

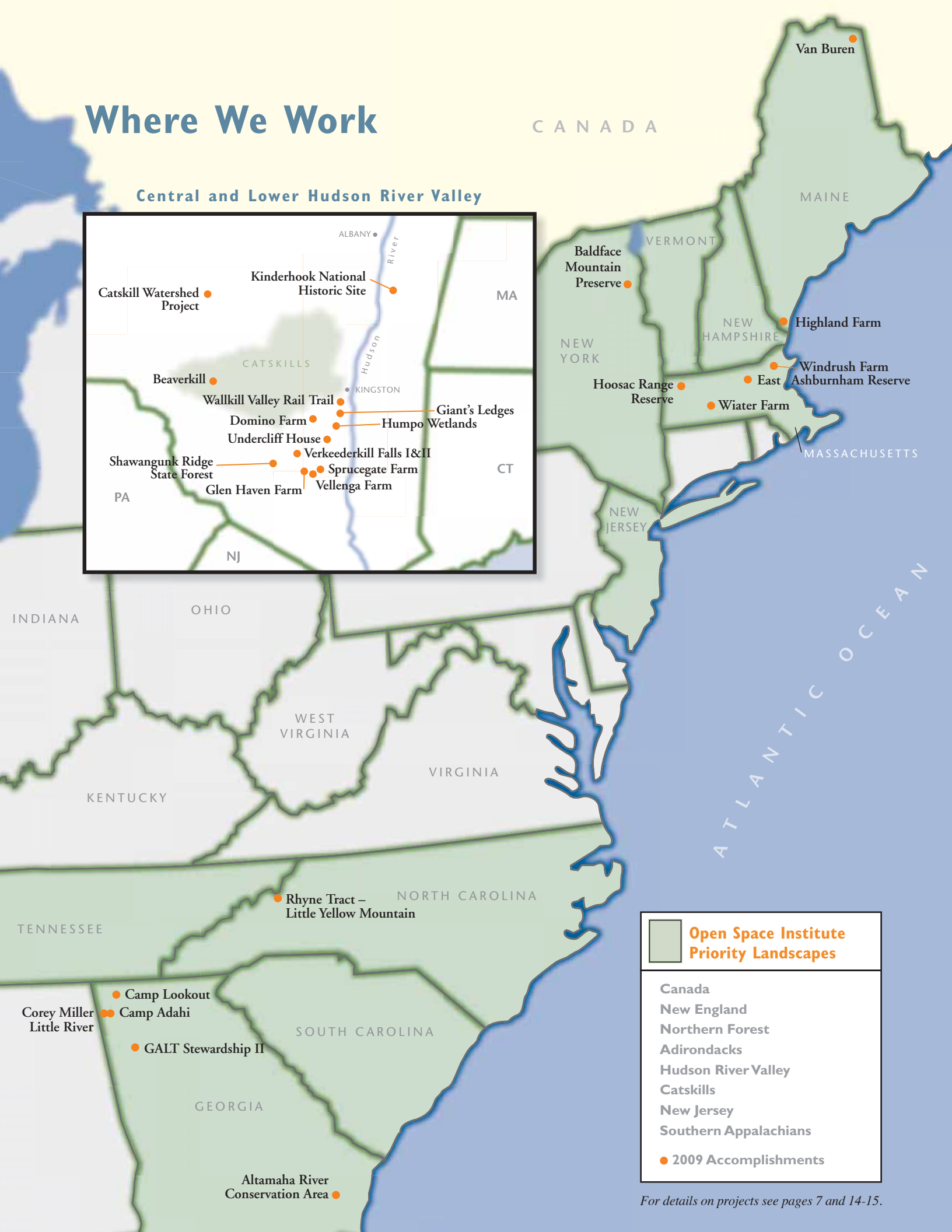
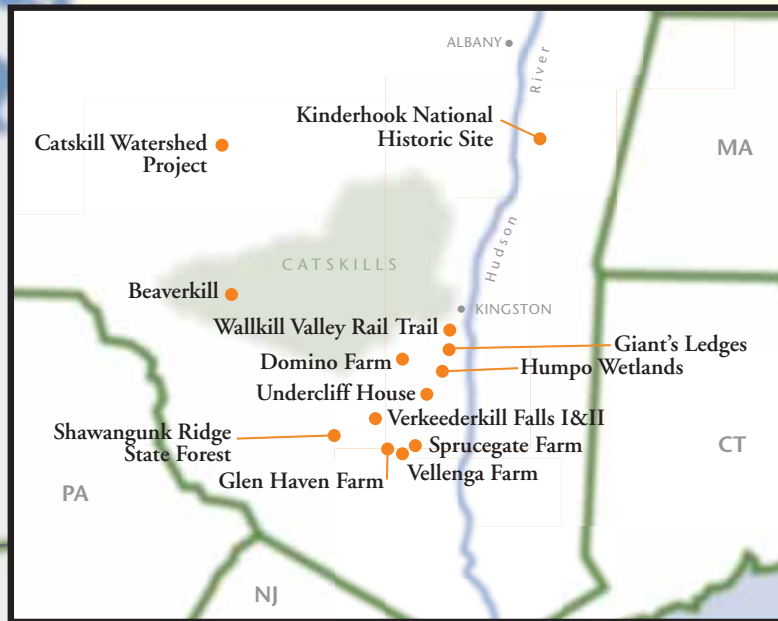
Open Space Institute



2009 Annual Report

Where We Work

Central and Lower Hudson River Valley




**Open Space Institute
Priority Landscapes**

Canada
 New England
 Northern Forest
 Adirondacks
 Hudson River Valley
 Catskills
 New Jersey
 Southern Appalachians

 2009 Accomplishments

For details on projects see pages 7 and 14-15.

What We Do



We Are Innovative

OSI is flexible and adaptive, building partnerships that create conservation opportunities where before they did not exist. On the ground, our farm and forest preservation and habitat protection programs are informed by research that identifies best practices and analyzes the latest science through an impartial lens.

We Protect the Best Lands

OSI continues to build on its core values—the preservation of lands that have defined our heritage and will shape our future. Our open space goals are well-defined; we seek to create networks of protected land, farms and forests that preserve culture and history, and connect us to the natural world.

We Are a Conservation Leader

OSI's innovative approach to land conservation is unmatched from Maine to Georgia. Each of our programs represents a piece of the puzzle, and as each piece snaps into place, as our communities grow stronger around common goals, together we're making great strides in protecting these special places.



The Open Space Institute protects scenic, natural, and historic landscapes to ensure public enjoyment, conserve habitats, and sustain community character. OSI achieves its goals through land acquisition, conservation easements, regional loan programs, fiscal sponsorship, creative partnerships, and analytical research.

Table of Contents

2 What We Do	16 Seeing the Forest for the Trees
3 Letter from OSI's Leadership	20 Sunrise on Sunset Ridge
4 Putting It All Together	22 2009 Financial Report
7 Conservation Finance Program 2009 Accomplishments	23 OSI Supporters
8 OSI Shares a Vision for National Conservation	27 Barnabas McHenry Hudson River Valley 2009 Awards
10 The Big Picture	28 Board of Trustees and Staff
14 New York Land Program 2009 Accomplishments	

Open Space Institute

1350 Broadway, Suite 201 New York, NY 10018-7799
Tel: 212.290.8200 Fax: 212.244.3441
www.osiny.org



Dear Friends,

These are challenging times for land conservation. Across the nation, state and local budgets are being slashed and conservation priorities put on hold. In our home state of New York, land acquisition is at a standstill with a long pipeline of unfunded projects. Still, the Obama administration presses on for a renewed Land and Water Conservation Fund and is bringing conservation back into the American forefront.

In this financial landscape, OSI will adapt and thrive.

Growing from a local land trust with its roots firmly grounded in the Hudson River Valley, OSI has become a national player—one that transacts conservation along the East Coast; that influences policy across a number of states; that advocates for increased federal funding. OSI's capacity and outreach continues to grow each year.

Yet, after a decade of expansion, we must reexamine our programs to determine where to focus our energies and finite resources. As conservation funding shrinks, we're focused now more than ever on where we work and what we do.

In the southern Appalachians, our mapping work is setting the standard for proactive, science-backed habitat preservation. Our Saving New England's Wildlife initiative is leveraging a \$6 million grant from the Doris Duke Charitable Foundation to protect wildlife habitat across broad swaths in Maine, Massachusetts and New Hampshire. In New York State, our creativity and flexibility—long an OSI hallmark—is allowing us to move our conservation agenda forward while public funding has, we hope, temporarily stalled.

Indeed, adapting to change has been OSI's trademark for the past 40 years. And to remain a powerful force for land conservation, we need your input and help.

Our choices and priorities for conservation must be informed by the world around us. As industry evolves and our forests begin looking less like forests, OSI's research offers objective analysis that examines a changing world, keeping the needs of both conservationists and the investment community in mind. Thinking like this, we're determining where OSI can make the greatest difference, where we can move the needle forward.

We hope you enjoy this look at what OSI accomplished in 2009 and we look forward to your input as we adapt to new challenges, in 2010 and beyond.

John H. Adams
Chairman

Kim Elliman
CEO

Joe Martens
President



Putting it All Together

Smart Conservation Strategies Shape
Complex Transactions from Maine
to Georgia



At the beginning of the last decade, the Open Space Institute—after establishing itself through a quarter-century of land acquisition and conservation leadership in New York State—began to broaden its reach. Since then, OSI has grown into a singular conservation intermediary, targeting and increasing funds for transactions and conducting research for smarter conservation up and down the East Coast, from Maine to Georgia.

OSI began supporting conservation projects outside New York in the fall of 2000. With support from several foundations, OSI launched its initiative to provide funding, through loans and grants, to deserving projects in the places where conservation was needed most. Armed with the experience of conserving 100,000 acres in New York State, OSI targeted hotspots in the southern Appalachians, western Massachusetts, and the Northern Forest of New York and New England, places where its conservation dollar would have the greatest impact.

Ten years later, it has funded the protection of 1.7 million acres across seven East Coast states.

The secondary effects have been significant as well. OSI's early and significant funding helped shape transactions that protected

the deciding factor in the successful protection of a landscape," said Bruz Clark, president of the Chattanooga-based Lyndhurst Foundation, a frequent partner in the southern Appalachians. "By pooling funds with OSI, Lyndhurst has been able to leverage the impact of the grants it makes and attract support from other donors."

In each of its signature regions, OSI works with its partners by offering a full range of services, using its experience and expertise to enable more and better conservation.

In some cases, it's a low-interest bridge loan that allows another land trust to complete a timely acquisition before other funding sources come through. In 2009, a more-than \$4 million loan to the Georgia chapter of The Nature Conservancy (TNC) helped TNC and the Georgia Land Conservation Program acquire a 7,180-acre parcel that contains 10 miles of shoreline along the Altamaha River in southeastern Georgia.

The property includes valuable habitats and supports at least 17 state-listed rare and endangered species. OSI's loan allowed TNC to complete the acquisition—the first of two phases that will ultimately protect approximately 14,000 acres in the Altamaha corridor—after another funding source was withdrawn at the last minute.

In Pennsylvania and New Jersey, OSI's 2009 assessment of the



hundreds of thousands of acres in the Northern Forest, and its regrant initiative in northwestern Georgia helped attract additional money and land trust involvement to accelerate the conservation of almost 7,000 acres.

"More than once, OSI's expression of interest and commitment of financial resources for priority wildlife habitat projects has been

William Penn Foundation's land acquisition program is helping identify ways to focus and leverage capital in an era of diminished public and philanthropic resources. By trimming its focus areas and looking for other funding partners for fewer yet higher-profile transactions, the Foundation seeks to stretch its dollars and concentrate its impact.

A GIS mapping project that also began in 2009 is identifying critically vulnerable corridors of wildlife habitat in an 83,000-square-mile region stretching across seven southern Appalachian states. The mapping work, supported by the Wildlife Conservation Society, the Merck Family Fund, and the Lyndhurst Foundation, connects ecologically sensitive areas and determines which corridors wildlife traverse most often.

The project's findings will be integrated with the most recent climate change science, giving foundations like Lyndhurst the kind of cutting-edge information they need to direct their funding as effectively as possible.

"With OSI, Lyndhurst has been able to leverage its effectiveness and financial resources and to be more strategic in defining the geographic areas in which we work," Clark said. "We've been able to enhance our knowledge about local and regional conservation attributes and to make better investments in protecting biological hotspots and migratory corridors."

Wildlife was also the focus of a major habitat conservation program launched by OSI in 2009. Capitalized with a \$6 million grant from the Doris Duke Charitable Foundation, *Saving New England's Wildlife* is a program geared to protect the most important and imperiled wildlife habitat in Massachusetts, New Hampshire

support projects that educate policymakers and the public on the importance of habitat conservation, not just in maintaining the essential biodiversity of the New England region but in thwarting new threats, such as climate change, as well.

When James Levitt, director of the Program on Conservation Innovation at the Harvard Forest, Harvard University, convened a meeting of conservation intermediaries in Valdivia, Chile in early 2009, he invited Kim Elliman and Peter Howell of OSI to speak about conservation finance and the necessity of adapting old tools and creating new ones in an ever-changing economic climate. Elliman and Howell discussed the lessons OSI has learned, citing projects in North Carolina and New Hampshire that required keen insight and a thoughtful approach to the local landscape.

In 10 years of conservation finance, they said, OSI has dealt with a fluctuating market and emerged better prepared to expand its lending program. OSI's findings—captured in seven "lessons from the land"—are included in *Conservation Capital in the Americas*, a book that grew out of the Valdivia conference and features essays on the most effective practices and innovations in the field of conservation finance.

"OSI is one of the leading intermediaries in the country," said Levitt, also the editor of *Conservation Capital in the Americas*. "You



Open Space Institute Grant and Loan Funds

Transborder Land Protection Fund (TLPF) US & Canada Grants

Northern Forest Land Protection (NFLP)

Saving New England's Wildlife (SNEW) Capital and Amplification Grants

Western Massachusetts Land Protection Fund (WMLP) Loans and Grants

Northwest Georgia Land Protection Fund (NGLP) Grants

Southern Appalachian Loan Fund (SALF) Loans

and Maine.

Using state-drafted wildlife action plans, OSI identified 15 critical habitats in the three states in 2009, and, through *Saving New England's Wildlife*, will award a series of grants to assist local land trusts in the permanent preservation of tracts in each of the regions.

In addition, OSI is spending \$600,000 in grant funding to

can distinguish that by the range of its commitment—from the southern Appalachians up to Maine and into Canada—and also by the scope of what they do.

"OSI is not only doing projects on their own, but they're an important catalyst in helping other organizations create a consistent conservation approach across an area of concern."



Open Space Institute

2009 Conservation Finance Program Accomplishments

Loans and Grants from Maine to Georgia

New England

Windrush Farm, MA

The Trust for Public Land saved a 195-acre farm with a rare Atlantic white cedar bog that is prime wildlife habitat. The farm is also home to Windrush Farm Therapeutic Equitation, Inc.

Total cost: \$3,500,000
SNEW grant: \$300,000

Hoosac Range, MA

The Berkshire Natural Resources Council's project protected the last two parcels, totaling 132 acres, in a continuous forested corridor from scenic Route 2 to the Savoy State Forest.

Project cost: \$589,900
WMLP grant: \$98,400
SNEW grant: \$98,400

Ashburnham Reserve, MA

The Trustees of Reservations' multi-faceted project encompassed conservation easements on over 2,700 acres, protecting Blandings turtle habitat, City of Fitchburg water supply, working forest and farmland.

Project cost: \$3,485,000
WMLP grant: \$167,500
SNEW grant: \$167,500

Wiater Farm, MA

The Kestrel Trust protected a 12-acre farm in the 350-acre historic Great Meadow on the Connecticut River.

Project cost: \$525,000
WMLP loan: \$275,000
WMLP grant: \$5,000

BioMap 2, MA

A grant to the Massachusetts Department of Fish and Game to create and disseminate BioMap 2, which illustrates and maps statewide climate sensitive natural resources.

SNEW Amplification grant: \$50,000

The Conte National Fish & Wildlife Refuge, MA, NH

A grant to National Wildlife Refuge Association for coordinating a diverse coalition to secure funding for Conte National Wildlife Refuge along the Connecticut River in Massachusetts and New Hampshire.

SNEW Amplification grant: \$50,000

New England Cottontail Recovery Program, MA, NH, ME

The Wildlife Management Institute received a grant to build coalitions, secure funding, and protect habitat in Massachusetts, New Hampshire & Maine for the threatened New England cottontail.

SNEW Amplification grant: \$75,000

Finch, Pryn I, NY

A grant to The Nature Conservancy for protection of 161,000 acres, including Hudson River Gorge, Blue Ledges and OK Slip Falls, 90 mountains and 70 lakes and ponds.

Total cost: \$110,000,000
NFLP: \$625,000

Van Buren, ME

A grant to the Forest Society of Maine will provide for the stewardship of an easement on 760 acres of sustainably harvested forest in the St. John River Valley.

Total cost: \$250,000
TLPF grant: \$45,000

Highland Farm, ME

York Land Trust protected Highland Farm—a keystone 151 acres in the 48,000-acre Mount Agamenticus-to-the-sea Conservation Initiative and a critical New England cottontail restoration site.

Project cost: \$2,800,000
SNEW grant: \$118,000

Southern Appalachians

Land Trust for Little Tennessee, NC

A grant helped LTLT with endowment funding to support the long-term sustainability of their conservation program.

SALF grant: \$500,000

Rhyne Tract Little Yellow Mountain, NC

The Nature Conservancy's acquisition of 466 acres at the summit of Little Yellow Mountain is a valuable addition to the Greater Roan Highlands.

Total cost: \$4,400,000
SALF loan: \$1,200,000

Altamaha River Project, GA

A loan enabled The Nature Conservancy and the Georgia Land Conservation Program to protect 7,180 acres - adjacent to the Altamaha River.

Total cost: \$24,000,000
SALF loan: \$4,078,612

Corey-Miller Little River, GA

A grant to The Nature Conservancy for the protection of 572 wooded acres in Walker County.

Total cost: \$1,500,000
NGLP: \$430,000

Camp Adahi, GA

Lookout Mountain Conservancy received a grant for costs associated with conserving the 740-acre Girl Scout Camp Adahi situated on top of Lookout Mountain, an area indicated as high-priority under the Georgia State Wildlife Action Plan.

NGLP grant: \$5,000

Camp Lookout, GA

Georgia Land Trust received a grant for an 82-acre parcel located on top of Lookout Mountain that will provide a buffer to the Lula Lake Cloudland Canyon Connector Trail.

Total cost \$600,000
NGLP grant: \$21,000

Georgia Land Trust, GA

A grant to the Georgia Land Trust endowment will help support conservation easements that provide protection to 457 acres.

Total cost: \$5,422,000
NGLP grant: \$110,000



OSI Shares a Vision for National Conservation

Creating Resources for the Land and Water Conservation Fund



As development, oil and gas exploration, and other activities deplete our natural resources, the federal government's Land and Water Conservation Fund (LWCF) serves—in theory—to fund the conservation of natural areas and resources, balancing extraction with preservation.

LWCF was created from a variety of funding sources in 1965 as a means of preserving America's vast recreational and scenic open spaces. It was bolstered with significantly stronger purchasing power three years later, when Congress decreed that revenues from offshore oil and gas drilling be deposited into the newly conceived fund. Finally, in 1977, another congressional act mandated that LWCF be funded with \$900 million each year.

Today, despite inflation, funding still stands at the \$900 million mark. Worse, full funding has rarely materialized, as LWCF's land acquisition funds have nearly every year been "borrowed" to cover shortfalls in the federal budget. Instead, LWCF funding has hovered around \$300 million to \$400 million for many years, constraining open space preservation agendas.

In 2009, the Open Space Institute took great strides toward reversing that trend by creating the Outdoors America

Campaign, a Washington, D.C.-based effort that advocates for a fully funded LWCF.

OSI's versatile approach to land protection qualifies it as a funding advocate in a unique way. Not only has OSI protected more than 100,000 acres in New York State, but through 10 years of making loans and grants it has also gained a broad perspective on a wide range of conservation activity up and down the East Coast. Its well-respected research arm offers objective analysis that helps set initiatives in motion to explore new streams of funding and creative solutions to complex conservation issues.

"I have always thought of the Open Space Institute as being visionary in its approach," said Bill Meadows, president of The Wilderness Society, another organization dedicated to full funding of the LWCF. "It looks for opportunities, but more importantly than that, it creates opportunities."

With a commitment from the current administration for a fully funded LWCF by 2014, if not before, there's optimism on Capitol Hill these days that momentum is building for the kind of far-reaching conservation needed to protect fragile ecosystems from the effects of climate change and other threats. And increased funding for conservation means more opportunities for effective projects like the protection of Sterling Forest, where OSI in 1997 helped The Trust for Public Land acquire 17,000 acres in a highly publicized transaction that protected drinking water supplies for millions of people in New York and New Jersey.

The project, which utilized LWCF funding, among other sources, was lauded throughout the environmental community as a model for complex, well-reasoned conservation.

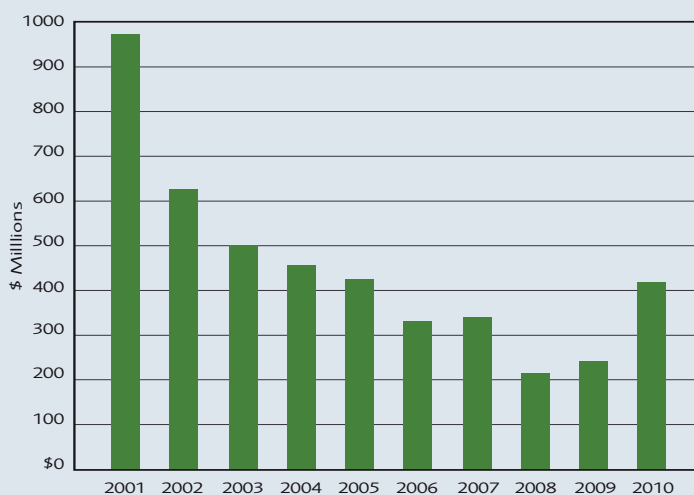
"When the dollars are there, that's when we can be visionaries, both in landscape-scale conservation and in the provision of 21st century recreational facilities," said Carol Ash, the commissioner of the New York State Office of Parks, Recreation and Historic Preservation, a partner in the Sterling Forest acquisition.

Expanding the pool of federal funding can also create a domino effect on funding sources at the state and local levels and from within the private sector. With OSI's proven track record of skillfully piecing together complicated land protection agendas using multiple inputs, Meadows said, OSI projects become more attractive to funders, and dollars, in turn, create more dollars.

"If your projects are built on collaborative funding, as OSI's often have been," he said, "you end up with better projects and a greater impact. I think OSI has been uniquely good at putting those kinds of projects together."

"From a funding agency's perspective," he said, "it's really powerful when you can tell that story."

LWCF Appropriations 2001- 2010



Over the last decade, significant portions of the LWCF have been diverted to other programs such as Fish and Wildlife and Forest service programs, Forest Service Historic Preservation, FWS State and Forest Wildlife Grants.



The Big Picture

OSI Forges Ahead to Create an
Evergreen Corridor in New York
Between the Shawangunks and Catskills



Emerging at the northern end of a long mountain range that runs from Virginia to New York, the majestic Shawangunk Ridge supports rare and diverse plants and wildlife. A short distance from the Shawangunks, across Rondout Creek and several acres of open, flat farmland, the landscape steps back up into the Catskills, a 6,000-square-mile mountain range whose greatest resource may be its water supply.

The Shawangunks and the Catskills are separated by mere miles. OSI's vision is to connect these two important ecosystems with all their biological and recreational values, creating an evergreen corridor of conserved land stretching across central New York State.

THE SHAWANGUNKS

The Shawangunk Ridge is an alpine ecosystem with extensive pitch pine barrens as well as the largest intact chestnut oak forest in New York State. Its 50-mile span is a major East Coast flyway for migratory birds, and its forests provide habitat for bobcats, black bears, timber rattlesnakes, and more than 200 species of nesting birds.

It is also a mecca for rock climbers and hikers. Its sheer cliffs

enhance one of the Shawangunk region's most beloved, and well-traveled, recreational assets.

Extending the Wallkill Valley Rail Trail by more than 11 miles—nearly doubling its length—the partners created a 23.7-mile thruway for hikers, bicyclists, and walkers seeking a path between the Ulster County towns of Gardiner and Rosendale. The two groups acquired approximately 65 acres of the former Wallkill Valley Railroad, including the iconic 940-foot-long railroad trestle that towers over the Rondout Creek in Rosendale.

The trestle was constructed in 1895 and connects the Shawangunk Ridge to the Binnewater Lakes region. Now that it is protected, OSI and WVLT are raising money for improvements that will enhance it for public use.

"Every day I see people out there enjoying the trail," said Christie Ferguson, the executive director of WVLT. "This extension project was not only a great model of collaboration between nonprofits, volunteer groups and government agencies; it's been an economic boon for the people in these communities."

For the thousands of users it attracts each year, the trail offers incredible views of farmland and open fields as it meanders through the towns of Gardiner, New Paltz, Rosendale and Ulster,



challenge even the best climbers and reward those who reach their summits with spectacular views of the Hudson River valley.

For more than two decades, OSI has been active in the "Gunks," protecting nearly 27,000 acres and ensuring the long-term health of the region and its innumerable benefits for all New Yorkers and visitors to the Empire State. In August 2009, OSI teamed up with the Wallkill Valley Land Trust (WVLT) to

and on to Kingston.

Working steadily over the years, OSI is also gradually assembling one of the largest nature preserves in the Hudson River valley on the highest reaches of the Shawangunk Ridge. The Sam's Point Preserve, as it is now known, protects thousands of acres of pristine ridge-top land and pumps vital tourist dollars into local economies every year.

In April 2009, OSI acquired 32 additional acres of undeveloped land on the eastern side of the ridge, inching toward its goal of a 7,500-acre preserve. Consisting of two separate purchases from two of the preserve's neighbors, the parcels protect the headwaters of the Verkeederkill Stream and the eastern escarpment of the ridge as it looks out over the town of Shawangunk.

Tens of thousands of people visit the Sam's Point Preserve each year for the recreational opportunities it affords, including hiking, cross-country skiing, and hunting. OSI's acquisitions protect scenic views from the hiking trail to Verkeederkill Falls and contain extensive rock-walled crevices, slab rock, and stands of pitch pines.

"The big picture here is that we started assembling the Sam's Point Preserve in 1991, and through 10 subsequent acquisitions, it's grown to about 5,700 acres," said Joe Martens, OSI's president. "We've kept adding to it over the years, and we think in the next 15 to 20 years this is going to be one of the flagship preserves of the Hudson River valley."

On either side of the Shawangunk ridge, extending from the banks of the Wallkill River and Rondout Creek, lie some of the most fertile soils in New York State. These valleys—the

in Ulster County, is a 149-acre operation on which OSI and its partners acquired a conservation easement in May 2009. With its protection, OSI has now helped preserve 18 farms and nearly 3,000 acres in nine separate towns in the two valleys.

THE CATSKILLS

By protecting open space throughout the Catskills and the rest of its watershed, the New York City Department of Environmental Protection—with the help of OSI and other conservation groups—has been able to maintain the purity of the city's water supply. Today those protected lands act as buffers, keeping pollutants away from water sources and giving 9 million people in New York City and surrounding counties the largest unfiltered surface water supply in the world. The Catskills also attract more than a million visitors each year who contribute to the local economy.

One of the region's most stalwart defenders is Catskill Mountainkeeper, an organization sponsored by OSI's Citizen Action Program. In 2006 Mountainkeeper played a vital role in blocking the development of traffic-generating gambling casinos, and in 2009 it was on the front lines of the fight against natural



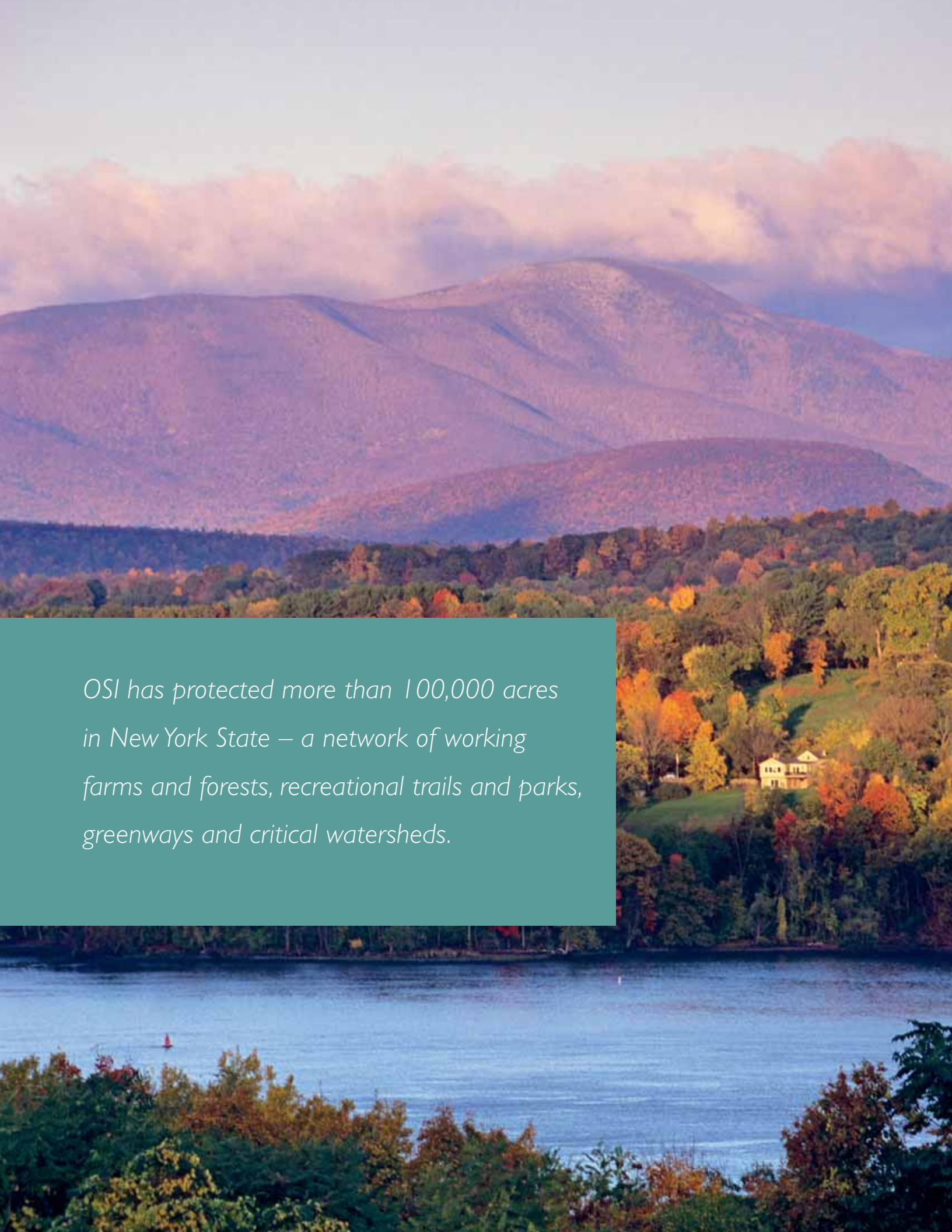
inspiration for OSI's ongoing "A Ridge and Two Valleys" campaign—are vibrant farming communities. The Davenport vegetable farm, Paul's sweet corn operation, and now OSI's latest agricultural preservation success, the Domino dairy, are just a few of the farms that dot the valley landscapes and provide healthful, close-to-home food for many New Yorkers.

The 55-year-old Domino farm, one of only four active dairies

gas drilling, a serious threat to the state's water supplies.

On its own, OSI has conserved upwards of 20,000 acres of watershed land in the Catskills. The 2000 purchase of Lundy Estate, which alone accounts for 5,400 acres, protects much of the corridor between the Catskills and the Shawangunk Ridge. Now, OSI is working to close the gap.

above, left: Catskill Mountains Forest Preserve, NY; *photo:* Carl Heilman II; *above, right:* Lundy Estate, NY; *photo:* Brett Cole; *opposite:* Hudson River and the Catskills from Town of Hudson, NY; *photo:* Carl Heilman II.

A scenic landscape photograph showing a calm lake in the foreground, a dense forest of trees with vibrant autumn foliage (yellows, oranges, and reds) on the middle ground, and a range of mountains in the background under a sky with soft, pinkish clouds. A small white house is visible on a hillside in the middle ground. A small red boat is on the lake. The text is overlaid on a teal rectangular background on the left side of the image.

*OSI has protected more than 100,000 acres
in New York State – a network of working
farms and forests, recreational trails and parks,
greenways and critical watersheds.*



Open Space Institute 2009 New York Land Program Accomplishments

Adirondacks & Capitol Region

In 2009, OSI protected 2,437 acres in New York State through direct land acquisition and conservation easements, including working farms, recreational trails and greenways, and critical watersheds.

Baldface Mountain Preserve (Johanson)

OSI placed an easement on a 1,400-acre working forest in the Adirondack Park, including land on Pokamoonshine Mountain, a favored destination for rock climbers.

1,401 acres
Essex County

Kinderhook National Historic Site Addition

65 acres were added to adjoining Lindenwald and the Martin Van Buren National Historic Site in the town of Kinderhook, preserving the historic character of the site.

65.55 acres
Columbia County



Rondout & Wallkill Farmland

Domino Farm

An agricultural easement on the 149-acre Domino Farm, one of the few remaining dairy farms in Ulster County, will allow owners to expand operations and protects scenic views of the Shawangunks.

149.07 acres
Ulster County

Sprucegate Farm

112 acres are conserved with an agricultural easement on this dairy farm protecting 2,100 feet of frontage on the Wallkill River and 15 acres of NYS DEC designated wetlands. This was accomplished with an NYS PDR grant.

112.85 acres
Orange County

Glen Haven Farm

An agricultural easement protects a 100-acre farm which raises prize-winning Scottish Highland Cattle and orchids in Orange County, and it was a NYS PDR grant recipient.

112.84 acres
Orange County

Vellenga Farm

An agricultural easement on 100 acres preserves one of the largest dairy operations in Orange County.

101.9 acres
Orange County



Catskills

Beaverkill Additions

OSI acquired 67 acres of land highly vulnerable to development and a conservation easement on 31 acres which serves as a buffer to state land along the Beaverkill River.

98.8 acres

Sullivan County

DEP Catskill Watershed

OSI acquired almost 200 acres in the Catskill/Delaware Watershed to help keep New York City's drinking water clean and unfiltered.

198.52 acres

Delaware County



Shawangunk Greenway

Verkeerderkill Falls

Two parcels totalling 32 acres add to the total goal of a 7,500-acre Sam's Point Preserve.

31.57 acres

Ulster County

Humpo Wetlands – Palmateer

Together with the town of New Paltz, OSI acquired a conservation easement that will protect 52 acres of open fields, meadows and wildlife habitat in the scenic Ulster County town.

52 acres

Ulster County

Undercliff House

The land is adjacent to the Mohonk Preserve's Trapps Gateway Visitor Center and will be used as an educational "children's forest."

0.54 acres

Ulster County

Shawangunk State Forest – Hershenhart

A donation of more than 50 acres of land, part of the historic Crystal Springs Farm, protects the western escarpment of the Shawangunk Ridge.

53.27 acres

Sullivan County

Wallkill Valley Rail Trail

The purchase of 11.5 miles of railroad bed (65 acres), in the towns of Rosendale and Ulster, links over 85 miles of the rail trail in the Rondout and Wallkill valleys, for hiking, biking and cross-country skiing.

28.97 acres

Ulster County

Bonticou – Giant's Ledges

Part of a prominent geological feature known as the "Giant's Ledges," these 30 acres connect the Mohonk Preserve with the Wallkill Valley Rail Trail.

29.38 acres

Ulster County

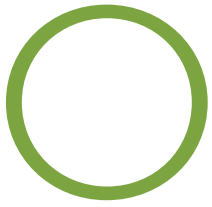
photos: Carl Heilman II
Shawangunk: Brett Cole



Seeing the Forest for the Trees

The Future of Timberland Investment





ver the past two decades, forestland ownership in the United States has changed dramatically as Wall Street players have entered the business of growing trees.

Today, an increasing amount of forestland is owned by timber investment management organizations (TIMOs) and real estate investment trusts (REITs), vehicles through which institutions and private investors can purchase forest ownership shares. The emergence of the TIMO and REIT ownership models represents a significant shift from just 20 to 25 years ago, when most U.S. forests were owned by forest products companies.

The Open Space Institute began work in 2009 on a landmark report that will inventory TIMO- and REIT-owned forestlands in the eastern United States. With this study, OSI plans to encourage dialogue among landowners, communities, nonprofits, and policymakers about promising strategies to maintain forests as forests in the face of pressure for their conversion to other uses.

Gathering information from 30 TIMOs and REITs currently holding a total of 38 million acres, OSI researchers are examining the challenges these landowners face and analyzing potential trends that could lead to the sale of their lands. Similar studies

properties as stable, long-term “production centers” for the raw materials used to make lumber and paper products. In contrast, the goal of TIMOs and REITs—which hold an estimated 45 million to 50 million acres nationwide—is to generate returns over a short period for investors. For some TIMOs and REITs, the highest returns come not from managing land for timber but from selling land for a profit, in some cases as quickly as seven to 10 years after acquisition. The return on the investment can come at a cost to natural or ecological values, such as water quality and biodiversity.

“The upshot of all this is that the investment companies are dealing with a very different set of decisions than the previous owners were,” said Paul Trianosky, the director of forest conservation for the east division of The Nature Conservancy, and a member of the advisory committee OSI formed for the study. “They’re now beholden to their investors and their shareholders and have to make decisions based on maximizing profits.”

Selling land for the highest dollar value often requires subdividing a property into smaller parcels that fetch a higher per-acre price. The result is forest fragmentation. OSI’s past research—conducted in the Mahoosuc region of Maine and New Hampshire—found that after 20 years of rapid-fire sales and

have identified forestland conservation priorities, but OSI is taking the critical next step by reaching out to the landowners themselves. As the potential for selloffs increases, OSI is providing the conservation community, landowners, funding agencies, and policymakers with the information they need to make informed decisions about the future of U.S. forestland.

In the past, forest products companies managed their

resales, the average forest holding in that region had decreased from 100,000 acres two decades ago to around 13,000 acres today.

“We knew what the motives were for the old owners, but those same things aren’t true with the new owners,” said Carlton Owen, the president and CEO of the U.S. Endowment for Forestry and Communities, and also a study advisor. “It’s not good or bad, it’s just a different model.”

Yet much is at stake. Large, privately owned forests bring irreplaceable value to the public by removing carbon from the air, safeguarding water quality, supporting local economies, and preserving wildlife habitat and recreational areas. But as owners' holdings get smaller, the likelihood increases that isolated parcels will be developed, threatening water quality and other public values. In the past 20 years, for instance, 7 percent of the forestland base in the Mahoosuc has been developed.

Recent trends suggest that land sales and forest fragmentation could continue nationwide. In 2006, 10 million acres of timberland changed hands across the country. Although sales have slowed over the past two years, based on historical averages, as many as 50 million to 60 million forestland acres could ultimately change hands over the next 10 years.

OSI's report, by identifying the location of these lands and their natural resource values, defines the critical opportunity that TIMOs and REITs have for protecting these values, creating and retaining jobs, and providing wood products. It also sets the stage for the development of new incentives that could help landowners and conservationists work together to ensure that America's forests remain forests.

"OSI's study is important," Trianosky said, "from the

The report will also identify the different motivations that drive the decisions being made by new forest owners.

"The value of this study to us is that the meaning of TIMO ownership will now become much more open to the world that's interested in forests and conservation," said Michael Kelly, president of Forest Investment Associates (FIA).

FIA, a TIMO headquartered in Atlanta, manages around 2 million acres of timberland in 16 states, primarily in the Southeast. Some of its forest holdings, Kelly said, have not changed hands in the 24 years FIA has been in business. Other holdings, such as those near major metropolitan centers like Atlanta and Charlotte, have been sold as those cities swell outward, but by and large, he said, FIA does not purchase forests with the intent of selling them.

Indeed, not all TIMOs and REITs are the same. Each company faces different pressures that dictate how its holdings are managed. But by hearing from all the key players in a spirit of inclusion, not exclusion, OSI intends to analyze more information on a greater scale to stimulate the creation of new funding streams, initiatives, and incentives to protect our forests before they are fragmented further.

Years from now, Owen said, that spirit of inclusion may stand



standpoint that the conservation community hasn't reconfigured itself to meet this new challenge. When we see isolated opportunities for conservation, we're usually able to get our ducks in a row pretty quickly, but now that's not enough.

"This study is going to help lay out the opportunities and the landscape, so hopefully the conservation community can become more proactive and more knowledgeable for meeting these challenges."

out as the greatest effect of OSI's study.

"When I was in forestry school," he said, "I never met a person whose only goal was to make a profit and destroy the environment. Not one. So, when we start looking at each other and asking, 'What can we do together?' then it becomes a whole different conversation.

"OSI brings that to the conversation."



FORESTLAND OWNERSHIP GLOSSARY

- **TIMOs:** (Timber investment management organizations) Private corporations that buy, sell and manage forestland for large capital investors. Principal investors are pension funds and endowments.
- **REITs:** (Real estate investment trusts) Publicly traded companies that own timberland. Individual investors can purchase shares in a REIT on the stock market.
- **Forest product companies:** Many large U.S. forests were owned and managed by companies that manufactured forest products such as lumber and papers.
- **Public values:** A term for the benefits, such as recreational opportunities, jobs and ecological diversity, that large, intact forests provide to the public.
- **Forest fragmentation:** Because smaller parcels often get a higher price, land is in many cases divided before being sold. As the frequency of land sales has increased, forestland ownerships have become more divided, or fragmented, which increases the potential for disruption of ecosystems.

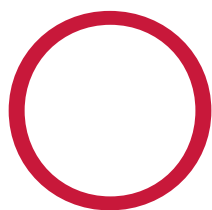




Sunrise on Sunset Ridge

A Community Group Saves Pristine Lands From Development in Shawangunks





ne of Citizen Action's greatest success stories in 2009 came from the Sunset Ridge Coalition, which helped persuade—after eight long years of educating and mobilizing its community—a real estate developer

to forgo plans for a 140-home residential subdivision in picturesque New Paltz, New York. Instead, the developer granted an option to the town to purchase the property for use as a public nature preserve.

The development was to have been built on 62 acres in the Sunset Ridge community, in the shadow of the Shawangunk Mountains, and adjacent to a town elementary school.

“They were going to destroy pristine undeveloped land for a project that would have had a devastating effect on the character of the community, the environment and the health and safety of school children and local residents,” said Magdalena Ramirez, the president of the Coalition.

Ramirez said that she and other area residents knew eight years ago that they had their work cut out for them, but they felt strongly about preserving the integrity of their community

and the local environment. So they went to town meetings, wrote letters to the editor and did everything they could to raise awareness about the issues—wetlands that would be contaminated by the construction, school children who would see a housing development crop up right next to their school, among others.

Their efforts paid off, as local residents rallied at critical points by showing up en masse at public hearings. The school board eventually took action as well, raising a number of environmental and economic concerns with the potential development.

The Sunset Ridge Coalition joined OSI's Citizen Action Program in March of 2009 for help organizing and fundraising around its cause, and for the recognition and credibility OSI's name lent the citizen group.

Early in 2010, the developer withdrew construction plans, opening the door for the town to take over the property. For the people living in the Sunset Ridge community, the end result was a dream come true eight years in the making.

“It's like a Cinderella story,” Ramirez said. “I almost didn't believe it was happening.”

Citizen Action Program

In 2009, 19 new organizations joined OSI's Citizen Action Program, an initiative that helps community-based groups get off the ground. OSI's assistance allows the groups to focus their energy on substantive, mission-related work, leaving the administration and accounting to OSI.

Citizen Action Groups

93rd/94th St. Preservation Alliance
Abingdon Square Alliance
AFFIRM, Inc.
Butterfly Project
Catskill Mountainkeeper
Citizens for a Better Canada Lake

Coalition for the Responsible Growth of Dover
Concerned Citizens for Open Space, Inc.
Duel Hollow Conservation Association
Earth Matter NY

East 5th St. Beautification Project
Friends for a Better Amenia
Friends of Bleeker Playground
Friends of Catskill Park
Friends of the Housatonic

Germantown Neighbors Association
Greendeeds
Green Edge Collaborative
Green Spaces Innovation Institute
Grounded Knowledge
Hudson River Valley Wine & Culinary Center
Hudson River Watershed Alliance
Kensho Community InfrastructureUSA
Lithgow Association
Millbrook Matters
No Time to Lose
Oblong Valley Association
Philipstown Citizens Alliance
Preserve Salisbury
Protect the Village Historic District
Quaker Hill Civic Association
Rego Park Green Alliance
Rivers Alive at Wall Street
Roaring Brook Lake Project

Saugerties Citizens for Smart Development
Science Partners Learning about Animals of the Sound and Hudson (SPLASH)
Sensible Wireless for Gardiner
Stand for Land
Stewardship + Environmental Mapping (StEM)
Stewart Park and Reserve Coalition (SPARC)
Sunset Ridge Coalition
Sustainability Practice Network
Sustainable Flatbush
TARGET Tuxedo Inc.
Thomson-Clarks Mills Residents Committee for a RiverFront Heritage Corridor Park
Turf
Union Square Park Native Plant Display Garden

above: From Skytop tower a view of New Paltz, NY; photo: Katy Silberger; inset and bottom: Recycling and composting community event; photos: Earth Matter NY.

The Open Space Institute 2009 Financial Report

In 2009, OSI invested \$17.2 million in land protection projects. OSI acquired nine properties and nine conservation easements in New York State totaling 2,500 acres at a cost of \$4.8 million, and made capital improvements costing over \$400,000 on its properties. OSI also made 25 loans and grants totaling \$12 million to help protect 12,600 acres in New York State, Massachusetts, Maine, North Carolina, and Georgia.

In 2009, OSI sold 15 properties and easements amounting to 1,031 acres valued at approximately \$3.4 million to the state of New York and private conservation buyers.

Between 2008 and 2009, operating expenses decreased from \$10.1 million to \$7.9 million as OSI cut back on professional fees, property maintenance, travel, and communications expenses in response to the changing economic environment.

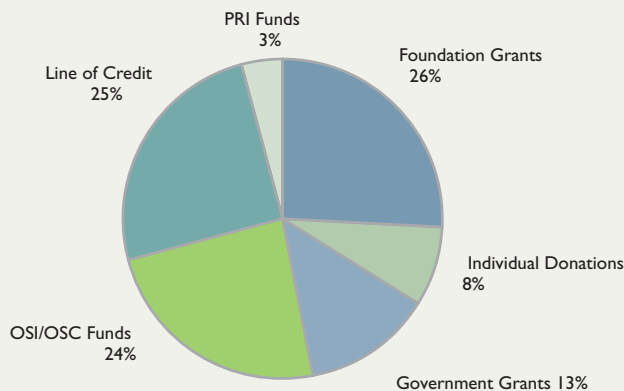
As of December 31, 2009, OSI's total assets were \$240.1 million, up from \$232.7 million in 2008. Net assets increased by \$19.9 million to \$205.5 million due primarily to favorable investment returns. OSI had loans receivable valued at \$27.8 million from other nonprofits. OSI holds \$36.0 million in real estate purchased for conservation purposes, and other assets

totaled \$7.8 million. OSI's liabilities of \$34.6 million were primarily loans payable for conservation transactions.

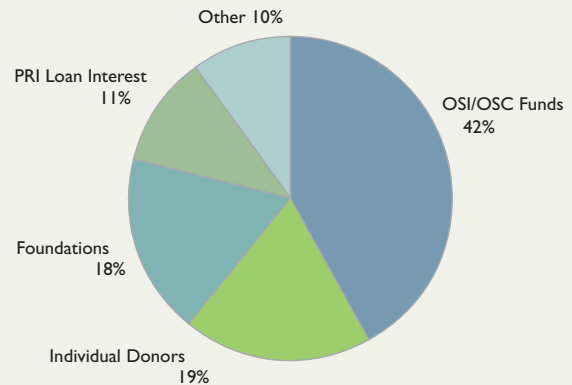
A committee of OSI's Board, working with an independent investment consulting firm, oversees its investment assets, which are managed by 23 outside investment firms. Overall investment return for 2009 was 16.7 percent. Over the past five years, OSI's endowment has generated compound average returns of 3.1 percent per year (versus compound average returns of 0.4 percent for the S&P). Over the same period, the endowment contributed \$32.3 million to program activities.

Please note: This financial information includes activities of both the Open Space Institute and the Open Space Conservancy, the land acquisition affiliate of OSI. In the interest of a timely annual report, this analysis was prepared before the 2009 Audited Financial Statements were completed. Please contact OSI if you would like to receive our final audited numbers.

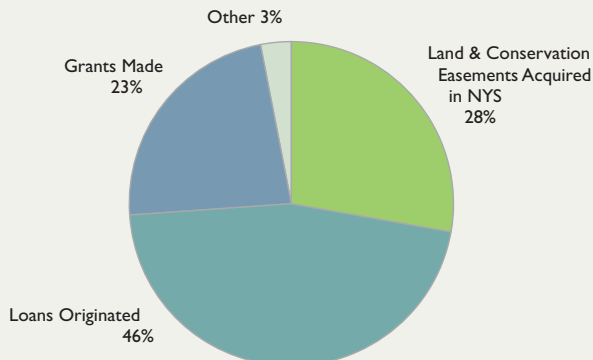
Source of Capital Funds
\$17,170,827



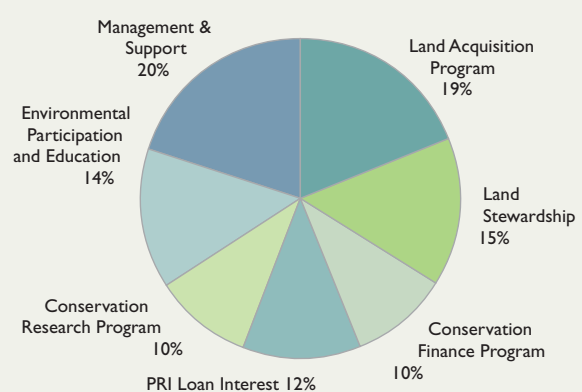
Operating Revenue
\$7,852,525



Capital Allocations
\$17,170,827



Operating Expenses*
\$7,852,525



*Excludes non-cash charges



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A significant portion of our land conservation work is made possible by the Lila Acheson and Dewitt Wallace Endowment, a permanent endowment which was transferred to the Open Space Conservancy in 2001 from the Lila Acheson and Dewitt Wallace Fund for the Hudson Highlands.

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LYS MCLAUGHLIN



When Lys McLaughlin discusses conservation, the emotion with which she speaks ratchets up immediately as she describes the land she roamed in Maine as a child and now relishes, perhaps even more, four years into retirement.

"I love land; it's been a passion of mine ever since I can remember," she says.

"It breaks my heart to see

buildings going up everywhere."

Born and raised in New York, where nature can sometimes be an afterthought, it's easy to tell that McLaughlin's heart has always been with her family's property in Lincolnville, Maine. It was there she spent summers as a child, exploring the fields and forest that surround a 90-acre lake at the heart of the property.

In 2006, she retired after 30 years with the Council on the Environment in New York City (CENYC—now known as GrowNYC), and now she spends most of her time in Lincolnville, where conservation easements allowing farming and forestry protect the family property.

McLaughlin's connection with OSI dates back to childhood as well. She recalls spending time as a child and young adult in Sterling Forest, the critical link in the New York-New Jersey Highlands that OSI and The Trust for Public Land helped permanently protect in 1997.

"I was thrilled with the role OSI played in protecting Sterling Forest," she said. "That was another area I treasured as a child."

As director of CENYC, she was instrumental in the growth of the New York City Greenmarket, a network of farmer's markets that is one of the nation's largest and regularly features fresh-grown produce from farms OSI has helped protect in New York's Hudson River Valley. Her work at CENYC also led to the establishment of community gardens in New York City, environmental education in public schools, and the design of waste prevention systems for businesses and other institutions.

An ardent supporter of the intersection between working farms and conservation, McLaughlin has brought energy and enthusiasm to OSI's farmland preservation work.

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FORREST BERKLEY



For 20 years Forrest Berkley worked as a money manager, spending long hours overseeing finances for hundreds of clients. Berkley retired in 2005, yet he still admits to lying awake at night worrying about what has become his second career: land conservation.

In addition to his support of the Open Space Institute, Berkley sits on the boards of

the Maine Coast Heritage Trust, Appalachian Mountain Club and Butler Conservation Foundation, and given his financial acumen, he's well aware that there's just not enough money to protect all the land that's out there.

"With the resources we have," he says, "we have to spend our money wisely, and in a leveraged way. We have to think, 'was this the best possible use of our money?'"

"That's the issue that keeps me awake at night."

That quandary led Berkley to organizations like OSI that affect conservation on a broad scale. He cites OSI's analysis of the Plum Creek development proposal in central Maine as an example. Not only did OSI give the Maine Land Use Regulatory Commission the insight it needed to make a balanced decision regarding conservation and development in Maine's Northern Forest; it also set a precedent for smart growth that can be applied all over the country.

And while OSI's highly leveraged Conservation Finance Program supports land protection up and down the East Coast, he said, the organization's research arm simultaneously influences public policy and ultimately conservation funding on a national scale.

"That's what is so intriguing about OSI," Berkley said. "It's essentially a nonprofit investment bank for the conservation community that provides intellectual and financial capital to confront the most important issues of the day."

"In a hundred years, it won't be whether or not each of us chose to donate to protect our individual quaint local views, but rather the unique visionary initiatives which only OSI is undertaking that will make all of the difference."

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THOMAS NOZKOWSKI



Although it's not always evident to the untrained eye, internationally renowned painter Thomas Nozkowski often remembers his childhood on an Orange County dairy farm when putting paintbrush to canvas.

Nozkowski says that his childhood, spent partially on the Chester, New York farm, inspired many of his paintings—untitled but often pointed reflections of the real world that feature abstract figures amid sometimes incongruent shapes and colors.

"All of my paintings come from something I saw or something I experienced," he said. "They're not limited necessarily to grand things but also to the more simple parts of one's life. To some extent my paintings are about showing those elements that I found visually and intellectually compelling."

After some time away, Nozkowski moved back as an adult to the Hudson River Valley in 1977. There he became aware of the Open Space Institute and the other conservation organizations in the region, largely by foot.

For years he has walked and hiked throughout the Shawangunk Mountains of Ulster County, pausing as the sunlight reflects just so on a moving creek, or as a strand of color jumps out at him from a distant landscape.

Much has changed in the Shawangunks since Nozkowski's childhood, and for the last quarter-century he has been a strong supporter of OSI's efforts to protect those same landscapes that have charmed him over the years.

"The environmental organizations in the Hudson Valley are not only doing good work, they're doing essential work," he said. "Things have changed a lot, and now it's really a matter of protecting the things that are really precious and valuable."

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The Open Space Institute presents the Barnabas McHenry Hudson River Valley Awards to three outstanding students each year to honor Trustee Barnabas McHenry. With the interest from the Barnabas McHenry Endowment Fund, established by OSI in 2007, the awards match ambitious student leaders with meaningful service projects submitted by nonprofit organizations in the fields of environmental conservation, historic preservation and the arts.

In 2009, Melissa Kay Oles Gavilanes received the McHenry Award for the arts and assisted the Thomas Cole National Historic Site with the development of family education programs designed to foster greater appreciation for the cultural heritage of the Hudson Valley. Matthew Shook received the award for historic preservation and worked with the Friends of the Palisades Parks Conservancy to create a curriculum that gave Sterling Park patrons insight into the land use history of the Lakeville-Ironworks Trail and the environmental effects of iron production. Jesse Catalano helped a coalition of local nonprofits in Bedford, NY develop a Climate Action Plan that town officials ultimately adopted as their guide for reducing greenhouse gas emissions by 20 percent over the next decade. Catalano helped distill their environmental summit into a website and "Summit in a Box" a how-to guide that's being distributed nationwide.



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For more information, please contact: Tally Blumberg, Vice President External Affairs, at 212.290.8200, ext. 228.



Open Space Institute

1350 Broadway, Suite 201 New York, NY 10018-7799
Tel: 212.290.8200 Fax: 212.244.3441 www.osiny.org

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Open Space Institute

1350 Broadway, Suite 201 New York, NY 10018-7799

Tel: 212.290.8200 Fax: 212.244.3441

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