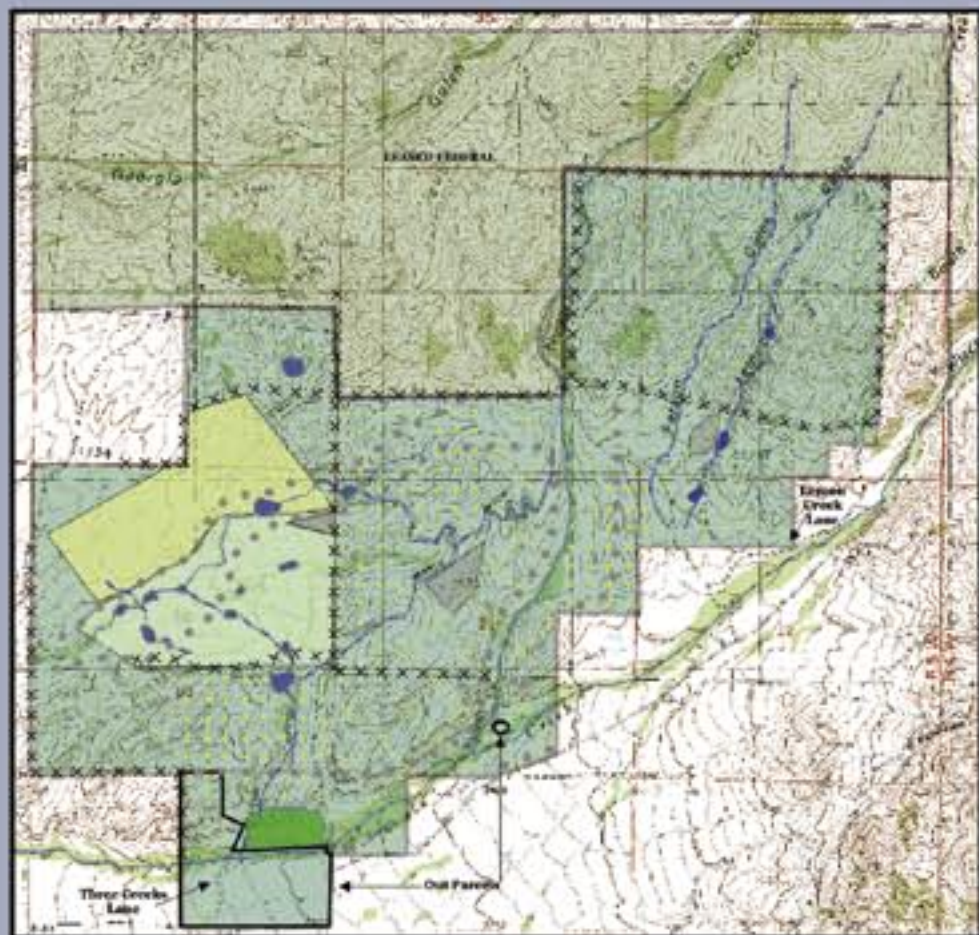


**The Ranch**

Map for informational purposes ONLY and may not conform exactly to survey or deed features.



**THREE CREEKS RANCH**  
Resource Plan / Conservation Easements

- Riparian Fringe
- X X X Boundary & Cross Fence Construction / Reconstruction
- 2000 Conservation Easement
- 2002 Conservation Easement
- 2003 Conservation Easement
- 2005 Conservation Easement
- Planned Pond, Spring, Upland Water Development
- Irrigated hay meadow
- Planned food plot
- Rye / alfalfa covered wheat integration
- Rye / alfalfa conversion

Map for informational purposes only and may not conform exactly to survey or deed features.



# Benefits to purchaser from Three Creeks Ranch Conservation Easements

*What is a  
conservation easement?...*

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There are many folks who do not understand conservation easements. These easements are highly negotiable prior to grant, and if carefully and properly formulated, are very valuable tools in tax savings, preservation, and real estate use and values. Many people believe they afford public access, or strip all the rights from a property, or somehow gives the government a roll in the ownership or management of the property. These myths could not be further from the truth. Conservation easements are a widely used, greatly expanding, form of preservation and financial benefit. If done properly, they are value adding instruments over time and benefit the entirety of the local eco-system, and the property on which the easement is placed.

In the most simple terms, a conservation easement is the grant of certain rights of ecological value to a Qualified Grantee (the organization that accepts the donation). Every property has a bundle of rights. You can build roads on it, subdivide it, sell or transfer in pieces, mine it, strip mine it, timber it, farm it, improve it, etc. Just as a donation of an art piece, say the Mona Lisa, to an art museum carries with it certain tax benefits, so, too, do these property rights have a donative value. The appraised value of whatever of the bundle of rights which is donated becomes tax deductions which can be extremely beneficial to the Grantor (the person giving the easement). Many fortune 500-1000 companies such as Plum Creek, International Paper, and Wal-Mart have become heavily involved in conservation easement grants. Many states give tax credits, in addition to the Federal deductions. Many states, Federal Agencies, counties, and now local municipalities are involved in the grant of easements, many of them requiring easements on subdivided property to maintain open space, agricultural values, wildlife, fishery, and habitat values. When a conservation easement is negotiated, certain of the bundle of rights can be donated, and certain of the bundle of rights can be reserved. These are Reserved Rights. Done properly, as at Three Creeks and Lemon Creek, Reserved Rights can generate for a purchaser very significant tax, real estate, and conservation value.

**What conservation easements Do Not Do unless the landowners specifically agrees otherwise, contrary to some popular myth, is the following:**

1. Easements do not restrict hunting, fishing, or recreation.
2. They do not afford the public any access whatsoever.
3. Even the Grantee cannot come on the property in the normal course without the permission of the owner.
4. Properly done, as at Three Creeks, easements do reserve many rights, including all recreation rights, rights to subdivide, or sell (or donate for tax deduction) numerous already existing parcels, build additional homes and structures, continue to farm, even extract minerals or timber, build ponds and other resource/agricultural wildlife improvements, guest ranch, etc.
5. A conservation easement done through a private Grantee, as in the case of Three Creeks, does not afford any government entity at any level any increased jurisdiction, rights, entry, or management oversight on the property. The government is not involved.

Planned carefully, and if granted with limited deductions on the first round, a conservation easement can leave on the table very significant increments of value both in terms of real estate value, and tax value realizable through second tier easements, or an amendment to the initial easement.

The Three Creeks/Lemon Creek easements were carefully negotiated to afford wide latitude to a purchaser to manage, improve, operate, grant subsequent easements, build homes and make improvements, or enjoy real estate value upon disposition of all or portions of the property, or a combination.

Three Creeks has granted four easements which encompass the entirety of the ranches currently for sale by sellers. Conservation Easement I, about 627 +/- acres, was done on Lemon Creek in 2000. Lemon Creek was then sold, in fact, to a member of Three Creeks knowledgeable in these matters. The 2000 easement reserved six rights of transfer, i.e. the right to subdivide and sell individual parcels, and five building rights, i.e. the right to build a home, garage, shed, barn, and ag buildings etc. The subsequent owner, as an example of value added, or value remaining, after an initial easement, has placed an easement amendment on the property which donates, given all considerations, three of such reserved transfer rights and one of the reserved building rights. The value of the Easement Amendment in terms of net cash tax deductions, over the last 6 years because of property appreciation value adding improvements the new owner, Lemon Creek LLC, did to the property, and market conditions, is estimated to be close to the value of the original donation done in 2000! And there still remains valuable Reserved Rights in Lemon Creek. (See Map/Chart) In 2002 Three Creeks did Easement II (see map). Easement II included approximately 405 acres of land. In 2004, Three Creeks did Easement III (see map). Easement III covered approximately 638 +/- acres. In 2005, Three Creeks did its final easement (see map). Easement IV covered approximately 638 acres. Each of the Easements was carefully negotiated to reserve all recreation, hunting, fishing, etc. rights with no public access, operational and management latitude, agricultural and resource improvement flexibility, numerous existing parcels, in the form of immediately saleable tracts and lots and, by Ranch, the following subdivision (transfer) and building rights:

| RANCH             | CE         | ACREAGE | RESERVED EXISTING LOTS/TRACTS* | RESERVED TRANSFERS ALLOWED* | RESERVED FLOATING** BUILDING SITES | RESERVED FIXED BUILDING ENVELOPES *** | RESERVED GENERAL AGRICULTURAL STRUCTURES **** |
|-------------------|------------|---------|--------------------------------|-----------------------------|------------------------------------|---------------------------------------|---|
| Three Creeks West | III, IV    | 841.8   | 9                              | 5                           | 0                                  | 9                                     | Yes virtually anywhere                        |
| Nugget Creek      | I, II, III | 802.0   | 14                             | 7                           | 0                                  | 11                                    | Yes in area designated by owner               |
| Lemon Creek       | I          | 627     | 4                              | 3                           | 2                                  | 2                                     | Yes   |

- numerous configurations possible. See Easements
- \*\* may be placed anywhere on the Ranch. Allows residence, garage, shed, barn
- \*\*\* locations fixed. Envelopes themselves actually excluded from easement. Each envelope may have one or more residences/cabin, guest cabins and unlimited outbuildings within envelope. In Three Creeks West, purchaser may build on any 6 of 10 reserved envelopes, plus envelopes 14 and 4, plus lot 7 (See Map).
- Ag structures - Ag purposes only, may be located outside Building Envelopes on Ranch.

Each and every one of the transfer, building, and existing parcel rights will be specified and included in the General Warranty Deed to the successful bidder. Draft Deeds are available for review.

#### WHAT IS THE POTENTIAL EFFECT OF THE EASEMENT TO A PURCHASER OF THE THREE CREEKS OR LEMON CREEK RANCHES?

The Three Creeks and Lemon Creek easements were structured specifically to take lesser tax benefits and leave wide latitude in land planning, operations, improvements, subdivision, residential construction and complete recreational latitude to a purchaser. The many previous existing tracts and market pressures unfortunately destined this great ranch to become a multitude of small acre ranchettes without Three Creeks' intervention. There were numerous small acreage (20 +/- acres) sales adjacent or in close proximity to the Ranch over the past several years at prices averaging \$6,000/acre. While Three Creeks has insured the Ranch can never be chopped up into scores, or hundreds, of ranchettes, the Reserved Rights afford a purchaser great land use and operational latitude. What a purchaser can do is:

1. Construct and operate any and all beneficial agricultural improvements and structures, and all beneficial agricultural improvements including pasture, farming, fencing, irrigation, and other improvements, and enjoy any and all ranch related activities including guest ranching activities.

2. Construct and maintain any and all beneficial resource improvements such as ponds, stream and fisheries restoration creation or rehabilitation, upland improvements for birds and wildlife, etc., and enjoy any and all recreation, hunting, fishing rights permitted by Montana Law.
3. An owner can build all roads necessary to reach residences or construct and maintain improvements, any necessary driveways, drill wells, install septic (pursuant to county regulations).
4. An owner could sell the property, if bought in entirety (Lemon Creek, Three Creeks West, and Nugget Creek) in up to 15 parcels (subdivisions) in numerous configurations, and build up to 23 new homes, and 22 or more cabins or guest cottages, within 23 specified building envelopes (including Lemon Creek house, constructed). Two additional floating building sites, (in Lemon) can be located anywhere on that ranch. The twenty three "fixed" building rights (2 on Lemon, 11 on Nugget, and 9 on West) are in specific envelopes, all terrific sites, and all except one, are not subject to the easements, and allow not only the structures referenced above, but additional guest cottages or cabin residential building rights, nonresidential out buildings, residence garage, shed, barn etc. The Ranches, in aggregate, are already exist in 28 tracts and lots, including varying acreages of less than 5 +/- acres, to 160 +/- acres or more, or virtually any combination thereof.
5. An owner could donate, in a second-tier, or easement amendment, either all of these many reserved rights, reserving only a right for his or her own home, or a portion of the rights. Either strategy would result in a very significant tax benefit which, depending upon the individual Grantor's tax status, could lower the after-tax cost of acquisition of this property by a significant percentage of the purchase price. It should be noted that each transaction, and the tax status of each taxpayer, is unique.
6. Exclude any and all public access as the Owner wishes.

#### SUMMARY

We hope this brief description of Three Creeks and Lemon Creek Easements, provided entirely subject to the easement documents which are available for review, has been helpful in dispelling misperception about easements, and underscoring the very significant values remaining because of, not despite, Three Creeks' previous grants of conservation easements.

Careful negotiation, Three Creeks willingness to take less in initial deductions, and the vast array of reserved rights including existing parcels, future subdivision, and building rights, disposition alternatives, sales and subdivision with construction, and/or significant tax benefits via the grant of additional easement, or a combination of the approaches, afford a purchaser a unique plethora of advantageous opportunities. The various easements and already existing tracts are shown on the maps. We would be happy to further discuss these matters and share additional information with you or your advisors if you so wish.

Conservation easements are great things. The Three Creeks and Lemon easements were carefully structured to achieve very important conservation objectives, and allow value added and value remaining regardless of your personal goals and plans for this property. If a purchaser wished to do an amendment easement, the original Grantee, the Montana Land Reliance would be eager to work with you. The very significant tax benefits resulting from the grant of an easement amendment or second-tier easement is akin to getting paid to do the right thing!