

Finally, legislation to create a new non-General Fund account for the California Natural Heritage Preservation Tax Credit is pending in the State legislature, and is not expected to be effective until January 2005. The Wildlife Conservation Board will act conditionally on an application for a tax credit through that program; having reviewed it in conjunction with WCB's other funding approvals for the Hearst Ranch. Funds will not be allocated unless and until legislative action on the tax credit program is complete.

The parties intend to close escrow later this year after concluding the funding hearings and completing the final transaction documentation and due diligence. If the tax credit legislation is enacted but is not effective before the end of 2004, the "Junge Ranch" portion of the Hearst Ranch would be withdrawn from the initial escrow closing for a closing in early 2005, subject to reinstatement of the tax credit program. Under the tax credit application, the 117 acres of the Junge Ranch located on the west side of Highway 1 would be conveyed into State Parks ownership, subject to Caltrans scenic protection easement; the 789 acres of the Junge Ranch located in the east side of Highway 1 would become subject to the East Side Conservation Easement.

Sources of Funds

The purchase price negotiated by the American Land Conservancy and The Hearst Corporation in early 2003 was \$95 million, comprised of \$80 million cash and \$15 million in State tax credits through the Natural Heritage Preservation Tax Credit program. The sources of such funding are expected to include: federal Transportation Enhancement funds controlled by the State and available to protect the viewshed from Highway One, and California voter-approved bond funds available to support the acquisition of real property interests and to support the State's Natural Heritage Preservation Tax Credit program.