

May 8, 2013



Stewardship
Council

Land Conservation and Conveyance Plan

Kennedy Meadows

Executive Summary

Subject

LCCP Kennedy Meadows
Land Conservation Parcel Identification Number 940
Assessor Parcel Number 021-020-02-00

Type of Property Interest Disposition

- Tuolumne County to hold fee simple title to the entire Kennedy Meadows planning unit
- Mother Lode Land Trust (MLLT) to hold the conservation easement on the entire Kennedy Meadows planning unit
- No lands within the Kennedy Meadows planning unit will be retained by PG&E

Summary

The 240 acre Kennedy Meadows planning unit lies within one legal parcel and is being recommended for donation to Tuolumne County. Pending CPUC approval and immediately following PG&E's conveyance of the Kennedy Meadows planning unit to Tuolumne County, the County and MLLT will enter into the conservation easement.

The entire 240 acre parcel is outside the Spring Gap-Stanislaus FERC Project boundary and PG&E has determined no portion of the parcel needs to be retained for existing or future utility operations. Therefore, the entire parcel is available for donation, subject to PG&E's reserved rights.

Tuolumne County will assume the current lease from the resort and pack station which generates approximately \$50,000 in annual revenue. Tuolumne County has agreed to earmark Kennedy Meadows Resort and Pack Station lease revenues for use on the property for costs associated with property ownership, property tax neutrality payments to special districts, land management, and future enhancements to the BPVs.

Property Location

The Kennedy Meadows planning unit is located in Tuolumne County along Highway 108, 57 miles east of Sonora and 50 miles south of South Lake Tahoe.

Economic Uses and Agreements

An unrecorded road and bridge license which provides access for U.S. Forest Service permittees will be assigned by PG&E to Tuolumne County. The permittees will retain ownership of the bridge they constructed over the Middle Fork Stanislaus River. Subject to CPUC approval, legal access over the subject parcel was formalized by a trail access road easement that was conveyed by PG&E to U.S. Forest Service in June 2012.

An unrecorded lease between Kennedy Meadows Resort and Pack Station and PG&E encumbers the entire 240 acre parcel. The lease expires December 31, 2028 and generates approximately \$50,000 in annual revenue. Pending CPUC approval, the lease will be

assigned to Tuolumne County by PG&E. The lease agreement establishes that all improvements and structures associated with the resort are owned and managed by the lessee.

Permanent Protection of the Beneficial Public Values

The proposed Grant Deed transferring fee title to the County includes a recital that the County and PG&E acknowledge that the conveyance, together with the conservation easement transaction being entered into by County and MLLT, is being made in the public interest with the intent to ensure the permanent protection of the beneficial public values on the Property as identified in the Land Conservation Plan while allowing the ongoing use of the Property by PG&E for hydroelectric operations, water delivery, and related activities, and acknowledging and honoring the existing third party uses.

Conservation Management Objectives to Preserve and/or Enhance the Beneficial Public Values

The conservation easement will:

- Ensure the Kennedy Meadows planning unit remains open space for the benefit of the public
- Allow the Kennedy Meadows Resort and Pack Station to continue operating
- Protect future public access subject to reasonable limitations set by the landowner
- Require forested lands be managed to provide ecological, economic, social and cultural benefits for present and future generations
- Permit agricultural uses to continue
- Require protection of cultural resources

Additionally, Tuolumne County will conduct a cultural resource study and study the effects of manure spreading and the Kennedy Meadows Resort and Pack Station employee housing on water quality and other biological resources. Tuolumne County will also prepare a manure management plan, a grazing management plan, and a recreational use plan.

Tax Neutrality

Tuolumne County recognizes the value of the land interest received and the value of the lease revenue as an in-lieu payment satisfying the tax neutrality provision of the Land Conservation Commitment.

Hazardous Waste Disclosure

The Kennedy Meadows Environmental Site Assessment Report dated February 19, 2010 contains a discussion of the hazardous waste, substance contamination, or other such environmental conditions that were identified. Subsequent to the issuance of the Kennedy Meadows Environmental Site Assessment Report, the soil condition identified in the report was remediated by PG&E in coordination with the lessee and the Tuolumne

County Division of Environmental Health. The County issued a letter dated January 4, 2012 stating that the environmental case is closed and no further action is required.

Consideration of Parcel Split

The entire planning unit lies within one legal parcel that will be transferred to Tuolumne County; therefore, no parcel split is required.

Applicable CEQA exemption(s) or reason why transaction is not a “project under CEQA”

No physical change will occur as a result of the Kennedy Meadows transaction; therefore it is not a project under CEQA.

Introduction

The Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council) is a private, nonprofit foundation established in 2004 as part of PG&E Settlement Agreement D.03-12-035 with the California Public Utilities Commission (CPUC) and the Stipulation Resolving Issues Regarding the Land Conservation Commitment I.02-04-026 (Settlement and Stipulation). The Stewardship Council Board of Directors includes appointees from state and federal agencies, water districts, Native American and rural interests, forest and farm industry groups, conservation organizations, the CPUC, and Pacific Gas and Electric Company (PG&E).

The Stewardship Council has developed a plan to protect more than 140,000 acres of watershed lands (Watershed Lands) currently owned by PG&E for the benefit of the citizens of California. Protecting the Watershed Lands will be accomplished through (1) PG&E's donation of conservation easements to one or more public agencies or qualified conservation organizations so as to protect the natural habitat of fish, wildlife, and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values (collectively the Beneficial Public Values), and in some cases, (2) PG&E's donation of the Watershed Lands in fee to one or more public entities or qualified conservation organizations, whose ownership would be consistent with these conservation objectives.

Located primarily in the Sierra Nevada and Cascade Mountain range watersheds, the Watershed Lands contain some of the most pristine and resource-rich landscapes found in the state. The properties are diverse and geographically remote, located in 21 counties from the northern reaches of the state to the southern end of the Central Valley.

As required by the Settlement and Stipulation, the Stewardship Council prepared a Land Conservation Plan (LCP) to establish a framework for the conservation and/or enhancement of the Watershed Lands, and to ensure the permanent protection of these lands for the benefit of current and future generations of Californians. To address the challenge of a conservation effort of this large scope and unique nature, and to facilitate engagement of a wide range of stakeholders and interested members of the public, the Stewardship Council grouped the Watershed Lands into 47 planning units and established a phased approach to development and implementation of the LCP.

In 2007, the Stewardship Council Board adopted Volumes I and II of the LCP:

- **Volume I:** The Land Conservation Framework establishes the overall framework for the LCP, including legal requirements, the planning process, methodologies, public involvement, and relevant regulatory processes.
- **Volume II:** Planning Unit Concepts documents existing conditions and presents management objectives, potential measures, and conceptual plans to preserve and/or enhance the Beneficial Public Values (BPVs) within each planning unit. It also documents existing economic uses.

Volume III, consisting of Land Conservation and Conveyance Plans (LCCPs) to be issued serially and cumulatively, will encompass a series of real estate transaction

packages that will detail the specific land conservation and/or disposition requirements for each parcel or parcel cluster. LCCPs represent the Stewardship Council's recommendations for preserving and/or enhancing the BPVs of the Watershed Lands to PG&E, and are intended to support required regulatory approvals of the land transactions resulting from the Stewardship Council's recommendations. The content of the LCCP spans a number of issues required by the Settlement and Stipulation, such as an express reservation of a right for continued operation and maintenance of hydroelectric facilities and associated water delivery facilities, including project replacements and improvements required to meet existing and future water delivery requirements for power generation and consumptive water use by existing users, compliance with any Federal Energy Regulatory Commission (FERC) license, FERC license renewal, or other regulatory requirements. In addition, conservation easements will honor existing agreements for economic uses, including consumptive water deliveries, and preserve or enhance reasonable public access to the Watershed Lands.

During the development of LCP Volumes I and II and the LCCPs, the Stewardship Council implemented a public outreach program to ensure local communities, elected representatives, neighboring property owners, and other key stakeholders had many opportunities to engage in the Stewardship Council's effort to preserve and enhance the Watershed Lands. To solicit additional input from the public on potential fee title recipients or conservation easement holders (referred to as donees), the Stewardship Council hosted a series of public information meetings. These meetings were designed to (1) provide an overview and update on the Stewardship Council's Land Conservation Program, (2) outline next steps, timeline, and opportunities for additional public input, and (3) solicit public input on the desired qualifications of potential donees and the future stewardship of the planning units.

Public input that the Stewardship Council received as a result of the public outreach process, including comments on Volume II of the LCP, comments from public information meetings on the selection of donees and other issues, and correspondence received by the Stewardship Council were considered by the Stewardship Council in its evaluation of the potential donees and their land stewardship proposals. In addition to public meetings, the public was given the opportunity to participate in all of the Stewardship Council's public board meetings where decisions were made on fee title and conservation easement donees. Prior to making a decision regarding the disposition of this parcel, the Stewardship Council provided notice to the Board of Supervisors of the affected county, each affected city, town, and water supply entity, each affected Tribe and/or co-licensee, and each landowner located within one mile of the exterior boundary of the parcel, by mail or other effective manner. A summary of the public outreach process for this subject LCCP, the Kennedy Meadows planning unit, is provided in Appendix 1. Furthermore, the proposed LCCP was made available for public review and comment before it is forwarded by the Watershed Planning Committee to the Board for its review and approval.

The Stewardship Council Board of Directors recommends that Tuolumne County receive the entire 240 acre Kennedy Meadows planning unit in fee and that Mother Lode Land Trust hold a conservation easement over the entire planning unit.

Table 1-1 identifies Stipulation requirements that will be addressed in the LCCP and includes pertinent language from the Stipulation.

Table 1-1 Stipulation 12(a) Requirements

(1) Acreage, Existing Economic Uses and Agreements <i>"Reasonably exact estimates of acreage, by parcel, within or outside licensed project boundaries, and existing economic uses (including all related agreements);"</i>
(2) Objectives to Preserve and/or Enhance <i>"Objectives to preserve and/or enhance the BPVs, as defined in the Settlement Agreement, Appendix E, of each individual parcel;"</i>
(3) Recommendations for Conservation Easement and Fee Simple Donation <i>"A recommendation for grant of a conservation easement or fee simple donation for each such parcel;"</i>
(4) Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance BPVs <i>"A finding that the intended donee of such easement or fee simple has the funding and other capacity to maintain that property interest so as to preserve and/or enhance the BPVs thereof;"</i>
(5) Analysis of Tax and Other Economic and Physical Impacts <i>"An analysis of tax and other economic and physical impacts of such disposition strategy, and a commitment by an appropriate entity to provide property tax revenue, other equivalent revenue source, or a lump sum payment, so that the totality of dispositions in each affected county under the LCC will be 'tax neutral' for that county;"</i>
(6) Hazardous Waste Disclosure <i>"A disclosure of all known hazardous waste or substance contamination or other such environmental liabilities associated with each parcel;"</i>
(7) Consideration of Parcel Split <i>"Appropriate consideration whether to split any parcel which is partly used or useful for operation of PG&E's and/or a co-licensee's hydroelectric facilities, where the beneficial public values of the unused part may be enhanced by such split, provided that it is consistent with Section 12(b)(4) of this Stipulation and that, in the event that governmental approval of a parcel split imposes conditions or restrictions on other PG&E property, the decision to accept or reject such conditions will be at PG&E's sole discretion;"</i>
(8) Strategy for Physical Measures to Enhance BPVs <i>"A strategy to undertake appropriate physical measures to enhance the BPVs of individual parcels; provided that no such measure will be in conflict with the provisions of Settlement Agreement paragraph 17(c) and Appendix E paragraph 1;"</i>
(9) Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures <i>"A plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures on the applicable management objectives;"</i>
(10) Implementation Schedule for Transactions and Measures <i>"A schedule for the implementing transactions and measures."</i>

Table of Contents

Executive Summary.....	1
Introduction	4
1. Acreage, Existing Economic Uses and Agreements.....	8
2. Objectives to Preserve and/or Enhance the BPVs.....	10
3. Recommendations for Conservation Easement and Fee Simple Donation.....	12
4. Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance the BPVs.....	14
5. Analysis of Tax and Other Economic and Physical Impacts.....	17
6. Hazardous Waste Disclosure.....	19
7. Consideration of Parcel Split.....	20
8. Strategy for Physical Measures to Enhance the BPVs.....	21
9. Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures.....	22
10. Implementation Schedule for Transaction and Measures.....	23

Appendices

Appendix 1. Summary of Public Outreach.....	25
Appendix 2. Grant Deed.....	30
Appendix 3. Conservation Easement.....	38
Appendix 4. Stewardship Council Funding Agreements.....	124
Appendix 5. Property Tax Neutrality Documents.....	139
Appendix 6. Map.....	145
Appendix 7. Settlement Agreement, Appendix	146

1. Acreage, Existing Economic Uses and Agreements

Acreage and Property Description

The Kennedy Meadows planning unit contains one legal parcel (Land Conservation Parcel ID # 940) of approximately 240 acres. The entire parcel will be donated to Tuolumne County and, consistent with the conditions in the Settlement Agreement, the entire parcel will be subject to a perpetual conservation easement granted by Tuolumne County to Mother Lode Land Trust, as described in Chapter 3.

The planning unit is located in Tuolumne County along Highway 108, just 57 miles east of Sonora and 50 miles south of South Lake Tahoe, at an elevation of approximately 6,500 feet. The planning unit provides important outdoor recreation and wildlife habitat in the remote upper elevations of the Sierra Nevada. It is surrounded by public lands managed by the Stanislaus National Forest, including the Emigrant Wilderness, which is located less than 0.5 mile southeast of the planning unit. The planning unit is zoned as a commercial and general recreation district (Tuolumne County Ord. Code, Section 17.16.010 and Section 17.31.010).

A prominent feature of the planning unit is the Huckleberry Trail. This trail traverses the planning unit, providing equestrian and hiking access to the Emigrant Wilderness. The entire length of the trail through the planning unit also serves as a restricted access road. The road is occasionally utilized by PG&E for maintenance of its hydropower facilities, by the property lessee for operating purposes, by the U.S. Forest Service for trail maintenance, and by the California Department of Fish and Game for fish stocking. Another prominent feature of the planning unit is the Kennedy Meadows Resort and Pack Station. The pack station is a commercial endeavor that has been operated pursuant to a lease between the commercial operator and PG&E (or its predecessor in interest) on a seasonal basis since 1917. The resort contains approximately 27 rustic buildings, including a lodge, saloon, cabins, and ancillary buildings.

Adjacent and Nearby Landowners

The entire Kennedy Meadows planning unit is surrounded by the U.S. Forest Service – Stanislaus National Forest, which includes privately owned cabins on lands leased from the U.S. Forest Service. The cabin owners access their leased properties via a private bridge that crosses the Middle Fork Stanislaus River on a portion of the planning unit. The bridge is owned and maintained by the cabin owners, as permitted through an unrecorded license. The license will be honored by Tuolumne County. As described above, the U.S. Forest Service was notified and invited to provide comment during key phases of the land conservation and conveyance planning process. In addition the cabin lessees were similarly notified and invited to participate in public meetings.

The U.S. Forest Service was also very involved in the fee title donee process as an organization interested in receiving fee title to the Kennedy Meadows planning unit. After the board recommended Tuolumne County as the prospective donee, the U.S. Forest Service provided the Stewardship Council with comments concerning the future management of the Kennedy Meadows planning unit. The Stewardship Council considered these comments when developing the Kennedy Meadows Land Conservation

and Conveyance Plan, as appropriate. In addition, the Stewardship Council forwarded the U.S. Forest Service letter to PG&E for consideration as the current landowner.

The Stewardship Council also took into account the three nearby private landowners located within one mile of the subject parcel. Private landowners located within one mile of the subject parcel were notified and invited to provide comment during key phases of the land conservation and conveyance planning process. The three nearby private landowners have not provided any comments concerning their property interests.

Existing Economic Uses and Agreements

There are two unrecorded encumbrances that will be assigned by PG&E to Tuolumne County. Tuolumne County and the Mother Lode Land Trust will honor these existing agreements, as required by the Settlement Agreement and Stipulation.

The first encumbrance is an unrecorded road and bridge license conveyed to A.C. McIntyre and R.S. Smoot by the Sierra and San Francisco Power Company, dated June 24, 1930. This license provides access for U.S. Forest Service permittees from the northerly boundary to the westerly boundary of the subject parcel. The permittees will retain ownership of the bridge they constructed over the Middle Fork Stanislaus River after the property is transferred to Tuolumne County. Additionally, PG&E conveyed an access road easement to the U.S. Forest Service as part of this transaction to formalize legal access by the U.S. Forest Service permittees over the subject parcel.

The second unrecorded encumbrance is a lease between Kennedy Meadows Resort and Pack Station (Lessee) and PG&E. The lease agreement encumbers the entire 240 acre parcel and expires December 31, 2028. The lease agreement establishes that all improvements and structures associated with the resort are owned and managed by the Lessee. The lease agreement also references the Land Conservation Commitment including the fact that a conservation easement will be placed on the leased property.

PG&E conveyed a trail easement in favor of the U.S. Forest Service for the portion of the Huckleberry Trail that crosses the Kennedy Meadows planning unit. PG&E obtained a separate approval from the CPUC for the Huckleberry Trail easement, as part of PG&E's FERC license 2130. The trail easement was recorded by the U.S. Forest Service in June 2012.

While the property is primarily used to support the Kennedy Meadows Resort and Pack Station, the tenant allows an adjacent U.S. Forest Service grazing lessee to stage cattle in the upper meadow for two days annually on the way to a Forest Service allotment and up to one week on the way out.

PG&E reserves its rights to maintain and operate existing and future utility facilities over portions of the parcel to be conveyed in fee. The specific reserved rights are set forth in the grant deed and conservation easement, which can be found in Appendices 2 and 3, respectively.

2. Objectives to Preserve and/or Enhance the BPVs

As summarized in the LCCP, the transaction preserves and enhances the six BPVs set forth in the Settlement and Stipulation: protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values. This transaction will not have an adverse effect on the public interest or on the ability of the utility to provide safe and reliable service to customers at reasonable rates.

The following text lists the objectives for each BPV at the Kennedy Meadows planning unit that the Stewardship Council Board approved in LCP Volume II, as well as a description of how the transaction, as summarized by this LCCP, supports each objective and preserves and/or enhances the BPVs.

1. Objective: Preserve and enhance habitat in order to protect special biological resources.

The conservation easement (Appendix 3) will permanently protect habitat by restricting development and limiting the landowner's uses to those that are consistent with the protection of the BPVs on the property. Tuolumne County will study the ecological impacts of manure spreading on the upper and lower meadows and prepare a manure management plan, study the ecological impacts of employee housing on the riparian corridor, and prepare a grazing management plan, and a recreational use plan. These studies will be funded by the Stewardship Council and are intended to form the basis for a comprehensive land management plan at the Kennedy Meadows planning unit. For more details, see Appendix 4, Land Management and Funding Agreement.

2. Objective: Preserve open space in order to protect natural and cultural resources, the wilderness character of the region, and the recreation setting.

The conservation easement will ensure that Kennedy Meadows will remain as open space for the benefit of the public as no further development will occur unless specifically authorized by the conservation easement. Tuolumne County has agreed to limit the use of the property to activities that are consistent with the terms of the conservation easement.

3. Objective: Enhance recreational facilities and operations in order to provide additional public access, education, and recreation opportunities consistent with the carrying capacity of the area.

The conservation easement will allow for the existing Kennedy Meadows Resort and Pack Station to continue and it will protect future public access to the property subject to reasonable limitations by the landowner. Tuolumne County will develop a recreation management plan for the Kennedy Meadows planning unit, while recognizing the need to protect the other BPVs of the property. The management plan will also address opportunities for enhanced public access including parking, signage, and trails. This recreational use management plan will be funded by the Stewardship Council. For more details, see Appendix 4, Land Management and Funding Agreement.

- 4. Objective: Develop and implement forestry practices in order to contribute to a sustainable forest, preserve and enhance habitat, as well as to ensure appropriate fuel load management.*

The conservation easement will require forested lands within the Kennedy Meadows planning unit be managed as a dynamic forest ecosystems to provide ecological, economic, social, and cultural benefits for present and future generations, consistent with the definition of sustainable forestry approved by the Stewardship Council Board in LCP Volume I, Appendix 7-3. The conservation easement prohibits even-aged management and the harvesting of late seral forests because of relatively few forested acres on this planning unit, high recreational use by the general public, high scenic value, the property is adjacent to wilderness, and because the steep terrain is bisected by Middle Fork Stanislaus River which has been proposed for recreational Wild and Scenic River classification by the U.S. Forest Service.

- 5. Objective: Preserve and enhance pass-through grazing practices in order to support ongoing ranching activity, if this can be accomplished in balance with ensuring appropriate protection of natural resources.*

The conservation easement will permit agricultural uses to occur, including pass-through grazing and occasional pasturing of the Pack Station animals.

- 6. Objective: Identify and manage cultural resources in order to ensure their protection, as well as to support opportunities for public education.*

The conservation easement will protect cultural resources and allow public access for cultural resource educational opportunities. Tuolumne County will conduct a cultural resource study and assess opportunities for public education in consultation with the Tuolumne Band of Me-wuk Indians and other responsible entities to identify cultural resources. The study conducted by Tuolumne County will be funded by the Stewardship Council, as described in the Land Management and Funding Agreement attached in Appendix 4.

3. Recommendations for Conservation Easement and Fee Simple Donation

The Settlement and Stipulation require that the Watershed Lands (1) be subject to permanent conservation easements restricting development of the Watershed Lands so as to protect and preserve the BPVs, and/or (2) be donated in fee simple to one or more public entities or qualified nonprofit conservation organizations, whose ownership will ensure the protection of these BPVs.

Conservation Easement

The Settlement and Stipulation generally requires that all of the Watershed Lands be encumbered by conservation easements that shall protect the natural habitat of fish, wildlife and plants, open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values and shall prevent any other uses that will significantly impair or interfere with those values.

The Land Conservation Commitment states “the conservation easements shall provide for the preservation of land areas for the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values and, shall prevent any other uses that will significantly impair or interfere with those values. Conservation easements on the Watershed Lands will include an express reservation of a right for continued operation and maintenance of hydroelectric facilities and associated water delivery facilities, including project replacements and improvements required to meet existing and future water delivery requirements for power generation and consumptive water use by existing users, compliance with any FERC license, FERC license renewal or other regulatory requirements. In addition, conservation easements will honor existing agreements for economic uses, including consumptive water deliveries. The conservation easements shall be donated to and managed by one or more non-profit conservation trustees, qualified conservation organizations or public agencies with the experience and expertise to fully and strictly implement the conservation easements” (Land Conservation Commitment I.02-04-026, Appendix E, p. 38-39).

For the complete text of the conservation easement, see Appendix 3.

Conservation easements must be donated to nonprofit organizations, Native American tribes, or public agencies that meet the requirements of California Civil Code section 815.3 and possess the experience and capacity to fully and strictly implement the terms of the conservation easement. The Mother Lode Land Trust (MLLT) will hold the conservation easement over the Kennedy Meadows planning unit. The qualifications of the MLLT are described in Chapter 4.

Accordingly, immediately following PG&E's conveyance of the Kennedy Meadows planning unit to Tuolumne County, the County will convey the conservation easement to MLLT.

Retention or Donation of Fee Title

The Settlement Agreement states that PG&E will not be expected to make simple donations of Watershed Lands with hydroelectric project features, and conservation easements and enhancements may not interfere with hydroelectric operations. In general, PG&E will retain fee title to those Watershed Lands within the boundaries of hydroelectric projects licensed by the FERC, as well as other properties required for continuing and future utility operations. In all cases, however, these Watershed Lands will be conserved via a conservation easement. See Appendix 7 for a description of PG&E's Land Conservation Commitment.

At Kennedy Meadows, the entire 240 acre parcel is outside the Spring Gap-Stanislaus FERC Project boundary. In addition, PG&E determined it did not need to retain a fee portion of the parcel for existing or future utility operations. Thus, the entire parcel is available for donation, subject to PG&E's reserved rights. The specific reserved rights are set forth in the grant deed and conservation easement, which can be found in Appendices 2 and 3, respectively.

Lands to be Donated by PG&E

The entire 240 acre planning unit that lies within one legal parcel (LCPID #940; APN 021-020-02-00) will be donated to Tuolumne County if and when the CPUC approves the transaction. The legal description of the parcel is included in the grant deed, which is provided in Appendix 2. The qualifications and capacity of Tuolumne County to manage the Kennedy Meadows planning unit are described in Chapter 4.

The map attached in Appendix 6 shows that all the land within the Kennedy Meadows planning unit will be donated. The map also shows key features in the planning unit and surrounding area, and ownership of adjacent land.

Lands to be Retained by PG&E

There are no lands within the Kennedy Meadows planning unit that will be retained by PG&E.

4. Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance the BPVs

Selected Organizations

At the conclusion of the above-referenced selection process, the following organizations were endorsed by the Stewardship Council Board on June 10, 2009:

- MLLT to hold a conservation easement over the entire property.
- Tuolumne County to hold fee simple title to the entire property.

Capacity of Selected Organizations

The Stewardship Council Board made a finding that Tuolumne County and MLLT will have the funding and other capacity to maintain the property interest so as to preserve and/or enhance the BPVs.

A. Tuolumne County:

- Tuolumne County is a political subdivision of the State of California that was incorporated in 1850. The County's mission is to assure the health and safety of its citizens through the effective delivery of public services. The County is governed by a locally-elected five member Board of Supervisors. Its decision making process is governed by the requirements of the Brown Act. The County has over thirty departments that are assigned to oversee different areas, including the Agricultural Commissioner, Farm Advisor, Recreation, Community Development, Environmental Health, Board of Supervisors, and County Administration.
- Tuolumne County has a demonstrated capacity to own and/or manage land for conservation-related purposes. Examples include: Pioneer Park in Columbia, the Jamestown Mine, a former open pit gold mine, and the Lake Tulloch South Shore Marina. It has standards and best practices regarding land ownership and management in the form of a General Land Use Plan that guides growth and development as well as codes, ordinances, and policies established to protect public health and safety. The County has also demonstrated an interest in managing the Kennedy Meadows planning unit collaboratively with other interested stakeholders.
- The Stewardship Council's review of Tuolumne County's financial capacity consisted of an evaluation of the County's annual operating budget and financial statements, and consideration of the current and projected management and enhancement costs and funding in relation to the County's financial capacity. Based on this review, staff concluded that Tuolumne County has the financial ability to manage the lands being recommended for donation to preserve and/or enhance the BPVs associated with these lands.

- Tuolumne County will receive funding from the Stewardship Council to conduct studies at the Kennedy Meadows planning unit. Please see the Land Management and Funding Agreement in Appendix 4 for further information on the studies to be funded by the Stewardship Council.
- Tuolumne County will assume the current lease which generates approximately \$50,000 in revenue from the resort and pack station annually. Tuolumne County has agreed in the Management and Funding Agreement to earmark Kennedy Meadows Resort and Pack Station lease revenues for costs associated with property ownership, land management, and future enhancements to the BPVs at the Kennedy Meadows planning unit. The lease revenue will also be used to pay special districts for loss of property tax revenue. See Appendix 4 for the Land Management and Funding Agreement.

B. Mother Lode Land Trust (MLLT)

- MLLT was established in 1991 and, as of 2012, MLLT holds 18 conservation easements on over 3,000 acres in Amador, Calaveras, Alpine and El Dorado counties.
- MLLT has an experienced staff and board of directors with expertise in forestry, agriculture, wildlife biology, rangeland science, land management, appraisal practices, local government, and community development.
- MLLT has established policies and standards regarding the monitoring and enforcement of conservation easements. It also has adopted policies on investing, endowments, conflict of interest, document retention and disposal, and Joint Venture. It also follows standards and best practices developed by the Land Trust Alliance.
- MLLT will receive adequate funding from the Stewardship Council to monitor the conservation easement at Kennedy Meadows in perpetuity. In addition, MLLT will receive a contribution from the Stewardship Council for its conservation easement legal defense fund. Please see the Conservation Easement Funding Agreement in Appendix 4 for more details regarding funding of the conservation easement for the Kennedy Meadows planning unit.
- MLLT is a qualified conservation easement holder under California Civil Code Section 815.3

Donee Selection Process

The Settlement Agreement states that the selected conservation easement holders must have the experience and expertise to fully and strictly implement the conservation easement (see Appendix 7). Moreover, as outlined in the Stipulation, there must be a finding that the intended donee of the conservation easement and fee title have the

funding and other capacity to maintain that property interest so as to preserve and/or enhance the BPVs.¹

The Stewardship Council used a formal multi-step process to solicit and select organizations interested in receiving a donation of Watershed Lands or becoming a conservation easement holder at the Kennedy Meadows planning unit. The process consisted of the following key steps:

- Organizations were required to register via the Stewardship Council's Interested Donee Registry.
- All registered organizations were invited to submit a statement of qualifications (SOQ).
- The Stewardship Council reviewed the SOQs that were submitted. Organizations that: (a) were determined to be a qualified nonprofit conservation organization; a federal, state or local governmental entity; or, a recognized tribe; (b) appeared to have sufficient financial and organizational capacity relative to the lands sought within the planning unit; and, (c) appeared to be capable of satisfying the requirements of the Settlement and Stipulation for receiving donation of fee title or becoming a conservation easement holder, were invited to submit a land stewardship proposal ("LSP" or "proposal") describing their capacity and interest in preserving and enhancing the BPVs. The LSPs were posted on the Stewardship Council's website.
- Organizations demonstrating sufficient capacity and determined by the Stewardship Council to be best-suited to receive a donation of particular Watershed Lands within a planning unit, are being recommended to PG&E to receive fee title and/or conservation easements.

¹ Stipulation, Section 12 (a)(4).

5. Analysis of Tax and Other Economic and Physical Impacts

The Settlement and Stipulation require that the LCP provide an analysis of tax and other economic and physical impacts of each disposition and a commitment by an appropriate entity to provide property tax revenue, other equivalent revenue source, or a lump sum payment, so that the totality of dispositions in each affected county will be tax neutral for each county. The following sections address the Stewardship Council's actions towards achieving tax neutrality for Tuolumne County. The final LCCP submitted for all PG&E Watershed Lands located in Tuolumne County will address tax neutrality for the totality of all the dispositions within the county, as required under the Settlement and Stipulation.

Property Tax Neutrality

The entire 240 acres that make up the Kennedy Meadows planning unit are being donated to Tuolumne County. As agreed to in the Property Tax Neutrality Agreement between the Stewardship Council, Tuolumne County acknowledges that the conveyance of the property to the County, coupled with the current and future sources of revenue generated from the property and interest accrued thereon (collectively Generated Revenue), represents a reasonable payment to the County in lieu of taxes which might otherwise have been received by the County from the owner of the property and that the transfer of the property with actual and potential Generated Revenue satisfies the tax neutrality requirement. Furthermore, the County has agreed to make annual in-lieu payments to the applicable special districts using the net revenues from the Kennedy Meadows Resort and Pack Station lease. See Appendix 5 Property Tax Neutrality Agreement between the Stewardship Council and Tuolumne County for additional information.

The Stewardship Council defined its interpretation of property tax neutrality in the *Guidelines Regarding Satisfaction of Tax Neutrality*, adopted March 30, 2011. Under the guidelines, the Stewardship Council outlined the following overarching assumptions:

1. The Stewardship Council will address property tax neutrality based upon the most current property taxes paid by PG&E on the lands being transferred at the time of the actual transfer of fee title from PG&E to the selected donee.
2. The Stewardship Council's achievement of property tax neutrality applies to all property taxes that would be distributed directly to County General Funds, School and Fire Districts, Regional Conservation and Water Districts, and any other special districts as defined by the applicable Tax Rate Area.
3. The Settlement and Stipulation direct the Stewardship Council to ensure that the effects of distributions be made tax neutral for the affected counties. Therefore, the Stewardship Council's property tax neutrality commitment will not apply to any amount of property tax payments that are subject to apportionment by the State of California.

Other Economic and Physical Impacts

The Settlement and Stipulation require an analysis of the physical and economic impacts of each disposition. The transaction agreements for the Kennedy Meadows planning unit

have not mandated any changes to the physical or economic uses of the lands. Tuolumne County intends to manage the lands in a manner consistent with the current physical and economic uses of the lands.

PG&E holds one lease on the Kennedy Meadows planning unit known as the Kennedy Meadows Resort and Pack Station lease. The lease will be assigned to Tuolumne County at closing. The net revenue generated by the lease after payment of in-lieu tax payments to the special districts will be used by Tuolumne County for physical and land management improvements at Kennedy Meadows. No new activities are proposed that will result in any detrimental physical impacts.

The conservation easement held by MLLT will permit the existing economic use on the lands, including the pack station, to continue. The conservation easement will prohibit development and other uses of the land that would significantly impair the BPVs, subject to PG&E's reserved rights. The specific reserved rights are referenced in the conservation easement, which can be found in Appendix 3. The conservation easement prohibits interference with any hydroelectric and water delivery operations including maintenance, and requires reservation of reasonable public access.

6. Hazardous Waste Disclosure

The Stipulation states that in the disposition of fee title and conveyance of a conservation easement, PG&E will disclose all known hazardous waste, substance contamination, or other such environmental liabilities associated with each parcel and hold the donee harmless.

Lands to be Retained by PG&E

There are no lands within the Kennedy Meadows planning unit that will be retained by PG&E.

Lands to be Donated by PG&E

In 2010, PG&E conducted an environmental assessment of parcel 940 which encompasses the entire 240 acres of the Kennedy Meadows planning unit, all to be donated to Tuolumne County. The Kennedy Meadows Environmental Site Assessment Report dated February 19, 2010 contains a discussion of the hazardous waste, substance contamination, or other such environmental conditions that were identified. Subsequent to the issuance of the Kennedy Meadows Environmental Site Assessment Report, the soil condition identified in the report was remediated by PG&E in coordination with the lessee and the Tuolumne County Division of Environmental Health. The County issued a letter dated January 4, 2012 stating that the environmental case is closed and no further action is required.

Environmental Agreement

Pending CPUC approval, PG&E will execute Environmental Agreements with Tuolumne County and MLLT that satisfy the requirements of the Stipulation with regard to liability.

7. Consideration of Parcel Split

Appropriate consideration was given to whether any portion of the Kennedy Meadows planning unit is needed for operation of PG&E's and/or a co-licensee's hydroelectric facilities. PG&E determined that retention of fee title is not needed for such operations and that reserving rights for certain activities would suffice. Therefore, the entire 240-acre planning unit was available for donation, subject to PG&E's reserved rights. The specific reserved rights are referenced in the grant deed and conservation easement, which can be found in Appendices 2 and 3, respectively. Because the entire planning unit lies within one legal parcel that will be transferred to Tuolumne County, there is no need for a parcel split.

8. Strategy for Physical Measures to Enhance the BPVs

The Stewardship Council developed and implemented a strategy to identify and undertake appropriate physical measures to enhance the BPVs of the Watershed Lands consistent with Settlement Agreement paragraph 17(c)² and Appendix E, paragraph 1.

During the preparation of Volume II of the LCP, a number of potential physical enhancement measures to preserve and/or enhance the BPVs were identified. These measures were identified with public input and were intended to be illustrative in nature and subject to change over time in coordination with the future landowner.

The selection of donees was based in part on their capacity to undertake the physical enhancements that will contribute to preservation and/or enhancement of BPVs. The Stewardship Council worked with the fee title donee to develop a Land Management and Funding Agreement pertaining to activities that will be funded by the Stewardship Council and undertaken by the donee upon acquiring ownership of the land.

Finally, the Stewardship Council is developing a grant program to fund enhancements on the Watershed Lands in the future. Grant funding will be available to accomplish any number of potential future physical measures such as developing trails, day use areas, and other public access improvements.

Specifically, at the Kennedy Meadows planning unit, Tuolumne County will conduct cultural resource studies and studies of the effects of manure spreading and the Kennedy Meadows Resort and Pack Station employee housing on water quality and other biological resources. These studies will inform the development of a comprehensive land management plan to enhance the BPVs. Tuolumne County will also prepare a grazing management plan and a recreational use plan.

² Settlement Agreement Paragraph 17(c) states, “PG&E shall fund PG&E Environmental Enhancement Corporation with \$70 million in Cash to cover administrative expenses and the costs of environmental enhancements to the Watershed Lands... provided that no such enhancement may at any time interfere with PG&E’s hydroelectric operations maintenance or capital improvements.”

9. Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures

The Stipulation requires that the LCP state programmatically a plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures. Each conservation easement holder is required to monitor every conservation easement that it holds to ensure that the landowner is complying with the terms of the easement. The Stewardship Council will enter into a Conservation Easement Funding Agreement with each conservation easement holder whereby the holder will receive a monitoring and enforcement endowment from the Stewardship Council to fund its monitoring activities. See Conservation Easement Funding Agreement, Appendix 4.

To further meet the requirement of monitoring the economic and physical impacts, the Stewardship Council will enter into an agreement with the Sierra Nevada Conservancy (SNC), a state agency, whereby the agency will agree to undertake certain duties designed to monitor the impacts of PG&E's Land Conservation Commitment.

When the Stewardship Council has completed its work, it will be dissolved. Prior to its dissolution, the Stewardship Council expects to prepare a report providing an assessment of any economic and physical impacts resulting from the Land Conservation Commitment as of that time. Stewardship Council's close-out report will include, among other things, the following information:

- How the property tax neutrality requirement was satisfied with regard to each parcel donated to a tax exempt organization
- A report regarding the enhancements that were funded by the Stewardship Council

It is anticipated that several years after the dissolution of the Stewardship Council, SNC will prepare a report assessing the physical and economic impacts of the Land Conservation Commitment up until that time. The report is expected to cover the following topics:

- Impact of the Land Conservation Commitment on agreements for economic uses
- Changes in entities holding conservation easements or fee title
- Performance of duties by conservation easement holders and conservation covenant holders

In addition to preparing an assessment report, which will be submitted to the CPUC and PG&E, SNC will serve as a public repository for key transaction documents and other documents pertaining to the Land Conservation Commitment.

10. Implementation Schedule for Transaction and Measures

Schedule for Transaction

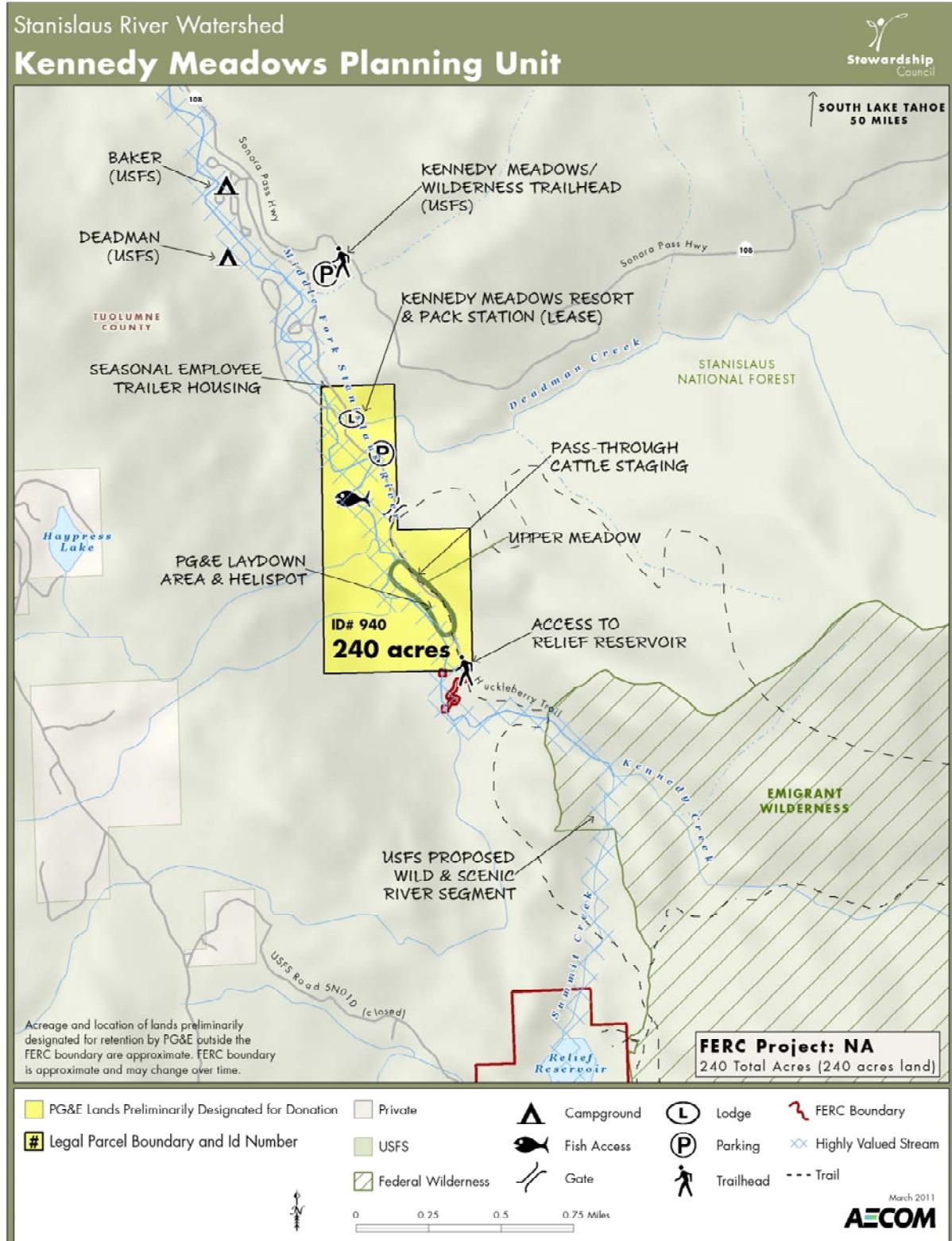
- CPUC review and approval (2013/2014)
- Close of escrow (2014)
- Stewardship Council release of funds (2014)

Funding for Management Measures

For a schedule of measures to be completed by Tuolumne County and funded by the Stewardship Council, please see Appendix 4 Land Management and Funding Agreement.

Compliance with Local Land Use Planning Requirements

Future management of the Kennedy Meadows planning unit including implementation of enhancement measures is anticipated to comply with all applicable County ordinances and/or General Plan policies.



SUMMARY OF PUBLIC OUTREACH PROGRAM

The Stewardship Council established a comprehensive public outreach program to both inform and solicit input from the public on the development and implementation of a plan to permanently protect over 140,000 acres of PG&E watershed lands. A variety of tools and techniques are used to engage the public, including:

- Stewardship Council Website: the website provides background information on the land conservation program and is regularly updated with board meeting agendas and minutes, proposed recommendations, and other announcements.
- Stakeholder Database and E-mailing: regular e-mail notifications are sent directly to individuals and organizations that have signed-up to receive e-mails. The e-mails provide updates on the status of the land conservation program, including pending actions by the board and upcoming public meetings.
- Targeted Newspaper Noticing and Paid Advertisements: newspaper advertisements and notices are placed in local newspapers circulated in the area where a board or public meeting is taking place or in communities that may have an interest in a particular topic on an upcoming meeting agenda.
- News Releases: news releases are issued to statewide and local media outlets at key intervals during the planning process.
- Public Information Meetings and Workshops: public information meetings and workshops are conducted throughout the watershed lands to provide updates and solicit input from interested stakeholders on the land conservation program and individual planning units. In many workshops, public comments were sought on potential measures to protect and enhance the beneficial public values on specific lands as well as the desired qualifications of potential donee organizations. Individuals and organizations unable to attend are provided an opportunity to submit comments in writing and review meeting summaries posted on the web site.
- Notice by Mail of Pending Decisions Regarding the Conveyance of Individual Parcels and Invitation to Comment:
 - Noticing of Affected Governmental Entities: prior to the proposed Land Conservation and Conveyance Plan (LCCP) being adopted by the board, a notice will be mailed to the Board of Supervisors of the affected county; each affected city, town, and water supply entity; and each affected tribe and/or co-licensee.
 - Noticing of landowners: postcards or letters are sent to all landowners located within one mile of lands that are the subject of a proposed LCCP prior to the proposed LCCP being adopted by the board.
- Individual Meetings with Stakeholders: Over the course of the preparation of Volumes I and II of the Land Conservation Plan (LCP) and the LCCP, Stewardship Council staff met, and communicated via the telephone and email, with a number of stakeholders interested in the Watershed Lands.
- The Stewardship Council Board of Directors meets five to six times per year, typically on a bimonthly schedule. At the board meetings, the public is invited to directly address the board on an agenda item or on any other matter. The meetings have been held at locations in northern

and central California and across the watershed lands to help facilitate public participation. Agendas are available one week prior to meetings, and meeting minutes are posted on the Stewardship Council public website approximately three weeks following those meetings.

KENNEDY MEADOWS PUBLIC OUTREACH

Highlighted below are the opportunities that have been, or are being, provided for public input on key documents and decisions concerning the Kennedy Meadows planning unit and the land conservation and conveyance process.

I. PUBLIC REVIEW OF VOLUMES I AND II OF THE LCP

The Draft Land Conservation Plan Volumes I and II were released in June 2007 for a 60-day public comment period. During this time, the Stewardship Council held ten public meetings to publicize the availability of the Draft LCP and to encourage public comment. These meetings were advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to local newspapers, a paid advertisement in local papers, and a postcard sent to all landowners on record that reside within one mile of any PG&E parcel. Comments were received via email, the website, and hardcopy letters. The comments were reviewed, and responded to individually; and the text in the draft LCP was revised as appropriate.

During public review of Volumes I and II of the LCP, over 1,000 public comments were submitted concerning the Kennedy Meadows Planning Unit. The great majority of these comments (711) were submitted on a form letter that was distributed by the lessee of the Kennedy Meadows Resort and Pack Station. The letter requested that PG&E retain ownership of the land with the Tuolumne County Resource Conservation District (RCD) as the conservation easement holder. In addition, the letter emphasized concerns that Forest Service ownership would curtail the resort's operation. Many letter signers also added their own personal comments. Other comments recommended transferring fee title to the Forest Service to provide consistent management with the surrounding area.

II. NOTICING OF LANDOWNERS WITHIN ONE MILE

In the fall of 2006 a postcard was distributed to the approximately 26,000 landowners located within one mile of the exterior boundary of all the parcels to notify and invite comment on Volume I and II of the LCP. A postcard was also sent to notify and invite adjacent landowners, the US Forest Service (USFS) and three private landowners located within one mile of the Kennedy Meadows parcel to a public workshop that was held in Sonora on August 21, 2008. In addition, simultaneous with the release of the proposed subject LCCP for public comment, adjacent landowners located within one mile of the subject parcel were noticed by mail at least 30 days before the Watershed Planning Committee considered forwarding the proposed subject LCCP to the board for final approval.

III. PILOT PROJECT ORIENTATION MEETING

On December 6, 2007, the Stewardship Council hosted a pilot project orientation meeting for the Kennedy Meadows planning unit in Sonora. The purpose of this meeting was to provide an update on the Stewardship Council's Land Conservation Program and review the pilot process. The 46 people that

attended the meeting also had an opportunity to ask questions regarding the process. This meeting was advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to the local newspaper, and a paid advertisement in the local paper. A summary of the meeting notes was posted on the Stewardship Council website for public review.

IV. PUBLIC PLANNING WORKSHOP

A public planning workshop on the Kennedy Meadows pilot project was hosted by the Stewardship Council on August 21, 2008, in Sonora, California. Attendees at the workshop included a total of 62 individuals representing a wide variety of interests including local, state, federal, and tribal governments; community organizations; and local businesses. The meeting was advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to the local newspaper, a paid advertisement in the local paper, and a postcard sent to all landowners on record located within one mile of any PG&E parcel associated with the Kennedy Meadows planning unit.

The purpose of the workshop was to: (1) provide a review and update on the Stewardship Council's Land Conservation Program; and, (2) solicit additional public input on future stewardship of the Kennedy Meadows planning unit. Discussions were guided by staff and focused on two topics: important qualifications of future land owners and conservation easements holders, and importance/priority of the 21 potential measures recommended for Kennedy Meadows. A summary of the meeting notes was posted on the Stewardship Council website for public review.

V. PUBLIC REVIEW OF LAND STEWARDSHIP PROPOSALS

For the four pilot projects (Bucks Lake, Doyle Springs, Kennedy Meadows, and McArthur Swamp planning units) the executive summaries from the submitted land stewardship proposals were initially posted on the Stewardship Council's website and interested members of the public were encouraged to contact the interested donee organizations directly regarding questions about their land stewardship proposal. Generally, Land Stewardship Proposals solicited and received by the Stewardship Council have been posted on the Stewardship Council's website for public review and comment, and an e-mail was sent to contacts in the Stewardship Council's database to notify them of the postings.

VI. PUBLIC REVIEW OF LAND CONSERVATION PROGRAM POLICIES & GUIDELINES

Public comment was sought on policies and guidelines that helped inform the Stewardship Council's land conservation and conveyance process. These documents were provided to the public in advance of being reviewed and endorsed by the Watershed Planning Committee or Fiduciary Committee and forwarded to the board for review and consideration.

Land Conservation Program Funding Policy

The Stewardship Council created a Land Conservation Program Funding Policy to help guide future planning and decision-making regarding funding of the long term management and stewardship of the watershed lands. In June and July, 2009, the draft policy was posted on the Stewardship Council's web

site and made available for review and comment to a group of stakeholders consisting of all registered potential donees and representatives of the counties in which the watershed lands are located. Two comments were received during the 30-day review and comment period. Both comments were reviewed, and it was determined that neither comment necessitated a change in the draft policy. The Stewardship Council's Board of Directors adopted the policy at a public board meeting in Sonora, Calif. on September 17, 2009.

VII. WATERSHED PLANNING COMMITTEE RECOMMENDATIONS OF FEE TITLE AND CONSERVATION EASEMENT DONEES

Staff recommendations for prospective fee title donees and conservation easement holders that are endorsed by the Watershed Planning Committee are posted on the Stewardship Council's website for public review and comment. The proposed board action is noticed via an e-mail sent to contacts in the Stewardship Council's database. In addition, public board meetings are advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to local papers, and an advertisement placed in local newspapers in the area where a board or public meeting is taking place or in communities that may have an interest in a particular topic on an upcoming meeting agenda. The board action taken is also noted in the meeting minutes that are posted on the Stewardship Council's website following each meeting.

All public comments received by staff concerning the Kennedy Meadows planning unit were provided to the board for consideration. At its June 10, 2009 public board meeting the board also received additional public comments.

VIII. PUBLIC REVIEW OF THE LAND CONSERVATION AND CONVEYANCE PLANS

The public was provided an opportunity to review and comment on the proposed Land Conservation and Conveyance Plans (LCCP), and the comments received were shared with board members prior to the Watershed Planning Committee forwarding the proposed LCCP to the board for its review and approval. The 30-day public review and comment period was announced via an e-mail sent to contacts in the Stewardship Council's database, a posting on the Stewardship Council's web site, and an advertisement placed in a local newspaper. A notice inviting review and comment on the proposed LCCP was sent to all landowners on record located within one mile of the subject PG&E parcel and PG&E leaseholders. In addition, a notice was mailed to the board of supervisors of the affected county; each affected city, town, and water supply entity; and each affected tribe and/or co-licensee. After receiving public comment, the Watershed Planning Committee made revisions to a proposed LCCP prior to forwarding a recommendation to the board.

IX. STEWARDSHIP COUNCIL BOARD OF DIRECTORS MEETINGS

The Proposed LCCP endorsed by the Watershed Planning Committee was posted on the Stewardship Council's website approximately 30 days prior to being considered by the board at a public board meeting. The posting of the proposed LCCP was advertised via an e-mail sent to contacts in the Stewardship Council's database. In addition, the public board meeting was advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship

Appendix 1: Summary of Public Outreach

Council's web site, a press release issued to a local paper, and an advertisement placed in a local newspaper. The board action taken will be noted in the meeting minutes that are posted on the Stewardship Council's website following the board meeting.

All public comments received will be provided to the board. There is also an additional opportunity for public comment at the public board meeting when the board considers approval of the proposed LCCP. Adoption of an LCCP by the board would be the final step in the Stewardship Council's process for selecting donees. The prospective donees are responsible for securing their own internal approvals prior to the transaction being completed. Transactions will be finalized upon LCCP review and transaction approval by the California Public Utilities Commission.

PACIFIC GAS AND ELECTRIC COMPANY
245 Market Street, N10A, Room 1015
P.O. Box 770000
San Francisco, California 94177

Location: City/Uninc _____

Recording Fee \$ _____

Document Transfer Tax \$ _____

This is a conveyance where the consideration and Value is less than \$100.00 (R&T Code §11911).

Computed on Full Value of Property Conveyed, or

Computed on Full Value Less Liens & Encumbrances Remaining at Time of Sale

 Signature of declarant or agent determining tax

(SPACE ABOVE FOR RECORDER'S USE ONLY)

LD

DEED

GRANT DEED, RESERVATION OF RIGHTS AND EASEMENTS, AND ASSIGNMENT OF RIGHTS

I. CONVEYANCE OF FEE

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called Grantor, hereby grants, without warranty express or implied, to the **COUNTY OF TUOLUMNE**, a political subdivision of the State of California, hereinafter called Grantee, the real property ("Property"), situated in the unincorporated area of the County of Tuolumne, State of California, described as follows:

All that certain parcel of land situated in Section 2 and Section 11, Township 5 North, Range 20 East, Mount Diablo Base and Meridian, as recorded in Book 57, Page 574 of Deeds of the County of Tuolumne, State of California, particularly described therein as follows:

The Southwest one-quarter of the Southeast one-quarter, the Southeast one-quarter of the Southwest one-quarter, the Southeast one-quarter of the Northwest one-quarter, and the Northeast one-quarter of the Southwest one-quarter, of said Section 2; and the Northwest one-quarter of Northeast one-quarter and the Northeast one-quarter of Northwest one-quarter, of said Section 11.

(APN # 021-020-02)
 (SBE # 145-55-1-7)

In connection with such grant, Grantor and Grantee have agreed, for good and valuable consideration, that Grantor shall reserve certain easements and rights, as more fully described below.

II. RECITALS

A. Grantor is a party to that certain Settlement Agreement (“**Settlement Agreement**”) as modified and approved by the Public Utilities Commission of the State of California (“**CPUC**”) in its Opinion and Order of December 18, 2003 (Decision 03-12-035).

B. In furtherance of the Settlement Agreement, and to provide additional detail regarding the implementation of the “Land Conservation Commitment” (defined below), the parties to the Settlement Agreement and other interested parties entered into that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (“**Stipulation**”).

C. The Settlement Agreement and the Stipulation (collectively, “**Governing Documents**”) require Grantor to ensure that approximately 140,000 acres of watershed lands, all owned by Grantor (collectively, “**Watershed Lands**”), including the Property, are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The obligations of Grantor to convey fee interests and/or conservation easements and protect such beneficial public values on the Watershed Lands, as well as certain other obligations related thereto, are set forth in detail in Appendix E of the Settlement Agreement (as further explicated in Section 12 of the Stipulation), and are defined therein as the “**Land Conservation Commitment**.”

D. Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California non-profit public benefit corporation (“**Stewardship Council**”) was created to oversee and carry out the Land Conservation Commitment. Pursuant to the Governing Documents, the Stewardship Council developed a plan for protection of the Watershed Lands for the benefit of the citizens of California (“**Land Conservation Plan**” or “**LCP**”). The LCP includes, among other things, objectives to preserve and/or enhance the beneficial public values identified on each parcel of Watershed Lands.

E. Grantor has used and continues to use the Property for the purposes of generating and transmitting hydroelectric energy, managing and monitoring the flow of water over the existing waterways for consumptive and non-consumptive uses, conducting various biological and land use studies mandated by the Federal Energy Regulatory Commission (“**FERC**”) (collectively, “**Hydroelectric Facilities and associated Water Delivery Facilities**”), and for other purposes as described more fully in the Reservation of Rights contained herein.

F. Consistent with the terms of the Governing Documents, Grantor and Grantee acknowledge this conveyance, together with the conservation easement transaction being entered into by Grantee and Mother Lode Land Trust concurrently herewith, is being made in the public interest with the intent to ensure the permanent protection of the beneficial public values on the Property as identified in the LCP while allowing the ongoing use of the Property by Grantor for hydroelectric operations, water delivery and other related activities, and acknowledging and honoring the existing third party uses.

III. RESERVATION OF RIGHTS AND EASEMENTS

Grantor expressly reserves the right to engage in or invite or permit others to engage in the activities and uses set forth below (collectively, the "Reserved Rights") as Grantor may determine in Grantor's sole discretion exercised in good faith is required for Grantor's continued operation and maintenance of Hydroelectric Facilities and associated Water Delivery Facilities. Grantor will use reasonable efforts to notify and consult with Grantee in advance of the exercise of the Reserved Rights, and use reasonable efforts to employ methods and practices that will not significantly impair the beneficial public values.

An exercise of Grantor's Reserved Rights shall be "required" (as used in the preceding paragraph) where Grantor determines in its sole discretion exercised in good faith that such exercise is necessary to fulfill requirements or directives of any one or more of the following: (a) the CPUC or the FERC, (b) other local, state or federal governmental entities, (c) any applicable law, ordinance, rule or regulation of local, state or federal governmental entity, (d) any third party agreement entered into by Grantor in good faith or by which Grantor is bound, or (e) professional engineering and design standards governing the ownership, maintenance, and/or operation of the Hydroelectric Facilities and associated Water Delivery Facilities.

- (a) Grantor reserves the permanent right to use a portion of the Property as a working, laydown and staging area, together with the right to construct, maintain, use, repair, and reconstruct such suitable pads or platforms for the landing, unloading, parking, loading and taking off of helicopters for operation and maintenance of nearby hydroelectric generating facilities within the portion of the Property shown on the attached Exhibit 1 as "Helicopter/Construction Laydown Area". In connection with the foregoing reservation, Grantor reserves the right to clear vegetation, to trim and cut down trees and brush, to remove obstructions, and to install temporary signage as needed to ensure the safe operation of said helicopters within said portion of the Property; and
- (b) Grantor reserves the permanent right to use a portion of the Property for periodic worker housing in connection with the operation and maintenance of its nearby hydroelectric generating facilities if, after consultation with Grantee and any current lessee of the Property, Grantor determines that no other acceptable facilities are available on the Property. Such periodic worker housing will be located within the portion of the Property shown on the attached Exhibit 1 as "Temporary Housing Area".
- (c) Grantor reserves, for its beneficial uses, all riparian water rights inherent in and part and parcel of the Property; all appropriative surface water rights (including, but not limited to, any appropriative surface water rights having a point of diversion, place of storage, or place of use on the Property); all prescriptive surface water rights; and all other right, title and interest of any nature whatsoever in and to the surface waters (including subsurface flow) which are now or hereafter located or flowing upon or abutting the Property.
- (d) Grantor reserves the permanent right to operate, maintain, repair, alter, replace and expand existing and future Hydroelectric Facilities and associated Water Delivery Facilities, including project replacements and improvements required to meet existing and future water delivery and other requirements for power generation and consumptive water use by existing and future users, compliance with any FERC License, FERC License renewal or other regulatory or

legal requirements. In furtherance of and without in any way limiting the generality of the foregoing, the following rights will be expressly reserved:

(1) The right to conduct any and all uses and activities now or at any time in the future deemed necessary or appropriate by Grantor in Grantor's sole discretion exercised in good faith in connection with the generation of hydroelectric energy, including, but not limited to the operation, maintenance, repair, alteration, replacement and expansion of existing Hydroelectric Facilities and associated Water Delivery Facilities, and the construction, operation, maintenance, repair, alteration, replacement and expansion of new Hydroelectric Facilities and associated Water Delivery Facilities; and

(2) The right to use, maintain, establish, construct, alter, expand and improve water sources, courses, and bodies within the Property, and to take, divert and appropriate water; provided, however, subject to any and all prior appropriative rights to such waters, Grantee shall be entitled to use reasonable amounts of water on the Property for domestic non-commercial uses, and to preserve the beneficial public values as identified in the LCP; and

(3) The right to conduct any and all uses and activities currently or in the future deemed necessary or appropriate by Grantor in Grantor's sole discretion exercised in good faith to comply with any applicable FERC License or other regulatory or legal requirements, including any amendments thereto and replacements thereof, and with applicable regulations and orders of the FERC or other regulatory agencies; and

(4) The right to conduct any and all uses and activities now or at any time hereafter deemed necessary or appropriate by Grantor in Grantor's sole discretion exercised in good faith to comply with the Federal Power Act (Title 16 United States Code, Chapter 12) and any successor statute; and

(5) The right to decommission all or any portion of existing and future Hydroelectric Facilities and associated Water Delivery Facilities in accordance with any applicable license issued by the FERC.

(e) Grantor further reserves to itself the following rights with respect to the foregoing reservations:

(1) of ingress to and egress over and across the Property by means of the existing road and/or any replacement or relocation thereof, otherwise by such route or routes as shall occasion the least practicable damage and inconvenience to Grantee and to use said roads, lanes, or routes to provide access to any of Grantor's easements and facilities on lands adjacent to the Property; and

(2) to install, maintain and use gates in all fences which now or shall hereafter cross the Property.

IV. ASSIGNMENT OF RIGHTS

Grantor hereby assigns to Grantee, its successors and assigns, all right, title and interest of Grantor in and to the unrecorded road and bridge license conveyed to A.C.

McIntyre and R.S. Smoot by the Sierra San Francisco Power Company, Grantor's predecessor in interest, dated June 24, 1930, attached hereto as Exhibit 2.

V. TERMS OF GRANT

The conveyance by Grantor to Grantee pursuant to this Grant Deed, Reservation of Rights and Easements, and Assignment of Rights is subject to: (a) a lien securing payment of real estate taxes and assessments; (b) applicable zoning and use laws, ordinances, rules and regulations of any municipality, township, county, state or other governmental agency or authority; (c) all matters that would be disclosed by a physical inspection or survey of the Property or that are actually known to Grantee; and (d) all contracts, leases, licenses, covenants, conditions, easements, restrictions, liens, encumbrances and other exceptions of record or unrecorded.

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto, and all covenants shall apply to and run with the Property. All future conveyances of the fee interest in the Property shall be consistent with the terms of the Governing Documents. In accordance with Section 12 b (4) of the Stipulation, Grantee and its successors and assigns shall not convey all or any portion of the fee interest in the Property to any governmental entity, public agency or any Native American tribe that may currently have, or come to possess, authority to expand Grantor's obligations under Part 1 of the FPA, without the prior written consent of the Grantor, which consent shall be in Grantor's sole discretion exercised in good faith.

VI. MISCELLANEOUS

If any provision of this Grant Deed, Reservation of Rights and Easements, and Assumption of Rights shall be unenforceable or invalid, the same shall not affect the remaining provisions hereof and to this end the provisions hereof are intended to be and shall be severable.

The real property hereby conveyed is no longer necessary or useful to Grantor in the performance by it of its duties to the public.

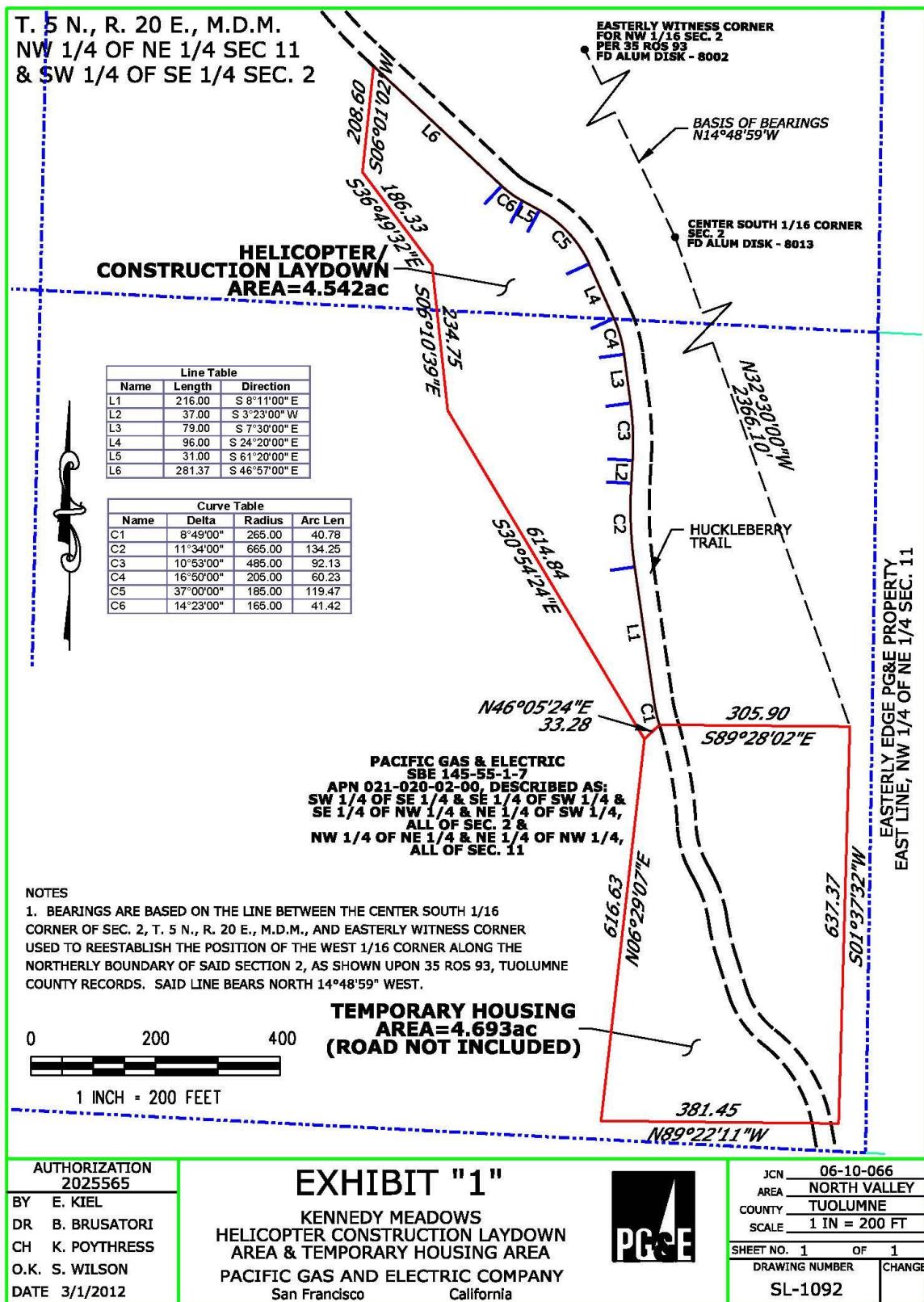
The California Public Utilities Commission, in Decision No. _____, has approved transfer of the Property under State of California Public Utilities Code Section 851.

Dated _____, 20____.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By

Attested



655-3

2105-20-0025

Recorded & Entered
D. G. MARTIN
Auditor

No. 18131

THIS AGREEMENT, made by and between SIERRA AND SAN FRANCISCO POWER COMPANY, a corporation duly organized and existing under and by virtue of the laws of the State of California, herein-after called the "licensor", and A. C. McINTYRE and R. S. SMOOT, hereinafter called the "licensees",

WITNESSETH that the licensor, for and in consideration of the promises and covenants of the licensees hereinafter contained, does hereby license and agree to permit the licensees, free of rent or other charge and upon the terms and conditions hereinafter specified and set forth, at the licensees' own sole, risk and expense, to construct, maintain and use a road and bridge with appurtenances thereto, hereinafter referred to as "roadway", upon the land of the licensor, situate in the County of Tuolumne, State of California, and described as follows, to-wit:

The southeast quarter of the northwest quarter of Section 2, Township 5 North, Range 20 East, M. D. B. & M.

The route of said roadway across said land shall be as follows, to-wit:

Along the southerly side of Deadman Creek, and extending from the main county road now crossing said land westerly 300 feet, more or less, to the westerly boundary line of said land.

The licensees, for and in consideration of the premises, do hereby promise and covenant to and with the licensor as follows, viz:

1. That said roadway shall be used by the licensees only for the latter's own private use and that the latter

will, at their own sole risk and expense, at all times maintain said roadway in good order, repair and condition, and to the satisfaction of the licensor.

2. That the licensor shall, at all times, have the right to use said roadway.
3. That the licensees shall and will indemnify the licensor, its successors and assigns, against any and all loss, damage and liability that may be suffered or incurred by the licensor, its successors and assigns, and against any and all claims, demands and causes of action that may be made or brought against the licensor, caused by, arising out of or in any way connected with the construction, maintenance or use of said roadway by said licensees.
4. That the licensees will, upon receiving at least ninety (90) days' notice in writing from the licensor so to do, remove all property and structures installed hereunder upon said land, and at the expiration of the period of time specified in such notice all rights of the licensees to use said land for the purpose of maintaining and using said roadway for any and all purposes whatsoever shall forthwith cease and determine, and if the licensees shall not within the period of time specified in such notice have removed all of their said property and structures, the licensor shall have the right so to do at the sole cost and expense of the licensees, who hereby agree to reimburse the licensor for all expenses incurred by the latter in effecting such removal.

IN WITNESS WHEREOF the parties hereto have executed these presents in duplicate this 24 day of June, 1930.

SIERRA AND SAN FRANCISCO POWER COMPANY

APPROVED: J. P. George
Engineer of Electrical Generation
BY W. D. Downing
Its Vice-President & General Manager

AND BY D. M. Root
Its Secretary

James J. Taylor

Rulon S. Smoot

Executed in the Presence of:

Witness.

APPROVED
J. P. George
P.E.W. 6/5/30
WITNESSES, AND EXEC. ENGR.

RECORDING REQUESTED BY	
1.	
<hr/>	
WHEN RECORDED MAIL TO	
2.	
<hr/>	

DRAFT
DEED of CONSERVATION EASEMENT
Kennedy Meadows

THIS DEED OF CONSERVATION EASEMENT (“**Conservation Easement**”) is made and entered into this _____ day of _____, 20____ (“**Effective Date**”) by and between Tuolumne County (“**Grantor**”) and the Mother Lode Land Trust, a California nonprofit public benefit corporation (“**Grantee**”), with reference to the following facts:

RECITALS

A. Grantor is the owner of approximately 240-acres of real property located in the County of Tuolumne, State of California, as more particularly described in **Exhibit A** attached hereto and incorporated herein by reference, together with all improvements and appurtenances thereto, (“**Property**”). A map of the Property identifying the improvements existing on the Property as of the date of this Conservation Easement and various other natural features of the Property is attached hereto as **Exhibit B** and incorporated herein by reference (“**Property Maps**”).

B. The Property possesses recreational, historical, scenic, agricultural and open space characteristics, valuable to the people of Tuolumne County, the State of California, and the public in general. Specific characteristics being the Kennedy Meadows Pack Station which has been providing scenic horse packing trips into the Sierra since 1914, the alpine meadow complex, the Stanislaus River, and surrounding granitic extrusions specific to this area of the Sierra.

The Kennedy Meadows Pack Station, the current lessee of the Property as included in **Exhibit D** (“**Existing Third-Party Uses**”), provides for a unique outdoor experience.

The Kennedy Meadows meadow complex, Stanislaus River and surrounding granitic extrusions provides for extensive wildlife habitat for bear, mountain lion, deer, coyote, fox, small animals and rodents, insects, birds of prey, other bird species, fish, and many aquatic species. It

also provides for great outdoor experiences including, but not limited to, hiking, horseback riding, tracking, bird watching, fishing, photography, and camping.

C. Pacific Gas and Electric Company, a public utility corporation (“**PG&E**”), transferred to Grantor fee title in the Property in accordance with that certain Grant Deed, recorded in the Official Records of the County of Tuolumne, on _____, 20____, as Instrument Number _____ (“**Grant Deed**”), attached hereto as **Exhibit C** and incorporated herein by reference, subject to (i) PG&E’s reservation of certain rights in and to the Property, as set forth in the Grant Deed (“**PG&E Reserved Rights**”), and (ii) those legally-enforceable third-party rights to use the Property in effect as of the Effective Date, as included on **Exhibit D** attached hereto and incorporated herein by reference (“**Existing Third-Party Uses**”).

D. PG&E transferred fee title to the Property to Grantor in connection with PG&E’s implementation of the “Land Conservation Commitment,” defined below, provided for in the following documents and described more fully below:

- (1) That certain Settlement Agreement (“**Settlement Agreement**”) as modified and approved by the Public Utilities Commission of the State of California (“**Commission**”) in its Opinion and Order of December 18, 2003 (Decision 03-12-035); and
- (2) That certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (“**Stipulation**”).

E. The Settlement Agreement and the Stipulation (collectively, “**Governing Documents**”) require PG&E to ensure that approximately 140,000 acres of watershed lands, all located in California and owned by PG&E as of the date the Governing Documents were entered into (collectively, “**Watershed Lands**”), are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values (collectively, “**Beneficial Public Values**”). The Property is included in these Watershed Lands. The “**Land Conservation Commitment**” constitutes the obligations of PG&E to convey fee title and conservation easements to Watershed Lands, and to protect the Beneficial Public Values of the Watershed Lands, as well as certain other obligations related thereto, as set forth in detail in the Governing Documents. The Property includes, but is not limited to, the following Beneficial Public Values:

- (1) Fish, Plant, and Wildlife Habitat

The native black cottonwood woodland, conifer forest, and meadow habitats are home to several special status wildlife species. The Property contains habitat for mountain yellow-legged frog and historical habitat for Yosemite toad, as well as willow flycatcher and yellow warbler. The upper elevation mixed conifer with late successional stands supports other special status species such as northern goshawk, American marten and Swainson’s thrush. There is also potentially suitable foraging and nesting habitat for the great gray owl, although no sightings have been documented. Habitat for the California Spotted Owl may also exist, though no sightings have been documented on the Property.

Surveys on adjacent lands have identified several species of bats that may be present on the Property.

Observations have also been made of the following species: American dipper, spotted sandpiper, mountain quail, red-breasted sapsucker, warbling vireo, brown creeper, hermit thrush, Nashville warbler, yellow-rumped warbler, black-throated gray warbler, Macgillivray's warbler, black-headed grosbeak, red-tailed hawk, raccoon, black bear, mountain lion and mule deer. The Stanislaus mule deer herd is known to use summer range in this area.

Riparian vegetation occurs on the Property and the confluence of the Middle Fork Stanislaus River ("MFSR") and the Clark Fork. Black cottonwood, mountain alder, and red osier dogwood are the dominant riparian species along this stretch of the MFSR. Re-licensing studies for botanical resources identified concerns about riparian vegetation and bank stability on the Property, particularly the absence of young age classes of cottonwood trees along the MFSR banks.

(2) Outdoor Recreation

The Property provides access for recreational users seeking a wilderness experience and activities such as equestrian riding, camping, hunting, fishing, hiking, and backpacking. An equestrian pack station has operated on the Property on a seasonal basis since 1917, providing trail access to the adjacent lands. The Kennedy Meadows Pack Station has provided generations of visitors the opportunity to access the adjacent wilderness, including small children, the elderly, and people with disabilities who may not be able to access the area on foot. The current pack operation is located on 160 acres of leased PG&E lands and consists of approximately 27 buildings, including barns, rental cabins, a small lodge, a saloon, various outbuildings, and several corrals. Some 21,000 visitors are estimated to visit the Property annually, with an estimated 14,000 vacationers staying at the pack station and about 1,500 taking horse packing trips from the pack station. Long-distance hikers on the Pacific Crest Trail also use the Kennedy Meadows Pack Station as a re-supply point.

(3) Forest Resources

The Property contains 162 forested acres. The vegetation type is Mixed Conifer Forest and the tree species present are Sugar pine (*Pinus lambertiana*), Jeffrey pine (*Pinus jeffreyi*), White fir (*Abies concolor*), Douglas-fir (*Pseudotsuga menziesii*), Incense cedar (*Libocedrus decurrens*) and other high elevation mixed coniferous forest types (see section 3.6 for more detail on present plant species). The intent of the Conservation Easement is to manage the forest in its current condition, allowing for the removal of dead, dying, diseased or hazard trees and the management of timber for the betterment of the forest. While commercial timber management is not a primary objective of the management of the forest resource, the goal of sustainable management will include forest management practices such as fuel hazard reduction and thinning of smaller diameter trees to ensure forest health and vigor and safety of the public that recreates on

the Property. Periodic evaluations of the forest resource by qualified personnel shall be part of the management of the Property.

(4) Agricultural Uses

Although grazing is not formally allowed in the meadows, there are a few days at the beginning and end of the season when cattle are allowed to pass through on their way in and out of the Stanislaus National Forest. The meadows are soon to be studied to determine the impact of this temporary grazing and a copy of that report will be included with the Baseline Documentation Report once completed. Additionally, although not traditionally considered an agricultural practice, the Kennedy Meadows Pack Station boards horses within the “high-use-area” and from time to time uses some horses to graze the meadows.

F. The Governing Documents require that conservation easements include an express reservation of a right for continued operation and maintenance of hydroelectric facilities and associated water delivery facilities, including, project replacements and improvements required to meet existing and future water delivery requirements for power generation and consumptive water use by existing users, compliance with any Federal Energy Regulatory Commission (“FERC”) license, FERC license renewal or other regulatory requirements (such requirement being referred to herein as the “**Reservation Requirement**”).

G. The Governing Documents also include a requirement that conservation easements encumbering Watershed Lands honor existing agreements for economic uses, including consumptive water deliveries.

H. Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California nonprofit public benefit corporation (“**Stewardship Council**”), was created to oversee and carry out the Land Conservation Commitment. Pursuant to the Governing Documents, the Stewardship Council developed a plan for protection of the Watershed Lands for the benefit of the citizens of California (“**Land Conservation Plan**” or “**LCP**”). The LCP includes, among other things, objectives to preserve and/or enhance the Beneficial Public Values identified on each parcel of Watershed Lands, including the Property.

I. The Legislature of the State of California, as set forth in California Civil Code section 815 et seq., has found and declared it to be the public policy and in the public interest of this state to encourage the preservation of land predominantly in its natural, scenic, agricultural, historical, forested, or open-space condition. In furtherance of the Land Conservation Commitment and the above-described public policy purposes, Grantor desires to grant a conservation easement over the Property to Grantee. Grantee is a “qualified conservation organization” as defined by Section 170(h)(3) the Internal Revenue Code and is eligible to hold a conservation easement pursuant to California Civil Code section 815.3.

J. Grantee and Grantor each desires through this Conservation Easement to ensure the permanent protection of the Beneficial Public Values on the Property, subject to PG&E’s

Reserved Rights and the Existing Third-Party Uses. Specifically, the parties desire to assure that the Beneficial Public Values on the Property will be protected in perpetuity as provided herein, and that uses of the Property that are inconsistent with these Beneficial Public Values will be prevented or corrected.

AGREEMENT

In consideration of the foregoing recitals, the respective agreements of the parties which are hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and pursuant to the laws of the State of California and in particular California Civil Code section 815 et seq., Grantor hereby voluntarily grants and conveys to Grantee, and to Grantee's successors and assigns, and Grantee hereby accepts from Grantor, a perpetual conservation easement as defined by Section 815.1 of the Conservation Easement Act of 1979 (California Civil Code section 815 et seq.) , in, on, over and across the Property, restricting in perpetuity the uses which may be made of the Property and granting to Grantee rights in the Property, all on the following terms and conditions:

1. Conservation Purpose. The purposes of this Conservation Easement are as follows (“**Conservation Purposes**”): (a) to ensure that the Property will be retained in perpetuity in its natural, scenic, forested, recreational, agricultural, or open space condition; and (b) to prevent any use of the Property that will significantly impair the Beneficial Public Values. Subject to the following terms and conditions, Grantor intends that this Conservation Easement will confine the uses of the Property to such activities that are consistent with the Conservation Purposes.

Grantor and Grantee acknowledge that the Governing Documents reflect the intention of the parties thereto 1) to honor Existing Third-Party Uses and 2) to continue to permit beneficial uses of the Property such as outdoor recreation by the general public, cultural resource utilization and sustainable forestry and agricultural practices. While Existing Third-Party Uses do not supersede the Beneficial Public Values, it is intended that this Conservation Easement shall allow uses on the Property that are consistent with the protection and preservation of each of the Beneficial Public Values in harmony with each other. While permitted actions required or taken to protect and preserve one or more individual Beneficial Public Values may impair, on an individual and stand-alone basis, one or more other Beneficial Public Values, Grantor and Grantee understand that achieving the Conservation Purposes requires the preservation and protection, on balance, of all of the Beneficial Public Values actually existing on the Property, to the extent possible. It is recognized that in protecting and/or enhancing one or more of the Beneficial Public Values, another Beneficial Public Value may be impaired, but this is not meant to be a permanent occurrence, nor a reason to re-prioritize one Beneficial Public Value over another. All attempts should be made to balance on a collective basis, the whole Property whenever possible. This Conservation Easement prohibits use of the Property for any purpose that would impair, degrade or interfere with the Conservation Purposes on a collective, not individual basis, taking into account the relative condition and quality of each of the Beneficial Public Values on the Property as of the Effective Date.

2. PG&E Reserved Rights. In accordance with the Reservation Requirement, all rights and obligations of Grantor and Grantee under this Conservation Easement are subject to

the PG&E Reserved Rights specified in Exhibit C. In the event PG&E notifies Grantor of its intention to exercise any of its Reserved Rights, Grantor shall notify Grantee, in writing, of said intention within sixty (60) days.

3. [Intentionally Omitted]

4. Baseline Conditions Report. The parties hereto acknowledge that a baseline conditions report (“Report”) has been prepared a copy of which is on file with Grantor and Grantee at their respective addresses for notices set forth below. Grantor and Grantee each have reviewed and approved the Report and agree that the Report contains an accurate representation of the physical condition of the Property existing as of the Effective Date. The Report is intended to serve as an objective, though nonexclusive, information baseline for monitoring compliance with the terms of this Conservation Easement. Notwithstanding the foregoing, if a controversy arises with respect to the nature and extent of the physical or biological condition of the Property or the historical uses of the Property or the permitted uses of the Property under this Conservation Easement, the parties shall not be foreclosed from utilizing any and all other relevant documents, surveys or other evidence or information to assist in the resolution of the controversy.

5. Rights Conveyed To Grantee. In order to accomplish the Conservation Purposes, Grantor transfers and conveys to Grantee the following rights and interests:

- (a) **Preserve and Protect.** Grantee may identify, preserve and protect in perpetuity the Beneficial Public Values of the Property.
- (b) **Entry and Access Rights.** Grantee and Grantee’s directors, officers, employees, contractors, subcontractors, consultants, representatives, and agents, including entities authorized by Grantee to conduct monitoring activities on Grantee’s behalf (“**Grantee’s Representatives**”) are hereby granted rights of access to enter upon the Property, using appurtenant easements and rights-of-way, if any, and may enter upon the Property at reasonable times in order to monitor compliance with and otherwise enforce the terms of this Conservation Easement, to study and make scientific observations of the Beneficial Public Values, to determine whether Grantor’s activities are in compliance with the terms of this Conservation Easement and to take all actions deemed necessary by Grantee to identify, preserve, protect, and monitor in perpetuity the Beneficial Public Values, all in compliance with the provisions of **Section 14**. Except in cases where Grantee determines that immediate entry is required to prevent, terminate, or mitigate a violation of this Conservation Easement, Grantee shall give Grantor reasonable prior notice of such entry. Grantee’s Representatives may enter the Property immediately, where such entry is necessary or desirable to prevent, terminate, or mitigate damage to, or the destruction of any of the Beneficial Public Values, or to prevent, terminate or mitigate a violation of the terms of this Conservation Easement. Grantor’s representatives shall have the right to accompany Grantee’s Representatives during monitoring visits or on any other visit permitted by this **Section 5(b)**. All access and entry allowed under this **Section 5(b)** shall be made in a manner that will not unreasonably interfere with the permitted use(s) or enjoyment of the Property by Grantor, its successors in interest, and any legally-recognized occupant(s) or user(s) of the Property, including without limitation, PG&E with regards to the exercise of any

PG&E Reserved Rights and third-parties with regards to the exercise of any Existing Third-Party Uses.

(c) **Enforcement.** Subject to and in accordance with the provisions of **Section 14**, Grantee has the right to enforce the terms of this Conservation Easement, to enjoin any activity on the Property or other use of the Property which is inconsistent with the terms of this Conservation Easement, and to enforce the restoration of such areas or features of the Property as may hereafter be damaged as a result of any such inconsistent activity or use.

(d) **Renewable Energy Sources.** Grantor conveys to Grantee its rights under California Civil Code section 714 except that Grantor reserves the right to construct solar energy structures for generation of power for use on the Property provided however that such construction shall require prior written permission from Grantee and be constructed within the High Use Area as shown on Exhibit B. Grantee's permission shall not be unreasonably withheld and shall take into consideration the effect of any new structures on the Beneficial Public Values intended to be protected with this Conservation Easement.

6. Prohibited Uses, Change in Use, Unauthorized Use, Acts of God.

(a) **Prohibited Uses.** Any activity on or use of the Property which is inconsistent with the Conservation Purposes is prohibited. Without limiting the generality of the foregoing, Grantor will not engage in, or permit others to engage in, the following prohibited uses (collectively, "**Prohibited Uses**") which are inconsistent with the Conservation Purposes and the terms of this Conservation Easement and therefore prohibited on the Property, in each case (1) except as required or permitted pursuant to PG&E's Reserved Rights (as defined in **Section 2**); (2) except as permitted under, and performed in accordance with, Existing Third-Party Uses; (3) except as expressly permitted under the Permitted Uses Section of the Conservation Easement in **Section 9**; (4) except as permitted in a resource specific land management plan, such as a timber harvest management plan, grazing plan, or a habitat restoration plan, produced in accordance with best management practices and approved by Grantee; or (5) except as required to be undertaken under any Applicable Law (as defined below):

(i) **Construction and Development.** Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 6(a)**, there shall be no construction or placement of any additional structures or improvements on the Property, including, but not limited to, residential, industrial, office, or other buildings, underground or aboveground tanks, billboards, advertising facilities, or sewer systems or lines that will be significantly inconsistent with the Conservation Purposes. Existing structures and utilities may be maintained and repaired/replaced as necessary and limited new development may take place in accordance with **Section 9(d)**, below.

(ii) **Use or Transfer of Development Rights.** All development rights that are now or hereafter allocated to, implied, reserved, or inherent in or to the Property are terminated and extinguished, and may not be used on or transferred to any portion of the Property as it now or hereafter may be bounded or described, or to any other property (whether adjacent or otherwise).

(iii) Subdivision. The Property is comprised of one legal parcel owned by the Grantor. There shall be no legal or *de facto* sale or gift of less than the whole of the Property, nor any division, subdivision or partitioning of the Property.

(iv) Motorized Vehicles. Unless pursuant to one of the exceptions listed in **Section 6(a)** or pursuant to the protection or preservation of the Beneficial Public Values, there shall be no use of any motorized vehicles off of authorized roadways on the Property. Vehicles being used for the purposes of maintaining the Property are excepted. No OHV use by the general public is allowed at any time.

(v) Dumping or Salvage. There shall be no dumping, storage or other disposal on the Property of soil, trash or garbage except for (a) refuse generated on the Property which may be stored on the Property on a temporary basis prior to its removal from the Property in areas where the Beneficial Public Values of the Property are not adversely impacted, or (b) compostable refuse generated on the Property which may be disposed of on the Property in a responsible manner which does not significantly impair the Beneficial Public Values of the Property. There shall be no dumping, storage or other disposal on the Property of ashes, sludge, Hazardous Substances (as defined below), or other unsightly or dangerous materials. There shall be no storage or disassembly on the Property of inoperable automobiles, trucks, or other vehicles or equipment for purposes of sale, or rental of space for that purpose.

(vi) Vegetation. Except (a) in an emergency for purposes of disease or insect control or to prevent property damage, personal injury, or flooding, or (b) pursuant to one of the exceptions listed in **Section 6(a)**, or as part of a pre-approved Native American cultural resource gathering described in **Section 7**, below, or as part of a sustainable timber management plan as described in **Section 9(a)**, below, there shall be no removal, cutting or destruction on the Property of native vegetation. There shall be no active introduction by Grantor on the Property of any non-native plant outside of the Kennedy Meadows High Use Area. With prior written permission of Grantee, non-native vegetation outside of the High Use Area may be removed, cut or destroyed. Lists of native, non-native and invasive plants can be found on the California Natural Diversity Database (CNDDDB) website or in the Jepson Manual.

(vii) Roads and Trails. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 6(a)**, there shall be no construction of any new roads or trails on the Property. Grantor or PG&E may maintain authorized roads and trails in a similar size, function, location, and materials and in a manner consistent with the purpose of this Conservation Easement.

(viii) Fences and Walls. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 6(a)**, there shall be no construction of any new, permanent fences or walls outside of the High Use Area. Grantor may repair or replace authorized fences or walls on the Property.

(ix) Alteration of Land or Excavation. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 6(a)**, there

shall be no filling, excavating, grading, draining or dredging on the Property, nor any change in the general topography of the Property.

(x) Gardens and Landscaping. There is to be no planting of non-native vegetation outside of the Kennedy Meadows High Use Area as shown in Exhibit B and described more specifically in **Section 9(c)(ii)**, below.

(xi) Mining and Drilling. There shall be no mining, dredging, drilling, removing, or exploring for or extracting of minerals, oil, gas, coal, or other hydrocarbons, soils, sands, gravel, loam, rocks or any other material on, under, or at the Property; provided, however, in no event shall the foregoing restriction be deemed to prohibit testing, drilling or operating groundwater wells on the Property. Recreational gold panning that does not significantly impact the Conservation Purposes is allowed.

(xii) Historical and Cultural Resource Identification. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in Section 6(a), there shall be no activities, actions or uses that substantially disturb or impair any cultural resources on the Property. In addition to the existing and known historic and cultural resources as shown in Exhibit B, Grantor and Grantee will cooperate to identify such historic and cultural resources that require protection from harm in accordance with all applicable federal, state and local laws.

(xiii) Water Resources. There shall be no development of any waters on the Property for fish farming or any other commercial or industrial purpose. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 6(a)**, there shall be no activities, actions or uses substantially detrimental to water conservation, erosion control, soil conservation, or fish and wildlife habitat preservation, and no manipulation or alteration of natural water courses, wetland, stream bank, shorelines or bodies of water or activities or uses substantially detrimental to water quality.

(xiv) Water Rights. There shall be no severance, conveyance, impairment or encumbrance of water or water rights appurtenant to the Property, separately from the underlying title to the Property, or other action which diminishes or extinguishes such water rights, and this Conservation Easement shall not sever or impair any riparian water rights appurtenant to the Property.

(xv) Water Quality Degradation. There shall be no uses, including, but not limited to, stock piling, spreading, or composting of animal wastes, otherwise permitted under this Conservation Easement whereby runoff from such uses results in a violation of applicable federal, state, and local water quality laws.

(b) **Changes in Use.** Grantor understands that the Prohibited Uses may be more economically valuable than permitted uses under this Conservation Easement and that neighboring properties may in the future be put entirely to such Prohibited Uses. It is the intent of both Grantor and Grantee that any such changes shall not be deemed to be circumstances justifying the termination, extinguishment or modification of this Conservation Easement. In

addition, the inability of Grantor, or Grantor's successors, or assigns, to conduct or implement any or all of the uses permitted under the terms of this Conservation Easement, or the unprofitability of doing so, shall not impair the validity of the Conservation Easement or be considered grounds for the termination, extinguishment or modification of same.

(c) **Unauthorized Third Party Uses and Grantor's Obligations.** If Grantee discovers any unauthorized third-party use or activity on the Property that violates the terms of this Conservation Easement, and Grantee gives Grantor written notice thereof, Grantor shall use reasonable efforts to stop or prevent any such unauthorized use of the Property. If Grantee conclusively demonstrates that Grantor's reasonable efforts have not prevented, or are unlikely to prevent, the unauthorized third-party use or activity on the Property that violates the terms of this Conservation Easement, Grantee may meet and confer with Grantor to propose additional efforts to prevent such use or activity which Grantee may undertake, at Grantee's sole expense, but shall not be obligated to undertake. Grantor shall not unreasonably withhold its consent to such additional efforts to be undertaken by Grantee. If Grantor permits Grantee to use such additional efforts, Grantee shall comply with any requirements reasonably imposed by Grantor in connection with such efforts.

(d) **Acts of God.** Nothing in this Conservation Easement shall require Grantor to take any action to restore the condition of the Property after (i) any Act of God, which includes, without limitation, fire, climatic change, flood, storm, earth movement, or natural evolutionary changes in the condition of the Property from that described in the Baseline Report; (ii) any prudent action taken by Grantor under emergency conditions to prevent, abate, or mitigate significant injury to the Property, the Beneficial Public Values, or to any person resulting from such causes; or (iii) the unpermitted acts of unrelated third parties so long as Grantor has satisfied its obligations under **Section 6(c).**

7. Public Access and Informal Uses.

(a) **Existing Public Access and Informal Uses.** Grantor and Grantee recognize that the Property has been used by third parties for recreational, cultural and other non-commercial or informal purposes without formal written agreements to conduct such activities ("Informal Uses"). Grantor and Grantee further recognize that access to the Property is inherent or may be inherent in the enjoyment of the Beneficial Public Values and the Informal Uses. Consistent with the objectives articulated in the Governing Documents to provide continued reasonable access by the public to the Watershed Lands, Grantor shall allow public access to the Property and Informal Uses on the Property that are substantially consistent with the public access and Informal Uses existing on the Effective Date of this Conservation Easement.

(b) **New or Increased Public Access.** If Grantor desires to allow new public access or Informal Uses or expansion of public access or Informal Uses on the Property, Grantee's advance written approval is required, which approval shall not be unreasonably withheld.

(c) **Limitations.** Grantor reserves the right to make reasonable rules and regulations to control, limit or, as necessary, exclude Informal Uses and public access that may

interfere with or be harmful to other members of the public using the Property, the Beneficial Public Values of the Property, or the quiet use and enjoyment of neighboring private property.

Grantor reserves the right to restrict access to areas of the Property under active cultivation, grazing, study, or for safety purposes during timber harvesting or other permitted management activities that may pose a hazard. Grantee and Grantor may agree in writing to restrict access for other reasons, but only to the extent and for the duration necessary to assure safety, to permit necessary maintenance, or to preserve other Beneficial Public Values of the Property.

Grantor and Grantee claim all of the rights and immunities against liability for injury to the public to the fullest extent of the law under the California Tort Claims Act, Government Code section 810 et seq., as amended, and any successor provisions thereof and under any other applicable provision of law and equity.

Any use permitted pursuant to this **Section 7** shall be carried out in a manner that shall not interfere unreasonably with the permitted use(s) by Grantor or any legally recognized occupant(s) or user(s) of the Property, including without limitation, PG&E with regards to the exercise of any PG&E Reserved Rights and Existing Third Party Uses.

(d) **Permitted Uses by the General Public.** Grantor and Grantee agree that the following examples of types of Informal Uses, while not an exclusive list, are permitted subject to this **Section 7**: camping, horseback riding low-impact outdoor recreation, nature study, and traditional outdoor activities that do not require structures or cause significant surface alteration; outdoor education and scientific research; access for Native Americans to preserve and enhance their cultural beliefs and traditions.

(e) **Periodic Review of Informal Uses.** As part of Grantee's compliance monitoring, (i) Grantor shall provide to Grantee, upon written request, information describing the known Informal Uses and public access on the Property for the purpose of Grantee's assessment of Grantor's compliance with this **Section 7**; and (ii) Grantor and Grantee will confer regarding existing and recommended rules and regulations to control, limit or exclude Informal Uses or public access to ensure the preservation of the Beneficial Public Values.

8. Grantor's Reserved Rights: Notwithstanding anything to the contrary in this Conservation Easement, Grantor expressly reserves all rights accruing from the ownership of the Property, including the right to engage in or permit or invite others to engage in all uses of the Property that are not expressly prohibited by this Conservation Easement and are not inconsistent with the Conservation Purposes ("Grantor's Reserved Rights"). All interests in the Property not expressly transferred and conveyed to Grantee by this Conservation Easement shall remain with Grantor. In exercising Grantor's Reserved Rights, Grantor will use reasonable efforts to consult with Grantee and to employ methods and practices that will not significantly impair the Beneficial Public Values.

9. Permitted Uses: The following uses and practices, though not necessarily an exhaustive recital of consistent uses and practices, are expressly permitted under this Conservation Easement:

(a) **Sustainable Forestry.** Sustainable Forestry is the practice of managing dynamic forest ecosystems to provide ecological, economic, social and cultural benefits for present and future generations. Grantor may conduct forest management activities, including timber harvesting, consistent with the terms and conditions of this Conservation Easement provided that such activities include no even aged management nor the harvest of late successional forest stands, and conform to laws applying to “Timberland” of the Z’Berg-Nejedly Forest Practice Act of 1973 (Division 4, Part 2, Chapter 8, California Public Resources Code), and as implemented in the California Forest Practice Rules. Dead, dying, diseased and/or hazard trees may be removed at Grantor’s discretion.

(b) **Agriculture.** The Property may be used for commercial boarding, pasturing, and grazing solely as follows and in compliance with the terms and conditions of a grazing management plan approved by Grantee.

(i) **Pack Animal Boarding/Pasturing.** When not in active service, pack animals shall be primarily maintained in the corrals in the High Use Area as shown in Exhibit B. Occasional grazing in the meadows is allowed in accordance with a grazing management plan approved by Grantee. If no plan exists, then grazing shall be allowed in a manner consistent with all federal, state and local laws.

(ii) **Livestock Grazing.** Occasional livestock grazing can occur in the meadows in accordance with a grazing management plan approved by Grantee. If no plan exists, then grazing shall be allowed in a manner consistent with all federal, state and local laws. Pass through cattle grazing in the meadows from neighboring Forest Service land is allowed at the beginning and end of the grazing season.

(iii) **Manure Management.** Manure shall be managed, treated and disposed of in accordance with a manure management plan approved by Grantee. If no plan exists, then manure shall be managed, treated and disposed of in a manner consistent with all federal, state and local laws.

(c) **Residential Use.** Grantor and/or Existing Third Party Uses may not develop any dwellings for residential use. The construction of new dwellings for staff use and expansion of the existing pack station may be allowed as part of **Section 9(d)**, below.

(i) **Pets and Domestic Animals.** Pets and other domestic animals are allowed if under the control of their handlers, and only if their presence is not affecting native wildlife populations. Unsupervised pets and other domestic animals shall be removed at their owner’s expense.

(ii) **Gardens and Landscaping.** Gardening and landscaping are permitted as a means of beautifying around cabins and supplying the staff, store and restaurant with fresh produce. All gardening and landscaping shall occur within the High

Use Area as shown in Exhibit B. Special consideration should be made to utilize native plants in any landscaping project.

(d) **Commercial Recreational Use.** Commercial recreational use is permitted. The erection of new structures is allowed within the existing High Use Area as shown in Exhibit B. Native trees and vegetation may be removed, as needed, for development within the High Use Area or for disease or insect control, or to prevent property damage, or personal injury. Any and all construction of new structures or expansion of existing structures must be approved in writing by the Grantee prior to any work being done.

10. Grantor's Title Warranty. Grantor represents and warrants that Grantor has good fee simple title to the Property, free from any all liens or encumbrances, except those set forth in **Exhibit E** and **Exhibit C** to which this Conservation Easement is made subject, and hereby promises to defend the same against all claims that may be made against it.

11. Subsequent Easements. Grantor shall not grant any subsequent easement on the Property that might adversely affect the purpose of this Conservation Easement or the Beneficial Public Values. If Grantor wishes to grant a subsequent easement on the Property that Grantor believes would not adversely affect the purpose of this Conservation Easement or the Beneficial Public Values, Grantor shall so notify Grantee at least sixty (60) days in advance of any such proposed grant, shall provide to Grantee a copy of any proposed easement grant document together with any such additional information relating to the proposed grant as Grantee may reasonably request. Grantor shall request Grantee's approval of such grant. Grantee will review the proposal and may, in its sole discretion, (a) approve the proposal as being consistent with the purpose of the Conservation Easement and Beneficial Public Values or (b) approve the proposal on conditions intended to ensure its consistency with the purpose of the Conservation Easement and Beneficial Public Values or (c) disapprove the proposal as being actually or potentially inconsistent with the purpose of the Conservation Easement or the Beneficial Public Values. Failure of Grantee to respond in writing within sixty (60) days shall be deemed approval of the proposal as being consistent with the purpose of the Conservation Easement and Beneficial Public Values. Grantor and Grantee hereby expressly agree that any grant of a subsequent easement by Grantor without seeking Grantee's express written approval as provided by this **Section 11** shall be void and of no effect.

12. Responsibility for Operations. Nothing in this Conservation Easement shall be construed as giving any right or ability to Grantee to exercise physical or managerial control of the day-to-day operations of the Property or of Grantor's activities on the Property. Grantor shall have and retain all responsibility for, and shall bear all costs and liabilities of, the ownership of the Property, and, in connection with Grantor's use or occupancy of the Property, compliance with any present and future applicable laws, ordinances, rules, regulations, permits, authorizations, orders and requirements, whether or not in the current contemplation of the parties, which may affect or be applicable to the Property or any part of the Property (including, without limitation, any subsurface area), all consents or approvals required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, authorities, board of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, having or acquiring jurisdiction of the Property (in each case, an

“Applicable Law”), except as expressly stated otherwise in this Conservation Easement. Without placing any limitation on the foregoing sentence, the parties agree as follows:

(a) **Condition of Property.** Grantee shall have no duty or responsibility for (i) the operation or maintenance of the Property except to the extent specifically undertaken by Grantee as permitted under this Conservation Easement, (ii) the monitoring of any hazardous conditions thereon, or (iii) the protection of Grantor, the public, or any other person or entity from any risks relating to conditions on the Property, except to the extent that the risks involved are the result of the activities of Grantee or Grantee’s Representatives on the Property.

(b) **Taxes.** Grantee shall have no duty or responsibility for real property taxes and assessments levied by competent authority on the Property.

(c) **Permits and Approvals.** Grantor shall be solely responsible for obtaining any and all applicable governmental permits and approvals for, and otherwise complying with all Applicable Laws relating to, any activity or use of the Property by Grantor which is permitted by this Conservation Easement; provided, however, Grantor shall have no responsibility pursuant to this Conservation Easement for obtaining permits and approvals required on behalf of unrelated third parties who occupy or use the Property. Grantee shall be solely responsible for obtaining any and all applicable governmental permits and approvals for, and otherwise complying with all Applicable Laws relating to, any activity or use of the Property by Grantee which is permitted by this Conservation Easement.

(d) **No Owner or Operator Liability.** The parties do not intend this Conservation Easement to be, and this Conservation Easement shall not be, construed such that it creates in or gives to Grantee any of the following solely as the result of being a passive holder of the Conservation Easement:

(i) The obligations or liability of an “owner” or “operator” or “arranger,” as those terms are defined and used in Environmental Requirements, including, but not limited to, CERCLA;

(ii) The obligations or liabilities of a person described in 42 U.S.C. section 9607(a)(3) or (4);

(iii) The obligations of a responsible person under any applicable Environmental Requirements (as defined below);

(iv) The right to investigate and remediate any Hazardous Substances associated with the Property; or

(v) Any control over Grantor’s ability to investigate, remove, remediate or otherwise clean up any Hazardous Substances associated with the Property.

This **Section 12(d)**, however, shall not relieve Grantee from any obligations or liabilities for any of the foregoing to the extent that such obligations or liabilities arise as a result of or in connection with any activities of Grantee or Grantee’s Representatives on or about the Property. As used in this Conservation Easement the term “**Environmental Requirements**” means all

applicable present and future laws, statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, judicial, administrative and regulatory decrees, directives and judgments of all governmental agencies, departments, commissions and boards, relating to the protection of human health or safety, or regulating or relating to industrial hygiene or environmental conditions, or the protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, including, without limitation, all requirements and regulations pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of Hazardous Substances, whether solid, liquid or gaseous in nature, into the air, surface water, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, whether solid, liquid or gaseous in nature. As used in this Conservation Easement, the term "**Hazardous Substances**" means any hazardous or toxic material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government under any Environmental Requirements, including, without limitation, any material or substance:

(A) now or hereafter defined as a "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste" or "toxic substance" or words of similar import under any applicable local, state or federal law or under the regulations adopted or promulgated pursuant thereto, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Act (49 U.S.C. § 5101 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.); the Clean Water Act (33 U.S.C. § 1251 et seq.); the Safe Drinking Water Act (42 U.S.C. § 300f et seq.); the River and Harbors Act of 1899 (33 U.S.C. § 401 et seq.); the National Emission Standard for Asbestos (40 C.F.R. § 61.140 et seq.), the OSHA Construction Standards (29 C.F.R. § 1926.1 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); the Oil Pollution Act (33 U.S.C. § 2701 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. § 136 et seq.); the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.); the Atomic Energy Act of 1954, (42 U.S.C. § 2011 et seq.); the Nuclear Waste Policy Act of 1982 (42 U.S.C. § 10101 et seq.); the Medical Waste Management Act (Cal. Health & Safety Code § 117600 et seq.); the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13020 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 et seq.); the Carpenter-Presley-Tanner Hazardous Substance Account Act (Cal. Health & Safety Code § 25300 et seq.); the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 et seq.); and all rules and regulations of the United States or California Environmental Protection Agency or any successor agency, or any other state or federal department, board or agency, or any other agency or governmental board or entity having jurisdiction, as any of the foregoing have been, or are hereafter amended from time to time; or

(B) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, and is now or hereafter regulated as a Hazardous Substance by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, any State of the United States or any political subdivision thereof; or which cause, or are listed by the State of California as being known to the State of California to cause, cancer or reproductive toxicity; or

(C) the presence of which on the Property poses or threatens to pose a hazard to the health or safety of persons or to the environment; or

(D) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or

(E) which contains lead-based paint or other lead contamination, polychlorinated biphenyls or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or

(F) which contains radon gas.

(e) **Reporting to Grantee.** Not less frequently than annually, Grantor shall make reasonable efforts to inform Grantee of the construction and/or development activities that Grantor anticipates undertaking on the Property within the following twelve (12) months. In the event Grantee determines that any of the anticipated activities may violate the terms of this Conservation Easement, the parties will meet and confer regarding such activities within thirty (30) days after Grantee's written request.

13. Existing Use of the Property. Grantor retains the right to maintain, renew, and replace all agreements memorializing the Existing Third-Party Uses included in **Exhibit D** and to engage in all activities reasonably required to comply with Grantor's obligations with respect to the Existing Third-Party Uses, subject to the following conditions:

(a) **Increases in Intensity or Expansion of Location.** Without limiting Grantor's rights pursuant to **Section 8**, above, if Grantor proposes to increase the intensity or expand the location of an Existing Third-Party Use, Grantor shall obtain Grantee's prior written consent to such proposal, which shall not be unreasonably withheld; provided, however, if such increase or expansion is exercised in connection with any of PG&E's Reserved Rights, Grantee's consent shall not be required, but Grantor and PG&E shall use reasonable efforts to consult with Grantee and to employ methods and practices that will not significantly impair the Beneficial Public Values.

(b) **Renewal or Replacement of Existing Agreements.** Grantor and Grantee acknowledge that the Governing Documents reflect the intention of the parties thereto to honor existing agreements for economic uses and to continue to permit Beneficial Public Values of the Property such as outdoor recreation by the general public, sustainable forestry and agricultural uses. As agreements memorializing Existing-Third Party Uses are renewed or replaced (including extensions and replacements of current agreements and new agreements to continue existing uses), Grantor, in consultation with Grantee, shall include contractual provisions to align

the continuation of the Existing Third-Party Use and the preservation of the Beneficial Public Values to the fullest extent practicable.

14. Enforcement and Remedies.

(a) **Notice of Violation.** If a party hereto (“**Non-Breaching Party**”) determines there is a violation of the terms of this Conservation Easement or that a violation is threatened (“**Violation**”), written notice of such Violation (“**Violation Notice**”) and a demand for corrective action sufficient to cure the Violation shall be given by the Non-Breaching Party to the party allegedly violating this Conservation Easement (“**Breaching Party**”). Within fourteen (14) days after delivery of a Violation Notice, Grantor and Grantee shall meet at a location that Grantor and Grantee agree upon to discuss the circumstances of the alleged or threatened Violation and to attempt to agree on appropriate corrective action. If the parties determine that it is appropriate and desirable, a duly qualified expert in the subject matter of the alleged or threatened Violation (“**Consulting Expert**”) shall attend the meeting. Grantor and Grantee shall each pay one-half of the costs of retaining the services of the Consulting Expert for such discussion; provided, however, that if Grantor and Grantee are unable to agree upon a Consulting Expert, each party may retain the services of an expert at its own expense. If Grantor and Grantee are unable to agree on appropriate corrective action (or if any such corrective action is required) within thirty (30) days after such meeting, then the Non-Breaching Party shall deliver a further written notice to the Breaching Party to demand reasonable, particular corrective action to cure the Violation (“**Second Notice**”). Upon the giving of a Second Notice, the Breaching Party shall promptly commence, and thereafter diligently pursue to completion, corrective action sufficient to cure the Violation and, where the Violation involves injury to the Property resulting from any use or activity inconsistent with the Beneficial Public Values or the Conservation Purposes, to restore the portion of the Property so injured. If a Violation is not cured within thirty (30) days after the delivery of the Second Notice (“**Final Cure Period**”), or if the cure reasonably requires more than thirty (30) days to complete and there is failure to begin the cure or failure to continue diligently to complete the cure within the thirty (30) day period, the parties shall submit the claims or disputes to mediation as provided in **Section 14(b)**.

(b) **Mediation.** Except as provided in **Section 14(d)**, Grantor and Grantee agree to first meet, confer and negotiate pursuant to **Section 14(a)** and then mediate pursuant to this **Section 14(b)** with respect to any claim or dispute arising out of or relating to this Conservation Easement, before resorting to court action. If the parties fail to settle such claim or dispute prior to the expiration of the Final Cure Period or within such additional time period as the parties may agree in writing, the parties agree to submit the matter to mediation. Any party may commence mediation by providing to the other party a written request for mediation, setting forth the subject of the claim or dispute and the relief requested. Except as provided herein or by written agreement of the parties, the mediation shall be conducted in Tuolumne County pursuant to reasonable and appropriate mediation rules and procedures mutually acceptable to the parties. Grantor and Grantee will select a mutually acceptable qualified mediator, and will cooperate in good faith in scheduling the mediation proceedings. The parties agree to participate in such mediation proceedings in good faith for at least ninety (90) days (“**Mediation Period**”), and to share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their employees, agents, experts and attorneys, and by the mediator (including mediator’s employees), are confidential, privileged and

inadmissible for any purpose, including impeachment, in any litigation or other proceeding involving the parties, but evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. Except as provided in **Section 14(d)**, no party may commence an action arising out of or relating to this Conservation Easement until the parties have completed the consultation required in **Section 14(a)** and mediation required in accordance with this **Section 14(b)**.

(c) **Legal Remedies.** If the parties are not able to settle the claim or dispute through consultation and mediation pursuant to **Section 14(a)** and/or **Section 14(b)** above, the Non-Breaching Party may bring an action at law or in equity in a court of competent jurisdiction to enforce compliance with the terms of this Conservation Easement, to recover any damages to which such Non-Breaching Party may be entitled for violation of the terms of this Conservation Easement or for any material injury to the Beneficial Public Values of the Property, or for other equitable relief, including, but not limited to, the restoration of the Property to the condition in which it existed prior to the Violation.

(d) **Injunctive Relief.** If the Non-Breaching Party, in its discretion, determines that circumstances require immediate action to prevent or mitigate significant damage to the Beneficial Public Values from a Violation, the Non-Breaching Party may pursue its remedies under this **Section 14(d)** without (i) giving the Violation Notice, or participating in consultation, or giving the Second Notice, all as required under **Section 14(a)**, and/or (ii) without participating in mediation required in **Section 14(b)**, *ex parte* as necessary, by temporary or permanent injunction without the necessity of proving either actual damages or the inadequacy of otherwise available legal remedies, and to require the restoration of the Property to the condition that existed prior to any such injury. The remedies described in this **Section 14(d)** shall be cumulative and shall be in addition to all remedies now or hereafter existing at law or in equity, including but not limited to, the remedies set forth in California Civil Code section 815 et seq. The failure of Grantee or Grantor to discover a Violation or to take immediate legal action shall not bar taking such action at a later time.

(e) **Costs of Enforcement.** In any action, suit or other proceeding undertaken to enforce the provisions of this Conservation Easement, the prevailing party shall be entitled to recover from the non-prevailing party all reasonable costs and expenses, including without limitation, attorneys' and experts' fees and costs, and if such prevailing party shall recover judgment in any action or proceeding, such costs and expenses shall be included as part of the judgment.

(f) **Enforcement Discretion.** Enforcement of the terms of this Conservation Easement shall be at the respective discretion of Grantee and Grantor and any forbearance to exercise rights of enforcement under this Conservation Easement in the event of any breach of any term of this Conservation Easement shall not be deemed or construed to be a waiver of such term or of any subsequent breach of the same or any other term of this Conservation Easement or of any rights under this Conservation Easement. No delay or omission in the exercise of any right or remedy upon any breach shall impair such right or remedy or be construed as a waiver.

15. Indemnification.

(a) **Indemnification By Grantor.** Notwithstanding any other provision herein to the contrary, Grantor shall indemnify, defend and hold harmless Grantee and its members, trustees, directors, officers, employees, agents and contractors and their successors and assigns (collectively, “**Grantee Indemnified Parties**”) from and against any costs, liabilities, penalties, damages, claims or expenses (including, without limitation, court costs and reasonable attorneys’ and experts’ fees and costs, whether incurred at the trial, appellate or administrative level, or in connection with any arbitration) (collectively, “**Losses**”) which the Grantee Indemnified Parties may suffer or incur as a result of or arising out of any of the following: (i) the activities of Grantor on the Property; (ii) the inaccuracy of the warranty made by Grantor in **Section 10**; (iii) the breach of any provision of this Conservation Easement by Grantor; or (iv) any injury to or the death of any person or physical damage to any property resulting from any act, omission, condition or other matter related to or occurring on or about the Property, regardless of cause, except to the extent caused by the negligence or willful misconduct of any of the Grantee Indemnified Parties. Without limiting the foregoing, Grantor shall indemnify, defend and hold harmless the Grantee Indemnified Parties for any Losses relating to or arising out of any of the following:

- (i) approvals requested by Grantor, whether given or withheld by Grantee hereunder, except to the extent such Losses are the result of the negligence or willful misconduct of any of the Grantee Indemnified Parties;
- (ii) any real property taxes, insurance, utilities or assessments that are levied against the Property or on the interests created under this Conservation Easement, including without limitation, those for which exemption cannot be obtained;
- (iii) the operation, upkeep and maintenance of the Property, including all costs thereof; and
- (iv) any Hazardous Substances present, alleged to be present or otherwise connected in any way to the Property, whether before, on or after the Effective Date, except to the extent such Losses are the result of the negligence or willful misconduct of any of the Grantee Indemnified Parties.

(b) **Indemnification by Grantee.** Grantee shall indemnify, defend and hold harmless Grantor and its elected and appointed officials, officers, employees, agents, volunteers and contractors and their successors and assigns (collectively, “**Grantor Indemnified Parties**”) from and against any Losses which the Grantor Indemnified Parties may suffer or incur, or to which any of the Grantor Indemnified Parties may be subjected, for personal injury or wrongful death, to the extent caused by the actual exercise by Grantee or Grantee’s Representatives of Grantee’s rights under this Conservation Easement, except to the extent such Losses are the result of any negligence or willful misconduct of any such Grantor Indemnified Parties.

16. Grantee Assignment of Conservation Easement.

(a) **Assignment.** In the event that Grantee decides to assign its interest under this Conservation Easement, Grantee shall provide Grantor and the Sierra Nevada Conservancy (“SNC”) with written notice of such intention to transfer to an assignee that is: (1) qualified to

hold a conservation easement under Section 815.3 of the California Civil Code; (2) a “qualified organization” as defined in Section 170(h)(3) of the U.S. Internal Revenue Code, 26 U.S.C. 170(h)(3); and (3) willing and financially able to assume all of the responsibilities imposed on Grantee under this Conservation Easement. Grantee shall allow the Grantor and SNC a period of not less than sixty (60) days to approve the proposed assignee, which approval shall not be unreasonably withheld and shall be based on whether the proposed assignee meets the designation criteria specified in this **Section 16(a)**.

(b) **Back up Conservation Easement Holder.** Grantee is responsible for identifying a suitable assignee pursuant to Section 16(a). If Grantee ever ceases to exist or no longer qualifies under applicable state law to hold a conservation easement interest without identifying a suitable assignee pursuant to **Section 16(a)**, then SNC shall have sole discretion to elect to become the Conservation Easement holder or, with concurrence of Grantor, select an alternative assignee that meets all the designation criteria specified in **Section 16(a)**, above.

(c) **Conditions of Assignment.** As conditions to any assignment of this Conservation Easement, Grantee and/or SNC shall: (1) require the assignee to expressly agree in writing to assume Grantee’s obligations hereunder; and (2) ensure that assignee has the resources to fulfill its obligations under the Conservation Easement.

17. Subsequent Property Transfers. Grantor shall disclose the existence of this Conservation Easement in any deed or other legal instrument by which Grantor divests itself of a real property interest in all or a portion of the Property, including, without limitation, a leasehold interest. Grantor shall notify Grantee in writing not more than thirty (30) days after any grant by Grantor to any third party of any interest in any portion of the Property, whether such interest is a fee, easement, lease, or other interest. The failure of Grantor to perform any act required by this **Section 17** shall not impair the validity of this Conservation Easement or limit its enforcement in any way or create any obligation on the part of Grantee.

18. Extinguishment and Condemnation.

(a) **Property Right.** Grantor and Grantee acknowledge and agree that this Conservation Easement constitutes a property right in favor of Grantee, immediately vested in Grantee, which, for purposes of this **Section 18(a)**, the parties stipulate to have a fair market value determined in accordance with **Section 18(e)**. Notwithstanding that the Conservation Easement is an obligation, and not a financial asset, should it be extinguished, which may be accomplished only by judicial proceedings in a court of competent jurisdiction, or should any interest in the Property be taken by the exercise of the power of eminent domain or acquired by purchase in lieu of condemnation subject to the prior written consent of Grantee, Grantee is entitled to a share of the proceeds of any sale, exchange or involuntary conversion of the Property formerly subject to the Conservation Easement equal to the stipulated fair market value of the Conservation Easement, or proportionate part thereof, as determined in accordance with **Section 18(e)**.

(b) **Judicial Extinguishment.** It is the intention of the parties that the Conservation Purposes of the Conservation Easement shall be carried out in perpetuity. Liberal

construction is expressly required for purposes of effectuating the Conservation Easement in perpetuity, notwithstanding economic hardship or changed conditions of any kind. However, if, for some unforeseen reason, there is a judicial extinguishment of the restrictions of the Conservation Easement, Grantee, on a subsequent sale, exchange, or taking of the Property, shall be entitled to a portion of the proceeds at least equal to the stipulated fair market value of the Conservation Easement, or proportionate part thereof, as determined in accordance with **Section 18(e)**.

(c) **Condemnation.** If all or part of the Property is taken in exercise of eminent domain by public, corporate or other authority so as to abrogate the restrictions imposed by this Conservation Easement, Grantor and Grantee shall join in appropriate actions at the time of such taking to recover the full value of the taking and all incidental or direct damages resulting from the taking. All expenses incurred by Grantor and Grantee in such action shall be paid out of the recovered proceeds. The remaining proceeds shall be divided consistent with the provisions of this **Section 18(c)** using the stipulated fair market value of the Conservation Easement, or proportionate part thereof, as determined in accordance with **Section 18(e)**, it being expressly agreed that the Conservation Easement constitutes a compensable property right.

(d) **No Merger.** Due to the Conservation Purposes of the Conservation Easement, it is the intent of Grantor and Grantee that, if and when Grantee or any successor easement holder to Grantee acquires fee title to all or any portion of the Property, such fee title shall not merge (whether by operation of law or otherwise) with any of the rights granted to Grantee under this Grant, and the Conservation Easement shall remain in full force and effect as to all portions of the Property, until and unless explicitly terminated by judicial proceedings (and then, only to the extent so terminated).

(e) **Stipulated Fair Market Value.** The parties stipulate that, for purposes of this **Section 18(e)**, the Conservation Easement shall have a fair market value determined by multiplying (i) the fair market value of the Property unencumbered by the Conservation Easement (minus any increase in value after the date of this Conservation Easement attributable to improvements on the Property), as determined by a qualified appraisal obtained by Grantee at the time of such termination, extinguishment or condemnation, by the ratio of the value of the Conservation Easement to the value of the Property unencumbered by the Conservation Easement (minus any increase in value after the date of this Conservation Easement attributable to improvements on the Property) as of the date of such termination, extinguishment or condemnation, as determined by a qualified appraisal obtained by Grantee at the time of such termination, extinguishment or condemnation.

19. Notices. Any notice or other communication required or permitted under this Conservation Easement shall be in writing and shall be either personally delivered or transmitted by registered or certified mail, return receipt requested, postage prepaid, or by a nationally recognized overnight courier, such as FedEx or Airborne Express, addressed to the parties as follows:

If to Grantor:

County of Tuolumne

County Administrator's Office

2 South Green Street
Sonora, CA 95370
Attn: County Administrator

with copy to: County Counsel's Office
2 South Green Street
Sonora, CA 95370

If to Grantee: Mother Lode Land Trust
PO Box 1435
Jackson, CA 95642
Attn: Executive Director

If to Sierra Nevada Conservancy: Sierra Nevada Conservancy
11521 Blocker Drive, Suite 205
Auburn, CA 95603
Attn: Executive Director

The date of any notice or communication shall be deemed to be the date of receipt if delivered personally, or the date of the receipt or refusal of delivery if transmitted by mail or overnight courier. Any party may change the address for notice by giving notice to the other party in accordance with this **Section 19**.

20. Amendment. This Conservation Easement may be amended by Grantor and Grantee or their respective successors and assigns, by mutual written agreement of Grantor and Grantee. Without limiting the scope of the aforementioned power to amend, the parties anticipate that future amendments may be necessary to reflect boundary adjustments, clarifications, and corrections to the Conservation Easement and agree to mutually cooperate in good faith to accomplish such future amendments, to the extent such amendments are solely to clarify the terms of this Conservation Easement and do not impair the Conservation Purposes. Any such amendment shall be consistent with the purposes of this Conservation Easement and shall not affect its perpetual duration, and Grantee shall promptly record the amendment in the official records of Tuolumne County, and shall thereafter promptly provide a conformed copy of the recorded amendment to Grantor.

Notwithstanding the foregoing, Grantor and Grantee have no right or power to consent to any action or agree to any amendment of this Conservation Easement that would result in substantial alteration to or destruction of any of the Beneficial Public Values or limit the term or result in termination of the Conservation Easement, or adversely affect the qualification of the Conservation Easement as a conservation easement under California Civil Code section 815 et seq. or the status of Grantee as an entity authorized to acquire and hold conservation easements under California Civil Code section 815.3 or qualified to hold conservation easements pursuant to Section 170(h)(3) of the Code. Any amendment to this Conservation Easement shall comply with California Civil Code section 815 et seq.

21. General Provisions.

(a) **Governing Law.** This Conservation Easement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

(b) **No Public Dedication.** Nothing contained in this Conservation Easement shall be deemed to be a gift or dedication of any portion of the Property to the general public.

(c) **Liberal Construction.** Any general rule of construction to the contrary notwithstanding, this Conservation Easement shall be liberally construed in favor of Grantee to effect the purposes of this Conservation Easement and the policy and purpose of California Civil Code section 815 et seq. If any provision in this Conservation Easement is found to be ambiguous, an interpretation consistent with the purposes of this Conservation Easement which recognizes PG&E's and Grantor's Reserved Rights and that would render the provision valid shall be favored over any interpretation that would render it invalid.

(d) **Further Assurances.** Each party hereto agrees to execute and deliver to the other party such further documents or instruments as may be necessary or appropriate in order to carry out the intentions of the parties as contained in this Conservation Easement.

(e) **Severability.** If any provision of this Conservation Easement shall be unenforceable or invalid, the same shall not affect the remaining provisions of this Conservation Easement and to this end the provisions of this Conservation Easement are intended to be and shall be severable.

(f) **Entire Agreement.** This Conservation Easement sets forth the entire agreement of the parties with respect to the Conservation Easement and supersedes all prior discussions, negotiations, understandings, or agreements relating to the Conservation Easement all of which are merged herein.

(g) **No Forfeiture.** Nothing contained herein will result in a forfeiture or reversion of Grantor's title in any respect.

(h) **Successors.** The Conservation Easement shall be a servitude running with the land in perpetuity. The covenants, terms, conditions, and restrictions of this Conservation Easement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns and shall continue as a servitude running with the Property.

(i) **Recordation.** Grantee shall promptly record this Conservation Easement in the official records of Tuolumne County, and shall thereafter promptly provide a conformed copy of the recorded Conservation Easement to Grantor. Grantee may re-record at any time as may be required to preserve its rights in this Conservation Easement.

(j) **Termination of Rights and Obligations.** A party's rights and obligations under this Conservation Easement shall terminate only upon transfer of the party's interest in all or portions of either the Conservation Easement or the Property, except that liability for acts or omissions occurring prior to transfer shall survive the transfer.

(k) **Captions.** The captions in this Conservation Easement have been inserted solely for convenience of reference and are not a part of this Conservation Easement and shall have no effect upon construction or interpretation.

(l) **List of Exhibits.** The following exhibits are attached hereto and incorporated herein:

<u>Exhibit A</u>	Legal Description of the Property
<u>Exhibit B</u>	Property Maps
<u>Exhibit C</u>	Grant Deed
<u>Exhibit D</u>	Schedule of Existing Third-Party Uses
<u>Exhibit E</u>	Title Report

(m) **Counterparts.** This Conservation Easement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

//signatures follow on next page//

IN WITNESS WHEREOF, Grantor has granted to Grantee, and Grantee has accepted this Conservation Easement and the parties mutually agree to the covenants set forth above, as of the Effective Date.

GRANTOR:

COUNTY OF TUOLUMNE

By: _____
Richard H. Pland, Chair
Board of Supervisors

ATTEST:

By: _____
Alicia Jamar, Chief Deputy Clerk

APPROVED AS TO LEGAL FORM:

By: _____
Carlyn M. Drivdahl
Deputy County Counsel

GRANTEE:

MOTHER LODE LAND TRUST,
a California nonprofit public benefit
corporation

By: _____
Ellie Routt
Executive Director

[Need Notary Acknowledgement to record]

EXHIBIT A

Legal Description of the Property

All that certain parcel of land situated in Section 2 and Section 11, Township 5 North, Range 20 East, Mount Diablo Base and Meridian, as recorded in Book 57, Page 574 of Deeds of the County of Tuolumne, State of California, particularly described therein as follows:

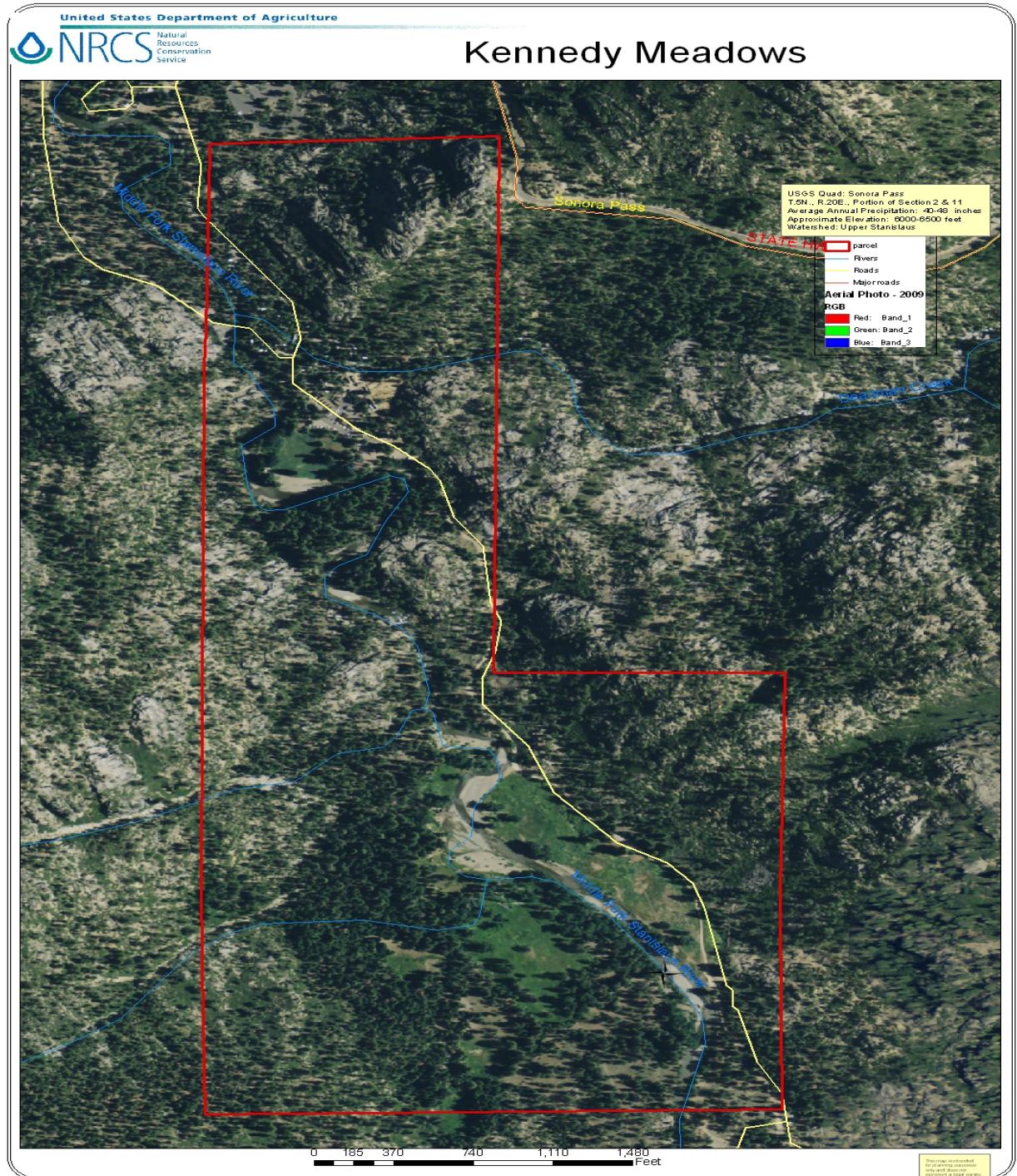
The Southwest one-quarter of the Southeast one-quarter, the Southeast one-quarter of the Southwest one-quarter, the Southeast one-quarter of the Northwest one-quarter, and the Northeast one-quarter of the Southwest one-quarter, of said Section 2; and the Northwest one-quarter of Northeast one-quarter and the Northeast one-quarter of Northwest one-quarter, of said Section 11.

(APN # 021-020-02)

(SBE # 145-55-1-7)

EXHIBIT B

Property Maps



High-Use-Area Map

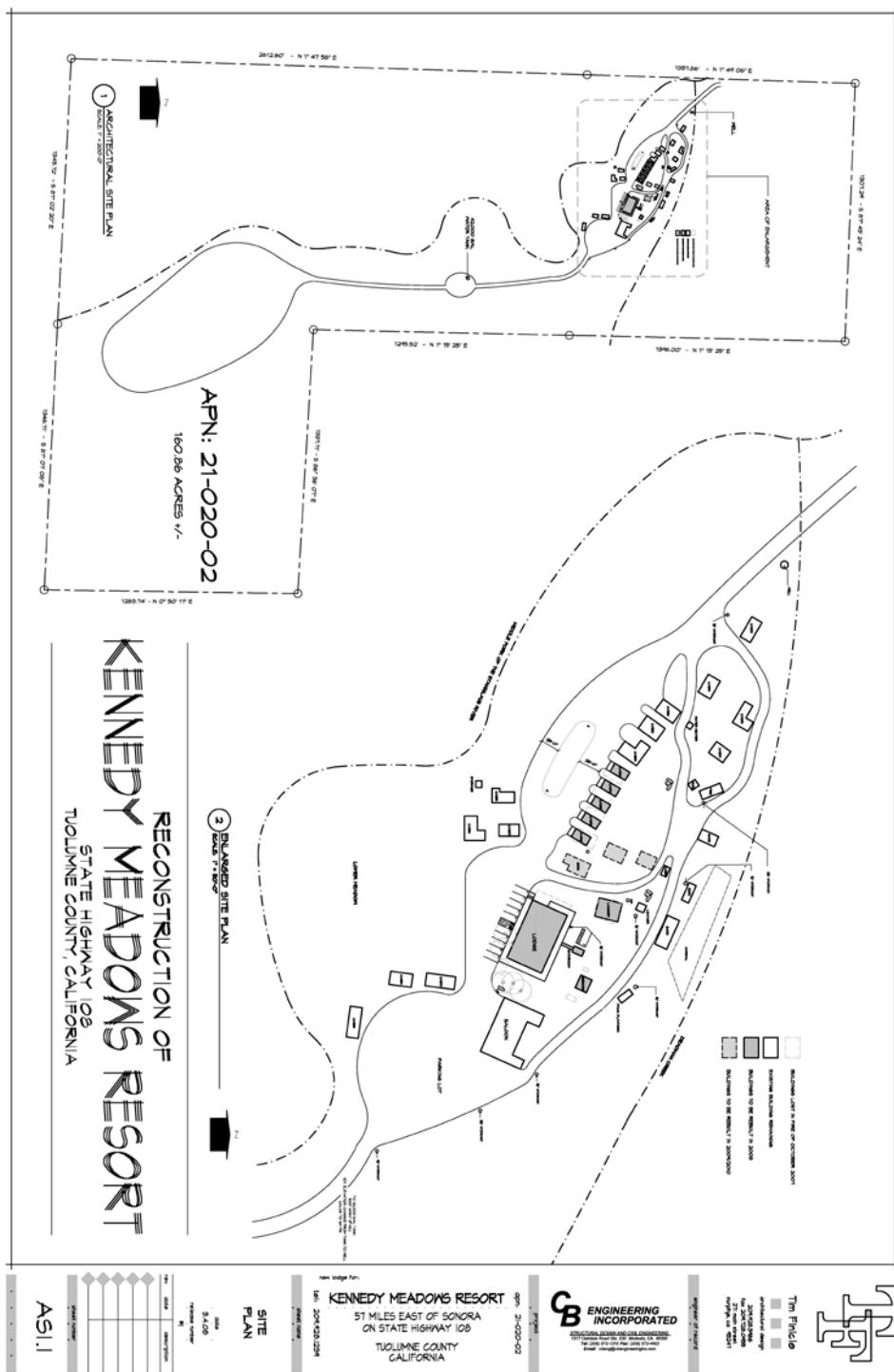


EXHIBIT C

Grant Deed

Grant Deed (REV. 03/13)
 RECORDING REQUESTED BY AND RETURN
 TO:

PACIFIC GAS AND ELECTRIC COMPANY
245 Market Street, N10A, Room 1015
P.O. Box 770000
San Francisco, California 94177

Location: City/Uninc _____
 Recording Fee \$ _____
 Document Transfer Tax \$ _____
 This is a conveyance where the consideration and
 Value is less than \$100.00 (R&T Code §11911).
 Computed on Full Value of Property Conveyed, or
 Computed on Full Value Less Liens
 & Encumbrances Remaining at Time of Sale

 Signature of declarant or agent determining tax

(SPACE ABOVE FOR RECORDER'S USE ONLY)

LD

DEED

GRANT DEED, RESERVATION OF RIGHTS AND EASEMENTS, AND ASSIGNMENT OF RIGHTS

I. CONVEYANCE OF FEE

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called Grantor, hereby grants, without warranty express or implied, to the **COUNTY OF TUOLUMNE**, a political subdivision of the State of California, hereinafter called Grantee, the real property ("Property"), situated in the unincorporated area of the County of Tuolumne, State of California, described as follows:

All that certain parcel of land situated in Section 2 and Section 11, Township 5 North, Range 20 East, Mount Diablo Base and Meridian, as recorded in Book 57, Page 574 of Deeds of the County of Tuolumne, State of California, particularly described therein as follows:

The Southwest one-quarter of the Southeast one-quarter, the Southeast one-quarter of the Southwest one-quarter, the Southeast one-quarter of the Northwest one-quarter, and the Northeast one-quarter of the Southwest one-quarter, of said Section 2; and the Northwest one-quarter of Northeast one-quarter and the Northeast one-quarter of Northwest one-quarter, of said Section 11.

(APN # 021-020-02)
(SBE # 145-55-1-7)

In connection with such grant, Grantor and Grantee have agreed, for good and valuable consideration, that Grantor shall reserve certain easements and rights, as more fully described below.

II. RECITALS

A. Grantor is a party to that certain Settlement Agreement (“**Settlement Agreement**”) as modified and approved by the Public Utilities Commission of the State of California (“**CPUC**”) in its Opinion and Order of December 18, 2003 (Decision 03-12-035).

B. In furtherance of the Settlement Agreement, and to provide additional detail regarding the implementation of the “Land Conservation Commitment” (defined below), the parties to the Settlement Agreement and other interested parties entered into that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (“**Stipulation**”).

C. The Settlement Agreement and the Stipulation (collectively, “**Governing Documents**”) require Grantor to ensure that approximately 140,000 acres of watershed lands, all owned by Grantor (collectively, “**Watershed Lands**”), including the Property, are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The obligations of Grantor to convey fee interests and/or conservation easements and protect such beneficial public values on the Watershed Lands, as well as certain other obligations related thereto, are set forth in detail in Appendix E of the Settlement Agreement (as further explicated in Section 12 of the Stipulation), and are defined therein as the “**Land Conservation Commitment**.”

D. Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California non-profit public benefit corporation (“**Stewardship Council**”) was created to oversee and carry out the Land Conservation Commitment. Pursuant to the Governing Documents, the Stewardship Council developed a plan for protection of the Watershed Lands for the benefit of the citizens of California (“**Land Conservation Plan**” or “**LCP**”). The LCP includes, among other things, objectives to preserve and/or enhance the beneficial public values identified on each parcel of Watershed Lands.

E. Grantor has used and continues to use the Property for the purposes of generating and transmitting hydroelectric energy, managing and monitoring the flow of water over the existing waterways for consumptive and non-consumptive uses, conducting various biological and land use studies mandated by the Federal Energy Regulatory Commission (“**FERC**”) (collectively, “**Hydroelectric Facilities and associated Water Delivery Facilities**”), and for other purposes as described more fully in the Reservation of Rights contained herein.

F. Consistent with the terms of the Governing Documents, Grantor and Grantee acknowledge this conveyance, together with the conservation easement transaction being entered into by Grantee and Mother Lode Land Trust concurrently herewith, is being made in the public interest with the intent to ensure the permanent protection of the beneficial public values on the Property as identified in the LCP while allowing the ongoing use of the Property by Grantor for hydroelectric operations, water delivery and other related activities, and acknowledging and honoring the existing third party uses.

III. RESERVATION OF RIGHTS AND EASEMENTS

Grantor expressly reserves the right to engage in or invite or permit others to engage in the activities and uses set forth below (collectively, the "Reserved Rights") as Grantor may determine in Grantor's sole discretion exercised in good faith is required for Grantor's continued operation and maintenance of Hydroelectric Facilities and associated Water Delivery Facilities. Grantor will use reasonable efforts to notify and consult with Grantee in advance of the exercise of the Reserved Rights, and use reasonable efforts to employ methods and practices that will not significantly impair the beneficial public values.

An exercise of Grantor's Reserved Rights shall be "required" (as used in the preceding paragraph) where Grantor determines in its sole discretion exercised in good faith that such exercise is necessary to fulfill requirements or directives of any one or more of the following:

(a) the CPUC or the FERC, (b) other local, state or federal governmental entities, (c) any applicable law, ordinance, rule or regulation of local, state or federal governmental entity, (d) any third party agreement entered into by Grantor in good faith or by which Grantor is bound, or (e) professional engineering and design standards governing the ownership, maintenance, and/or operation of the Hydroelectric Facilities and associated Water Delivery Facilities.

(a) Grantor reserves the permanent right to use a portion of the Property as a working, laydown and staging area, together with the right to construct, maintain, use, repair, and reconstruct such suitable pads or platforms for the landing, unloading, parking, loading and taking off of helicopters for operation and maintenance of nearby hydroelectric generating facilities within the portion of the Property shown on the attached Exhibit 1 as "Helicopter/Construction Laydown Area". In connection with the foregoing reservation, Grantor reserves the right to clear vegetation, to trim and cut down trees and brush, to remove obstructions, and to install temporary signage as needed to ensure the safe operation of said helicopters within said portion of the Property; and

(b) Grantor reserves the permanent right to use a portion of the Property for periodic worker housing in connection with the operation and maintenance of its nearby hydroelectric generating facilities if, after consultation with Grantee and any current lessee of the Property, Grantor determines that no other acceptable facilities are available on the Property. Such periodic worker housing will be located within the portion of the Property shown on the attached Exhibit 1 as "Temporary Housing Area".

(c) Grantor reserves, for its beneficial uses, all riparian water rights inherent in and part and parcel of the Property; all appropriative surface water rights (including, but not limited to, any appropriative surface water rights having a point of diversion, place of storage, or place of use on the Property); all prescriptive surface water rights; and all other right, title and interest of any

nature whatsoever in and to the surface waters (including subsurface flow) which are now or hereafter located or flowing upon or abutting the Property.

(d) Grantor reserves the permanent right to operate, maintain, repair, alter, replace and expand existing and future Hydroelectric Facilities and associated Water Delivery Facilities, including project replacements and improvements required to meet existing and future water delivery and other requirements for power generation and consumptive water use by existing and future users, compliance with any FERC License, FERC License renewal or other regulatory or legal requirements. In furtherance of and without in any way limiting the generality of the foregoing, the following rights will be expressly reserved:

(1) The right to conduct any and all uses and activities now or at any time in the future deemed necessary or appropriate by Grantor in Grantor's sole discretion exercised in good faith in connection with the generation of hydroelectric energy, including, but not limited to the operation, maintenance, repair, alteration, replacement and expansion of existing Hydroelectric Facilities and associated Water Delivery Facilities, and the construction, operation, maintenance, repair, alteration, replacement and expansion of new Hydroelectric Facilities and associated Water Delivery Facilities; and

(2) The right to use, maintain, establish, construct, alter, expand and improve water sources, courses, and bodies within the Property, and to take, divert and appropriate water; provided, however, subject to any and all prior appropriative rights to such waters, Grantee shall be entitled to use reasonable amounts of water on the Property for domestic non-commercial uses, and to preserve the beneficial public values as identified in the LCP; and

(3) The right to conduct any and all uses and activities currently or in the future deemed necessary or appropriate by Grantor in Grantor's sole discretion exercised in good faith to comply with any applicable FERC License or other regulatory or legal requirements, including any amendments thereto and replacements thereof, and with applicable regulations and orders of the FERC or other regulatory agencies; and

(4) The right to conduct any and all uses and activities now or at any time hereafter deemed necessary or appropriate by Grantor in Grantor's sole discretion exercised in good faith to comply with the Federal Power Act (Title 16 United States Code, Chapter 12) and any successor statute; and

(5) The right to decommission all or any portion of existing and future Hydroelectric Facilities and associated Water Delivery Facilities in accordance with any applicable license issued by the FERC.

(e) Grantor further reserves to itself the following rights with respect to the foregoing reservations:

(1) of ingress to and egress over and across the Property by means of the existing road and/or any replacement or relocation thereof, otherwise by such route or routes as shall occasion the least practicable damage and inconvenience to Grantee and to use said roads, lanes, or routes to provide access to any of Grantor's easements and facilities on lands adjacent to the Property; and

(2) to install, maintain and use gates in all fences which now or shall hereafter cross the Property.

IV. ASSIGNMENT OF RIGHTS

Grantor hereby assigns to Grantee, its successors and assigns, all right, title and interest of Grantor in and to the unrecorded road and bridge license conveyed to A.C. McIntyre and R.S. Smoot by the Sierra San Francisco Power Company, Grantor's predecessor in interest, dated June 24, 1930, attached hereto as Exhibit 2.

V. TERMS OF GRANT

The conveyance by Grantor to Grantee pursuant to this Grant Deed, Reservation of Rights and Easements, and Assignment of Rights is subject to: (a) a lien securing payment of real estate taxes and assessments; (b) applicable zoning and use laws, ordinances, rules and regulations of any municipality, township, county, state or other governmental agency or authority; (c) all matters that would be disclosed by a physical inspection or survey of the Property or that are actually known to Grantee; and (d) all contracts, leases, licenses, covenants, conditions, easements, restrictions, liens, encumbrances and other exceptions of record or unrecorded.

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto, and all covenants shall apply to and run with the Property. All future conveyances of the fee interest in the Property shall be consistent with the terms of the Governing Documents. In accordance with Section 12 b (4) of the Stipulation, Grantee and its successors and assigns shall not convey all or any portion of the fee interest in the Property to any governmental entity, public agency or any Native American tribe that may currently have, or come to possess, authority to expand Grantor's obligations under Part 1 of the FPA, without the prior written consent of the Grantor, which consent shall be in Grantor's sole discretion exercised in good faith.

VI. MISCELLANEOUS

If any provision of this Grant Deed, Reservation of Rights and Easements, and Assumption of Rights shall be unenforceable or invalid, the same shall not affect the remaining provisions hereof and to this end the provisions hereof are intended to be and shall be severable.

The real property hereby conveyed is no longer necessary or useful to Grantor in the performance by it of its duties to the public.

The California Public Utilities Commission, in Decision No. _____, has approved transfer of the Property under State of California Public Utilities Code Section 851.

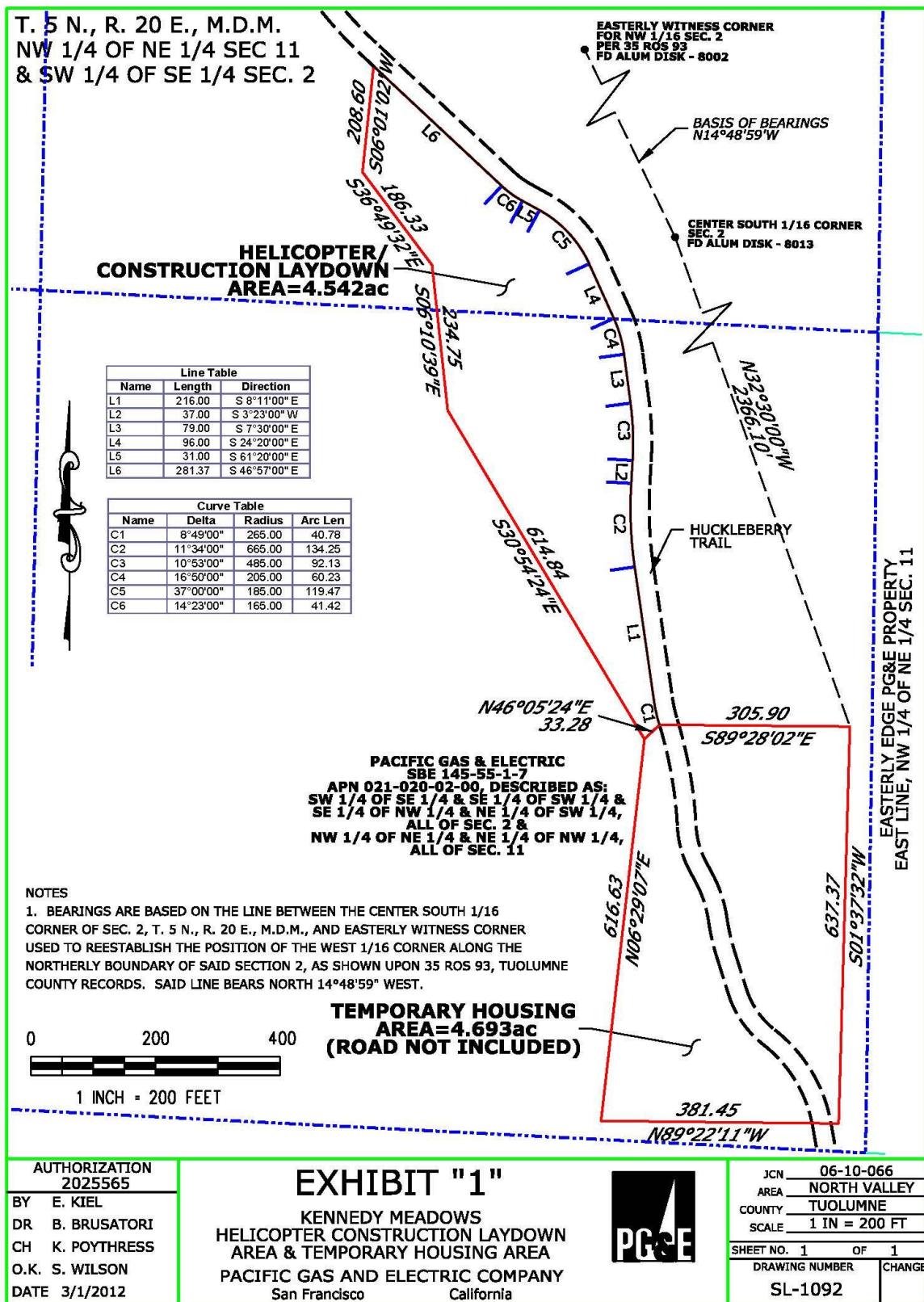
Appendix 3: Conservation Easement

Dated _____, 20____.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By

Attested



655-3

2105-20-0025

Recorded & Entered
D. G. MARTIN
Auditor

No. 18131

THIS AGREEMENT, made by and between SIERRA AND SAN FRANCISCO POWER COMPANY, a corporation duly organized and existing under and by virtue of the laws of the State of California, herein-after called the "licensor", and A. C. McINTYRE and R. S. SMOOT, hereinafter called the "licensees",

WITNESSETH that the licensor, for and in consideration of the promises and covenants of the licensees hereinafter contained, does hereby license and agree to permit the licensees, free of rent or other charge and upon the terms and conditions hereinafter specified and set forth, at the licensees' own sole, risk and expense, to construct, maintain and use a road and bridge with appurtenances thereto, hereinafter referred to as "roadway", upon the land of the licensor, situate in the County of Tuolumne, State of California, and described as follows, to-wit:

The southeast quarter of the northwest quarter of Section 2, Township 5 North, Range 20 East, M. D. B. & M.

The route of said roadway across said land shall be as follows, to-wit:

Along the southerly side of Deadman Creek, and extending from the main county road now crossing said land westerly 300 feet, more or less, to the westerly boundary line of said land.

The licensees, for and in consideration of the premises, do hereby promise and covenant to and with the licensor as follows, viz:

1. That said roadway shall be used by the licensees only for the latter's own private use and that the latter

Appendix 3: Conservation Easement

will, at their own sole risk and expense, at all times maintain said roadway in good order, repair and condition, and to the satisfaction of the licensor.

2. That the licensor shall, at all times, have the right to use said roadway.
3. That the licensees shall and will indemnify the licensor, its successors and assigns, against any and all loss, damage and liability that may be suffered or incurred by the licensor, its successors and assigns, and against any and all claims, demands and causes of action that may be made or brought against the licensor, caused by, arising out of or in any way connected with the construction, maintenance or use of said roadway by said licensees.
4. That the licensees will, upon receiving at least ninety (90) days' notice in writing from the licensor so to do, remove all property and structures installed hereunder upon said land, and at the expiration of the period of time specified in such notice all rights of the licensees to use said land for the purpose of maintaining and using said roadway for any and all purposes whatsoever shall forthwith cease and determine, and if the licensees shall not within the period of time specified in such notice have removed all of their said property and structures, the licensor shall have the right so to do at the sole cost and expense of the licensees, who hereby agree to reimburse the licensor for all expenses incurred by the latter in effecting such removal.

IN WITNESS WHEREOF the parties hereto have executed these presents in duplicate this 24 day of June, 1930.

SIERRA AND SAN FRANCISCO POWER COMPANY

APPROVED: J. P. George
Engineer of Electrical Generation

BY W. D. Downing
Its Vice-President & General Manager

APPROVED AS TO FORM:
P. E. Sloane
ATTORNEY
CH. R. Smith

AND BY W. M. Root
Its Secretary

James J. Taylor

Rulon S. Smoot

Executed in the Presence of:

Witness.

PEW
6/5/30

APPROVED
J. P. George
Engineer of Electrical Generation

Appendix 3: Conservation Easement
Exhibit D

Existing Third-Party Uses

LD 2105-20-0054

AMENDED AND RESTATED
COMMERCIAL RESORT GROUND LEASE

BETWEEN

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation,
as Landlord

and

KENNEDY MEADOWS RESORT AND PACK STATION,
a California corporation,
as Tenant

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Definitions	1
Section 2. Term; Termination	3
Section 3. Conservation Documents	4
Section 4. Commission Approval	6
Section 5. Rent	6
Section 6. Use	8
Section 7. Hazardous Materials	12
Section 8. Maintenance; Vegetation; Security; Utilities	13
Section 9. Alterations	14
Section 10. Liens	15
Section 11. Destruction or Damage	15
Section 12. Insurance	16
Section 13. Indemnification; Release	18
Section 14. Compliance With Legal Requirements	19
Section 15. Assignment or Subletting	20
Section 16. Rights Reserved to Landlord	21
Section 17. Events of Default	22
Section 18. Remedies for Default	22
Section 19. Landlord's Right to Cure Default	22
Section 20. Attorneys' Fees	23
Section 21. Sale, Conveyance or Transfer	23
Section 22. Estoppel Certificates and Rights of Mortgagees	24
Section 23. Surrender	24
Section 24. Holdover	25
Section 25. Waiver	25
Section 26. Notices	25
Section 27. Complete Agreement	26
Section 28. Limitation of Liability	26
Section 29. Broker	26
Section 30. Quiet Possession	26
Section 31. Miscellaneous	26
Section 32. Exhibits	27

SUMMARY OF LEASE TERMS

Commercial Resort Lease, California

(Kennedy Meadows Resort)

A. Date (For Reference Purposes Only): 5/29, 2009

B. Landlord: Pacific Gas and Electric Company, a California corporation (prior to conveyance to Successor Landlord)

C. Landlord's address for notices: [Section 26] Pacific Gas and Electric Company
Land Agent
5555 Florin Perkins Road, #100
Sacramento, CA 95826
Telephone: (916) 386-5091
Facsimile: (916) 386-5388

With a copy to:

If by registered or certified mail, return receipt requested:

Law Department
Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120
Attn: Director & Counsel, Contracts Section (Real Estate)
Telephone: (415) 973-4377
Facsimile: (415) 973-5520

If by personal delivery or overnight courier:

Law Department
Pacific Gas and Electric Company
77 Beale Street, Mail Code B30A
San Francisco, CA 94105
Attn: Director & Counsel, Contracts Section (Real Estate)
Telephone: (415) 973-4377
Facsimile: (415) 973-5520

D. Landlord's address for payments: Pacific Gas and Electric Company
[Section 5(e)] Attn: Land Agent
5555 Florin Perkins Road, #100
Sacramento, CA 95826

E. Tenant: Kennedy Meadows Resort and Pack Station,
a California corporation

F. Tenant's address for notices: Kennedy Meadows Resort and Pack Station
[Section 26] c/o Matt Bloom
14125 Wards Ferry Road
Sonora, CA 95370

G. Default Rate: Ten percent (10%) per annum
[Section (1(b))]

H. Description of Premises and Land consisting of approximately 240 acres, APN 021-
Improvements: 020-02-00, at Kennedy Meadows, Tuolumne County,
[Sections 1(i) and 1(f)] California (more specifically described as SBE 145-
55-001-7, the SW ¼ of the SE ¼, E ½ of the SW ¼ and
the SE ¼ of the NW ¼ of Section 2, containing 160
acres, more or less; plus the NW ¼ of the NE ¼ and the
NE ¼ of NW ¼ of Section 11, containing 80 acres, all
in T.5N, R.20E, MDB&M) as shown on Exhibit "A",
improved with a lodge, cabins, water tank and
associated structures and improvements.

I. Intentionally Omitted

J. Term: The Term of this Lease shall commence on 5/29,
[Section 2] 2009 and expire on December 31, 2028

K. Commencement Date: 5/29, 2009

L. Rent Commencement Date: Upon the Commencement Date

M. Expiration Date: December 31, 2028

N.	Annual Rental: [Section 5(a)]	\$15,000/per year, \$3,000 due and payable on April 1 st and \$12,000 due and payable on September 1 st of each year.
O.	Percentage Rental: [Section 5(a)]	3% of Gross Sales for horse related activities and 7% of other Gross Sales, less credit for Annual Rental for that respective year. Percentage Rental shall be due and payable to Landlord on or before June 15 th of each year, with respect to the Gross Sales for the prior calendar year.
P.	Tenant's Permitted Use [Section 6]	Commercial resort consisting of letting cabins, letting horses, operating a lodge, restaurant, bar, commissary, RV park and other facilities and uses usual to mountain resorts, and for no other purpose.
Q.	Late Fee: [Section 5(f)]	10% of any Rent, Percentage Rent or sum due not paid within thirty (30) days of the due date.
R.	Landlord's Broker(s): [Section 29]	None
S.	Tenant's Broker(s): [Section 29]	None
T.	Commission Approval [Section 3]	Commission Decision D 04-07-021 (Application No. A-03-05-012)
U.	Exhibits [Section 32]	Exhibit A - Map of Premises

The provisions of this Lease identified above in brackets are those provisions where references to particular Lease terms appear. Each such reference shall incorporate the applicable Lease terms. In the event of any conflict between the Summary of Lease Terms and this Lease, the latter shall control.

AMENDED AND RESTATED
COMMERCIAL RESORT GROUND LEASE
(KENNEDY MEADOWS RESORT)

THIS AMENDED AND RESTATED COMMERCIAL RESORT GROUND LEASE (KENNEDY MEADOWS RESORT) (this "Lease") is made and entered into as of the date set forth in the Summary of Lease Terms, effective upon the full execution and delivery of this Lease (the "Effective Date") by and between Landlord and Tenant, as identified in the Summary of Lease Terms.

Landlord hereby leases to Tenant, and Tenant hires from Landlord, the Premises described in Section 1(i) below for the term and subject to the terms, covenants, agreements and conditions hereinafter set forth, to each and all of which Tenant and Landlord hereby mutually agree.

Section 1. Definitions. The following terms shall have the meanings herein specified:

(a) Alterations. All alterations, additions or additional improvements to or of the Premises or any part thereof.

(b) Default Rate. The term "Default Rate" shall mean the percentage interest per annum set forth in the Summary of Lease Terms, provided that in no event shall the Default Rate of interest charged on any sum then due or past due hereunder exceed the maximum rate of interest, if any, which may then be lawfully charged on such amount.

(c) Gross Sales. The term "Gross Sales" shall mean the gross income or receipts of Tenant made or received from any and all operations or use, in, at, upon, from or of the Premises, including, without limitation, any gross price, fee, commission or charge for products or services arising out of Tenant's Permitted Use as set forth in the Summary of Lease Terms; and all deposits of any kind received by Tenant from, and not refunded to, purchasers or customers in connection with any business, transactions, operations or use in, at, upon, from or of the Premises. The following shall be excluded from Gross Sales (or, if previously included in Gross Sales, the following shall be deducted from Gross Sales to the extent so previously included): (i) the net amount of any bona fide cash or credit refund made by Tenant upon any sale from the Premises where the merchandise sold, or some part thereof, is returned by the purchaser to and accepted by Tenant (not exceeding the amount of the original sales price of the merchandise returned); (ii) sales of fixtures by Tenant, which are not stock in trade and not in the ordinary course of business; and (iii) the amount of any City, County, State or Federal sales, use, gross receipts, luxury, bedroom or excise tax on sales which is both added to the selling price (or absorbed therein) and paid to the taxing authority by Tenant (but not by any vendor of Tenant). No deduction from Gross Sales shall be allowed for uncollected or uncollectible credit

accounts or charges, bad debts, or returned checks. For purposes of determining Gross Sales, "Tenant" includes subtenants, licensees, concessionaires, and any personnel or agent of Tenant, and Gross Sales includes all items, categories and exclusions set forth above with respect to any such subtenant, licensee or concessionaire.

(d) Hazardous Material. The term "Hazardous Material" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos in any form, urea formaldehyde foam insulation, radon gas, polychlorinated biphenyls (PCBs), electromagnetic fields (EMFs), special nuclear or byproduct material, lead based paint and other lead contamination; (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any applicable federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, health or safety; and (c) any other substance the exposure of which is regulated by any governmental authority.

(e) Hazardous Materials Laws. The term "Hazardous Material Laws" means all Legal Requirements relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, presence, disposal or transportation of any Hazardous Material, as defined above.

(f) Improvements. The term "Improvements" shall mean all existing buildings, structures, utilities, drainage and sewage lines, wells, water tanks and water lines, diesel and propane tanks, and all other improvements currently located on the Premises, including, without limitation, the improvements set forth in the Summary of Lease Terms.

(g) Legal Requirements. The term "Legal Requirements" shall mean all laws, statutes, ordinances, rules, regulations, requirements or orders of municipal, state, and federal authorities now in force or that may later be in force, including, but not limited to, all provisions of the Americans With Disabilities Act of 1990, Title 24 of the California Administrative Code and all Hazardous Materials Laws, the requirements of any board of fire underwriters or other similar body now or in the future constituted, any occupancy certificate issued by public officers, and any recorded covenants, conditions and restrictions applicable to the Premises.

(h) PG&E and PG&E Affiliate. The term "PG&E" shall mean Pacific Gas and Electric Company, a California corporation. The term "PG&E Affiliate" shall mean any person, corporation or other entity that (a) is a parent, subsidiary or commonly-controlled affiliate of PG&E; (b) merges or enters into any similar business combination with PG&E; (c) acquires control of PG&E; (d) acquires all or substantially all of the assets of PG&E; or (e) results from any corporate reorganization, including a so-called spin-off, of PG&E.

(i) Premises. The term "Premises" shall mean the land as described in the Summary of Lease Terms, shown outlined by the heavy dashed line on the map attached hereto as Exhibit A.

(j) Tenant Parties. The term "Tenant Parties" shall mean Tenant and its employees, agents, contractors, licensees, invitees and visitors.

Section 2. Term; Termination.

(a) The term of this Lease (the "Term") shall commence on the Commencement Date set forth in the Summary of Lease Terms and, unless sooner terminated as hereinafter provided, shall expire on the Expiration Date as set forth in the Summary of Lease Terms. Upon the Expiration Date, Tenant shall surrender possession of the Premises as set forth in Section 23 of this Lease.

(b) Tenant, or Tenant's predecessor-in-interest, has been in possession of the Premises since April 1, 1990, under that certain Lease Agreement dated June 25, 1990, as amended by that certain First Amendment to Lease Agreement dated September 21, 2007 (collectively, the "Prior Lease"). This Lease amends and restates the Prior Lease, as of the Effective Date. Tenant or Tenant's predecessor-in-interest constructed the Improvements on the Premises. Tenant is thoroughly familiar with the current condition of the Premises, and Tenant agrees to accept the Premises in their existing "as-is" condition on the date hereof, without any representations or warranties of any kind, express or implied, with respect to the condition of the Premises, and with no obligation on the part of Landlord to investigate the condition of the Premises, or to alter, remodel, improve, maintain or repair the Premises or any part thereof, or to construct or install any improvements or perform any work therein. Tenant acknowledges that there may be Hazardous Material, fuel or chemical storage tanks, electric and magnetic fields or other substances, materials, products, or conditions, in, on, under or about the Premises that may be hazardous. Tenant shall use the Premises at its sole risk and expense. Tenant's continued occupation of the Premises shall conclusively evidence its agreement that the Premises are in the condition required hereunder.

(c) **THIS SECTION SHALL BE APPLICABLE FOR SO LONG AS PG&E OR A PG&E AFFILIATE IS THE LANDLORD HEREUNDER. LANDLORD MAY TERMINATE THIS LEASE AS TO THE ENTIRE PREMISES OR AS TO ANY PORTION THEREOF AS SET FORTH IN SECTION 6(G) BELOW, OR, IF LANDLORD, IN ITS REASONABLE JUDGEMENT, FINDS IT NECESSARY TO OBTAIN THE PREMISES, OR A PORTION THEREOF, IN ORDER TO USE THE PREMISES FOR UTILITY PURPOSES, UPON ONE HUNDRED AND EIGHTY (180) DAYS WRITTEN NOTICE TO TENANT. IF LANDLORD TERMINATES THIS LEASE AS TO THE ENTIRE PREMISES PURSUANT TO THIS SECTION, TENANT SHALL BE ENTITLED TO A REFUND OF ANY RENT ALLOCABLE TO THE PERIOD AFTER THE DATE THAT TENANT VACATES THE PREMISES. IF LANDLORD TERMINATES THIS LEASE AS TO A PORTION OF THE PREMISES, THE RENT SHALL BE EQUITABLY REDUCED BY LANDLORD AS LANDLORD DEEMS REASONABLE CONSIDERING THE IMPACT, IF ANY, ON TENANT'S BUSINESS. TENANT WAIVES ANY RELOCATION ASSISTANCE PURSUANT TO SECTION 7260 ET SEQ. OF THE GOVERNMENT CODE OR THE UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICIES ACT, 42 U.S.C. §§ 4601 ET SEQ., OR UNDER ANY SIMILAR LAW, STATUTE OR ORDINANCE NOW**

**OR HERAFTER IN EFFECT. TENANT SHALL SURRENDER POSSESSION OF THE PREMISES, OR PORTION THEREOF, NO LATER THAN ONE HUNDRED AND EIGHTY (180) DAYS AFTER TENANT'S RECEIPT OF THE TERMINATION NOTICE. IF LANDLORD SO TERMINATES, TENANT SHALL SURRENDER POSSESSION OF THE PREMISES, OR PORTION THEREOF, IN THE CONDITION REQUIRED BY SECTION 23 OF THIS LEASE. (TENANT TO INITIAL HERE
M.B.)**

Section 3. Conservation Documents.

(a) Landlord and Tenant hereby enter into this Lease with reference to the following:

(1) Landlord is a party to that certain Settlement Agreement (the "Settlement Agreement") as modified and approved by the Public Utilities Commission of the State of California (the "Commission") in its Opinion and Order of December 18, 2003 (Decision 03-12-035).

(2) In furtherance of the Settlement Agreement, and to provide additional detail regarding the implementation of the "Land Conservation Commitment" (defined below), the parties to the Settlement Agreement and other interested parties entered into that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the "Stipulation").

(3) The Settlement Agreement and the Stipulation (collectively, the "Governing Documents") require Landlord to ensure that approximately 140,000 acres of watershed lands and approximately 655 acres of land located in the Carizzo Plains, all owned by Landlord (collectively, the "Watershed Lands"), including the Premises, are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The obligations of Landlord with respect to the Watershed Lands are set forth in detail in Appendix E of the Settlement Agreement and in Section 12 of the Stipulation, and are defined therein as the "Land Conservation Commitment."

(4) Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California non-profit public benefit corporation (the "Stewardship Council") was created to oversee and carry out the Land Conservation Commitment. In accordance with the Governing Documents, the Stewardship Council developed and adopted a land conservation plan (the "LCP") for protection of the Watershed Lands for the benefit of the citizens of California. The LCP includes, among other things, objectives to preserve and/or enhance the beneficial public values identified on each parcel of Watershed Lands.

(5) In addition to the LCP, the Stewardship Council is developing a disposition package for the Premises (the "Disposition Package") in order to carry out the objectives of the LCP with respect to the Premises.

(6) Landlord has agreed that, subject to (1) Commission approval under California Public Utilities Code Section 851, (2) approval by the Federal Energy Regulatory Commission (the "FERC") for lands subject to its jurisdiction, and (3) certain other requirements provided in the Governing Documents, every parcel of the Watershed Lands, including the Premises, will be subject to a fee simple donation or donations and/or conservation easement or easements donated by Landlord to one or more public agencies or qualified non-profit conservation organizations.

(7) In furtherance of the foregoing, Landlord intends to grant a conservation easement or easements (the "Conservation Easement") over the Premises to one or more public agencies or qualified non-profit conservation organizations (the "Easement Grantee"), and to convey fee title to the Premises to one or more public agencies or qualified non-profit conservation organizations (the "Successor Landlord"). In connection with the conveyance of fee title to Successor Landlord, Landlord shall assign its right, title and interest under this Lease to Successor Landlord, and Successor Landlord shall assume the obligations of Landlord hereunder. Such conveyance of fee title shall be subject to the terms set forth in Section 21 below. All references in this Lease to "Landlord" shall be deemed to include Successor Landlord from and after the date Successor Landlord becomes the owner of fee title to the Premises.

(8) Concurrently with such conveyances, it is anticipated that the Easement Grantee and/or the Successor Landlord will enter into a land management plan (the "Land Management Plan") to preserve and enhance the beneficial public values present at the Premises.

(a) Tenant acknowledges and agrees that, except as expressly set forth above, neither Landlord nor its officers, directors, employees or agents makes or has made any representations or warranties of any kind, express or implied, written or oral, as to the Governing Documents, the Land Conservation Commitment, the LCP, the Disposition Package, the Conservation Easement, the Land Management Plan, and the conveyances and agreements that Landlord may enter into pursuant to the foregoing (collectively, the "Conservation Documents"), the activities to be carried out pursuant thereto, or the potential physical, economic or other impact thereof on Tenant, the Premises, the rights and obligations of Tenant under this Lease or otherwise.

(b) Landlord shall have the right to require modifications to Tenant's Permitted Use to the extent reasonably necessary to preserve and enhance the beneficial public values present at the Premises in accordance with the Conservation Documents; provided, however, that no such modifications shall have a Material Adverse Impact, as defined below. Tenant acknowledges that, provided such modifications would not have a Material Adverse Impact, such modifications may result in Tenant being required to conduct, or refrain from conducting, certain activities currently permitted on some or all of the Premises, and such

modifications may impact Tenant economically. In addition to the rights reserved to Landlord in this subparagraph (c) and otherwise reserved to Landlord under this Lease, including, without limitation, Sections 2(c), 6(g) and 16 hereof, Landlord and others permitted by the Conservation Documents shall have the right to temporarily or permanently construct on the Premises such new structures or other improvements as Landlord deems appropriate in Landlord's sole discretion to comply with the provisions of the Conservation Documents ("LCP Facilities"), and to reconstruct, maintain, operate and use the LCP Facilities; provided, however, that no such construction and subsequent use of the LCP Facilities shall have a Material Adverse Impact on Tenant. Landlord shall give Tenant at least one hundred and eighty (180) days' prior written notice of Landlord's election to modify Tenant's use hereunder or to construct new LCP Facilities on the Premises.

(c) As used in subparagraph (c) above, the phrase "Material Adverse Impact" shall mean an impact that materially deprives Tenant (or that is reasonably likely to materially deprive Tenant) of any of its material rights and benefits under this Lease, or that materially increases (or is reasonably likely to materially increase) any of Tenant's obligations under this Lease, as determined by Landlord in its reasonable discretion, resulting from any (i) restriction or modification to Tenant's Permitted Use of the Premises, (ii) temporary or permanent construction on the Premises of LCP Facilities, or (iii) reconstruction, maintenance, operation or use of LCP Facilities.

(d) This Section 3 shall be self-operative and no further instrument of subordination shall be required. However, Tenant agrees to execute such documentation as may be reasonably requested by Landlord in order to carry out the terms of this Section 3. (TENANT TO INITIAL HERE M/B)

Section 4. Commission Approval. This Lease has been approved by the Commission, and for so long as PG&E or a PG&E Affiliate is the Landlord hereunder, this Lease will continue to be under the jurisdiction of the Commission, and this Lease is made subject to all the provisions of such approval, as identified in the Summary of Lease Terms, as more particularly set forth in like manner as though said provisions were set forth in full herein.

Section 5. Rent.

(a) Tenant agrees to pay to Landlord as "Annual Rent" for the Premises the sums specified in the Summary of Lease Terms. In addition, Tenant shall pay to Landlord the percentage of the Gross Sales, as defined in Section 1(c) above, less credit for the Annual Rent for that respective year ("Percentage Rent"), as set forth in the Summary of Lease Terms. Percentage Rent for each calendar year (or fractional calendar year at the beginning and/or end of the Term) shall be computed and paid annually no later than June 15th of the following year, and such payment shall be accompanied by a statement of Gross Sales for such respective year. Tenant shall prepare and send to Landlord a statement of Gross Sales for such respective year whether or not there is a payment of Percentage Rent due for the applicable year. Landlord shall have the right to examine Tenant's book of accounts at any and all times. All statements hereunder shall show in detail all items, deductions, exclusions and additions included in the calculation of Gross Sales, shall be true, accurate and complete and certified as such by Tenant,

and shall otherwise be in such form and contain such information as Landlord may from time to time specify.

(b) Tenant shall install one or more cash registers equipped with a scaled cumulative totaling device and a daily dated continuous, non-reversible tape on which all Gross Sales shall be recorded and imprinted. Tenant shall maintain and keep true, accurate and complete books, records and accounts of all Gross Sales, including (i) true copies of any sales and other excise tax reports; (ii) Federal and State tax returns; (iii) sales slips and checks; (iv) bank records; (v) cash register tapes; and (vi) sales journals, books of account, general ledgers and purchase journals. Such books, records and accounts shall be maintained in such manner, and include such records, as would be required by a certified public accountant to perform an audit to determine, or produce an audited statement of, Gross Sales. If at any time Tenant's books, records and accounts prove inadequate in Landlord's judgment to record Gross Sales in the detail and manner herein required, Tenant shall, upon the request of Landlord, keep and maintain such books, records and accounts as Landlord deems reasonably necessary or appropriate for such purpose. Tenant shall, for a period of at least three (3) years after the end of each calendar year, keep safe and intact all of its books, records and accounts maintained hereunder.

(c) Tenant shall, promptly upon Landlord's request, make all of Tenant's books, records, and accounts available at a location in either San Francisco County or Tuolumne County, California, for inspection, review and/or copying by Landlord or Landlord's authorized representative or agent to enable Landlord to verify Tenant's statements of Gross Sales and/or calculations of Percentage Rent. If Tenant at any time makes, or causes to be made, an audit of Tenant's business conducted in or upon the Premises, Tenant shall furnish Landlord a copy of such audit, together with an opinion thereon by the auditing certified public accountant. Landlord may, upon three (3) days' prior notice to Tenant, cause an audit to be made of Tenant's books, records and accounts for any period for which Tenant was required to deliver a statement of Gross Sales. If any such audit discloses that Tenant has under-reported Gross Sales or underpaid Percentage Rent by more than two percent (2%) in any calendar year, Tenant shall pay to Landlord the cost of Landlord's audit and the amount of any deficiency, plus interest at the Interest Rate. In addition, regardless of the extent of the under-reporting or underpayment, if Tenant's under-reporting or underpayment was fraudulent or grossly negligent, Landlord, without waiving any other remedies it may have, shall be entitled to, and Tenant shall pay to Landlord, an additional rent equal to twenty-five percent (25%) of the under-reported or underpaid amount, as the case may be.

(d) All charges and other amounts of any kind payable by Tenant to Landlord pursuant to this Lease, other than the Annual Rent, shall be deemed additional rent hereunder ("Additional Rent"). Landlord shall have the same remedies for default in the payment of Additional Rent as for default in the payment of Annual Rent, and the term "Rent" shall include Annual Rent and Additional Rent.

(e) Rent shall be paid to Landlord, without deduction, recoupment, offset or counterclaim, in lawful money of the United States of America, at Landlord's address for payment set forth in the Summary of Lease Terms to such other person or at such other place as

Landlord may from time to time designate in writing. All Rent payable by Tenant to Landlord hereunder, if not received by Landlord within thirty (30) days after the due date (or if no due date is otherwise specified hereunder, within thirty (30) days following Landlord's invoice or demand therefor) shall bear interest at Default Rate from the due date (or the date of such invoice or demand) until paid. Landlord's acceptance of interest shall not constitute a waiver of Tenant's default with respect to the overdue amount or prevent Landlord from exercising any of the rights and remedies available to Landlord under this Lease or by law.

(f) Tenant acknowledges that late payment of Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs (other than interest and attorneys' fees and costs) being extremely difficult and impractical to fix. Such costs include, without limitation, processing and accounting charges and costs of collection. Therefore, if any installment of Rent is not received by Landlord within thirty (30) days after its due date, then Tenant shall pay a late charge of the sum set forth in the Summary of Lease Terms ("Late Fee") to Landlord, which sum shall constitute liquidated damages for such late payment, in lieu of actual damages (other than interest and attorneys' fees and costs, which shall be payable by Tenant in accordance with the provisions of this Lease) which Landlord may suffer on account of such default. The parties agree that the amount set forth as the Late Fee in the Summary of Lease Terms represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any liquidated damages shall not constitute a waiver of Tenant's default with respect to the overdue amount or prevent Landlord from exercising any of the rights and remedies available to Landlord under this Lease or by law. Such liquidated damages shall constitute Additional Rent hereunder, and shall be payable in addition to interest and any attorneys' fees and costs which may be payable under this Lease.

(g) In addition to all other sums to be paid by Tenant hereunder, Tenant shall pay, before delinquency, any and all taxes allocable to the Term on the Improvements, Alterations, horses, equipment, furniture, fixtures, merchandise, and other personal property located at or in the Premises. If Landlord is assessed for such taxes as part of Landlord's real property tax bill or otherwise, Landlord shall have the right, but not the obligation, to pay such taxes, and in that event, Tenant shall reimburse Landlord for the portion of such expense attributable to the Improvements, Alterations, horses, equipment, furniture, fixtures, merchandise, and other personal property within thirty (30) days of receipt of an invoice therefor.

Section 6. Use.

(a) Tenant acknowledges and agrees that as of the Effective Date, (i) the primary use of PG&E's property in the vicinity of the Premises and the Premises is for generation of hydroelectric power connected with the reservoir upstream and the Middle Fork of the Stanislaus River and other waterways on the Premises (collectively, the "River"); (ii) River levels can vary dramatically according to PG&E's operational needs, consistent with applicable FERC license requirements; and (iii) Tenant has no right to demand, and PG&E and any PG&E Affiliate has no obligation to maintain, the River at levels desirable to Tenant. PG&E and any PG&E Affiliate shall have the right in its sole judgment to lower or raise the water level of the River as necessary or appropriate in conjunction with use of property in the vicinity of the Premises and/or the Premises for

hydroelectric purposes, regardless of the presence of improvements or occupancy of the area affected by such fluctuation in water level, and in such event PG&E and any PG&E Affiliate will not be liable to Tenant for any amount whatsoever with respect to any personal injury, injury to horses or damage to the Improvements, Alterations, equipment, furniture, fixtures, merchandise, and other personal property which may be located on the Premises. In no event shall PG&E or any PG&E Affiliate be liable for damages by reason of loss of profits, business interruption or other consequential damage arising from the lowering or raising of the water level of the River. The fluctuation in the water level of the River shall not constitute grounds for a claim for abatement of Rent, actual or constructive eviction or termination of this Lease. For so long as PG&E or a PG&E Affiliate is the Landlord hereunder, this Section shall apply to PG&E or any PG&E Affiliate as Landlord, and after sale, conveyance or transfer as set forth in Section 21 below, PG&E and any PG&E Affiliate shall be a third party beneficiary of this Section. (TENANT TO INITIAL HERE M.B.)

(b) Subject to the limitations and qualifications set forth in this Section, in Section 3 above, or elsewhere in this Lease, the Premises shall be for Tenant's Permitted Use as set forth in the Summary of Lease Terms, and for no other purpose without Landlord's written consent, which may be granted or withheld by Landlord in its sole and absolute discretion. Tenant acknowledges that Landlord has made no representation to Tenant regarding the fitness or suitability of the Premises for Tenant's Permitted Use.

(c) Tenant shall at all times employ its best skills, efforts and abilities to operate Tenant's Permitted Use in a first class manner in order to produce the highest possible Gross Sales, and to enhance the customer traffic in, and reputation and attractiveness of, the Premises. Tenant shall conduct its business in a first-class and reputable manner, with a sufficient staff of employees to adequately serve the needs of Tenant's customers.

(d) Subject to the limitation set forth in this paragraph, Tenant is hereby granted permission by Landlord to use the existing roads on the Premises for the sole purpose of ingress and egress to the Premises, in their then existing "as is" condition, weather permitting, at Tenant's sole risk. Landlord has no obligation to maintain any portion of the Premises or any improvements of any kind or nature whatsoever, including, but not limited to any and all roads. Furthermore, Landlord has no responsibility whatsoever to assure that there are roads available for ingress or egress to the Premises, and Landlord shall not be responsible for clearing roads on the Premises of snow, fallen trees or debris or maintaining the surface of any roads that may provide ingress and egress to the Premises. For so long as PG&E or a PG&E Affiliate is the Landlord hereunder, Landlord reserves the right to close any and all roads on the Premises at any time when necessary for Landlord's utility operations, to protect the roads, the environment, or human health and safety, or for any other reason, at Landlord's sole and absolute discretion, despite the fact that such closure may prevent Tenant or Tenant's employees, agents, contractors, licensees, invitees or visitors from accessing or departing the Premises. Section 3 above of this Lease shall not apply to any such closure by PG&E or any PG&E Affiliate, and such closure shall not be deemed to constitute a Material Adverse Impact.

(e) If any portion of the Premises will be utilized for the preparation and sale of food items, Tenant shall (i) operate Tenant's business in a clean and sanitary manner so as to prevent infestation by insects or rodents, and, in addition, whenever there shall be evidence of any infestation, employ contractors to eliminate the infestation, (ii) cause all refuse and rubbish in the Premises to be stored in sealed metal or water-tight rubber or plastic containers and to be removed from the Premises on a weekly basis, and (iii) as required by Section 14 below, comply with all Legal Requirements concerning such preparation and sale of food items.

(f) Tenant, and the Tenant Parties, shall not do or permit to be done in, on, onto or about the Premises, nor bring into or keep in or permit to be brought into or kept therein, anything which is prohibited by or will in any way conflict with any Legal Requirements now in force or which may hereafter be enacted or promulgated, or which is prohibited by the standard form of fire and extended coverage insurance policy, or will in any way increase the existing rate of or affect any fire or other insurance, or cause a cancellation of any insurance policy covering the Premises. Tenant shall promptly remove rubbish, debris and waste from the Premises at Tenant's sole expense. Tenant shall not burn any debris outside of a furnace or fireplace constructed for that purpose within a building, or in an existing fire ring or campfire pit. Tenant shall not commit or suffer to be committed any waste in, on, or about the Premises, nor shall Tenant cause or permit objectionable noises or odors to emanate from the Premises, or cause, maintain or permit in, on or about the Premises any nuisance or other act or condition which may in any way injure or annoy, disturb the quiet enjoyment of, or obstruct or interfere with the rights of, any occupant of the surrounding area or the Premises, nor shall Tenant use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, as determined by Landlord in good faith.

(g) Tenant's use of the Premises shall also be governed by any applicable FERC orders or directives and any applicable terms and conditions of FERC License No. 2130, or any successor FERC license (the "FERC License") for property owned by PG&E or any PG&E Affiliate in the vicinity of the Premises and/or related to the River, including, without limitation, the requirement that Tenant's use be compatible with overall project recreational use. PG&E or any PG&E Affiliate shall have the right to construct, reconstruct, maintain, operate and use such facilities on the Premises as PG&E or any PG&E Affiliate deems appropriate to comply with obligations under the FERC License. Tenant shall not in any way interfere or permit any interference with the use of property owned by PG&E or any PG&E Affiliate in the vicinity of the Premises or the Premises as required under the FERC License. Tenant acknowledges that Tenant has been advised that PG&E is in the process of renegotiating the FERC License, and that FERC may require PG&E or any PG&E Affiliate to terminate this Lease as to all or any portion of the Premises or otherwise may require that the Premises be used in a manner wholly or partially incompatible with Tenant's current use. As a part of the renegotiation of the FERC License, PG&E or any PG&E Affiliate and FERC may amend the boundaries of the FERC License to encompass additional areas including, without limitation, all or any portion of the Premises. In addition to the termination rights set forth in Section 2(c) above, and the rights reserved to Landlord under this Lease, including, without limitation, rights reserved in Section 3 and Section 16, PG&E and any PG&E Affiliate shall have the right to (i) temporarily or permanently construct, reconstruct, maintain, operate and use the Premises or any portion thereof or any facilities thereon or (ii) terminate this Lease as to the entire Premises or as to any portion

thereof, as PG&E or PG&E's Affiliate deems appropriate or necessary to comply with obligations under the FERC License, in the sole and absolute discretion of PG&E or any PG&E Affiliate, as applicable. Section 3 above of this Lease shall not apply to any or all of the actions set forth under (i) and (ii) above by PG&E or any PG&E Affiliate, and such actions shall not be deemed to constitute a Material Adverse Impact. If PG&E or any PG&E Affiliate, as applicable, desires to take any or all of the actions set forth under (i) and (ii) above, Tenant shall be given at least one hundred and eighty (180) days' prior written notice to that effect. Upon such termination as to the entire Premises or as to any portion thereof, the terms and conditions of Section 2(c) above shall apply. For so long as PG&E or a PG&E Affiliate is the Landlord hereunder, this Section shall apply to PG&E or any PG&E Affiliate as Landlord, and after sale, conveyance or transfer to the extent that PG&E or any PG&E Affiliate reserves or is granted easements or other rights as part of such sale, conveyance or transfer for portions of the Premises that are subject to a FERC License as set forth in Section 21 below, PG&E and any PG&E Affiliate shall be a third party beneficiary of this Section.

(h) Tenant and the Tenant Parties shall not in any way interfere or permit any interference with the use of any of property in the vicinity of the Premises or the Premises by PG&E or any PG&E Affiliate. Interference shall include, but not be limited to, any activity by Tenant that places any gas or electric facilities in violation of any of the provisions of General Order Nos. 95 (Overhead Electric), 112E (Gas), or 128 (Underground Electric) of the Commission or any other applicable provisions of the laws and regulations of the State of California or other governmental agencies (whether federal or state). Tenant shall not erect, handle, or operate any tools, machinery, apparatus, equipment, or materials closer to any of high-voltage electric conductors than the minimum clearances set forth in the High-Voltage Electrical Safety Orders of the California Division of Industrial Safety, which minimum clearances are incorporated herein by reference, but in no event closer than ten (10) feet to any energized electric conductors or appliances. For so long as PG&E or a PG&E Affiliate is the Landlord hereunder, this Section shall apply to PG&E or any PG&E Affiliate as Landlord, and after sale, conveyance or transfer to the extent that PG&E or any PG&E Affiliate reserves or is granted easements or other rights as part of such sale, conveyance or transfer for portions of the Premises as set forth in Section 21 below, PG&E and any PG&E Affiliate shall be a third party beneficiary of this Section.

(i) Tenant shall not install any signs without the prior written approval of Landlord, including approval of complete plans and specifications for each such sign. Tenant acknowledges that Landlord's approval may be given or withheld in Landlord's sole and absolute discretion. Tenant shall not install or erect any flashing or blinking illuminated signs, neon signs or signs constructed from any non-durable material. All signs must be in compliance with all Legal Requirements.

(j) Tenant and the Tenant Parties may not use any water from the River or from any other source, except for Tenant's domestic use and only from the following sources: (i) existing springs and irrigation systems or wells located on the Premises, or (ii) such other water source approved in writing by Landlord, which permission shall be at Landlord's sole and absolute discretion. Landlord makes no representation or warranty regarding the quality,

availability or quantity of water, and Tenant and the Tenant Parties use such water at their own risk.

(k) Tenant shall dispose of all sewage according to all Legal Requirements and by one of the following methods: (i) by use of existing septic systems or holding tanks currently located on the Premises, or (ii) by such other manner as may be approved in writing by Landlord, which approval shall be at Landlord's sole and absolute discretion. Landlord reserves the right to require Tenant to alter the method of sewage disposal at Tenant's sole cost, when necessary in connection with Landlord's operations or to protect the Premises, the environment, or human health and safety. Landlord makes no representation as to the continued ability to dispose of sewage at the Premises, or the cost thereof. Tenant shall comply with Section 7 of this Lease in regard to septic systems and any clean-up, remedial removal or restoration work that may be required in connection therewith.

(l) If Landlord determines that Tenant's activities in any way endanger, or reasonably could be anticipated to endanger, the Premises, utility facilities, the environment, or the health or safety of any person or persons, Landlord may, at Landlord's sole discretion, temporarily halt Tenant's use and activities until proper and appropriate protective measures may be taken to eliminate such endangerment. Landlord's right to halt activities shall not in any way affect or alter Tenant's obligations under this Lease, nor shall it release Tenant from any of its obligations hereunder that pertain to health, safety, or the protection of the environment.

Section 7. Hazardous Materials.

(a) Tenant, at its expense, shall comply with all Hazardous Material Laws which impose any obligation on Landlord or Tenant with respect to the Premises or the use or occupation thereof, including, without limitation, any obligation to post so-called "Proposition 65" notices or similar disclosures of the existence of Hazardous Materials in or about the Premises which may be required by the circumstances of Tenant's business. Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, used, released, discharged or disposed of in or about the Premises without the prior written consent of Landlord, which consent may be withheld in Landlord's sole and absolute discretion. Notwithstanding the foregoing, Tenant may store or use on the Premises (i) Hazardous Materials specifically allowed, and in the manner specified, (ii) Hazardous Materials authorized in writing by Landlord, such permission to be at Landlord's sole and absolute discretion and subject to whatever conditions Landlord may impose, and (iii) de minimus quantities of cleaning products, or the gasoline, diesel or other fuel contained within the gas tanks of automobiles or equipment on the Premises. Any diesel or propane tanks shall be above ground and maintained, operated and removed in compliance with all Hazardous Materials Laws. Tenant shall maintain Material Safety and Data Sheets (and supply copies thereof to Landlord as requested) for each and every Hazardous Material brought into the Premises. The disposal of Hazardous Materials shall be in approved containers which shall be removed from the Premises only by duly licensed carriers. Any removal, manifesting, transport or disposal of Hazardous Materials shall be conducted pursuant to an EPA generator number or other appropriate license obtained by Tenant or its authorized agents.

(b) If any clean-up, remedial removal or restoration work is required by any federal, state or local governmental agency or political subdivision ("Governmental Agency") because of the presence of Hazardous Materials in or about the Premises, then Tenant shall, at its sole cost, promptly take any and all action necessary to perform such clean-up, remedial removal or restoration in compliance with all Hazardous Material Laws to the extent caused or permitted by Tenant or any of the Tenant Parties. The disposal of Hazardous Materials shall be in approved containers which shall be removed from the Premises only by duly licensed carriers. Any removal, manifesting, transport or disposal of Hazardous Materials shall be conducted pursuant to an EPA generator number or other appropriate license obtained by Tenant or its authorized agents. Tenant shall deliver immediately to Landlord a copy of any notice regarding the Premises received from any person, including any Governmental Agency, relating to, or asserting a violation of any Hazardous Material Laws or a claim arising under or relating to any Hazardous Material Laws.

(c) If Landlord has good cause to believe that the Premises have or may have become contaminated by Hazardous Materials permitted by Tenant or any of the Tenant Parties, Landlord may cause tests to be performed, including tests of the air, soil and ground water, to detect the presence of Hazardous Materials and may elect to perform any clean-up, remedial removal or restoration work. The cost of such tests, clean-up, remedial removal or restoration work shall be paid by Tenant upon demand, as Additional Rent.

(d) The rights and obligations of the parties under this Section 7 shall survive the expiration or termination of this Lease and/or Tenant's leasehold estate hereunder.

Section 8. Maintenance; Vegetation; Security; Utilities.

(a) Maintenance. Tenant shall maintain the Improvements and Alterations, including, without limitation, all buildings, structures, utilities, drainage and sewage lines, and all other improvements on the Premises in reasonably good order and condition to the satisfaction of Landlord, and Landlord shall have no obligation whatsoever to maintain the Premises or any part thereof. If in Landlord's opinion any of the Improvements and Alterations are not in reasonably good order or condition, Landlord may provide Tenant with written notice to repair, replace, renovate or close the affected Improvements and Alterations. Tenant shall make the necessary repairs and or renovations with forty-five (45) days of receipt of Landlord's notice. All repairs, replacement or renovations shall be performed by Tenant in compliance with Section 9 of this Lease.

(b) Vegetation. Tenant shall maintain the grounds in a safe condition and will remove any hazardous, dead or dying trees at his own risk and expense.

(c) Security. Tenant shall be responsible for the safety and security of Tenant's agents, employees, contractors, licensees, invitees, visitors or other persons or property in, upon or about the Premises. Landlord does not assume any responsibility for the security of the Premises.

(d) Utilities. Landlord shall have no obligation to provide the Premises with electricity, heat, air conditioning, ventilation, water or other utility services whatsoever. Tenant agrees to abide by any and all reasonable requirements that Landlord may prescribe for the proper functioning and protection of utility and other systems.

(e) Interruption of Services. Landlord has no obligation to provide any services to the Premises, and Landlord shall not be liable for any damages directly or indirectly resulting from, nor shall Tenant be entitled to any reduction or abatement of rent, should there be a failure or interruption in services, including, without limitation, utility service.

(f) No Offset. Tenant acknowledges that PG&E is executing this Lease in its capacity as the owner of the Premises, and not in its capacity as a public utility company or provider of electricity and natural gas. Notwithstanding anything to the contrary contained herein, no act or omission of PG&E, any PG&E Affiliate or their respective employees, agents or contractors as a provider of electricity and natural gas shall abrogate, diminish or otherwise affect the respective rights, obligations and liabilities of Tenant under this Lease. Further, Tenant covenants not to raise as a defense to its obligations under this Lease, or assert as a counterclaim or cross-claim in any litigation or arbitration between Tenant and PG&E or any PG&E Affiliate relating to this Lease, any claim, loss, damage, cause of action, liability, cost or expense (including, without limitation, attorneys' fees) arising from or in connection with providing (or failure to provide) electricity and natural gas.

Section 9. Alterations.

(a) Tenant will not make or allow to be made any Alterations without in each instance first obtaining Landlord's written consent to such Alterations. Tenant shall not drill, bore, or excavate without the prior written consent of Landlord, which consent may be withheld at Landlord's sole and absolute discretion. When requesting Landlord's consent, Tenant shall furnish complete plans and specifications for the proposed Alterations. Tenant acknowledges and agrees that Landlord has no obligation to be reasonable in connection with its granting or withholding such approval, and Tenant agrees that Landlord's approval may be withheld in Landlord's sole and absolute discretion, for no reason or for any reason (including, among others, that the proposed Alterations, in the opinion of Landlord, are inconsistent or incompatible with the scenic character of the area, or are of a nature that Commission approval would be required). Tenant acknowledges that Landlord's approval of any proposed Alterations, if given, may be made contingent upon Tenant's satisfaction of additional terms, covenants and conditions which Landlord may prescribe or impose, without regard to whether such conditions are reasonable.

(b) Landlord may consult with engineers or other professionals to the extent Landlord deems necessary in connection with Landlord's review of Tenant's plans and specifications, and Tenant shall reimburse Landlord for Landlord's standard administrative charge for such review and any costs incurred in connection with such consultations within ten (10) days after demand, as Additional Rent. Tenant acknowledges and agrees that Landlord's sole interest in reviewing and approving Tenant's plans and specifications is to protect Landlord's interests, and that such review and approval by Landlord shall not be deemed to create any liability of any kind on the part of Landlord, or to constitute a representation on the part of

Landlord that such plans and specifications are correct or accurate, or comply with any applicable Legal Requirements.

(c) All work of constructing or installing Alterations shall be performed diligently, in a good and workerlike manner, at Tenant's sole cost and expense, in accordance with plans and specifications previously approved in writing by Landlord. All Alterations shall comply with all applicable Legal Requirements. Tenant shall provide Landlord with at least fifteen (15) days prior written notice before commencing any construction of Alterations to allow Landlord to post appropriate notices of non-responsibility. Prior to the commencement of construction of any Alterations by Tenant or Tenant's contractor, Tenant shall (i) deliver to Landlord the building permit, (ii) furnish to Landlord satisfactory evidence of such types of insurance, in such forms, with such companies, for such periods and in such amounts as Landlord reasonably may require, and (iii) upon request, furnish to Landlord satisfactory evidence of such payment and performance and/or completion bonds as Landlord reasonably considers necessary with respect to construction of the Alterations. Tenant shall comply with Section 14 below in regard to compliance with Legal Requirements and the process of obtaining permits and other governmental authorizations related to any Alterations.

(d) Upon completion of construction of any Alterations, Tenant shall record a notice of completion in accordance with the provisions of Civil Code Section 3093, and shall furnish to Landlord "as-built" plans for the completed Alterations and a copy of the building permit, showing all final inspection approvals.

(e) Prior to the expiration, or upon earlier termination, of this Lease, Tenant shall surrender the Premises in the condition required by Section 23 of this Lease, which requires, among other things, that Tenant remove any Improvements and Alterations designated by Landlord, as more specifically set forth in Section 23.

Section 10. Liens. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by or for the benefit of Tenant. Should Tenant fail to remove any such lien within five (5) business days after notice to do so from Landlord, Landlord may, in addition to any other remedies, record a bond pursuant to California Civil Code Section 3143 and all costs incurred by Landlord in so doing, plus all other amounts which Landlord shall become obligated to pay the surety issuing such bond, shall be due and payable by Tenant to Landlord upon demand as Additional Rent.

Section 11. Destruction or Damage.

(a) In the event the Improvements or Alterations are damaged by fire or other casualty, neither Landlord or Tenant shall have any obligation to repair and restore any damage. Should Tenant elect to repair and restore the Improvements and/or Alterations, such repair and restoration shall be performed in compliance with Section 9 of this Lease. Should Tenant elect not to repair and restore the Improvements and/or Alterations, Tenant shall raze all damaged buildings and shall remove fire damaged improvements and all debris from the Premises.

(b) In the event the Improvements or Alterations are damaged by fire or other casualty, Tenant may, at its option, terminate this Lease by delivering written notice of termination to Landlord within ninety (90) days following the date such damage occurs.

(c) In the event this Lease is not terminated by Tenant, this Lease shall remain in full force and effect notwithstanding such damage, without abatement of rent on account of such damage.

(d) Landlord and Tenant acknowledge that this Lease constitutes the entire agreement of the parties regarding events of damage or destruction, and Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) and any similar statute now or hereafter in force.

Section 12. Insurance.

(a) At all times during the Term, Tenant, at its sole expense, shall procure and maintain, and shall cause any subtenant, contractor or subcontractor to procure and maintain, the following types of insurance coverage:

(1) Commercial general liability insurance with coverage at least as broad as the Insurance Services Office (ISO) Commercial General Liability Coverage "occurrence" form, with no coverage deletions, insuring against any and all damages and liability, including attorneys' fees and other costs and expenses, on account of or arising out of injuries to or the death of any person or damage to property, however occasioned, in, on, or about the Premises, in the minimum amount of One Million Dollars (\$1,000,000) each occurrence and Three Million Dollars (\$3,000,000.00) aggregate for all claims. In addition, such insurance shall insure the performance by Tenant of its indemnity and other contractual obligations set forth in this Lease;

(2) Insurance against damage by fire and other perils included within standard fire and extended coverage insurance policies in an amount not less than the full replacement cost of the Improvements and Alterations;

(3) Workers' Compensation insurance indicating compliance with all Legal Requirements;

(4) Employers' Liability insurance with a limit of not less than One Million Dollars (\$1,000,000) for injury or death, each accident;

(5) Business Auto with coverage at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, code 1 "any auto," with a limit not less than One Million Dollars (\$1,000,000) for each accident for bodily injury and property damage; and,

(6) Such other insurance as shall reasonably be deemed necessary by Landlord from time to time.

(b) The insurance required under this Section 12 and all renewals thereof shall be issued by companies qualified to do business in the State of California and rated A: X or better in "Best's Key Rating Guide." The insurance described in Section 12(a)(1) shall be endorsed to include Landlord, its directors, officers, agents and employees and any mortgagees, property managers and other parties as Landlord may specify from time to time, as additional insureds, as their interests may appear. Each policy shall provide expressly, in the form of such policy or by endorsement, (i) that the policy shall not be cancelled or altered in such a manner as adversely to affect the coverage afforded thereby without thirty (30) days' prior written notice to Landlord, (ii) that the coverage shall be primary and noncontributing with any insurance that may be carried by Landlord, (iii) that any loss shall be payable notwithstanding any act of negligence of any additional insured that might otherwise result in a forfeiture of coverage, (iv) that the word "Insured" is used therein severally and not collectively and insurance coverage hereunder shall apply as though a separate policy were issued to each insured, although the inclusion of more than one insured party shall not operate to increase the limits of the insurer's liability, and (v) with respect to the insurance described in Section 12(a)(2), for waiver of the insurer's rights to subrogation against Landlord. If at any time or from time to time, the insurance coverage specified herein is no longer adequate in the opinion of Landlord's insurance department, Tenant shall increase the coverage to the amount specified by Landlord within thirty (30) days after notice from Landlord, provided that Tenant shall not be required to increase its coverage more often than once in any 24-month period.

(c) No later than the Effective Date of this Lease, and upon renewal not fewer than ten (10) days prior to the expiration of such coverage, Tenant shall deliver to Landlord certificates of insurance and endorsements evidencing each policy of insurance required to be carried under this Section 12, at Landlord's Notice Address, as specified in the Summary of Lease Terms, and to Landlord's insurance department, at Pacific Gas and Electric Company, Insurance Department, One Market Street, Spear Tower, Suite 2400, San Francisco, California 94105, or such other address for Landlord's insurance department as Landlord may specify from time to time. Landlord may inspect the original policies or require complete certified copies, at any time. In the event that Tenant shall fail to insure or shall fail to furnish Landlord satisfactory evidence of any such policy as herein required, Landlord may from time to time effect such insurance for the benefit of Tenant or Landlord or both of them for a period not exceeding one year, and any premium paid by Landlord shall be recoverable from Tenant as Additional Rent on demand. Tenant's compliance with the provisions of this Section 12 shall in no way limit Tenant's liability under any of the other provisions of this Lease.

(d) With respect to loss or damage resulting from any cause insured against by the insurance carried by Tenant, or required to be carried by Tenant pursuant to the terms of Section 12(a)(2) hereof, Tenant waives any and all rights of subrogation against Landlord, and Tenant hereby agrees that it shall not make any claim against Landlord, or seek to recover from Landlord, for loss or damage to Tenant, or its property, or property of others under its control, which may be insured against by such insurance, and Tenant shall give notice to any insurance carrier of the foregoing waiver of subrogation, and obtain a waiver of the right to recovery against Landlord, its agents and employees. In furtherance of the foregoing, Tenant agrees that in the event of a sale of the Premises by Landlord, the hereinabove waiver of subrogation shall

continue in favor of the original Landlord hereunder, and any subsequent landlord, as well as be in favor of any such purchaser, and their respective successors and assigns.

Section 13. Indemnification; Release.

(a) Tenant shall indemnify, defend and hold Landlord and Landlord's directors, officers, employees, successors, assigns and agents (collectively, "Indemnitees") harmless from and against any and all claims, demands, obligations (including remedial obligations, removal of Hazardous Materials, clean-up or restoration work, including all materials), damages (including consequential and/or punitive damages), losses, lost profits, costs and liabilities, including attorneys' fees and costs (collectively, "Claims"), including, without limitation, Claims for injury or damage to persons or property, and Claims for penalties, fines and reasonable attorneys' fees and costs (including attorneys' fees and costs incurred to enforce this indemnity), incurred in connection with or arising from this Lease, however the same may have been caused (including, without limitation, if caused in whole or in part by the act, omission, or active or passive negligence of Indemnitee, except with respect to any Indemnitee, to the extent caused by the gross negligence or willful or criminal misconduct of such Indemnitee), and including, without limiting the generality of the foregoing, Claims arising out of or in connection with: (i) any default by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease on Tenant's part to be observed or performed, or (ii) the use or occupancy or manner of use or occupancy of the Premises by Tenant, the Tenant Parties or any person or entity claiming through or under Tenant, or (iii) the condition of the Premises or any occurrence or happening on the Premises from any cause whatsoever, including, without limitation, any theft, burglary, vandalism or property damage, or (iv) any act, omission or negligence of Tenant, the Tenant Parties or any person or entity claiming through or under Tenant, occurring in, on or about the Premises, either prior to the commencement of, during, or after the expiration of the Term, including without limitation any acts, omissions or negligence in the construction of the Improvements or in the making or performing of any Alterations, or (v) the actual or alleged presence of Hazardous Materials in or about the Premises to the extent caused or permitted by Tenant or any of the Tenant Parties, or (vi) any violation of any Legal Requirement, including, without limitation, violation of any Hazardous Materials Laws, by Tenant or any of the Tenant Parties, or (vii) any delay or action caused or taken by Landlord to temporarily halt Tenant's use and activities under Section 6(l) of this Lease, or (viii) any failure to surrender possession upon the Expiration Date or sooner termination of the Term as required by Section 23 of this Lease, or (ix) any broker, agent or finder claiming any commissions or fees on the basis of contacts or dealings with Tenant. Tenant further agrees to indemnify, defend, and save harmless Indemnitees from and against any and all Claims arising from or occasioned by any use, occupancy, condition, occurrence, happening, act, omission or negligence referred to in the preceding sentence. In the event any action or proceeding is brought against any Indemnitee for any Claim against which Tenant is obligated to indemnify or provide a defense to an Indemnitee hereunder, Tenant upon notice from Landlord shall defend such action or proceeding at Tenant's sole expense by counsel approved by Landlord, which approval shall not be unreasonably withheld.

(b) Tenant accepts all risk relating to its occupancy and use of the Premises. Landlord shall not be liable to Tenant for, and Tenant hereby waives and fully and forever

releases, exonerates, discharges and covenants not to sue Landlord, the other Indemnitees and/or each and all of Landlord's past, present and future officers, directors, partners, employees, agents, representatives, shareholders, attorneys, affiliates, parent and subsidiary corporations, divisions, insurance carriers, heirs, legal representatives, beneficiaries, executors, administrators, predecessors, transferees, successors (including, without limitation, lenders who become successors-in-title) and assigns, from and for any and all Claims, based in whole or in part on any and all liability, whether in contract, tort or on any other basis, for any injury, damage, or loss resulting from or attributable to any occurrence on or about the Premises, the condition of Premises, or the use or occupancy of the Premises, arising prior to, during or subsequent to the expiration or termination of this Lease, including, without limitation, liability related to (i) fluctuation of the water level of the River, (ii) theft, burglary, trespass or vandalism, (iii) damage to Tenant's water supply which may occur while Landlord is performing work in conjunction with Landlord's business, (iv) disposal of sewage, or (v) the need for Commission approval or the failure of the Commission to grant such approval.

(c) Tenant hereby represents and warrants that Tenant has no claim against Landlord, that Landlord has not been, in any respect, in default in performing its obligations under the Prior Lease, nor is there any fact or condition that, with notice, the passage of time, or both, would ripen into such claim or default. Tenant has no existing defenses, credits or offsets against Landlord that in any way preclude or limit enforcement of this Lease by Landlord, or that excuse or constitute Tenant's performance under the Prior Lease or this Lease.

(d) The provisions of this Section 13 shall survive the expiration or earlier termination of this Lease.

Section 14. Compliance With Legal Requirements.

(a) Tenant, at its sole cost and expense, shall promptly comply with all Legal Requirements, regardless of when they become effective, insofar as they relate to the condition, use, or occupancy of the Premises. Tenant shall obtain and maintain, at no cost to Landlord, all permits, approvals and authorizations from all local, state, and federal governmental or permitting authorities and shall provide all notifications to all such authorities as required for Tenant's Permitted Use, the Improvement or any Alterations. Prior to submission to the Planning Department or any other governmental entity or agency, Tenant shall submit all applications to Landlord for Landlord's review and written consent, which consent may be withheld at Landlord's sole and absolute discretion. Thereafter, Tenant shall also obtain Landlord's written consent, which consent may be withheld at Landlord's sole and absolute discretion, to any conditions imposed by any governmental entity related thereto. Subject to the consent requirements set forth in this paragraph, Tenant is authorized to apply for all necessary land use entitlements, permits and authorizations, and to provide all notifications required in connection therewith, on behalf of Landlord as the owner of the Premises at no cost to Landlord. Tenant hereby represents and warrants that the Improvements as of the date of this Lease comply with all Legal Requirements.

(b) Notwithstanding anything to the contrary set forth in Section 14(a) above, Tenant shall not seek any change or amendment related to subdivisions or zoning. Tenant shall

not attempt to record any document against the Premises, including, but not limited to, any parcel map. Tenant shall not obtain or apply for any zoning variance. Landlord makes no representation regarding compliance with any and all subdivision laws.

(c) If any local, state or federal governmental entity, agency or regulatory authority requires Landlord to construct or install certain improvements in connection with Tenant's use of the Premises, including, but not limited to, roads, grading, erosion control, sewage systems, landscaping, utilities or street lights, either to comply with Legal Requirements or as a condition to the issuance of any land use entitlements, permits, approvals or authorizations in relation to the Premises, Tenant shall reimburse Landlord for the reasonable costs of such improvements, or for assessments related thereto, in an amount reasonably determined by Landlord. Tenant shall pay such reimbursement to Landlord within thirty (30) days of receipt of an invoice therefor.

(d) If as a result of Tenant's acts, the construction or installation of the Improvements or Alterations by or for Tenant, or the particular character of Tenant's use of the Premises, Landlord shall be required to comply with any Legal Requirements or pay any cost related to any permit, authority or other governmental approval, Landlord shall send to Tenant an estimate of any and all costs associated with Landlord's compliance with Legal Requirements in connection therewith. Tenant shall pay such estimate, as Additional Rent, within ten (10) days of receipt of such estimate. At such time as Landlord determines the actual cost incurred by Landlord for such compliance, Landlord will send a statement to Tenant. If the cost exceeds the estimate, Tenant shall pay such additional cost within (30) days of receipt of the statement, and if the estimate exceeds the cost, Landlord shall refund such excess to Tenant.

(e) The provisions of this Section 14 shall survive the expiration or earlier termination of this Lease.

Section 15. Assignment or Subletting.

(a) Tenant acknowledges that Tenant's identity, reputation and experience, the specific character of Tenant's business and anticipated use of the Premises and the relationship between such anticipated use and other present and/or future planned uses of the Premises have been a material consideration to Landlord's entry into this Lease. Tenant is prohibited from assigning the Lease separate from a sale of the entire resort. Tenant may assign this Lease only in connection with the sale of the entire resort with Landlord's prior written consent, which consent shall not be unreasonably withheld. Tenant shall not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, mortgage, pledge, encumber or otherwise hypothecate or create any security interest in this Lease or the Premises or any part thereof in any manner whatsoever. It shall be reasonable for Landlord to withhold its consent to any assignment or other transfer of this Lease that (i) is not associated with a sale or financing of the Improvements, or (ii) requires Commission approval in the sole opinion of Landlord. Tenant may sublease or license all or any part of the Premises only with Landlord's prior written consent, which consent shall not be unreasonably withheld; provided, however, that it shall be reasonable for Landlord to withhold its consent to any sublease or license that requires Commission approval in the sole opinion of Landlord. Tenant shall remain primarily liable for

all of its obligations under this Lease, notwithstanding any assignment, sublease, license, mortgage, pledge, encumbrance or other transfer. Any assignment, sublease, license, mortgage, pledge, encumbrance or other transfer violating the requirements of this Section 15 shall be voidable at Landlord's election, and, at the option of Landlord, shall constitute an Event of Default hereunder.

(b) Regardless of Landlord's consent, no assignment shall release Tenant of Tenant's obligations or alter the primary liability of Tenant to pay the rental and to perform all other obligations to be performed by Tenant hereunder. At the option of Landlord, an assignee of Tenant shall become directly liable to Landlord for all obligations of Tenant hereunder, but no assignment by Tenant shall release Tenant from its obligations hereunder. The acceptance of rental by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment shall not be deemed consent to any further assignment, hypothecation or third party use. In the event of default by any assignee or successor of Tenant, in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against said assignee or successor. Landlord may consent to subsequent assignments or subletting of this Lease or amendments or modifications to this Lease with assignees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereto and such action shall not relieve Tenant or any successor of Tenant of liability under this Lease.

(c) Tenant shall pay Landlord's reasonable attorneys' fees and costs incurred in connection with Tenant's request to assign this Lease, whether or not Landlord consents to the proposed transfer, payable within thirty (30) days of receipt by Tenant of an invoice therefor.

Section 16. Rights Reserved to Landlord.

(a) For so long as PG&E or a PG&E Affiliate is the Landlord hereunder, Landlord reserves the right to restrict access to the Premises or any portion or portions thereof in the event of civil disturbance, fire, earthquake or other casualty or emergency, or in connection with Landlord's response thereto, or otherwise when Landlord deems it advisable to do so, including in connection with events and emergencies occurring or affecting Landlord's business operations located outside the immediate vicinity of the Premises. Furthermore, for so long as PG&E or a PG&E Affiliate is the Landlord hereunder Landlord reserves the right to access the Premises to construct, reconstruct, maintain, operate and use such facilities on the Premises as Landlord deems appropriate for the conduct of Landlord's business, including, without limitation, aqueducts, electric lines, telecommunication lines and pipelines.

(b) In addition to the Conservation Easement as more specifically described and limited in Section 3 above, for so long as PG&E or a PG&E Affiliate is the Landlord hereunder, Landlord also reserves the right to grant easements and rights of way in, on and across the Premises to third parties, as determined by Landlord in its sole and absolute discretion.

(c) Landlord may enter the Premises at any time to (i) inspect the same, (ii) exhibit the same to prospective purchasers, lenders, easement holders or tenants, (iii) determine whether Tenant is complying with all its obligations hereunder, (iv) post notices of

nonresponsibility, (v) perform geotechnical, biological, environmental or other surveys, tests, or investigations, both non-invasive and invasive, and (vi) enforce the provisions of this Lease.

(d) Landlord also reserves the rights to all forest product interests on the Premises, including, without limitation, the right to harvest any timber or forest product and to otherwise designate the disposition of any timber or forest products located on the Premises. Landlord and Landlord's employees, contractors, representatives and agents also reserve the right to traverse the Premises to obtain access to the remainder of the Premises and to haul forest products across the Premises.

Section 17. Events of Default. The occurrence of any one or more of the following events (each, an "Event of Default") shall constitute a breach of this Lease by Tenant for which Landlord may exercise any of the remedies set forth in Section 18 of this Lease or provided by law or equity: (i) if Tenant shall fail to pay any Rent when due and payable hereunder and such failure shall continue for thirty (30) days after written notice thereof from Landlord; or (ii) if Tenant shall fail to perform or observe any other term, covenant or obligation to be performed or observed by Tenant under this Lease, and such failure shall not have been cured by Tenant within thirty (30) days after notice thereof from Landlord, or (iii) if Tenant underreports Gross Sales or underpays Percentage Rent by more than six percent (6%) in any one calendar year or by more than two percent (2%) two (2) times or more during any five (5) consecutive calendar years.

Section 18. Remedies for Default. Upon the occurrence of any Event of Default, Landlord shall have the option to pursue any one or more of the following remedies available to Landlord under California law:

(a) Landlord may terminate this Lease and recover possession of the Premises. Upon such termination of this Lease, Landlord may recover from Tenant damages in the amounts set forth in Civil Code Section 1951.2, including, without limitation, the worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided.

(b) Even though Tenant has breached this Lease, this Lease shall continue in effect for so long as the Landlord does not terminate Tenant's right to possession, and the Landlord shall have the right to enforce all its rights and remedies under this Lease, including the remedies described in California Civil Code Section 1951.4.

(c) The remedies provided for in this Lease are in addition to all other remedies available to Landlord at law or in equity, by statute or otherwise.

Section 19. Landlord's Right to Cure Default. All agreements and provisions to be performed by Tenant under any of the terms of this Lease shall be at its sole cost and expense and without abatement of Rent. If Tenant shall fail to pay any sum of money, other than Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder and such failure shall not be cured within the applicable cure period provided for herein, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from

any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. All sums so paid by Landlord and all necessary incidental costs shall be deemed Additional Rent hereunder and shall be payable to Landlord on demand.

Section 20. Attorneys' Fees. If as a result of any breach or default on the part of Tenant under this Lease, Landlord uses the services of an attorney in order to secure compliance with this Lease, Tenant shall reimburse Landlord within ten (10) days following demand, as Additional Rent, for any and all attorneys' fees and expenses incurred by Landlord, whether or not formal legal proceedings are instituted. Should either party bring an action or other proceeding against the other party, arising from or related to this Lease, whether for declaratory or other relief, then the party which prevails in such action shall be entitled, in addition to any other recovery or relief, to its reasonable attorneys' fees (of both in-house and outside counsel), costs and expenses incurred in the action or proceeding, including any appeal thereof. Tenant shall also pay all attorneys' fees and costs Landlord incurs in defending this Lease or otherwise protecting Landlord's rights in any voluntary or involuntary bankruptcy case, assignment for the benefit of creditors, or other insolvency, liquidation or reorganization proceeding involving Tenant or this Lease. For so long as PG&E or any PG&E Affiliate is the Landlord hereunder, for purposes hereof, the reasonable fees of Landlord's in-house attorneys who perform services in connection with any such action or proceeding are recoverable, and shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the relevant subject matter of the law, in law firms in the City and County of San Francisco with approximately the same number of attorneys as are employed by Landlord's law department.

Section 21. Sale, Conveyance or Transfer. If PG&E or any PG&E Affiliate shall sell, convey or otherwise transfer the Premises, and assign the interest in this Lease, or any portion thereof, to one or more transferors, including, without limitation, any transfer or transfers described in Section 3 above, PG&E and any PG&E Affiliate shall thereupon be released from any and all covenants, liabilities and obligations (express or implied) on the part of Landlord under this Lease, accruing from or after the date of such sale, conveyance or transfer, and Tenant shall look solely to the transferor or transferors for performance of the obligations of Landlord under this Lease. This Lease shall not be affected by such sales, conveyances or transfers, except for such modifications set forth in Section 3 above, and Tenant agrees to attorn to the transferee or transferees, such attornment to be effective and self-operative without the execution of any further instrument by the parties to this Lease. Under no circumstances shall PG&E or any PG&E Affiliate be liable for any act or omission whatsoever of any Successor Landlord or Easement Grantee with regard to the Conservation Easement, the Conservation Documents or otherwise, as more specifically set forth in Section 3 above. PG&E or any PG&E Affiliate shall also have the right to reserve in any deed or by separate instrument, easements and other retained rights for PG&E's or any PG&E Affiliate's benefit upon any sale, conveyance or transfer of the Premises, or any portion thereof (the "Reserved Easements"), including, without limitation, easements and other rights of entry and use for the installation, replacement, use, operation, repair and maintenance of hydroelectric, water delivery and other existing or future facilities on the Premises or in connection with property in the vicinity of the Premises, for the investigation, remediation and mitigation of any Hazardous Materials and/or in connection with FERC requirements. The Reserved Easements may be subject to the FERC License. Tenant hereby agrees that this Lease shall be subject to, and subordinate to,

the Reserved Easements. Tenant agrees to take such reasonable actions, including but not limited to acknowledging, delivering or executing instruments and documents, as may be required to effectuate the purposes of this Section, and to further document the provisions of this Lease that will continue in effect between Tenant and PG&E or any PG&E Affiliate, as a third party beneficiary. (TENANT TO INITIAL HERE WJB)

Section 22. Estoppel Certificates and Rights of Mortgagees.

(a) At any time and from time to time, Tenant shall execute, acknowledge and deliver to Landlord, within ten (10) days after receipt thereof, a certificate certifying (i) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification), (ii) the date, if any, to Annual Rent and other sums payable hereunder have been paid, (iii) that no notice has been received by Tenant of any default which has not been cured, except as to defaults specified in said certificate, (iv) that Tenant does not claim the existence of any default on the part of Landlord, except as specified in such certificate, and (v) such other matters as reasonably may be requested by Landlord, or any mortgagee, beneficiary, purchaser or prospective purchaser of the Premises or any interest therein. Any such certificate may be relied upon by Landlord and any mortgagee, beneficiary, purchaser or prospective purchaser of the Premises or any interest therein. Tenant's failure to execute, acknowledge and deliver such certificate within such period of time shall, at the option of Landlord, and without further notice, constitute an Event of Default hereunder. In addition, Tenant hereby irrevocably appoints Landlord as its agent and attorney-in-fact to execute, acknowledge and deliver any such certificate in the name of and on behalf of Tenant in the event that Tenant fails to so execute, acknowledge and deliver any such certificate within ten (10) days after receipt thereof.

(b) This Lease and the rights of Tenant hereunder are subject and subordinate to any mortgage or deed of trust which now or in the future encumbers the Premises. Such subordination shall be effective without executing any further instrument; provided, however, that Tenant agrees to execute such documentation as may be reasonably requested to evidence such subordination. Landlord will use its best efforts to obtain a non-disturbance agreement from any such lender.

Section 23. Surrender. Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises to Landlord in the condition required by this paragraph. Tenant agrees that upon Landlord's written request made within one hundred twenty (120) days prior to the expiration of the Term, or within one hundred twenty (120) days following any earlier termination of this Lease, Tenant, at its sole cost and expense, shall remove promptly any Improvements and Alterations, including without limitation, buildings, structures and tanks (water, diesel, propane and any other types of tanks), designated by Landlord to be removed and restore the Premises as nearly as possible to the condition that existed prior to Tenant's original entry upon the Premises. To the extent that Landlord does not designate any particular Improvement or Alteration to be removed, Tenant may abandon such Improvement or Alteration and such Improvement or Alteration shall become the property of Landlord. Tenant, at its sole cost and expense, shall remove, fill and/or properly close all wells and septic systems to Landlord's satisfaction. Prior to the expiration

or sooner termination of the Term, Tenant shall also remove all equipment, furniture, fixtures, merchandise, personal property, debris and waste material resulting from the use and occupancy of the Premises by Tenant and/or any of the Tenant Parties, and Tenant shall promptly repair, at its sole cost and expense, any damage to the Premises caused by such removal. To the extent Tenant fails to perform the obligations under this Section 23, Landlord may, but need not, remove or demolish any Improvements, Alterations, equipment, furniture, fixtures, merchandise, personal property, debris and waste material, and restore the Premises to the condition that existed prior to Tenant's original entry upon the Premises, and Tenant shall pay the cost thereof within sixty (60) days of receipt of an invoice therefor. Tenant's obligations under this Section 23 shall survive the termination of this Lease. (TENANT TO INITIAL HERE MB)

Section 24. Holdover. Tenant shall have no right to holdover possession of the Premises after the expiration or termination of this Lease without Landlord's prior written consent, which Landlord may withhold in its sole and absolute discretion. If Tenant retains possession of any part of the Premises after expiration or termination, without the written consent of Landlord, Tenant shall become a tenant at sufferance only, for the entire Premises upon all of the terms of this Lease as might be applicable to such tenancy, except that Tenant shall pay Annual Rent at one hundred and fifty percent (150%) of the rate in effect immediately prior to such holdover, computed on a monthly basis for each full or partial month Tenant remains in possession. If Tenant remains in possession of the Premises after the expiration or other termination of the Term of this Lease, with Landlord's written consent, Tenant shall be deemed to be occupying the Premises as a month-to-month tenant only, at a monthly rental equal to one-twelfth (1/12th) of the Annual Rent in effect immediately prior to such holdover. Tenant shall also pay Landlord all of Landlord's direct and consequential damages resulting from Tenant's holdover. No acceptance of Rent or other payments by Landlord under this holdover provision shall operate as a waiver of Landlord's right to regain possession or any other of Landlord's remedies.

Section 25. Waiver. The waiver by Landlord or Tenant of any agreement, condition or provision herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other agreement, condition or provision herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be construed to waive or to lessen the right of Landlord or Tenant to insist upon the performance by Tenant or Landlord in strict accordance with said terms. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any agreement, condition or provision of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent.

Section 26. Notices. Notices to be given under this Lease shall be in writing, sent as specified in the Summary of Lease Terms, and either sent by: (a) personal delivery, in which case notice shall be deemed delivered upon actual receipt, or (b) sent by certified mail, return receipt requested, in which case notice shall be deemed delivered upon actual receipt or refusal of delivery, or (c) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered one (1) business day after deposit with this courier, or (d) sent by telecopy or similar means, if a copy of the notice is also sent by United States Certified Mail, in which case

notice shall be deemed delivered upon receipt or refusal of the notice sent by United States Certified Mail. The addresses set forth in the Summary of Lease Terms may be changed by written notice to the other party.

Section 27. Complete Agreement. There are no oral agreements between Landlord and Tenant affecting this Lease, and this Lease shall constitute the entire agreement between the parties relative to the subject matter hereof, and supersedes and cancels any and all prior negotiations, arrangements, correspondence, communications, leases, licenses, agreements and understandings, if any, whether oral or written, between Landlord and Tenant with respect to the subject matter of this Lease. There are no representations between Landlord and Tenant other than those contained in this Lease and all reliance with respect to any representations is based solely upon the terms of this Lease. Landlord specifically disclaims that Landlord has made any representations whatsoever about the potential extension of the Prior Lease, the Conservation Documents, the terms of any sale, conveyance or transfer of the Premises, any Successor Landlord or Easement Grantee, or the terms of the Conservation Documents, as well as the impact of any of the aforementioned events or documents on this Lease. No amendment or modification of this Lease shall be binding or valid unless expressed in writing and executed and delivered by Landlord and Tenant. Subject to the limitations provided herein, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of the respective heirs, successors, executors, administrators and assigns of each of the parties hereto.

Section 28. Limitation of Liability. Tenant agrees to look only to the interest of Landlord in the Premises and not to Landlord, its directors, officers, shareholders, employees, or agents personally with respect to any obligations or payments due or which may become due from Landlord to Tenant hereunder, or for the satisfaction of any of Tenant's remedies hereunder.

Section 29. Broker. Tenant represents and warrants to Landlord that no real estate broker, agent or finder negotiated or was instrumental in negotiating or representing Tenant in the negotiation of this Lease or the consummation hereof. Tenant shall pay the commission or fee of any broker, agent or finder acting for Tenant or claiming any commissions or fees on the basis of contacts or dealings with Tenant.

Section 30. Quiet Possession. Landlord agrees that Tenant, upon paying Rent and performing the terms, covenants and conditions of this Lease, may quietly have, hold and enjoy the Premises without disturbance by Landlord or any person claiming under Landlord during the Term of this Lease, subject, however, to the rights of Landlord set forth in this Lease, including, without limitation, those rights set forth in Section 3 above, and any mortgages, deeds of trust, encumbrances, the Reserved Easements and/or other rights on sale, conveyance or transfer, to which this Lease is subordinate.

Section 31. Miscellaneous.

(a) The word "Tenant" as used herein shall include the plural as well as the singular.

(b) If a partnership or more than one legal person is at any time Tenant, each partner and each legal person is jointly and severally liable for the keeping, observing and performing of all of the terms, covenants, conditions, provisions and agreements of this Lease to be kept, observed or performed by Tenant, and the term "Tenant" as used in this Lease shall mean and include each of them jointly and severally and the act of or notice from, or notice or refund to, or the signature of, any one or more of them, with respect to the tenancy or this Lease, including but not limited to, any renewal, extension, expiration, termination or modification of this Lease, shall be binding upon each and all of the persons executing this Lease as Tenant with the same force and effect as if each and all of them had so acted or so given or received such notice or refund or so signed.

(c) Time is of the essence of this Lease and each and all of its provisions.

(d) Submission of this instrument for examination or signature by Tenant does not constitute an offer to lease or a reservation of or option to lease. Landlord shall not be bound by this Lease until Landlord has executed and delivered this Lease to Tenant, notwithstanding Tenant's execution and delivery of this Lease to Landlord.

(e) The waivers of claims or rights, the releases and the obligations under this Lease to indemnify, protect, defend and hold harmless Landlord and other Indemnitees shall survive the expiration or earlier termination of this Lease, and so shall all other obligations or agreements hereunder which by their terms survive the expiration or earlier termination of this Lease.

(f) Subject to the provisions of this Lease as to assignment, the agreements, conditions and provisions herein contained shall apply to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

(g) If any provisions of this Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect.

(h) This Lease shall be governed by and construed pursuant to the laws of the State of California.

(i) The language in all parts of this Lease shall be construed according to its normal and usual meaning and not strictly for or against either Landlord or Tenant.

(j) Neither this Lease, nor any notice nor memorandum regarding the terms hereof, shall be recorded by Tenant. Any such unauthorized recording shall give Landlord the right to declare a breach of this Lease and pursue the remedies provided herein.

Section 32. Exhibits. The exhibits attached to this Lease are hereby incorporated into this Lease and made a part hereof.

(no further text on this page)

IN WITNESS WHEREOF, the parties have executed this Lease on the respective dates indicated below.

TENANT:

KENNEDY MEADOWS RESORT AND
PACK STATION,
a California corporation



Matt Bloom
President and Chairman of the Board

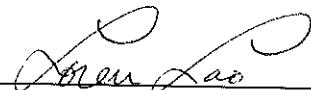
Date of Execution

by Tenant:

5/27/2009

LANDLORD:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation



Loren Loo
Manager, Land Asset Management
Technical & Land Services

Date of Execution

by Landlord:

5/25/09

Note: Tenant also to initial Sections 2(c), 3, 6(a), 21 and 23

Area 5

Sacramento Hydro Support Office

Operating Department: Hydro

T. 5 N., R. 20 E., MDB&M

Sec. 2, SW/SE, E1/2 of SW, SE/NW

Sec. 11, NW/NE, NE/NW

FERC License Number: 2130

PG&E Drawing Number: N/A

LD of any affected documents: GT-0055

LD of any Cross-referenced documents: 2105-20-0047 and 0049 and 0053

Type of Interest: 1, 111, 24

SBE Parcel Number: 145-55-001, parcel 7

(For Quitclaims, % being quitclaimed): N/A

Order# 10286804

JCN: N/A

County: Tuolumne

Utility Notice Numbers: N/A

851 Approval Application No. A-03-05-012 Decision D 04-07-021

Prepared By: CXAK

Checked By: MJHA, WTC7

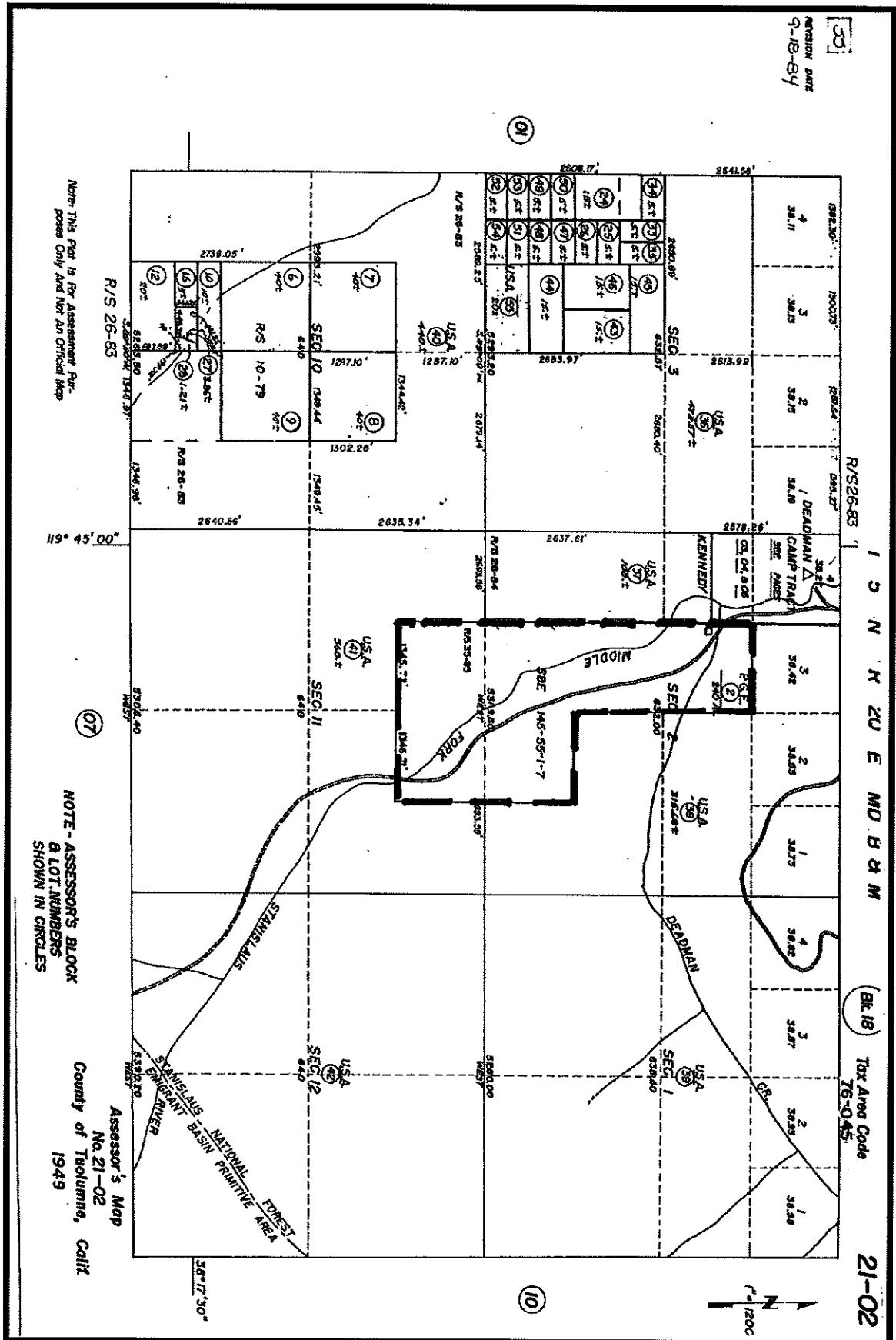
Date: 4/15/09

Revision Number: 11

Appendix 3: Conservation Easement

EXHIBIT A
SBE 145-55-001-7
APN 021-020-02, TUOLUMNE COUNTY

M LCCP 109



Note: This Plot Is For Assessment Purposes Only And Not An Official Map

NOTE: This Plot is for Assessment Pur-
poses Only and Not an Official Map

**NOTE - ASSESSOR'S BLOCK
& LOT NUMBERS**

County of Tuolumne, Calif.
1949

02898.436.1007460v11

Exhibit E

Title Report



YOSEMITE TITLE COMPANY

208 South Washington Street- (209) 532-8174
Sonora, CA 95370 - FAX (209) 532-2623

UPDATED

AMENDED

PRELIMINARY REPORT

In response to the following referenced application for a Policy of Title insurance, the insuring company named herein does hereby report that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said Policy or Policies are set forth in Schedule B attached. Limitations on Covered Risks applicable to CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages area also set forth in Exhibit 1. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a Policy or Policies of Title Insurance and no liability is assumed prior to the issuance of a Policy of Title Insurance. If it is desired that liability be assumed prior to the issuance of a Policy of Title Insurance, a Binder or Commitment should be requested.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Schedule B of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

YOSEMITE TITLE COMPANY
Authorized Agent for Insurance Company named herein

Appendix 3: Conservation Easement

1ST UPDATED & AMENDED

SCHEDULE A

Prepared for:

Order No.: 306196PF

Escrow Officer: Patti Flinchum
Title Officer: RLN

ATTN:

Seller: PG & E
Buyer: County of Tuolumne

Address Known As:
42421 State Highway 108
Pinecrest, CA 95364

1. The form of Policy or Policies of title insurance contemplated by this report is:

- CLTA Standard Coverage Policy - 1990
- CLTA Homeowners Policy of Title Insurance (6-2-98)
- ALTA Loan Policy (6/17/06)
- ALTA Residential Title Insurance Policy (6-1-87)

and is to be issued and Insured by:

STEWART TITLE

2. Effective Date:

July 3, 2012 at 7:30 a.m.

3. The estate or interest in the land hereinafter described or referred to covered by this Report is:

A FEE

4. Title to said estate or interest at the date hereof is vested in:

PACIFIC GAS AND ELECTRIC COMPANY, A CALIFORNIA CORPORATION

5. The land referred to in this Report is described as follows:

SEE EXHIBIT "A" ATTACHED HERETO

Appendix 3: Conservation Easement

EXHIBIT "A"

Order No.: 306196PF

All that certain real property in the unincorporated area of the County of Tuolumne, State of California, described as follows:

All that certain parcel of land situate in Section 2 and Section 11, Township 5 North, Range 20 East, Mount Diablo Base and Meridian, as Recorded in Book 57, Page 574 of Deeds of the County of Tuolumne, State of California, particularly described herein as follows:

The Southwest one-quarter of Southeast one-quarter, Southeast one-quarter of the Southwest one-quarter, Southeast one-quarter of Northwest one-quarter, and Northeast one-quarter of Southwest one-quarter, of said Section 2; and the Northwest one-quarter of Northeast one-quarter and the Northeast one-quarter of Northwest one-quarter, of said Section 11.

Assessor's Parcel Number 021-020-02

SCHEDULE B

Order No.: 306196PF

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. GENERAL AND SPECIAL COUNTY TAXES for the fiscal year 2012 - 2013, a lien not yet due or payable.
2. THE LIEN OF SUPPLEMENTAL TAXES, if any, assessed pursuant to the provisions of Chapter 3.5 (commencing with Section 75) of the Revenue and Taxation Code of the State of California, et seq.
3. ANY TITLE, INTEREST, RIGHTS OR CLAIMS, adverse to any of the Vestees herein, existing or claimed to exist by reason of the fact that any portion or portions of said land are now or at any time have been below the ordinary high water marks of the MIDDLE FORK STANISLAUS RIVER, or any other navigable body of water, or by reason of the fact or claim that any portion or portions thereof have been formed, created, built up, or brought within the boundaries of said land, by avulsion or sudden or rapid change or by other than natural causes, or have been formed by accretion to any such portion or portions.

Any title, interest, rights or easements which exist or claim to exist over any part of said land which presently is or in the past has been covered by water.

4. RIGHTS AND EASEMENTS for navigation, recreation and fishery which may exist over that portion of said land lying beneath the water of the MIDDLE FORK STANISLAUS RIVER.
5. Unrecorded Lease, by and between Pacific Gas and Electric Company, a California Corporation and Matthew T. Bloom, as disclosed by notice of sale, transfer, or acquisition of stock of a retail alcoholic beverage license(s), dated February 26, 1998, recorded February 26, 1998, in Book 1500 Page 42, Official Records, and on the terms and conditions contained in said lease.
6. THE RIGHTS OF ANY PARTIES IN POSSESSION OF SAID LAND based on any unrecorded leases and/or rental agreements.
7. Any outstanding trust indentures or mortgages to secure any bond issues executed by Pacific Gas and Electric Company, a California Corporation.
8. Vestee, being a public utility, is subject to the jurisdiction of the public utilities commission of the State of California and may be subject to the interstate commerce act if engaged in interstate commerce.
9. This Company will require a corporate resolution of the board of directors from the corporation(s) vested herein, authorizing this transaction and the execution of the documents necessary to complete it in accordance with instructions given to the Company.

Appendix 3: Conservation Easement

NOTE: GENERAL AND SPECIAL COUNTY AND CITY TAXES for the fiscal year 2011 - 2012

1 st installment	:	\$2,520.40	PAID
2 nd installment	:	\$2,520.40	PAID
Land	:	\$0.00	
Improvements	:	\$306,572.00	
Personal Property	:	\$0.00	
Exemptions	:	\$0.00	
A.P. No.	:	021-020-02-01	
Code Area	:	76/045	
Bill No.	:	3241	

NOTE: According to the public records of Tuolumne County, State of California, no deeds or agreements to transfer any interest in and to the herein described property have been recorded within a period of 24 months prior to the date hereof, other than as shown below:

NONE

PRIVACY NOTICE (15 U.S.C. 6801 and 16 CFR Part 313): We collect non-public personal information about you from information you provide on forms and documents and from others who are involved in your transaction. We do not disclose any non-public personal information about our customers or former customers to anyone, except as permitted by law. We restrict access to non-public personal information about you to those employees who need to know that information in order to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your non-public personal information.

NOTE: CALIFORNIA “GOOD FUNDS” LAW. Effective January 1, 1990, California Insurance Code Section 12413.1, (Chapter 598, Statutes of 1989), prohibits a title insurance company, controlled escrow company or underwritten title company from disbursing funds from an escrow or sub-escrow account, (except for funds deposited by WIRE TRANSFER, ELECTRONIC PAYMENT or CASH) until the day these funds are made available to the depositor or pursuant to Part 229 of Title 12 of the Code of Federal Regulations, (Reg. CC). Items such as CASHIER’S, CERTIFIED or TELLER’S CHECKS may be available for disbursement on the business day following the business day of deposit; however, other forms or deposits may cause extended delays in closing the escrow or sub-escrow.

“YOSEMITE TITLE COMPANY will not be responsible for accruals of interest or other charges resulting from compliance with the disbursement restrictions imposed by State Law.”

NOTE: The issuance of this report is conditioned upon payment of a cancellation fee, if for any reason, a Policy of Title Insurance is not issued in connection with this Title Order. Said fee shall be in an amount not less than the minimum charge set forth in the filed rate schedule, and is a required charge pursuant to Section 12404.1 of the Insurance Code of the State of California.

NOTICE: California Revenue and Taxation Code (R & TC) Section 18662, which requires that **unless a waiver is obtained from the California Franchise Tax Board** a buyer must withhold from any seller who is not a California resident, a sum equal to 3 1/3% of the sales price upon the disposition of non-exempt California real property interest. This withhold is in addition to the provisions of Section 1445 of the Internal Revenue Code pertaining to the tax due if the transferor is a “foreign person” as defined therein.

Appendix 3: Conservation Easement

In accordance with Section 18662 of the Revenue and Taxation Code, a buyer may be required to withhold an amount equal to 3 1/3 percent of the sales price in the case of a disposition of California real property interest by either:

1. A seller who is an individual or when the disbursement instructions authorize the proceeds to be sent to a financial intermediary of the seller, OR
2. A corporate seller that has no permanent place of business in California.

The buyer may become subject to penalty for failure to withhold an amount equal to the greater of 10 percent of the amount required to be withheld or five hundred dollars (\$500).

However, notwithstanding any other provision included in the California statutes referenced above, no buyer will be required to withhold any amount or be subject to penalty for failure to withhold if:

1. The sales price of the California real property conveyed does not exceed one hundred thousand dollars (\$100,000), OR
2. The seller executes a written certificate, under the penalty of perjury, certifying that the seller is a corporation with a permanent place of business in California, OR
3. The seller, who is an individual, executes a written certificate, under the penalty of perjury, of any of the following:
 - A. That the California real property being conveyed is the seller's principal residence (within the meaning of Section 121 of the Internal Revenue Code).
 - B. That the California real property being conveyed is or will be exchanged for property of like kind (within the meaning of Section 1031 of the Internal Revenue Code), but only to the extent of the amount of gain not required to be recognized for California income tax purposes under Section 1031 of the Internal Revenue Code.
 - C. That the California real property has been compulsorily or involuntarily converted (within the meaning of Section 1033 of the Internal Revenue Code) and that the seller intends to acquire property similar or related in service or use so as to be eligible for nonrecognition of gain for California income tax purposes under Section 1033 of the Internal Revenue Code.
 - D. That the California real property transaction will result in a loss for California income tax purposes.

The seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement.

The California statutes referenced above include provisions which authorize the Franchise Tax Board to grant reduced withholding and waivers from withholding on a case-by-case basis for corporations or other entities.

Buyer understands that in no event will Escrow Holder undertake to advise Buyer and/or Buyer's representative on the possible application of the above code sections to this specific transaction. Unless expressly instructed by Seller and Buyer herein, Buyer understands that Escrow Holder will NOT assist in obtaining a waiver from withholding from the Franchise Tax Board.

Appendix 3: Conservation Easement

Should Buyer and Seller herein direct Escrow Holder to undertake any activities pursuant to the withholding provisions under California law, Buyer and Seller agree to cooperate fully in providing necessary information to Escrow Holder. Buyer and Seller agree to indemnify and hold Escrow Holder harmless in the event of noncompliance resulting from information supplied by either Buyer and/or Seller. For additional information concerning the withholding provisions under the code sections referenced above, please contact the Franchise Tax Board-Withhold-at-Source Unit at (916) 845-4900, P.O. Box 651, Sacramento, CA 95812-0651.

Stewart Title is pleased to inform you that upon proper qualification, there are premium discounts available upon the purchase of title insurance covering improved property with a one to four family residential dwelling.

Such discounts apply to and include:

1. Property located within an area proclaimed a state or federal disaster area;
2. Property purchased from a foreclosing beneficiary or successful bidder at a foreclosure sale;
3. Property being refinanced.

Please talk with your escrow or title officer to determine your qualification for any of these discounts.

Appendix 3: Conservation Easement

CLTA Preliminary Report Form

Exhibit A (Revised 06-03-11)

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY – 1990

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

Appendix 3: Conservation Easement

CLTA Preliminary Report Form

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
- Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10) ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. improvements on the Land;
 - e. land division; and
 - f. environmental protection.

This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.

2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.

4. Risks:

- a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
- b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
- c. that result in no loss to You; or
- d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.

5. Failure to pay value for Your Title.

6. Lack of a right:

- a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
- b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 21.

7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 16:	1 % of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$10,000.00
Covered Risk 18:	1 % of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 19:	1 % of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 21:	1 % of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$5,000.00

2006 ALTA LOAN POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13 or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

2006 ALTA OWNER'S POLICY (06-17-06)**EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.

3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown in the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and that are not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.



Management and Funding Agreement

This Management and Funding Agreement (“Agreement”) is entered into as of the Effective Date (defined below) by and between the **Pacific Forest and Watershed Lands Stewardship Council**, a California nonprofit public benefit corporation (the “Stewardship Council”) and **Tuolumne County**, a public entity (“Grantee”) with reference to the following facts:

A. The Stewardship Council was created to oversee the “Land Conservation Commitment” described in (1) that certain Settlement Agreement among Pacific Gas and Electric Company (“PG&E”), PG&E Corporation, and the California Public Utilities Commission (the “Commission”) as modified and approved by the Commission in its Opinion and Order of December 18, 2003 (Decision 03-12-035) (the “Settlement Agreement”); and (2) that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the “Stipulation”).

B. Pursuant to the Settlement and Stipulation, certain lands owned by PG&E at the time of the Settlement (the “PG&E Watershed Lands”) are to be conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The Stewardship Council is charged with developing a Land Conservation Plan for the protection and enhancement of the PG&E Watershed Lands.

C. In connection with the Land Conservation Commitment, PG&E has agreed to transfer to Grantee a portion of the PG&E Watershed Lands consisting of approximately 240 acres of real property located in the County of Tuolumne, State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by reference (the “Property”).

D. The Property will be encumbered by a Conservation Easement in favor of the Mother Lode Land Trust, a non-profit organization.

E. Following Grantee’s acquisition of the Property, Grantee has agreed to conduct certain studies and develop certain management plans as further described in this Agreement.

F. In consideration of Grantee’s undertaking to conduct such studies and develop such management plans, the Stewardship Council has agreed to provide funding to Grantee in the amounts, and subject to the terms and conditions, described below.

NOW, THEREFORE, the Stewardship Council and Grantee agree as follows:

1. Effective Date: This Agreement shall become effective upon the recording of the deed conveying fee title to the Property from PG&E to Grantee in the Official Records of Tuolumne County (“Effective Date”). This Agreement shall thereafter continue in effect through the date of Grantee’s submission of the Final Grant Report as described in Paragraph 3 below, provided, however, that Grantee’s obligation to provide certain information to the Stewardship



Council or its designee as set forth in Paragraph 4 shall remain in effect until satisfied, the provisions in Paragraphs 5 and 6 shall survive for four (4) years after the date of Grantee's submission of the Final Grant Report, and the provisions in Paragraph 10 shall survive the termination of this Agreement indefinitely. It is understood and agreed that, in the event that fee title is not conveyed to Grantee for any reason whatsoever on or before December 31, 2014, this Agreement shall be of no further force or effect and the parties shall thereupon be released from any obligations under this Agreement.

Effective upon the Effective Date, the Stewardship Council grants \$75,500 (seventy-five thousand and five hundred dollars) (the "Grant Funds") to Grantee in support of the completion of studies and development of management plans as described in Exhibit B attached hereto and incorporated herein by reference (the "Activities"). Grantee shall complete the Activities within the timeframes listed in Exhibit B, unless an extension of time is granted by the Stewardship Council.

2. Grantee will use the Grant Funds solely for the Activities described in Exhibit B and for no other purpose without the prior written consent of the Stewardship Council. The Stewardship Council reserves the right to discontinue or modify payments, or require the total or partial return of Grant Funds, in the event Grantee fails to comply with the terms and conditions of this Agreement.

3. Within sixty (60) days following completion of the Activities funded by this Agreement as specified in Exhibit B, Grantee will submit to the Stewardship Council or its designee a Final Grant Report. The Final Grant Report will contain at a minimum:

- a. A financial report detailing all expenditures from the Grant Funds;
- b. A description of the Activities accomplished as of the date of the Final Grant Report;
- c. Copies of all documents, studies, land management plans, etc. that were prepared as a result of the Activities described in Exhibit B.

4. Grantee acknowledges that a material condition of this Agreement is that Grantee shall make available to the Stewardship Council or its designee any data, research, knowledge or other information in Grantee's possession relating to the Property in order to permit monitoring of the economic and physical impacts of the Land Conservation Plan and its implementation. To that end, Grantee agrees to cooperate with and provide to the Stewardship Council or its designee upon request certain information, including, but not limited to, (a) the current status of any agreements for economic uses pertaining to the Property that were in existence as of the Effective Date, including consumptive water deliveries; and (b) any activities on the Property that produced revenue or had other economic impacts such as carbon sequestration agreements, timber harvests, eco-tourism, or commercial recreational uses. It is anticipated that the Stewardship Council or its designee will request this information on or about 2016 and again on or about 2023.



5. Grantee will indicate the Grant Funds separately on its books of account, charge expenditures made in furtherance of the grant purposes against the Grant Funds, and keep records adequate to enable the use of the Grant Funds to be checked readily.

6. The Stewardship Council shall have the right to inspect the books, records and physical properties of Grantee and evaluate Grantee's use of Grant Funds, so long as (i) such inspection or evaluation occurs during regular business hours; (ii) such inspection or evaluation does not unreasonably interfere with Grantee's regular operations; and (iii) the Stewardship Council provides at least three (3) days prior notice of any such inspection or evaluation.

7. The Stewardship Council may include information regarding this Agreement and Grantee in its periodic public reports, press releases, or other public communications.

8. Grantee warrants and represents that it is a political subdivision of the State of California, or is otherwise an organization described in Section 170(c)(1) or Section 511(a)(2)(B) of the Internal Revenue Code (IRC).

9. Grantee shall not use the Grant Funds to attempt to influence legislation or otherwise carry out lobbying activities within the meaning of Sections 501(h), 4911, 4945(d)(1) or 4945(e) of the IRC. No part of the Grant Funds may be used to attempt to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive. No part of the Grant Funds may be used for purposes other than charitable, scientific, literary, or educational purposes within the meaning of IRC Section 170(c)(2)(B).

10. Grantee hereby agrees to indemnify, defend, and hold harmless the Stewardship Council, and the Stewardship Council's past, present and future officers, directors, and employees, from and against any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest, penalties, and reasonable attorney fees and costs, that they may incur or suffer and that result from, or are related to, the receipt and use of the Grant Funds by Grantee.

11. The Parties' obligations under this Agreement shall under no circumstances exceed the Grant Funds amount set forth in Paragraph 1 above.

12. The benefits to be provided under this Agreement are personal to Grantee, and may not be assigned or transferred by Grantee without the prior written approval of the Stewardship Council. The Stewardship Council may assign its rights and obligations hereunder to a third party upon written notice to Grantee. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit and burden of the parties and their respective heirs, successors and assigns.

13. This Agreement may not be amended or modified except by written instrument signed by both parties. This Agreement constitutes the entire understanding of the parties concerning the subject matter hereof, and supersedes any and all previous negotiations, agreements, or understandings, if any, regarding the matters contained herein.

14. This Agreement shall be governed by the laws of the State of California.



15. This Agreement may be executed in counterparts which together shall constitute a single agreement.

Pacific Forest and Watershed Lands Stewardship Council,
a California Nonprofit Public Benefit Corporation

By: _____
Title: _____
Date: _____

Tuolumne County

By: _____
Title: _____
Date: _____

Exhibit A

Property Description

The Kennedy Meadows planning unit is located in Tuolumne County along Highway 108, just 57 miles east of Sonora and 50 miles south of South Lake Tahoe, at an elevation of approximately 6,500 feet. The planning unit contains one legal parcel (parcel 940) of approximately 240 acres which provides important outdoor recreation and wildlife habitat in the remote upper elevations of the Sierra Nevada. It is surrounded by public lands managed by the Stanislaus National Forest, including the Emigrant Wilderness, which is located less than 0.5 mile southeast of the planning unit.

A prominent feature of the planning unit is the Huckleberry Trail. This trail traverses the planning unit, providing equestrian and hiking access to the Emigrant Wilderness. The entire length of the trail through the planning unit also serves as a restricted access road. The road is occasionally utilized by PG&E for maintenance of its hydropower facilities, by the property lessee for operating purposes, by the U.S. Forest Service for trail maintenance, and by the California Department of Fish and Game for fish stocking. Another prominent feature of the planning unit is the Kennedy Meadows Resort and Pack Station. The pack station is a commercial endeavor that has been operated pursuant to a lease between the commercial operator and PG&E (or its predecessor in interest) on a seasonal basis since 1917. The resort contains approximately 27 rustic buildings, including a lodge, saloon, cabins, and ancillary buildings.

Exhibit B

Activities

A. Land Management Activities

As the intended grantee of fee simple title at the Kennedy Meadows planning unit, Grantee will receive a donation of approximately 240 acres of land from PG&E at no cost. In addition, the Stewardship Council will provide funding for Grantee to complete studies and develop management plans that will support the preservation and enhancement of the beneficial public values.

With Stewardship Council funding, Grantee agrees to perform the following activities:

1. Cultural Resource Study

Grantee will contract with a qualified independent third party to conduct a cultural resource study to identify, evaluate, and record cultural resources on the Property. Grantee will consult with the Tuolumne Band of Me-wuk Indians and the Native American Heritage Commission regarding Native American cultural resources on the Property.

2. Employee Housing Study

Grantee will conduct a study on the employee housing area located on the Property by evaluating current practices, identifying any environmental impacts, and developing best practices for future implementation.

3. Manure Management Study and Plan

Grantee will contract with the University of California Davis Extension or other qualified independent third party to conduct a two-year manure management study on the Property to identify any impacts to the meadows. The study will inform the development of a manure management plan described below.

Grantee agrees to develop a manure management plan for the Property, taking into consideration the results of the manure study described above. The plan will outline best practices for manure management including handling, storage, pasture management, transport and disposal.

4. Grazing Management Plan

Grantee will contract with the University of California Davis Extension or other qualified independent third party to develop a grazing management plan for the Property. The plan will identify best management practices for grazing in the meadows and will address at a minimum, areas where grazing is permitted or restricted, type and number of livestock, levels of plant materials, and seasonal monitoring.

5. Enhanced Recreational Use Plan

Grantee will contract with a qualified independent third party to prepare an enhanced recreational use plan (Park Master Plan) for the Property. Based on an evaluation the



recreational carrying capacity, Grantee will assess feasibility of new recreational facilities and programs such as camp sites, environmental education programming/signage, picnic areas, etc., as well as identify any necessary renovations of existing recreational facilities. The plan will also identify authorized and unauthorized motor vehicle use associated with recreation on the Property.

B. BUDGET AND TIMELINE

Study/Job Title	Hourly Rate	Hours	Total
Cultural Resources Study (12 Months)			
Environmental Consultant	\$100	80	\$8,000
Field Assistant 1	\$60	35	\$2,100
Field Assistant 2	\$60	30	\$1,900
Consultation / Public Outreach / Meetings:			\$1,000
Mileage:			\$300
Office Supplies:			\$100
Overhead:			\$300
TOTAL CULTURAL RESOURCES			\$13,700
Employee Housing Study (12 Months)			
Community Resources Agency Director	\$133	5	\$700
Deputy CRA Director	\$101	10	\$1,000
Assistant to Department Head	\$65	10	\$700
Senior Planner	\$79	40	\$3,300
Chief Building Official	\$101	25	\$2,500
Environmental Health Director	\$101	25	\$2,500
Consultation / Public Outreach / Meetings:			\$1,000
Mileage:			\$500
Office Supplies:			\$100
Overhead:			\$300
TOTAL EMPLOYEE HOUSING			\$12,600
Manure Management Study and Plan (2 Years)			
UC Davis Cooperative Extension Employees	\$100	90	\$9,000
Mileage:			\$600
Office Supplies:			\$200
Lab Analysis:			\$1,600
Outreach to concessionaire			\$600
TOTAL MANURE MANAGEMENT			\$12,000



Study/Job Title	Hourly Rate	Hours	Total
Grazing Management Plan (2 Years)			
UC Davis Cooperative Extension Employees	\$100	90	\$9,000
Mileage:			\$600
Office Supplies:			\$200
Lab Analysis:			\$1,600
Outreach to grazing lessee			\$600
TOTAL GRAZING MANAGEMENT			\$12,000
Recreation Capacity Study (12 Months)			
Recreational Consultant	\$100	120	\$12,000
Field Assistant 1	\$60	80	\$4,800
Field Assistant 2	\$60	75	\$4,500
Office Assistant	\$40	40	\$1,700
Consultation / Public Outreach / Meetings:			\$1,000
Mileage:			\$300
Office Supplies:			\$300
Overhead:			\$600
TOTAL RECREATION CAPACITY			\$25,200
GRAND TOTAL			\$75,500



County Administrator's Office

Craig L. Pedro
County Administrator

Tuolumne County Administration Center
2 South Green Street
Sonora, CA 95370
Phone (209) 533-5511
Fax (209) 533-5510
www.tuolumnecounty.ca.gov

June 19, 2013

Allene Zanger, Executive Director
Stewardship Council
15 North Ellsworth Avenue, Suite 100
San Mateo, CA 94401

Dear Ms. Zanger

RE: Management and Funding Agreement for Completion of Studies and Development of Management Plans- Kennedy Meadows

Dear Ms. Zanger:

Tuolumne County is writing to clarify one element of the subject Management and Funding Agreement (Appendix 4 to the Land Conservation and Conveyance Plan for Kennedy Meadows). The subject agreement contains a brief description of the proposed scope of work to be completed with \$75,500 in funding to be provided by the Stewardship Council. The scope of work describes five different studies and plans that will be completed. All of these studies and plans will include public outreach, and as appropriate and applicable, consultation with regulatory agencies such as the Regional Water Quality Control Board and the California Department of Fish and Wildlife.

If you have any questions, please contact Daniel Richardson at (209) 533-5511.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig L. Pedro".

CRAIG L. PEDRO
County Administrator



**Conservation Easement Funding Agreement
Kennedy Meadows Planning Unit**

This Conservation Easement Funding Agreement (“Agreement”) is entered into as of the Effective Date (defined below) by and between the **Pacific Forest and Watershed Lands Stewardship Council**, a California nonprofit public benefit corporation (the “Stewardship Council”) and **Mother Lode Land Trust**, a California nonprofit public benefit corporation (“Grantee”) with reference to the following facts:

A. The Stewardship Council was created to oversee the “Land Conservation Commitment” described in (1) that certain Settlement Agreement among Pacific Gas and Electric Company (“PG&E”), PG&E Corporation, and the California Public Utilities Commission (the “Commission”) as modified and approved by the Commission in its Opinion and Order of December 18, 2003 (Decision 03-12-035) (the “Settlement Agreement”); and (2) that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the “Stipulation”).

B. Pursuant to the Settlement and Stipulation, certain lands owned by PG&E at the time of the Settlement (the “PG&E Watershed Lands”) are to be conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The Stewardship Council is charged with developing a Land Conservation Plan for the protection and enhancement of the PG&E Watershed Lands.

C. Grantee is a “qualified conservation organization” as defined by Section 170(h)(3) the Internal Revenue Code and is eligible to hold a conservation easement pursuant to California Civil Code Section 815.3.

D. In connection with the Land Conservation Commitment, Grantee has agreed to accept a perpetual conservation easement created pursuant to California Civil Code Sections 815 *et seq.* (the “Conservation Easement”) over a portion of the PG&E Watershed Lands consisting of approximately 240 acres of real property located in the County of Tuolumne, State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by reference (the “Property”).

E. In connection with the Land Conservation Commitment, PG&E has agreed to convey fee title to the Property to Tuolumne County pursuant to the terms of that certain Transaction Agreement between PG&E and Tuolumne County.

F. In consideration of Grantee’s agreement to accept the Conservation Easement and assume the duties and obligations of the easement holder, the Stewardship Council has agreed to provide funding to Grantee in the amounts and subject to the terms and conditions described below.

NOW, THEREFORE, the Stewardship Council and Grantee agree as follows:

1. Effective Date. This Agreement shall become effective upon the recording of the Conservation Easement in favor of Grantee in the Official Records of Tuolumne County (the "Effective Date"). It is understood and agreed that if for any reason whatsoever the recording of the Conservation Easement does not occur on or before December 31, 2014, this Agreement shall be of no further force or effect and the parties shall thereupon be released from any obligations under this Agreement.

2. Grant. Effective upon the Effective Date, the Stewardship Council grants FIFTY NINE THOUSAND DOLLARS (\$59,000) (the "Grant Funds") to Grantee to be used solely for the following purposes:

a. Forty-six Thousand Dollars (\$46,000) of the Grant Funds shall be used to implement conservation easement monitoring as described in Section 4 below (the "Monitoring Funds").

b. Ten Thousand Dollars (\$10,000) of the Grant Funds shall be used for conservation easement defense and enforcement costs as described in Section 5 below (the "Defense and Enforcement Funds").

c. Three Thousand Dollars (\$3,000) of the Grant Funds are for preparation of a baseline documentation report (BDR) to be completed and signed by the Grantee and Tuolumne County prior to the conservation easement being recorded.

3. Use of Grant Funds. The Grant Funds shall be payable to Grantee upon the Effective Date. Grantee will use the Grant Funds for the purposes described in this Agreement and for no other purpose without the prior written consent of the Stewardship Council. The Stewardship Council reserves the right to require the total or partial return of Grant Funds in the event Grantee fails to comply with the terms and conditions of this Agreement.

a. Within thirty (30) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of the Monitoring Funds in a separate account which shall be restricted to the monitoring of conservation easements held by the Grantee, including but not limited to the Conservation Easement on the Property.

b. Within thirty (30) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of the Defense and Enforcement Funds in a separate account which shall be restricted to the enforcement and/or defense against legal challenge of conservation easements held by the Grantee, including but not limited to the Conservation Easement on the Property.

4. Conservation Easement Monitoring. From and after the Effective Date, Grantee agrees to conduct regular monitoring of the Property to ensure compliance with the terms of the Conservation Easement. Grantee shall conduct on-site monitoring of the Property not less than annually to assess compliance with the terms and conditions of the Conservation Easement and note any material changes to the Property compared to the baseline documentation report and prior monitoring reports. Upon written request, the Stewardship Council or its designee shall be

permitted to accompany the Grantee on its monitoring visits and to receive a copy of any monitoring report prepared by Grantee. Permissible uses of Monitoring Funds shall include:

- (i) Regular on-site inspection and monitoring to ensure that the terms of Conservation Easement are being met.
- (ii) Recordkeeping and preparation of reports, notices of violation, any written consent to be submitted to the fee title owner of the property which is subject to the easement, and other documentation related to the Conservation Easement and the Property.
- (iii) Communications with the fee title owner of the property which is subject to the easement regarding the provisions of the conservation easement.

5. Defense and Enforcement Funds. Grantee shall be permitted to use the Defense and Enforcement Funds for the following purposes:

- a. To make direct expenditures of attorneys' fees, costs and disbursements incurred in connection with proceedings to enforce and/or defend the provisions of the Conservation Easement against legal challenge;
- b. To "pool" funds for legal expenses to enforce and/or defend against legal challenge conservation easements held by the Grantee, including without limitation the Conservation Easement on the Property;
- c. To pay premiums into a Conservation Defense Insurance Program offered through the Land Trust Alliance, or other nationally-recognized conservation organization of which Grantee is a member, for the enforcement and defense of conservation easements held by member organizations.

6. Grant Report. Grantee agrees to submit to the Stewardship Council and/or its designee two (2) Grant Reports pursuant to this Agreement. The initial Grant Report shall be submitted to the Stewardship Council by the fourth quarter of the 2015 calendar year and include data up to the date of the initial Grant Report. The final Grant Report shall be submitted to the Stewardship Council or its designee on or before December 31, 2023. The Stewardship Council or its designee shall notify Grantee in a timely manner of the form and content of each Grant Report, which shall include, at a minimum:

- a. Copies of annual monitoring reports completed up to the date of the Grant Report,
- b. A statement of whether any violations of the Conservation Easement were observed during the reporting period, and the outcome of any action taken to correct such violation, and

c. A statement concerning whether any amendments to the Conservation Easement were approved during the reporting period, with copies of any such amendments included in the Grant Reports.

7. Records. Grantee will indicate the Grant Funds separately on its books of account, and maintain such records in accordance with generally accepted accounting principles. Grantee shall additionally maintain written records including the baseline documentation report, the Deed of Conservation Easement, any amendments to the Conservation Easement, other transaction documents, and copies of monitoring reports, notices to the land owner, and other communications pursuant to the Conservation Easement in accordance with the practices generally accepted in the land trust community.

8. Inspection. The Stewardship Council or its designee shall have the right to inspect the books and records of Grantee and evaluate Grantee's use of Grant Funds, so long as (i) such inspection or evaluation occurs during regular business hours; (ii) such inspection or evaluation does not unreasonably interfere with Grantee's regular operations; and (iii) the Stewardship Council or its designee provides at least three (3) days prior notice of any such inspection or evaluation.

9. Assignment and Transfer of Funds. Grantee shall not assign its interest under the Conservation Easement except in accordance with the provisions of the Conservation Easement relating to permitted assignments. In the event that Grantee shall assign its interest under the Conservation Easement to a successor conservation easement holder, it is expected that Grantee shall transfer a sufficient amount of funds to the assignee to ensure that the assignee has the resources to fulfill its obligations under the conservation easement. Assignee's receipt of any funds from Grantee shall be conditioned upon the assignee's agreement in writing to assume all of Grantee's obligations under this Agreement.

10. Publicity. The Stewardship Council may include information regarding this Agreement and Grantee in its periodic public reports, press releases, or other public communications.

11. Representations and Warranties. Grantee warrants and represents that it is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and is not a private foundation as defined in section 509(a) of the IRC or is an exempt operating foundation described in Section 4940(d)(2) of the IRC. Grantee further represents and warrants that it shall not use the Grant Funds to attempt to influence legislation or otherwise carry out lobbying activities within the meaning of Sections 501(h), 4911, 4945(d)(1) or 4945(e) of the IRC. No part of the Grant Funds may be used to attempt to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive. No part of the Grant Funds may be used for purposes other than charitable, scientific, literary, or educational purposes within the meaning of IRC Section 170(c)(2)(B).

12. Indemnification. Grantee hereby agrees to indemnify, defend, and hold harmless the Stewardship Council, and the Stewardship Council's past, present and future officers, directors, and employees, from and against any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest,

penalties, and reasonable attorney fees and costs, that they may incur or suffer and that result from, or are related to, the receipt and use of the Grant Funds by Grantee.

13. Limit of Stewardship Council Obligations. The Stewardship Council's obligations under this Agreement shall under no circumstances exceed the Grant Funds amount set forth in Section 2 above.

14. Assignment. This Agreement may not be assigned by the Grantee in whole or in part except as provided in Section 9 above. The Stewardship Council may assign its rights and delegate its obligations under this Agreement to a third party at the Stewardship Council's sole discretion. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit and burden of the parties and their respective heirs, successors and assigns.

15. Amendment; Entire Agreement. This Agreement may not be amended or modified except by written instrument signed by both parties. This Agreement constitutes the entire understanding of the parties concerning the subject matter hereof, and supersedes any and all previous negotiations, agreements, or understandings, if any, regarding the matters contained herein.

16. Governing Law. This Agreement shall be governed by the laws of the State of California.

17. Counterparts. This Agreement may be executed in counterparts which together shall constitute a single agreement.

Pacific Forest and Watershed Lands Stewardship Council,
a California Nonprofit Public Benefit Corporation

By: _____
Title: _____
Date: _____

Mother Lode Land Trust,
a California Nonprofit Public Benefit Corporation

By: _____
Title: _____
Date: _____

Exhibit A

Property Description

The Kennedy Meadows planning unit is located in Tuolumne County along Highway 108, just 57 miles east of Sonora and 50 miles south of South Lake Tahoe, at an elevation of approximately 6,500 feet. The planning unit contains one legal parcel (parcel 940) of approximately 240 acres which provides important outdoor recreation and wildlife habitat in the remote upper elevations of the Sierra Nevada. It is surrounded by public lands managed by the Stanislaus National Forest, including the Emigrant Wilderness, which is located less than 0.5 mile southeast of the planning unit.

A prominent feature of the planning unit is the Huckleberry Trail. This trail traverses the planning unit, providing equestrian and hiking access to the Emigrant Wilderness. The entire length of the trail through the planning unit also serves as a restricted access road. The road is occasionally utilized by PG&E for maintenance of its hydropower facilities, by the property lessee for operating purposes, by the U.S. Forest Service for trail maintenance, and by the California Department of Fish and Game for fish stocking. Another prominent feature of the planning unit is the Kennedy Meadows Resort and Pack Station. The pack station is a commercial endeavor that has been operated pursuant to a lease between the commercial operator and PG&E (or its predecessor in interest) on a seasonal basis since 1917. The resort contains approximately 27 rustic buildings, including a lodge, saloon, cabins, and ancillary buildings.



Funding Agreement to Implement Tax Neutrality Requirement Kennedy Meadows Planning Unit

This Funding Agreement to Implement Tax Neutrality Requirement ("Agreement") is entered into as of the Effective Date (defined below) by and between the **Pacific Forest and Watershed Lands Stewardship Council**, a California nonprofit public benefit corporation ("Stewardship Council") and **County of Tuolumne**, a public entity ("County") with reference to the following facts:

A. The Stewardship Council was created to oversee the "Land Conservation Commitment" described in (1) that certain Settlement Agreement among Pacific Gas and Electric Company ("PG&E"), PG&E Corporation, and the California Public Utilities Commission (the "Commission") as modified and approved by the Commission in its Opinion and Order of December 18, 2003 (Decision 03-12-035) (the "Settlement Agreement"); and (2) that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the "Stipulation").

B. Pursuant to the Settlement Agreement and Stipulation, certain lands owned by PG&E at the time of the Settlement (the "PG&E Watershed Lands") are to be conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The Stewardship Council is charged with developing a Land Conservation Plan ("LCP") for the protection and enhancement of the PG&E Watershed Lands.

C. The Stipulation requires that an appropriate entity provide property tax revenue, other equivalent revenue source, or a lump sum payment so that the totality of the dispositions in each affected county under the Land Conservation Commitment will be tax neutral for that county ("Tax Neutrality Requirement").

D. In connection with the Land Conservation Commitment, PG&E has agreed to transfer to County a portion of the PG&E Watershed Lands consisting of approximately 240 acres of real property located in the County of Tuolumne, State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by reference (the "Property").

E. The transfer of the Property to County in connection with implementing the LCP may result in a property tax loss to the County and by and through this Agreement County and Stewardship Council desire, among other things, to confirm and acknowledge that the Tax Neutrality Requirement has been met.

F. In consideration of the covenants and obligations set forth herein, the Stewardship Council intends to recommend that the Property be conveyed to County, and County desires to accept such conveyance, all subject to the terms and conditions described in this Agreement.



NOW, THEREFORE, IN CONSIDERATION of the foregoing recitals, and the mutual covenants and obligations of the parties herein contained, the Stewardship Council and County agree as follows:

1. Effective Date. This Agreement shall become effective upon the recording of the deed conveying fee title to the Property from PG&E to County in the Official Records of Tuolumne County ("Effective Date"). It is understood and agreed that in the event that fee title is not conveyed to County for any reason, this Agreement shall be of no further force or effect and the parties shall thereupon be released from any obligations under this Agreement.

2. Satisfaction of Tax Neutrality Requirement. The parties hereby agree and acknowledge that the conveyance of the Property to County, coupled with the current and future sources of revenue generated from the Property and interest accrued thereon (collectively Generated Revenue), represents a reasonable payment to the County in lieu of taxes which might otherwise have been received by County from the owner of the Property and that the transfer of the Property with actual and potential Generated Revenue satisfies the Tax Neutrality Requirement.

3. Risk of Loss; Waiver and Release; Estoppel. County hereby assumes the risk that the Generated Revenue may be reduced or may be terminated and that there may not be replacement revenue. County hereby waives and releases all claims, currently known or unknown, which may arise from such reduction or loss of Generated Revenue or potential or actual tax loss, and County is estopped from asserting that the transfer of the Property with the benefit of the Generated Revenue was not a reasonable payment in lieu of taxes, or otherwise does not satisfy the Tax Neutrality Requirement.

4. Use of Generated Revenue. County agrees to use the Generated Revenue for the following purposes only and in the following order of priority:

- a. First, County will pay reasonable and timely allocations from said Generated Revenue to special districts and other local agencies to offset or replace lost property tax revenue to said special districts and other local agencies consistent with the methodologies described in Division 1 of the California Revenue and Taxation code, provided that the County may negotiate and enter into alternative payment plans with affected special districts and other local agencies to offset or replace lost property tax revenue to said special districts and other local agencies consistent with the AB 8 factors in effect for the affected properties; and
- b. Second, County will use Generated Revenue for costs associated with property ownership, land management, and future enhancements of the beneficial public values at Kennedy Meadows.

5. Record Keeping; Segregated Account. County will indicate the Generated Revenue separately on its books of account, charge expenditures made in furtherance of the purposes of this Agreement against the Generated Revenue, and keep records adequate to enable the use of the Generated Revenue to be checked readily. County shall deposit and



maintain the Generated Revenue in a segregated account to ensure the Generated Revenue is used for the purposes described in Section 4.

6. Inspection of Records. The Stewardship Council shall have the right to inspect the books, records and physical properties of County and evaluate County's use of Generated Revenue, so long as (i) such inspection or evaluation occurs during regular business hours; (ii) such inspection or evaluation does not unreasonably interfere with County's regular operations; and (iii) the Stewardship Council provides at least three (3) days prior notice of any such inspection or evaluation.

7. Communications. The Stewardship Council may include information regarding this Agreement and County in its periodic public reports, press releases, or other public communications.

8. Due Authorization. This Agreement and the performance of County's obligations under it are duly authorized and executed, and are, or will be upon the Effective Date, legal, valid, and binding obligations of County and a County resolution confirming same shall be attached to this Agreement as Exhibit B. No consent of any judicial or administrative body, government agency, or other party is required for County to enter into and/or to perform County's obligations under this Agreement, except as has already been obtained. County warrants and represents that it is a political subdivision of the State of California or is otherwise an organization described in Section 170(c)(1) or Section 511(a)(2)(B) of the Internal Revenue Code (IRC), and that the undersigned representative of County is duly authorized and empowered to sign this Agreement.

9. Indemnification. County hereby agrees to indemnify, defend, and hold harmless the Stewardship Council, and the Stewardship Council's past, present and future officers, directors, and employees, from and against any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest, penalties, and reasonable attorney fees and costs, that it may incur or suffer and that result from, or are related to, breach of this Agreement by County or reduction or loss of Generated Revenue or any tax loss.

10. Attorney Fees. In the event of any action or proceeding to enforce a term or condition of this Agreement, or any action or proceeding in any way arising from this Agreement, the prevailing party in such action, or the nondismissing party when the dismissal occurs other than by a settlement, will be entitled to recover its reasonable costs and expenses, including without limitation reasonable attorney fees and costs of defense paid or incurred in good faith. The "prevailing party," for purposes of this Agreement, will be deemed to be that party who obtains substantially the result sought, whether by settlement, dismissal, or judgment.

11. Assignment. The benefits to be provided under this Agreement are personal to County, and may not be assigned or transferred by County without the prior written approval of the Stewardship Council. The Stewardship Council may assign its rights and obligations hereunder to a third party upon written notice to County. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit and burden of the parties and their respective heirs, successors and assigns.



12. Amendment; Entire Agreement. This Agreement may not be amended or modified except by written instrument signed by both parties. This Agreement constitutes the entire understanding of the parties concerning the subject matter hereof, and supersedes any and all previous negotiations, agreements, or understandings, if any, regarding the matters contained herein.

13. Invalidity of Provision. If any provision of this Agreement as applied to either party or to any circumstance is adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, this fact will in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

14. Headings. The headings used in this Agreement are provided for convenience only and this Agreement will be interpreted without reference to any headings.

15. Governing Law. This Agreement shall be governed by the laws of the State of California.

16. Counterparts. This Agreement may be executed in counterparts which together shall constitute a single agreement.

IN WITNESS WHEREOF, Stewardship Council and County have entered into this Funding Agreement to Implement Tax Neutrality Requirement as of the dates set forth below.

Pacific Forest and Watershed Lands Stewardship Council,
a California Nonprofit Public Benefit Corporation

By: _____

Title: _____

Date: _____

County of Tuolumne, a political subdivision of the State of California

By: _____

Title: _____

Date: _____

Approved as to Form:

By: _____

Title: _____

Date: _____

Exhibit A

Property Description

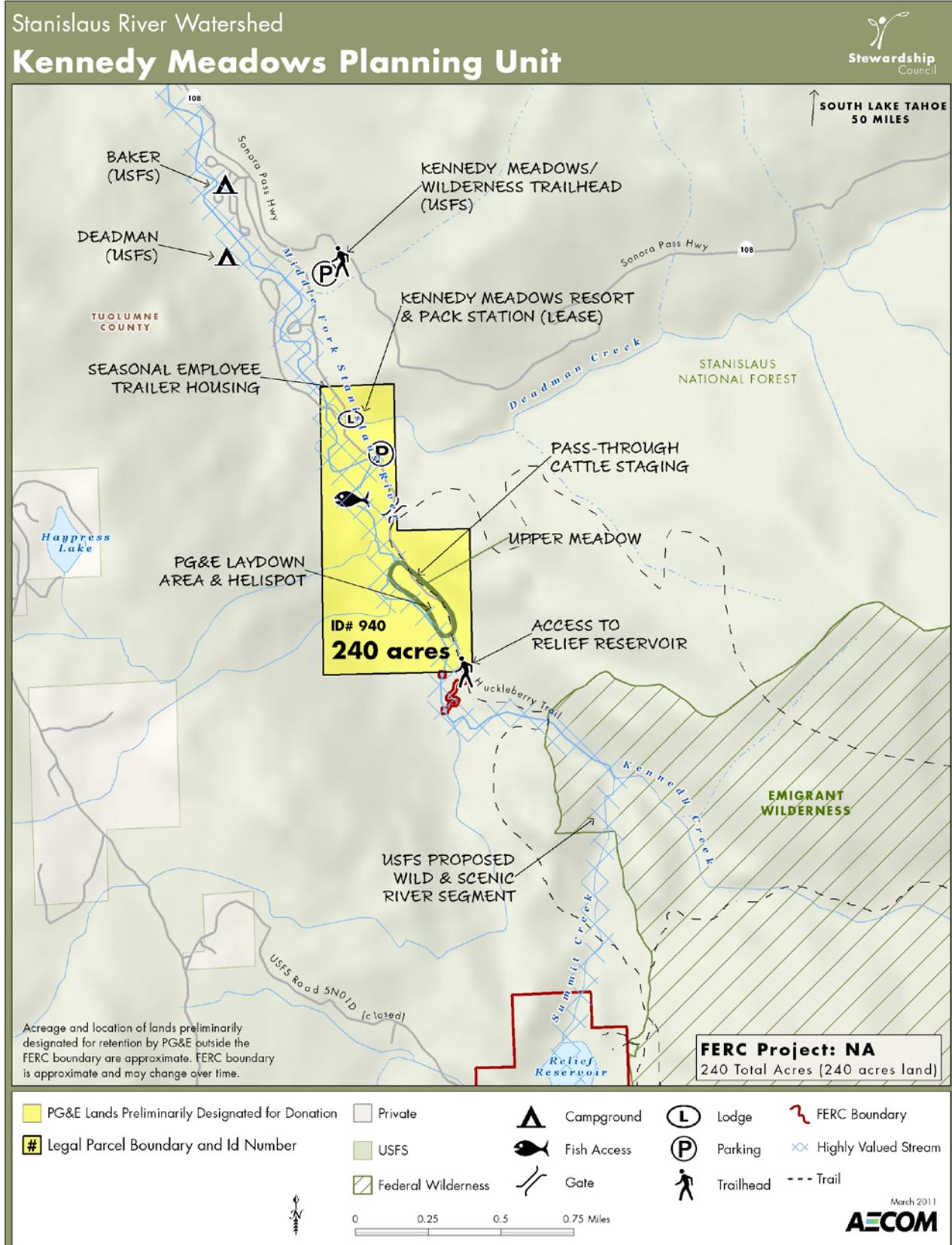
The Kennedy Meadows planning unit is located in Tuolumne County along Highway 108, just 57 miles east of Sonora and 50 miles south of South Lake Tahoe, at an elevation of approximately 6,500 feet. The planning unit contains one legal parcel (parcel 940) of approximately 240 acres which provides important outdoor recreation and wildlife habitat in the remote upper elevations of the Sierra Nevada. It is surrounded by public lands managed by the Stanislaus National Forest, including the Emigrant Wilderness, which is located less than 0.5 mile southeast of the planning unit.

A prominent feature of the planning unit is the Huckleberry Trail. This trail traverses the planning unit, providing equestrian and hiking access to the Emigrant Wilderness. The entire length of the trail through the planning unit also serves as a restricted access road. The road is occasionally utilized by PG&E for maintenance of its hydropower facilities, by the property lessee for operating purposes, by the U.S. Forest Service for trail maintenance, and by the California Department of Fish and Game for fish stocking. Another prominent feature of the planning unit is the Kennedy Meadows Resort and Pack Station. The pack station is a commercial endeavor that has been operated pursuant to a lease between the commercial operator and PG&E (or its predecessor in interest) on a seasonal basis since 1917. The resort contains approximately 27 rustic buildings, including a lodge, saloon, cabins, and ancillary buildings.

Exhibit B

Resolution
Tuolumne County Board of Supervisors

[Note: The Tuolumne County Board of Supervisors approved the Property Tax Neutrality Agreement for the Kennedy Meadows planning unit on July 17, 2012]



I.02-04-026

APPENDIX E
LAND CONSERVATION COMMITMENT

STATEMENT OF PURPOSE

PG&E shall ensure that the Watershed Lands it owns and Carizzo Plains are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values. PG&E will protect these beneficial public values associated with the Watershed Lands and Carizzo Plains from uses that would conflict with their conservation. PG&E recognizes that such lands are important to maintaining the quality of life of local communities and all the people of California in many ways, and it is PG&E's intention to protect and preserve the beneficial public values of these lands under the terms of any agreements concerning their future ownership or management.

PG&E Environmental Enhancement Corporation will develop a plan for protection of these lands for the benefit of the citizens of California. Protecting such lands will be accomplished through either (1) PG&E's donation of conservation easements to one or more public agencies or qualified conservation organizations consistent with these objectives, or (2) PG&E's donation of lands in fee to one or more public entities or qualified conservation organizations, whose ownership would be consistent with these conservation objectives.

COMMITMENTS

1. **PG&E Shall Place Permanent Conservation Easements on or Donate Watershed Lands:** The Watershed Lands and Carizzo Plains shall (1) be subject to permanent conservation easements restricting development of the lands so as to protect and preserve their beneficial public values, and/or (2) be donated in fee simple to one or more public entities or qualified non-profit conservation organizations, whose ownership will ensure the protection of these beneficial public values. PG&E will not be expected to make fee simple donations of Watershed Lands that contain PG&E's or a joint licensee's hydroelectric project features. In instances where PG&E has donated land in fee, some may be sold to private entities subject to conservation easements and others, without significant public interest value, may be sold to private entities with few or no restrictions.

The conservation easements shall provide for the preservation of land areas for the protection of the natural habitat of fish, wildlife and plants, the preservation of open space, outdoor recreation by the general public, sustainable forestry, agricultural uses, and historic values and, shall prevent any other uses that will significantly impair or interfere with those values. Conservation easements on the Watershed Lands will include an express reservation of a right for continued operation and maintenance of hydroelectric facilities and associated water delivery facilities, including project replacements and improvements required to meet existing and

I.02-04-026

future water delivery requirements for power generation and consumptive water use by existing users, compliance with any FERC license, FERC license renewal or other regulatory requirements. In addition, easements will honor existing agreements for economic uses, including consumptive water deliveries. The conservation easements shall be donated to and managed by one or more non-profit conservation trustees, qualified conservation organizations or public agencies with the experience and expertise to fully and strictly implement the conservation easements.

2. Process For Development of the Conservation Easements and Land Donation Plan: PG&E will work with PG&E Environmental Enhancement Corporation and the Commission in the development and implementation of the conservation easements and land donation plan. PG&E Environmental Enhancement Corporation will recommend to PG&E (1) conservation objectives for the properties, including identification of conservation values, (2) criteria for ultimate disposition of the properties, (3) conservation easements guidelines, and (4) land disposition plans.
3. Reporting Responsibilities: PG&E Environmental Enhancement Corporation will prepare a report to the Commission within 18 months of the Effective Date describing the status of the conservation easement and land disposition plan. PG&E Environmental Enhancement Corporation will make the report available to the public upon request. Every two years following the first report, PG&E Environmental Enhancement Corporation will prepare a report to the Commission on the implementation of the conservation easement and land disposition plan.