOs and non-profit conservation groups to obtain adequate returns to investors yet preserve working landscapes and prevent development. Interviews with fifteen TIMO and conservation group managers (seven TIMO executives, seven conservation group specialists, one retired individual that worked for both entities) was able to provide insight into the motivation for these agreements, nature of the relationships, management objectives, and areas for further research. Issues investigated in this paper include, structure of agreements, easements, emerging markets, profit shelters for non-profits, Conservation TIMOs, the future for TIMO holdings, and conservation labeling.

Introduction

Forestry, as many knew it in the southeastern US, has changed substantially in the last decade. Integrated Forest Products (IFP) firms have been selling off many of their land holdings that had previously been used for timber production. The forest land, purchased by individuals, developers, non-profit groups, and investment groups is now available for a variety of uses; such as recreation, timber resource extraction, ecosystem services, and investment. Forests currently occupy 747 million acres in the US (about one third of total US landmass) and 424 million acres of that (~21 percent of total US landmass) is under private ownership (Wayburn et. al., 2007). The land change and resulting opportunities for conservation and profit cannot and are not being overlooked. Professionals in the timberland investing sector know this as well as the professionals in the conservation sector. Investment opportunities are occurring between inherently profit based Timber Investment Management Organizations (TIMO) and non-profit conservation groups (CG) to conserve land as well as return a profit to client investors. The objectives and thought behind these partnerships is interesting given the nature and objectives of the two entities. Given the conservation and investment opportunities available in the southeast¹, some

¹ The southeastern United States has a strong softwood timber sector. The strength of the softwood timber industry stems from its use of intensely managed pine plantations that yield more timber from technological advances and yield enhancements (Siry, et. al, 2000, Kline, et. al, 2002). A recent study from the University of Georgia Warnell School of Forestry and Natural Resources has shown that integrating new technology that uses more forest biomass as fuel could effectively help create energy independence for the US (MacIntyre, 2006). If pine plantations continue to prosper and are economically feasible given technology and demand, the price of pine could be reduced as well as reliance on foreign timber imports.
attention needs to be paid to these agreements to see if they are a viable option for investing as well as conservation, and if they should be continued as a viable means of conservation for CGs as well as a viable source of income for TIMOs.

One of the entities that have been growing in size and land holdings is the TIMO. The goals of TIMO's are evidenced in the mission statement of the Forestland Group: “The firm's goal is to seek competitive returns while maintaining the productive capacity of the forest.” Forests are an intelligent way to bring diversity to a portfolio of stocks. Proven in that the financial return on forests are weakly correlated with returns on traditional investments, like stocks, or bonds and have a relatively low systematic risk (beta value) (Sun and Zhang, 2001 and JHTRG, 2003). Timberland has also been directly related to inflation implying that timberland investments are also a good preservatory vehicle for capital during periods of inflation and timberland returns have also been high relative to their level of volatility (JHTRG, 2003). TIMO's are not dealing with small time investors, TIACREF, Harvard and Yale endowment funds, and the California Employee Retirement System all count TIMO lands as one of the investments in their portfolios.

TIMO's held about 4.2 million acres of forestland in the southeastern United States in 2000, most of which is plantation pine (Siry and Cubbage, 2002). TIMO's are growing very rapidly and are expected to hold about 12.2 million acres by 2010 and in fact have doubled that estimate today with 25 TIMOs holding about 25 million acres (Zinkhan, 2007). This would be about 12% of southern forestland (Siry and Cubbage, 2002). A study on timberland ownership changes by the John Hancock Timber Resource Group (JHTRG) has shown that in a three year period from 1999-2001, over 13 million acres of forestland changed hands with the vast majority being purchased by TIMOs and the vast majority being sold by Integrated Forest Products companies (IFP). In just three years, 8.5 percent (~5.7 million acres) of industrial forestland has shifted to other ownership. That represents over one percent of forestland in the US. Data for TIMOs is lacking, but during the same period, TIMOs picked up about 6.1 million acres, more than enough to capture industry’s acreage. During the same time period conservation groups have been shown to also have increased their land holdings (JHTRG, 2002).

A TIMO is in business to make a return on a capital investment by a group of shareholders. They are members of the National Council of Real Estate Investment Fiduciaries (NCREIF) that is a group of firms that invest client funds in real estate. Conservation groups like The Nature Conservancy (TNC) and The Conservation Fund (TCF) are non-profit organizations that seek to preserve ecosystems and the flora and fauna that inhabit ecosystems. The goals of these organizations are well described by the mission statement of TNC: “To preserve the plants, animals, and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive.” These non-profit conservation groups exist to protect ecosystems as well as to raise money to purchase land to prevent it from being developed. Based on the differences between the two types of organizations, there appears to be little room for cooperation between them. However, it seems that “maintaining the productive capacity of the forest,” is not far off from “preserve the plants, animals, and natural
communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive.” Within the last few years, TIMO’s and conservation organizations have become, perhaps unintended partners in some of the largest private lands sales in history. While these partnerships proliferate, several questions arise as to how they are working and prospering given the relatively anthropocentric viewpoints of a TIMO, and the more ecocentric viewpoints of a conservation group.  

As one looks more closely at the ways non-profit conservation groups and for profit TIMOs operate, their objectives may be different in the end goal, but the path they chose to take them there can be fairly congruent. Is it possible that TIMO land could be used by a conservation group to prevent the transition of forestland into a developed area, yet allow the TIMO to go about business as usual? What are the means and tools to make these agreements happen and how can, in essence, the “pie” be expanded to make all parties involved more satisfied than they would be if the agreement had never been made?

To begin to understand the workings of these agreements as well as to develop a rationale for the continuance or discontinuance of these agreements, several more specific questions must be answered. One of the main questions for the conservation groups, is what would actually be conserved with these agreements, what tools have been used to realize these agreements, when do these agreements work best, and where is the future of these agreements? Some of the questions for the TIMOs in these agreements are what is the force that compels a firm to enter into an agreement, what are the tools used to facilitate these agreements, how rigidity issues are worked out, and are these agreements a viable option for the business strategy of your organization.

The objective of this article is to examine Timber Investment Management Organization-conservation group partnerships as a useful tool in the future development of forest land. In particular, I address structure of these agreements, easements, motivation for entering these agreements, keys to success, potential problems, as well as emerging issues. The methods for the undertaking of this project are described below, with a brief results section, and a more interpretive discussion section. The paper concludes with remarks on where these agreements might go in the future in regards to several meta-findings.

Methods

Since this topic is such an emerging phenomenon, little quantitative data is available on the subject for a significant quantitative analysis, so a qualitative analysis was performed. A literature review was carried out and surveys were conducted with professionals from conservation groups as well as TIMOs (survey questions are located in the Appendix). These surveys were conducted from May 2007 to October 2007. The surveys were designed by the author and advisor to answer definitive yes-no questions with follow up

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2 Bill Ginn, TNC’s Forest Conservation Program director, cited increasing development in the southeast as one of the main reasons for these partnerships; “Sustainably managed forests can be consistent with our conservation goals, but once you fragment a piece of property into house lots, it becomes very, very difficult.” The different objectives of different groups, it seems, can be reconciled.
questions designed to incite a more insightful response to their yes-no answer. Survey time ranged from one half of an hour to two hours depending on the amount of detail the respondent went into regarding the questions.

Respondents from both groups were restricted to organizations that worked or hold forestland in the southeastern US (Southeastern US is defined as North Carolina south to Florida and the Atlantic west to the Mississippi River). We restricted the sample to this area because the southeast US is where much of the land divested of by IFPs is located. There are also many TIMO lands in the southeast and that area produces the majority of the fiber harvested in the US. In 1997, 61 percent of softwood timber and 53 percent of hardwood timber harvested in the US came from the Southeast with only increases forecasted through the next decade (Stanturf et. al, 2003). Given these facts, it was hypothesized that an adequate amount of respondents could be found in this region and any regional differences would be eliminated from the survey. Only private land was selected for this survey as public land has many different objectives and facets to it that make objectives entirely different for interested parties.

Real Estate Investment Trusts (REIT) were not included because they hold much of their core timber lands for a longer time period than TIMOs and, while they manage for timber, they are also focused on real estate speculation, sales, and purchases. Forestry may be a means to an end for some or all of their property, but their behavior is uncharacteristic of TIMOs. TIMOs are different from REITs in their tax structure. A TIMOs income is taxed only once, whereas an IFPs income is taxed twice. A REIT pays no tax on income but must pay out 90 percent of its net profits to its shareholders (Stanturf et. al, 2003).

Respondents were contacted with an email inquiring if they would like to be part of the survey. Affirmative responses were near 100% for all parties contacted, which gave an early indication of interest in the subject. Subjects were chosen from personnel contacts as well as those provided by respondents themselves. Seven professionals from the TIMO sector, seven professionals from the conservation sector, and one respondent who had worked for both sectors (now retired) were interviewed. The objective was not to get a representative or statistically significant samples; it was to get opinions and ideas from practicing professionals.

The respondent’s names were kept confidential to increase the level of candor. Some of the respondents had participated in these agreements, some had not. Both the conservation groups and TIMOs ranged in size from small local organizations to the largest and biggest organizations in the country. The size of the organization did bring up different issues, which will be explored in the discussion, but many of the respondents had worked in organizations both large and small and thus brought diverse backgrounds.

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3 Most of the surveys were phone interviews although two were done in person. Duke University Internal Review Board (IRB) review was sought and an exemption from review was approved on March 27, 2007.
interesting issues to the survey responses. The nature of the respondents positions in their respective organizations were mostly chairmen, managers, and specialists.

The amount of opinions and ideas obtained from the interviews was broad to say the least. Respondent answers were examined to look for common themes, as well as, interesting or contradictory answers.

**Background**

This emerging phenomenon of the collaboration of TIMOs and conservation groups began not long ago. One of the best known examples of TIMO/CG collaboration is the 218,000 acre International Paper/CG/TIMO agreement in 2006. This agreement is in line with the large IFP divestiture of lands that has been ongoing for the past decade. Currently, Weyerhaeuser is the only IFP left in the country. All other firms have either sold their land or sold their processing capacity and become Real Estate Investment Trusts (REIT).4 These large land deals will be inherently different once every IFP has divested itself from their timberland although it is still unsure how REITs will sell and acquire land and how frequently TIMOs.

The IP/CG/TIMO deal was huge because it involved so many acres and was a great example of how several TIMOs and non-profits can work together to prevent development of the most ecologically important features and tracts yet allow the rest of the land to be working forests. The deal also included the traditional supply agreements with IP that are usually a perquisite in dealings with IFPs. There are so many smaller agreements throughout the country, but predominately in the eastern US. Deals between Lyme Timber and TNC in the Adirondacks, the Forest Land Group and TNC in Michigan, John Hancock Timber Resource Group (JHTRG) and the Cascade Land Conservancy in the Snoqualmie Forest near Seattle Washington, JHTRG and The Conservation Fund on the Delmarva Peninsula in PA, and countless others have provided good examples of the these agreements (Webster, 2005; JHTRG, 2000).

Many of the relationships TIMOs have with conservation groups are ongoing and have yet to experience problems. Since many of these partnerships are in their infancy, passing judgment may be premature, but an analysis of some of the current relationships is much warranted. The currently operational relationships range from easements to fee sales and things in between. These relationships have matured and grown into what they are today; large land deals with conservation groups, TIMOs, and private land owners on an increasing frequency.

**Results**

4To be considered a REIT company must pay 90% of its taxable income to shareholders every year. It must also invest at least 75% of its total assets in real estate and generate 75% or more of its gross income from investments in or mortgages on real property (SEC, 2004).
Interviews yielded interesting responses and surprising patterns. Results discussed in this section encompass some of the broad overarching answers received by the two groups. Analyses of the two groups’ responses are presented in the discussion section.

**Emerging Structure of Partnerships**

These agreements were originally examined based on the hypothesis that they are obtaining both the broad, overarching conservation goals of the non-profit as well as the profit and stakeholder goals of the TIMO. This hypothesis was somewhat confirmed, yet refuted. All of the conservation groups as well as the TIMO groups stated that they believed these agreements obtain legitimate conservation goals and that forestry is better for conservation than development. However, some of the respondents from the conservation groups stated that these agreements were not always good for their conservation goals, whereas the TIMO respondents cited that they would never enter into an agreement that did not allow them to get the best return for their investors.\(^5\)

Management of land in these agreements is usually an important issue. For the most part, TIMOs will not cede any aspect of management of the land to the conservation group since it is they who have the static economic bottom line. TIMOs will seek third party certification (SFI or FSC) if they are mandated by the seller or through another stipulation, but not usually if prompted by the conservation group. All conservation group respondents thought TIMOs should pursue third party certification, but several expressed the need to change third party certification for TIMOs due to the short amount of time they own the land. Most TIMOs use third party contract forestry crews, while only one had an in-house “on the ground” forestry sector. All TIMOs stated that they adhere to BMP’s and operate in a silviculturally sustainable manner.

Since these transactions are business transactions, the TIMO as well as the non-profit will usually have done their “due diligence” and enter into the negotiation with all available knowledge. If this is not the case, poor deals and broken agreements can easily result.

Since TIMOs do not usually have a motivation to enter into an agreement, the impetus is usually on the conservation group to make the deals happen. This can put the non-profit at a disadvantage in the negotiation and create one-sided deals for the conservation group. For instance, one respondent stated that since TIMOs have little incentive for conservation, the non-profit often comes out on the short end of the bargaining stick. Non-profits need to push for more rights. In this example stated by one respondent, if an easement is desired on some bottomland hardwoods, a complacent non-profit might be satisfied with getting the development rights to that tract, but since no one would really build in a bottomland prone to flooding, the conservation group might seek not only the development right, but also look to add some restrictions to forestry. The non-profit may be satisfied with getting development rights, but in reality, should push for more even though the non-profit may be nervous about losing the deal with the TIMO.

**Easements: Facilitation, Keys to Success, and Potential Problems**

\(^5\) Average returns for timber investments are around five to eight percent real.
Conservation group respondents cited the easement, whether it is working forest, wetland mitigation, or plain conservation, as the preferred means of making a deal a reality, while purchase in fee simple was also cited as a good means. Some of the problems with easements are the legal defensibility of the language, monitoring, and inability for total control of the tract. The main issue with fee simple purchase is the price. TIMO respondents cited that fee simple sales were the best method of transaction, with some going as far as to say that their respective TIMO would not do conservation easements. Reluctance to engage in conservation easements is due, in part to several factors, namely decreased liquidity of the tract, perpetuity of easement, in a highly dynamic future, and inability to get a proper return for investors.

General feeling on easements was that the primary easement holder would be satisfied with the easement, while secondary and tertiary easement holders would be more prone to break the easement. This was especially troubling given the relative short term tenure of TIMOs as landowners. Some of the smaller non-profit group respondents stated that their desire to obtain more acreage could lead them into poor easements not in line with their organization’s goals and that despite this desire to obtain land; easements for the sake of easements should be avoided.

Working forest easements incited mixed reactions. On one hand, several non-profit as well as profit groups stated that these are very viable means to conservation through protecting species diversity, watershed hydrology, and basic aspects of important biogeochemical cycles, yet maintaining a profitable landscape, employing professionals, removing fiber for use, and allowing landowners to earn a profit. On the other hand, several respondents cited problems with easements in general that would also plague working forest easements as well as problems with forestry in general like the introduction of invasive species, failure to protect sensitive areas, and fragmentation.

A significant potential problem that would harm both parties is inexperienced tax assessors. Several respondents from both groups cited this as an issue that is often indeterminable at the time of the sale. Another problem for both groups is poor public sentiment created when the easement decreases the tax base for communities. Payment in lieu of taxes by conservation organizations have helped to ease bad feelings.

The bottom line for easements and agreements is that all TIMO respondents stated that they will entertain any offer, but need to be compensated for any encumbrance placed on the land by an easement.

**Motivation for Entering Agreements**

One TIMO respondent stated the rhetorical question to; when does conservation make sense? The answer is when there is a significant incentive for engaging in it. Since TIMOs are not subject to public scrutiny as much as publicly traded companies, there is not a big incentive in engaging in conservation for the media attention. The incentive for engaging in conservation is usually for money, plain and simple.
Many TIMOs stated that they were currently exploring the idea of using ecosystem services like carbon credits for forestry related activities. Partnering with a conservation group may be a means to better utilize this potential income stream, but until a significant return is paid, these markets will be marginalized. One respondent made an interesting observation, that Kyoto’s rules on carbon sequestration state that only trees planted after 1990 will be considered for carbon credits.

Hunting leases are also becoming very popular. All respondents cited these as a potential income stream beyond timber harvesting. Benefits of these agreements cited by CG respondents are protecting habitat, biodiversity, and monitoring the site for potentially illegal or deleterious activities. TIMO respondents cited the higher prices hunting groups are willing to pay for land as a key motivation for these agreements. TIMO respondents said that partnering with a conservation group in agreements with hunting groups is a key method for facilitating land transactions.

All TIMOs used to be tax exempt by design. Now, with high net worth individuals investing in timberland, there is a tax associated with capital gains. By engaging in a conservation easement, a TIMO may donate the easement and use the increased profits from decreased taxes as a way to bring more profit to the investor.

Since TIMOs are not publicly traded companies, they do not have much of a public image to uphold and therefore, investor conservation sentiment was cited by many as an afterthought in choosing a TIMO to invest with. Some TIMO respondents said that investors are beginning to inquire about TIMOs conservation practices, but the conservation question is still a distant third behind steady returns and portfolio diversity in investing. Even though TIMOs are not a publicly traded company, they still are a “shelter from bad public sentiment” stated a respondent.

**Keys to Success**

One of the issues cited by several of the conservation groups was having a working relationship with a profit based organizations that was familiar with non-profits and was well suited to work with the organization. Several of the respondents cited Conservation TIMOs or CTIMOs as firms that have conservation aspects specifically written into their mission or goal statement and are good partners to work with. This being said, if a CTIMO is not in a specific area, a partnership with a regular TIMO is fine, granted research into the partnership has occurred. CTIMOs may be more prone to enter into partnerships with conservation group because it is what they are known for and what they are good at. CTIMOs would be more likely to allow the CG more equal footing in negotiations and might be better at crafting these types of agreements.

Several respondents from both groups cited a well written agreement as a way to prevent unnecessary interpretation in the future. One respondent made a good point that easement uniformity is a bad thing. Since easements have been around for a few years now, the push to make easements more uniform is a bad idea because of the unique nature of these agreements. If easements start becoming more habitual, less research and
investigation will go into easements and thus more legal, business, and enforcement issues could develop.

**Potential Problems**

Planning is extremely important for these agreements. Not unlike any business deal, a negotiation takes place and money or something of worth changes hands. Poor planning and research leads to poor agreements. In these agreements, it is possible that one of the parties could receive less than their desired outcome and may be reluctant to engage in future agreements or at worst is forced to break the agreement. One respondent cited a failure in one of their agreements. Whether or not this is an isolated incident, has yet to be fulfilled, but given the young nature of these agreements there could be more instances of these in the future. One respondent from a conservation group made an interesting point about the legally defensible language in these agreements and whether or not these agreements would stand up in court.

**Other Emerging Issues**

One TIMO respondent said that European sentiment toward good conservation has started to come to the United States. European investors have been interested in the conservation ethic of TIMOs for a long time, but more and more the conservation ethic discussion is being brought up by American investors.

Supply agreements are associated with almost every land deal between TIMOs and IFPs. One of the issues cited by the TIMO respondents is: what will happen to the land with supply agreements on it when the agreement is up, which is an intriguing issue.

Two other forest products considered for a potential profit stream are cellulosic ethanol and pelletized wood. One respondent noted that the market for both of these could be very good and could become another source of income. As margins become smaller, every possible revenue stream will be investigated to bring the most return for investors.

**Discussion**

**Conservation Group Discussion**

Discussions with professionals in the non-profit conservation field led to several findings, ideas that are important to the future of these agreements. These discussions led to four scenarios which could lead to successful agreement.

In the context of TIMOs there are several scenarios for successful conservation.

1. **TIMOs as a bridge to future conservation**—Currently there is too much land on the market for conservation groups to buy. The funds are not available at this point to purchase land in fee or even to try and pursue conservation easements. The Nature Conservancy used much of its revolving conservation fund to
purchase the International Paper lands. TIMOs do not build on the land, which is enough to prevent development in the short run so it could go into conservation in future years if the TIMO sells the land. Since TIMOs maintain a sufficient degree of liquidity, it maintains the option for future conservation.

2. **TIMOs protect conservation targets elsewhere by constructing complimentary management plans that protect large landscapes**—For instance, if a bottomland forest was owned by TNC, having TIMOs in place that use BMP’s managing the upland pine forests, it will effectively provide a buffer to the bottomland forest or waterway and keep development from encroaching on a sensitive area, prevent sedimentation, illegal dumping or potentially uncontrolled and damaging recreation in the ecologically sensitive area. The general consensus is that conservation in small blocks that are surrounded by development is not conducive to achieving conservation goals.

3. **TIMOs in rapidly developing areas protect land from development and will preserve ecological goals such as preventing runoff, reducing forest fragmentation, and maintain water quality.** The TIMO is good in this sense, but it will probably not be sufficient for more specific goals like managing for rare species like the Red Cockaded Woodpecker (*Picoides borealis*).

4. **TIMOs and conservation groups can work as partners in conservation.** For instance, if there is a piece of land currently in pine plantation that a conservation group wants to restore ecologically, the TIMO could harvest the Loblolly Pine (*Pinus taeda*), Slash Pine (*Pinus elliottii*), or other less desirable plantation species and plant a more historic species like Longleaf Pine (*Pinus palustris*). By engaging in this type of restoration the TIMO is essentially wiping the slate clean and getting the land ready for conversion to a more ecologically significant or traditional ecosystem.

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6 All TIMO respondents stated that their respective firms adhere strictly to Best Management Practices.
Figure 1: Potential land uses with no conservation, some conservation, and most conservation efforts.

This figure represents the total suite of land uses that could occur on a piece of land and the amount of uses that could occur under increased conservation. This respondent thought that conservation groups should push more for the center circle rather than the outer circles on some tracts of land. For example, on a piece of land that is experiencing high development pressure and the conservation group wants to put an easement on the land to prevent it from being developed for a few years until they have the funds to buy it, maybe just getting the outer circle is sufficient. On the other hand, if there is a piece of land that is bottomland hardwoods, and is not developable at all, then the conservation group might push for more conservation values from the TIMO. On these tracts more monitoring or less invasive activities could be called for because the land is already undesirable for development. One of the great advantages of these agreements is that there is no concrete way of doing things. Both parties can negotiate to the best of their
abilities for whatever they both find most important. Both groups would find it advantageous to negotiate for their best outcome.

There are several instances that should be avoided in partnering with TIMOs. Several respondents said that TIMO or working forest lands are not “core conservation lands.” This means that if there is a feature or tract that is ecologically significant that needs protection and a significant buffer, the conservation group may be much better off to purchase the ecologically significant land in fee and work with a TIMO to prevent the working forests used as a buffer from being developed. This is the model TNC used to protect the Altamaha River in Georgia. The Altamaha is the longest free flowing and largest intact watershed on the eastern seaboard (TNC, 2006). TNC knew that water quality and a biologically diverse riparian area was in jeopardy if the pine forests, that would coincidently make great housing lots next to the river, were developed. To protect the multitude of species as well as the hydrology of the bottomlands, the upland pine forests required protection. TNC partnered with federal, state, and local agencies, as well as other non-profits, community groups, TIMOs and forest industry to protect the important riparian areas and to keep the pine forests from being developed with a working forest easement.

TIMO and working forest lands are great buffer lands, but some CG respondents wanted some restrictions on the working forests themselves. One respondent cited the need for key clauses in the written agreement that refer to management aspects like invasive species control, or “sound, sustainable management of long term watershed protection.” Granted that this language is highly interpretable, specifics for each individual site must be developed for the benefit of both parties. All TIMO and Conservation group respondents cited the need for more specific less interpretable language in agreements for the benefit of both parties involved.

This being said, arbitrary guidelines should be avoided. Several respondents cited the increasingly familiar use of easements as an issue with making easements more uniform. This practice is highly problematic because easements are very specific things. Generalizing easements should be avoided because it will only lead to more problems in the future because issues specific to the site were not looked at in depth. This is why easements or land deals are much easier to do on a large scale because doing one 1,000 acre easement is much easier than doing ten 100 acre easement since they all take the same amount of work as the large easement. One of the overarching reasons for working with a conservation group that was not mentioned by any TIMO or conservation group respondent was that groups that can purchase a significant amount of acres were much better to deal with than groups that can only purchase small blocks of acreages. It is much easier for a TIMO to sell off 500 acres of land than sell off 50 ten acre blocks for development. Doing 50 sales is 50 times the amount of work and usually 50 times more expensive then one sale.

Creating guidelines is tangential to research that quantifies things such as how much soil compaction is acceptable, how many dead snags should be left per acre, what is the threshold for moisture content in the soil to stop logging, how many trees can be removed
from the site before the site will have to be replanted rather than relying on natural regeneration and specifics of this nature. Specifics like these are important in order to avoid surprises in the future. What is problematic is that with specific language, room for changing research and ideas in the future is almost eliminated. Specificity in deals could act as more of a restraint and could push one or both parties away. The only way to increase trust between parties is to have more deals and negotiations.

Agreements will only continue to need more investigation, but as cooperatives continue to close, work is only being done in academia or confidentially by TIMOs themselves. Much of the research coming out of higher learning institutions is top notch, but there is a disjoint between research and “on the ground” forestry. There does seem to be a spot for co-ops and TIMOs are realizing this, but some of the slack has been picked up by in-house research. The problem with in-house research is that collaboration usually does not occur, limiting potential for ideas to expand or be augmented. Regardless, the need for cooperation between practicing professionals and scientists is an issue.

Along with a CG respondent, a Venn diagram for TIMOs and conservation groups to determine when a workable agreement can be reached was created.

Figure 2: Venn Diagram for determining when partnerships between conservation groups and TIMOs will work. The concentric ovals in the agreement area of the diagram represent one group becoming better off and one becoming worse off. For instance, if the TIMO gets one concession, it pushes away from an optimal situation with more for the TIMO and less for the conservation needs of the tract. Any movement out of the “optimal” situation represents something that is less than ideal for each party.
All of the above information is pertinent and informative, but in the end, the leg work before the agreement is very important. Looking at adjacent landowners, going to the DOT to see if a road or power lines are slated to be routed across the property are the intangibles expressed by one of the respondents that could easily be overlooked.

_Benefits of working with a TIMO_

One of the positives of working with a TIMO is that it can decrease the amount of capital that the conservation group has to lay out to make a deal become a reality. For instance, the International Paper-TIMO-TNC deal; in this deal the TIMOs paid about $170 million for the IP land, while TNC paid about $130 million for the IP land. In this way, TNC was able to get direct control of a large chunk of property at once, which decreases transaction and negotiating cost, but also kept the other $170 million in forestry with a chance to purchase the land when it comes up for sale. Granted TNC may not have the funds to buy it in the future or may be outbid by someone else, the option is there.

Another benefit of working with TIMOs is the clearly defined goals and structure of these firms. If a project will not work, the TIMO will know well in advance and stop working with the CG so that the conservation group will not invest more time and money on a project, or at least look at it from another angle.

_Negatives of working with a TIMO_

One of the respondents stated that working on the fringe of their comfort zone, with an organization with inherently different goals is unnerving at times. In order to enter into negotiations with the best knowledge possible, the conservation group needs to understand the business models that TIMOs use. These models are not always known and often the conservation group might not have the best knowledge at the negotiation.

One respondent also went further to say that TIMOs should not be partnering with conservation groups because they have no long term land ethic. This is an issue that could be explored more because the land holding tenure of a TIMO can be very short compared with traditional private land ownership and is a valid concern. One respondent stated that certification as it is now is not the answer because the field checks for SFI and FSC are not frequent enough or may not be needed at all because harvest is not initiated. Many conservation respondents as well as a few TIMO respondents stated that a better land ethic by TIMOs is needed.

_Where do we go from Here?_

The federal government has been looking very closely at conservation easements and fraudulent easement claims. The ever cited example of a fraudulent conservation easement is one that occurs on a golf course. One of the respondents interviewed stated that their organization was launching a project to study how conservation benefits are actually providing value for environmental services for the nation and its inhabitants. This could be construed as a way to get at a value for ecosystem services and possibly
quantify values associated with ecosystem services. Payment for Ecosystem Services (PES) is a known phrase that has been discussed in environmental circles for some time now and has gotten some attention, but has not been fully understood or realized. Some idea for PES that have been discussed are payment for municipal watersheds, wildlife management, and carbon credits, with the latter receiving the most attention from both TIMOs and environmental groups.

Carbon credits are receiving much press lately both from the government as well as non-profits and TIMOs. In essence, landowners are providing value for removing carbon from the atmosphere and should be compensated to some extent. The compensation should be enough to keep trees growing past the age of economic maturity (Wayburn, et. al., 2007). For land that is under development pressure, carbon prices would have to be very high to keep the land as timber land. Assuming modest amounts of carbon held in the forest and lumber when trees are cut (the pickling factor), modest saw timber prices, and modest carbon prices, when land use is best suited for rural timber land, gains from carbon sequestration could yield a noteworthy revenue stream (Ibid). As margins are squeezed and land is valued for more than real estate and physical products, the ~300 million metric tons of carbon sequestered per year by US forests will seek to be valued by landowners (Ibid). In the SE as forestry has become a short term business with pulpwood rotations as short as twelve years in some places, money for carbon sequestration could encourage longer rotations to increase the amount of carbon sequestered (Ibid).

Sometimes the economics of the area just does not fit well with forestry. For instance, if there is significant development pressure in an area and land prices are increasing expeditiously, a TIMO probably will not come into the area and even if they do, the land when sold would go for HBU rather than an extremely fragmented piece of conservation property in a sea of development. Many states also have stipulations that if the easement is no longer viable for its original use, it can be considered null and void. Almost all TIMO respondents stated that if a property is best suited for development, it will be developed. Still this conversion of forests to development is startling as the SE has lost over two million acres of private forestland to HBU from 1982-1997 (Ibid).

Another wrinkle in the non timber value of land is the rise of hunting leases and land sales to hunting clubs. All of the respondents said hunting clubs and hunting leases were viable revenue streams for timberland. Some TIMO respondents hypothesized that some hunting groups might monitor the lands better than conservation groups because of their interest in the land for their personal enjoyment.

**Profit Sharing**

With profit sharing, the TIMO would achieve their bottom line, but the conservation group could, not necessarily make a profit stream, which many respondents are leery for the possibility of losing their non-profit status, but rather gain funds that could go back into the tract for mediation or monitoring to improve the ecology of the tract. The carbon market is a venue where profit sharing could be put into practice. The Clean Development Mechanism (CDM) of the Kyoto Protocol is a practical application for the
carbon credits. For example, a developed country can provide money to a developing nation to initiate an activity that decreases the release of carbon. The developed nation can then use those credits to offset carbon releases in their own country. For example, if Great Britain subsidized Eucalyptus tree planting in Brazil with longer rotations, they could earn carbon credits to offset their own emissions.

The only problem with this scenario is that the EU prohibits two CDM credits, Nuclear energy and forestry (Bayon, 2007). There is currently a huge market for carbon offsets stemming from the recent carbon neutrality push and a US market for carbon could exist within the next five years in the US as states and individual companies seek carbon neutrality. One can even purchase carbon credits on Ebay® and the 2008 Superbowl® will be carbon neutral. Quality is an issue, but there are over 150 standards for carbon mitigation to allay these fears (Bayon, 2007). There are two main carbon markets--an undifferentiated commodity and the gourmet market. In the gourmet market, people are looking for a specific type of carbon and since forestry is widely understood, it is usually sought after. This evidence suggests that a carbon market using forestry for credits is not far off. As many have pointed out, in areas where the ideal land use is for timber, carbon credits can bring a nominal return for engaging in more sustainable silviculture techniques or allow the TIMO to practice less intensive management because they are receiving a profit stream for something that was previously unvalued in common economic terms. With an extra revenue stream, the conservation group could leverage the TIMO to harvest less, leave wider buffers, in short practice less invasive forest management. In order to make this happen, new business models would need to be developed that could quantify the impact of conservation on large tracts of land, which is undoubtedly being explored by TIMOs across the country and world.

Even beyond carbon markets, there is currently a $3 million market for wetland mitigation (Bayon, 2007). This is not a large market, but as margins are decreasing, every extra revenue stream can be beneficial. Forests are extremely important and more and more people are realizing this. The Earth’s resources are finite and as resources dwindle, managers will be in an important position that could see increasing revenue streams through payment for ecosystem services.7

TNC has a program called the Conservation Buyers Program where TNC acquires land that is in need of conservation efforts and then sells the land to conservation minded buyers.8 Holding onto land for longer time periods in concert with TIMOs and then

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7 Wetland mitigation is another possible source of income. A project on the Neches River in Texas where wetland mitigation credits are being sold by the TIMO and thus providing money from forestry as well as from the mitigation project was completed in 2003 where the TIMO--GMO Renewable Resources LLC--partnered with The Conservation Fund Wetland (TCF) to acquire and preserve 33,000 acres of southern pine woodlands as a working forest. The impetus to enter into this project was to see the bottomlands protected under a mitigation bank, but the uplands kept under sustainable uses like forestry, and not left simply open to development.

8 http://www.nature.org/aboutus/howwework/conservationbuyer
selling the land to someone who will remediate the land using either federal, state, or private dollars could be a viable option to conserve more land and possibly work with TIMO involvement. Scenarios remain for profit sharing between TIMOs and conservation groups that could be beneficial to both groups and help to make these agreements more of a reality in the future.

TIMO Discussion

Favorable Conditions for a Successful Agreement

Several common themes have come about that have resonated soundly with the TIMO respondents. The perpetuity of easements is an issue that concerns TIMOs. Easements last forever and seriously hinder the liquidity of the land. Once the development rights are sold, selling the property for HBU is almost impossible. All respondents cited the need for sales of land to conservation groups in fee. Fee sales are the best because they have no grey area open for interpretation. Once the land is sold to a conservation group, the TIMO is done with the deal. There are no issues in the future, no contracts to adhere to, no land managers to deal with, no policy or law changes, and no impediments to selling the land. The deal is done. Sales in fee are the preferred method of associations with non-profit groups. Since the future is not static, but constantly changing, TIMOs are reluctant to enter into an agreement that cannot be changed in the future.

On the other hand, there was some indication that working forest easements were not a bad thing if the ideal use for land is forestry and there is no development pressure. Easements in this case save money, which means more return for investors. The central problem again is the future. When unanticipated development pressure occurs and land values skyrocket, it is more profitable to sell the land. This scenario frightens many managers. Leaving the land unencumbered is often the best course of action in many circles because it provides the highest amount of liquidity.

Another instance when a TIMO might want to partner with a conservation group to do an easement is if there is some restriction associated with the land to start out with. For instance, if a TIMO owned land that had good pine plantation potential, but with a bottomland hardwood corridor, they might want to sell the development rights to the bottomland hardwoods as well as some of the land surrounding the hardwoods in order to get some money out of this relatively unproductive part of the property, and to divest itself from dealing with environmental regulations or bad press from environmental groups by logging the bottomlands. In this manner, conservation groups can augment the profit stream for the TIMO and their investors. By purchasing potential environmental liabilities (ecological assets in the eyes of conservation groups) the management of the remaining timber land for forestry will be less hindered in the future. By selling easements on this land, the TIMO could possibly receive more money for the land than they would for timber or sell for HBU. Some firms like John Hancock have realized this and, when they are purchasing land, they analyze it to see if there are any environmentally significant or sensitive lands. If features on a tract satisfy these criteria, JHTRG tries to work with non-profits as well as government agencies to protect these
areas from disturbances possibly to not have to deal with the environmental issues, as well as a portion of the property that might not be as important in terms of revenue (JHTRG, 2000).

Some TIMOs have been viewed unfavorably for making poor deals especially given the leveraged state of many of their assets, the subprime mortgage meltdown, and the subsequent economic ruin it cast many hedge funds into. Some TIMOs are also reeling from high prices paid for timberland as TIMOs proliferated and now are faced with paying off something that is not providing the return expected. With some TIMOs in trouble financially, there may be an impetus to sell land in order to pay off debts. This may be a good time for conservation groups to offer working forest easements or buy land in fee from the TIMO. Since some acres are larger continuous tracts away from development, conservation groups might be prime candidates to buy this land. This is especially true if the price of timber declines, which it has in the past few years according to the University of Georgia’s online timber price guide Timber Mart-South. Also, the age-class structure of many prime forestlands creates a situation where a TIMO may be land rich and cash poor. If a forest will not reach maturity for a few years or possibly not at all in the next 10-20 years, land may need to be sold off to pay investors and keep the TIMO going. This is a place where a deal with a conservation group that can buy a large tract of land may be better a better deal than breaking up a tract of land into smaller parcels and selling them on the open market. One deal for 1,000 acres is less difficult than 100 deals for ten acres a piece, especially when development pressure is not high.

Example of a successful agreement:

One of the biggest easement sales in the country (2003)—in terms of value per acre—was the 104,000 acres formally owned by Weyerhaeuser outside of downtown Seattle in King County called the Snoqualmie forest. John Hancock Timber Resource Group (JHTRG) purchased the property from Weyerhaeuser in 2003 for $185 million. The Cascade Land Conservancy wanted to acquire the development rights to the property to keep the forest as a working forest to protect jobs, biodiversity, a natural landscape, and important habitat for many species of flora and fauna. JHTRG sold development rights for 90,000 acres for $22 million to King County. JHTRG kept 14 million acres of the land with the highest development potential such as the land around bodies of water and contiguous large beautiful tracts that could be sold as “kingdom” estates.

This deal was very important to the state of Washington. The property was clearly in the path of development and protecting the property was extremely important. One respondent stated that if this deal was done in 2006 JHTRG probably could have received twice the amount, granted the land trust and county could have raised more money. These development rights skyrocketed in recent years, leaving one to wonder if it was the right thing to do from an investment standpoint since the TIMO could have made much more if they had held onto the property granted the conservancy could have raised more, which was unlikely. From an environmental standpoint it was a good thing to do because

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10 [http://findarticles.com/p/articles/mi_m0EIN/is_2003_March_10/ai_98548322](http://findarticles.com/p/articles/mi_m0EIN/is_2003_March_10/ai_98548322)
this land clearly would have been developed had Hancock not worked with the land conservancy to get an easement on it.

JHTRG made several stipulations for the sale in hopes of making the tract more liquid in the future, such as no consolidation of tax lots and no public access requirements. No management objectives were included other than Washington State’s, which are considerable, so no one but JHTRG has any say in how it is managed, which also goes for the future landowner. This was also done to preserve liquidity. JHTRG kept exquisite home sights out of the easements in order to engage in some HBU for the future and protect their ability to bring a profit for the sale. This way JHTRG reserves the right to sell development rights of these 14,000 acres if they want, not for subdevelopment, but for large 1,000 acre kingdom lots with one or two houses per lot. JHTRG will be able to sell it easier in the future, but does not want to subdivide the remaining acres in order to have as little impact on the forest as a working forest, as well as reduce complaints about logging from landowners.

The reverse side of this is that TIMOs have no incentive to engage in agreements with conservation groups. Some responses have cited these agreements as creating a situation where conflict is created by construction. Easements are especially worrisome because they are perpetual. Some of the reasons expressed for more literal, less interpretive language in easements by conservation groups were echoed by most TIMO respondents, but for vastly different reasons. Easements written in the past now have significant issues with interpretation. What someone wrote 10 years ago may have an entirely different meaning today. Development pressure, research, policy, economics can all change within a year, let alone five or ten.

**Future Partnerships**

As investor conservation sentiment continues to evolve, TIMO/CG partnerships should become a viable means for illustrating to TIMO investors the degree to which the firm has a conservation ethic. These agreements are not for every transaction, hardly so, but in the proper place they could be an important vehicle for assuaging investor’s fears that they are investing in something that is not environmentally responsible. Working with a conservation group effectively labels a TIMO as an environmentally conscious business and could therefore attract investors who are looking to invest with that type of firm.

As the economy moves more quickly, the rapidity at which TIMOs buy and sell land should increase. As this happens, non-profit groups have an option to purchase more land, but there is also the issue that with more sales, people will have increasingly less ties to the land and conservation will be harder to come by. How this will have an impact on future deals and will it increase or decrease the rate of these partnerships has yet to be determined?

**Conclusion**
Several meta-findings were discovered by this project. While some may seem intuitive, it is important to remember these before, while, and after any of these agreements.

Finding 1: *It is very important for both parties to determine, beforehand, if the agreement satisfies their management objectives.* These agreements are very fragile and thus require more care than traditional business transactions. These agreements work best with willing sellers and willing buyers with a previous relationship. If it is the first time these parties have worked together, it is best for the non-profit to find some mention of conservation values in the TIMO’s mission statement. Likewise, it is never good for either organization to enter into a deal that is not in concert with their goals and mission. Bad deals should not be undertaken even if significant time has been invested.

TIMOs have a well defined and objective criteria, their bottom line is much more tangible. If an investor does not receive the return on their investment that was promised to them or at least in the range that was promised from their fiduciary, that investor is likely to take their investment money elsewhere. If that happens too often, the fiduciary will not be long for the investment world. The conservation group does not often have a static bottom line and even if the conservation benefits they desired are not received, the organization will not necessarily be out of the practice of conservation. This facet of TIMOs and conservation groups is important in that it allows conservation groups to approach TIMOs more openly knowing that if the TIMO is interested their proposal, they will listen and if they are not interested, the conservation group will have to reconsider.

Finding 2: *Conservation easements have pros and cons, but can act as “middle ground” conservation and bring viable conservation goals as well as financial returns.* Easements have been shown to be effective tools for obtaining conservation values. They have also been shown to decrease liquidity and value for the tract. If a firm can enter into an agreement and increase or augment their goals held prior to the agreement, it is a win for both parties. If a conservation easement cannot be adhered to and subsequent owners of the tract do not have the land ethic of the original owner, an easement will be a problem, not just for the TIMO and/or owner, but for the conservation group in monitoring, mediating, and possibly even litigating.

Finding 3: *Conservation agreements may work to bring additional revenue streams to TIMO’s.* Carbon sequestration, in studies, has been shown to increase value of a tract and could bring in non-trivial amounts of money for rural landowners, encouraging them to keep longer rotations, which could enhance habitat and conservation. That being said, little income has been grossed from carbon credits, and until it does, it will not be valued in the market value. Hunting leases have been cited as a great way to bring a return on timber lands as well as propagate conservation. Some have cited hunters as providing more specific care and mediation than conservation groups to sites as they have more of a vested interest in making the site a good place for hunting which is coincidentally good for conservation.

Finding 4: *Demand for “conservation labeling” is currently weak but may grow.* Since TIMOs are not publicly traded companies they are not subject to as much public scrutiny
as publicly traded companies. Most respondents did not state investor conservation sentiment as much of a reason to engage in conservation, but there seems to be some feeling that conservation sentiment is brought up by investors on an increasingly recurring basis and could become a larger factor especially with foreign investors and increasingly with American investors.

Finding 5: The jury has not yet reached a verdict on CTIMOs. Some state that CTIMOs are as good as or better than regular TIMOs in working with conservation groups. Many conservation group respondents cited having a trusted partner to work with on deals as an invaluable asset. What unknown partners have on the success of agreements has yet to be determined, but CTIMOs seem to have an advantage, at least publicly, in working more with conservation groups.

Finding 6: Successful agreements require clear language. Having well written language in these agreements is imperative to the success of these agreements. Some argue that more specificity in the language might impede interpretability in the future given changing economics and forestry practices, but a well written agreement should have provisions for changes in forestry practices or economics. Having legally defensible language is also something that is very important for both parties for the future. The ability to defend an agreement in a court of law could be the difference maker in obtaining a bottom line or keeping logging or easements viable.

Finding 7: The future of TIMO holdings is uncertain. For example, supply agreements are associated with many of the IFP-TIMO-non-profit land deals. Whether the land is purchased back by the IFP, sold to another TIMO, private land owner or non-profit is a large question mark for current TIMO land. None of the respondents both TIMO and conservation had a direct answer on what would happen to these lands when the investment is finished or the financial advisors for the TIMOs say that the land should be sold. For instance, if a tract of land is sold by a TIMO at the end of the investment period, will the land be sold for HBU, or will traditional land uses triumph? This will be an important issue in the upcoming years.

Finding 8: TIMOs can act as a profit shelter for non-profits. Non-profit conservation groups are concerned that if payments for ecosystem services yield profits for conservation groups, they may lose non-profit status. Partnerships with TIMOs are a way to direct payments for ecosystem services to the TIMO in exchange for harvesting less or ceding some part of the management of the stand to the conservation group.

Future Research

Throughout the development of this paper, issues arose that were unanticipated. Some of these issues were followed up on and investigated in depth, while others were not ignored, but not investigated to the degree they required. These issues are very large and require significant research and evaluation beyond the scope of this paper and too large for a single researcher.
One of the issues cited was who will take over land with an easement when the TIMO is out of the picture and more importantly who will buy land with an easement on it? How big of an effect will this have on liquidity? There are really only three possibilities; since the land has a working forest easement on it, a developer will not buy the land. The buyer will either be an IFP, private landowner, or a non-profit group.

With the timber glut in the south, who will purchase much of the timber coming out of the SE in the next few years? One option is to return to using lignin for plastic. This was done in the past, but doing this could reduce the US dependence on foreign oil as well as increase the demand for US timber. Another option is cellulosic ethanol, which would also have an effect on decreasing US dependence on oil.

An interesting point that was out of the scope of this paper was that timber prices have become unusually high for timberland, which could be due in part to the larger number of TIMOs (JHTRG, 2002). What affect this higher land price might have on future values and real estate speculation has yet to be determined. If there is a real estate bubble, when will it burst and who will be left holding the proverbial check when it does? With timberland emerging as a genuine asset class, and some of the profits made by existing TIMOs, more people are clamoring to get into the market. There does not seem to be a shortage of investment capital, and as appreciation is factored more into the return for investors, it seems inevitable that some or several firms will have to sell land to the highest bidder in order to bring returns to their clients, effectively removing them from the timber business and into the real estate and arguably land speculation. Several of the respondents brought up this point that some firms are leaving the timber out of TIMO, meaning that they are not basing returns to investors strictly on return from removing fiber from the land, but also on the appreciation of the land. If this is the case, when the real estate bubble bursts, which is arguably is in the process of, evidenced by the housing market, investors may be in serious trouble.

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Appendix

1. Survey Questions for TIMOs

1. Return to Investors: Why would people want to invest in timber land?
A. What are the returns expected by investors from timber investments?

B. If monetary, what might be considered acceptable compared to traditional investments?

C. Are timber investments frequently used to add diversity to portfolios?

D. If so, have timber investments, in your opinion, helped investors to diversify their portfolios and guard against investment risk?

E. Are there any tax reasons that investors would invest in timber land rather than other investments?

F. Are there any tax reasons for investing in timber in partnership with conservation groups?

G. Have you seen any evidence of inherent or stewardship value in investors when they invest in timber land?

2. Fiber issues

About how many of your timberland investments are associated with a timber supply agreement with the seller?

3. Management issues

A. Is getting the highest returns on the investment the most important objective with asset management?

B. What are the other important management objectives that typify your management.

C. How do you try to ensure that the land is managed so that your important objectives are satisfied?

D. Have you ever partnered with a conservation or environmental group in a timberland investment?

E. If you have been involved in partnerships with conservation groups, who is in charge of land management?

F. How are management objectives of the two parties reconciled with this type of partnership?

G. Do you discuss the monetary arrangements you have with clients with the conservation group you are working with?

H. Why or why not withhold this information?
I. Have you ever entered into any form of profit sharing with a conservation group in exchange for increasing land value or some other form of increasing your returns?

4. Payment for Ecosystem Services?
A. Has there been any mention of payment for ecosystem services (PES)?
B. If so, what were they, and if not, why not?
C. Do you think that PES is or will be a viable option for increasing the value of forestland? (Watersheds or carbon sequestration are two main options)
D. Have you ever used or heard of the idea of removing Non-Timber Forest Products (NTFP) from protected forestland or working forests to increase land value?

5. Facilitation of TIMO/Conservation group partnership
A. How was your partnership with a conservation group facilitated?
B. Did it work out as planned or were there problems?
C. If there were problems how were they solved (collaboration, third party etc) and were they solved or did they doom the project?
D. Are there any subsidies (federal, state or local) that you receive if you pair with conservation groups?

6. Future Partnerships
A. If you have engaged in a partnership with a conservation organization, would you do it again?
B. If you have not been involved in a conservation group partnership, would you or are you considering one?
C. What benefits do you see of pairing with a conservation group?
D. What negatives do you see in pairing with a conservation group?
E. What do you see in the future for these agreements?
F. Anything else?

2. Survey Questions for Conservation Groups:
1. Conservation Benefits: How can conservation groups benefit from partnerships with TIMOs?

A. Conservation groups have used conservation easements extensively, have you used this instrument in your work?

B. If so, how have conservation easements worked, i.e. are the landowners happy with this, have people used them repeatedly, have the tax breaks been sufficient, etc?

C. In what situations do conservation easements tend to work the best?

D. Have you used this method in combination with a “working forest” or any other type of resource extraction or management that may or may not be in line with your goals or mission statement?

E. Are there any tax issues with a conservation easement?

F. Have they helped or hindered its use, why?

2. Timber need

A. Do you think more or less timber is being harvested with TIMOs when compared with other types of owners?

3. Reliability Issues

A. Have you ever had any failures in partnering with TIMOs?

B. If so, why do you think it failed?

C. Are there trust issues with new partnerships or are there people or organizations that you repeatedly go to that you have a trust or history with?

D. Who manages the land, is there collaboration with your group as well as the TIMO, or is there an independent third party? How is management compliance certified or otherwise assured?

E. What do you do to reconcile management differences with a TIMO that has a vested interest in getting a return to its investors and your group which may not have to gain a return for investors and may even have the opposite management objectives as the TIMO?

F. If you had a partnership with a TIMO, have you had any vested interest in the return made by the TIMO once the deal is finished?

G. Does the TIMO ever disclose its monetary arrangements with you?
H. Why or why don’t you think they did?

I. Did or would it have made a difference if the TIMO had or had not discussed its monetary arrangements with you?

J. Do you foresee any instance where you could engage in some type of profit sharing through payments for ecosystem services that could bring a higher return for your organization?

4. Payment for Ecosystem services (PES)?

A. Have you or your organization used or heard of the term PES?

B. Has your organization ever used PES in dealing with TIMOs?

C. In what context was PES used and how successful was it?

D. Has the option of removing Non-Timber Forest Products (NTFP) come up in dealing with TIMOs as a means of increasing the value of forest land?

E. If so why, and if not, why?

5. Conservation group/TIMO facilitation

A. How was your partnership with a TIMO facilitated, by the TIMO, your organization, or some other means?

B. Did the relationship work out as planned or were there problems?

C. If there were problems, how were they solved, collaboration, third party, or some other means?

D. Are there any subsidies or tax breaks (federal, state or local) that encourage pairing with a TIMO?

6. Future Partnerships

A. If you have engaged in a partnership with a TIMO, would you do it again?

B. If you have not been involved in a TIMO partnership, would you or are you considering one?

C. What benefits do you see of pairing with a TIMO?

D. What negatives do you see in pairing with a TIMO?
E. What do you see in the future for these agreements?

F. Anything else?

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