

A stylized, light green graphic of a tree with a curved trunk and a few rounded branches, positioned on the left side of the slide.

Pacific Forest and Watershed Lands Stewardship Council

Meeting of the Board of Directors

Sacramento, California

January 19, 2012

Welcome and Overview

- Welcome
- Call to Order and Introductions
- Conflict of Interest Disclosure
- Public Comment
- Committee Reports
- Public Comment
- Board Member Announcements
- Adjourn Meeting

Consent Agenda

ACTION:

- Adopt the consent agenda as presented

New Board Members

Bureau of Land Management's

New Liaison to Board

Cynthia Staszak,

Associate Deputy State Director

New Board Members

Hydro Power Reform Coalition

(Alternate)

Pete Bell

Board Resignations

Central Valley Regional Water Quality Control Board (Alternate)

Dan Odenweller resigned

Highlights of 2011

Youth Investment Program

- SC awarded program, initiative and infrastructure grants totaling more than \$2 million to 42 organizations



Highlights of 2011

- Foundation for Youth Investment, established by Council to sustain its Youth Investment Program is off to a good start



FOUNDATION
for
YOUTH INVESTMENT

Highlights of 2011

- FYI successfully administered Council's grantmaking program in 2011 and implemented several initiatives to break down barriers to youth getting outdoors

Highlights of 2011

- Council and The Greenlining Institute filed a joint petition to modify CPUC Decision 03-12-35 to clarify certain matters involving the Youth Investment Program

Highlights of 2011

- CPUC Commissioner Sandoval visited PG&E watershed lands in Shasta County in October 2011



Highlights of 2011

- Board has recommended more than 25,000 acres of PG&E watershed lands be donated to a mix of entities, including counties, state and federal agencies, a resource conservation district, and a local parks and recreation district

Highlights of 2011

- Board's recommendations that CAL FIRE and University of California receive fee title to more than 14,000 acres will significantly expand state's research and demonstration forests

Highlights of 2011

- Board approved a land exchange at Carrizo Plains
- PG&E property to house a new solar farm in exchange for solar developer donating lands to expand the nearby BLM National Monument

Highlights of 2011

- Board has recommended 10 organizations with experience holding conservation easements to hold easements over lands in 24 planning units

Looking Ahead

- Foundation for Youth Investment is fully administering 2012 grantmaking plan
- Stewardship Council prepared to provide matching funds to FYI

Looking Ahead

By end of 2012:

- Council to complete process of selecting fee title donees and conservation easement holders
- Board to adopt first Land Conservation and Conveyance Plans, followed by PG&E seeking approval of transactions from CPUC and FERC, as applicable

Fiduciary Committee

- Oversees and makes recommendations regarding legal, financial, and other business matters
 - Ensures compliance
 - Ensures sound business practices

2011 Results

Category	2011 Budget	2011 Actual	Amt Below Budget
Administration/Office Operations	638,887	637,978	909
Board/Public Meetings	183,000	44,442	138,558
Wages and Benefits	2,254,838	1,940,934	313,904
Contracted Services	1,280,150	415,586	864,564
Grant Awards	2,475,000	2,197,650	277,350
Land Transaction Costs	120,000	57,835	62,165
Capital Expenditures	15,500	5,486	10,014
Total *	6,967,374	5,299,911	1,667,463

**Total Does not include 10% contingency originally approved by board*

Pacific Forest & Watershed Lands Stewardship Council

www.wellscap.com

Investment Review
December 31, 2011

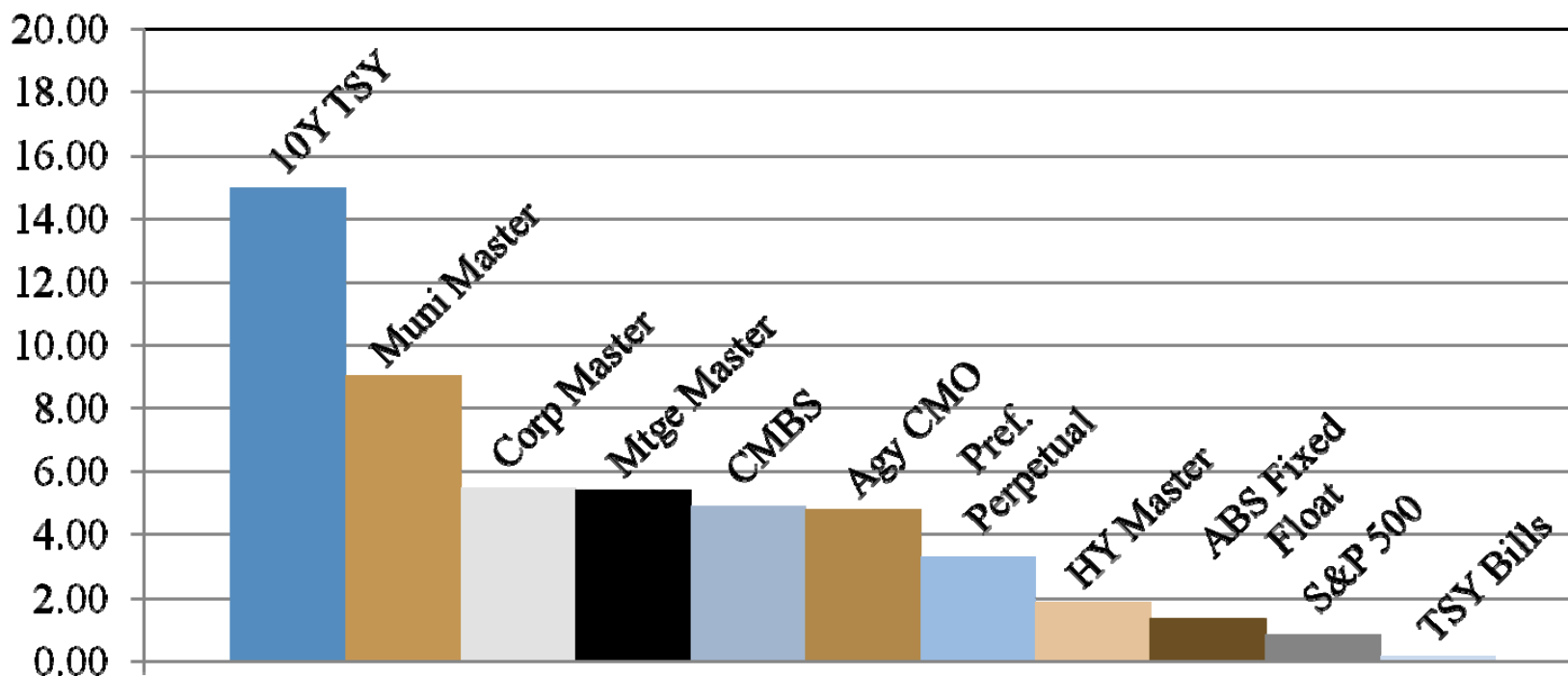
Presented by:

Susan Tamagni – Senior Relationship Manager

WELLS CAPITAL MANAGEMENT



Summary of Asset Class Returns Through 11/30/2011



Total Return	10Y TSY	Muni Master	Corp Master	Mtge Master	CMBS	Agy CMO	Pref. Perpetual	HY Master	ABS Fixed Float	S&P 500	TSY Bills
1 Month	1.31	0.54	-1.87	0.15	0.20	0.03	-2.22	-2.21	0.01	-0.51	0.01
3 Month	2.05	1.40	-0.28	0.24	2.09	1.19	-1.36	-0.11	0.05	2.30	0.01
6 Month	10.64	4.60	1.26	2.57	0.67	2.70	-2.86	-3.91	0.06	-7.30	0.05
YTD	14.97	9.03	5.48	5.41	4.89	4.79	3.32	1.86	1.35	0.85	0.14
1 Year	10.31	6.81	4.48	4.90	5.27	3.41	3.49	3.65	1.34	5.63	0.16

Merrill Lynch Indices as of 11/30/2011

Broad Market Comments for 2012

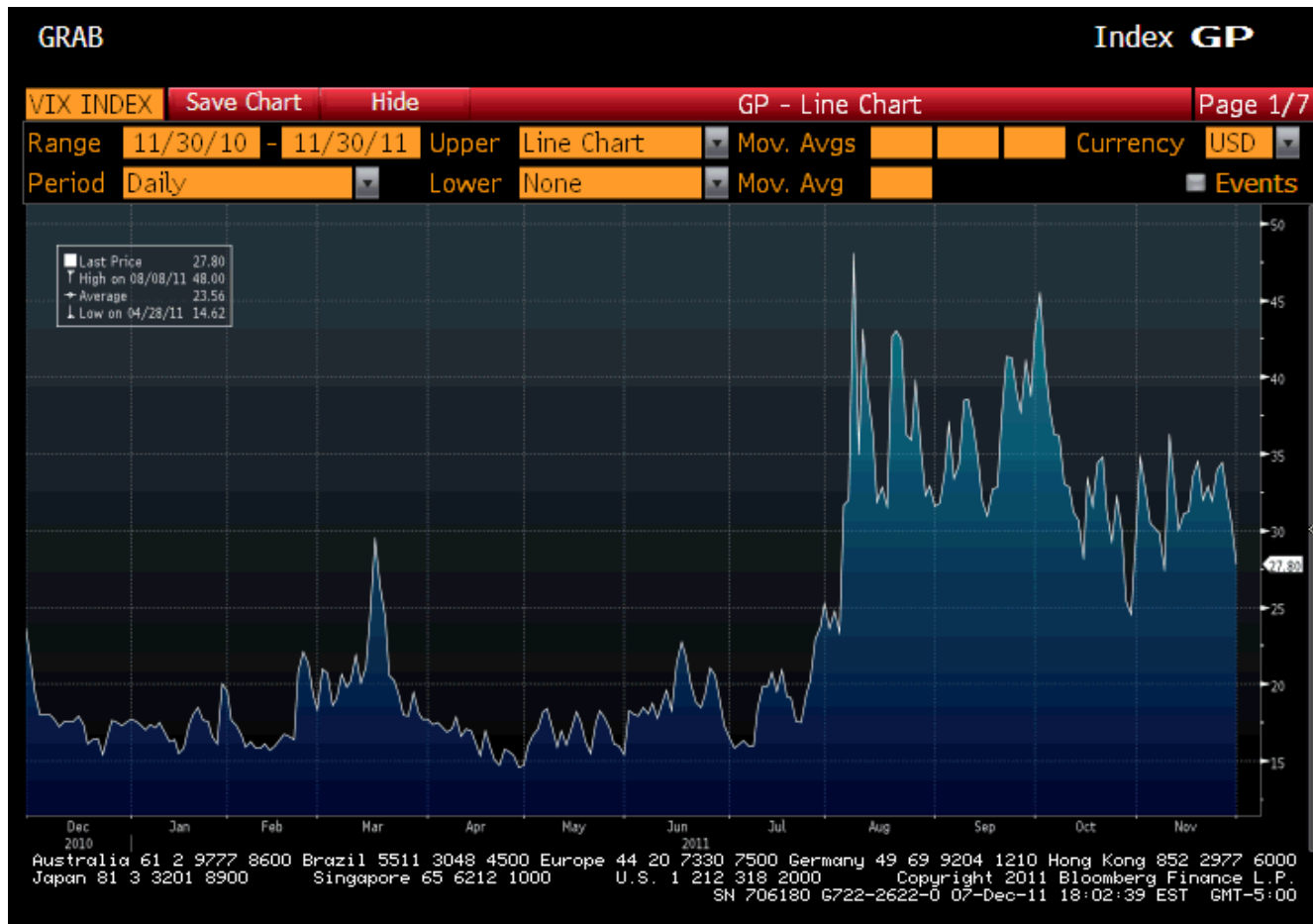
- Sovereign Debt Crisis: This issue will be with us for years- even in the best of scenarios. Lasting impact will manifest itself in a European recession and continued downgrades of Sovereign debt, European banks, and Insurance companies:
 - *Agenda needs to move from philosophical fiscal unity to implementation*
 - *Key to the near outcome will be a restoration of confidence in European financials- this is the crux of systemic risk and the primary factor driving market illiquidity.*
 - *The market is well equipped to deal with a European recession and forthcoming downgrades- thus spreads would likely tighten if liquidity were to be restored to sovereigns and financials.*
- Market Liquidity: We believe that the lack of market liquidity (driven by the above) has been the primary factor driving spreads wider. While a “fix” in Europe would help restore market liquidity, we believe that liquidity will remain structurally impaired for the long term: Forthcoming regulation via the Volcker Rule and Basel III capital requirements will restrain balance sheet that could be allocated towards trading businesses.
- Market Volatility: While market volatility may decline with potential progress in Europe, on average we expect volatility to remain elevated due to the long term impaired market liquidity noted above. It is now common for \$5mm position sizes to move the market.
- Technicals/Flow of Funds: We expect a positive flow of funds to continue to support high grade fixed income relative to equities. This will continue to be a positive factor until we begin to see a cyclical rise in rates.

Euro Crisis is the #1 Concern – Italy and Spain Yields Escalate



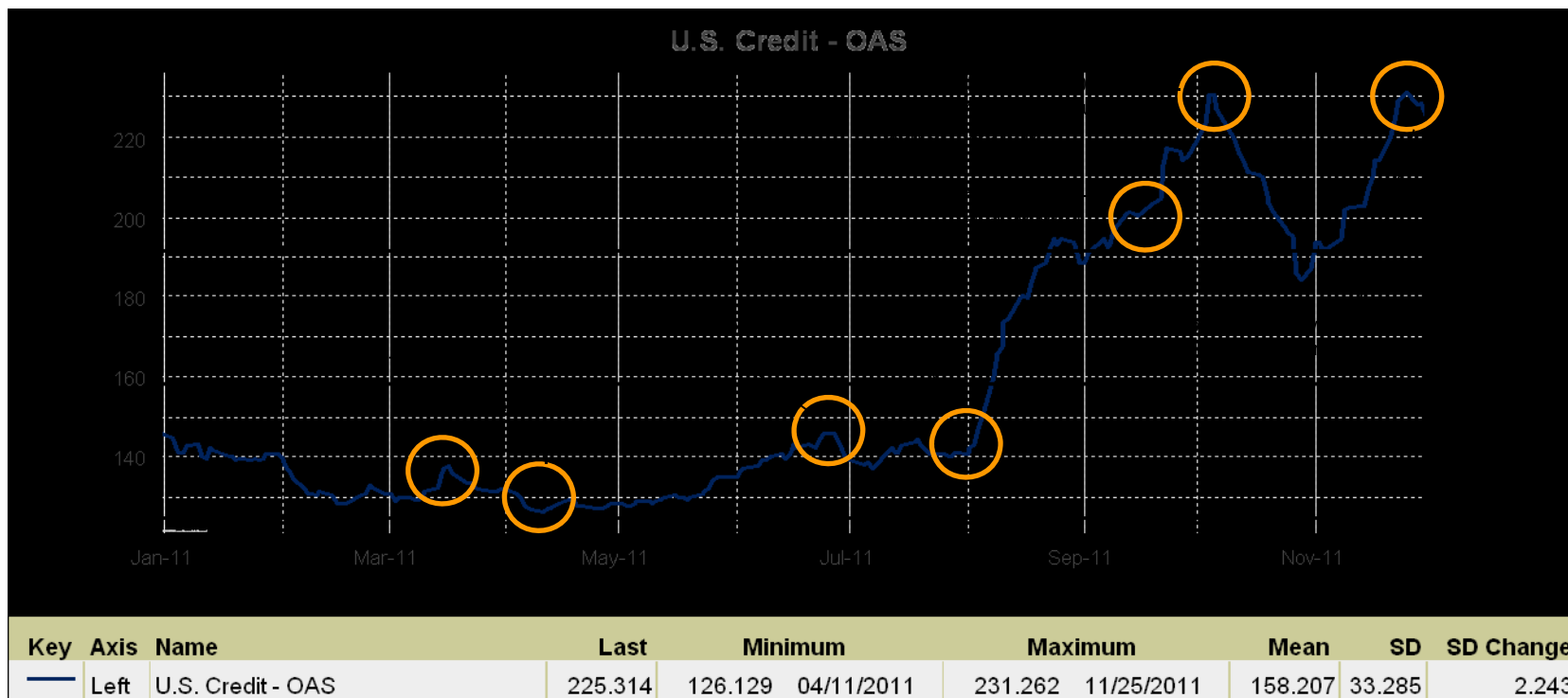
- Italian and Spanish 10yr yields spikes by 150bps at one point in November
- Italian yields spiked over 7%, the breaking point level for Greece, Portugal, and Ireland
- Coordinated central bank swap lines at month-end brought yields down by 75bps – still not a solution to the problem

Market Volatility: VIX Remains Elevated



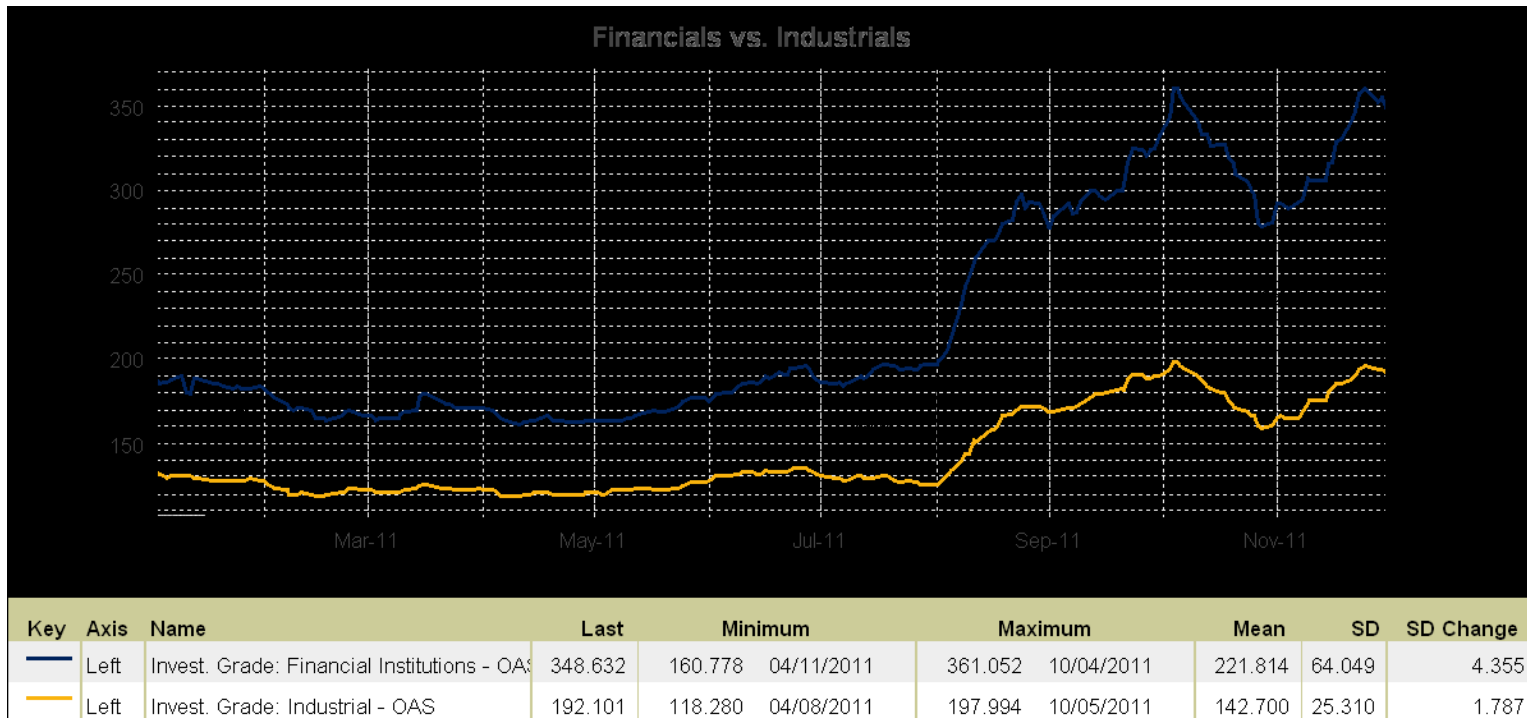
- Volatility has remained elevated since early August and we expect it to continue
- Liquidity has evaporated with the advent of this most recent volatility spike
- The VIX finished the month at the low end of the recent range

Corporate Spreads Widened Significantly YTD



- IG spreads have widened 85 bps YTD and 100 bps from the tights reached in April.
- Euro sovereign concerns escalated in late summer in conjunction with the U.S. Treasury downgrade
- Euro sovereign concerns coupled with recession fears pushed Treasury rates significantly lower (120 bps ytd) – spreads simply could not keep pace

Financials Widened Versus Industrials YTD



- The financial sector widened 100bps versus industrials thus far in 2011
- Financials were the easiest way to express Euro Sovereign risk-off trade
- Yet to be resolved mortgage litigation overhang added pressure to large money center banks
- Ratings agency methodology changes caused numerous downgrades, adding to investor uncertainty
- MF Global bankruptcy adds additional pressure to broker-dealer models

Portfolio Review

Portfolio Summary

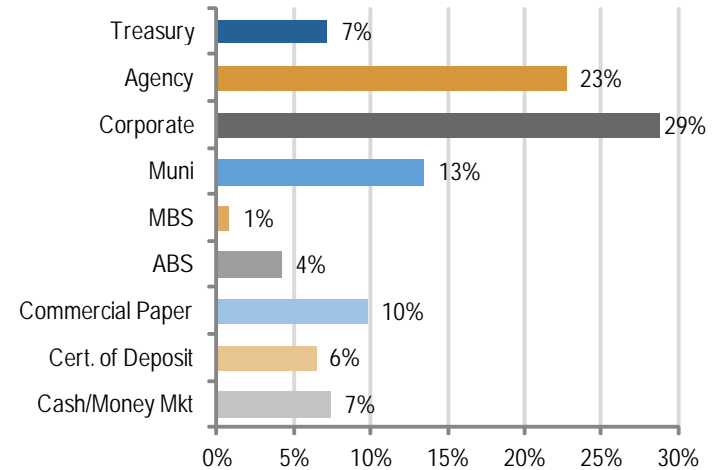
As of 12/31/2011 Portfolio Statistics

Market Value	\$47,876,798.39
Purchase Yield	0.88%
Effective Maturity	0.85 Years
Portfolio Duration	0.73 Years
Average Credit Quality	AA

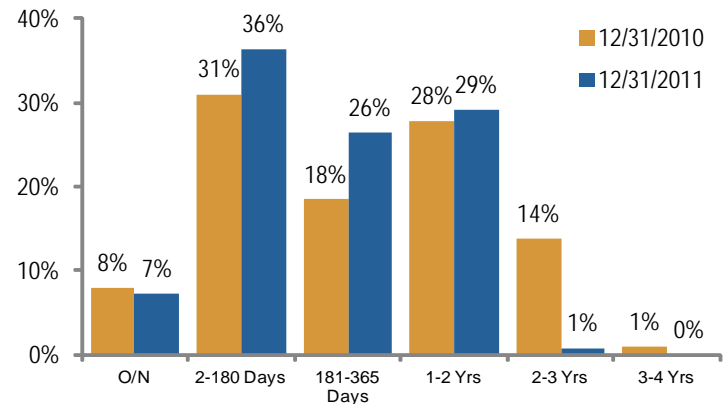
Credit Rating Profile

	12/31/2010	12/31/2011
AAA	42%	5%
AA	18%	51%
A	14%	25%
BBB	0%	2%
A1/P1	18%	10%
Cash/Money Mkt	8%	7%

Sector Breakdown

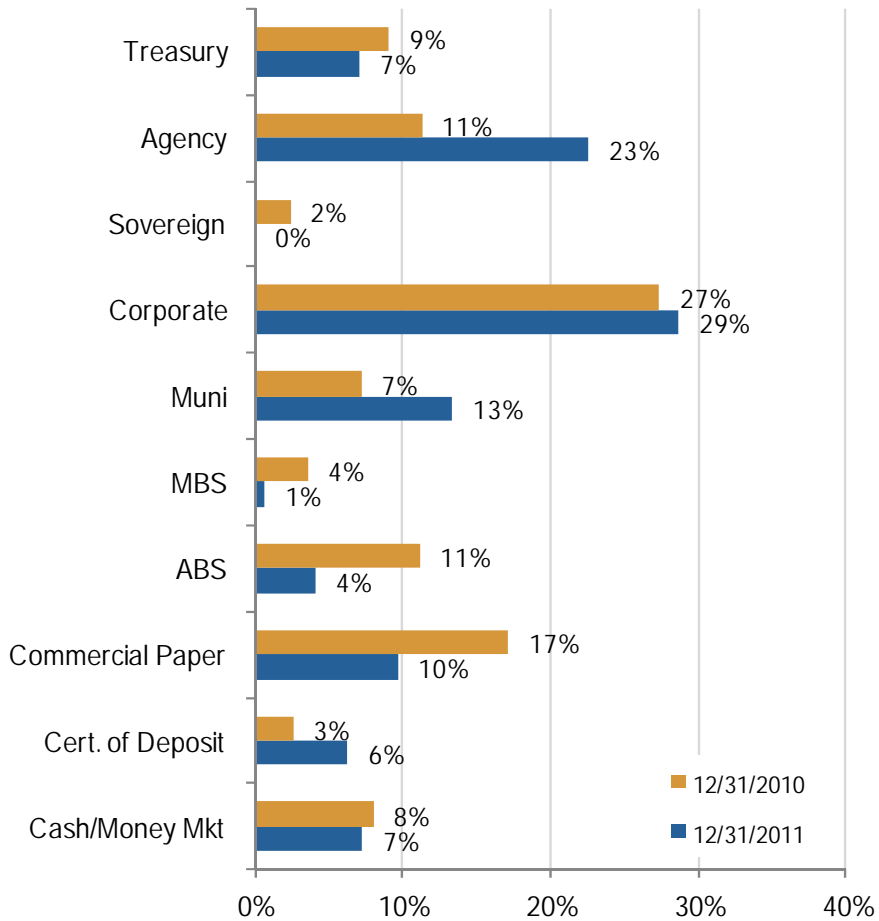


Duration Distribution

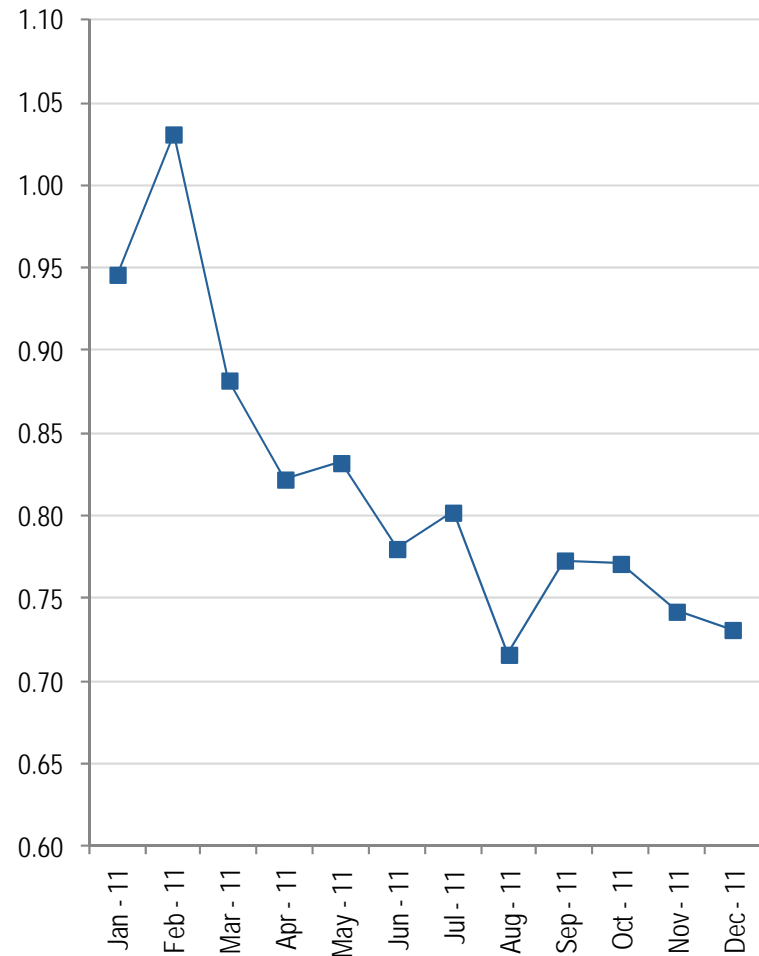


Portfolio Changes

Allocation Changes



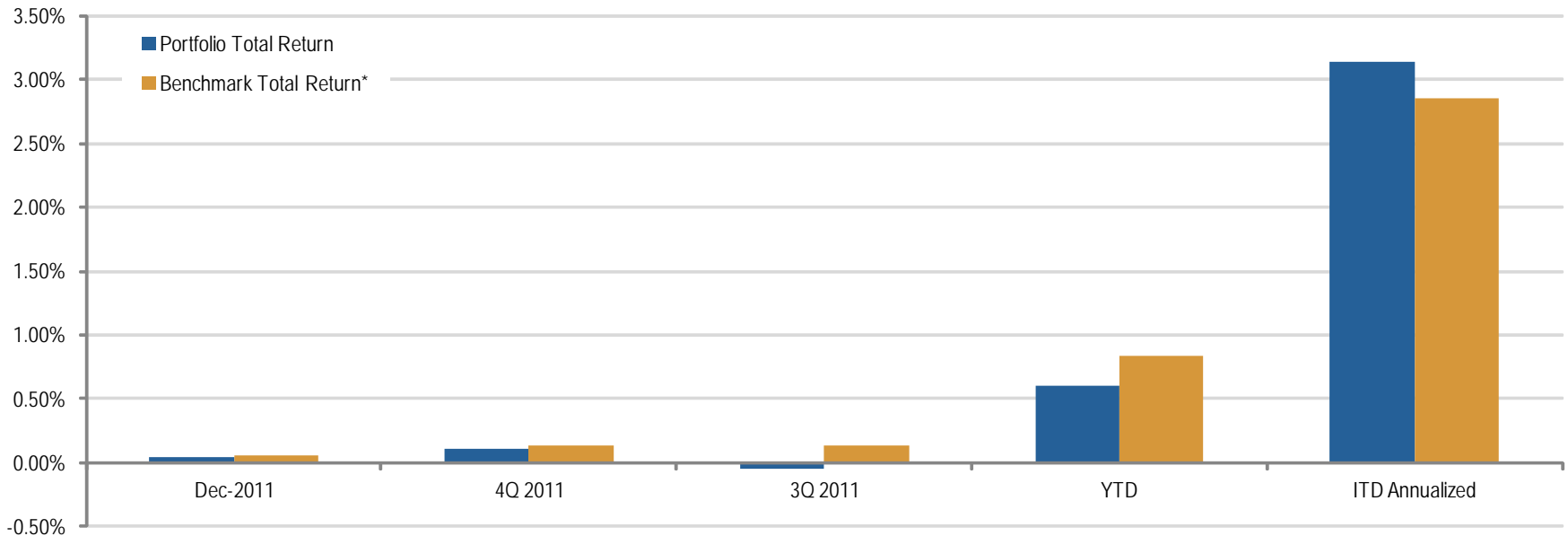
Portfolio Duration



Performance Summary

	Dec-2011 11/30/11 - 12/31/11	4Q 2011 09/30/11 - 12/31/11	3Q 2011 09/30/11 - 12/31/11	YTD 12/31/10 - 12/31/11	ITD Annualized 10/01/04 - 11/30/11
Portfolio Total Return	0.04%	0.11%	-0.05%	0.60%	3.14%
Benchmark Total Return*	0.05%	0.13%	0.13%	0.84%	2.86%
Portfolio Book Return	0.06%	0.17%	0.20%	0.79%	N/A

*50% Lipper Instl Money Mkt Fund; 50% ML 1-3 Yr Gov/Corp Index



Returns shown are net of estimated fees.



Investment Update

	Market Value 12/31/11	Allocation 12/31/11	Expense Ratio
Stewardship Council Total	\$56,193,161	100.0%	0.15%
Wells Capital Separate Account	\$47,876,798	85.2%	0.17%
Vanguard ST Bond Index Fund Inst.*	\$8,316,363	14.8%	0.07%

* Formerly ST Bond Index Signal Shares

Investment Update

	Return Last 3 Months	Return 2011	Return 4/30/09 – 12/31/11	Yield to maturity	Duration (years)
Stewardship Council (Total net)	0.2%	0.9%	4.4%	0.9%	-
<i>50% Merrill Corp & Govt 1-3 yr., 50% Lipper Inst MMF</i>	0.1%	0.8%	3.8%	-	-
Wells Capital Separate Account (gross fee)	0.2%	0.8%	3.8%	0.9%	0.7 yrs
<i>Wells Capital Separate Account (net of fee)</i>	<i>0.1%</i>	<i>0.6%</i>	<i>3.4%</i>	-	-
Vanguard ST Bond Index Fund Institutional (net)	0.4%	3.1%	10.7%	1.0%	2.7 yrs
<i>Barclays 1-5 year Government/Credit</i>	<i>0.4%</i>	<i>3.1%</i>	<i>11.1%</i>	-	-

Investment Update

- Investment Performance through 12/31/11
- Diversification has helped
- Short term interest rates are even lower
- Investment of 2012 \$10 million grant:
 - Vanguard
 - Dimensional Fund Advisors (DFA)

Investment Update

Looking Ahead

- Duration of the Stewardship Council
- Duration of Investments

Watershed Planning Committee

- Conservation planning for 140,000+ acres in 22 counties
 - Oversees planning and transaction process
 - Develops policies and advises staff
 - Makes recommendations to the board

Lyons Reservoir Planning Unit Fee Title Recommendation

- USFS recommended to become prospective recipient of fee title to approximately 628 acres within parcels 1024-1027.
- Remaining lands available for donation will be addressed in a future recommendation.

Land Stewardship Proposals for Lyons Reservoir Planning Unit

- Land Stewardship Proposals received from U.S. Forest Service (USFS), California Department of Forestry and Fire Protection (CALFIRE), and Tuolumne Utilities District (TUD)

Lyons Reservoir Fee Title Recommendation

- USFS has financial and organizational capacity to own and manage fee title to the properties identified for donation.
- Donated lands would become part of the Stanislaus National Forest
- BPVs would be preserved and enhanced

Lyons Reservoir Fee Title Recommendation

Proposed USFS management activities include:

- Resource surveys and inventories for biological, cultural, and historical resources.
- Closure and restoration of unauthorized OHV trails
- Enhancement of traditional recreation experiences, including uses along Sugar Pine Railroad

Recommendation on Prospective Fee Title Holder

- **ACTION:**

- **Lyons Reservoir:** The U.S. Forest Service is recommended to become the prospective recipient of fee title to approximately 628 acres within 4 parcels (Parcels 1024-1027) subject to compliance with all the requirements of the Land Conservation Commitment.

PG&E Watershed Lands

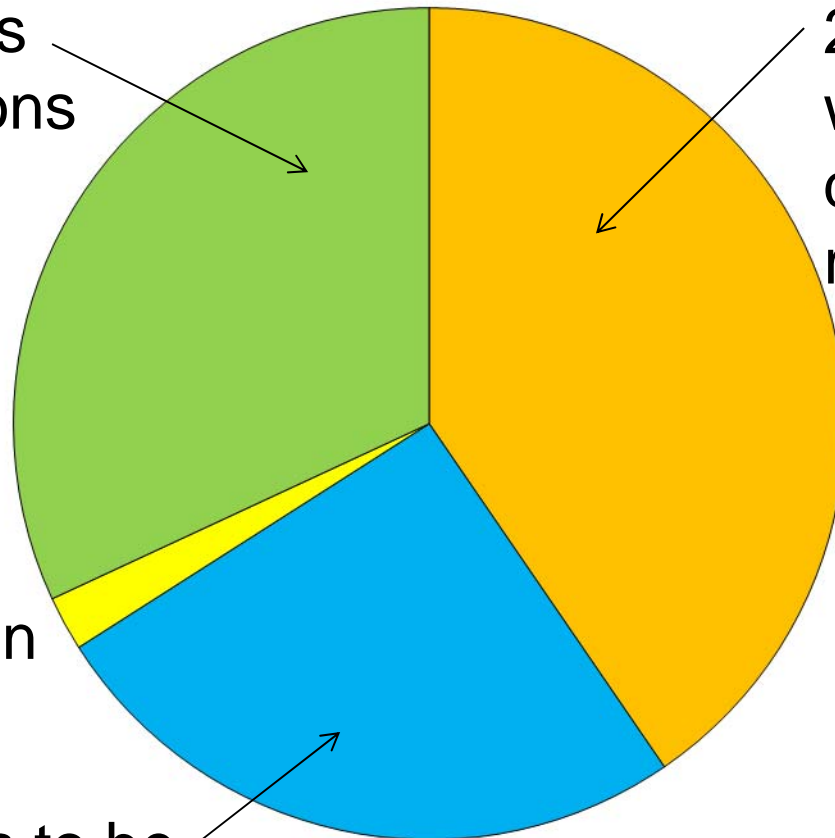
- 140,000 acres of land
- 1,000 parcels located across 22 counties
- Grouped into 47 planning units within 9 watershed areas



Council's Fee Title Donee Recommendations

14 planning units
Recommendations
yet to be made

20 planning units
with fee title
donation
recommendations



Carrizo Plain

12 planning units to be
retained by PG&E

Land Conservation Program Update

- Conservation easements holders have been recommended on half of the planning units



Land Conservation Program Next Steps

2012:

- Remaining recommendations to be completed
- First set of LCCPs to be adopted
- First Section 851 filings to be filed by PG&E

2013:

- First set of transactions to be completed

Land Conservation Program Update

Public Outreach Program:

- Land Stewardship Proposals posted on web site
- Improved organization of information on web site
- Public comment on Draft LCCEPs prior to Planning Committee review and approval

Land Conservation Program Update

Proposed Tax Neutrality Payment Methodology:

- Issued for comment on January 9
- Comments due March 9

Youth Investment Committee

- Connecting underserved California youth to the outdoors
 - Park investments
 - Support for outdoor programs
 - Total funding commitment of \$30 million

2011 Accomplishments

Fund	# Requests	Total Requests	# of Awards	Award	Youth
Total Catalyst	58	\$4,498,573	14	\$156,500	1,547
Total Impact	125	\$4,605,995	21	\$500,000	7,054
Infrastructure	58	\$9,268,686	5	\$811,000	9,899
Totals:	241	\$18,373,254	40	\$1,467,500	18,500

2011 Grantmaking Highlights

- **Community Grows**
 - \$10,000 Catalyst Fund Award



2011 Grantmaking Highlights

- **California Community Partners for Youth**
 - \$20,000 Impact Fund Award



2011 Grantmaking Highlights

- **Chabot Space and Science Center**
 - \$200,000
Infrastructure
Fund Award



Foundation for Youth Investment

Rue Mapp, Youth Investment Program Officer

January 19, 2012



FOUNDATION
for
YOUTH INVESTMENT



FOUNDATION
for
YOUTH INVESTMENT



A Look Back at 2011

- Administered 2011 Grant program for the Stewardship Council
- Created strong operating systems, governance, and policies
- Launched the development program



Outdoor Foundation Grant



“Organizations need to provide a diversity of staff. Someone who looks like the youth or comes from their same background or community may be an important first point of contact.”

Participant, Cultural Relevancy Discussion



A Look Back at 2011 FYI Initiatives

- Outdoor Educators Institute (OEI)
- Cultural Relevancy Discussion
- Native American Youth Best Practices Workshops



Outdoor Trips Fund





THANK YOU!

Rue Mapp

Program Officer

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FOUNDATION
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YOUTH INVESTMENT

Public Comments, Announcements & Adjourn

- Final public comments
- Board member announcements
- Adjourn