



LPC CONSERVATION
COMMON GROUND CAPITAL

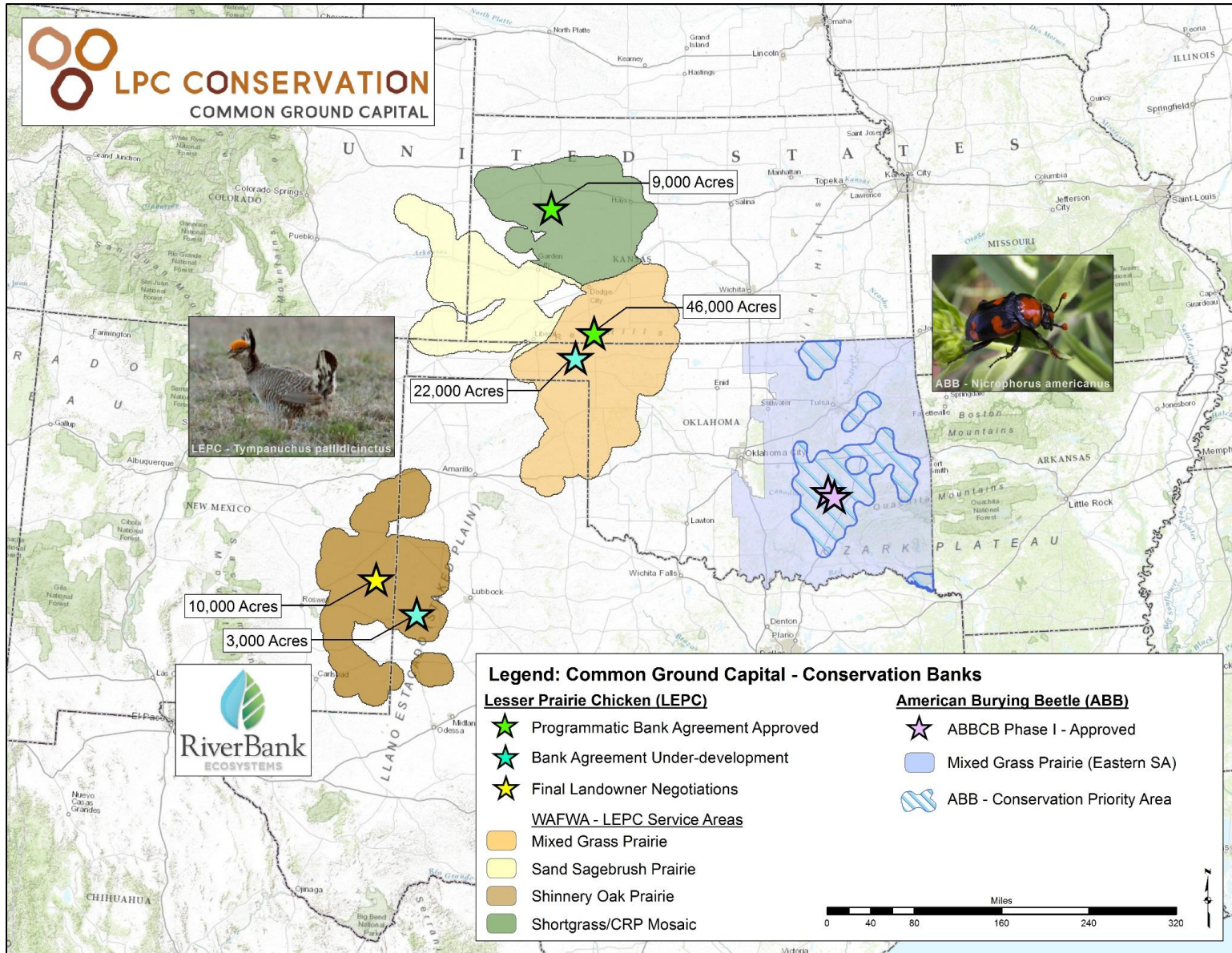


March 2, 2017

BACKGROUND:

- LPC Conservation LLC (“LPCC”) is a joint venture established by Equity Group Investments, Common Ground Capital and Restoration Systems.
- LPCC owns the largest programmatic conservation bank in the US.
- LPCC provides a private sector free market solution to offset development impacts to Lesser Prairie Chicken Habitat.
- Conservation banking allows development interests, including oil and gas, utilities, transmission, solar and wind energy to purchase credit off-sets approved in advance of the impacts by the U.S. Fish & Wildlife Service (“USFWS”) through a variety of permit options that *permanently protect* endangered species and their habitat.
- LPCC has secured 90,000 acres of options with private landowner partners on the best remaining LPC Habitat. 32,000 acres are fully approved for LPC credit sales by the USFWS.

LPC/CGC SPECIES BANK PORTFOLIO



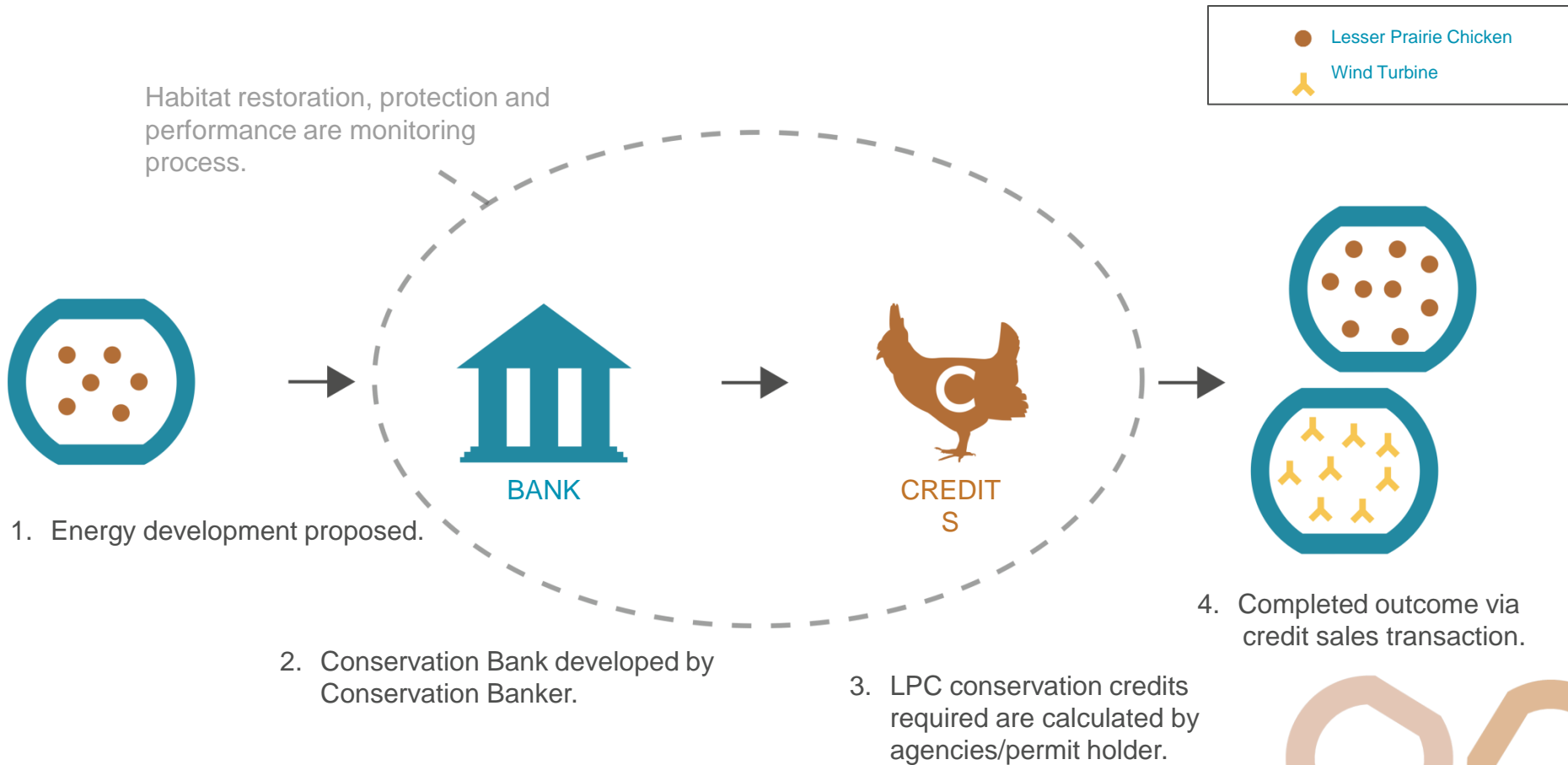
HOW COMPENSATORY MITIGATION WORKS UNDER THE ESA

- Regulated by US Fish & Wildlife Service
- Mitigation Hierarchy: Avoid, Minimize, Mitigate
- Must have a permit vehicle for “take”
 - Section 7 (Federal Nexus)-Biological Opinion
 - Section 10: Habitat Conservation Plan, General Conservation Plan, CCAA or 4(d)
 - Permit specifies mitigation options/requirements
 - Mitigation transfers liability away from the project in most cases
- Types of Compensatory Mitigation (tied to permit options above)
 - In Lieu Fee, Permittee Responsible Mitigation & Conservation Banks
 - *Typically* all mitigation types must meet the same mitigation guidance for the species in question-necessary for a level playing field for all parties
- Note: Effective Mitigation Markets Require Clear & Predictable Market Drivers for Meaningful & Sustained Industry Participation

WHAT IS A CONSERVATION BANK?

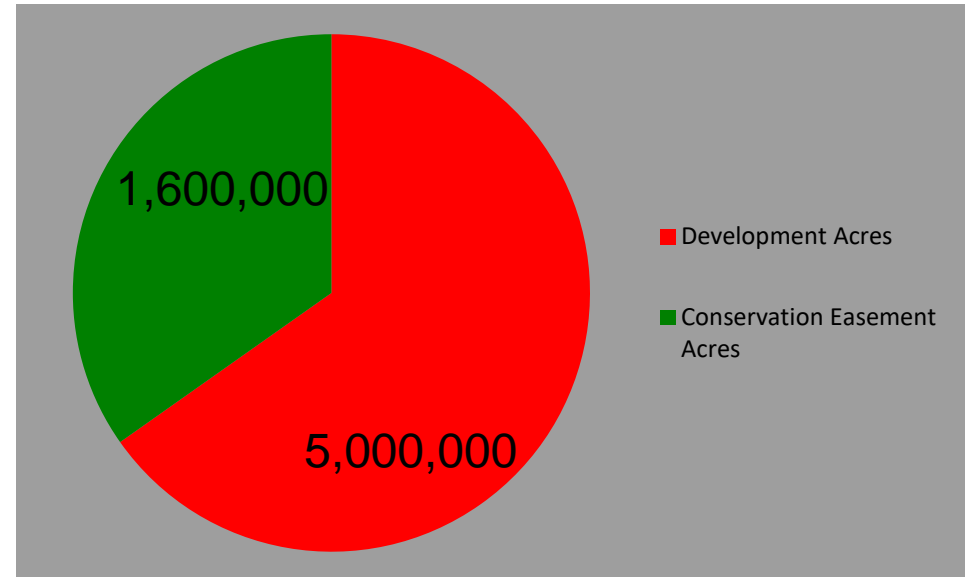
- Definition: A site or suite of sites containing natural resource values that are conserved and managed in perpetuity for specified endangered, threatened, or other at-risk species and used to offset impacts occurring elsewhere to the same type of resource (i.e., in-kind, off-site compensatory offsets).
- Key components: ***Permanent Conservation Easement, Habitat Management Plan, Permanent, Non-Wasting Endowment*** - Must have ALL three, must be tied to a specific property, must meet 2003 Banking Guidance and species specific mitigation requirements.
- Primary benefits: Highest standards via proven, compensatory mitigation model, highest level of certainty for species and industry credit purchasers. Superior financial option for private landowners and investors. Meets “advance mitigation” definition.
- USFWS 2003 Guidance (2016 Compensatory Mitigation Guidance has replaced 2003 Guidance)

WHAT DOES CONSERVATION BANKING NORMALLY LOOK LIKE?



TRADITIONAL CONSERVATION-HOW HAS IT WORKED OUT IN TEXAS OVER THE LAST 50 YEARS?

- Good News: Kudos to Conservation Easement Community for big wins with inferior economics to development interests!
- Bad News: Conservation is losing the war and least cost/non profit, gov't funded conservation model will not be able to achieve sustainable change to reverse this trend.



Sources: Texas A&M Institute of Renewable Resources & Texas Land Trust Coalition

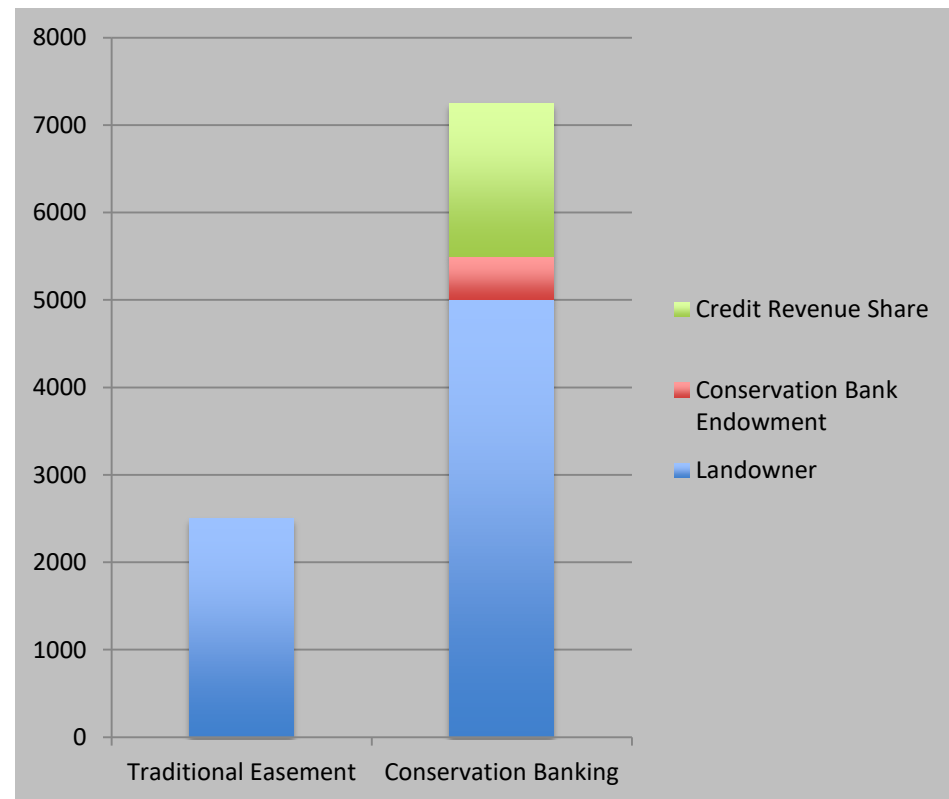
Conservation banking, mitigation banking and other forms of enabling ecosystem free markets that attract private capital can help dramatically close this gap to the benefit of Texas Landscapes.

WHY CONSERVATION BANKS CAN HELP GET MORE PERMANENT ACRES ON THE GROUND

Landowner Benefits

- Receives a meaningful liquidity event
- Retains ownership
- Can continue traditional operations
- Wears minimal financial performance risk of species management plan
- Turns a scarce resource into a meaningful \$ opportunity versus a threat

Example Credit Sale



HELP THE MITIGATION INDUSTRY NEEDS FROM THE LAND TRUST COMMUNITY

- Support creation and effective implementation of high standards mitigation for conservation and mitigation banks
- Understand the details-conservation wins or loses in the weeds
- Pay attention to the ESA fights in Washington and Locally-Inform policy makers to avoid making decisions on ideology (fearmongering of the Federal Government, etc.) over economics for landowners that provide robust conservation outcomes for species/landscapes
- Don't be enticed to support low standards mitigation options by the classic "bucket of money approach" often touted by poorly designed mitigation program administrators
- *Remember all conservation and mitigation banks require permanent protection and conservation easements held by a qualified third party conservation easement holder!*