

EXHIBIT 8

Carolina Mountain Land Conservancy

Worksheet Calculating the Costs of Stewardship and Defense of a Conservation Easement and the Endowment Needed to Support It

Line numbers and column letters have been left in to aid in tracking the formulas if desired.

Laurel Mountain Preserve 170+/- acres

A. Assumptions

Commentary: The numbers in Section A are designed specifically for this easement and are called the assumptions. These assumptions are estimates drawn from CMLC experience.

1. Staff and Overhead Costs

Hourly cost for Stewardship Coordinator	\$40.00
Hourly cost for Stewardship Assistant	\$20.00

2. Travel Costs for a Site Visit

Reimbursement per mile (per IRS guidelines)	\$0.405
Average miles for a round trip (office to property and return)	50

3. Monitoring Costs

Hard costs	
Aerial monitoring (plane rental, gas)	\$20.00
Film purchase and developing costs, or digital camera printing	\$16.00
Cost of annual supplies (mailing, printing, postage)	\$5.00
Average long distance telephone costs/year	\$4.00
Staff time for Monitoring	
Average pre-monitoring time (include contacting landowners during year)	3
Average time spent monitoring on the site (not traveling)	6
Average post-monitoring time	3

4. Frequency of Exercise of Reserved Rights, Management Plan updates etc.

How often will reserved rights be exercised in a 10 year period?	1
Therefore the likelihood of exercise of reserved rights in any one year is:	10%
Average staff hours needed for exercise of reserved rights per time	10
Number of site visits required to review change per time	1

5. Easement Violations

Negotiations prior to obtaining counsel	
How often will negotiations be anticipated in a 20 year period?	1
Therefore likelihood of negotiations in any one year period is:	5%
Average staff hours needed for negotiations to head off violation	20
Number of site visits required to head off (stop) a violation	1

6. Costs of defending an easement

Commentary: These numbers are estimates. See Section F below for explanation.

Staff time needed to defend an easement	60
Costs of obtaining legal counsel	\$50,000.00
Additional costs (e.g. expert witnesses etc.)	\$5,000.00

7. Endowment Assumptions

Commentary: The derivation of these numbers is shown on the last page of this spreadsheet.

Average rate of return on endowment investments (2000-2004)	6.5%
Average inflation rate (1985-2004)	3.0%
Therefore the rate of return less the inflation rate is:	3.5%

B. Formulas

Commentary: The following computations are used to calculate the overall expenses for certain rates or activities used in the final calculation. Assumptions from Section A above are used in the formulas.

1. Hourly staff rate (including overhead)

Hourly rate for Stewardship Coordinator	\$40.00
Hourly rate for Stewardship Assistant	\$20.00
Total: Hourly staff rate	\$60.00

2. Travel Costs for Each Site Visit

Commentary: Only those costs associated with traveling to and from an easement have been calculated here.

Mileage reimbursement: mileage x reimbursement rate	\$20.25
Total: Travel Costs for Each Site Visit	

C. Annual Expenses

Commentary: The following expenses add up to the annual cost of monitoring an easement. Please refer back to the assumptions in Section A or the formulas in Section B for clarification.

1. Annual Monitoring Expenses

Pre-monitoring staff costs: hourly staff rate x staff time needed	\$180.00
Monitoring staff costs: hourly staff rate x staff time needed	\$360.00
Monitoring: hard costs	\$45.00
Post-monitoring staff costs: hourly staff rate x staff time needed	\$180.00
Travel costs for each site visit (see formula #2 above)	\$20.25
Total Annual Monitoring Expenses	\$785.25

2. Per Year Cost of Exercise of Reserved Rights

Staff costs: hourly staff rate x hours needed	\$600.00
Travel costs for each site visit (see formula #2 above)	\$20.25
Costs of exercise of reserved right every 10 years	\$620.25
x percentage likelihood of right being exercised within 10 years	10%
Total: Per year cost of exercise of reserved right	\$62.03

3. Per Year Cost of Negotiations Over Violations:

Staff costs: hourly staff rate x hours needed	\$1,200.00
Travel costs for each site visit (see formula #2 above)	\$20.25
Cost of negotiations over violations every 20 years	\$1,220.25
x percentage likelihood of negotiations within 20 years	5%
Total: Per year cost of negotiations	\$61.01

Total Annual Expenses	\$908.29
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D. Endowment Needed to Fund Annual Expenses

Commentary: The following calculation gives the size of the endowment necessary to spin off enough interest to pay for the annual monitoring costs and reinvest sufficient monies so the endowment will grow sufficiently to compensate for the effects of inflation.

Assume that a secure investment will produce 5% in interest each year. In this example, you receive 2% interest to fund your monitoring program. The remaining 3% interest will be put back into your investments in order to compensate for the historical effects of inflation.

Total Annual Costs (see above)	\$908.29
divided by the difference between Treasury Bond rate and the interest rate (see assumption above where 2% = .02)	<u>0.035</u>
Total: Endowment Needed	\$25,951.07

E. Easement Identification and Boundary Delineation

Commentary: This assumes one 4" diameter boundary sign, at a cost of \$0.70 each, posted at 50 foot intervals along an average perimeter of 12,000 feet requiring 6 hours of staff time.

Staff costs: hourly staff rate x hours needed	\$360.00
Signs: cost per sign x # signs needed	\$168.00
Total Boundary Delineation Costs	\$528.00
CMLC "Conserved Property" sign (12" x 18")	\$20.00
Total: Easement identification and boundary delineation	\$548.00

F. Costs of Defending an Easement

Commentary: The better the relationship between the landowner and the land trust, the less likely the two parties will ever have to go to court. Each land trust must, however, recognize that even with the best efforts, sometimes it is necessary to go to court.

From the assumptions it costs almost \$60,000 to defend an easement, and could end up considerably higher. To be cautious, the land trust should hold \$80,000 in an Easement Defense Fund. If a land trust holds 40 easements, then \$2,000 per easement ought to be set aside for the Easement Defense Fund.

Staff time needed to defend an easement x hourly staff rate	\$3,600.00
Costs of obtaining legal counsel	\$50,000.00
Additional costs	\$5,000.00
Total: Cost of Defending an Easement	\$58,600.00
Maximum Defense Fund	\$80,000.00
divided by 30 easements held by CMLC	<u>40</u>
Total: Contribution needed to Defend an Easement	\$2,000.00

G. Total Funds Needed to Accept, Monitor, and Defend the Easement

Total: Stewardship Endowment Needed to Fund Annual Expenses	\$25,951.07
Total: Easement Identification and Boundary Delineation	\$548.00
Total: Costs of Defending an Easement	<u>\$2,000.00</u>
Total: Funds needed to accept, monitor and defend the easement	\$28,499.07