I’m opening this year’s report with some bittersweet news. After five years with this incredible team at the Montana chapter, I will be moving to a new position at the end of 2018. I leave knowing that the chapter is in excellent shape. We have a clear vision, ambitious projects and a strong staff with decades of experience in making Montana a place where nature and people thrive.

Our great partners also play a key role in making sure nature remains healthy. Healthy communities need nature, and nature needs communities. When livelihoods and conservation go hand-in-hand, everyone wins.

Durable conservation makes business sense. That’s why programs like the Matador Grassbank have been such a powerful force for conservation—it’s a true partnership in which the grassbank trades conservation on member ranches for access to discounted grazing on TNC’s Matador Ranch. Programs like this keep good land stewards in place, reward improved stewardship and help to keep ranches sustainable during lean years.

This annual report highlights conservation that works with communities. We work closely with the Ranchers Stewardship Alliance, Winnett ACES, Blackfoot Challenge, Centennial Valley Association, Blackfeet Community College and many others to make sure that conservation contributes to community well-being. I’m deeply grateful to all of these organizations and to our supporters.

In this time of transition, your support is more important than ever. Nature faces unprecedented challenges over the coming years. Together, we have hope. Together, we can make sure that nature and people thrive in Montana for generations to come.

Sincerely,

Richard Jeo, State Director
Conservation easements are a powerful tool for The Nature Conservancy and dozens of organizations across the state, yet there’s no one-size-fits-all template.

At its most basic, a conservation easement limits the ways in which a piece of land may be used, including for development. Montana law only mandates that the land with an easement preserve one of three values: open space; habitat for fish, wildlife or plants; or public access to land for education or recreation. A landowner may sell or donate land that has an easement, but the easement binds all future owners to the same terms.

Individual easements may have other restrictions. In addition to limiting subdivision and development, easements can be set up to prevent activities such as plowing native grasses, draining wetlands and obstructing natural floodplains. Some organizations use easements primarily to prevent subdivision or development, yet the easements they hold may still allow activities such as plowing and draining. TNC uses easements to do far more than simply preserve open space.

Over the last 40 years, TNC has worked with landowners to protect more than 350,000 acres with conservation easements in Montana. We’ve watched these easements evolve with our expanded vision of effective conservation, and we expect that they will continue to be a critical tool. However, during that time, easements have also come under attack by those who would like to change the law, seriously undercutting their effectiveness. Please join us in opposing these changes at either a state or federal level.
Moving the Needle on Sagebrush Conservation

The sagebrush country of Montana’s High Divide Headwaters is a vast mosaic of public and private land. It’s a place that supports livelihoods from ranching to outfitting, where people work and play, and on which wildlife from sage grouse to grizzly bears depend. Here, partnership for conservation not only makes sense—it’s crucial to success.

The Nature Conservancy has joined forces with like-minded organizations in the Southwest Montana Sagebrush Partnership (SMSP)* to develop new tools, strengthen collaboration and direct conservation and restoration resources to the places where they’re needed most.

National leadership from the Intermountain Joint Venture, Bureau of Land Management and U.S. Fish and Wildlife Service has enabled TNC to hire a sagebrush conservation coordinator Sean Claffey to accelerate sagebrush conservation across public-private boundaries.

We continue to conserve habitat by securing conservation easements on private ranchlands, but we are also very busy with projects that target some of the biggest threats to the High Divide’s sagebrush steppe. Since 2017, we’ve built more than 200 structures to help reduce gully formation, slow down runoff and hold snowmelt higher and longer in systems. This work allows moisture to seep into the soil, replenishing groundwater and wet meadows—crucial elements in this arid land. We’ve also coordinated efforts to push back the expansion of conifers such as Douglas fir across 3,200 acres of grassland and sagebrush habitat—keeping it available to wildlife, such as greater sage-grouse, that depend on it. And we continue to battle invasive cheatgrass, which reduces the nutritional value of forage.

There are difficulties for snowshoe hares. Being the preferred food of Canada lynx is tough enough. But climate change is messing with their biggest defense against being eaten: the seasonal molt that turns their coats from brown to white, providing camouflage in the snow. With climate change, hares’ coat color switch isn’t syncing with the snow, and the mismatch is making them easy targets for lynx and other predators. In addition, decades of logging and a climate-driven increase in the size and severity of wildfire have reduced the cover where hares need to hide. The combination of factors is causing big declines in hare populations—which is bad news for threatened Canada lynx, who are also losing their competitive advantage with the snow. The last thing The Nature Conservancy wants to do is add to the problems while restoring our forests. That’s why we are studying the best ways of thinning young forests to grow big trees quickly and reduce the risk of large high-severity wildfires, without destroying hare habitat.

Young forest thinning, often called pre-commercial thinning (PCT), is cutting smaller trees with no commercial value so that the remaining trees grow larger in a shorter time. The problem is that it also removes the dense hiding cover needed by hares to evade predators. TNC believes we can and should do better, and we’re working to do just that.

We’re building on a 20-year-old study that tested how thinning aimed at retaining hare habitat compared to typical PCT or no thinning. The original study found that, when leaving clumps of unthinned forest in a thinned area, hares still used the stand. But would the science stand the test of time?

Working with the University of Montana, the MPG Ranch and Swan Valley Connections, we’re revisiting the original findings and exploring, on our land, the best way to thin so that our forests are resilient to wildfire while maintaining critical habitat for hares and lynx. We hope this science guides managers on how to best sustain critical habitat for these animals in the face of our changing climate.

The Lynx, the Hare & the Forest

Many grassland birds are tough to spot; more often, we identify them by their songs. But those familiar grassland sounds could disappear if we don’t figure out how to conserve the birds’ declining habitat. Our work focuses on four species that use the Northern Great Plains: chestnut-collared longspur, Sprague’s pipit, McCown’s longspur and Baird’s sparrow. The prairie region of northeastern Montana is estimated to harbor between one-quarter and one-half of the U.S. population of these birds during their breeding season. But their numbers are dropping at the rate of two to six percent every year, so we need to find answers as quickly as possible. To do that, we are working at two very different scales.

To get a grasp on the quality and type of habitat available at a meaningful scale, we are employing drones and satellite technology. Since drones can cover far more area than a researcher can on foot or in a vehicle, they can bridge the gap between small-scale measurements of individual plots and the broad data acquired through satellite monitoring. This brings the information to land managers at a scale that makes sense for their on-the-ground planning.

At the same time, we are monitoring habitat at a small scale to get a more localized view of birds’ use of the grasslands north of the Milk River. For example, we’re surveying areas where we’ve done restoration to see whether more birds now use it or how different levels of grazing affect birds’ use of the land. These are just a few ways that The Nature Conservancy is putting our resources and scientific expertise to work to preserve the rich natural tapestry of Montana.

MEET Kelsey Molloy

For someone who grew up in coastal New England, our rangeland ecologist Kelsey Molloy has ended up in quite different environs. The Rhode Island native is shepherding the Candidate Conservation Agreements with Assurances on the Northern Great Plains. These agreements encourage ranchers to conserve habitat for declining grassland birds by insulating them from regulations that would come into effect with an endangered species listing (See page 11.) Molloy also keeps plenty busy with grassland research and restoration projects. She has a B.A. in Wildlife Biology and a M.S. degree in Natural Resources Management.
COMMUNITY

Catalyst for Action

We most often talk about the restoration work taking place in our MT Forests, which is very important. There is, however, another equally important component. That is our work in the community. There are many people who consider the nearly 149,000 acres we own as part of their own backyard. They hike, hunt, bicycle, ski, fish and snowmobile there. With more and more people using this land, the playground can get pretty crowded, so planning its future is increasingly important.

For the last few years, The Nature Conservancy has been engaged with communities from Seeley Lake to Missoula to figure out who and how folks are using these lands now, and how they want them to look in the future. We’ve learned that people would like to have more trails that lead directly from town into the backcountry. We also understand the challenges of designing trails that are compatible with all the different kinds of users—whether on foot, wheel, ski or hoof—as well as with nature.

“We do always want to keep in mind that recreation needs to take place in the context of conservation. By bringing various user groups together to learn their needs and desires, we can accomplish both those goals,” says western Montana land protection director, Chris Bryant.

We see ourselves as the catalyst to turn interests into action. As ideas become more concrete, we can help bring resources to get shovels on the ground. There are already visible increases of non-motorized cross-country ski trails and connecting trails over long distances for the cycling community—both local and international. When TNC purchased these forests, one of our priorities was to maintain and enhance public access to the land. We are excited to see great progress toward that goal.

The Barthelmess Ranch near Malta is the first to sign a Candidate Conservation Agreement with Assurances (CCAA) on the Northern Great Plains. The CCAA is the ranch owner’s commitment to avoid or remove threats to the habitat of five grassland birds that have had sharp declines in their numbers over the last decade. In exchange, the ranch will not be subject to additional limits on its land, water or resources should one of these species become so imperiled that it is listed as endangered.

The CCAA covers 11,000 acres of core habitat for greater sage-grouse. Chestnut-collared longspurs are also found on the ranch. CCAAs also aim to protect Baird’s sparrows, Sprague’s pipits and McCown’s longspurs—all species that are seeing very steep population declines. The disappearance of these grassland songbirds is due primarily to loss of habitat. In Montana, 60 percent of their habitat is on private land, so the protection and restoration associated with these voluntary landowner agreements are critical to a secure future for these birds.

The Barthelmess family are long-time partners of TNC who have been involved in habitat conservation for many years. Leo Barthelmess also sits on the boards of TNC in Montana and the Ranchers Stewardship Alliance.

Volunteers spent a day building the Legacy Point spur trail. Legacy Point is named in honor of our Montana Legacy Project, which conserved 4,200 acres on Mount Dean Stone. It’s a part of a project we’re working on with Five Valleys Land Trust to create a circle of conserved, yet accessible, land and trails ringing Missoula.

The Barthelmess Ranch near Malta is the first to sign a Candidate Conservation Agreement with Assurances (CCAA) on the Northern Great Plains. The CCAA is the ranch owner’s commitment to avoid or remove threats to the habitat of five grassland birds that have had sharp declines in their numbers over the last decade. In exchange, the ranch will not be subject to additional limits on its land, water or resources should one of these species become so imperiled that it is listed as endangered.

The CCAA covers 11,000 acres of core habitat for greater sage-grouse. Chestnut-collared longspurs are also found on the ranch. CCAAs also aim to protect Baird’s sparrows, Sprague’s pipits and McCown’s longspurs—all species that are seeing very steep population declines. The disappearance of these grassland songbirds is due primarily to loss of habitat. In Montana, 60 percent of their habitat is on private land, so the protection and restoration associated with these voluntary landowner agreements are critical to a secure future for these birds.

The Barthelmess family are long-time partners of TNC who have been involved in habitat conservation for many years. Leo Barthelmess also sits on the boards of TNC in Montana and the Ranchers Stewardship Alliance.
Forests in Focus 2.0

Forest restoration efforts got a boost this fall with the introduction of Forests in Focus 2.0. The original program was created in 2014 by Governor Steve Bullock with a goal of removing the woody fuels that can cause a natural wildfire to blow up into a major conflagration, putting both the health of the forest and nearby homes at risk. The program is supported by Montana’s Department of Natural Resources and Conservation’s fire suppression fund, which aims to increase the scale and pace of restoration in Montana forests.

The original effort resulted in treatment of more than 300,000 acres of state and federal forest lands, yielding more than 180 million board feet of timber. In addition to improving forest health, those projects put a lot of people to work, bolstering local economies.

The program also funded projects on private holdings near wild lands such as The Nature Conservancy’s forests outside Missoula. These thinning operations target places where people’s homes meet the wildlands. Typically, we’re removing a mix of young and mid-aged trees, always focusing on retaining the largest healthy trees of fire-resistant species. The goal is to promote and maintain historic, mixed-aged forests dominated by ponderosa pines. These efforts also leave dead snags for the benefit of wildlife. We anticipate that the expansion of this program will allow us to partner on more projects to make Montana forests healthy and vibrant for people and nature.

Fire Funding Fix

This past summer proved to be another devastating wildfire season in parts of the West, and the cost of fighting the blazes continues to escalate. In 1995, fighting wildfires made up roughly 16 percent of the U.S. Forest Service budget. By 2015, it was more than 50 percent. As a result, Forest Service budgets—which are based on best estimates of the cost of the next fire season—regularly fall short. Historically, to make up for the firefighting shortfall, the Service would siphon off funds that were designated for forest restoration, efforts actions aimed at lowering the risk of extreme wildfires in the first place.

In the face of this escalating problem, this year Congress moved to break this cycle with passage of the Wildfire Disaster Funding Act. This legislation, which goes into effect in 2020, brings wildfire more in line with the way other disasters are funded and stops the practice of draining the budget for forest restoration. The Nature Conservancy was a vocal proponent of the act which, while not perfect, is an important step.

FINANCIAL RESULTS (July 1, 2017–June 30, 2018)

WE CARRY OUT OUR WORK WITH A DEEP COMMITMENT TO ACCOUNTABILITY AND TRANSPARENCY.

MONTANA ACRES IN PERMANENT CONSERVATION

<table>
<thead>
<tr>
<th>Assets</th>
<th>FY 18 Transfers In</th>
<th>Total Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservation Easements</td>
<td>$8,626</td>
<td>$80,270</td>
</tr>
<tr>
<td>Conservation Buyer Properties</td>
<td>$215,469</td>
<td></td>
</tr>
<tr>
<td>Cooperative Conservation Projects</td>
<td>$1,795</td>
<td>$597,291</td>
</tr>
<tr>
<td>Preserves</td>
<td>$45,168</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ACRES</strong></td>
<td><strong>$1,731,196</strong></td>
<td></td>
</tr>
</tbody>
</table>

The Nature Conservancy in Montana Statement of Financial Position

<table>
<thead>
<tr>
<th>Assets</th>
<th>At June 30, 2018</th>
<th>At June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Investments</td>
<td>$30,862,729</td>
<td>$21,885,331</td>
</tr>
<tr>
<td>Endowment Investment</td>
<td>$14,595,704</td>
<td>$13,407,708</td>
</tr>
<tr>
<td>Conservation Lands</td>
<td>$10,561,271</td>
<td>$24,836,644</td>
</tr>
<tr>
<td>Conservation Easements</td>
<td>$13,357,055</td>
<td>$13,643,155</td>
</tr>
<tr>
<td>Conservation Preserves</td>
<td>$13,025,393</td>
<td>$13,575,393</td>
</tr>
<tr>
<td>Property &amp; Equipment- Net of Depreciation</td>
<td>$1,015,076</td>
<td>$1,137,992</td>
</tr>
<tr>
<td>Other Assets</td>
<td>$2,578,148</td>
<td>$2,402,940</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td><strong>$151,050,877</strong></td>
<td><strong>$150,641,182</strong></td>
</tr>
</tbody>
</table>

These financial results are unaudited and program specific. Please check nature.org for TNC-wide audited financials that are GAAP compliant.
This event was a partnership with Project Healing Waters Fly Fishing—a nonprofit organization dedicated to the physical and emotional rehabilitation of disabled active and veteran military service personnel through fly fishing and associated activities.

"Fishing and conservation are really inseparable. Once you experience the peace and joy that happens out on a stream, wanting to protect it becomes second nature. The vets came away with an understanding of how TNC's conservation work connects with them through an activity they love," says Kaylee Kenison, VINS leader, former Army medic and operations specialist for TNC in Montana.

Kenison says they also took another step on the path to recovery.

"When you're out in nature it's easy to let go of life's problems. I'm a firm believer that more healing can be done on the bank of a river than in any doctor's office."
Your generosity makes our work possible. Please consider a donation to Montana and provide much-needed support to our science and conservation efforts—from wildlife studies to plants for streamside restoration.

CONTACT:
Sally Schrank  
Director of Development  
(406) 582-5764  
sschrank@tnc.org