

Final LCCP

June 21, 2017

Updated June 10, 2019



**Stewardship
Council**

Land Conservation and Conveyance Plan

Lands for Donation to Fall River Resource Conservation
District at Fall River Mills Planning Unit

Executive Summary

Subject

LCCP Fall River Mills Planning Unit (Parcels 135-138 and 140)
Land Conservation Plan Identification Numbers (Parcels) 135-138 and 140 as shown on the map attached as Exhibit 1.

Type of Property Interest Disposition

- Fall River Resource Conservation District (RCD) to hold fee simple title to 463 acres within Parcels 135-138 and 140 of the Fall River Mills planning unit.
- Shasta Land Trust (SLT) to hold the conservation easement on the 463 acres of Parcels 135-138 and 140 donated to the Fall River RCD.

Summary

463 acres within four parcels (Parcels 135-138 and 140) will be donated to the Fall River RCD and, consistent with the conditions in the Settlement Agreement, the Property will be subject to a perpetual conservation easement granted by the Fall River RCD to SLT. The remaining 156 acres within Parcels 135-137 and 140 will be retained by PG&E subject to a conservation easement and will be addressed in a separate Land Conservation and Conveyance Plan (LCCP).

Pending California Public Utilities Commission (CPUC) approval, and immediately following PG&E's conveyance of 463 acres within Parcels 135-138 and 140 to the Fall River RCD, the Fall River RCD and SLT will enter into the conservation easement.

The 463 acres in Parcels 135-138 and 140 to be donated to the Fall River RCD are outside the Pit 1 FERC Project boundary (FERC #2687) and PG&E has determined this acreage does not need to be retained for existing or future utility operations. Therefore, this acreage is available for donation, subject to PG&E's reserved rights.

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.

Property Location

The property subject to this LCCP consists of 463 acres in Shasta County north of the Pit 1 Forebay.

Economic Uses and Agreements

There are no unrecorded encumbrances on the property to be donated to the Fall River RCD. There are no existing agreements for economic uses on the lands to be donated to the Fall River RCD in Parcels 135-138 and 140 of the Fall River Mills planning unit.

Consistent with the Settlement Agreement, PG&E will reserve its rights to maintain and operate existing and future utility facilities on the parcels 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.

Permanent Protection of the Beneficial Public Values

The grant deed transferring fee title to the Fall River RCD includes a recital that the Fall River RCD and PG&E acknowledge that the conveyance, together with the conservation easement transaction being entered into by the Fall River RCD and SLT, is being made in the public interest with the intent to ensure the permanent protection of the beneficial public values (BPVs) 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 for Parcels 135-138 and 140 within the Fall River Mills planning unit lists the following Beneficial Public Values (BPVs) that are to be protected:

- **Natural Habitat of Fish, Wildlife and Plants:** The natural attributes of the Protected Property include grassland, wildlife habitat, and natural open space. The butte provides refuge and habitat to black-tailed deer, among other wildlife. The open grassland habitats offer many natural resources to the flora and fauna native to the local area. This area of the Fall River is a designated Audubon Important Bird area because of the large number of avian species that use the greater Fall River Area and its importance in maintaining bird populations.

The Protected Property consists of undeveloped open space with a mix of conifers, sage and oak woodlands, and lava outcroppings with patches of shrub/willow riparian vegetation along lower terraces close to the rivers/lake.

- **Open Space:** The open and natural character of the Protected Property provides scenic views and open space that can be enjoyed by the general public on the lands behind the town of Fall River Mills at the Pit 1 Forebay and Fall River Pond.
- The cultural and historical significance associated with the Protected Property include traditional cultural properties, archaeological prehistoric and historic-era properties.
- Agricultural uses on the Protected Property include rangeland/grazing and intensification to convert rangeland/grazing land into more intensive agricultural uses, including, without limitation, the growing and production of small grains, wild rice, hay, or silage for livestock food production.

- Recreation uses include hunting in season, birdwatching, and hiking.

Tax Neutrality

The Stewardship Council intends to provide funding to satisfy property tax payments in perpetuity for the Property.

Pending CPUC approval of the fee title donation of the property, Shasta County will receive a lump sum payment of \$129,408, consistent with the methodology described in the Property Tax Neutrality Methodology adopted on June 27, 2012 and amended most recently on November 15, 2017.

Hazardous Waste Disclosure

PG&E has provided the Fall River Mills Planning Unit Environmental Site Assessment Report dated July 29, 2010, and refreshed in December 2015, to the Fall River RCD and SLT, fulfilling the disclosure requirements of the Land Conservation Commitment.

Consideration of Parcel Split

Within Parcels 135-138 and 140, approximately 463 acres are proposed to transfer to the Fall River RCD. At closing, the 463 acre property as well as the remainder of the parcels must comply with the California Subdivision Map Act (Government Code Section 66410, et seq.) as separate legal parcels. Certain exemptions to the Map Act apply to public utilities and/or to governmental entities and may apply to this conveyance.

CEQA Review

The Fall River Mills transaction will not result in a direct physical change or a reasonably foreseeable indirect physical change in the environment; therefore, the Stewardship Council does not believe that the transaction is a project under CEQA. In addition, the transfer of land to preserve open space, habitat, or historical resources is categorically exempt under Section 15325 of the CEQA Guidelines (CFR Title 14, Chapter 3).

While the principal effect of the conservation easement will be to significantly restrict development on the site in perpetuity, the conservation easement reserves to the Fall River RCD the right to pursue and develop certain “permitted uses,” including but not limited to the right to engage in Substantial Vegetation Management Activities as that term is defined in the proposed conservation easement and the right to use and develop the Property for agricultural purposes subject to the limitations in the conservation easement. However, Fall River RCD is not proposing to carry out any permitted development or change in use at this time. Instead, at least for the time being, the Fall River RCD intends to manage the Property as PG&E does presently. If, in the future, the Fall River RCD decides to pursue new development or uses that are allowed by the conservation easement, it must first obtain all necessary permits and conduct any necessary CEQA review at that time.

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Introduction

The Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council) is a private, nonprofit foundation established in 2004 pursuant to a Settlement Agreement and a Stipulation Resolving Issues Regarding the Land Conservation Commitment approved by the California Public Utilities Commission (CPUC) in Decision 03-12-035 (Dec. 18, 2003). 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 grant 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, 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 any parcel, the Stewardship Council will provide 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 Fall River Mills planning unit, is provided in Appendix 1. Furthermore, the proposed LCCP will be 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 the Fall River Resource Conservation District (RCD) receive 463 acres within four parcels (135-138 and 140) of the Fall River Mills planning unit in fee and that the Shasta Land Trust (SLT) hold a conservation easement over the lands recommended for donation to the Fall River RCD in these parcels (135-138 and 140) of the Fall River Mills planning unit.

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

Table 1 Stipulation 12(a) Requirements

<p>(1) Acreage, Existing Economic Uses and Agreements</p> <p><i>“Reasonably exact estimates of acreage, by parcel, within or outside licensed project boundaries, and existing economic uses (including all related agreements);”</i></p>
<p>(2) Objectives to Preserve and/or Enhance</p> <p><i>“Objectives to preserve and/or enhance the BPVs, as defined in the Settlement Agreement, Appendix E, of each individual parcel;”</i></p>
<p>(3) Recommendations for Conservation Easement and Fee Simple Donation</p> <p><i>“A recommendation for grant of a conservation easement or fee simple donation for each such parcel;”</i></p>
<p>(4) Finding of Donee Funding and Other Capacity to Maintain Lands to Preserve and/or Enhance BPVs</p> <p><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></p>
<p>(5) Analysis of Tax and Other Economic and Physical Impacts</p> <p><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></p>
<p>(6) Hazardous Waste Disclosure</p> <p><i>“A disclosure of all known hazardous waste or substance contamination or other such environmental liabilities associated with each parcel;”</i></p>
<p>(7) Consideration of Parcel Split</p> <p><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></p>
<p>(8) Strategy for Physical Measures to Enhance BPVs</p> <p><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></p>

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

“A plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures on the applicable management objectives;”

(10) Implementation Schedule for Transactions and Measures

“A schedule for the implementing transactions and measures.”

1. Acreage, Existing Economic Uses and Agreements

Acreage and Property Description

463 acres in Parcels 135-138 and 140 will be donated to the Fall River RCD and, consistent with the conditions in the Settlement Agreement, the Property will be subject to a perpetual conservation easement granted by the Fall River RCD to SLT. The remaining 156 acres within Parcels 135-137 and 140 will be retained by PG&E subject to a conservation easement and will be the subject of a separate LCCP.

The Fall River Mills planning unit is located adjacent to the town of Fall River Mills and offers both recreation and open space opportunities. The parcels recommended for donation to the Fall River RCD are northwest of the Fall River Mills airport and north of the Pit 1 Forebay.

The planning unit provides extensive terrestrial habitat, which supports three bald eagle nests. Due to the large number of avian species that use the greater Fall River Area and its importance in maintaining bird populations, the Audubon Society has designated this area as an Important Bird Area.

The majority of the planning unit's recreation facilities are located at the Pit 1 Forebay and Fall River Pond, adjacent to the town of Fall River Mills. At the forebay, facilities include a group picnic area, swim beach, boat ramp, and day use area. Facilities at Fall River Pond include a boat launch and picnic site. An Americans with Disabilities Act (ADA) accessible fishing platform and several other ADA facilities such as trails, parking, restrooms, and picnic tables are also provided. These sites were constructed or improved as a result of the Pit 1 License Order.

There is one PG&E Timber Management Unit (TMU) that covers lands within the Fall River Mills area southwest to about the Sucker Springs Creek area. This TMU is currently managed by PG&E under a Salvage prescription, meaning that management activities are restricted to mitigating for watershed and forest health issues, including emergency salvage harvesting following insect attack or a catastrophic event.

Though there are two grazing leases in the Fall River Mills planning unit, they are not located on lands recommended for donation to the Fall River RCD.

There are a number of cultural resources within this planning unit, which is within the ancestral territory of the Pit River Tribe, specifically the Ajumawi and Illmawi bands of the tribe.

Adjacent and Nearby Landowners

The parcels subject to donation to the Fall River RCD are surrounded by private property and other planning unit parcels. The parcels are accessed via Reynolds Road and FERC project roads.

The Stewardship Council notified and invited landowners located within one mile of the subject parcels to provide comment during key phases of the land conservation and conveyance planning process.

Existing Economic Uses and Agreements

There are no unrecorded encumbrances on the property to be donated to the Fall River RCD. There are no existing agreements for economic uses on the lands to be donated to the Fall River RCD in Parcels 135-138 and 140 of the Fall River Mills planning unit.

PG&E's 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

The Land Conservation Commitment provides that “PG&E shall ensure that the Watershed Lands it owns... 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... 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.”¹

The following text lists the objectives for each BPV at the Fall River Mills 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.

The conservation easement will protect the BPVs, subject to PG&E’s hydro and other reserved rights as provided in the conservation easement.

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

The conservation easement (Appendix 3) includes as a BPV the protection of natural habitat for fish, wildlife and plants that are native to the area, including species protected under the California Endangered Species Act and/or the federal Endangered Species Act.

2. Objective: Preserve open space in order to protect natural and cultural resources, viewsheds, agricultural land uses, and the recreation setting.

The conservation easement will ensure that no further development will occur unless specifically authorized by the conservation easement and consistent with the BPVs. No development is currently proposed.

3. Objective: Enhance recreational facilities in order to provide additional recreation opportunities.

The conservation easement recognizes the value of the property for recreation activities including birdwatching, hiking, and hunting.

4. Objective: Preserve and enhance grazing in order to support associated economic benefits, as well as to protect open space and habitat resources.

The acreage proposed for transfer to the Fall River RCD is not currently used for grazing. The conservation easement preserves the right to introduce grazing to the property and to

¹ Land Conservation Commitment I.02-04-026, Appendix E, p. 38

convert rangeland/grazing land into more intensive agricultural uses, including, the growing and production of small grains, wild rice, hay, or silage for livestock food production. Although these uses are permitted, Fall River RCD has no plans to undertake them at this time.

5. Objective: Identify and manage cultural resources in order to ensure their protection.

The conservation easement will protect identified historical and cultural values on the Property to the extent they are protected by state and federal law.

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 Agreement states that “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, pp. 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 Shasta Land Trust (SLT) will hold the conservation easement over the lands to be donated to the Fall River RCD in the Fall River Mills planning unit that are the subject of this LCCP. The qualifications of SLT are described in Chapter 4.

Accordingly, immediately following PG&E's conveyance of the lands to be donated to the Fall River RCD in the Fall River Mills planning unit, the Fall River RCD will convey the conservation easement to SLT.

Retention or Donation of Fee Title

The Settlement Agreement states that PG&E will not be expected to make fee 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. However, these Watershed Lands will be conserved via a conservation easement. See Appendix 6 for a description of PG&E's Land Conservation Commitment.

The 463 acres proposed for donation to the Fall River RCD in Parcels 135-138 and 140 were identified as available for donation, subject to PG&E's reserved rights.

Lands to be Donated by PG&E

463 acres within four parcels (135-138 and 140) will be donated to the Fall River RCD pending CPUC approval of the Section 851 filing for the transaction. The legal description of the parcels is included in the grant deed, which is provided in Appendix 2. The qualifications and capacity of the Fall River RCD to manage the Fall River Mills property recommended for donation are described in Chapter 4.

The map provided in Exhibit 1 shows all of the land within Parcels 135-138 and 140 in the Fall River Mills planning unit that will be donated. The map also shows key features in the planning unit and surrounding area, and the ownership of adjacent land.

Lands to be Retained by PG&E

The remaining 156 acres in Parcels 135-137 and 140 in the Fall River Mills planning unit will be retained by PG&E and will be the subject of a separate LCCP.

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 selection process referenced below, the following organizations were endorsed by the Stewardship Council board on March 12, 2014 and January 22, 2015 respectively:

- The Fall River Resource Conservation District (RCD) to hold fee simple title to 463 acres within Parcels 135-138 and 140.
- Shasta Land Trust (SLT) to hold a conservation easement over the 463 acres to be donated to the Fall River RCD in Parcels 135-138 and 140.

Capacity of Selected Organizations

The Stewardship Council board finds that the Fall River RCD and SLT will have the funding and other capacity to maintain the property interest so as to preserve and/or enhance the BPVs².

A. Fall River RCD:

- The Fall River RCD was established in 1957 by the Shasta County Board of Supervisors. The Fall River RCD is a public entity responsible for resource conservation in a geographical area encompassing 1,149,000 acres across four counties, with the majority of that acreage in Shasta County.
- The RCD Board of Directors is appointed by the County Board of Supervisors and is comprised of individuals with varied backgrounds and experience in land management, restoration and conservation.
- The Fall River RCD, as an organization, has no prior experience holding or managing fee title. However, the RCD has an interest in managing the planning unit collaboratively with other interested stakeholders who have significant experience as land owners and land managers. As a public entity, the RCD is required to follow all federal and state rules pertaining to hiring, purchasing, awarding of contracts, and accounting practices.

B. SLT:

- Established in 1998, SLT's mission is to conserve the beauty, character, and diversity of significant lands in far northern California.
- SLT holds nine conservation easements totaling over 22,000 acres.

² Stipulation, Section 12(a)(4)

- SLT is guided by an eight member board of directors with several standing committees and strong volunteer support. SLT's board includes a retired assistant director of the Wildlife Conservation Board, planners, financial advisors, and a project manager.
- SLT is an accredited land trust.

Donee Selection Process

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 Fall River Mills planning unit. The process consisted of the following key steps:

- Organizations were invited to register via the Stewardship Council's Interested Donee Registry and were invited to submit a statement of qualifications (SOQ). The Stewardship Council reviewed the SOQs that were submitted to identify 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 property interest sought within the planning unit; and, (c) appeared to be capable of satisfying the requirements of the Settlement and Stipulation for receiving a donation of fee title or to hold the conservation easement.
- Organizations interested in a fee title donation 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 property interest (fee or conservation easement) in particular Watershed Lands within a planning unit are being recommended to PG&E to receive fee title and/or conservation easements.

5. Analysis of Tax and Other Economic and Physical Impacts

The Stipulation requires that the LCCP provide “an analysis of tax and other economic and physical impacts of such disposition strategy, and a commitment by an appropriate entity [which may be PG&E, subject to being authorized by the Commission to fully recover in rates any such costs in approving PG&E’s Section 851 application or in another appropriate Commission proceeding, Stewardship Council, donee, or a third party, depending on the individual circumstances] 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 this Land Conservation Commitment will be ‘tax neutral’ for that county.”

The following sections address the Stewardship Council’s plan for achieving tax neutrality for Shasta County, the county in which the Property is located. The final LCCP submitted for all PG&E Watershed Lands located in Shasta County will address tax neutrality for the totality of all fee title transfers within the county, as required under the Settlement and Stipulation.

Stewardship Council Board Policies and Guidelines

The Stewardship Council board adopted a set of Guidelines Regarding Satisfaction of Tax Neutrality on March 30, 2011, after an opportunity for public comment. 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.

On June 27, 2012, the Stewardship Council board approved an amendment to the property tax neutrality methodology it had adopted on May 2, 2012, after an opportunity for public comment and specific outreach to all potentially affected counties. On June 24, 2015 and January 21, 2016, the Stewardship Council board approved some revisions to that methodology. The methodology establishes a standard payment process when lands are transferred to organizations that are exempt from paying property taxes (see Appendix 5).

On August 14, 2014, the California Public Utilities Commission approved Resolution E-4644. The resolution states that the Commission endorses the Guidelines Regarding Satisfaction of Tax Neutrality and the Property Tax Neutrality Methodology adopted by the Stewardship Council.

As of November 15, 2017, the Stewardship Council board approved further revisions to the property tax neutrality methodology. The revisions established that the County will receive a one-time lump sum payment allocated based upon the applicable Tax Rate Area at the time of the payment. Counties and special districts would then be free to determine the best use of the funds pursuant to the needs of the county or special district, including, if desired investment in a shared investment pool of the county's choosing.

Achieving Property Tax Neutrality

The Stewardship Council will provide funding to satisfy property tax payments in perpetuity for the Property. After the CPUC has approved the fee title donation of the Property, Shasta County will receive a lump sum payment of approximately \$129,408.

Based on the tax tables, which are current as of the date of this LCCP, the transfer of lands to the Fall River RCD is anticipated to result in the reduction of approximately \$5,176 in annual taxes paid to Shasta County (as shown in Table 2 below). If assessed values on the lands recommended for donation change prior to the transfer of the property, the Stewardship Council will revise the payment calculation.

Table 2: Property Tax Detail

Parcel ID	SBE Map Number	Taxes on Acres Transferred
135	135-45-19-6	\$2,359
136	135-45-19-7	\$1,475
137	135-45-30-2	\$190
138	135-45-035A-1	\$245
140	135-45-31-1	\$907

Upon receipt of a lump sum payment, Shasta County will, in-turn, be required to distribute the funds to the general fund and applicable special districts consistent with the Tax Rate Area in effect for the parcels.

Other Economic and Physical Impacts

The Settlement and Stipulation require an analysis of the physical and economic impacts of each fee title transfer. The transaction agreements for the donation of 463 acres within the Fall River Mills planning unit have not mandated any changes to the physical or economic uses of the lands. The Fall River RCD intends to manage the lands in a manner consistent with the current physical and economic uses of the lands. No new activities are proposed that will result in physical impacts. If Fall River RCD proposes to undertake or permit new activities on the property in the future, consistent with the terms of the conservation easement, and if such activities could have adverse environmental impacts, Fall River RCD will obtain all necessary permits and conduct any required CEQA review at that time.

6. Hazardous Waste Disclosure

The Stipulation states that in the transfer 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 Donated by PG&E

PG&E has provided the Fall River Mills Planning Unit Environmental Site Assessment Report dated July 29, 2010, and refreshed December 2015, to the Fall River RCD and SLT, fulfilling the disclosure requirements of the Land Conservation Commitment.

Environmental Agreement

Pending CPUC approval of the transaction, PG&E will execute Environmental Agreements with the Fall River RCD and SLT, satisfying the requirements of Section 12(f) of the Stipulation.

7. Consideration of Parcel Split

To effectuate transfer of the 463 acres identified for donation to the Fall River RCD within Parcels 135-138 and 140, a parcel split is required to comply with the California Subdivision Map Act (Government Code Section 66410, et seq.). Certain exemptions to the Map Act apply to public utilities and/or to governmental entities and may apply to this conveyance.

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)³ 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 Stewardship Council has developed 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.

³ 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 LCCP outline a plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures.

The 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 (Appendix 4) with each conservation easement holder whereby the holder will receive a monitoring and enforcement endowment from the Stewardship Council to fund its monitoring activities.

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.

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 through June 2025.

10. Implementation Schedule for Transactions and Measures

Schedule for Transaction

- CPUC review and approval (2017)
- Close of escrow (2018)
- Stewardship Council release of funds to SLT per conservation easement funding agreement (2018)

Compliance with Local Land Use Planning Requirements

Future management of the donated property at the Fall River Mills planning unit is anticipated to comply with all applicable County ordinances and/or General Plan policies.

Appendix 1: Summary of Public Outreach

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 Watershed Planning Committee forwarding a recommendation to the board that a proposed Land Conservation and Conveyance Plan (LCCP) be 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 Watershed Planning Committee forwarding a recommendation to the board that the proposed LCCP be 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.

Appendix 1: Summary of Public Outreach

- 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.

FALL RIVER MILLS PLANNING UNIT PUBLIC OUTREACH

Highlighted below are the opportunities that have been, or are being, provided for public input on key documents and decisions concerning the Fall River Mills 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.

Ten public comments were submitted concerning the Fall River Mills Planning Unit during public review of Volumes I and II of the LCP. Public comments emphasized the following regarding the future management of the property:

- Consideration of the Pit River Park's historical and recreational value to the local community.
- Support for the land available for donation to transfer to the BLM in order to enhance public access along segments recommended for National Wild and Scenic River status.
- Coordinate studies involving the Hat Creek Rifle and Gun Club with the club and any other potentially affected parties.
- Support for the preservation and enhancement of the recreation facilities to support the local economy.
- Concern for equal consideration for and preservation of all historical resource values.

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 all landowners located within one mile of the parcels within the Fall River Mills planning unit to a Public Information Meeting that was held in Burney in 2009. In addition, simultaneous with the release of the proposed subject LCCP for public comment, adjacent landowners located within one mile of the subject parcels are noticed by mail 30 days before

Appendix 1: Summary of Public Outreach

the Watershed Planning Committee considers forwarding the proposed subject LCCP to the board for final approval.

III. PUBLIC INFORMATION MEETING

A Public Information Meeting workshop for several planning units in the Pit-McCloud Watershed area was hosted by the Stewardship Council on October 29, 2009, in Burney, California. The meeting concerned four planning units: Fall River Mills, Fall River Valley, Hat Creek, and Lake Britton. Attendees at the workshop included a total of 33 individuals representing a wide variety of interests including local and federal governments, community organizations, and community members. 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, and a postcard sent to all landowners on record located within one mile of any PG&E parcel associated with the Fall River Mills 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 planning units. Stations were set up with maps, other pertinent information, and easels with blank paper. Below is a summary of comments related to the Fall River Mills planning unit that were recorded on the easels and provided on comment cards.

Fall River Mills Planning Unit

- Develop trails along the east side of Fall River Lake
- Develop a hiking trail along the Pit River to the Pit River Falls
- Develop a trail all the way from Fall River Mills to the Pit 1 Powerhouse
- Noxious weed control is critical
- Enhancing habitat for wildlife and birds is important
- Maintain existing Lion's Club day use on the Pit River
- Maintain Hat Creek Rifle & Pistol Club in present location
- Future donees should have local interest and local knowledge
- Experience with noxious weed management
- Interest in acting as "sound board" for local community (i.e. access, tribal, weeds, ranchers, economic)

IV. PUBLIC REVIEW OF LAND STEWARDSHIP PROPOSALS

In August 2010, the Stewardship Council received four Land Stewardship Proposals from organizations interested in being considered for a donation of fee title to certain lands located within the Fall River Mills planning unit. The Bureau of Land Management, Fall River Resource Conservation District, Pit River Tribe, and the Fall River Valley Community Services District. Each of the organizations prepared and submitted its proposal which was 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. In February 2012, the Stewardship Council received a revised proposal from the Fall River Valley Community Services District seeking a donation of fee title to certain lands within the Fall River Mills planning unit.

V. 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.

Guidelines for Achieving Property Tax Neutrality

The Stewardship Council created guidelines for achieving property tax neutrality to describe scenarios when the Stewardship Council will make property tax payments to affected counties as in lieu payments for property taxes that are lost due to the donation of PG&E watershed lands to an entity that is exempt from paying property taxes. The guidelines also defined a set of overarching assumptions regarding property tax neutrality payments. The draft guidelines were posted on the Stewardship Council's web site in December 2010. A notice inviting review and comment on the guidelines was sent to the Stewardship Council's stakeholder database. Additional targeted outreach was performed to inform the affected counties. Nine comments were received during the 60-day review and comment period. After consideration of public comments, the Stewardship Council Board adopted a set of guidelines at its public board meeting on March 30, 2011.

Proposed methodology for achieving tax neutrality

The proposed methodology for achieving tax neutrality on donated lands was e-mailed to all land stakeholders and posted on Stewardship Council's website for public review and comment on January 9, 2012. The deadline for submission of comments was March 9, 2012. The Stewardship Council received one request to extend this deadline, which was granted. By the new deadline March 30, 2012, six comments were received. Upon consideration of the comments received, the Stewardship Council board deferred adoption of the full methodology until the June 27, 2012 board meeting so that the affected counties could be notified of the proposed change to the capitalization rate. No comments were received on the revised capitalization rate. The revised methodology was adopted by the board at its June 27, 2012 meeting.

VI. 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 fee and conservation easement recommendations at the Fall River Mills planning unit were provided to the board for consideration at the relevant public board meetings.

VII. PUBLIC REVIEW OF THE LAND CONSERVATION AND CONVEYANCE PLANS

The public is provided an opportunity to review and comment on the proposed Land Conservation and Conveyance Plans (LCCPs), and the comments received are shared with board members prior to the Watershed Planning Committee's forwarding the proposed LCCP to the board for its review and approval. The 30-day public review and comment periods are 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 local newspapers in communities that may have an interest in a particular planning unit. A notice inviting review and comment on the proposed LCCP is also sent to all landowners on record located within one mile of the subject PG&E parcels and to PG&E leaseholders. In addition, a notice is 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 may make revisions to a proposed LCCP prior to forwarding a recommendation to the board.

VIII. STEWARDSHIP COUNCIL BOARD OF DIRECTORS MEETINGS

Proposed LCCPs endorsed by the Watershed Planning Committee are posted on the Stewardship Council's website for additional public review and comment approximately 30 days prior to being considered by the board at a public board meeting. The posting of proposed LCCPs is advertised 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 noted in the meeting minutes that are posted on the Stewardship Council's website following each meeting.

Appendix 1: Summary of Public Outreach

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 its 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.

Grant Deed (REV. 3/23/16)

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
Attention: Land Consultant(LCC)

No Recording Fee Pursuant to Government Code
27383

THE UNDERSIGNED GRANTOR(S) DECLARE(S)
DOCUMENTARY TRANSFER TAX IS \$0

Transfer Tax Exempt due to Revenue & Taxation
Code 11922

See Signature of Grantor Below

Signature of declarant or agent determining tax

(SPACE ABOVE FOR RECORDER'S USE ONLY)

LD

DEED

(APN # 018-500-002, 023-190-022, 023-19-023, 023-210-008)
(SBE # 135-45-19-6,7, 35-45-30-2, 135-45-31-1)

GRANT DEED AND RESERVATION OF RIGHTS AND EASEMENTS

I. CONVEYANCE OF FEE

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation (“Grantor”), hereby grants, without warranty express or implied, to the **FALL RIVER RESOURCE CONSERVATION DISTRICT**, a special district of the State of California (“Grantee”), the real property (“Property”), situated in the unincorporated area of the County of Shasta, State of California, described in Exhibit A attached hereto and made a part hereof.

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 in Section III 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, and conducting various biological and land use studies mandated by the Federal Energy Regulatory Commission (“**FERC**”), and for other purposes as described more fully in Section III below (collectively, “**Hydro Project Activities**”). Additionally, Grantor has used and continues to use the Property to erect, construct, reconstruct, replace, remove, operate, inspect, maintain and use facilities of the type hereinafter specified for the transformation, transmission and distribution of electric energy and for communication purposes (collectively “**Electric Activities**”). As used herein, “**Hydroelectric Facilities and associated Water Delivery Facilities**” and “**Electric Facilities**” refers to those existing and future facilities, structures and improvements now or hereafter located on, above, or under the Property, that are associated with the Hydro Project Activities and/or the Electric Activities, as described more fully in Section III below.

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 Shasta 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 and the conservation easement being entered into while allowing the ongoing use of the Property by Grantor for Hydro Project Activities and Electric Activities, and acknowledging and honoring any existing third party uses.

III. RESERVATION OF RIGHTS AND EASEMENTS

1. Reserved Rights and Reserved 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 Hydro Project Activities and Electric Activities, including the continued operation and maintenance of Hydroelectric Facilities and associated Water Delivery Facilities and of Electric Facilities, together with easements as reasonably necessary or convenient for the exercise of the Reserved Rights (collectively, the “**Reserved Easements**”). The Reserved Easements include a right of way, for the continued operation and maintenance of electric lines and associated Electric Facilities within the easement area described in Exhibit B and shown on Exhibit B-1, attached hereto and made a part hereof (the “**Electric Line Easement Area**”). Whenever reasonably practical, Grantor will use reasonable efforts to notify and consult with Grantee in advance of the exercise of the Reserved Rights and Reserved Easements, and use reasonable efforts to employ methods and practices that will not significantly impair the beneficial public values of the Property. The Reserved Rights and Reserved Easements are as follows:

(a) 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 and the subterranean streams flowing through known and definite channels which are now or hereafter located or flowing upon, under or abutting the Property, including but not limited to all rights to take, divert and appropriate all such waters (collectively, the “**Reserved Water Rights**”).

(b) Grantor reserves the permanent right to make such uses of the Property, and to operate, maintain, repair, alter, replace and expand on the Property such existing and future facilities related to the Hydroelectric Facilities and associated Water Delivery Facilities, including project replacements and improvements on the Property, required (i) for power generation, (ii) for existing and future water diversion, storage, delivery and other requirements for power generation and for consumptive and non-consumptive water use by existing and future users, and (iii) for 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 are 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 use, operation, maintenance, repair, alteration, replacement and expansion of existing Hydroelectric Facilities and associated Water Delivery Facilities, and the construction, use, 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 exercise the Reserved Water Rights; 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 (the "FPA"); 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.

(c) Grantor reserves the permanent right to conduct Electric Activities within the Electric Line Easement Area for its Electric Facilities, described as follows:

Such towers, poles, and/or other structures (or any combination thereof) and all necessary and proper foundations and footings, with such aerial wires, cables, electrical conductors with associated crossarms, braces, transformers, anchors, guy wires and cables; and such underground conduits, pipes, manholes, service boxes, wires, cables, and electrical conductors; aboveground marker posts, risers, and service pedestals; and vaults, underground and aboveground switches, fuses, terminals, and transformers with associated concrete pads; and fixtures and appurtenances necessary to any and all thereof, as Grantor deems necessary for the transmission and distribution of electric energy and for communication purposes.

(d) Grantor further reserves to itself the following permanent rights and easements with respect to the foregoing Reserved Rights and Reserved Easements:

(1) the right of ingress to and egress over and across the Property by means of the roads and lanes thereon, if such there be, 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;

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

(3) the right, from time to time, to apply pesticides for the control of vegetation and/or insects and the further right from time to time to trim or to cut down, any and all trees, brush, or other vegetation now or hereafter on the Property which now or hereafter in the opinion of Grantor may interfere with or be a hazard to any of the Hydro Electric Facilities and associated Water Delivery Facilities and/or Electric Facilities located on the Property or adjacent to the Property, or as Grantor deems necessary to comply with applicable state or federal regulations;

(4) the right, from time to time, to trim or to cut down any unauthorized trees, crops, vines or other vegetation as described in Paragraph IV.3 that exceed ten feet (10') in height within the Electric Line Easement Area and may cause the Grantor to take reasonable measures to control re-sprouting trees;

(5) the right, from time to time, to trim and cut down and clear away any and all trees, brush and other vegetation on the Property (A) for purposes of disease or insect control or otherwise as necessary or appropriate for prudent land management (i.e., not motivated by commercial benefit), and/or (B) for other vegetation management operations, including but not limited to forest fuel reduction projects, thinning of tree stands and meadow restoration projects. The foregoing may include the use of mastication machines and pesticide use to control trees, brush and other vegetation and/or insects;

(6) the right to use such portion of the Property contiguous to the Electric Line Easement Area as may be reasonably necessary in connection with the construction, reconstruction, installation, inspection, maintenance, repair, replacement and removal of the Electric Facilities; and

(7) the right to mark the location of all Grantor's Hydroelectric Facilities and associated Water Delivery Facilities and Electric Facilities and its Reserved Easements on the Property by suitable markers set in the ground; provided that said markers shall be placed in fences or other locations which will not interfere with any reasonable use Grantee shall make of the Reserved Easements.

2. Required Exercise. An exercise of Grantor's Reserved Rights shall be "required" (as used in the preceding Section III.1) 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 and/or Electric Facilities.

IV. TERMS OF GRANT

1. The conveyance by Grantor to Grantee pursuant to this Grant Deed and Reservation of Rights and Easements (this "**Grant Deed**") 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.

2. 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.

3. Grantee agrees that it shall not plant or maintain any trees, crops, vines or other vegetation that naturally exceeds a height of ten feet (10') at maturity within said Electric Line Easement Area.

4. Grantee shall have the right to use the Electric Line Easement Area for purposes which will not interfere with Grantor's full enjoyment of the rights hereby reserved; provided that:

(a) Grantee shall not erect or construct any building or other structure, or drill or operate any well, or construct any reservoir or other obstruction or diminish or substantially add to the ground level in the Electric Line Easement Area; and

(b) Grantee shall not deposit, or permit or allow to be deposited, earth, rubbish, debris, or any other substance or material, whether combustible or noncombustible, on the Easement Area, or so near thereto as to constitute, in the opinion of Grantor, a hazard to any of the Hydroelectric Facilities and associated Water Delivery Facilities and/or the Electric Facilities.

VI. MISCELLANEOUS

1. If any provision of this Grant Deed 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.

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

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

4. This Agreement 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.

5. The Recitals in Section II above are hereby incorporated into this Grant Deed.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, Grantor has duly executed and delivered this Grant Deed and Reservation of Rights and Easements as of _____.

GRANTOR:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____

Print Name: _____

Its: _____

Grantee accepts, acknowledges, and agrees to the terms of this Grant Deed.

GRANTEE:

**FALL RIVER RESOURCE CONSERVATION
DISTRICT,**
a special district of the State of California

By: _____

Print Name: _____

Its: _____

EXHIBIT A

PROPERTY DESCRIPTION

[Follows this page]

EXHIBIT A

PARCEL ONE:

PORTIONS OF LCP ID NO. 136, 137, 138 AND 140

PORTIONS OF APN: 023-190-022, 023-190-023, 023-210-008, 023-210-034

ALL THAT PORTION OF THOSE REAL PROPERTIES DESCRIBED IN THE DEEDS RECORDED IN BOOK 199 OF OFFICIAL RECORDS AT PAGE 345, BOOK 217 OF OFFICIAL RECORDS AT PAGE 493, BOOK 147 OF DEEDS AT PAGE 236, AND BOOK 262 OF OFFICIAL RECORDS AT PAGE 1, SHASTA COUNTY RECORDS, SITUATE IN SECTIONS 24, 25, AND 26, TOWNSHIP 37 NORTH, RANGE 4 EAST OF THE MOUNT DIABLO BASE AND MERIDIAN, IN THE UNINCORPORATED AREA OF THE COUNTY OF SHASTA, STATE OF CALIFORNIA BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID SECTION 24; THENCE ALONG THE WEST LINE THEREOF N.1°28'49"W., A DISTANCE OF 1303.91 FEET TO THE NORTHWEST CORNER OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 24; THENCE ALONG THE NORTH LINE OF THE SOUTH HALF OF THE SOUTH HALF OF SAID SECTION 24, N.89°29'22"E., A DISTANCE OF 2651.70 FEET; THENCE CONTINUING ALONG SAID LINE, N.89°29'26"E., A DISTANCE OF 1319.29 FEET TO THE SOUTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 24; THENCE ALONG THE WEST LINE OF SAID NORTHEAST QUARTER, N.0°36'36"W., A DISTANCE OF 563.78 FEET; THENCE N.77°11'53"E., A DISTANCE OF 461.50 FEET TO A POINT ON PG&E'S FERC BOUNDARY, SAID POINT BEING ON A LINE PARALLEL WITH AND 20 FEET NORTHWESTERLY OF, MEASURED AT RIGHT ANGLES, THE CENTERLINE OF DIVERSION DAM GATES ROAD (PRIVATE ROAD), THENCE ALONG SAID PARALLEL LINE THE FOLLOWING EIGHTEEN (18) COURSES:

SOUTHEASTERLY ALONG THE ARC OF A 430.00 FOOT RADIUS NON-TANGENT CURVE, THE RADIUS POINT OF WHICH BEARS, S.84°58'10"E., THROUGH A CENTRAL ANGLE OF 36°53'57", A DISTANCE OF 276.93 FEET;

THENCE S.31°52'08"E., A DISTANCE OF 160.00 FEET;

THENCE ALONG THE ARC OF A 30.00 FOOT RADIUS CURVE TO THE RIGHT, THROUGH A CENTRAL ANGLE OF 59°27'55", A DISTANCE OF 31.14 FEET;

THENCE S.27°35'48"W., A DISTANCE OF 311.06 FEET;

THENCE S.49°51'51"W., A DISTANCE OF 1296.76 FEET;
THENCE S.45°53'08"W., A DISTANCE OF 328.60 FEET;
THENCE S.57°49'58"W., A DISTANCE OF 125.64 FEET;
THENCE S.42°17'32"W., A DISTANCE OF 239.70 FEET;
THENCE S.59°30'33"W., A DISTANCE OF 368.65 FEET;
THENCE S.49°56'29"W., A DISTANCE OF 1180.58 FEET;
THENCE S.56°13'43"W., A DISTANCE OF 500.40 FEET;
THENCE S.47°38'44"W., A DISTANCE OF 96.50 FEET;
THENCE ALONG THE ARC OF A 60.00 FOOT RADIUS CURVE TO THE RIGHT,
THROUGH A CENTRAL ANGLE OF 24°51'59", A DISTANCE OF 26.04 FEET;
THENCE S.72°30'44"W., A DISTANCE OF 95.00 FEET;
THENCE ALONG THE ARC OF A 100.00 FOOT RADIUS CURVE TO THE LEFT,
THROUGH A CENTRAL ANGLE OF 33°37'36", A DISTANCE OF 58.69 FEET;
THENCE S.38°53'08"W., A DISTANCE OF 88.64 FEET;
THENCE S.46°39'45"W., A DISTANCE OF 262.99 FEET;
THENCE S.50°22'30"W., A DISTANCE OF 521.82 FEET;
THENCE LEAVING SAID PARALLEL LINE, S.50°22'30"W., A DISTANCE OF
145.70 FEET; THENCE, N.45°19'37"W., A DISTANCE OF 343.34 FEET TO THE
WESTERLY LINE OF SAID SECTION 25; THENCE, N.36°23'21"W., A DISTANCE
OF 627.27 FEET TO THE NORTH LINE OF THE SOUTHEAST QUARTER OF THE
NORTHEAST QUARTER OF SAID SECTION 26; THENCE ALONG SAID LINE,
S.89°28'52"E., A DISTANCE OF 367.64 FEET TO THE WESTERLY LINE OF SAID
SECTION 25; THENCE ALONG SAID WESTERLY LINE, N.0°30'59"W., A
DISTANCE OF 1306.30 FEET TO THE **POINT OF BEGINNING**.

CONTAINING 191.99 ACRES, MORE OR LESS.

SURVEYOR'S NOTE: THE FERC (FEDERAL ENERGY REGULATORY COMMISSION) BOUNDARY AFOREMENTIONED IN THE DESCRIPTION ABOVE IS BASED ON G.I.S. (GEOGRAPHIC INFORMATION SYSTEM) DATA AND EXHIBIT G-5 ENTITLED "PIT 1 FOREBAY, PIT 1 PROJECT (FERC 2687-1031)", APPROVED 05-05-2010, PROVIDED BY THE PACIFIC GAS AND ELECTRIC COMPANY (PG&E).

THE BEARINGS AND DISTANCES USED IN THE FOREGOING DESCRIPTION ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1983, ZONE 1, NAD 83(NSRS 2007)(EPOCH 2011.00). TO OBTAIN GEODETIC BEARINGS, ADJUST ALL CALIFORNIA COORDINATE BEARINGS 0°22'03" COUNTERCLOCKWISE. DISTANCES ARE PROJECTED TO GROUND. TO OBTAIN GRID DISTANCES, MULTIPLY ALL DISTANCES BY 0.9997456516

PARCEL TWO:

PORTIONS OF LCP ID NO. 135 AND 137

PORTIONS OF APN: 023-190-023, 018-500-002

ALL THAT PORTION OF THOSE REAL PROPERTIES DESCRIBED IN THE DEEDS RECORDED IN BOOK 193 OF OFFICIAL RECORDS AT PAGE 340, AND BOOK 217 OF OFFICIAL RECORDS AT PAGE 493, SHASTA COUNTY RECORDS, SITUATE IN SECTION 24, TOWNSHIP 37 NORTH, RANGE 4 EAST AND SECTIONS 18 AND 19, TOWNSHIP 37 NORTH, RANGE 5 EAST OF THE MOUNT DIABLO BASE AND MERIDIAN, IN THE UNINCORPORATED AREA OF THE COUNTY OF SHASTA, STATE OF CALIFORNIA BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 24; THENCE ALONG THE WEST LINE OF SAID NORTHEAST QUARTER, N.0°36'36"W., A DISTANCE OF 781.92 FEET TO THE **TRUE POINT OF BEGINNING**; THENCE CONTINUING ALONG SAID WEST LINE, N.0°36'36"W., A DISTANCE OF 538.26 FEET TO THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 24; THENCE ALONG THE NORTHERLY LINE THEREOF, N.89°15'13"E., A DISTANCE OF 1321.52 FEET TO THE WEST QUARTER CORNER OF SECTION 19; THENCE ALONG THE WESTERLY LINE OF SAID SECTION 19, N.0°30'49"W., A DISTANCE OF 2651.30 FEET; THENCE ALONG THE NORTHERLY LINE OF SAID SECTION 19, N.89°49'29"E., A DISTANCE OF 1307.99 FEET; THENCE LEAVING SAID LINE ALONG THE EXTERIOR LINES OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 18 THE FOLLOWING THREE COURSES:

N.0°34'41"W., A DISTANCE OF 1326.76 FEET;

THENCE N.89°46'33"E., A DISTANCE OF 1334.03 FEET;

THENCE S.0°36'22"E., A DISTANCE OF 1327.90 FEET TO THE NORTH QUARTER CORNER OF SECTION 19;

THENCE ALONG THE MID-SECTION LINE OF SAID SECTION 19, S.0°31'49"E., A DISTANCE OF 2651.34 FEET; THENCE CONTINUING ALONG SAID LINE, S.0°31'49"E., 1339.08 FEET TO THE NORTHEAST CORNER OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 19; THENCE ALONG THE NORTH LINE OF SAID SOUTHEAST QUARTER, N.89°53'01"W., A DISTANCE OF 1337.85 FEET TO THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER; THENCE ALONG THE NORTH LINE OF THE SOUTHWEST QUARTER OF THE SOUTHWEST OF SAID SECTION 19, N.89°53'01"W., A DISTANCE OF 43.09 FEET TO A POINT ON PG&E'S FERC BOUNDARY, SAID POINT BEING ON A LINE PARALLEL WITH AND 20 FEET NORTHEASTERLY OF, MEASURED AT RIGHT ANGLES, THE CENTERLINE OF DIVERSION DAM GATES ROAD (PRIVATE ROAD), THENCE ALONG SAID PARALLEL LINE THE FOLLOWING FOURTEEN (14) COURSES:

N.14°43'51"W., A DISTANCE OF 160.67 FEET;

THENCE N.11°32'39"E., A DISTANCE OF 108.28 FEET;

THENCE N.5°14'52"W., A DISTANCE OF 72.38 FEET;

THENCE N.1°59'53"W., A DISTANCE OF 69.43 FEET;

THENCE ALONG THE ARC OF AN 80.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 84°34'39", A DISTANCE OF 118.09 FEET;

THENCE N.86°34'32"W., A DISTANCE OF 69.56 FEET;

THENCE N.66°55'54"W., A DISTANCE OF 94.78 FEET;

THENCE N.56°52'12"W., A DISTANCE OF 241.83 FEET;

THENCE N.77°14'00"W., A DISTANCE OF 338.29 FEET;

THENCE N.47°33'42"W., A DISTANCE OF 336.58 FEET;

THENCE N.29°50'34"W., A DISTANCE OF 277.67 FEET;

THENCE ALONG THE ARC OF A 110.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 82°16'21", A DISTANCE OF 157.95 FEET;

THENCE S.67°53'06"W., A DISTANCE OF 600 FEET;

THENCE ALONG THE ARC OF A 430.00 FOOT RADIUS CURVE TO THE LEFT, THROUGH A CENTRAL ANGLE OF 29°19'34", A DISTANCE OF 197.58 FEET;

THENCE LEAVING SAID PARALLEL LINE S.76°44'33"W., A DISTANCE OF 574.24 FEET TO THE **POINT OF BEGINNING**.

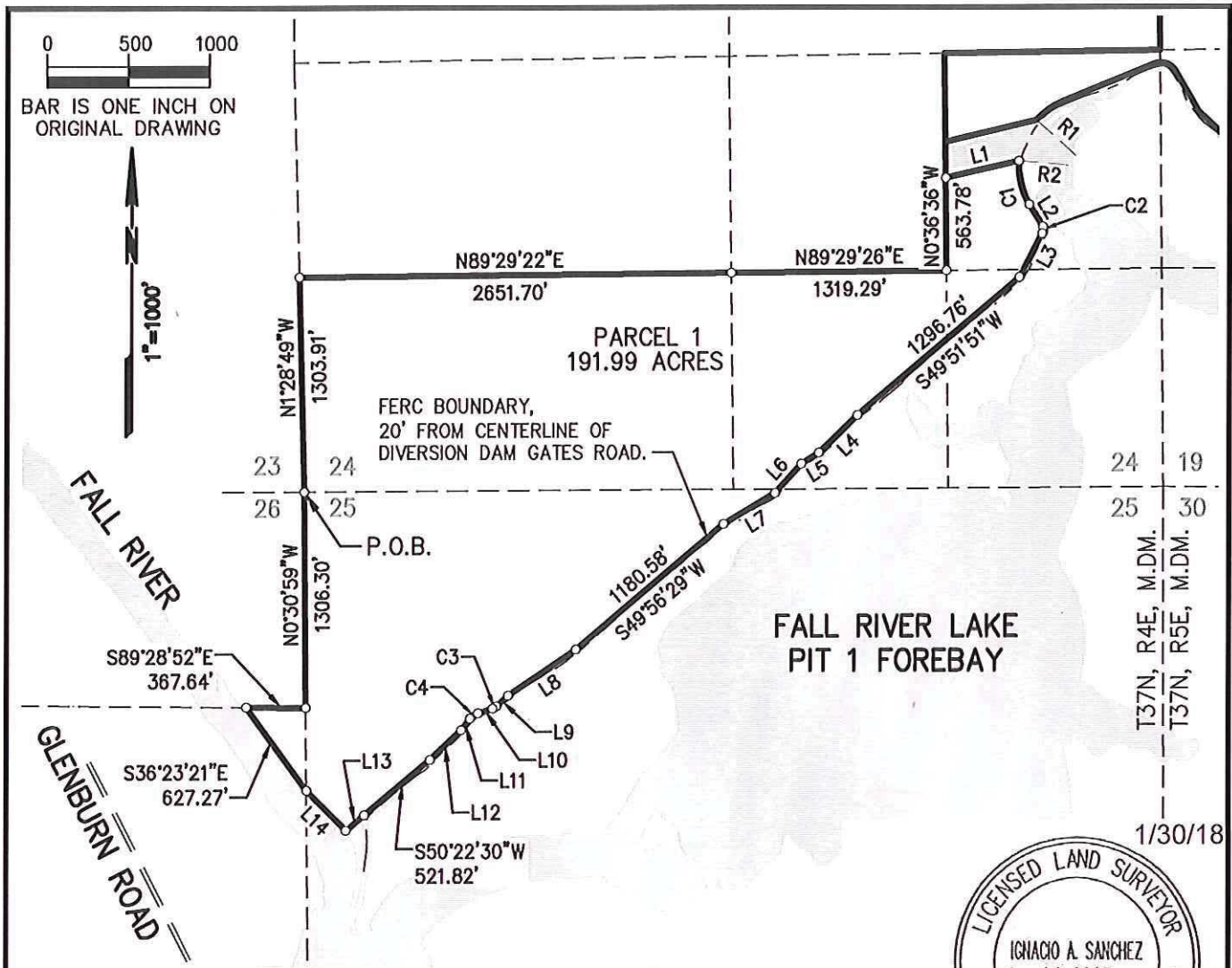
CONTAINING 271.07 ACRES, MORE OR LESS.

SURVEYOR'S NOTE: THE FERC (FEDERAL ENERGY REGULATORY COMMISSION) BOUNDARY AFOREMENTIONED IN THE DESCRIPTION ABOVE IS BASED ON G.I.S. (GEOGRAPHIC INFORMATION SYSTEM) DATA AND EXHIBIT G-5 ENTITLED "PIT 1 FOREBAY, PIT 1 PROJECT (FERC 2687-1031)", APPROVED 05-05-2010, PROVIDED BY THE PACIFIC GAS AND ELECTRIC COMPANY (PG&E).

THE BEARINGS AND DISTANCES USED IN THE FOREGOING DESCRIPTION ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1983, ZONE 1, NAD 83(NSRS 2007)(EPOCH 2011.00). TO OBTAIN GEODETIC BEARINGS, ADJUST ALL CALIFORNIA COORDINATE BEARINGS 0°22'03" COUNTERCLOCKWISE. DISTANCES ARE PROJECTED TO GROUND. TO OBTAIN GRID DISTANCES, MULTIPLY ALL DISTANCES BY 0.9997456516

1/30/18





LEGEND

DEPICTS FERC BOUNDARY PER
G.I.S AND PG&E EXHIBIT G-5

LINE AND CURVE TABLE

#	BEARING	DISTANCE	RADIUS	DELTA
L1	N77°11'53"E	461.50'		
C1		276.93'	430.00'	36°53'57"
L2	S31°52'08"E	160.00'		
C2		31.14'	30.00'	59°27'55"
L3	S27°35'48"W	311.06'		
L4	S45°53'08"W	328.60'		
L5	S57°49'58"W	125.64'		
L6	S42°17'32"W	239.70'		
L7	S59°30'33"W	368.65'		
L8	S56°13'43"W	500.40'		

LINE AND CURVE TABLE

#	BEARING	DISTANCE	RADIUS	DELTA
L9	S47°38'44"W	96.50'		
C3		26.04'	60.00'	24°51'59"
L10	S72°30'44"W	95.00'		
C4		58.69'	100.00'	33°37'36"
L11	S38°53'08"W	88.64'		
L12	S46°39'45"W	262.99'		
L13	S50°22'30"W	145.70'		
L14	N45°19'37"W	343.34'		

RADIAL TABLE

LINE	BEARING
R1	S48°26'28"E
R2	S84°58'10"E

DATE
01/30/18

PACE
ENGINEERING
REDDING, CALIFORNIA

EXHIBIT A
PARCEL 1

PAGE 6 OF 7

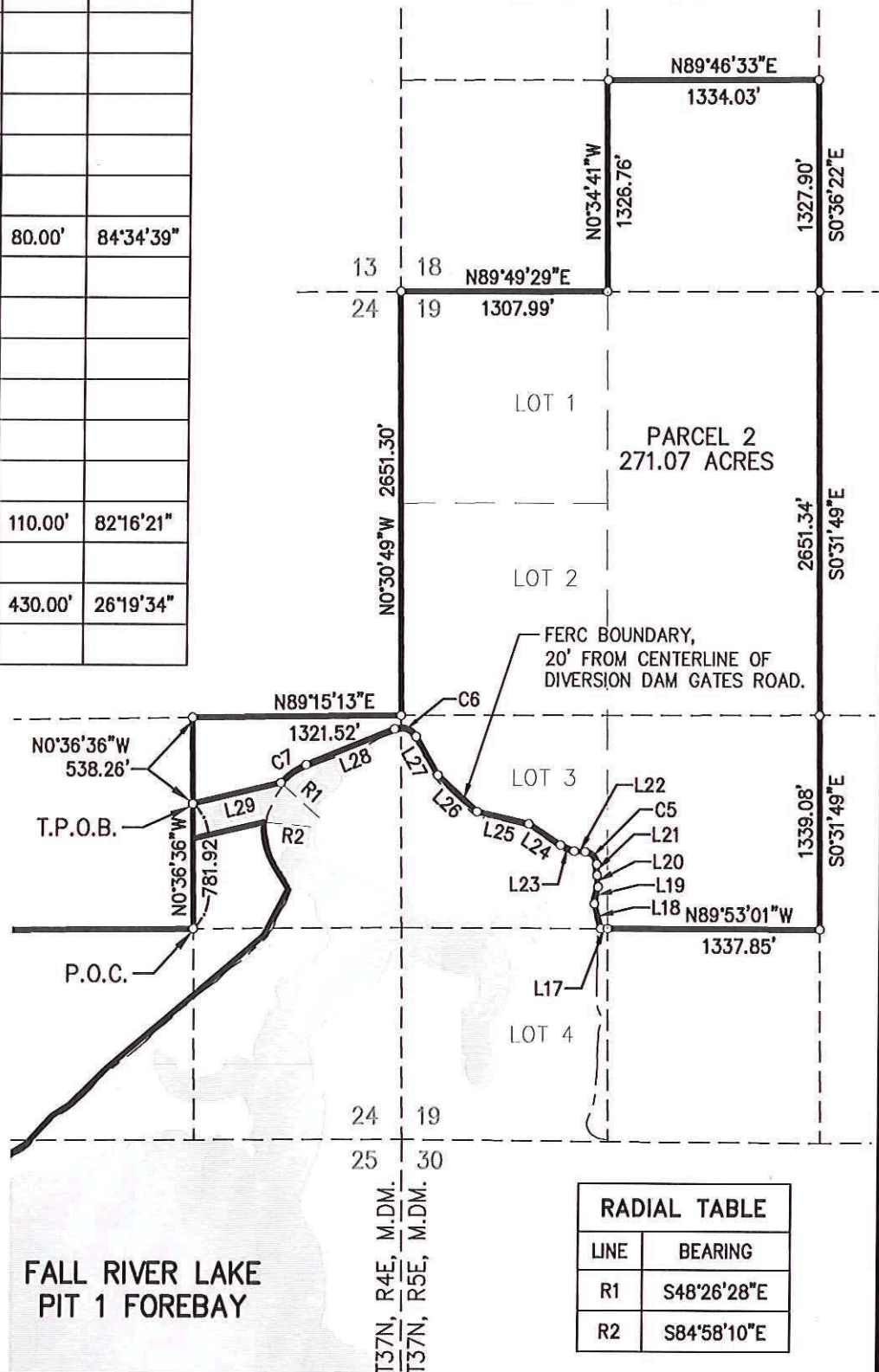
JOB #2263.06

LINE AND CURVE TABLE

#	BEARING	DISTANCE	RADIUS	DELTA
L17	N89°53'01"W	43.09'		
L18	N14°43'51"W	160.67'		
L19	N11°32'39"E	108.28'		
L20	N5°14'52"W	72.38'		
L21	N1°59'53"W	69.43'		
C5		118.09'	80.00'	84°34'39"
L22	N86°34'32"W	69.56'		
L23	N66°55'54"W	94.78'		
L24	N56°52'12"W	241.83'		
L25	N77°14'00"W	338.29'		
L26	N47°33'42"W	336.58'		
L27	N29°50'34"W	277.67'		
C6		157.95'	110.00'	82°16'21"
L28	S67°53'06"W	600.00'		
C7		197.58'	430.00'	26°19'34"
L29	S76°44'33"W	574.24'		

LEGEND

DEPICTS FERC BOUNDARY PER
G.I.S AND PG&E EXHIBIT G-5



DATE
01/30/18

PACE
ENGINEERING
REDDING, CALIFORNIA

EXHIBIT A
PARCEL 2

PAGE 7 OF 7

JOB #2263.06

EXHIBIT B

ELECTRIC LINE EASEMENT AREA

[Follows this page]

FEBRUARY 26, 2019
2263.06

EXHIBIT B
ELECTRIC LINE EASEMENT

THAT CERTAIN PARCEL OF LAND SITUATE IN SECTIONS 24, AND 25, TOWNSHIP 37 NORTH, RANGE 4 EAST AND SECTIONS 18 AND 19, TOWNSHIP 37 NORTH, RANGE 3 EAST, MOUNT DIABLO MERIDIAN, INCLUDED WITHIN A STRIP OF LAND 80.00 FEET IN WIDTH, THE CENTERLINE OF WHICH IS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF THE SOUTHEAST ONE-QUARTER OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION 18, FROM WHICH THE SOUTHEAST CORNER THEREOF BEARS SOUTH 0°36'22" EAST, A DISTANCE OF 1327.90 FEET; THENCE ALONG THE EASTERLY LINE OF SAID SOUTHEAST ONE-QUARTER, SOUTH 0°36'22" EAST, 740.94 FEET TO A POINT ON THE CENTERLINE OF AN EXISTING POLE LINE, SAID POINT BEING THE **POINT OF BEGINNING**; THENCE ALONG SAID CENTERLINE THE FOLLOWING THREE COURSES:

SOUTH 34°06'57" WEST, A DISTANCE OF 5059.62 FEET;

THENCE SOUTH 51°24'07" WEST, A DISTANCE OF 5960.73 FEET;

THENCE SOUTH 42°11'10" WEST, 446.71 FEET TO A POINT ON THE WESTERLY LINE OF SAID SECTION 25, FROM WHICH SAID SECTION BEARS NORTH 0°30'59" WEST, A DISTANCE OF 2367.37 FEET, SAID POINT BEING THE **POINT OF TERMINATION**

THE SIDELINES OF SAID 80.00 FOOT STRIP ARE TO BE SHORTENED OR LENGTHENED TO BEGIN ON THE EASTERLY LINE OF THE SOUTHEAST ONE-QUARTER OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION 18 AND TERMINATE ON THE WESTERLY LINE OF SAID SECTION 25.

THE BEARINGS AND DISTANCES USED IN THE FOREGOING DESCRIPTION ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1983, ZONE 1, (EPOCH 2011.00). DISTANCES ARE PROJECTED TO GROUND. TO OBTAIN GRID DISTANCES, MULTIPLY ALL DISTANCES BY 0.9997456516

EXCEPTING THEREFROM ALL THOSE PORTIONS THEREOF, LYING OUTSIDE OF PARCEL 1 AND PARCEL 2 AS DESCRIBED IN **EXHIBIT "A"**, AND BY THIS REFERENCE MADE A PART HEREOF.

EXHIBIT "B-1" ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF.



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Space above this line reserved for Recorder's use)
Documentary Transfer Tax: \$0.00
(not applicable)

<p>RECORDING REQUESTED BY</p> <p>Shasta Land Trust</p> <p>WHEN RECORDED, MAIL TO</p> <p>Executive Director Shasta Land Trust P. O. Box 992026 Redding, CA 96099-2026</p>	
--	--

DEED OF CONSERVATION EASEMENT LIMITING OWNERS' USES
THIS DEED OF CONSERVATION EASEMENT ("Easement"), is made and entered into this _____ (the "Effective Date"), by and between Fall River Resource Conservation District ("Owner") and SHASTA LAND TRUST, a California nonprofit public benefit corporation ("Land Trust"). This document also sets forth certain related agreements made by Owner and Land Trust (collectively, the "Parties"), as well as certain rights granted to Sierra Nevada Conservancy.

RECITALS

- A. **OWNER.** Owner is the owner of approximately 463 acres of real property located in the County of Shasta, State of California. That real property is more fully described below and in Exhibit A as the "Protected Property."
- B. **LAND TRUST.** Shasta Land Trust is a nonprofit corporation organized and operated exclusively for charitable purposes including preservation of land for scientific, historic, educational, ecological, agricultural, scenic or open space opportunities. Land Trust is a public charity as defined in section 501(c)(3) of the Internal Revenue Code and an organization qualified to hold conservation easements under California law, possessing the commitment and primary purpose to protect the Conservation Purposes of this Easement and the resources to enforce the restrictions.

Appendix 3: Conservation Easement

- C. PACIFIC GAS AND ELECTRIC COMPANY. Immediately prior to recordation of this Easement, Pacific Gas and Electric Company, a California corporation (hereinafter “PG&E”), transferred to Owner fee title in the Protected Property in accordance with that certain Grant Deed, recorded in the Official Records of the County of Shasta, immediately prior to recordation of this Easement (the “Grant Deed”). The form of that Grant Deed is attached hereto as Exhibit C and incorporated herein by reference. Conveyance of the Protected Property to Owner in accordance with the Grant Deed was made subject to (1) PG&E’s reservation of certain rights in and to the Protected Property, as set forth in the Grant Deed (hereinafter “PG&E Reserved Rights”), and (2) those legally-enforceable third-party rights to use the Protected Property in effect as of the Effective Date, as listed on Exhibit D attached hereto and incorporated herein by reference (hereinafter “Existing Third-Party Uses”).
1. PG&E transferred fee title to the Protected Property to Owner 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:
 - a. 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
 - b. That certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (“Stipulation”).
 2. 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 protection of natural habitat of fish, wildlife and plants; preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values (collectively, “Beneficial Public Values”). The Protected Property is included in these Watershed Lands. The Stipulation provides that conservation easements will preserve or enhance reasonable public access. 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.
 3. In accordance with the Governing Documents, the PG&E Reserved Rights constitute an express reservation in favor of PG&E of certain rights to continue 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.
4. The Governing Documents also include a requirement that conservation easements encumbering Watershed Lands honor existing agreements for economic uses, including consumptive water deliveries.
 5. 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 Protected Property.
 6. The Legislature of the State of California, as set forth in California Civil Code §815 et seq., has found and declared it to be the public policy and in the public interest of this State to encourage 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, Owner desires to grant a conservation easement over the Protected Property to Land Trust.
 7. Owner and Land Trust each desires through this Easement to ensure permanent protection of the Conservation Values (defined below), subject to PG&E’s Reserved Rights and the Express Third Party Uses defined in Section 5. Specifically, Owner and Land Trust desire to assure that the Conservation Values will be protected in perpetuity as provided herein, and that uses of the Protected Property that are inconsistent with these Conservation Values will be prevented or corrected.
- D. **PROTECTED PROPERTY.** The Protected Property is that real property legally described in Exhibit A and generally depicted on the “Property Map” in Exhibit B. Both exhibits are attached to this Easement and incorporated by this reference. The Protected Property is also identified as assessor’s parcel numbers _____, and _____.

The Protected Property is located in Shasta County in the community of Fall River Mills at the northern end of the Fall River Mills Planning Unit near the Pit 1 Forebay, or Fall River Lake. The Protected Property is approximately 463 acres in two parcels separated by a small portion of PG&E owned land within the FERC boundary. The Protected Property is accessed through a gated access road on PG&E lands off Mackey’s Cove and Reynolds Roads. The Protected Property extends north and west of Fall River Lake and is adjacent to River Butte Ranch, a private property, along the western boundary. The Land Trust’s River Ranch conservation easement, which is adjacent to River Butte Ranch, is less than one half mile away from the Protected Property. Surrounding land use to the north, east, and west of the Protected Property is primarily agricultural, with recreation and open space on PG&E lands to the south.

Appendix 3: Conservation Easement

E. CONSERVATION VALUES. The Protected Property includes the following specific Beneficial Public Values (hereinafter referred to collectively as the “Conservation Values”):

· Natural Habitat of Fish, Wildlife, and Plants:

- The natural attributes of the Protected Property include grassland, wildlife habitat, and natural open space. The butte provides refuge and habitat to black-tailed deer, among other wildlife. The open grassland habitats offer many natural resources to the flora and fauna native to the local area. This area of the Fall River is a designated Audubon Important Bird area because of the large number of avian species that use the greater Fall River Area and its importance in maintaining bird populations.

The Protected Property consists of undeveloped open space with a mix of conifers, sage and oak woodlands, and lava outcroppings with patches of shrub/willow riparian vegetation along lower terraces close to the rivers/lake.

· Open Space:

- The open and natural character of the Protected Property provides scenic views and open space that can be enjoyed by the general public on the lands behind the town of Fall River Mills at the Pit 1 Forebay and Fall River Pond.

· Historic Values:

- The cultural and historical significance associated with the Protected Property include traditional cultural properties, archaeological prehistoric and historic-era properties.

· Agricultural Uses:

- Agricultural uses on the Protected Property include rangeland/grazing and intensification to convert rangeland/grazing land into more intensive agricultural uses, including, without limitation, the growing and production of small grains, wild rice, hay, or silage for livestock food production.

· Recreation:

- Recreation uses include hunting in season, birdwatching, and hiking.

Preservation and protection of these Conservation Values is of great importance to Owner, the people of Shasta County, and the people of the State of California and will provide significant benefit to the public.

F. **CONSERVATION POLICY.** Preservation and protection of the Conservation Values are consistent with and will further delineated governmental policies including those established by the following:

- Section 815.2 of the California Civil Code which defines perpetual conservation easements, and sections 815 and 815.1 of the California Civil Code which articulate the California Legislature's declaration that land predominantly in its natural, scenic, agricultural, historical, forested or open-space condition is among the most important environmental assets of the State of California and should be preserved.

CONVEYANCE OF CONSERVATION EASEMENT

Pursuant to the laws of the State of California, and in particular sections 815 et seq. of the California Civil Code, and in consideration of the facts recited above and the mutual covenants contained herein, Owner hereby voluntarily conveys to Land Trust a perpetual conservation easement over the Protected Property. This Easement creates a property right immediately vested in Land Trust and consists of the rights, terms, and restrictions set out below, Land Trust agrees by accepting this grant to preserve and protect in perpetuity the Conservation Values of the Protected Property for the benefit of this generation and the generations to come.

1. **CONSERVATION PURPOSES.** The purposes of this Easement are as follows ("Conservation Purposes"): (a) to ensure that the Protected Property will be retained in perpetuity in its natural, scenic, forested, recreational, agricultural, historical, or open space condition; and (b) to prevent any use of the Protected Property that will significantly impair the Conservation Values, subject to the Express Third Party Uses and the PG&E Reserved Rights. Subject to the following terms and conditions, Owner intends that this Easement will confine uses of the Protected Property to activities that are consistent with the Conservation Purposes. As used in this Easement, the terms "impair" and "impairment" mean to diminish in quantity, quality, value, strength or viability. As used in this Easement, the terms "significant" and "significantly," when used with "impair" and "impairment," respectively, mean a greater than negligible adverse impact, for more than a transient period.

Owner and Land Trust acknowledge that the Governing Documents reflect the intention of the parties thereto (a) to honor Express Third Party Uses as defined in Section 5 and (b) to continue to permit beneficial uses of the Protected Property that preserve and/or enhance the Conservation Values. This Easement shall allow uses on the Protected Property that are consistent with protection and preservation of the Conservation Values in harmony with each other. While permitted actions required or taken to protect and preserve one or more individual Conservation Values may impair, on an individual and stand-alone basis, one or more of the other Conservation Values, Owner and Land Trust understand that achieving the Conservation Purposes requires preservation and protection, on balance, of all Conservation Values existing on the Protected Property, to the extent possible. Protecting and/or enhancing one or more Conservation Values may impair another Conservation Value, but this is not meant to be a permanent occurrence, nor a reason to prioritize one Conservation Value over another. All attempts should be made to balance on a collective basis, the Conservation Values on the whole Protected Property whenever possible. This Easement prohibits use of the Protected Property for

Appendix 3: Conservation Easement

any purpose that would significantly impair the Conservation Values on a collective, not individual basis, taking into account the relative condition and quality of each of the Conservation Values on the Protected Property as of the Effective Date.

2. **RESTRICTIONS.** Except as specifically permitted in Section 3, any activity or improvement on or use of the Protected Property in a manner that significantly impairs the Conservation Values or that is inconsistent with this Easement or the Conservation Purposes of this Easement is prohibited, including, without limitation, the following:

- 2.1 **Industrial Activity.** No industrial use of the Protected Property is allowed.
- 2.2 **Commercial Activity.** Commercial use of the Protected Property is forbidden except for those uses that (1) are consistent with the purposes of this Easement, (2) do not significantly impair the Conservation Values, and (3) are specifically permitted in section 3.
- 2.3 **Residential Use and Development.** No residential use or development of the Protected Property is allowed.
- 2.4 **Division of the Protected Property.** The Protected Property may not be divided, subdivided, or partitioned. The Protected Property may be conveyed only in its entirety as a single parcel under single ownership (joint or undivided) regardless of whether it now consists of separate parcels, was acquired as separate parcels, or is treated as separate parcels for property tax or other purposes.
- 2.5 **Subdivision.** The Protected Property is currently comprised of multiple legal parcels, all owned by Owner. Owner shall maintain all the parcels comprising the Protected Property, and all interests therein, under common ownership, as though a single legal parcel. The division, subdivision, de facto subdivision, or partition of the Protected Property, including transfer of development rights or certificates of compliance, whether by physical, legal, or any other process, and including the lease of any portion less than one hundred percent (100%) of the Protected Property for a term in excess of twenty (20) years are all prohibited.

The general prohibition set out above does not prohibit legal division of the Protected Property into separate parcels to accommodate uses and activities specifically permitted by this Easement. Any division of the Protected Property under this section requires that the Protected Property remains in single ownership and requires prior approval of Land Trust in accordance with section 9.6.

- 2.6 **Development Rights.** No portion of the Protected Property may be used to satisfy land area requirements for other property not subject to this Easement to calculate building density, lot coverage, open space, or natural resource use or extraction under otherwise applicable laws, regulations, or ordinances controlling land use. Development rights that have been encumbered or extinguished by this Easement may not be transferred to any other property or used to obtain any regulatory

- mitigation credits. All development rights not expressly preserved in this Easement are wholly transferred to Land Trust and entirely extinguished. This Easement shall not create any development rights.
- 2.7 Structures and Improvements. No temporary or permanent structures, utilities, roads or other improvements of any kind may be placed or constructed on the Protected Property except as specifically permitted in section 3.
- 2.8 Signs. No commercial signs, billboards, awnings, or advertisements shall be displayed or placed on the Protected Property, except for signage required by PG&E, Commission, Stewardship Council, Owner or Land Trust to acknowledge organizations involved in creation of the Easement or protection of the Protected Property, signs specifically permitted in section 3, temporary signs promoting special events on the Protected Property, signs on exterior fence lines deterring trespassing or clarifying allowed or prohibited uses, interpretive and educational signs, directional and informational signs, and signs as needed for Americans with Disabilities Act compliance or for public health and safety. Additional signs require prior approval of Land Trust in accordance with section 9.6. No signs shall significantly impair the Conservation Values.
- 2.9 Roads. Existing roads, driveways and parking areas may be maintained or improved but may not be oiled, paved, widened, or relocated without prior approval of Land Trust in accordance with section 9.6. The cinderling of roads necessary to allow for all weather access is permitted within the Protected Property in a manner that does not significantly impair the Conservation Values. No new road shall be constructed for access within the Protected Property or for access to adjacent properties without prior approval of Land Trust in accordance with section 9.6. Any road permitted by this paragraph shall be constructed and maintained in a manner that does not significantly impair the Conservation Values.
- 2.10 Trails. Owner may establish and maintain unpaved paths or foot trails for non-motorized recreational uses. Trails may be established, maintained and used only in a manner that does not result in significant erosion and that does not significantly impair Conservation Values. Trails may not be paved, or otherwise be covered with concrete, asphalt, or any other paving material, unless specifically required by law.
- 2.11 Fences. Existing lawful fences may be repaired and replaced. New fencing and gates may be constructed, maintained, improved, replaced, or removed to mark boundaries, secure the Protected Property, or as needed in carrying out activities permitted by this Easement. Fences may not be located or constructed in a manner that significantly impairs Conservation Values.
- 2.12 Dumping. No trash, non-compostable garbage, debris, unserviceable vehicles or equipment, junk, other unsightly materials or hazardous or toxic substances may be dumped or accumulated on the Protected Property. Temporary placement of building materials, debris or refuge containers is permitted if incidental to activities and

Appendix 3: Conservation Easement

construction permitted by this Easement, provided removed within a reasonable period of time.

- 2.13 Mining and Extraction. No mining, drilling, exploration for, or extraction of minerals, hydrocarbons, petroleum, oil, gas, steam, rocks, sand, gravel, soils or other materials on or below the surface of the Protected Property is permitted. No sale of surface or subsurface minerals or mineral rights, including gravel, sand, rock or soils from the Protected Property is permitted.
- 2.14 Topography and Surface Alteration. No alteration or change in the topography or the surface of the Protected Property is allowed. This includes no ditching, draining, soil amendment, or filling and no excavation or removal of soil or other material.

The foregoing prohibition does not prohibit surface alterations incidental to construction or other activities or uses otherwise specifically permitted by this Easement or needed for fire trails and emergency needs. Any alteration resulting from a permitted activity or use shall be undertaken with minimal disturbance to soils, topography and vegetation and with proper erosion control practices. After the activity, the surface shall be restored in a timely manner to a condition consistent with the condition of the surface immediately preceding undertaking of such activity unless restoration would cause more significant harm to Conservation Values than allowing the site to continue as is in the reasonable determination of Owner, in consultation with the Land Trust.

This provision does not include or prohibit creation, maintenance, restoration, or enhancement of wildlife habitat or native biological communities or agricultural activity otherwise permitted under section 3.4 and 3.5.

- 2.15 Water. Subject to the PG&E Reserved Rights, the Protected Property includes all water and water rights, ditches and ditch rights, springs and spring rights, reservoir and storage rights, wells and groundwater rights, creeks and riparian rights and other rights in and to the use of water historically used on or otherwise appurtenant to the Protected Property.

Activities or uses detrimental to water quality, including but not limited to degradation or pollution of any surface or sub-surface waters, are prohibited.

Alteration or manipulation of any existing water courses, creeks, wetlands and drainages located on the Protected Property, and the creation or development of any new water source or water impoundment on the Protected Property, including, but not limited to, wells, springs, creeks, dikes, dams, ponds, tanks, and cisterns, by any means is prohibited, except as permitted in section 3.2.

Owner shall not separately transfer, encumber, sell, lease or otherwise separate any water rights associated with the Protected Property held by Owner, nor any permits, licenses or contracts related to water rights on the Protected Property held by Owner,

or change authorized or historic use of water rights without approval of Land Trust in accordance with section 9.6. Owner shall not abandon or allow the abandonment of, by action or inaction, any water rights on the Protected Property held by Owner or such permits, licenses or contracts without approval of Land Trust in accordance with section 9.7.

- 2.16 Vegetation Management. No removal, cutting, pruning, trimming or mowing of any trees or other vegetation, living or dead, and no introduction of non-native species is allowed except as permitted in section 3.

3. **OWNER RESERVED RIGHTS AND CONSISTENT USES.** Owner reserves and retains all rights accruing from and associated with Owner's ownership and use of the Protected Property, including the right to engage in or permit or invite others to engage in all uses of the Protected Property that are not limited, expressly restricted or prohibited by, and are consistent with the purposes of this Easement. Owner may not, however, exercise these rights in a manner that significantly impairs Conservation Values. Additionally, before exercising any reserved right that might significantly impair Conservation Values, Owner must seek prior approval of Land Trust in accordance with section 9.6.

Without limiting the foregoing, Owner and Land Trust agree that the following rights are expressly reserved to Owner, and the following uses and practices are consistent with the Easement, subject to the provisions of section 2:

- 3.1 Right to Convey. Subject to Sections 2.4 and 2.5, Owner may sell, give, lease, bequeath, devise, mortgage or otherwise encumber or convey the Protected Property. This right to convey the Protected Property shall be subject to the following provisions.
- a. Covered Transactions. Any lease, deed or other conveyance or any encumbrance of the Protected Property shall be subject to this Easement. Owner agrees that this Easement shall be incorporated by reference in any deed or other legal instrument by which Owner transfers any interest in all or a portion of the Protected Property or by which Owner grants to a third party a right or privilege to use the Protected Property, including, without limitation, any easement, leasehold interest, or license agreement.
 - b. Notice to New Owner. Owner shall disclose this Easement to all prospective buyers of the Protected Property. Owner will reference or insert this Easement in any deed or other document by which Owner conveys title to or any interest in the Protected Property.
 - c. Notice to Land Trust. Owner will notify Land Trust of any proposed conveyance of title, or the grant of any right or privilege, to the Protected Property at least fifteen (15) days before closing. Owner will also provide Land Trust with the name and address of the new owner of the Protected Property and a copy of the deed, leasehold or license transferring title within fifteen (15) days after closing.

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- d. Designated Representative. If the Protected Property is owned by a trust, business entity or any common or jointly held ownership, Owner shall designate a representative authorized to receive notice on behalf of Owner and provide Land Trust with the name and address of the designated representative. Owner shall notify Land Trust of any change in the designated representative and provide Land Trust with the new name, address and other contact information within fifteen (15) days after the change.
- e. Notice of Action Affecting Easement. Owner will also notify Land Trust of any proposed condemnation or any claim, legal proceeding, foreclosure or other legal action that might affect title to the Protected Property or the validity or enforceability of this Easement.

The enforceability or validity of this Easement will not be impaired or limited by any failure of Owner to comply with this section 3.1.

- 3.2 Water and Irrigation. Subject to the PG&E Reserved Rights and with prior written approval of Land Trust in accordance with section 9.6, Owner may conduct the following activities:

- a. Develop wildlife enhancement ponds in a manner that does not significantly impair the Conservation Values.
- b. Develop groundwater wells and associated infrastructure within the Protected Property for use in connection with the activities permitted in the Easement, provided that such wells do not significantly impair the Conservation Values.
- c. Construct, maintain and repair stock watering systems including water troughs and guzzlers.
- d. Construct, maintain and repair irrigation system for permitted farming practices.
- e. Owner reserves and shall retain all right, title, and interest in and to all tributary and non-tributary water, all appropriative, prescriptive, contractual or other water rights, and related interests in, on, under, or appurtenant to the Protected Property for use on or for the benefit of the Protected Property in a manner consistent with this Easement and in accordance with applicable federal, state, and local laws, regulations and requirements.

- 3.3. Hunting. Owner may use the Protected Property to conduct limited, commercial hunting. Such commercial hunting shall not significantly impair Conservation Values of the Protected Property.

- 3.4 Habitat/Vegetation Management. The Protected Property may be used to create, maintain, restore, or enhance habitat for wildlife and native biological communities in

accordance with a management plan approved by Land Trust in accordance with section 9.7.

Owner shall have the right to periodically selectively cut, burn, mow, utilize herbicides, reseed, and clear invasive brush, grasses, forbs, trees and other vegetation on the Protected Property for the specific purpose of restoring, enhancing and protecting native vegetation, and improving wildlife habitat and agricultural activity.

Owner shall notify the Land Trust of any Substantial Vegetation Management Activities (as defined below) that may significantly impair the Conservation Purposes of this Easement, and Owner shall obtain Land Trust's prior written approval of such activities, which shall not be unreasonably withheld. For notice and approval purposes, "Substantial Vegetation Management Activities" shall include, but not be limited to burning, mowing, brush cutting or otherwise altering a combined area larger than 5 acres.

- a. Prescribed Burning. Prescribed burning for habitat improvement and fuel reduction purposes may occur if it does not significantly impair the Conservation Values. Any prescribed burning must be carried out in accordance with a prescribed burning plan administered by the responsible state or local agencies and must be in accordance with generally accepted "Best Management Practices." Any post-fire restoration of the Protected Property must be done in accordance with a management plan approved in advance by Land Trust in accordance with section 9.6.
- b. Down and Dead Wood. Down and dead wood may be cut and removed consistent with "Best Management Practices", fire reduction, and for safety purposes. It is the intention of Owner and Land Trust that some down and dead wood remains on the Protected Property to encourage habitat nesting and foraging.
- c. Fire. In the event of a fire, salvageable trees may be harvested and sold in accordance with generally accepted "Best Management Practices" as those practices may be identified from time to time by appropriate governmental or educational institutions, and in a manner not wasteful of soil resources or detrimental to water quality or conservation. Land Trust approval is not required for tree removal for emergency fire control.
- d. Harvesting. Harvesting naturally occurring plant products (e.g., mushrooms, berries, nuts, herbs, prairie seed, etc.) in a manner that maintains a sustainable growth and reproduction cycle for harvested plant populations and surrounding vegetation is permitted.

Owner shall have the right to allow pre-approved collection of native plants by Native Americans for traditional purposes.

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- e. Vegetation Restoration. Vegetation restoration is permitted as reasonably required to construct and maintain structures, roads, trails and other improvements specifically permitted under this Easement and provided that, following any construction, vegetation shall be restored in a timely manner to a condition consistent with the condition immediately preceding undertaking of such activity unless restoration would cause more significant harm to Conservation Values than allowing the site to continue as is in the reasonable determination of Owner, in consultation with the Land Trust.
- f. Invasive Species Management. As reasonably required to prevent or control damaging insects, noxious weeds, invasive vegetation, disease, fire, personal injury, or property damage, and with prior approval of Land Trust in accordance with section 9.6, Owner may undertake invasive species management activities including, but not limited to, brush removal, tree pruning, prescribed burning, herbicides or mowing of the Protected Property. Mowing may be accomplished with use of a tractor or similar vehicle.

Nothing in this section allows intentional introduction of invasive vegetation on the Protected Property recognized as invasive locally or regionally.

3.5 Agricultural Uses. The Protected Property may be used and developed for agricultural purposes only as follows or as otherwise specifically allowed in this Easement:

- a. Conservation Practices. Owner recognizes the importance of good resource management and stewardship to maintain the Conservation Values for present and future generations, and to this end, all agricultural uses of the Protected Property shall be conducted using generally accepted stewardship and “Best Management Practices” for the agricultural industry. Owner further recognizes that riparian systems are important to the agricultural viability and ecological health of the Protected Property and also to the watershed in which the Protected Property is located, and shall be managed accordingly. Owner shall comply with and have responsibility for compliance of the Protected Property with the California Noxious Weed Law and any other governmental noxious weed control regulations.
- b. Grazing. Owner reserves the right to graze livestock on the Protected Property in accordance with a grazing plan approved by Land Trust under section 9.6 of this Easement or with the following minimum provisions so as to maintain and preserve the Conservation Values. Any such grazing plan shall be prepared in consultation with the Natural Resources Conservation Service of the U.S. Department of Agriculture or equivalent federal, state or county agency with expertise in natural resource and rangeland management. Grazing shall not cause significant deterioration of streambanks, riparian vegetation, or water quality.

- i. All domesticated grazing animals may be grazed on the Protected Property in accordance with generally accepted “Best Management Practices.” Owner shall not permit grazing on the Protected Property in a manner inconsistent with generally accepted “Best Management Practices.”
 - ii. Owner retains the right to keep a reasonable number of domestic pets, chickens, and other small animals.
 - iii. No salt licks, minerals, food supplements or supplemental feed shall be placed within fifty (50) feet of the high water mark of any wetland or riparian area.
 - iv. Any soil amendment or enhancement must be undertaken in accordance with “Best Management Practices”.
- c. Farming. Owner reserves the right to farm, cultivate, and undertake pasture/farm management, including but not limited to both hay and rice production. Within the Protected Property, Owner reserves the right to engage in surface alterations which may include but are not limited to, irrigation ditch construction, land leveling, tillage, and levee building, in order to provide for hay and rice production.

Owner and Land Trust recognize that changes in agricultural technologies, including accepted farm management practices may result in an evolution of agricultural activities on the Protected Property. Such evolution shall be permitted so long as it is consistent with the Conservation Purposes of this Easement, and does not significantly impair the Conservation Values of the Protected Property.
- d. Feed Lots. In no event is a feedlot permitted anywhere on the Protected Property. A feedlot is defined as any confined feeding, breeding, raising or holding of animals and specifically as a confinement area in which manure may accumulate or where the concentration of animals is such that a vegetative cover cannot be maintained. Open lots for feeding and rearing poultry are also considered feedlots.
- e. Leases. Subject to Sections 2.4 and 2.5, Owner reserves the right to lease, or grant other less-than-fee interests in all or a portion of the Protected Property, including without limitation easements, licenses, and rights of ways, for any use permitted to Owner under this Easement, provided that such lease or other interest is consistent with and made expressly subject to the terms of this Easement and subject to the restrictions and covenants of the PG&E Reserved Rights.
- f. Nuisance Animals. In accordance with Applicable Laws, Owner reserves the right to control animals on the Property that (a) pose or threaten to pose a hazard

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to persons or property or (b) threaten to significantly impair one or more of the Conservation Values, or an Express Third Party Use.

- g. Renewable Energy Sources. The term “solar energy structures” for the purposes of this Easement shall be limited to, solar panels and mounting hardware, storage batteries, controllers, inverters, grounding equipment, and wiring. All solar energy structures shall be designed and constructed for the primary purpose of serving only those improvements and uses permitted on the Property, primarily powering irrigation equipment. However, any electricity generated from permitted solar energy structures in excess of the requirements of the permitted improvements and uses on the Property may be sold back to public utilities. Notwithstanding the foregoing, commercial power generation, collection or transmission facilities, solar power-related or through any other power generation method, are prohibited. Land Trust and Owner agree that this provision is a reasonable application of California Civil Code section 714 to the Protected Property.
- 3.6 Structures. Non-residential structures necessary to protect stationary equipment, irrigation, power panels, pumps and wellheads are permitted, provided that they do not significantly impair the Conservation Values.
- 3.7 Vehicles. Limited off-road use of motorized vehicles is allowed only in conjunction with habitat management, restoration, enhancement, or farming/agricultural uses as permitted in section 3. However, motorized vehicles may be used only in a manner that does not significantly impair the Conservation Values. This provision is not intended to otherwise limit the use of motorized vehicles on roads or driveways permitted under this Easement or in conjunction with construction and maintenance of permitted structures, roads, trails and other improvements.
- 4. PG&E RESERVED RIGHTS. All rights and obligations of Owner and Land Trust under this Easement are subject to PG&E’s Reserved Rights as shown in the attached Exhibit C. In the event of a conflict between the PG&E Reserved Rights and the Conservation Purposes, this Conservation Easement shall be construed to unconditionally permit the exercise of PG&E’s Reserved Rights. If PG&E notifies Owner of its intention to exercise any PG&E Reserved Rights, Owner shall give written notice to Land Trust of said intention within sixty (60) days.
- 5. EXPRESS THIRD PARTY USES. Exhibit D hereto describes existing third party uses of the Protected Property that have been permitted with express agreement of Owner (“Express Third Party Uses”). Owner retains the right to maintain, renew, and replace all agreements memorializing the Express Third Party Uses (“Third Party Use Agreements”) and to engage in all activities reasonably required to comply with Owner’s obligations with respect to the Express Third Party Uses, subject to the following conditions:
 - 5.1 Increases in Intensity or Expansion of Location or Size or Change in Use. Any (i) increase in the intensity, or (ii) expansion of the location or size, or (iii) a change in the use, of an Express Third Party Use (whether through a new agreement or an

amendment to an existing agreement), that Owner determines in Owner's reasonable discretion exercised in good faith are likely to significantly impair Conservation Values shall be subject to prior approval of Land Trust under section 9.6.

5.2 Renewal or Replacement of Third Party Use Agreements. All Third Party Use Agreements existing on the date hereof are identified on Exhibit D. As Third Party Use Agreements are renewed or replaced (either with the existing user or a new user), Owner, in consultation with Land Trust, shall include contractual provisions to bring the continuation of the Express Third Party Use and the preservation of the Conservation Values into alignment to the fullest extent reasonably practicable.

5.3 Enforcement of Third Party Use Agreements. If Owner or Land Trust discovers any default under a Third Party Use Agreement that significantly impairs the Conservation Values (and whoever makes such discovery shall give the other written notice thereof), Owner shall use reasonable efforts to enforce or otherwise remedy such violation, at Owner's sole expense.

6. LAND TRUST'S RIGHTS AND REMEDIES. To preserve and protect the Conservation Values and to accomplish the Conservation Purposes of this Easement, Land Trust has the following rights and remedies under California law and conveyed by Owner:

6.1 Right to Enter. Land Trust has the right to enter the Protected Property at reasonable times and in a reasonable manner to undertake the following:

- a. To inspect the Protected Property and to monitor and document compliance with this Easement, including taking photographs, GPS readings, and other nondestructive measurements and tests.
- b. To obtain evidence for use in seeking enforcement of this Easement.
- c. To survey or otherwise mark the boundaries of all or part of the Protected Property if necessary to determine whether there has been a violation of this Easement. Any survey completed under this provision will be at Owner's expense.
- d. To interpret this Easement, apply this Easement to factual conditions on or about the Protected Property, respond to requests for information from persons having an interest in this Easement or the Protected Property, and apply this Easement to changes occurring or proposed within the Protected Property.
- e. To exercise such additional rights as may be reasonably necessary to effectuate the Conservation Purposes of this Easement.

6.2 Access. Land Trust is entitled to use any easement, entry or approach to the Protected Property that Owner is entitled to use now or in the future to exercise the

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rights granted to Land Trust herein. Owner shall execute any additional documents as may be necessary to evidence this assignment.

- 6.3 Right of Enforcement. Land Trust has the right in perpetuity to prevent or remedy any activity on or use of the Protected Property that violates this Easement through appropriate judicial action, or through other methods of dispute resolution, against Owner or other responsible party.
- a. Notice of Violation or Potential Violation. Land Trust may not initiate judicial action until Owner or other responsible party has been given notice of the violation, or potential or threatened violation, of this Easement and sixty (60) days to correct the situation. This provision shall not apply if in Land Trust's sole discretion and exclusive judgment immediate judicial action is necessary to prevent or mitigate the significant impairment of the Conservation Values or if reasonable, good faith efforts to notify Owner or other responsible party are unsuccessful.
- b. Remedies. In enforcing this Easement, Land Trust shall have the right to exercise any and all legal and equitable remedies including:
1. Obtain temporary or permanent injunctive relief for any violation or threatened violation of this Easement.
 2. Require restoration of the Protected Property to its condition at the time of this conveyance or as otherwise necessitated by a violation of this Easement.
 3. Obtain specific performance or declaratory relief.
 4. Recover damages resulting from a violation of this Easement or harm to the Conservation Values.
 5. Recover other and additional relief in equity or at law as the court orders.

These remedies are cumulative and are available without proof of actual damage to the Conservation Values. Land Trust may exercise any other right or remedy that may at any time be available to Land Trust under this Easement or applicable law. If Land Trust exercises one remedy, Land Trust may nevertheless exercise any one or more other rights or remedies available to Land Trust at the same time or at any other time.

Land Trust and Owner agree that damages created by a violation of this Easement may be determined in at least some cases by calculating the cost of acquiring a conservation easement over similar property. Land Trust and Owner also recognize that restoration, regardless of cost, may be the only adequate remedy for certain violations.

Land Trust is entitled to seek expedited relief, ex parte if necessary; and shall not be required to post any bond applicable to a petition for such relief.

- c. Costs of Enforcement. All reasonable costs incurred by Land Trust in enforcing this Easement against Owner, including, without limitation, costs of suit and reasonable attorneys' fees, experts' fees and any costs of restoration necessitated by Owner's violation of this Easement shall be borne by Owner; provided, however, that, if Owner ultimately prevails in a judicial enforcement action, Owner shall be entitled to reimbursement for costs of suit and reasonable attorneys' fees.
- d. Enforcement Decisions. Enforcement of this Easement is solely at the discretion of Land Trust. Forbearance by Land Trust to exercise its rights in the event of any breach of this Easement by Owner or other responsible person shall not be deemed or construed to be a waiver, estoppel or laches by Land Trust of such term or of any subsequent breach of the same or any other term of this Easement. Land Trust does not waive or forfeit the right to take any action necessary to assure compliance with this Easement by any delay or prior failure of Land Trust to discover a violation or initiate enforcement proceedings.
- e. Acts Beyond Owner's Control. Land Trust may not bring an action against Owner for any change to the Protected Property resulting from any of the following:
 - 1. Causes beyond Owner's control such as changes caused by fire, flood, storm, natural deterioration or the unauthorized acts of third parties; provided, that Owner shall take all reasonable actions consistent with those undertaken by a prudent landowner to prevent unauthorized acts by third parties that could significantly impair the Conservation Values.
 - 2. Reasonable actions taken in good faith under emergency conditions to prevent or mitigate damage resulting from such causes.

Actions by Owner's lessees, agents, employees or contractors are not considered unauthorized acts of third parties.

This section does not preclude Owner or Land Trust from recovering damages or bringing an action against any third party for trespass or other violation of their respective rights.

- f. Enforcement Rights of Others. Nothing in this Easement is intended to create any right to enforce this Easement in any third party where no such right otherwise exists under this Easement or under law.
- g. Limitation on Rights. Nothing in this Easement gives Land Trust the right or

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responsibility to exercise physical control over day-to-day operations on the Protected Property or to become involved in management decisions involving use or disposal of hazardous substances or to otherwise become an operator of the Protected Property within the meaning of the Comprehensive Environmental Response, Compensation and Liability Act, or other similar or successor federal, state, or local laws regarding responsibility for environmental conditions associated with contamination (“Environmental Compliance Laws”). Owner and Land Trust do not intend this Easement to be, and this Easement shall not be, construed such that it creates in or gives to Land Trust any of the following:

1. The obligations or liabilities of an “owner” or “operator,” as those terms are defined and used in Environmental Compliance Laws;
 2. The obligations or liabilities of a person described in 42 U.S.C. §9607(a)(3) or (4);
 3. The obligations of a responsible person under any Environmental Compliance Laws;
 4. Any right to investigate, control, monitor or remediate any hazardous materials associated with the Protected Property;
 5. Any authority to specify the chemicals or hazardous substances that may be used on the Protected Property, or
 6. Any control over Owner’s ability to investigate, remove, remediate or otherwise clean up any hazardous materials associated with the Protected Property.
7. **PUBLIC ACCESS.** Owner retains the right to permit any public use of the Protected Property consistent with preservation and protection of the Conservation Values and this Easement, including restrictions on commercial recreational use set out in section 3.
- 7.1 Informal Uses and Public Access. Owner and Land Trust recognize that the Protected 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”). Owner and Land Trust further recognize that access to the Protected Property is inherent or may be inherent in enjoyment of the Conservation Values and Informal Uses. Consistent with the objectives articulated in the Governing Documents to provide continued reasonable access by the public to the Watershed Lands, owner shall allow public access to the Protected Property that is substantially consistent with public access existing on the Effective Date of the Easement. Owner reserves the right to make reasonable rules and regulations to control, limit, or, as necessary, exclude Informal Uses and public access. Owner shall not allow Informal Uses that significantly impair the Conservation Values.

- 7.2 New or Increased Public Access. If Owner desires to allow new public access or Informal Uses or expansion of public access or Informal Uses on the Protected Property in addition to those permitted under section 3.3 prior approval of Land Trust under section 9.6 is required, which approval shall not be unreasonably withheld.
- 7.3 Limitations and Conditions. Paragraphs 7.1 and 7.2 are subject to the following:
- a. Liability Limitation. Owner and Land Trust claim all of the rights and immunities against liability for injury to the public to the fullest extent allowable by law.
 - b. Periodic Review of Informal Uses. As part of Land Trust's annual compliance monitoring, Owner and Land Trust shall (i) consult on known Informal Uses and public access on the Protected Property for the purpose of Land Trust's assessment of Owner's compliance with paragraphs 7.1 and 7.2 above; and (ii) develop recommendations, if any, regarding the necessity of controlling, limiting, or excluding Informal Uses or public access to ensure preservation of the Conservation Values.
8. **BASELINE DOCUMENTATION REPORT.** The current uses of the Protected Property, the state of any existing improvements, and the specific Conservation Values that are briefly described in this Easement are more fully described in a baseline documentation report dated _____ and on file at the office of Land Trust and incorporated herein by this reference ("Baseline Documentation Report"). Owner and Land Trust acknowledge that this baseline report prepared by Land Trust with assistance from Owner and signed by both accurately represents the condition of the Protected Property as of the Effective Date and may be used by Land Trust in monitoring present and future uses of the Protected Property, in documenting compliance with this Easement, and in any enforcement proceeding. This baseline report, however, is not intended to preclude the use of other information and evidence to document the then or present condition of the Protected Property in the event of a future controversy.
9. **GENERAL PROVISIONS.**
- 9.1 Assignment. This Easement may only be assigned or transferred to a private nonprofit organization that, at the time of transfer, is (1) qualified to hold conservation easements pursuant to section 815.3(a) of the California Civil Code, (2) experienced in holding and monitoring conservation easements on properties similar to the Protected Property, and (3) willing and financially able to assume all the responsibilities imposed on Land Trust under this Easement. If no such private nonprofit organization exists or is willing to assume the responsibilities imposed by this Easement, then this Easement may be transferred to any public agency authorized to hold interests in real property as provided in section 815.3(b) of the California Civil Code. All transfers shall be duly recorded.
- a. Voluntary Assignment. Before assigning its interest under this Easement, Land Trust shall provide Owner and the Sierra Nevada Conservancy or its successor

Appendix 3: Conservation Easement

(“SNC”) with written notice of such intention to transfer (“Transfer Notice”). The Transfer Notice shall identify the proposed assignee and include a description of how the proposed assignee meets the assignee designation criteria in this section. Land Trust shall allow 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 in this section. If SNC does not approve the proposed assignee, SNC shall provide Land Trust with the reasons behind such decision.

- b. Involuntary Assignment. If Land Trust ever ceases to exist or no longer qualifies under applicable state law to hold a conservation easement interest, then SNC shall, in consultation with Owner, select an assignee that meets all the designation criteria specified in section 9.1 above. If SNC is unable to identify an assignee that meets all the designation criteria specified in section 9.1 above that is willing to accept such assignment, then SNC may elect to serve as such assignee. Notwithstanding the foregoing, SNC may elect to exercise the rights of Land Trust hereunder during any period that a successor assignee for such Land Trust is not yet in place.
- c. Conditions of Assignment. As conditions to any assignment of this Easement, Land Trust and/or the SNC shall (1) require the assignee to expressly agree in writing to assume Land Trust’s obligations hereunder in perpetuity; and (2) ensure that assignee has the resources to fulfill its obligations under the Easement.
- d. Successor to SNC. Upon any liquidation or dissolution of SNC, SNC or the State of California shall have the right to assign SNC’s rights and obligations under this section 9.1 to another entity that has a conservation mission and level of expertise consistent with that of SNC and sufficient resources and capacity to carry out the obligations of SNC.

Land Trust will notify Owner of any assignment within thirty (30) days after the assignment and will provide Owner with the name and address of the new holder.

- 9.2 Amendment. Under appropriate limited circumstances, this Easement may be amended by Land Trust and Owner; provided that no amendment shall be allowed that (a) is inconsistent with the Conservation Purposes; (b) would significantly impair the Conservation Values; (c) affects the perpetual duration of the Easement; (d) affects the validity of this Easement under California law or the status of Land Trust under section 501(c)(3) of the Internal Revenue Code or successor or related law; or (e) creates or results in impermissible private benefit or private inurement as prohibited by section 501(c)(3) of the Internal Revenue Code. Any amendment or modification must be in writing, signed by Land Trust and Owner, and recorded in the same manner as this Easement.
- 9.3 Termination. This Easement shall be of perpetual duration, it being the express intent of Owner and Land Trust that this Easement not be extinguished by, or merged into,

any other interest or estate in the Protected Property now or hereafter held by Land Trust or any other party. This Easement may be terminated or extinguished in whole or in part only as set out in this section. Owner and Land Trust are committed to protecting and preserving the Conservation Values in perpetuity. Accordingly, this Easement is binding upon the current Owner and all future Owners of the Protected Property and conveys to Land Trust the right, duty and obligation to protect and preserve the Conservation Values to benefit this generation and generations to come. If one or more Conservation Values of this Easement may no longer be protected, that inability shall not be sufficient cause to terminate the entire Easement as long as any of the Conservation Values can be protected.

- a. Change of Circumstances. This Easement may be terminated or extinguished if circumstances arise in the future that render the Conservation Purposes of the Easement impossible to accomplish. In this event, this Easement may be extinguished only through judicial proceedings. Inability to carry on any or all of the permitted uses, or the unprofitability of doing so, shall not impair the validity of this Easement or be considered grounds for its termination or extinguishment.
- b. Condemnation. This Easement may be terminated or extinguished pursuant to the proper exercise of the power of eminent domain. If this Easement is taken, in whole or in part, by exercise of the power of eminent domain, Land Trust shall be entitled to compensation in accordance with applicable law. Owner and Land Trust shall act jointly to recover the full value of their interests in the Protected Property subject to the taking or in-lieu purchase and all direct and incidental damages resulting therefrom. All expenses reasonably incurred by Owner and Land Trust in connection with the taking or in-lieu purchase shall be paid out of the amount recovered. Land Trust's share of the balance of the amount recovered shall be determined in accordance with the Section 9.3(c).
- c. Proceeds Upon Termination. This Easement constitutes a real property interest immediately vested in Land Trust, for purposes of condemnation. Following any termination or extinguishment of this Easement in whole or in part, Land Trust shall be entitled to a portion of the proceeds from any sale, exchange or involuntary conversion of the Protected Property.

Land Trust's share of the proceeds shall be an amount equal to the fair market value of this Easement at the time of the extinguishment. The fair market value of the Easement shall be determined as of the time of the extinguishment or termination by an appraisal set forth in a written report prepared and signed by an appropriately licensed or certified real estate appraiser in good standing pursuant to Part 3 (commencing with Section 11300) of Division 4 of the Business and Professions Code and its implementing regulations, Title 10 Section 3701 of the California Code of Regulations, the California Department of General Services Appraisal Specifications, and shall conform to the Uniform Standards of Professional Appraisal Practice.

Appendix 3: Conservation Easement

Land Trust shall use all proceeds received under the circumstances described in this paragraph to pay the costs to monitor, enforce and preserve any portions of the Protected Property that remain subject to this Easement, or, if no portion of the Protected Property is subject to this Easement, to monitor and enforce other conservation easements held by Land Trust that are comparable to this Easement and to conserve properties subject to such other easements in a manner consistent with the Conservation Purposes of this Easement.

9.4 Warranties. The current Owner represents and warrants as follows:

- a. The current Owner is the sole owner of the Protected Property in fee simple, including the entire mineral estate, free from all encumbrances except those described in Exhibit D, and has the right and ability to convey this Easement to Land Trust.
- b. The Protected Property is free and clear of all rights, restrictions and encumbrances other than those identified herein or subordinated to this Easement or otherwise specifically agreed to by Land Trust.
- c. The Protected Property is not subject to any pending claim, legal proceeding, foreclosure or other legal action affecting title to the Protected Property or the validity or enforceability of this Easement. Owner and Protected Property are in compliance with all federal, state, and local laws, regulations, and requirements applicable to the Protected Property and its use.
- d. The current Owner has no actual knowledge of any use or release of hazardous waste or toxic substances on the Protected Property that are in violation of a federal, state, or local environmental law and will defend, indemnify and hold Land Trust harmless against any claims of contamination from such substances.
- e. There are not now any underground storage tanks located on the Protected Property, whether presently in service or closed, abandoned, or decommissioned, and no underground storage tanks have been removed from the Protected Property in a manner not in compliance with applicable laws.

9.5 Ownership Responsibilities, Costs and Liabilities. Owner retains all responsibilities and shall bear all costs and liabilities of any kind related to the use, ownership, and maintenance of the Protected Property. Land Trust shall have no obligation for the upkeep or maintenance of the Protected Property. If Land Trust acts to maintain the Property in order to protect Land Trust's interest in the Property, Owner will reimburse Trust for any such costs.

- a. Taxes. Owner shall pay all real estate taxes and assessments levied against the Protected Property, including any levied against the interest of Land Trust created by this Easement. Land Trust may, at its discretion, pay any outstanding taxes or assessments and shall then be entitled to reimbursement from Owner.

- b. Regulatory Compliance. All activities or construction permitted by this Easement shall be undertaken in accordance with applicable federal, state and local laws, regulations and ordinances, and nothing in this Easement shall be construed to exempt the Protected Property or Owner from otherwise applicable law.

Owner is solely responsible for obtaining any required governmental permits.

- c. Indemnity. In view of Land Trust's negative rights, limited access to the land, and lack of active involvement in the day-to-day activities on the Protected Property, Owner shall defend, indemnify, and hold Land Trust harmless from any and all costs or liability for any loss, damage, or personal injury occurring on or related to the Protected Property or the existence of this Easement, except to the extent attributable to the negligence or willful misconduct of Land Trust. Land Trust shall have no responsibility for operation of the Protected Property, monitoring of hazardous conditions on it, or protection of Owner, the public or any third parties from risks relating to conditions on the Protected Property. Without limiting the foregoing, Land Trust shall not be liable to Owner or any other person or entity in connection with consents given or withheld, or in connection with any entry upon the Protected Property occurring or existing pursuant to this Easement, or on account of any claim, liability, damage or expense suffered or incurred by or threatened against Owner or any other person or entity, except as the claim, liability, damage, or expense is the result of negligence or willful misconduct of Land Trust or its officers, directors, members, employees, or agents.
- d. Insurance. Owner will name Land Trust as an additional insured on any general liability insurance policy carried by Owner with respect to the Protected Property.
- e. Future Environmental Condition. Owner is solely responsible for Owner's use or release on the Protected Property of any hazardous or toxic substances as defined by the Comprehensive Environmental Response, Compensation and Liability Act, or other similar or successor federal, state or local law or regulation regarding responsibility for environmental conditions associated with contamination. Owner shall take all steps necessary to assure any needed containment or remediation resulting from any release of such substance.

9.6 Notice and Approval. Any notice or request for approval required by this Easement must be in writing and is subject to the following:

- a. Approval in Writing. No activity requiring prior approval of Land Trust may proceed without Land Trust's written approval as set out in this section. Approval of Land Trust must be in writing to be effective. Failure of Owner to receive written approval from Land Trust constitutes denial of the request.
- b. Timing and Contents of Notice. Except as otherwise provided herein, whenever

Appendix 3: Conservation Easement

notice is required, Land Owner shall notify Land Trust in writing not less than (60) days prior to the date Land Owner intends to undertake the activity in question. The notice shall describe the nature, scope, design, location, timetable and any other material aspect of the proposed activity in sufficient detail to permit Land Trust to make an informed judgment as to its consistency with the purpose of this Easement. At a minimum, the notice should include:

1. The location, nature, and scope of the proposed activity.
2. The proposed use, design, and location of any building, structure or improvement.
3. The plan for any needed restoration of the Protected Property following the approved activity.
4. Any potential impact on the Conservation Values.

- c. Delivery. Any required notice or request for approval must be delivered personally or sent by first class mail or other nationally recognized delivery service to the appropriate party at the following addresses (or other address specified in writing):

To Owner:

[ADDRESS]

To Land Trust:

Executive Director
Shasta Land Trust
PO Box 992026
Redding, CA 96099-2026

To Sierra Nevada Conservancy (as relates to Section 9.1):

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

When personally delivered, notice is effective upon delivery. When mailed, certified mail, postage prepaid, return receipt requested, notice is effective on receipt, if delivery is confirmed by a return receipt. When delivered by an overnight delivery service, notice is effective on delivery, if delivery is confirmed by the delivery service. A recipient cannot defeat delivery by refusing to accept the notice, and notice is deemed delivered if refused.

- d. Land Trust Approval. Land Trust may approve Owner's request only if Land Trust determines, in its reasonable discretion, that all the following conditions are met:

1. The notice conforms with Section 9.6(a) through (c).
2. The proposed activity enhances or will not significantly impair the Conservation Values.
3. The proposed activity is not inconsistent with the purpose of this Easement.

Land Trust may condition its approval on Owner's acceptance of modifications that would, in Land Trust's reasonable judgment, make the proposed activity consistent with the Easement or otherwise meet the above conditions. Land Trust's approval shall not be unreasonably withheld. Land Trust's approval shall be (a) revocable at Land Trust's reasonable discretion, (b) limited in duration, and (c) specific to the individuals or entities who have requested approval to engage in the activity.

Nothing in this instrument shall require Land Trust to approve any activity that is prohibited by this Easement, would result in the amendment or termination of this Easement under state or federal law, or is otherwise prohibited by law.

- 9.7 Binding Effect. This Easement creates a property right immediately vested in Land Trust that cannot be terminated or extinguished except as set out herein.

This Easement shall run with and burden the Protected Property in perpetuity. The terms of this Easement are binding and enforceable against the current Owner of the Protected Property, all successors in title to the Protected Property and all other persons entitled to possess or use the Protected Property.

If at any time Land Trust or other holder of this Easement becomes the owner of all or a portion of the fee interest in the Protected Property, this Easement shall not be deemed to merge with the underlying fee interest but shall remain in force and effect unless otherwise terminated or extinguished as set out herein.

- 9.8 Termination of Rights and Obligations. A party's rights and obligations under this Easement terminate upon transfer or termination of that party's interest in this Easement or the Protected Property, provided, however, that any liability for acts or omissions occurring prior to the transfer or termination will survive that transfer or termination.

- a. Successors. The covenants, terms, conditions, and restrictions of this Easement shall be binding upon, and inure to the benefit of, Owner and Land Trust and their respective personal representatives, heirs, lessees, successors, and assigns and shall continue as a restrictive covenant and equitable servitude running in perpetuity with the Protected Property.

Appendix 3: Conservation Easement

- 9.9 Recording. Land Trust will record this Easement in a timely manner in the official records for the county in which the Protected Property is located. Land Trust may re-record this Easement or other documents necessary to protect its rights under this Easement or to assure the perpetual enforceability of this Easement.
- 9.10 Interpretation. This Easement shall be interpreted as follows:
- a. Controlling Law and Construction. This Easement shall be governed by the laws of the State of California and construed to resolve any ambiguities or questions of validity of specific provisions in favor of giving maximum effect to its Conservation Purposes and to the policies and purposes of California Civil Code sections 815 et seq. and other California and federal law. If any provision in this instrument is found to be ambiguous, an interpretation consistent with this Easement that would render the provision valid shall be favored over any interpretation that would render it invalid. Owner and Land Trust and their counsel have reviewed and revised this Easement and agree that no rule of construction that ambiguities are to be resolved against drafting party shall be employed in the interpretation of this Easement.
 - b. Severability. A determination that any provision or specific application of this Easement is invalid shall not affect the validity of the remaining provisions or any future application.
 - c. Captions. Captions have been inserted in this document solely for convenience of reference and shall have no effect upon interpretation or construction.
 - d. Future Economic Condition. A change in the potential economic value of any use that is prohibited by or inconsistent with this Easement, or a change in any current or future uses of neighboring properties, shall not constitute a change in conditions that makes it impossible or impractical to continue use of the Protected Property for its Conservation Purposes and shall not constitute grounds for terminating the Easement. Owner and Land Trust agree that any such changes will increase the benefit to the public of the continuation of this Easement. Both Owner and Land Trust intend that any such changes shall not be deemed to be circumstances justifying termination or extinguishment of this Easement. In addition, inability to carry on any or all of the permitted uses, or the unprofitability of doing so, shall not impair the validity of this Easement or be considered grounds for its termination or extinguishment.
- 9.11 Additional Documents. Owner agrees to execute or provide any additional documents reasonably needed by Land Trust to carry out in perpetuity the provisions and intent of this Easement, including any documents needed to correct any error or mutual mistake, legal description or title matter or to comply with any law or regulation.

- 9.12 Entire Agreement. This document sets forth the entire agreement of the Owner and Land Trust with respect to this Easement and supersedes all prior discussions or understandings.
- 9.13 Signatures. This Easement may be completed with the signatures of the Owner and Land Trust to this Easement executed and notarized on separate pages which when attached to this document shall constitute one complete document.
- 9.14 Significance of Recitals and Terms. The Recitals to this Easement are integral and operative provisions of this Easement. In all matters of interpretation, whenever necessary to give effect to any clause of this Easement, the neuter or gender-specific pronouns include the masculine and feminine, the singular includes the plural, and the plural includes the singular.
- 9.15 Representation by Counsel. Owner and Land Trust each have been represented by legal counsel of their choosing in the negotiation and preparation of this Easement.
- 9.16 No Representation of Benefits. Owner acknowledges that neither Land Trust nor any of its employees or agents has made any representation or warranty concerning valuation of the property or the easement, or the tax consequences of this transaction. Owner represents and warrants that (i) Owner has not relied upon any information furnished by Land Trust as to the availability or effect of any benefit to Owner or the value of this Easement or the Protected Property, and (ii) Owner has relied solely upon personal judgment and/or professional advice furnished by professionals engaged by Owner.
- 9.17 Authority to Sign. Each individual executing this Easement on behalf of Owner or Land Trust represents and warrants to the other Party that the execution and delivery of this Easement and all related documents have been duly authorized by the Party for which the individual is signing and that the individual has the legal capacity to execute and deliver this Easement and thereby to bind the Party for which the individual is signing.
- 9.18 Reasonableness Standard. Except when a provision expressly provides for a party's "sole discretion," Owner and Land Trust shall follow a reasonableness standard, shall use their best efforts to make any determinations that are necessary or are contemplated to be made by them (either separately or jointly) under this Easement in a timely manner, shall cooperate with one another, and shall take all other reasonable action suitable to these ends.
- 9.19 No Oral Approval. Owner understands that any oral approval or oral representation made by a Land Trust officer, employee or agent does not meet the requirements of this Easement, does not otherwise bind or commit Land Trust, and may not be relied on by Owner. Owner agrees that no oral approval or oral representation made by Land Trust's officers, employees or agents, or understood by Owner to have been made by Land Trust, its officers, employees or agents, shall be used by Owner to

Appendix 3: Conservation Easement

assert that Land Trust is, in any way, estopped or has made an election or has waived any provision of this Easement.

10. **MEDIATION.** If a dispute arises between the Owner and Land Trust (hereinafter, each individually a “Party”, and collectively the “Parties”) concerning use or activities on the Property, or the terms and conditions of this Easement, either Party may refer the dispute to mediation by request made in writing to the other, and the Parties agree not to proceed with the use or activity pending resolution of the dispute. Within ten (10) days of the receipt of such a request, the Parties shall select a single trained and impartial mediator. If the Parties are unable to agree on the selection of a single mediator, then the Parties shall, within fifteen (15) days of receipt of the initial request, jointly apply to a proper court for the appointment of a trained and impartial mediator. Mediation shall then proceed in accordance with the following guidelines:
- a **Purpose.** The purpose of the mediation is to: (i) promote discussion between the Parties; (ii) assist the Parties to develop and exchange pertinent information concerning the issues in dispute; and (iii) assist the Parties to develop proposals which will enable them to arrive at a mutually acceptable resolution of the controversy. The mediation is not intended to result in any express or de facto modification or amendment of the terms, conditions, or restrictions of this Easement.
 - b **Participation.** The mediator may meet with the Parties and their counsel jointly or ex parte. The Parties agree that they will participate in the mediation process in good faith and expeditiously, attending all sessions scheduled by the mediator. Representatives of the Parties with settlement authority will attend mediation sessions as requested by the mediator.
 - c **Confidentiality.** All information presented to the mediator shall be deemed confidential and shall be disclosed by the mediator only with the consent of the Parties or their respective counsel. The mediator shall not be subject to subpoena by any Party. No statements made or documents prepared for mediation sessions shall be disclosed in any subsequent proceeding or construed as an admission of a Party.
 - d **Time Period.** Neither Party shall be obligated to continue the mediation process beyond a period of ninety (90) days from the date of receipt of the initial request or if the mediator concludes that there is no reasonable likelihood that continuing mediation will result in a mutually agreeable resolution of the dispute.
 - e **Costs.** The costs of the mediator shall be borne equally by Grantor and Grantee; the Parties shall bear their own expenses, including attorneys’ fees, individually.

TO HAVE AND TO HOLD unto Land Trust, its successors, and assigns forever.

IN WITNESS WHEREOF Owner and Land Trust have set their hands on dates
set forth below.

OWNER:

LAND TRUST:

By _____

By _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

The remainder of this page has been intentionally left blank.

Appendix 3: Conservation Easement

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)	
)	§§
COUNTY OF _____)	

On _____, _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

	(Seal)
Notary Public	

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.
--

STATE OF CALIFORNIA)	
)	§§
COUNTY OF _____)	

On _____, _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

	(Seal)
Notary Public	

Appendix 3: Conservation Easement

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

EXHIBIT B

PROPERTY MAP

Appendix 3: Conservation Easement

EXHIBIT C

GRANT DEED

EXHIBIT D

EXISTING THIRD PARTY USES

- 1) Easements over said land for A.) A right of way 40 feet in width B.) The right to select, enclose by fences and permit livestock to cross over a strip of real property of the uniform width of 60 feet C.) The right to water such live stock in the waters of such inundated portion of the aforesaid strip of land and incidental purposes, as reserved by F.M. Callison and Wanda Callison, in instrument recorded February 25, 1947, in book 217, page 493, Official Records.
- 2) An easement over said land for the right to erect, construct, reconstruct, replace, remove, maintain and use a line of poles with such wires as from time to time suspend therefrom for the transmission and distribution of electric energy, and for communication purposes, and all necessary and proper crossarms, guys, anchors and other appliances and fixtures and all rights incidental thereto, as granted to the California Oregon Power Company, a California corporation, in instrument recorded February 16, 1953, in book 394, page 23, Official Records.
- 3) Easements for pole lines and overhead utilities as disclosed by survey provided to this company dated June 25, 2015, Job #2263.06 from Pace Engineering.



**Conservation Easement Funding Agreement
Fall River Mills Planning Unit (Fall River Resource Conservation District)**

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 **the Shasta 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 publicly-supported, tax exempt nonprofit organization, qualified under Section 501 (c)(3) of the Internal Revenue Code ("IRC"), whose primary purpose is to preserve, protect or enhance, land in its natural scenic, historical agricultural, forested or open space condition or use and conserve natural areas for aesthetic, scientific, charitable and educational purposes. Grantee 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 Section 815 *et seq.* (the "Conservation Easement") over a portion of the PG&E Watershed Lands that is being donated to Fall River Resource Conservation District consisting of approximately 465 acres of real property located in the County of Shasta, State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by reference (the "Property").

E. Grantee has agreed to accept perpetual conservation easements over PG&E Watershed Lands that are subject to PG&E's Land Conservation Commitment in the Burney Gardens, Cow Creek, Fall River Mills, Hat Creek, Lake Britton, Pit River, and Tunnel Reservoir planning units ("the Watershed Properties").

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 Shasta 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 June 30, 2018, 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 Amount and Payment Terms. Effective upon the Effective Date, the Stewardship Council grants **One Hundred Fifteen Thousand Dollars (\$115,000)** (the "Grant Funds") to Grantee. The Grant Funds shall be payable to Grantee within thirty (30) days of 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.

3. Grant Restrictions. The use of the Grant Funds shall be restricted as follows:

a. No less than Fifty Seven Thousand Five Hundred Dollars (\$57,500) of the Grant Funds shall be deposited into a non-wasting endowment restricted solely for the purpose of funding Grantee's costs for the stewardship and monitoring of conservation easements on the Watershed Properties (the "Endowment Monitoring and Stewardship Funds"). The types of allowable expenditures of these funds is described in Section 5 below.

b. Ten Thousand Dollars (\$10,000) of the Grant Funds shall be restricted to the legal defense and enforcement of conservation easements held by Grantee, including, but not limited to, the conservation easements established on the Watershed Properties (the "Defense and Enforcement Funds"). The types of allowable expenditures of these funds is described in Section 6 below.

c. The remainder of the Grant Funds shall be restricted for the purpose of funding Grantee's costs for the stewardship and monitoring of any conservation easements held by Grantee, including but not limited to the conservation easements on the Watershed Properties (the "General Monitoring and Stewardship Funds"). Grantee may use the General Monitoring and Stewardship Funds to monitor any of its conservation easements as long as Grantee meets its obligations as described in Section 5 below.

4. Grant Deposit Requirements.

a. Within thirty (30) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of the Endowment Monitoring and Stewardship Funds into an account which shall be restricted solely for the purpose of



funding Grantee's costs for the stewardship and monitoring of conservation easements on the Watershed Properties and shall be treated as a non-wasting endowment.

b. Within thirty (30) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of the General Monitoring and Stewardship Funds and the Defense and Enforcement Funds into an account which shall be restricted to the stewardship, monitoring, and legal defense or enforcement of the conservation easements held by the Grantee, including but not limited to the Conservation Easement on the Property. Notwithstanding the right of Grantee to deposit the Monitoring and Stewardship Funds and the Defense and Enforcement Funds into a single account, the use of each type of funds is restricted as provided in Section 3 above.

c. The requirement to provide evidence of deposit will be satisfied when Grantee submits to the Stewardship Council the form attached as Exhibit B.

5. 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 General Monitoring and Stewardship Funds and Endowment Monitoring and Stewardship Funds shall include, but not be limited to:

a. Regular on-site inspection and monitoring to ensure that the terms of Conservation Easement are being met;

b. 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;

c. Payments for staff, consultants and attorney time necessary to carry out Grantee's stewardship responsibilities with regard to its conservation easements;

d. Communications with the fee title owner of the property which is subject to the easement regarding the provisions of the Conservation Easement and planned or completed activities on the lands to be performed or allowed by the fee title owner or a licensee/lessee;

e. Responding to any inquiries or concerns raised by entities that have leases or licenses on the Property or other stakeholders who have an interest in ensuring the beneficial public values are protected.



6. 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, including any claims by third parties;
- 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, or to cover deductibles related to such insurance.

7. Grant Report. Grantee agrees to submit to the Stewardship Council and/or its designee the following grant Status Reports pursuant to this Agreement. The initial Status Report shall be submitted to the Stewardship Council by the fourth quarter of the 2019 calendar year and include data up to the date of the initial Status Report. The final Status Report shall be submitted to the Stewardship Council or its designee on or before December 31, 2023. The due dates of the initial and final Status Reports can be changed by the Stewardship Council or its designee with at least 60 days written notice to Grantee. The Stewardship Council or its designee shall notify Grantee in a timely manner of the form and content of each Status Report, which shall include, at a minimum:

- a. Copies of annual monitoring reports pertaining to the Conservation Easement for years selected by the Stewardship Council or its designee;
- b. A statement as to whether any violations of the Conservation Easement were observed during the reporting period, and the outcome of any action taken to correct such violation;
- c. A statement as to whether any amendments to the Conservation Easement were approved during the reporting period, with copies of any such amendments included in the Status Reports;
- d. A statement as to whether fee title of the property was conveyed, the date of such conveyance, and the identity of the transferee; and
- e. A report providing an accounting of how the Grant Funds have been invested or expended in furtherance of the purposes of this Agreement.

8. 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 landowner, and other communications pursuant to the Conservation Easement in accordance with the practices generally accepted in the land trust community.

9. 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.

10. 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 assigns its interest under the Conservation Easement to a successor conservation easement holder ("Assignee"), Grantee shall transfer all Grant Funds in its possession to Assignee and require that Assignee assume all of Grantee's obligations under this agreement.

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

12. Representations and Warranties. Grantee warrants and represents that it is a tax exempt organization under Section 501(c)(3) of the 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).

Grantee does not knowingly employ individuals or contribute funds to organizations found on any terrorist-related list prepared by the U.S. Government, the United Nations, or the European Union, including the Department of Treasury's Office of Foreign Assets Control Specially Designated Nationals List, the Department of Justice's Terrorist Exclusion List, or the list attached to Executive Order 13224. Should any change occur with respect to the preceding sentence, Grantee will notify the Stewardship Council within 7 days of such change.

13. 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.

14. 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.

15. Assignment. This Agreement may not be assigned by the Grantee in whole or in part except as provided in Section 10 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.

16. 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.

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

18. 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: _____

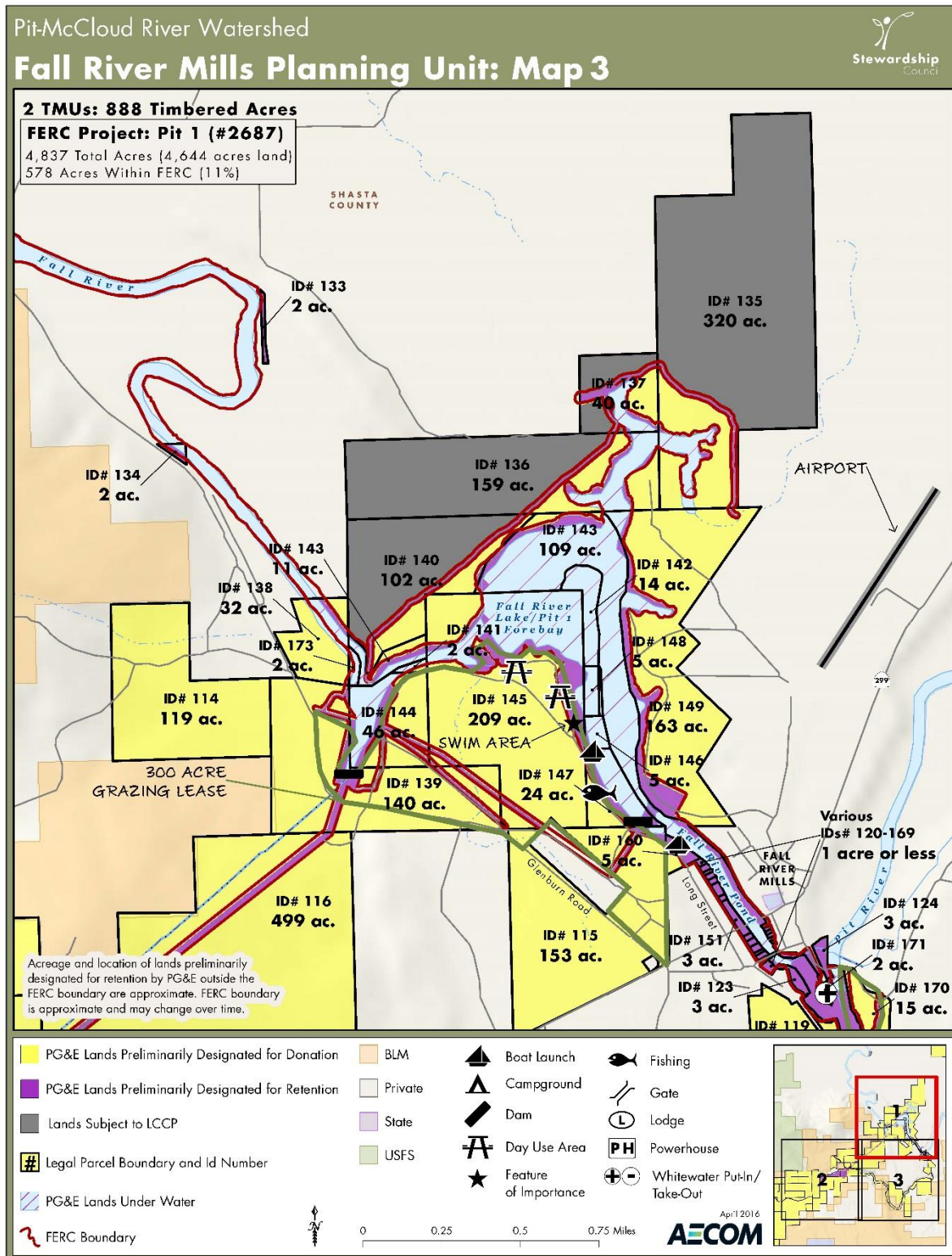
Shasta Land Trust,
a California Nonprofit Public Benefit Corporation

By: _____

Title: _____

Date: _____

Exhibit A



**EXHIBIT B TO CONSERVATION EASEMENT FUNDING AGREEMENT****Evidence of Grant Fund Deposit and Restriction of Use Certification**

Date:	Planning Unit/Property Title:
Grantee Name:	Grantee Address:

*Date of Deposit of Grant Funds:		Amount Deposited:	
Bank Name:	Account Name:	Account #:	
Certification of Deposit of Grant Funds and Restricted Use of Monitoring of Conservation Easement Funds			
I, hereby state that the above referenced information is true and accurate, and understand that the above information, if misrepresented, or incomplete, may be grounds for immediate repayment of grant funds. I also agree that account activity will be restricted to the permissible uses of General Monitoring and Stewardship Funds as set forth in Section 3c and 5 of the Grant Agreement.			
Name:		Title:	
Signature:		Date:	

*Date of Deposit of Grant Funds:		Amount Deposited:	
Bank Name:	Account Name:	Account #:	
Certification of Deposit of Monitoring and Stewardship Endowment Funds in Non-Wasting Endowment			
I, hereby state that the above referenced information is true and accurate, and understand that the above information, if misrepresented, or incomplete, may be grounds for immediate repayment of grant funds. I also agree that account activity will be restricted solely for the purpose of funding Grantee's costs for the stewardship and monitoring of conservation easements on the Watershed Properties and shall be treated as a non-wasting endowment as set forth in Section 3a of the Grant Agreement.			
Name:		Title:	
Signature:		Date:	

For third section, see page 2

**EXHIBIT B TO CONSERVATION EASEMENT FUNDING AGREEMENT – Page 2**

*Date of Deposit of Grant Funds:			Amount Deposited:		
Bank Name:		Account Name:		Account #:	
Certification of Deposit of Grant Funds and Restricted Use of Defense & Enforcement Funds					
I, hereby state that the above referenced information is true and accurate, and understand that the above information, if misrepresented, or incomplete, may be grounds for immediate repayment of grant funds. I also agree that account activity will be restricted to the permissible uses of the Defense and Enforcement Funds as set forth in Section 6 of the Grant Agreement.					
Name:			Title:		
Signature:			Date:		

Return to:

Stewardship Council
 155 Bovet Road, Suite 405
 San Mateo, CA 94402
Phone: (650) 372-9047
Fax: (650) 372-9303

*Please include a copy of the bank statement referencing the above deposit.



PROPERTY TAX NEUTRALITY METHODOLOGY

INTRODUCTION

The Settlement Agreement¹ and Stipulation² that established the Land Conservation Commitment require that the Land Conservation Plan being developed by the Stewardship Council 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. Section 4.3 of Volume I of the Land Conservation Plan (LCP) adopted by the Stewardship Council in November 2007 described the Stewardship Council’s potential strategies and anticipated approach to achieving property tax neutrality at a programmatic level.

On September 17, 2009, the Stewardship Council adopted a funding policy. This policy further clarified the Stewardship Council’s approach to property tax neutrality and identified several potential vehicles to achieving this requirement. On March 30, 2011, the Stewardship Council adopted a set of guidelines which describe scenarios in which the Stewardship Council will make property tax payments to affected counties and further defined a set of overarching assumptions regarding property tax neutrality payments.

Table 1 in Appendix A lists the estimated acreage and estimated annual property taxes associated with PG&E watershed lands which have been recommended by the Stewardship Council Board of Directors for donation. The estimated total tax liability that would be subject to tax neutrality will depend upon the total acreage actually transferred, and the types of organizations receiving fee title to the lands. No PG&E watershed lands will be recommended for donation in counties that are not listed in Table 1.

PURPOSE OF PROPOSED METHODOLOGY

The purpose of this methodology is to establish a standard payment process when lands are transferred to organizations that are exempt from paying property taxes. The following methodology will be applied to all counties which experience a loss in property tax revenues due to a recommended donation of fee title as part of the Stewardship Council’s Land Conservation Commitment.

¹ *Opinion Modifying the Proposed Settlement Agreement of Pacific Gas & Electric Company, PG&E Corporation and the Commission Staff, and Approving the Modified Settlement Agreement*, December 18, 2003:

http://www.stewardshipcouncil.org/documents/Settlement_Agreement.pdf

² *Stipulation Resolving Issues Regarding the Land Conservation Commitment*, September 25, 2003:

http://www.stewardshipcouncil.org/documents/Stipulation_Agreement.pdf



DETERMINING TAX NEUTRALITY PAYMENT AMOUNT

Following the Stewardship Council approval of a fee-title donation, the Stewardship Council will work with the affected county to calculate the payment amount for inclusion in the Stewardship Council's Land Conservation and Conveyance Plan (LCCP).

1. Using the legal description and/or survey of lands identified for transfer to an organization which is exempt from paying property taxes, the Stewardship Council and PG&E will prepare an estimate of the annual taxes on lands to be donated. If assessed values on the lands recommended for donation change prior to the transfer of land, the Stewardship Council will revise the payment calculation included in the proposed tax neutrality funding agreement prior to its execution by the parties.
2. The reduction in annual taxes caused by the donation of acres to organizations exempt from property tax will constitute the "Annual Base Value" for the funding calculation.
3. The county will select either the lump-sum, installment payment, or annual payment in perpetuity option (described below) for the selected fee-title donation and communicate their preference in writing to the Stewardship Council.
4. The Stewardship Council will provide a draft funding agreement for county review and approval using the Annual Base Value and payment option. The draft funding agreement is expected to include, among other items, the following acknowledgements by the county:
 - a. Payment by the Stewardship Council satisfies the tax neutrality requirement as specified in the Settlement and Stipulation for the subject fee-title donation.
 - b. The county has issued (or will not reasonably withhold) a Welfare Tax Exemption for the new landowner, if required.
 - c. The county will agree to distribute the lump-sum, installment payment, or annual payment to the applicable special districts as dictated in the relevant Tax Rate Area at the time of payment. In consideration for the additional administrative responsibility of the county to set up the process to allocate payments to special districts, the Stewardship Council will make a \$3,000 payment to the county for county's anticipated costs to perform such activities for the first fee title donation of lands in the county. Said payment will be made at the time the Stewardship Council makes its lump-sum tax neutrality payment or installment payments to county or sets aside funds for an endowment account to generate funds for annual tax neutrality payments to county. For subsequent fee title donations, if a county expects to incur more than \$3,000 in costs to perform such



activities, then it shall make a request to the Stewardship Council for increased funding no later than 60 days following the recording of the grant deed for each additional fee title donation or the execution of a tax neutrality funding agreement, whichever comes later. The Stewardship Council will review each funding request and provide the county with sufficient funds to cover all reasonable anticipated costs.

5. The Stewardship Council will fund the settlement amount according to the terms of the tax neutrality funding agreement as described in number 4 above no later than 60 days following the recording of the grant deed for the fee title donation or the execution of a tax neutrality funding agreement, whichever comes later.

OPTIONS FOR FUNDING PROPERTY TAX NEUTRALITY PAYMENTS

The Stewardship Council is presenting three options for making tax neutrality payments: (1) a one-time lump-sum payment; (2) annual installment payments for a maximum number of five years totaling the lump-sum amount; or (3) funding of an independent trustee to continue annual payments in lieu of taxes in perpetuity.

Lump-sum payment

Lump-sum payments in satisfaction of property tax neutrality would be calculated based upon the net present value of the Annual Base Value at the time that lands are removed from the property tax rolls. The lump-sum payment will be calculated using a discounted cash flows analysis for perpetual payment streams, otherwise known as a Capitalization Rate (Cap Rate).

The Cap Rate calculation requires an assumption of a long-term rate of return on comparable investments, and a long-term inflation rate. In order to develop a Cap Rate for a lump-sum payment, the Stewardship Council considered multiple long-term inputs, including long term equity and fixed income returns (Dow Jones Industrial Average, S&P 500, U.S. Treasury, CalPERS), weighted average borrowing costs for subject counties, and discount rate assumptions for pension and other post-employment benefits.

Based upon the analysis described above, **the Stewardship Council is offering counties a Cap Rate of 4.0%** to be used in the calculation of a lump-sum payment in satisfaction of property tax neutrality. The calculation for arriving at a lump-sum payment is as follows:

$$\text{Lump Sum Value} = \text{Annual Base Value} \div 4.0\%$$

The following table provides an example of the application of the Cap Rate to various Annual Base Values:

Annual Base Value	\$500	\$1,000	\$5,000	\$10,000
Lump Sum at 4.0%	\$12,500	\$25,000	\$125,000	\$250,000



Lump-sum payments would be allocated based upon the applicable Tax Rate Area at the time of payment. The Stewardship Council envisions making these lump-sum payments as unrestricted payments in lieu of property taxes, subject to the distribution method described in section 4.c above. Counties and special districts would be free to determine the best use of the funds pursuant to the needs of the county or special district, including if desired, investment in a shared investment pool of the county's choosing.

Installment Payments

The Stewardship Council is willing to pay the amount calculated for the lump-sum payment in annual installment payments totaling the lump-sum amount for a maximum number of five years.

The Stewardship Council is in negotiations with a professional investment manager to act as investment manager and trustee for an endowment to support the management and monitoring of conservation covenants after the Stewardship Council's dissolution. The Stewardship Council is prepared to make this arrangement available to counties which prefer to receive an annual payment in lieu of property taxes on lands which are removed from the tax rolls.

Under this structure, the Stewardship Council will make a contribution to an endowment account which would be designed to generate enough income to compensate for the lost property tax revenues and pay for annual investment management and trustee fees. The contribution to the endowment account would be calculated based upon the Annual Base Value for lands approved for donations and the expected payout ratio of 4%.

Annual payments out of the endowment account will be calculated based upon a rolling 20 quarter average of the account's ending balance³. The practice of calculating payments based upon a rolling average (smoothing) has been shown to reduce the number of significant declines in annual distributions, and increase the total value of payments and invested assets⁴.

Annual payments to counties would be allocated based upon the applicable Tax Rate Area at the time of payment by the receiving county. The Stewardship Council envisions making these annual payments as unrestricted payments in lieu of property taxes, subject to the distribution method described in section 4.c above. Counties and special districts would be free to determine the best use of the funds pursuant to the needs of the county or special district.

³ During the initial four years, the trustee will calculate payments based upon the number of available quarters (e.g. year 1 – rolling 4 quarters, year 2 – rolling 8 quarters, etc.)

⁴ Smarter Giving for Private Foundations, AllianceBernstein, https://www.alliancebernstein.com/Research-Publications/Black-Books/Foundations-and-Endowments/Stories/Foundations_BlackBook.htm



Participating counties would be enrolled in a common service model in the investment management account. All counties would share a common investment policy and investment management agreement. Funds will be invested in a commingled account, with the investment manager providing an individual accounting to each individual county.

Considerations of the Annual Payment Approach

The viability of the annual payment option is subject to a level of participation by the counties which meets the minimum account size (estimated at \$1 million).

Under this approach annual payments may exceed the original Annual Base Value in some years, and be lower in others, as the payment amount is reliant upon the ending market value of the account.

The Stewardship Council's transaction process is expected to occur serially, over the span of several years. It is likely that the viability and pricing of the annual payment approach will not be known for the initial transactions. Therefore, the Stewardship Council may make the initial annual payments directly to counties until the minimum account size is reached.

Please see Appendix B for more details on the annual payment option.

Appendix A

Estimated acreage and annual property taxes associated with PG&E watershed lands which have been recommended by the Stewardship Council Board of Directors for donation.

Table 1

County	Acres Recommended for Donation	Estimated Annual Taxes on Lands Recommended for Donation (\$)
Alpine	410	\$2,941
Amador	2,040	\$8,577
Butte	1,263	\$12,329
Calaveras	60	\$48
Fresno	267	\$2,228
Lake	986	\$31,795
Madera	220	\$12,296
Mendocino	847	\$16,778
Nevada	1,867	\$13,103
Placer	2,683	\$57,064
Plumas	2,986	\$29,928
Shasta	23,591	\$81,872
Tuolumne	868	\$379
Yuba	41	\$530



Appendix B Annual Payment Details

TRUSTEE SELECTION

The Stewardship Council is performing due diligence for the selection of an investment manager and trustee to administer the trust account for annual payments to counties. Selection will be based upon many factors, including (but not limited to): organization history and reputation, investment management experience, fee structure, and administrative capabilities. Additional information on the selection process can be provided upon request.

Trustee's Responsibilities:

Upon the Stewardship Council's funding of the trust account, the trustee would assume all responsibilities for making annual payments to counties in lieu of property taxes, including:

Trust administration

- Interpret the trust document.
- Distribute trust assets according to the trust document.
- Perform principal and income accounting.
- Prepare and file tax returns.
- Address specific beneficiary issues, reporting, etc.

Investment management

- Invest the trust portfolio assets objectively for the benefit of all interested parties.
- Manage portfolio assets in a tax-efficient and tax-effective manner.
- Review investment performance to ensure the portfolio is meeting the established goals and objectives.

THE ANNUAL PAYMENT STRUCTURE

Using the inputs described in the term sheet, the Stewardship Council will make a contribution to the trust account on behalf of the participating county. The following example illustrates the funding and payout process.

EXAMPLE: Calculation of Contribution to Trust Account

Annual Base Value:	\$5,000 per year
Annual Payout Percentage:	4.00%
Contribution Calculation:	$\$5,000 \div 0.04 = \$125,000$



The actual annual payout is dependent upon the following factors:

Annual Rate of Return: The annual rate of return will depend upon investment selections and market and economic performance. While past results are not an accurate predictor of future results, the annual return of the S&P 500 has averaged approximately 9%-10% since 1925¹.

Estimated Annual Fees: Annual investment management and trust administration fees will be deducted from the account and are expected to be approximately 1% - 2%, depending upon the selected investment manager and trustee.

As envisioned, the trustee will make annual payments based upon a rolling 20 quarter average of the account balance². The practice of calculating payments based upon a rolling average (smoothing) has been shown to reduce the number of significant declines in annual distributions, and increase the total value of payments and invested assets³. However, this does not guarantee against the possibility of losses in investment principal resulting in payments in some years being less than the county would have otherwise received from property taxes.

The following examples illustrate the payment methodology in two theoretical scenarios. Scenario A shows anticipated annual payments to a county with a stable rate of return. While it is unrealistic to expect no volatility in investment returns, Scenario A shows that the growth in annual payments should keep pace with, or exceed annual inflation, when invested in a balanced portfolio⁴.

Scenario B shows actual market returns for the S&P 500 index from 1980 to 2010. While historical returns do not predict future performance, the time period in Scenario B provides a more realistic assumption of variability in stock market returns. Please note that the proposed investment portfolio would not include a 100% allocation to the S&P 500 or to equities. A model portfolio would include diversification among equities (small cap, large cap, international) and fixed income investments. This diversification would likely reduce the estimated annual return and reduce volatility.

Please note that both of the scenarios are provided for illustrative purposes only and do not constitute a prediction of future performance on behalf of the Stewardship Council or the prospective investment manager.

¹ Based upon Historical Average Return of the S&P 500 index 1925-2010.

http://apps.finra.org/investor_information/smart/401k/401104.asp

Past performance does not guarantee future results.

² During the initial four years, the trustee will calculate payments based upon the number of available quarters (e.g. year 1 – rolling 4 quarters, year 2 – rolling 8 quarters, etc.).

³ Smarter Giving for Private Foundations, AllianceBernstein, https://www.alliancebernstein.com/Research-Publications/Black-Books/Foundations-and-Endowments/Stories/Foundations_BlackBook.htm

⁴ Bureau of Labor Statistics, CPI Rate: Jan 1913 to Nov 2011 http://www.bls.gov/data/inflation_calculator.htm

**Scenario A: \$125,000 earning a stable return⁵**

Year	Beginning Balance	Annual Return %	Annual Return \$	Annual Distribution (4%)	Fees -1%	Ending Balance
0	125,000	9.00%	11,250	-	(1,250)	135,000
1	135,000	9.00%	12,150	(5,400)	(1,350)	140,400
2	140,400	9.00%	12,636	(5,508)	(1,404)	146,124
3	146,124	9.00%	13,151	(5,620)	(1,461)	152,194
4	152,194	9.00%	13,697	(5,737)	(1,522)	158,632
5	158,632	9.00%	14,277	(5,859)	(1,586)	165,464
6	165,464	9.00%	14,892	(6,103)	(1,655)	172,598
7	172,598	9.00%	15,534	(6,360)	(1,726)	180,046
8	180,046	9.00%	16,204	(6,631)	(1,800)	187,818
9	187,818	9.00%	16,904	(6,916)	(1,878)	195,927
10	195,927	9.00%	17,633	(7,215)	(1,959)	204,387
11	204,387	9.00%	18,395	(7,526)	(2,044)	213,211
12	213,211	9.00%	19,189	(7,851)	(2,132)	222,417
13	222,417	9.00%	20,018	(8,190)	(2,224)	232,020
14	232,020	9.00%	20,882	(8,544)	(2,320)	242,038
15	242,038	9.00%	21,783	(8,913)	(2,420)	252,489
16	252,489	9.00%	22,724	(9,297)	(2,525)	263,390
17	263,390	9.00%	23,705	(9,699)	(2,634)	274,763
18	274,763	9.00%	24,729	(10,118)	(2,748)	286,626
19	286,626	9.00%	25,796	(10,554)	(2,866)	299,002
20	299,002	9.00%	26,910	(11,010)	(2,990)	311,912
21	311,912	9.00%	28,072	(11,486)	(3,119)	325,379
22	325,379	9.00%	29,284	(11,981)	(3,254)	339,428
23	339,428	9.00%	30,549	(12,499)	(3,394)	354,084
24	354,084	9.00%	31,868	(13,038)	(3,541)	369,372
25	369,372	9.00%	33,243	(13,601)	(3,694)	385,320
26	385,320	9.00%	34,679	(14,189)	(3,853)	401,957
27	401,957	9.00%	36,176	(14,801)	(4,020)	419,313
28	419,313	9.00%	37,738	(15,440)	(4,193)	437,417
29	437,417	9.00%	39,368	(16,107)	(4,374)	456,304
30	456,304	9.00%	41,067	(16,802)	(4,563)	476,005

⁵ Annual return based upon historical performance of the S&P 500 index 1925-2010. These figures are provided for illustrative purposes only and do not constitute a prediction of future performance on behalf of the Stewardship Council or the prospective investment manager.

**Scenario B: \$125,000 at historical S&P 500 returns⁶**

Year	Beginning Balance	Annual Return %	Annual Return \$	Annual Distribution (4%)	Fees (1%)	Ending Balance
1980	125,000	25.8%	32,213	0	(1,250)	155,963
1981	125,000	-9.7%	(12,163)	(6,239)	(1,250)	105,349
1982	105,349	14.8%	15,550	(4,214)	(1,053)	115,631
1983	115,631	17.3%	19,969	(4,420)	(1,156)	130,025
1984	130,025	1.4%	1,820	(4,680)	(1,300)	125,865
1985	125,865	26.3%	33,140	(4,769)	(1,259)	152,977
1986	152,977	14.6%	22,365	(5,039)	(1,530)	168,774
1987	168,774	2.0%	3,426	(5,546)	(1,688)	164,966
1988	164,966	16.6%	27,401	(5,941)	(1,650)	184,777
1989	184,777	31.7%	58,556	(6,379)	(1,848)	235,106
1990	235,106	-3.1%	(7,288)	(7,253)	(2,351)	218,214
1991	218,214	30.5%	66,490	(7,775)	(2,182)	274,747
1992	274,747	7.6%	20,936	(8,622)	(2,747)	284,313
1993	284,313	10.1%	28,659	(9,577)	(2,843)	300,551
1994	300,551	1.3%	3,967	(10,503)	(3,006)	291,009
1995	291,009	37.6%	109,361	(10,951)	(2,910)	386,510
1996	386,510	23.0%	88,743	(12,297)	(3,865)	459,090
1997	459,090	33.4%	153,152	(13,772)	(4,591)	593,880
1998	593,880	28.6%	169,731	(16,248)	(5,939)	741,424
1999	741,424	21.0%	155,996	(19,775)	(7,414)	870,230
2000	870,230	-9.1%	(79,191)	(24,409)	(8,702)	757,927
2001	757,927	-11.9%	(90,118)	(27,380)	(7,579)	632,850
2002	632,850	-22.1%	(139,860)	(28,770)	(6,329)	457,891
2003	457,891	28.7%	131,369	(27,683)	(4,579)	556,999
2004	556,999	10.9%	60,601	(26,207)	(5,570)	585,823
2005	585,823	4.9%	28,764	(23,932)	(5,858)	584,797
2006	584,797	15.8%	92,339	(22,547)	(5,848)	648,741
2007	648,741	5.5%	35,616	(22,674)	(6,487)	655,196
2008	655,196	-37.0%	(242,423)	(24,252)	(6,552)	381,969
2009	381,969	26.5%	101,069	(22,852)	(3,820)	456,366
2010	456,366	15.1%	68,729	(21,817)	(4,564)	498,715
Annualized Return :		9.6%	(1980-2010)			

⁶ Annual return based upon historical performance of the S&P 500 index 1980-2010. These figures are provided for illustrative purposes only and do not constitute a prediction of future performance on behalf of the Stewardship Council or the prospective investment manager.

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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.

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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

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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.