

Zylstra Lake Property Acquisition

(Proposed) Transaction Timeline

December 1, 2015:

1. Feasibility period ends.
2. San Juan Preservation Trust (SJPT) submits \$50,000 in non-refundable earnest money

December 15, 2015:

1. Closing date.
2. San Juan County Land Bank (Land Bank) submits \$250,000 (with \$50K earnest money makes a total \$300,000 down payment).
3. Land Bank and SJPT now share undivided interest in whole 313-acre property (see map), including:
 - a. "October Farm" parcel (30 acres + buildings)
 - b. "Lower Lake" parcel (122 acres)
 - c. "Upper Lake" parcel (161 acres)
4. Seller holds \$2.7 million non-recourse note (secured by deed of trust), with responsibility for payment shared by Land Bank and SJPT. Note allows either organization to assign its half ownership in land and/or payment responsibility to the other organization (at any time).

(NOTE: We have already completed the above steps. This is where the project is as of February 2016)

December 15, 2016 (or sooner if "October Farm" can be sold earlier in 2016):

1. October Farm is sold (net price \$800K), with proceeds conveyed directly from escrow to Seller.
2. Land Bank submits an additional \$100K to Seller, which (with the \$800K net proceeds from sale of October Farm) satisfies the \$900K note payment commitment.
3. Seller releases October Farm from deed of trust, allowing October Farm to be conveyed by Land Bank/SJPT to new buyer.
4. Prior to conveying the "October Farm" parcel to this third party buyer, SJPT and/or the Land Bank places a conservation easement on the "October Farm" parcel that protects conservation values and reduces development potential without limiting anticipated (agricultural) uses for the property.

December 15, 2017 (or sooner if the fundraising goes well).

1. Land Bank submits \$150,000 to Seller. This fully satisfies the Land Bank's \$500,000 commitment to the project.
2. Another \$750,000 (possibly via salmon recovery grants, with perhaps some private fundraising) is submitted to Seller. This satisfies our 2017 note payment commitment.
3. Seller releases "Lower Lake" parcel from deed of trust. The Land Bank and SJPT now share undivided interest, free of any debt, on this "Lower Lake" parcel.
4. SJPT conveys its ½ ownership interest in "Lower Lake" parcel to the Land Bank. The Land Bank now owns the "Lower Lake" parcel free-and-clear. SJPT no longer holds stake in "Lower Lake" parcel.
5. Land Bank now conveys its ½ ownership interest in the "Upper Lake" parcel to SJPT. At the same time, the Land Bank is removed from the note on the "Upper Lake" parcel. The Land Bank no

longer holds stake in “Upper Lake” parcel. SJPT now owns the “Upper Lake” parcel subject to Deed of Trust. SJPT is now fully responsible for paying off the remaining balance on the note.

December 15, 2018

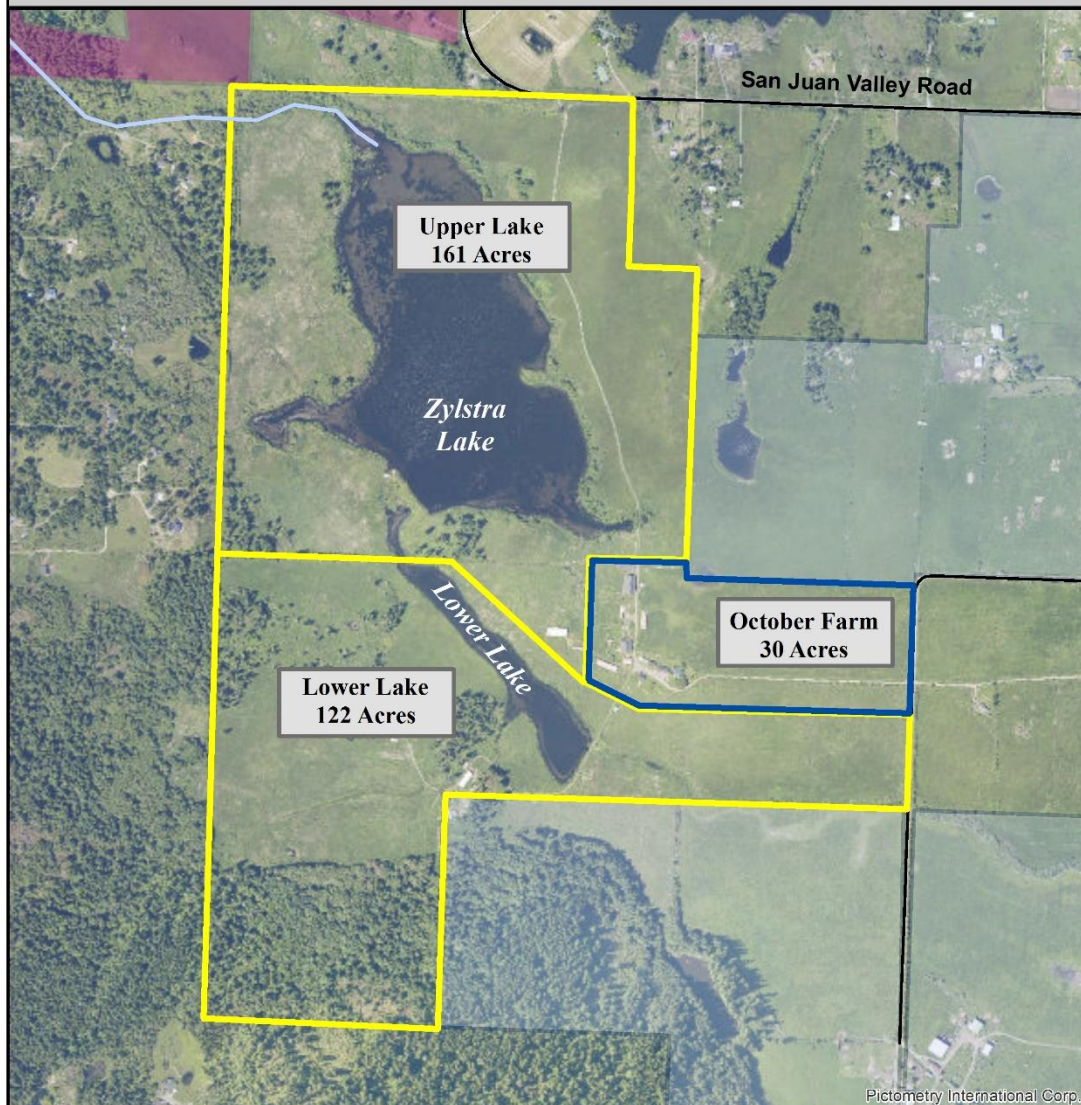
1. In 2016 or 2017, the Land Bank applies via the National Coastal Wetlands Conservation Grant Program and/or Washington Wildlife Recreation Program for funds to acquire the “Upper Lake” parcel from the SJPT.
2. Following a successful grant application, the Land Bank is now ready to purchase the “Upper Lake” parcel from SJPT.
3. At this point, a number of transactions would take place simultaneously (in escrow, not necessarily in this order):
 - a. The Land Bank conveys funds generated by its successful grant(s) into escrow.
 - b. With these funds, SJPT makes the final note payment (\$900,000 + 4% interest) to the Seller. This completely satisfies the note, and SJPT now owns the “Upper Lake” parcel free-and-clear.
 - c. SJPT places a conservation easement on the “Upper Lake” parcel that protects conservation values and eliminates development potential without limiting anticipated uses for the property.
 - d. The Land Bank places a conservation easement on the “Lower Lake” parcel that protects conservation values and eliminates development potential without limiting anticipated uses for the property.
 - e. SJPT conveys the “Upper Lake” parcel to the Land Bank, retaining the conservation easement established in 3(a) above.
 - f. The Land Bank conveys the “Lower Lake” parcel to SJPT, retaining the conservation easement established in 3(b) above.



FINAL OUTCOME

1. “Upper Lake” is owned (in fee) by the Land Bank, subject to a conservation easement held by SJPT.
2. “Lower Lake” is owned (in fee) by SJPT, subject to a conservation easement held by the Land Bank.
3. “October Farm” is owned (in fee) by a third party, subject to a conservation easement held by either SJPT, the Land Bank, or held in common by both organizations.



Zylstra Lake Project



-  SJPT Protected Lands
-  Land Bank Preserve



0 0.125 0.25 0.5 Miles

