

GREAT POND MOUNTAIN CONSERVATION TRUST

FINANCIAL STATEMENTS

MAY 31, 2010 AND 2011

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of  
Great Pond Mountain Conservation Trust

We have reviewed the accompanying statements of assets, liabilities and net assets – cash basis of Great Pond Mountain Conservation Trust (a nonprofit organization) as of May 31, 2011 and 2010, and the related statements of revenue, expenses and change in net assets – cash basis for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis method of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis method of accounting, as described in Note 1B.



Loiselle, Goodwin & Hinds

November 2, 2011  
Bangor, Maine

**GREAT POND MOUNTAIN CONSERVATION TRUST**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS**  
**MAY 31, 2011 AND 2010**

	2011	2010
<b>ASSETS</b>		
<i>Cash and Cash Equivalents:</i>		
Petty Cash	\$ 140	\$ 100
General Checking	22,405	30,532
Savings - Operating Reserve	38,332	17,967
Savings - Easement Stewardship	4,074	3,745
Savings - Wildlands Forestry	25,855	18,216
Savings - Money Market	34,293	35,289
Savings - Endowment	799	49,406
Total Cash and Cash Equivalents	125,898	155,255
Certificates of Deposit	54,532	104,564
Investments	123,068	-
<i>Fixed Assets:</i>		
Equipment	2,663	2,663
LESS: Accumulated Depreciation	(1,824)	(1,372)
Net Fixed Assets	839	1,291
Conservation Land	4,148,720	4,148,720
<b>TOTAL ASSETS</b>	<b>\$ 4,453,057</b>	<b>\$ 4,409,830</b>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities:</i>		
Payroll Taxes and Withholdings	\$ 779	\$ 1,423
<i>Net Assets:</i>		
<i>Permanently Restricted:</i>		
General Endowment Fund	53,843	49,248
<i>Temporarily Restricted:</i>		
Easement Maintenance and Defense	4,074	3,745
Baker Stewardship Grant Funds	10,000	10,000
Wildlands Forestry Funds	25,522	27,680
Bio-Survey Grant Funds	11,000	-
LL Bean Database Grant Funds	-	621
LMF Access Grant Fund	-	961
MCF Strategic Planning Grant Funds	-	646
Earnings on Permanently Restricted Endowment	7,741	158
Total Temporarily Restricted	58,337	43,811
<i>Unrestricted:</i>		
Designated for Conservation Land	4,148,720	4,148,720
Designated for Wildlands Stewardship Reserve	116,815	105,564
Designated for Stewardship Contingency	34,293	34,289
Designated for Operating Reserve	17,332	17,967
Undesignated	22,938	8,808
Total Unrestricted	4,340,098	4,315,348
Total Net Assets	4,452,278	4,408,407
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,453,057</b>	<b>\$ 4,409,830</b>

**GREAT POND MOUNTAIN CONSERVATION TRUST**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS - CASH BASIS**  
**FOR THE YEAR ENDED MAY 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions and Grants	\$ 95,535	\$ 40,766	\$ 4,595	\$ 140,896
Merchandise Sales	791	-	-	791
Special Events	2,964	-	-	2,964
Interest and Dividend Income	4,438	1,940	-	6,378
Appreciation of Investments	<u>5,683</u>	<u>5,684</u>	-	<u>11,367</u>
Total	109,411	48,390	4,595	162,396
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of Program Restrictions	<u>33,864</u>	<u>(33,864)</u>	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	143,275	14,526	4,595	162,396
<b>EXPENSES</b>				
<i>Program Services</i>	72,095	-	-	72,095
<i>Supporting Services:</i>				
Fund Raising	24,124	-	-	24,124
General and Administrative	<u>22,306</u>	-	-	<u>22,306</u>
Total Supporting Services	<u>46,430</u>	-	-	<u>46,430</u>
<b>TOTAL EXPENSES</b>	<u>118,525</u>	-	-	<u>118,525</u>
<b>CHANGE IN NET ASSETS</b>	24,750	14,526	4,595	43,871
<b>NET ASSETS - June 1, 2010</b>	<u>4,315,348</u>	<u>43,811</u>	<u>49,248</u>	<u>4,408,407</u>
<b>NET ASSETS - May 31, 2011</b>	<u>\$ 4,340,098</u>	<u>\$ 58,337</u>	<u>\$ 53,843</u>	<u>\$ 4,452,278</u>

**GREAT POND MOUNTAIN CONSERVATION TRUST**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS - CASH BASIS**  
**FOR THE YEAR ENDED MAY 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions and Grants	\$ 76,123	\$ 74,620	\$ 37,748	\$ 188,491
Merchandise Sales	2,863	-	-	2,863
Special Events	2,077	-	-	2,077
Interest and Dividend Income	<u>2,957</u>	<u>137</u>	-	<u>3,094</u>
Total	84,020	74,757	37,748	196,525
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of Program Restrictions	<u>70,093</u>	<u>(70,093)</u>	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	154,113	4,664	37,748	196,525
<b>EXPENSES</b>				
<i>Program Services</i>	114,683	-	-	114,683
<i>Supporting Services:</i>				
Fund Raising	19,781	-	-	19,781
General and Administrative	<u>23,564</u>	-	-	<u>23,564</u>
Total Supporting Services	<u>43,345</u>	-	-	<u>43,345</u>
<b>TOTAL EXPENSES</b>	<u>158,028</u>	-	-	<u>158,028</u>
<b>CHANGE IN NET ASSETS BEFORE CHANGE IN LAW</b>	(3,915)	4,664	37,748	38,497
<b>NET ASSET RECLASSIFICATION BASED ON CHANGE IN LAW</b>	<u>(38)</u>	<u>38</u>	-	-
<b>CHANGE IN NET ASSETS</b>	(3,953)	4,702	37,748	38,497
<b>NET ASSETS - June 1, 2009</b>	<u>4,319,301</u>	<u>39,109</u>	<u>11,500</u>	<u>4,369,910</u>
<b>NET ASSETS - May 31, 2010</b>	<u>\$ 4,315,348</u>	<u>\$ 43,811</u>	<u>\$ 49,248</u>	<u>\$ 4,408,407</u>

**GREAT POND MOUNTAIN CONSERVATION TRUST  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Nature of Operations

Great Pond Mountain Conservation Trust operates under the following mission points:

- To promote for the benefit of the general public the conservation of natural resources primarily on and around, but not limited to, Great Pond Mountain in Orland, Hancock County, Maine. These resources include land, water, plant and animal life, and significant scenic, recreational, agricultural, natural and historic sites.
- To promote and provide for the scientific study of these resources and the education of the public concerning them.
- To acquire by gift, purchase or otherwise, interests in real and personal property, tangible or intangible, which relate to these natural resources. However, the Organization shall have the right to reject any such gift or bequest.
- To use all properties held or controlled by the Organization and the net earnings thereof for the benefit of the general public and for charitable, educational, recreational, conservation and historical purposes.

B. Basis of Accounting

The financial statements of Great Pond Mountain Conservation Trust are prepared on the modified cash basis used for income taxes that include recording depreciation expense on fixed assets. Under this basis, revenue and support are recognized when collected rather than when earned or pledged, and the expenses are generally recognized when paid rather than when incurred. Consequently, the financial statements do not include pledges receivable from donors, amounts due to vendors or suppliers, prepaid expenses, or liabilities for accrued expenses. If an expenditure results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the asset is capitalized and depreciated over its estimated life.

C. Basis of Presentation

Great Pond Mountain Conservation Trust classifies net assets as well as revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Great Pond Mountain Conservation Trust and the changes in these net assets have been classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Some of these net assets have been designated by the Board for various purposes.

Temporarily Restricted Net Assets - Net assets that are subject to legal or donor-imposed stipulations that will be satisfied either by actions of the Organization, the passage of time, or both. These net assets include gifts donated for a particular purpose, gifts subject to time restrictions, or amounts subject to legal restrictions such as otherwise unrestricted income and appreciation of endowment funds, in accordance with Maine law.

Donor restrictions of temporarily restricted net assets expire when the net assets have been used to fulfill donor stipulations or the time restriction has elapsed. Income and appreciation of permanently restricted net assets that would otherwise be unrestricted is temporarily

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restricted until it has been expended or appropriated by the Board of Directors. When these events have occurred, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets received from contributors that are subject to donor-imposed stipulations that the funds will be permanently invested in conservation land or an endowment. Earnings of permanently restricted funds are not considered permanently restricted.

**D. Fixed Assets and Depreciation**

Fixed assets are recorded at cost when purchased or at fair market value at date of gift. Depreciation of office furniture and equipment is provided over the estimated useful lives of the assets on a straight-line basis. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. The Organization's policy is to capitalize assets with a cost greater than \$500 and an estimated useful life of greater than one year. Depreciation expense of \$452 was recorded during the years ended May 31, 2011 and 2010.

**E. Investments**

Investments of Great Pond Mountain Conservation Trust have been measured at fair value using quoted prices in active markets. Thus these assets have been measured using Level 1 inputs in the Fair Value Measurements of applicable accounting standards. Increase or decreases in fair value are recognized as income or losses in the period in which they occur. Appreciation (depreciation) in fair value of investments represents an aggregate of increases (decreases) in the market value of securities held throughout the year, differences between net purchase price and end-of-the-year market value for securities purchased during the year, differences between beginning-of-the-year market value and net sales price for assets sold during the year, and differences between net purchase price and net sales price for securities both purchased and sold during the year.

**F. Conservation Land and Easements**

Conservation land is recorded at cost when purchased, or at fair market value if donated. Conservation easements are deemed to be without economic value to Great Pond Mountain Conservation Trust and therefore are valued at zero for accounting purposes.

**G. In-Kind Contributions of Goods and Property**

Contributions of tangible personal or real property are recorded at fair market value on the date such assets are received. During the years ended May 31, 2011 and 2010, no such donations were received.

**H. Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.



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. I. Income Taxes

The Organization is tax exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and is classified by the Internal Revenue Service (IRS) as other than a private foundation. However, the Internal Revenue Code may subject an organization to tax on unrelated business taxable income. It is Management's opinion that the Organization had no unrelated business taxable income during the year ended May 31, 2011

The Organization is required to file Form 990 (Return of Organization Exempt from Income Tax), which is generally subject to examination by the IRS and state authorities up to three years from the due date. The Forms 990 for 2007 through 2009 were open to examination as of May 31, 2011.

**2. INVESTMENTS**

Investments held at TD Ameritrade as of May 31, 2011 consisted of the following:

Powershares Preferred Portfolio	\$ 10,751
Templeton Global Income Fund	11,395
Parnassus Fund	34,787
Parnassus Small Cap Fund	15,144
Pimco Total Return III Fund	10,647
Vanguard Short Term Inv Grade Fund	10,359
Vanguard Inflation Protected Sec Fund	10,734
Vanguard All World Ex-U.S. Fund	19,239
Cash Equivalents	<u>12</u>
Total	<u>\$123,068</u>

Total return for the year ended May 31, 2011, was approximately 14%.

**3. ENDOWMENTS**

The Organization's endowments consist of funds established to support and preserve the Organization's programs. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by the Organization's method of accounting, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Maine Law**

Maine has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 1, 2009. This new law requires that the total return of a permanently restricted endowment fund, both interest and dividends, as well as appreciation in market value, be temporarily restricted until appropriated for expenditure by the institution. Further, the institution has the obligation to track the historic dollar amount of the endowment gifts; if it wishes to appropriate for expenditure amounts

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that would cause the balance in the endowment account to fall below the historic dollar amount, the Maine Attorney General's office must be notified 60 days before the planned distribution.

**Endowment Net Asset Composition by Type of Fund as of May 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted general endowment funds	-	\$ 7,741	\$53,843	\$ 61,584
Board-designated endowment funds for Wildlands Stewardship	<u>\$116,815</u>	<u>-</u>	<u>-</u>	<u>116,815</u>
Total funds	<u>\$116,815</u>	<u>\$ 7,741</u>	<u>\$53,843</u>	<u>\$178,399</u>

**Changes in Endowment Net Assets for the Year Ended May 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$105,564	\$ 158	\$49,248	\$154,970
Investment return:				
Investment income	4,357	1,900	-	6,257
Net depreciation (realized and unrealized)	<u>5,554</u>	<u>5,683</u>	<u>-</u>	<u>11,237</u>
Total investment return	9,911	7,583	-	17,494
Contributions	1,340	-	4,595	5,935
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$116,815</u>	<u>\$ 7,741</u>	<u>\$53,843</u>	<u>\$178,399</u>

**Endowment Net Asset Composition by Type of Fund as of May 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted general endowment funds	-	\$ 158	\$49,248	\$ 49,406
Board-designated endowment funds for Wildlands Stewardship	<u>\$105,564</u>	<u>-</u>	<u>-</u>	<u>105,564</u>
Total funds	<u>\$105,564</u>	<u>\$ 158</u>	<u>\$49,248</u>	<u>\$154,970</u>

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**Changes in Endowment Net Assets for the Year Ended May 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$101,886	-	\$11,500	\$113,386
Net asset reclassification based on change in law	(38)	\$ 38	-	-
Investment return:				
Investment income	2,716	120	-	2,836
Net depreciation (realized and unrealized)	-	-	-	-
Total investment return	<u>2,716</u>	<u>120</u>	<u>-</u>	<u>2,836</u>
Contributions	1,000	-	37,748	38,748
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$105,564</u>	<u>\$ 158</u>	<u>\$49,248</u>	<u>\$154,970</u>

**Return Objective and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets will be invested by the Finance Committee in a manner that is intended to provide a reasonable, prudent balance between risk and return. The Organization expects its endowment fund, over time, to provide an average rate of return of greater than 5% annually. Actual returns in any given year may vary from that amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Great Pond Mountain Conservation Trust relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. While at May 31, 2010, all endowment assets are invested in cash equivalents or certificates of deposit, during the year ending May 31, 2011, the Organization began implementing its investment strategies more fully by transferring amounts to a TD Ameritrade investment account and investing in a mix of high quality ETFs and mutual funds.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Annually during the budget process, the Organization's policy is that the Board will determine whether or not to withdraw any funds from the Endowment, and if so, the amount to be withdrawn. In no

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case will the annual withdrawal exceed five percent (5%) of the value of the Endowment calculated as the average of the market value of the Endowment during the previous twelve quarters from Board draw determination date, except for the first and second year of the Endowment. In the first year of the Endowment the amount to be withdrawn, if any, shall not exceed five percent (5%) of the value of the Endowment on the draw determination date. In the second year of the Endowment the amount to be withdrawn, if any, shall not exceed five percent (5%) of the value of the Endowment calculated as the average of the market value for the first and second year. Over the long term, the Organization expects its current spending policy to allow its endowments to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

#### **4. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing program services and other activities have been summarized on a functional basis in the statement of revenue, expenses and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **5. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 2, 2011, the date on which the financial statements were available to be issued.

#### **6. CONSERVATION LAND AND EASEMENTS**

In the following list of conservation land and easements held by Great Pond Mountain Conservation Trust, easements are deemed to be without economic value to the Organization and hence are valued at zero for accounting purposes.

*Great Pond Mountain Wildlands Conservation Land, East Orland* – A 4,300-acre tract purchased in 2005. The land is in two parcels – Dead River and Hothole Valley – and protects about two miles of lakeshore frontage, the entire Hothole Brook system, thousands of acres of forested valley and hilltop summits. There are about 15 miles of multi-use gravel trails and footpaths open to hiking, bicycling, hunting, fishing, equestrian, and snowmobile use. The property is managed for wildlife habitat, low-impact recreation and sustainable forestry. In 2007, a contributor donated an inholding of approximately two acres to the Organization for inclusion in the Wildlands property.

*Barrett-King Easement, Orland* – A 1999 working farm easement on 136 acres of farmland and forest on Route 15 on the Orland/Penobscot line. Its purpose is to protect the prime agricultural soil by preventing development that would limit agricultural availability, and to protect the scenic view across the fields. While Blue Hill Heritage Trust (BHHT) is the actual holder of this easement, we have "third party rights of enforcement" under which we have no responsibility for administration or enforcement unless the easement holder cannot act, or requests we act. Another 6 acres of farmland was put under easement with BHHT by the abutter in 2007; we have third party rights on this as well.

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*Lucerne-in-Maine Easement, Dedham* – This 2005 easement on 40 acres owned by Lucerne-in-Maine Village protects six wooded islands in Phillips Lake, 16.5 acres with a view atop 840-foot Sunset Ledge across Route 1, and a ten-acre wooded strip between the railroad track and the “beach club” on Phillips Lake – now owned by United Cerebral Palsy. The purpose of the easement is to protect ecological and scenic values, prevent development that would impair those values, provide public access, and protect rural character and open space.

*Linscott Easement, Orland* -- This 2008 easement consists of a single parcel of 72.5 acres of forest and wetland. A two-acre Building Area is included, where the grantors’ seasonal and rustic single-family residential cabin is located. The Protected Property has approximately 56.5 acres of hardwood, eight acres of mixed woods and six acres of forested wetland that provide habitat and travel corridors for a wide range of plants, mammals, birds, reptiles, insects and especially amphibians. The Protected Property contains a complex of vernal pools and forested wetland covering approximately six acres and providing habitat for vernal pool-dependent species such as spotted salamanders and wood frogs; at least two of the vernal pools located on the Protected Property qualify as “significant” vernal pools by 2008 Maine Department of Environmental Protection standards. The Protected Property is in Tree Growth with a forest management plan and is surrounded by an approximately 200-acre Tree Farm. It is the purpose of this Conservation Easement to ensure that the Protected Property will be retained forever in its essentially undeveloped, open, scenic, and natural condition, and to prevent any use of the Protected Property that will impair or interfere with this condition. Grantors and Holder intend that this Conservation Easement will confine, in perpetuity, the uses of the Protected Property to activities which are compatible with these purposes and the protection of wildlife habitat and preservation of its scenic, open space and natural values.