

Revised Final LCCP

June 2, 2016



Stewardship
Council

Land Conservation and Conveyance Plan

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

Executive Summary

Subject

LCCP McArthur Swamp Planning Unit

Land Conservation Plan Identification Number (Parcel): 174, 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 a portion (4,491 acres) of one parcel (Parcel 174) of the McArthur Swamp planning unit.
- Wetlands America Trust, Inc. (WAT) to hold the conservation easement on the 4,491 acres of Parcel 174 donated to the Fall River RCD. WAT has fiduciary responsibility for endowment and land holdings, including conservation easements, for Ducks Unlimited (DU). “DU” will be used herein to refer to both WAT and DU.

Summary

A portion (4,491 acres) of one parcel (Parcel 174) will be donated to the Fall River RCD (hereinafter referred to as the “Property”) 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 DU. The remaining 3,172 acres within the planning unit will be retained by PG&E and will be addressed in a separate Land Conservation and Conveyance Plan (LCCP).

Pending CPUC approval, and immediately following PG&E's conveyance of the 4,491 acres within Parcel 174 to the Fall River RCD, the Fall River RCD and DU will enter into the conservation easement.

The 4,491 acres of Parcel 174 to be donated to the Fall River RCD are in near proximity to PG&E's Pit 1 FERC Project (FERC #2687). PG&E has determined ownership of this acreage is not necessary for existing or future utility operations. Therefore, this acreage is available for donation, subject to PG&E's reserved rights.

This transfer of property 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 4,491 acres of grassland and wetland areas in Shasta County.

Economic Uses and Agreements

There is a recorded encumbrance for an electric transmission line on the acreage for donation to the Fall River RCD in the McArthur Swamp planning unit. There is one

existing agreement for economic use, an unrecorded grazing license between the McArthur Swamp Resource Management Association and PG&E, which currently encumbers all of the lands recommended for donation to the Fall River RCD. Upon transfer of fee title from PG&E to the Fall River RCD, a grazing license between the Fall River RCD and the McArthur Resource Management Association shall become effective.

PG&E will reserve 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 DU, 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 on the McArthur Swamp property will ensure the permanent protection and preservation of the following BPVs:

- Open space for the benefit of the public.
- Agriculture uses, including grazing of the property's grasslands by cattle on a rotational basis.
- Natural habitat for fish, wildlife and plants, including:
 - Wet meadows, seasonal wetlands, vernal pools, and emergent wetlands; annual and perennial native and seeded grasslands; and low sage uplands;
 - Migrating waterfowl including Pacific greater white-fronted and snow geese, northern pintail, mallard, American wigeon, gadwall, and green-winged teal. Greater sandhill cranes also seasonally use the property; and
 - Nesting cover in grasslands for a variety of ducks, shorebirds, and songbirds including mallard, gadwall, cinnamon teal, long-billed curlew, savannah sparrow, and western meadowlark.
- Outdoor recreation including hunting, wildlife viewing and bird watching.
- The conservation easement recognizes that the property is located within the ancestral territory of the Ajumawi Band of the Pit River Tribe and requires the protection of cultural resources.

In recognition of the importance of the agricultural use of cattle grazing to the local economy and the unique wildlife habitat values of McArthur Swamp, the Fall River RCD has agreed to develop and implement a demonstration project that was recommended by

the Stewardship Council board. The demonstration project involves the implementation of a land management plan and enhancement projects that have the potential to enhance the beneficial public values of wildlife habitat protection and agriculture, supporting the continuation of a viable cattle grazing operation, an important socioeconomic component of the region.

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 may select the option of receiving a lump sum payment of \$1,119,025, an annual payment from a trustee selected by the Stewardship Council, or annual installment payments for a maximum of five years totaling the lump-sum amount. Annual payments from the trustee would be equal to 4% of a rolling 20 quarter average of the principal balance invested for the parcels, consistent with the methodology described in the Property Tax Neutrality Methodology adopted on June 27, 2012 and amended on June 24, 2015 and January 21, 2016.

Hazardous Waste Disclosure

PG&E has provided the McArthur Swamp Planning Unit Environmental Site Assessment Report, dated June 21, 2010, to the Fall River RCD and DU, fulfilling the disclosure requirements of the Land Conservation Commitment.

Consideration of Parcel Split

Within Parcel 174, approximately 4,491 acres are proposed for transfer to the Fall River RCD. At closing, the 4,491 acre property as well as the remainder of the parcel 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.

Applicable CEQA Exemption(s) or Reason Why Transaction is not a "Project Under CEQA"

The establishment of a conservation easement is categorically exempt under Section 15325 of the CEQA Guidelines (CFR Title 14, Chapter 3).

The McArthur Swamp 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 the transaction is a project under CEQA.

Exhibit 1. Map of the Property

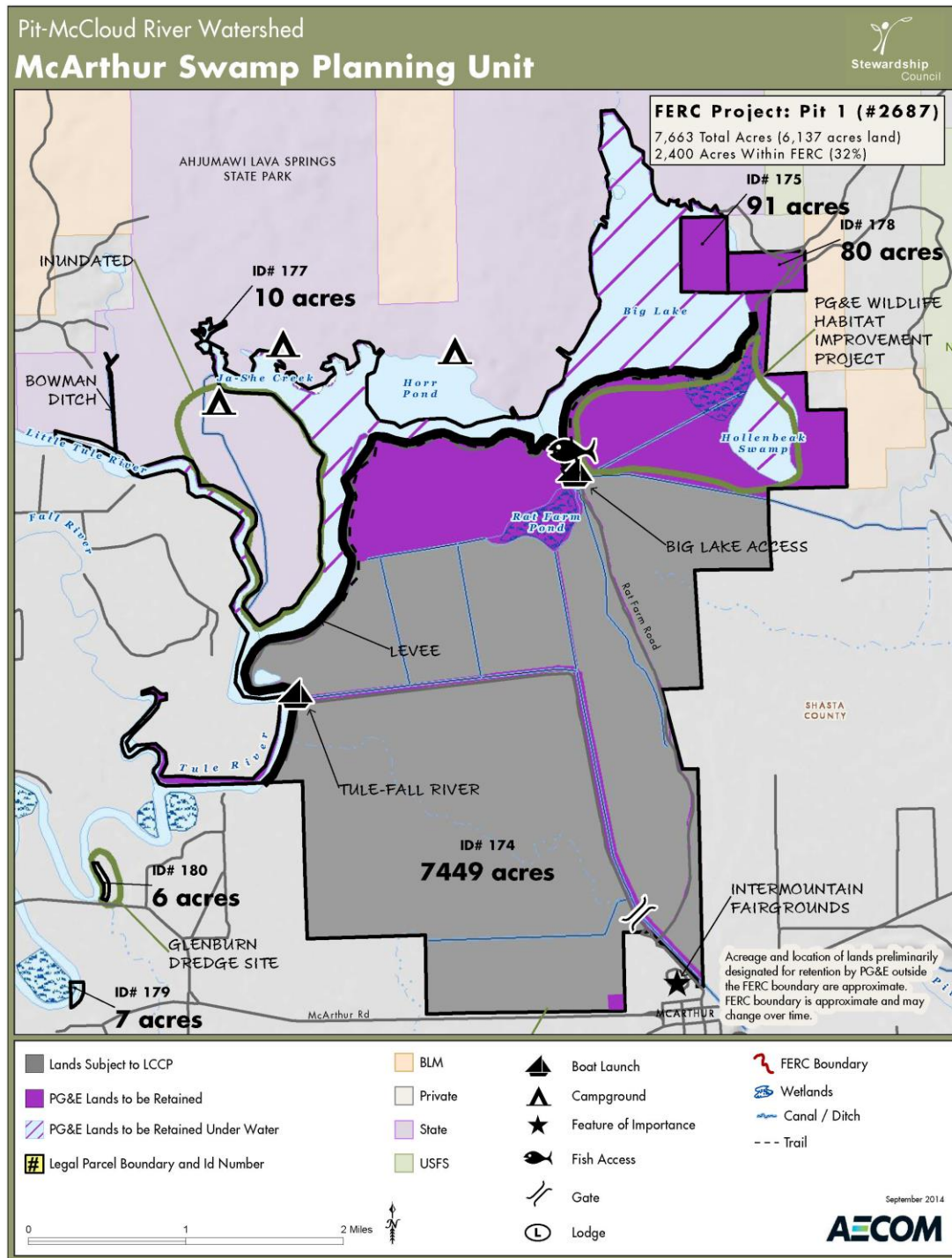


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Introduction

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 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 the subject of this LCCP, the McArthur Swamp 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 4,491 acres within one parcel (174) of the McArthur Swamp planning unit in fee and that Ducks Unlimited (DU) hold a conservation easement over lands recommended for donation to the Fall River RCD in this parcel (174) of the McArthur Swamp planning unit.

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

Table 1-1 Stipulation 12(a) Requirements

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

Table 1-1 Stipulation 12(a) Requirements

(9) Monitoring Plan for the Economic and Physical Impacts of Disposition and Implementation of Enhancement Measures <i>"A plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures on the applicable management objectives;"</i>
(10) Implementation Schedule for Transactions and Measures <i>"A schedule for the implementing transactions and measures."</i>

1. Acreage, Existing Economic Uses and Agreements

Acreage and Property Description

4,491 acres in Parcel 174 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 DU. The remaining 2,958 acres within Parcel 174 will be retained by PG&E and will be subject to a conservation easement.

The McArthur Swamp planning unit is located just north of the town of McArthur. The planning unit contains the spring-fed Big Lake, the Tule and Little Tule Rivers and part of the Fall River, along with 6,000 acres of grassland and wetland areas.

The multitude of bird species that reside or migrate through the area makes the McArthur Swamp site special. Tens of thousands of birds use this site during their migration. McArthur Swamp supports wintering waterfowl, such as mallard, wigeon, gadwall, and geese, including large numbers of cackling Canada geese, a small rare subspecies. The grassland areas provide excellent foraging for at least 10 wintering and resident crane and raptor species, including many special status species.

Due to the abundance of bird species, bird watching opportunities are tremendous. The Big Lake area is part of the nationwide Watchable Wildlife Program and is included within the California Wildlife Viewing Guide. Wildlife viewing is currently possible from the levee tops and main access road. Hunting is a prominent use of the site, as McArthur Swamp is the most popular waterfowl hunting location in the intermountain area. Though hunting is allowed at the Swamp at no fee, there are also no specific hunting facilities on the property.

There are no forest resources within the planning unit.

Grazing has occurred at the Swamp for about 70 years. The property currently provides grazing opportunities for nine to twelve ranchers on 6,000 acres of land for approximately 1,200 to 2,000 head of cattle.

McArthur Swamp is located within the ancestral territory of the Ajumawi Band of the Pit River Tribe. There are six recorded archaeological sites at McArthur Swamp. Additionally, the historic Rat Farm, which was the site of a PG&E muskrat farm built in 1924, was located within this planning unit.

Adjacent and Nearby Landowners

The parcel subject to donation to the Fall River RCD is surrounded by private and State Park lands. The parcel is accessible from Rat Farm Road.

The Stewardship Council notified and invited private landowners located within one mile of the subject parcel and local ranchers to provide comment during key phases of the land conservation and conveyance planning process. Several nearby private landowners and local ranchers have participated in the process and provided comments concerning their

property interests. Comments received were brought to the attention of the Stewardship Council's Board of Directors.

Existing Economic Uses and Agreements

There is a recorded encumbrance for an electric transmission line on the acreage for donation to the Fall River RCD in the McArthur Swamp planning unit. There is one existing agreement for economic use, an unrecorded grazing license between the McArthur Swamp Resource Management Association and PG&E, which currently encumbers all of the lands recommended for donation to the Fall River RCD. Upon transfer of fee title from PG&E to the Fall River RCD, a grazing license between the Fall River RCD and the McArthur Resource Management Association shall become effective

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 McArthur Swamp 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 and restore special biological resources.

The Fall River RCD proposes to maintain the property in its natural state and therefore preserve habitat values as they exist. The conservation easement (Appendix 3) will permanently protect habitat by restricting development and limiting the landowner’s uses to those that are consistent with the protection of the BPVs on the property.

The Fall River RCD proposes to map and characterize plant communities, wetlands and sensitive habitat and conduct reconnaissance-level surveys for special status and native wildlife and plant species. These studies are intended to form the basis for a comprehensive management plan at the McArthur Swamp planning unit.

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

The conservation easement will ensure that no further development will occur unless specifically authorized by the conservation easement and consistent with the BPVs. The Fall River RCD proposes to maintain the property to be donated without significant modifications to the landscape. The current open space values on the property will remain for the benefit of the public.

3. Objective: Enhance recreational facilities in order to provide additional education and recreation opportunities and enhance the recreation experience.

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

The conservation easement will allow for the existing recreation uses and public access to continue and will protect future public access to the property subject to reasonable limitations by the landowner. In addition the conservation easement establishes building envelopes for the potential future development of a youth facility and a visitor center (Appendix 3).

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

In recognition of the importance of the agricultural use of cattle grazing to the local economy and the unique wildlife habitat values of McArthur Swamp, the Fall River RCD has agreed to develop and implement a demonstration project that was recommended by the Stewardship Council board. The demonstration project involves the implementation of a land management plan and enhancement projects that have the potential to enhance the wildlife habitat protection and agriculture BPVs, supporting the continuation of a viable cattle grazing operation, an important socioeconomic component of the region.

Additionally, the Fall River RCD intends, to the extent permitted by state and federal law, to give bidding preference for grazing licenses to interested parties whose primary operation and majority holdings are located within the RCD's boundary.

The conservation easement will allow existing grazing use to continue.

The Fall River RCD proposes to conduct biological surveys to inform future land management decisions, hire a range manager to oversee enhancement projects and daily operations and develop a Grazing Plan for the property that will contribute to the Management Plan for the property.

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

The conservation easement will protect cultural resources (as defined in Title XIV of the California Code of Regulations) on the Property consistent with applicable laws and regulations.

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. Ducks Unlimited (DU) will hold the conservation easement over the lands to be donated to the Fall River RCD in the McArthur Swamp planning unit. The qualifications of DU 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 McArthur Swamp planning unit, the Fall River RCD will convey the conservation easement to DU.

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 7 for a description of PG&E's Land Conservation Commitment.

The 4,491 acres proposed for donation to the Fall River RCD in Parcel 174 were identified as available for donation, subject to PG&E's reserved rights.

Lands to be Donated by PG&E

4,491 acres within one legal parcel (174) will be donated to the Fall River RCD pending CPUC approval of the Section 851 filing for the transaction. The legal description of the parcel is included in the grant deed, which is provided in Appendix 2. The qualifications and capacity of the Fall River RCD to manage the McArthur Swamp property recommended for donation are described in Chapter 4.

The map in Appendix 6 shows all of the land within Parcel 174 in the McArthur Swamp planning unit that will be donated. The map also shows key features in the planning unit and surrounding area, and ownership of adjacent land.

Lands to be Retained by PG&E

The remaining lands in the McArthur Swamp 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 May 12, 2010 and February 15, 2011 respectively:

- Fall River Resource Conservation District (RCD) to hold fee simple title to 4,491 acres within Parcel 174.
- Ducks Unlimited (DU) to hold a conservation easement over the 4,491 acres to be donated to the Fall River RCD in Parcel 174.

Capacity of Selected Organizations

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

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 limited experience holding and managing lands held in fee. However, the RCD has an interest in managing the planning unit collaboratively with other interested stakeholders who have significant experience as land owners as demonstrated by the proposal to create a three-member management team comprised of the RCD, the Pit River Tribe, and a representative from the Technical Advisory Committee that the RCD established to help it develop a comprehensive management plan for the property. As a public entity, the RCD is required to follow all applicable rules pertaining to hiring, purchasing, awarding of contracts, and accounting practices.

- The RCD has stated its intention to enter into agreements with local ranchers for grazing cattle on the property and will receive revenues annually from the tenants.
- The Stewardship Council intends to award one or more grants to the RCD to fund enhanced land management and specific enhancement projects.

B. DU

- DU became a nonprofit corporation in 1937, operates in the United States, Canada, and Mexico, and has conserved over 4 million acres in the United States alone.
- DU is an experienced conservation easement holder and has a well-developed conservation easement program. As of 2011, DU held 406 conservation easements over more than 320,000 acres of wetlands, grasslands, forests, and farms, with 10 of these conservation easements in California encompassing over 5,000 acres.
- DU has an experienced staff and board of directors with expertise in wetlands, restoration, waterfowl habitat, agriculture, wildlife biology, recreation, and FERC relicensing.
- DU has established policies and standards regarding the monitoring and enforcement of conservation easements. DU is an accredited land trust with the national Land Trust Alliance (LTA) and it follows LTA standards and practices.
- DU is a qualified conservation easement holder under California Civil Code Section 815.3.

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 McArthur Swamp 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 donation of fee title or becoming a conservation easement holder.
- 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). The methodology outlines three in-lieu payment options: a one-time lump sum payment from the Stewardship Council directly to counties, the Stewardship Council’s establishment of an endowment account that would be designed to generate

enough investment income to make annual in-lieu payments to counties on an ongoing basis, and annual installment payments for a maximum number of five years totaling the lump-sum amount. Regardless of the payment option selected by the county, the payment methodology provides that the county will distribute funds related to the special districts as defined in the Tax Rate Area upon receipt of the lump sum payment or the annual installment payment.

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.

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 may select one of the three following options: a lump sum payment, an annual payment from a trustee selected by the Stewardship Council, or annual installment payments for a maximum number of five years totaling the lump-sum amount.

The transfer of lands to the Fall River RCD is expected to result in the reduction of approximately \$44,761 in annual taxes paid to Shasta County (as shown in Table 5-1 below).

Table 2: Property Tax Detail

Parcel ID	SBE Map Number	Taxes on Acres Transferred
174	130-45-1-11	\$5,776
	130-45-1-12	\$4,091
	130-45-1-18	\$5,244
	130-45-1-19	\$5,658
	130-45-1-20	\$6,384
	130-45-1-24	\$1,628
	130-45-1-25	\$3,570
	135-45-17A-1	\$459
	135-45-20-1	\$265
	135-45-20-2	\$4,736
	135-45-20-4	\$575
	135-45-33-2	\$3,803
	135-45-33-6	\$2,572
Total		\$44,761

If Shasta County chooses the lump-sum option, the Stewardship Council would make a one-time payment of approximately \$1,119,025 to the county. If Shasta County chose the installment payment option, the lump-sum amount would be paid in installments up to five years. Shasta County would, 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 parcel.

If Shasta County chooses the annual payment option, the Stewardship Council could elect to do one of the following: (1) for an initial period of time, make installment payments itself to Shasta County with the annual installment fixed at approximately \$44,761 per year or (2) immediately after the donation of lands to a tax exempt entity deposit approximately \$1,119,025 with a third party trustee, which would be responsible for making annual payments to Shasta County. Pursuant to the methodology described in the Property Tax Neutrality Methodology adopted on June 27, 2012 as amended on June 24, 2015 and January 21, 2016, the trustee will make annual payments equal to 4% of a rolling 20 quarter average of the principal balance invested for the parcel. Shasta County would, 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 parcel.

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 4,491 acres within the McArthur Swamp planning unit have not mandated any changes to the physical or economic uses of the lands. The Fall River RCD intends to manage the land in a manner consistent with the current physical and economic uses of the lands. No new activities are proposed at this time that will result in significant adverse physical impacts to the property.

The conservation easement held by DU will permit the existing economic use on the lands to continue. With limited exceptions, the conservation easement will prohibit development and other uses of the land that would significantly impair the BPVs, all subject to PG&E's rights reserved for continued operation and maintenance of hydroelectric facilities and associated water delivery facilities, as set forth in the conservation easement, which can be found in Appendix 3. The conservation easement will allow for the possible future development of a visitors center and youth facility on a limited portion of the site.

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 Retained by PG&E

A portion (approximately 2,958 acres) of Parcel 174 in the McArthur Swamp planning unit will be retained by PG&E.

Lands to be Donated by PG&E

PG&E has provided the McArthur Swamp Planning Unit Environmental Site Assessment Report, dated June 21, 2010, to the Fall River RCD and DU, 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 DU, satisfying the requirements of Section 12(f) of the Stipulation.

7. Consideration of Parcel Split

To effectuate transfer of 4,491 acres identified for donation to the Fall River RCD within Parcel 174, 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)² and Appendix E, paragraph 1.

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

The 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.

In November 2013, the Board set aside \$1.76 million for potential land management and enhancement projects at McArthur Swamp, with the funding amounts and scopes of work for specific projects to be approved by the Board at a later date.

Specifically, at the McArthur Swamp planning unit, the Fall River RCD plans to map and characterize plant communities, wetlands, and sensitive habitat; conduct reconnaissance-level surveys for special status and native wildlife and plant species; conduct a cultural resource survey and assessment; and develop a Grazing Plan. These studies will lead to updating the Comprehensive Management Plan for the property, which was developed in 2011 by the Fall River RCD in collaboration with the Technical Advisory Committee and the Pit River Tribe.

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

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

The Stipulation requires that the 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.

The Stewardship Council will be dissolved when it has completed its work. 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
- The enhancements that were funded by the Stewardship Council

It is anticipated that several years after the dissolution of the Stewardship Council, the 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.

10. Implementation Schedule for Transaction and Measures

Schedule for Transaction

- CPUC review and approval (2015)
- Close of escrow (2015)
- Stewardship Council release of funds to the Fall River RCD for enhancement related activities and to DU per the conservation easement funding agreement (2015)

Compliance with Local Land Use Planning Requirements

Future management of the donated property at the McArthur Swamp 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 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 proposed LCCP being adopted by the board.
- Individual Meetings with Stakeholders: Over the course of the preparation of Volumes I and II of the Land Conservation Plan (LCP) and the LCCP, Stewardship Council staff met, and communicated via the telephone and email, with a number of stakeholders interested in the Watershed Lands.
- The Stewardship Council Board of Directors meets five to six times per year, typically on a bimonthly schedule. At the board meetings, the public is invited to directly address the board on an agenda item or on any other matter. The meetings have been held at locations in northern

Appendix 1: Summary of Public Outreach

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.

MCARTHUR SWAMP PUBLIC OUTREACH

Highlighted below are the opportunities that have been, or are being, provided for public input on key documents and decisions concerning the McArthur Swamp 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 received were reviewed, and responded to individually; and the text in the draft LCP was revised as appropriate.

II. NOTICING OF LANDOWNERS WITHIN ONE MILE

In the fall of 2006 a postcard was distributed to the approximately 26,000 landowners located within one mile of the exterior boundary of all the parcels to notify and invite comment on Volume I and II of the LCP. A postcard was also sent to notify and invite adjacent landowners located within one mile of the McArthur Swamp parcel to a public workshop that was held in McArthur on September 11, 2008. In addition, simultaneous with the release of the proposed subject LCCP for public comment, adjacent landowners located within one mile of the subject parcel are noticed by mail of a 30 day period for them to comment on the proposed LCCP.

Several interested stakeholders, including individuals associated with the McArthur Swamp Resource Management Association submitted written comments and provided verbal comments at board meetings held by the Stewardship Council. These comments were considered by the Stewardship Council in the development of this LCCP.

III. PILOT PROJECT ORIENTATION MEETING

On December 19, 2007, the Stewardship Council hosted a pilot project orientation meeting for the McArthur Swamp planning unit in Redding. The purpose of this meeting was to provide an update on the Stewardship Council's Land Conservation Program and review the pilot process. The 24 people that attended the meeting also had an opportunity to ask questions regarding the process. This meeting was advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to the local newspaper, and a paid advertisement in the local paper. A summary of the meeting notes was posted on the Stewardship Council website for public review.

IV. PUBLIC PLANNING WORKSHOP

A public planning workshop on the McArthur Swamp pilot project was hosted by the Stewardship Council on September 11, 2008, in McArthur, California. The meeting had 33 attendees that included local, state, federal and tribal governments, community organizations, and other interested stakeholders. The meeting was advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to the local newspaper, a paid advertisement in the local paper, and a postcard sent to all landowners on record located within one mile of any PG&E parcel associated with the McArthur Swamp 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 McArthur Swamp planning unit. Discussions were guided by staff and focused on two topics: important qualifications of future land owners and conservation easements holders, and importance/priority of the potential measures recommended by the Stewardship Council for McArthur Swamp. A summary of the meeting notes was posted on the Stewardship Council website for public review.

V. PUBLIC REVIEW OF LAND STEWARDSHIP PROPOSALS

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

VI. PUBLIC REVIEW OF LAND CONSERVATION PROGRAM POLICIES & GUIDELINES

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

Land Conservation Program Funding Policy

The Stewardship Council created a Land Conservation Program Funding Policy to help guide future planning and decision-making regarding funding of the long term management and stewardship of the watershed lands. In June and July, 2009, the draft policy was posted on the Stewardship Council's web site and made available for review and comment to a group of stakeholders consisting of all registered potential donees and representatives of the counties in which the watershed lands are located. Two comments were received during the 30-day review and comment period. Both comments were reviewed, and it was determined that neither comment necessitated a change in the draft policy. The

Appendix 1: Summary of Public Outreach

Stewardship Council's Board of Directors adopted the policy at a public board meeting in Sonora, California on September 17, 2009.

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

Staff recommendations for prospective fee title donees or retention of land by PG&E 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 proposed donation of lands in the McArthur Swamp planning unit were provided to the board for consideration. At its May 19, 2010 public board meeting, the board also received additional public comments.

VIII. 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 board taking action to approve the proposed LCCP. 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 parcel and 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.

IX. STEWARDSHIP COUNCIL BOARD OF DIRECTORS MEETINGS

Proposed LCCPs endorsed by the Watershed Planning Committee are posted on the Stewardship Council's website for 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 will be

Appendix 1: Summary of Public Outreach

noted in the meeting minutes that are posted on the Stewardship Council's website following the board meeting.

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

Appendix 2: Grant Deed

RECORDING REQUESTED BY AND RETURN
TO:

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

Location: City/Uninc _____
Recording Fee \$-0- (Gov. Code §27383)
Document Transfer Tax \$ -0- (R & T Code §11922)

Signature of declarant or agent determining tax

DRAFT FOR DISCUSSION ONLY
DO NOT DISTRIBUTE

(SPACE ABOVE FOR RECORDER'S USE ONLY)

LD 2138-05-0053

DEED

GRANT DEED AND RESERVATION OF RIGHTS AND EASEMENTS

I. CONVEYANCE OF FEE

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called "**Grantor**", hereby grants, without warranty express or implied, to the **FALL RIVER RESOURCE CONSERVATION DISTRICT**, a special district of the State of California, hereinafter called "**Grantee**", the real property ("**Property**"), situated in the unincorporated area of the County of Shasta, State of California, described as follows:

AREA 1, AREA 2, AREA 3, AREA 4 and AREA 5 as described in EXHIBIT A attached hereto and made a part hereof;

(APN #016-320-013, 016-410-004, 016-410-005, 016-410-006, 016-410-007, 016-410-008, 018-010-001, 018-010-002, 018-010-003, 018-010-006, 018-010-008, 018-010-009, 023-540-034);

(SBE #135-45-20-1, 135-45-20-4, 130-45-1-24, 135-45-20- 2, 130-45-1-18, 130-45-1-25, 130-45-1-11, 130-45-1-19, 135-45-33-2, 130-45-1-12, 130-45-1-20, 135-45-33-6, 135-45-17A-1).

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.

02898.357 2929838v3
McArthur Swamp Grant Deed
PG&E DRAFT 11-13-2014

II. RECITALS

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

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

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

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

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

F. Consistent with the terms of the Governing Documents, Grantor and Grantee acknowledge this conveyance, together with the conservation easement transaction being entered into by Grantee and Wetlands America Trust, Inc. concurrently herewith, is being made in the public interest with the intent to ensure the permanent protection of the beneficial public values on the Property, as identified in the LCP, while allowing the ongoing use of the Property by Grantor for its Hydroelectric Facilities and associated Water Delivery Facilities and related activities and acknowledging and honoring any existing third party uses of the Property.

III. RESERVATION OF RIGHTS AND EASEMENTS

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

An exercise of Grantor’s Reserved Rights shall be "required" (as used in the preceding paragraph) where Grantor determines in its sole discretion exercised in good faith that the exercise is necessary to fulfill requirements by 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 any local, state or federal governmental entity, (d) any third party agreements entered into by Grantor in good faith or by which Grantor is bound, or (e) professional practices, standards and/or policies governing the ownership, maintenance, and/or operation of the Hydroelectric Facilities and associated Water Delivery Facilities.

(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 (including subsurface flow) which are now or hereafter located or flowing upon or abutting the Property. The reservation of water rights in this paragraph is not intended to affect, limit or otherwise modify any water rights that third parties may have to water that is conveyed through the Property. Further, the reservation of water rights in this paragraph is not intended to affect, limit or otherwise modify any rights that third parties may have to use, maintain or repair canal works located on the Property.

(b) In furtherance of and without in any way limiting the generality of the foregoing, Grantor expressly permanently reserves the following rights within two hundred (200) linear feet of the Property boundary, as shown on EXHIBIT C entitled “**BUFFER ZONE SITE PLAN**” attached hereto and made a part hereof (the “**Buffer Zone**”):

(1) The right to operate, maintain, repair, alter, replace and expand existing and future Hydroelectric Facilities and associated Water Delivery Facilities, including project replacements and improvements required to meet existing and future water delivery and other requirements for power generation and consumptive water use by existing and future users, compliance with any FERC License, FERC License renewal or other regulatory or legal requirements; and

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

Appendix 2: Grant Deed

Facilities and associated Water Delivery Facilities, and the construction, operation, maintenance, repair, alteration, replacement and expansion of new Hydroelectric Facilities and associated Water Delivery Facilities; and

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

(4) 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 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 FERC or other regulatory agencies; and

(5) 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 to comply with the Federal Power Act (Title 16 United States Code, Chapter 12) and any successor statute; and

(6) 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 FERC.

(c) Grantor reserves the permanent right and easement for its existing line of poles and all wires and cables attached thereto or suspended therefrom with all crossarms, guys, anchors and other appliances and fixtures used in connection with said poles, wires and cables; the right to erect and construct additional lines of poles, with necessary crossarms, wires and cables, guys and anchors, and to suspend from any of said poles such additional wires and cables as Grantor shall from time to time deem necessary for the transmission and distribution of electric energy, and for communication purposes; and the permanent right and easement to reconstruct, replace, relocate, remove, maintain and use all of said facilities; together with a right of way, on, along and in all of the easement areas described as follows (the “**Easement Areas**”):

Strip 1, Strip 2, Strip 3, and Strip 4 within AREA 1, as said strips are described in EXHIBIT A and shown on EXHIBIT B Sheet 1 and EXHIBIT B Sheet 2; STRIP 5 within AREA 3 as said strip is described in EXHIBIT A and shown on EXHIBIT B Sheet 3; and Strip 6, Strip 7, and Strip 8 within AREA 5 as said strips are described in EXHIBIT A and shown on EXHIBIT B Sheet 4. EXHIBIT A and EXHIBIT B, including Sheets 1 through 4, are attached hereto and made a part hereof.

Appendix 2: Grant Deed

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

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

(2) the right, from time to time, to trim or to cut down any and all trees and brush now or at any time in the future within the Easement Areas, and shall have the further right, from time to time, to trim and cut down trees and brush along each side of said easement areas which now or hereafter in the opinion of Grantor may interfere with or be a hazard to Grantor's facilities, or as Grantor deems necessary to comply with applicable state or federal regulations;

(3) the right from time to time to enlarge, improve, reconstruct, relocate and replace any existing or future poles with any other number or type of poles either in the original location or at any alternate location or locations within the Easement Areas;

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

(5) the right to mark the location of the Easement Areas and/or Buffer Zone 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 Easement Areas and/or Buffer Zone.

IV. RIGHT OF INGRESS AND EGRESS

Grantee shall have a non-exclusive right of surface access, ingress and egress to and from the Property over and across the portions of Grantor's adjacent properties, on which Grantor has constructed private roads and lanes thereon, by the following routes: Rat Farm Road ("**Rat Farm Road**"), McArthur Diversion Dam Road ("**McArthur Diversion Dam Road**"), and approximately 1.5 miles of Levee Road, northward from the McArthur Diversion Canal ("**Levee Road**"), Rat Farm Road, McArthur Diversion Dam Road, and Levee Road are more specifically shown on EXHIBIT D entitled "ACCESS ROAD SITE PLAN" attached hereto and made a part hereof (the "**Access Roads**"). Grantee shall access the Property from Grantor's adjacent properties only over and across the Access Roads and by no other route or road.

V. TERMS OF GRANT

The conveyance by Grantor to Grantee pursuant to this Grant Deed and Reservation of Rights is subject to: (a) a lien securing payment of real estate taxes and assessments; (b) applicable zoning and use laws, ordinances, rules and regulations of any municipality, township, county, state or other governmental agency or authority; (c) all

Appendix 2: Grant Deed

matters that would be disclosed by a physical inspection or survey of the Property or that are actually known to Grantee; and (d) all contracts, leases, licenses, covenants, conditions, easements, restrictions, liens, encumbrances and other exceptions of record or unrecorded.

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto, and all covenants shall apply to and run with the Property. All future conveyances of the fee interest in the Property shall be consistent with the terms of the Governing Documents.

VI. MISCELLANEOUS

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

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

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

Dated _____, 201__.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____

Name: _____

Title: _____

Appendix 2: Grant Deed

Area: 6

Land Service Office: Sacramento

Operating Department: Electric Distribution and Transmission, Hydro

USGS location: MDM, T 38N, R 4E, Sec. 36; T 38N, R 5E, Secs. 21, 22, 27, 28, 29, 30, 31, 32, 33; T 37N, R 4E, Sec. 1; T 37N, R 5E, Secs. 4, 5, 6, 7, 8, 9

FERC License Number(s): 2687 (Pit 1)

PG&E Drawing Number(s): N/A

PLAT NO. N/A

LD of any affected documents: 2138-04-0023, 2138-04-0009, 2138-04-0070

LD of any Cross-referenced documents: N/A

TYPE OF INTEREST: 03, 06, 11, 11c, 24, 42, 43

SBE Parcel Number: (SBE #135-45-20-1, 135-45-20-4, 130-45-1-24, 135-45-20- 2, 130-45-1-18, 130-45-1-25, 130-45-1-11, 130-45-1-19, 135-45-33-2, 130-45-1-12, 130-45-1-20, 135-45-33-6, 135-45-17A-1)

(For Quitclaims, % being quitclaimed) N/A

Order #: 2025565

County: Shasta

Utility Notice Numbers: N/A

851 Approval Application No. TBD Decision

Prepared By: Law, sdwd, tep4, aecl, et al

Checked By: bms2, clgi, dpm2

Revision Number: TBD

EXHIBIT A

AREA 1

All that real property being a portion of Section 1, Township 37 North, Range 4 East; of Sections 5, 6, 7, 8, and 9 in Township 37 North, Range 5 East, and of Sections 31 and 32 in Township 38 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 1" on sheet 7 of that certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records.

NOTE: The 500 foot by 500 foot parcel of land, shown on Sheets 3 and 7 of said Record of Survey, located in the southeast corner of said Section 8, also known as "substation site", is not a part of said AREA 1 and is therefore not a part of this description.

Total area of Area 1; with said substation site not included; is 2351.32 acres more or less, as shown on said map.

Easement Areas Reserved by Pacific Gas and Electric Company

Strip 1

A strip of land 60.00 feet in width, lying in Sections 8 and 7, the South sideline of which is more particularly described as follows;

Beginning at a point on the South line of said Section 8 from which the South-East Corner there-of bears N.89°17'55"E., 500.00 feet; thence S.89°17'55"W., along the South line of said Section 8, a distance of 4855.26 feet to the South-West corner thereof; thence S.89°37'41"W., along the South line of Section 7, a distance of 60.00 feet to the point of Termination and the end of this strip.

Strip 2

A strip of land 60.00 feet in width, lying in Sections 8 and 7, the Centerline of which is more particularly described as follows;

Beginning at the South-West Corner of said Section 8; thence N.0°33'31"W., along the West line of Section 8, a distance of 80.00 feet to the point of Termination and the end of this strip.

Strip 3

A strip of land 60.00 feet in width, lying in Section 8, the Centerline of which is more particularly described as follows;

Commencing at the South-East Corner of Section 8, thence N.0°35'59"W., along the East line of Section 8, a distance of 500.00 feet; thence leaving said section line S.89°17'55"W., a distance of 30.00 feet to the **True Point of Beginning**; thence N.0°35'59"W., parallel to said east line, a

distance of 2169.38 feet to a point hereinafter referred to as point "A"; thence continuing N.0°35'59"W., a distance of 71.60 feet to the point of Termination and the end of this strip.

Strip 4

A strip of land 60.00 feet in width, lying in Sections 8 and 9, the Centerline of which is more particularly described as follows;

Beginning at a point from which aforesaid point "A" bears N.88°46'43"E., a distance of 66.94 feet; thence N.88°46'43"E., a distance of 922.80 feet to the point of Termination and the end of this strip.

For all strips, widths are as measured at right angle to said side and centerlines, with the sidelines extended or truncated as appropriate to end on property or area boundary lines and as shown on exhibits "B1" and "B2" as attached hereto and made a part hereof.

AREA 2

All that real property being a portion of Section 36, Township 38 North, Range 4 East, and of Sections 29, 31 and 32 in Township 38 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 2" on sheet 8 of that certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records and containing some 829.00 acres more or less.

AREA 3

All that real property being a portion of Sections 4, 5, 8, and 9 in Township 37 North, Range 5 East, and of Sections 29, 32, and 33 in Township 38 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 3" on sheet 9 of that certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records and containing some 674.81 acres more or less.

Easement Area Reserved by Pacific Gas and Electric Company**Strip 5**

A strip of land 60.00 feet in width, lying in Section 9, the Centerline of which is more particularly described as follows;

Commencing at a point on the North-South mid section line of said Section 9 from which the Center of Section bears S.00°40'17"E., a distance 30.00 feet; thence S.88°46'43"W., a distance of 1285.99 feet to the **True Point Of Beginning**; thence continuing S.88°46'43"W., a distance of 114.85 feet to the point of Termination of this strip Centerline.

The width of said strip is measured at right angle to said centerline, with the sidelines extended or truncated as appropriate to end on property or area boundary lines and as shown on exhibit "B3" as attached hereto and made a part hereof.

AREA 4

All that real property being a portion of Sections 28, 29, 32, and 33 in Township 38 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 4" on sheet 10 of that certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records and containing some 557.82 acres more or less.

AREA 5

All that real property being a portion of Sections 4 and 9, Township 37 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 5" on sheet 11 of that certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records and containing some 78.16 acres more or less.

Easement Areas Reserved by Pacific Gas and Electric Company

Strip 6

A strip of land 60.00 feet in width, the Centerline of which is more particularly described as follows;

Beginning at a point on the North-South mid section line of said section 9 from which the Center of Section bears S.00°40'17"E., a distance 30.00 feet; thence S.88°46'43"W., 52.85 feet to a point hereinafter referred to as point "A"; thence continuing S.88°46'43"W., 1165.19 feet to the point of Termination of this strip Centerline.

Strip 7

A strip of land 60.00 feet in width, the Centerline of which is more particularly described as follows;

Beginning at a point from which aforesaid point "A" bears S.00°26'45"E., a distance of 2679.11 feet; thence S.00°26'45"E., a distance of 77.62 feet to a point hereinafter referred to as point "B"; thence continuing S.00°26'45"E., a distance of 2821.69 feet; thence S.01°47'13"E., 1218.02 feet; thence S.00°40'17"E., 99.05 feet to the point of Termination of this strip Centerline.

April 24, 2014

Strip 8

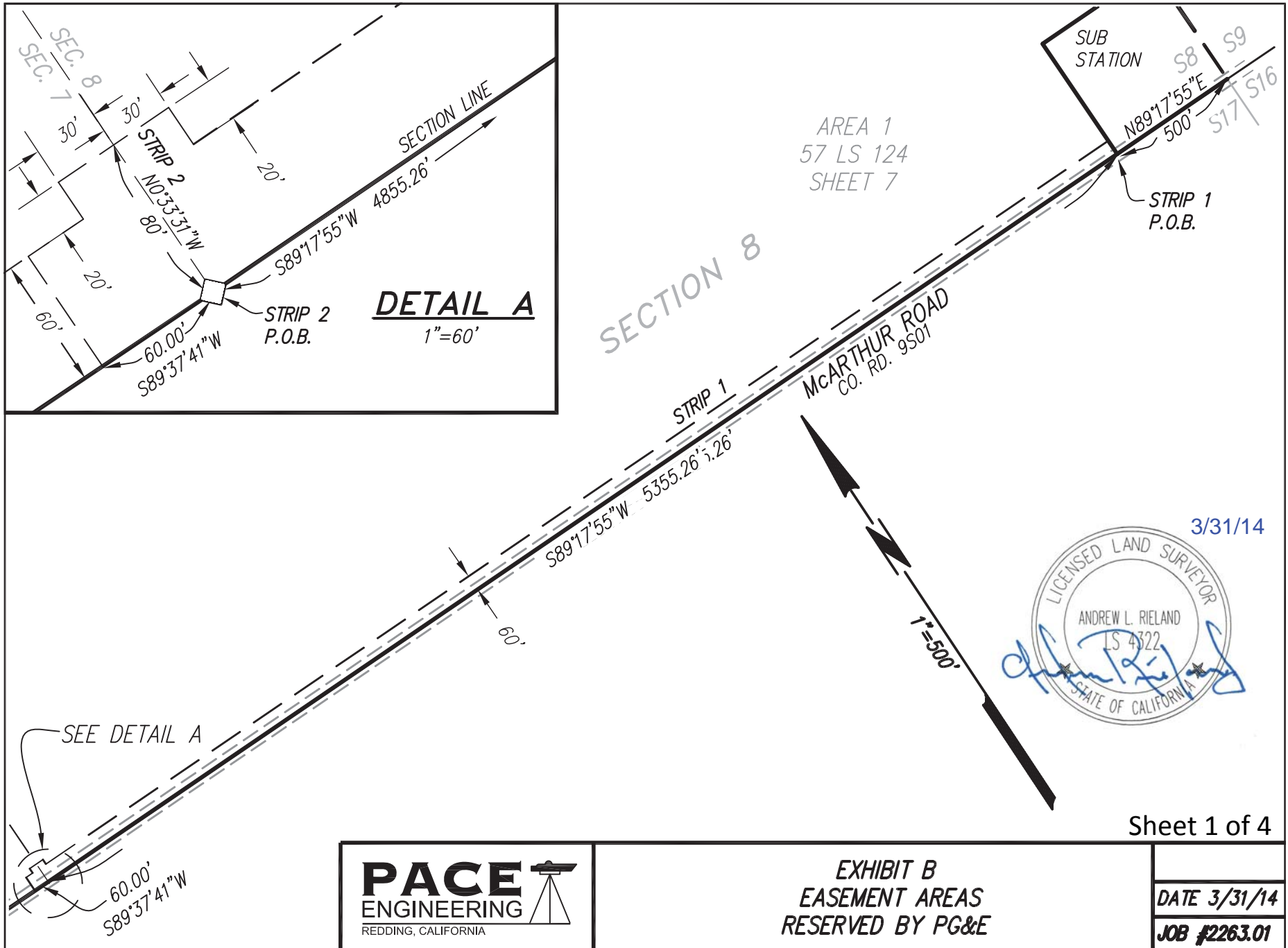
A strip of land 60.00 feet in width, the Centerline of which is more particularly described as follows;

Beginning at a point from which aforesaid point "B" bears S.89°33'15"W., 42.60 feet; thence S.89°33'15"W., a distance of 120.23 feet to the point of Termination of this strip Centerline.

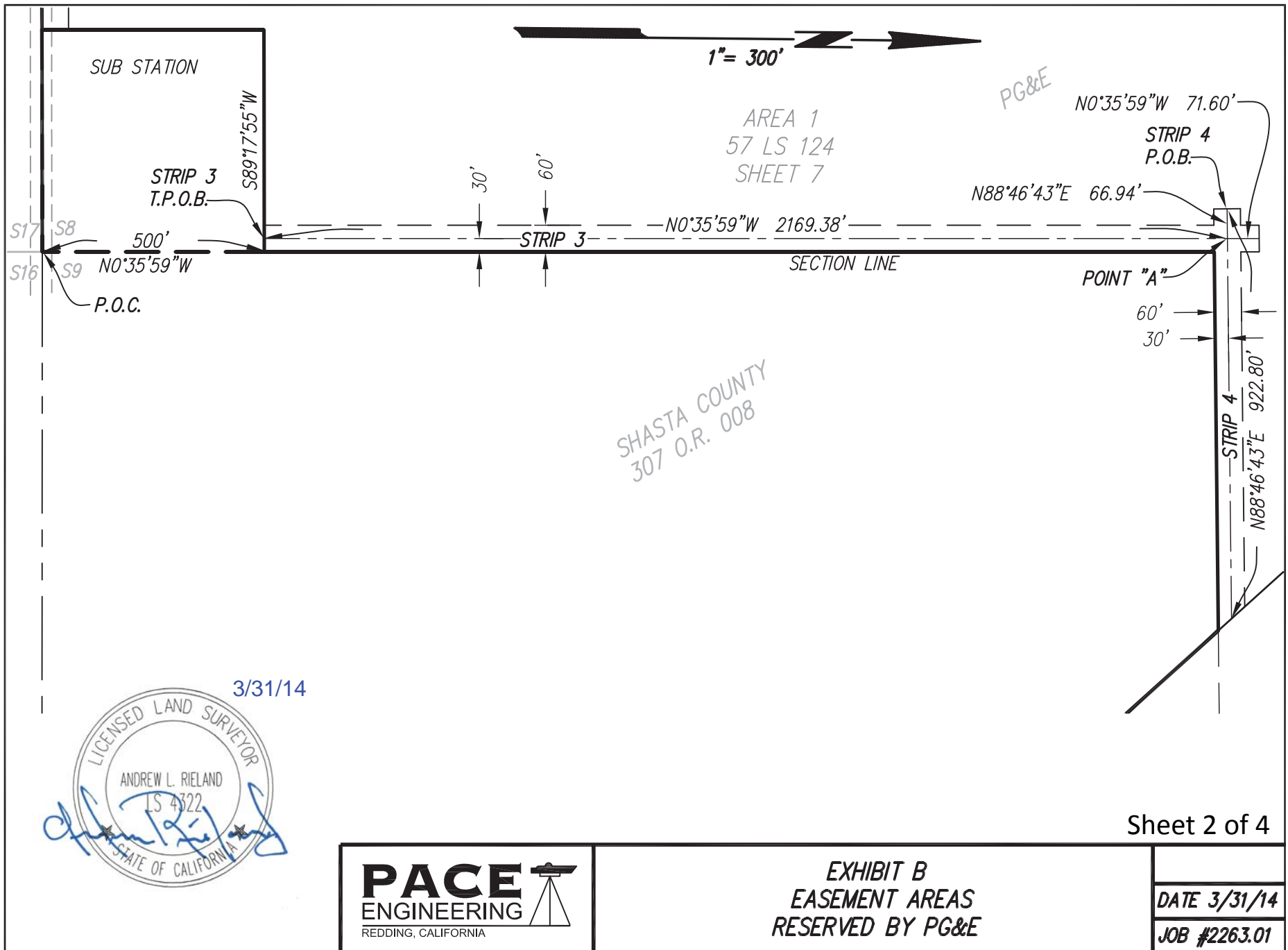
For all strips, widths are as measured at right angle to said centerlines, with the sidelines extended or truncated as appropriate to end on property or area boundary lines and as shown on exhibit "B4" as attached hereto and made a part hereof.



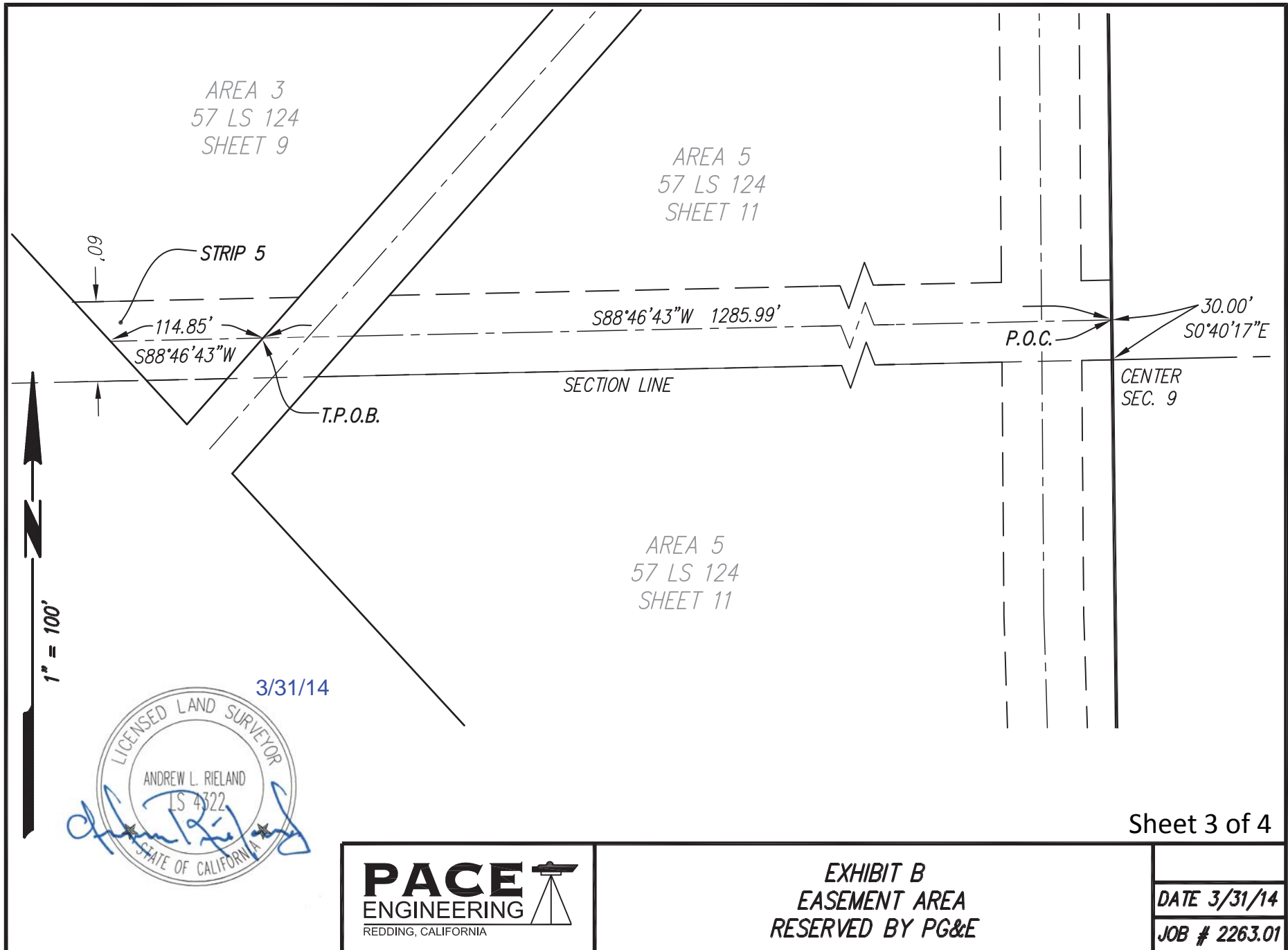
Exhibit B



Appendix 2: Grant Deed

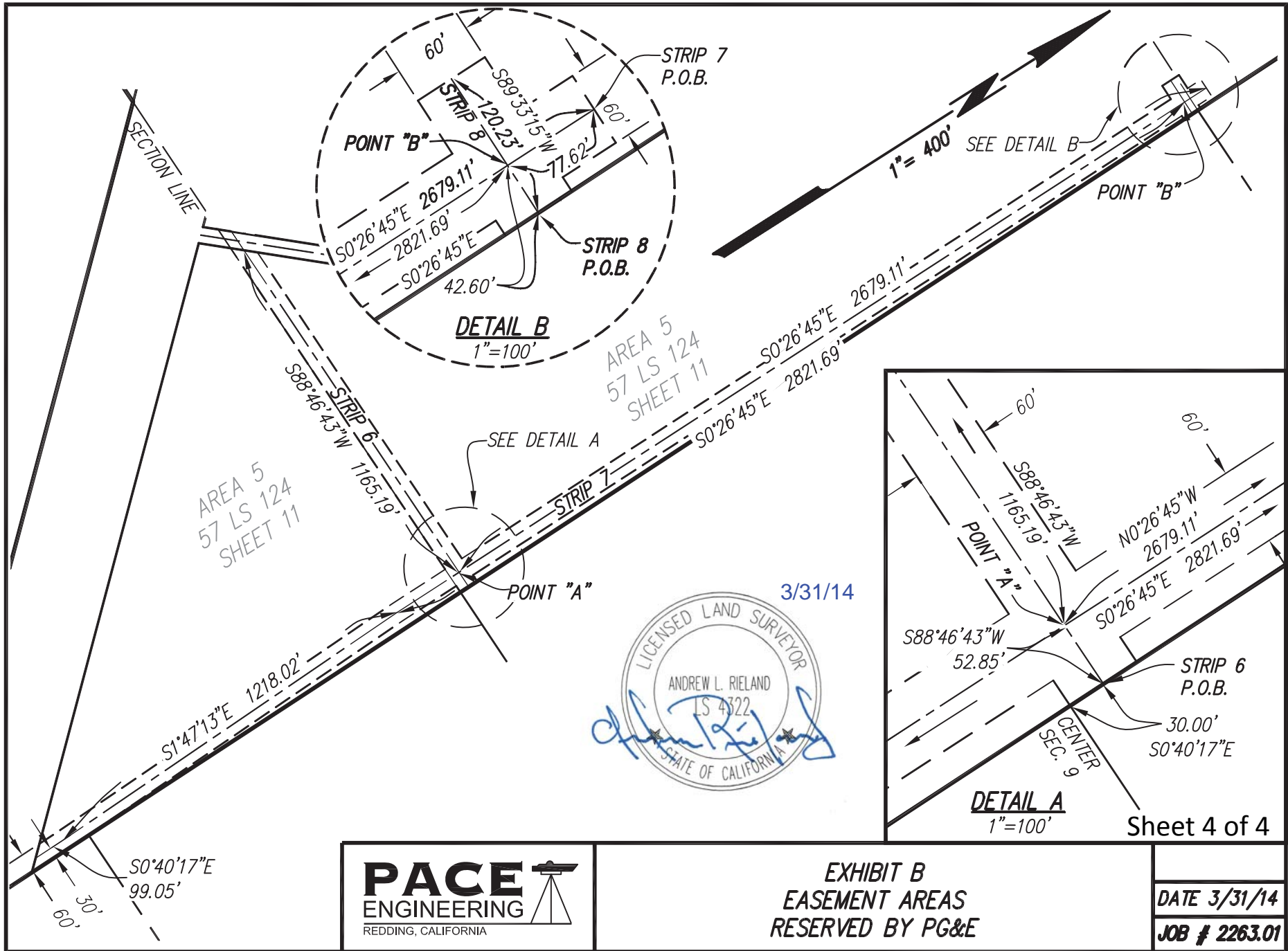


Appendix 2: Grant Deed



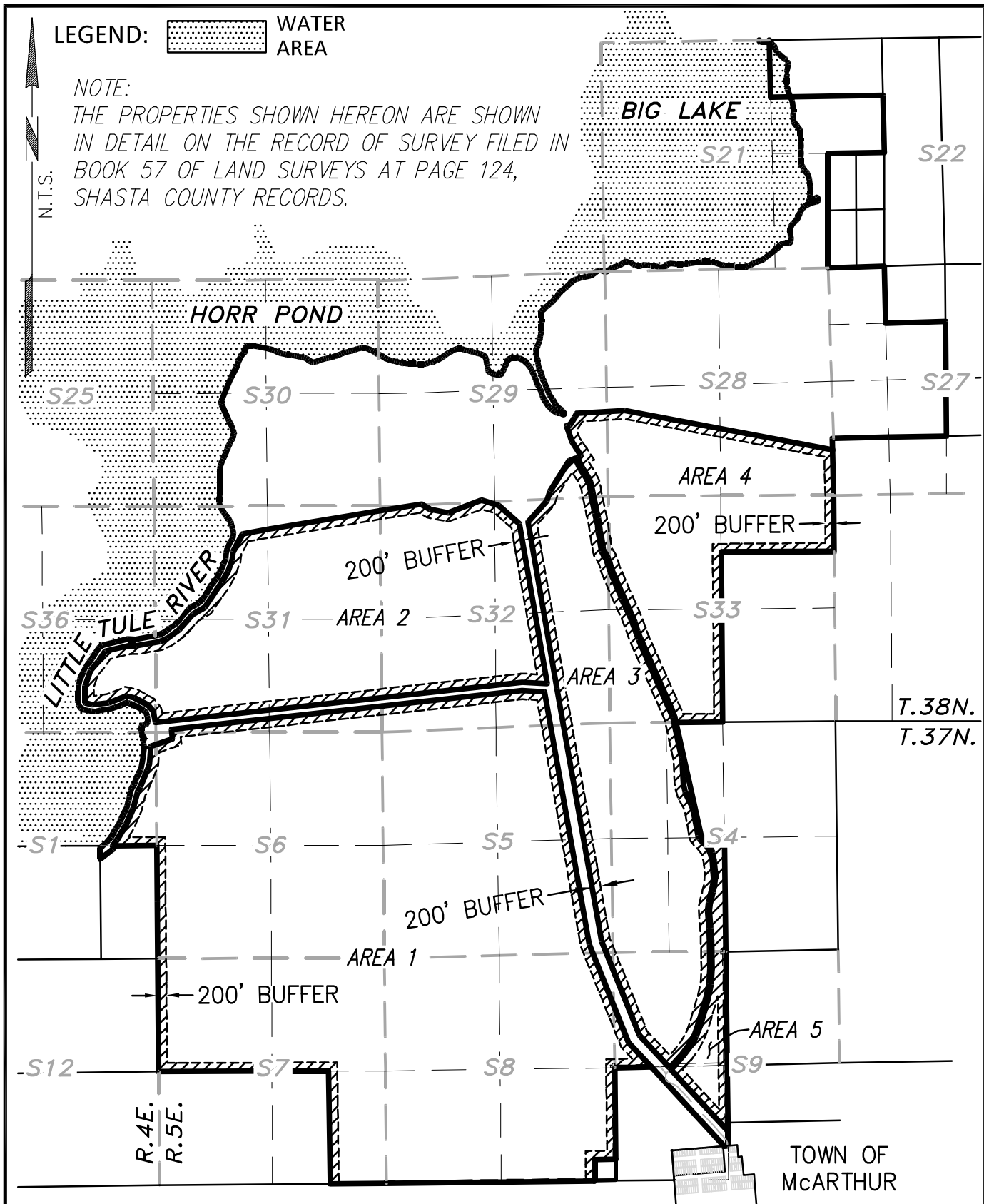
Plot Date: March 31, 2014 - 2:33 pm Login Name: isanchez
File Name: M:\Land Projects\2263.01 McArthur Swamp\DWG\Easement Exhibit B's.dwg, Layout: pole strip 1 area 3

Appendix 2: Grant Deed



PACE
ENGINEERING
REDDING, CALIFORNIA

EXHIBIT B
EASEMENT AREAS
RESERVED BY PG&E

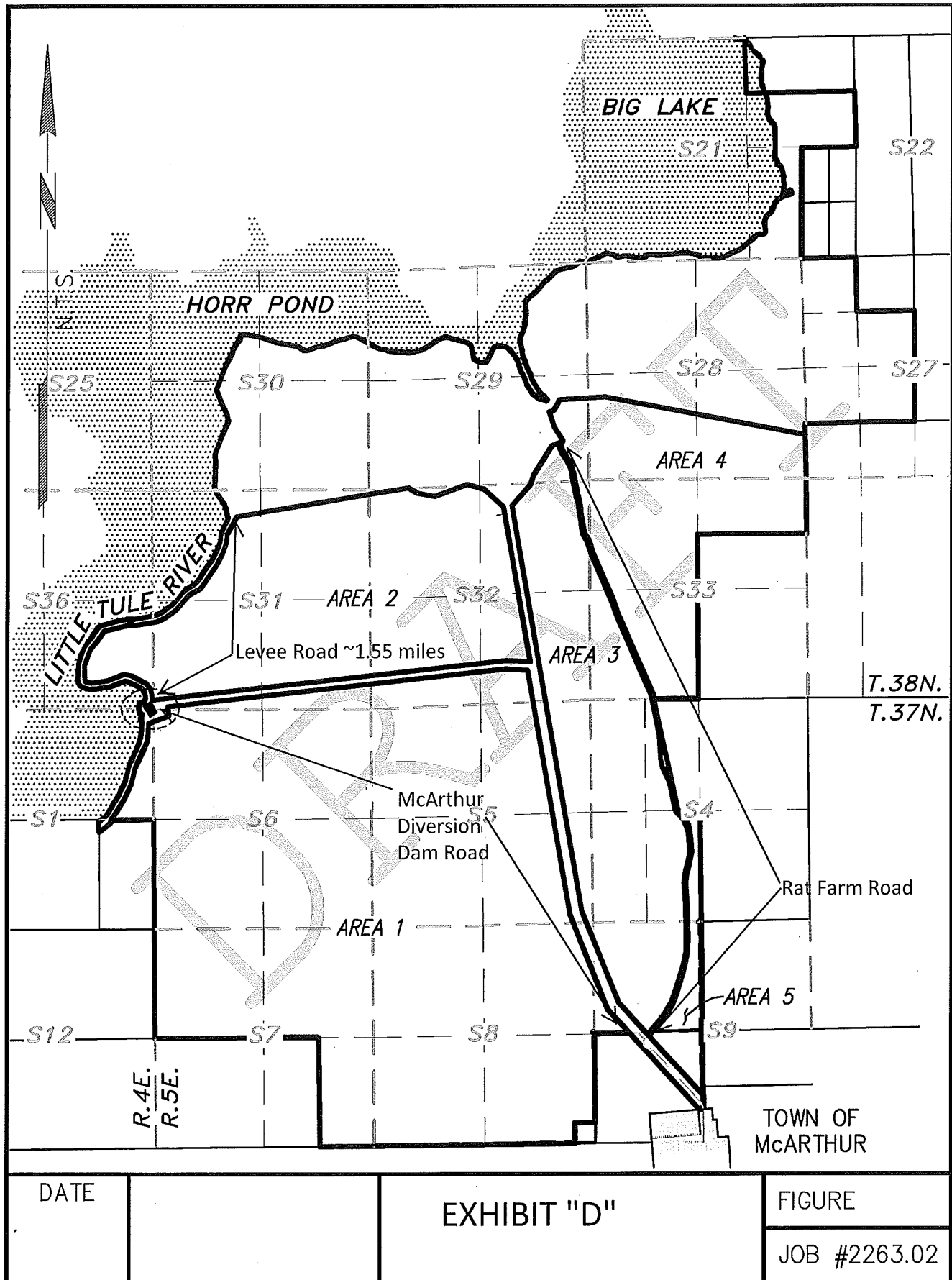


DATE 01/15/13	PACE ENGINEERING REDDING, CALIFORNIA 	EXHIBIT "C" BUFFER ZONE SITE PLAN	FIGURE JOB #2263.02
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Plot Date: January 15, 2014 - 3:57 pm Login Name: isanchez
File Name: M:\Land Projects\2263.02 McArthur Swamp Exhibits\EASE AND DEED EXHIBITS.dwg, Layout: EXHIBIT -- BUFFER DEED

Exhibit D

(reserved for Exhibit D)

Exhibit D

Appendix 3: Conservation Easement

RECORD AND RETURN TO:
DUCKS UNLIMITED, INC.
ONE WATERFOWL WAY
MEMPHIS, TN 38120

DEED OF CONSERVATION EASEMENT

THIS DEED OF CONSERVATION EASEMENT (this “**Easement**” or this “**Conservation Easement**”) is made as of this ____ day of _____, 20__, by **THE FALL RIVER RESOURCE CONSERVATION DISTRICT**, a special district organized under the laws of California, with an address of P.O. Box 83 McArthur CA 96056 (together with its successors and assigns hereinafter collectively referred to as the “**Grantor**”), and **WETLANDS AMERICA TRUST, INC.**, a non-profit corporation organized under the laws of the District of Columbia, One Waterfowl Way, Memphis, Tennessee, 38120, hereinafter referred to as the “**Grantee**”;

WHEREAS, Grantor is the owner in fee simple of approximately 4,491 acres, more or less, of real property located in Shasta County, California (“**County**”), and more particularly described in **Exhibit A** and shown on the maps in **Exhibit B**, both attached hereto and incorporated herein by this reference (the “**Property**” or the “**Protected Property**”) commonly known as “McArthur Swamp”; and

WHEREAS, the Grantee is a publicly-supported, tax exempt nonprofit organization, qualified under Section 501 (c) (3), 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; and

WHEREAS, the Legislature of the State of California, as set forth in California Civil Code Section 815 *et seq.*, has found and declared it to be the public policy and in the public interest of this state to encourage the preservation of land predominantly in its natural, scenic, agricultural, historical, forested, or open-space condition.

WHEREAS, in furtherance of the Land Conservation Commitment, as defined below, and the above-described public policy purposes, Grantor desires to grant a conservation easement over the Property to Grantee. Grantee is eligible to hold a conservation easement pursuant to California Civil Code Section 815.3; and

Appendix 3: Conservation Easement

WHEREAS, Grantor represents that the Protected Property is free and clear of any liens or encumbrances that could have a material adverse effect on this Easement and that, as owner of the Protected Property, Grantor has access thereto, the right to convey this Easement to the Grantee, and the right to preserve and protect the Conservation Values (as defined below) of the Protected Property in perpetuity; and

WHEREAS, Pacific Gas and Electric Company, a public utility corporation (“**PG&E**”), transferred to Grantor fee title in the Property in accordance with that certain Grant Deed, recorded in the Official Records of the County of Shasta, on _____, 20__, as Instrument Number _____ (the “**Grant Deed**”), attached hereto as **Exhibit C** and incorporated herein by reference, subject to (1) PG&E’s reservation of certain rights in and to the Property, as set forth in the Grant Deed (the “**PG&E Reserved Rights**”), and (2) those legally-enforceable third party rights to use the Property in effect as of the Effective Date, as listed on **Exhibit D** attached hereto and incorporated herein by reference, true and complete copies of which have been provided to, and reviewed and accepted by, Grantee (the “**Existing Third Party Uses**”); and

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

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

WHEREAS, the Settlement Agreement and the Stipulation (collectively, the “**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, the “**Watershed Lands**”), are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values (collectively, the “**Beneficial Public Values**” or “**BPVs**”). The Stipulation provides that conservation easements will preserve or enhance reasonable public access. The

Appendix 3: Conservation Easement

Property is included in these Watershed Lands. Appendix E to the Settlement Agreement (the “**Land Conservation Commitment**”) provides that “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.” The Land Conservation Commitment constitutes the obligations of PG&E to convey fee title and/or donate 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; and

WHEREAS, the Property includes the specific Beneficial Public Values identified on **Exhibit E** attached hereto and incorporated herein by reference (collectively, the “**Conservation Values**”); and

WHEREAS, 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; and **WHEREAS**, the Governing Documents also include a requirement that conservation easements encumbering Watershed Lands will honor existing agreements for economic uses, including consumptive water deliveries; and

WHEREAS, pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California nonprofit public benefit corporation (the “**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 (the “**Land Conservation Plan**” or “**LCP**”). The LCP includes, among other things, objectives to preserve and/or enhance the Beneficial Public Values identified on each parcel of Watershed Lands, including the Property.

NOW, THEREFORE, the Grantor, in consideration of the foregoing recitations and of the mutual covenants, terms, conditions and restrictions set forth herein, and pursuant to the laws of the State of California and in particular California Civil Code Section 815 *et seq.*, does hereby freely grant, dedicate, donate, and convey unto the Grantee, and its successors and assigns, and

Appendix 3: Conservation Easement

Grantee hereby accepts from Grantor, a perpetual conservation easement as defined by Section 815.1 of the Conservation Easement Act of 1979 (California Civil Code Section 815 *et seq.*, in, on, over, and across the Protected Property subject to the covenants, conditions and restrictions hereinafter set forth which will run with the land and burden the Protected Property in perpetuity.

Section I

CONSERVATION PURPOSES

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

Grantor and Grantee acknowledge that the Governing Documents reflect the intention of the parties thereto (a) to honor Existing Third Party Uses and (b) to continue to permit beneficial uses of the Property that preserve and/or enhance the Conservation Values. While Existing Third Party Uses do not supersede the Conservation Values, it is intended that this Conservation Easement shall allow uses on the Property that are consistent with the protection and preservation of each of the Conservation Values in harmony with each other. While permitted actions required or taken to protect and preserve one or more individual Conservation Value may impair, on an individual and stand-alone basis, one or more other Conservation Values, Grantor and Grantee understand that achieving the Conservation Purposes requires the preservation and protection, on balance, of all of the Conservation Values actually existing on the Property, to the extent possible. It is recognized that in protecting and/or enhancing one or more of the Conservation Values, another Conservation Value may be impaired, but this is not meant to be a permanent occurrence, nor a reason to re-prioritize one Conservation Value over another. All attempts should be made to balance on a collective basis, the Conservation Values on the whole Property, whenever possible.

Appendix 3: Conservation Easement

This Conservation Easement prohibits use of the Property for any purpose that would significantly impair the Conservation Purposes on a collective, not individual basis, taking into account the relative condition and quality of each of the Conservation Values on the Property as of the effective date of this Easement.

Section II

PG&E RESERVED RIGHTS

All rights and obligations of Grantor and Grantee under this Conservation Easement are subject to the PG&E Reserved Rights specified in **Exhibit C**. In the event of a conflict between the PG&E Reserved Rights and the Conservation Purposes, this Easement shall be construed to unconditionally permit the exercise of the PG&E Reserved Rights. In the event PG&E notifies Grantor of its intention to exercise any of its PG&E Reserved Rights, Grantor shall notify Grantee, in writing, of such intention within sixty (60) days of Grantor's receipt of such notification.

Section III

GRANTEE'S AFFIRMATIVE RIGHTS

Subject to Section II, Grantee shall have the right to protect the Conservation Values and to prevent any activity on, or use of, the Protected Property that is inconsistent with the Conservation Purposes of this Easement and to require the restoration to the condition immediately before such activity or use of any areas or features of the Protected Property that may be damaged by any such inconsistent activity or use.

- 3.1 Right of Entry and Access & Enforcement. Grantee shall have the right, at reasonable times and with prior notice to Grantor, to enter the Protected Property for the purposes of the inspection and protection of the Conservation Values of the Protected Property and to enforce the terms of this Easement. The right of entry and access herein described does not extend to the public or any person or entity other than the Grantee, its agents, employees, successors, and/or assigns, and this Easement does not constitute a dedication to the public. Grantee may seek immediate injunctive relief to prevent, terminate or mitigate a violation of the terms of this Conservation Easement.
- 3.2 Value Used as Match. Grantee shall have the right to use the fair market value ("FMV") of

Appendix 3: Conservation Easement

this Easement dedication and conveyance as match for any state, local, or federal grant to support restoration, enhancement, management or stewardship activities on the Property or in the region. If the FMV of the Easement is used by Grantee to satisfy the match requirement for any such grant, Grantee may agree to be bound by the terms of any associated grant agreement as it relates to the Protected Property, provided that the terms of such grant agreement are not inconsistent with the terms of this Easement including the PG&E Reserved Rights.

- 3.3 Natural Resource Management Plan. Grantee shall have the right, at its discretion, to develop a Natural Resource Management Plan (“**Plan**”) consistent with the Conservation Purposes of this Easement for rare or endangered plant or animal species in the event that they are found to exist on the Protected Property and to implement said Plan with the prior written consent of the Grantor, which consent shall not be unreasonably withheld or delayed. Costs for such a Plan shall be paid by Grantee and such plan shall not impinge on or affect the rights reserved by Grantor hereunder unless Grantor expressly consents to the same in writing.

Section IV

GRANTOR’S RESERVED RIGHTS AND RESTRICTIONS

- 4.1 Uses. The current uses of the Property include, without limitation, those agriculture and outdoor recreational uses described on **Exhibit E** and in the Baseline Documentation Report (“**Report**” as defined in Section 5.1 below). Under this Easement, the Grantor reserves the right to continue the following uses (collectively, “**Grantor’s Reserved Rights**”): (a) the current agricultural and outdoor recreational uses described on **Exhibit E** and in the Report; (b) the uses expressly permitted under the terms of this Easement; and (c) such other uses that are not expressly prohibited in this Easement that do not significantly impair the Conservation Values. Except for those uses described in subsection (a) and (b) of the immediately preceding sentence, the following uses are prohibited on the Property: (1) commercial or industrial activity; and (2) residential development. Notwithstanding any provision to the contrary contained in this Easement, the Grantor reserves for itself and its heirs, successors and assigns all rights with respect to the Protected Property that are not expressly granted to Grantee herein, including without limitation, the right of exclusive use,

Appendix 3: Conservation Easement

possession and enjoyment of the Protected Property, and the right to sell, mortgage or otherwise encumber the Protected Property, subject to the restrictions and covenants set forth in this Conservation Easement and subject to the PG&E Reserved Rights.

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

- (a) **Increases in Intensity or Expansion of Location.** Without limiting Grantor's reserved rights, if Grantor proposes to (i) to increase the intensity, or (ii) to expand the location or size of an Existing Third Party Use, or (iii) a change in the use, Grantor shall obtain Grantee's prior written consent to such proposal, which shall not be unreasonably withheld; provided, however, if such increase or expansion is required in connection with PG&E's exercise of any of PG&E's Reserved Rights, Grantee's consent shall not be required, but Grantor shall use reasonable efforts to consult with Grantee and PG&E, and to, the extent acceptable to PG&E, employ methods and practices that will not significantly impair the Conservation Values.
- (b) **Renewal or Replacement of Existing Agreements.** Grantor and Grantee acknowledge that the Governing Documents reflect the intention of the parties thereto to honor existing agreements for economic uses and to continue to permit beneficial uses of the Property such as outdoor recreation by the general public, and agricultural uses. If Grantor elects to renew or replace agreements memorializing Existing Third Party Uses (including amendments and replacements of current agreements and new agreements to continue existing uses with the existing user or a new user), Grantor in consultation with Grantee shall include contractual provisions to bring the continuation of such Existing Third Party Uses and the preservation of the Conservation Values into alignment to the fullest extent reasonably practicable.

4.3 Subdivision. The Protected Property is comprised of five separate legal parcels identified on the map attached as **Exhibit B ("Parcels")**. Except as expressly provided herein, the Parcels shall remain under unified ownership, which may be joint or undivided. Unless specifically permitted by the terms of this Easement, none of the Parcels may be subdivided, partitioned, or otherwise divided from the whole (a) for residential, commercial, or other development

Appendix 3: Conservation Easement

notwithstanding that the Protected Property may have been acquired in separate parcels or lots or may be subject to an approved subdivision; (b) for sale or transfer in multiple undeveloped parcels; or (c) for any purpose that would create lots, parcels, or *de facto* parcels in separate ownership including horizontal property regimes.

- (a) Exceptions to Subdivision Prohibition: Grantor may enter into boundary line adjustment agreements that result in conveyances of parcels smaller than the whole of any Parcel in order to resolve bona fide boundary line disputes, so long as such conveyances satisfy all of the following requirements:
- (i) Accomplished via deed(s) that is recorded in the County records in accordance with applicable State, County and other local legal requirements;
 - (ii) Approved in advance and in writing by the Grantee, which approval shall not be unreasonably withheld, provided that any conveyances have a *de minimis* effect on the total acreage of land protected under this Conservation Easement;
 - (iii) Expressly provide in conveyance documents that all land transferred to Grantor shall immediately and automatically become part of the “Property” and shall be subject to all of the terms and conditions of this Conservation Easement including, but not limited to, those provisions restricting development and the building of structures on the conveyed parcels; AND
 - (iv) Shall be consistent with the Conservation Purposes of this Conservation Easement, shall not significantly impair the Conservation Values of this Conservation Easement, and shall not create any additional burden on Grantee’s annual monitoring, stewardship, and enforcement obligations under the Easement.

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

4.5 Structures and Buildings. Consistent with Section 4.1, there shall be no construction or placing of buildings, docks, bridges, or other structures or buildings including, but not limited to, transmission or receiving towers, energy facilities, or water tanks on the Protected

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Property except as expressly provided in this Easement. There shall be no mobile homes, house trailers, temporary shelter or vehicles of any sort providing permanent or temporary living quarters on the Protected Property, except as expressly provided in this Easement. The Grantor reserves the following rights:

- (a) Visitor Center. The right to construct, operate and manage a visitor center (“**Visitor Center**”) within a surveyed five acre building envelope (the “**Visitor Center Building Envelope**”) which shall be located within the general area identified on the map attached hereto as **Exhibit F** as appropriate for the Visitor Center Building Envelope (“**Visitor Center Building Envelope General Area**”). The Visitor Center is hereby defined as a building that will be used solely to assist the Grantor to fulfill its not-for-profit mission by providing office space for administrative operations, classrooms for educational opportunities, areas for mission-related informational public displays, and other education-related activities that are consistent with the Conservation Values of the Protected Property and the Grantor’s mission. The Visitor Center shall not be used for commercial purposes that would significantly impair the Conservation Values of this Easement as determined by the sole judgment of the Grantee. Grantor shall be permitted to construct, replace, repair, and maintain, within the Visitor Center Building Envelope, all reasonable and necessary buildings, structures, and associated infrastructure required in connection with Grantor’s development, operation, and management of the Visitor Center (collectively, the “**Visitor Center Improvements**”). Before constructing any Visitor Center Improvement, (i) Grantor and Grantee shall determine the exact location of the Visitor Center Building Envelope within the Visitor Center Building Envelope General Area, and Grantor shall arrange to have prepared a surveyed boundary description of the Visitor Center Building Envelope, which shall be subject to review and approval by Grantor and Grantee, and (ii) Grantor shall record in the Official Records an amendment to this Easement which identifies the specific location of the Visitor Center Building Envelope, including the surveyed boundary description thereof approved by Grantor and Grantee.
- (b) Youth Outdoor Camp Facility. The right to construct, operate, and manage a youth outdoor camp facility (“**Youth Camp**”) within a surveyed ten acre building envelope (“**Youth Camp Building Envelope**”), the location of which shall be determined at a

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- future date by Grantor and Grantee in accordance with the procedures below. The Youth Camp Building Envelope shall be square or rectangular in shape or otherwise be devised in such a way, and located within an area of the Protected Property that does not significantly impair the Conservation Values, as approved by Grantee. The Youth Camp facility is hereby defined as a building that will be used solely to assist the Grantor to fulfill its not-for profit mission by providing a dormitory, dining facilities and an activity center. These activities shall be consistent with the Conservation Values of the Protected Property and the Grantor's mission. The Youth Camp facility shall not be used for commercial purposes that would significantly impair the Conservation Values of this Easement as determined by the sole judgment of the Grantee. Grantor shall be permitted to construct, replace, repair, and maintain, within the Youth Camp Building Envelope, all reasonable and necessary buildings, structure, and associated infrastructure required in connection with Grantor's development, operation, and management of the Youth Camp facility (collectively, the **"Youth Camp Improvements"**). Before constructing any Youth Camp Improvement (i) Grantor and Grantee shall determine the exact location of the Youth Camp Building Envelope, and Grantor shall arrange to have prepared a surveyed boundary description of the Youth Camp Building Envelope which shall be subject to review and approval by Grantor and Grantee, and (ii) Grantor shall record in the Official Records an amendment to this Easement which identifies the specific location of the Youth Camp Building Envelope, including the surveyed boundary description thereof approved by Grantor and Grantee.
- (c) Other Permitted Structures. As required in connection with permitted uses expressly provided for in this Easement, Grantee may approve limited exceptions to Grantor's placement of structures outside of the Visitor Center Building Envelope and Youth Camp Building Envelope provided such improvements shall not significantly impair the Conservation Values, as determined and approved by Grantee in its sole discretion in writing following Grantor's submittal to Grantee of detailed written plans setting forth proposed location, size, dimensions, and materials for such proposed improvements.
- (d) Existing Structures. The right to maintain, repair and replace existing structures, if any (including those referenced or described in the Report as defined in Section 5.1 below),

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- in the same location of, and having equivalent size, function, and design as, original structures. The right to construct, maintain, repair, replace and relocate gates, fences, bridges and water tanks as reasonably required in connection with the exercise of Grantor's reserved rights.
- (e) Wildlife Platforms and Hiking Trails. The right to construct, wildlife observation platforms and hiking trails in locations that do not significantly impair the Conservation Values, as approved in advance by Grantee.
- 4.6 Renewable Energy Sources. Grantor conveys to Grantee its rights under California Civil Code section 714 except that Grantor reserves the right to construct solar energy structures for generation of power. The term "solar energy structures" for the purpose of this Easement shall include, but not be limited to, solar panels and mounting hardware, storage batteries, controllers, inverters, grounding equipment, and wiring. Such structures shall only be located within the Visitor Center Building Envelope and/or the Youth Camp Building Envelope or associated with other permitted structures on the Protected Property as described in Section 4.5. All solar energy structures shall be designed and constructed for the primary purpose of serving only those improvements and uses permitted on the Property. 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.
- 4.7 Roads. There shall be no building of any new roads, nor widening, extending, realigning or relocating any existing roads; provided, however, that Grantor reserves the following rights and that the following activities will be conducted in locations selected to not significantly impair the Conservation Values:
- (a) The right to maintain and replace existing roads at the same location with roads of like size and composition.
- (b) The right to widen existing roads for utility rights-of-way.

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- (c) The right to maintain roads in a manner consistent with normal practices for non-paved roads, such as the removal of dead vegetation, necessary pruning or removal of hazardous trees and plants, application of permeable materials necessary to correct erosion or repair road deterioration, placement of culverts, water control structures, and bridges, and maintenance of roadside ditches.
- (d) The right to construct new roads to access the Visitor Center Building Envelope and/or the Youth Camp Building Envelope and/or other structures permitted in accordance with Section 4.5(c) or to conduct permitted agricultural or habitat restoration activities. Grantor shall use existing roads when and where possible. Any new roads accessing the Visitor Center Building Envelope and/or the Youth Camp Building Envelope will be constructed in conformance to local county code if required. Grantor will have new roads surveyed by professional surveyor and detailed plans drawn. All roads must have monuments placed at corners and centerline. All new roads must be approved in advance by Grantee, which approval will not be unreasonably withheld.

4.8 Water Resources. There shall be no drainage, disturbance, or impairment of any watercourse or wetlands within and upon the Protected Property in violation of State or Federal law or any of the following conditions set forth in this Section 4.8. The Grantor reserves the following rights related to water resources, to the extent not already subject to PG&E Reserved Rights:

- (a) The right to develop and maintain those water resources and wetlands on the Protected Property necessary to wildlife, recreation, farming, and other agricultural uses permitted by this Easement, so long as such development and maintenance does not significantly impair the Conservation Values, including without limitation water resources or wetlands existing on the Protected Property at the time of this Easement and shown in the Report. Permitted activities shall include, but are not limited to, the right to develop, restore and enhance water resources for fisheries and wildlife improvement; and the right to undertake bank stabilization measures and stream and watercourse restoration.
- (b) The right to restore, replace, rebuild, maintain and improve existing and/or historic wetland impoundments, levees, control gates and water control structures identified in the Report.

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- (c) The right to construct new impoundments and water control structures (“New Impoundments”) that are determined by both Grantor and Grantee as beneficial to waterfowl and other wetland dependent plants and animals and do not significantly impair the Conservation Values. To the greatest extent feasible and practical, management of any New Impoundments and existing impoundments will be carried out in a manner that is conducive to providing feeding and nesting habitat for waterfowl, shorebirds, wading birds and birds of prey. Within the existing impoundments, internal ditching and diking will be allowed for such purposes.
- (d) The right to undertake wetland restoration work. Wetland restoration work for the purposes of this Easement is defined as the rehabilitation of altered wetland systems to enhance ecosystem functions such as the provision of quality habitat for waterbirds and other wetland species. This also includes the right to move and alter soil on the Protected Property for the purposes described within this section.
- (e) The right to test, drill and operate groundwater wells on the Property solely for use in connection with permitted uses herein in manner that will not significantly impair the Conservation Values and the other terms and conditions of this Easement.

The Grantor shall provide notice to the Grantee pursuant to Section 5.8 of this Easement and obtain Grantee’s approval prior to the commencement of any activities described in this Section 4.8. The Grantee’s approval of such work shall not be unreasonably withheld; provided, that Grantee’s withholding of such approval shall not be unreasonable if Grantee reasonably determines that such proposed activities will significantly impair the Conservation Values.

4.9 Vegetation Maintenance. As of the date of the grant of this Easement, the Protected Property is in the condition depicted and identified in the Report. Vegetation, including trees, may not be cut, disturbed, altered or removed from the Protected Property, except as (1) expressly permitted elsewhere in this Easement, or (2) in accordance with the following:

- (a) Grantor shall have the right to periodically selectively cut, burn, mow, utilize herbicides (in accordance with Section 4.15), reseed, and clear invasive brush, grasses, forbs, trees and other vegetation in existing fields for the specific purposes of restoring, enhancing and protecting native vegetation, and improving wildlife habitat.

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- (b) Grantor shall have the right to allow pre-approved collection of native plants by Native Americans for traditional purposes.
 - (c) Grantor shall notify the Grantee of any Substantial Vegetation Management Activities (as defined below) that may adversely affect the Conservation Purposes of this Easement, and Grantor shall obtain Grantee'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.
 - (d) Grantor shall have the right to remove dead, dying, diseased, and/or hazard trees from the Protected Property.
- 4.10 Topography and Minerals. There will be no filling, excavating, dredging, mining, drilling or use of any surface mining method; no removal of topsoil, sand, gravel, rock, peat, minerals, gas, oil, or other hydrocarbon products or other materials except for permitted water resources and wetland habitat restoration and enhancement activities conducted in accordance with Section 4.8; and no change in the topography of the land in any manner. There shall be no exploration or extraction of minerals, gas, oil or related hydrocarbons by any surface mining method.
- 4.11 Exotics. Except as permitted in Section 4.12, there shall be no purposeful introduction of non-native plant or animal species, except those non-native plant or animal species which do not significantly impair the Conservation Values and Conservation Purposes of this Easement.
- 4.12 Ranching. The Grantor reserves the right to engage in for profit and not-for-profit ranching activities that are conducted in a manner consistent with the Conservation Purposes of this Easement. For purposes of this Section, **"Ranching Activities"** shall include, but not be limited to pasture development, fencing, and management including irrigated pastures and hay pastures, and haying; the pasturing, grazing, feeding, watering, sheltering, and caring for livestock; and the location, construction and maintenance of watering facilities and ponds. Any Ranching Activities conducted under this Conservation Easement that do not constitute Existing Third Party Uses shall be conducted in accordance with a grazing management plan (**"Grazing Management Plan"**) prepared by Grantor and approved in advance by Grantee,

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which approval shall not be unreasonably withheld or denied if such Grazing Management Plan does not significantly impair the Conservation Values.

Any Ranching Activities conducted under this Conservation Easement that constitute Existing Third Party Uses shall be governed by section 4.2 above. In complying with Section 4.2(b) above, to the extent the Grazing Management Plan has been prepared by Grantor and approved by Grantee, Grantor shall include, as reasonably practicable, contractual provisions that are consistent with the Grazing Management Plan requirements set forth in the preceding paragraph.

Conversion of land identified in the Report as being used for Ranching Activities on the date of this Easement to any other agriculture use, aside from inactive/fallowing, shall be prohibited, except as permitted under Section 4.12 (a) below.

- (a) **Agricultural Intensification.** For the purposes of this Section, “**Agricultural Intensification**” is defined as, converting rangeland / grazing land used for ranching activities for more intensive agricultural uses including, but not limited to orchards, vineyards, row crops or the growing and production of small grains, including rice. Existing rangeland / grazing land used as irrigated pasture or to grow hay, grain, or silage for livestock food production are considered rangeland / grazing land and not lands converted to Agricultural Intensification uses. The Grantor reserves the right to convert no more than 20% of the total acreage of the Protected Property from rangeland /grazing land (where ranching activities are permitted in accordance with this section) to Agricultural Intensification, provided that such conversion (i) shall not significantly impair the Conservation Values; and (ii) any lands converted to grain cultivation shall be flooded after harvest in the fall and maintained with at least several inches of water coverage to provide habitat for migratory birds from fall through early spring.
- (b) Grantor and Grantee 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.

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- 4.13 Leases. The Grantor 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 the Grantor 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, and is not otherwise prohibited under Section 4.3 above.
- 4.14 Refuse and Underground Storage Tanks. Except as expressly permitted elsewhere, no portion of the Protected Property shall be used for sanitary landfill, for the installation of any underground storage tanks, for the installation and use of an incinerator, for the destruction of waste material or for the dumping, storing, disposal or treatment of refuse, trash, garbage, rubbish, junk, ashes, or hazardous substances or waste.
- 4.15 Pollutants. Neither Grantor nor Grantee shall release, generate, treat, dispose, or abandon any substance defined, listed, or otherwise classified pursuant to any federal, state, or local law, regulation or requirement as hazardous, toxic, polluting or otherwise contaminating to the air, water, soil, or in any way harmful or threatening to human health or the environment on the Protected Property. The Grantor reserves the right to use agrichemicals, including, but not limited to, fungicides, fertilizers, biocides, herbicides and rodenticides, but only in those amounts and with that frequency of application as consistent with the laws and regulations of the United States and the State of California and as constituting the minimum necessary to accomplish reasonable activities permitted by the terms of this Easement.
- 4.16 Signs. There shall be no construction or placing of signs, including but not limited to, billboards, or any advertising materials of any sort on the Protected Property; provided, however, that reasonably-sized signs indicating and identifying occupancy, directional, health and safety, or trail signs, and signs advertising the sale of the Protected Property shall be permitted.
- 4.17 Nuisance Animals. The Grantor reserves the right to control nuisance animals, including, but not limited to, feral pigs, coyote, beaver, and muskrat, by the appropriate use of control techniques conducted in accordance with applicable local, state and federal laws and regulations. Where possible, all measures used for such control will be limited in their application to specific types of animals which have caused damage to livestock or other wildlife, including, without limitation, endangered or threatened species of birds or wildlife,

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or to other Conservation Values; provided, however, that if it is not possible to identify a specific type of predator or problem animal or when historic data indicates that a reasonable threat exists, Grantor may use appropriate preventive control techniques generally recognized as effective. Grantor shall have the right to control rodents by any available lawful means which Grantor, in its sole discretion, desires to employ, so long as such efforts are conducted in a manner that does not significantly impair the Conservation Values of this Easement.

4.18 Informal Uses and Public Access.

- (a) Grantor and Grantee recognize that the Property has been used by third parties for recreational, cultural, and other non-commercial or informal purposes without formal written agreements to conduct such activities, (the “**Informal Uses**”). Grantor and Grantee further recognize that access to the Property is inherent or may be inherent in the enjoyment of the Conservation Values and the Informal Uses. Consistent with the objectives articulated in the Governing Documents to provide continued reasonable access by the public to the Watershed Lands, Grantor shall allow public access to the Property that is substantially consistent with the public access existing on the Effective Date of the conservation easement. Grantor reserves the right to make reasonable rules and regulations to control, limit, or, as necessary, exclude Informal Uses and public access. Grantor shall not allow Informal Uses that significantly impair the Conservation Values.
- (b) New or Increased Public Access. If Grantor desires to allow new public access or informal uses or expansion of public access or informal uses on the Property, Grantee’s advance written approval is required, which approval shall not be unreasonably withheld.
- (c) Limitations and Conditions. Sections a and b above are subject to the following:
 - (i) Liability Limitation. Grantor and Grantee claim all of the rights and immunities against liability for injury to the public to the fullest extent allowable by law.
 - (ii) Periodic Review of Informal Uses. As part of Grantee’s annual compliance monitoring, (1) Grantor shall provide to Grantee information describing the known Informal Uses and public access on the Property conducted under Section a and b above during the preceding monitoring period for the purpose of

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Grantee's assessment of Grantor's compliance with the requirements set forth in those sections; and (2) with respect to Informal Uses allowed by Grantor on the Property in accordance with Section a above, Grantor and Grantee will consult, and include recommendations, if any, regarding the necessity of controlling, limiting, or excluding Informal Uses to ensure the preservation of the Conservation Values.

- 4.19 Cultural Resources. There shall be no activities, actions or uses that disturb or impair any cultural resources (as defined in Title XIV of the California Code of Regulations) on the Property in violation of any applicable law, statute, or regulation.
- 4.20 Water Rights. Except as reserved by PG&E in **Exhibit C**, there shall be no severance, conveyance, impairment or encumbrance of water or water rights appurtenant to the Property, separately from the underlying title to the Property, or other action which diminishes or extinguishes such water rights, and this Conservation Easement shall not sever or significantly impair any riparian water rights appurtenant to the Property.
- 4.21 Use Inconsistent with Purpose. The parties recognize that this Easement cannot address every circumstance that may arise in the future. The Grantor has the right to engage in any and all acts or uses not expressly prohibited herein that are not inconsistent with the Conservation Purposes of this Easement. Any use or activity not herein reserved to Grantor which is inconsistent with the Conservation Purposes of this Easement or which significantly impairs the Conservation Values is prohibited. In the event that there is a dispute between the Grantor and the Grantee as to whether or not an activity or use is prohibited under this Section, the parties will resolve the matter in accordance with the provisions of Section 5.19 of this Easement.

Section V

GENERAL COVENANTS

- 5.1 Baseline Documentation Report. The specific Conservation Values of the Protected Property on the date of this Easement are documented in the Baseline Documentation Report, dated ____, 201__ ("**Report**"), a copy of which is on file with both the Grantor and the Grantee. Both parties agree the Report provides an accurate representation of the physical condition of the Protected Property as of the date of this Easement, and is intended to serve as an

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objective informational, though nonexclusive, baseline for monitoring compliance with the terms of this Easement. The parties intend that the Report shall be used by Grantee to monitor Grantor's future uses of the Protected Property and practices thereon. The parties further agree that, in the event a controversy arises with respect to the condition of the Protected Property or a particular resource thereof, the parties shall not be foreclosed from utilizing any other relevant document, survey, or report to assist in the resolution of the controversy.

- 5.2 Cost of Ownership. Grantee, its successors and assigns, shall have no responsibility and shall bear no costs or liabilities of any kind related to the ownership, operation, upkeep, and maintenance of the Protected Property, including the maintenance of adequate liability insurance coverage or the payment of any and all real estate taxes or assessments levied on the Protected Property by authorized local, county, state or federal officials. Grantor shall remain solely responsible for obtaining any applicable governmental permits and approvals for any activity or use permitted by this Easement and conducted by Grantor. Nothing in this Easement shall be construed as giving rise, to any right, ability or obligation of Grantee to exercise physical or managerial control over the day-to-day operations of the Protected Property, or any of Grantor's activities on the Protected Property, or otherwise to become an operator with respect to the Protected Property within the meaning of The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), and the corresponding state statutes.
- 5.3 Indemnification. Grantor and Grantee (each and including any associated organization—such as Ducks Unlimited, Inc., in the case of Grantee—a "Party") agree to hold harmless, defend, and indemnify the other Party (the "Indemnified Party") from and against any and all liabilities, penalties, fines, charges, costs, losses, damages, expenses, causes of action, claims, demands, orders, judgments, or administrative actions, including without limitation, reasonable attorney's fees, arising from, or in any way connected with, an act or omission by the Party or the condition of or other matter related to or occurring on or about the Protected Property for which the Party is responsible that causes injury to or the death of any person or physical damages to any property unless the Indemnified Party also causes such injury, death, or damage.

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Grantor hereby releases and agrees to hold harmless, indemnify, and defend Grantee and Ducks Unlimited, Inc., from and against any and all liabilities, penalties, fines, charges, costs, losses, damages, expenses, causes of action, claims, demands, orders, judgments, or administrative actions, including without limitation, reasonable attorney's fees, arising from or in any way connected with (1) the violation or an alleged violation of, or other failure to comply with, any state, federal, or local law, regulation, or requirement, including, without limitations, CERCLA and the corresponding state statutes by any person other than Grantee or Ducks Unlimited, Inc., in any way affecting, involving, or relating to the Protected Property and (2) the presence or release in, on, from, or about the Protected Property, at any time, or any substance now or hereafter defined, listed, or otherwise classified pursuant to any federal, state, or local law, regulation, or requirements as hazardous, toxic, polluting, or otherwise contaminating to the air, water, or soil, or in any way harmful or threatening to human health or the environment, unless caused solely by Grantee or Ducks Unlimited, Inc. Notwithstanding anything herein to the contrary, nothing herein shall be construed to entitle the Grantee to assert any claims or to institute any proceeding under these indemnification provisions or otherwise against the Grantor for any changes to the Protected Property due to causes beyond the Grantor's control such as changes occurring due to natural causes.

- 5.4 Unauthorized Third Party Uses. If Grantee discovers any unauthorized third party use or activity on the Property that violates the terms of this Conservation Easement, and Grantee gives Grantor written notice thereof, Grantor shall use reasonable efforts to stop or prevent any such unauthorized use of the Property. If Grantee conclusively demonstrates that Grantor's reasonable efforts have not prevented, or are unlikely to prevent, the unauthorized third party use or activity on the Property that violates the terms of this Conservation Easement, Grantee may meet and confer with Grantor to propose additional efforts to prevent such use or activity which Grantee may undertake, at Grantee's sole expense, but shall not be obligated to undertake. Grantor shall not unreasonably withhold its consent to such additional efforts to be undertaken by Grantee. If Grantor permits Grantee to use such additional efforts, Grantee shall comply with any requirements reasonably imposed by Grantor in connection with such efforts.
- 5.5 No Owner or Operator Liability. The parties do not intend this Conservation Easement to be, and this Conservation Easement shall not be, construed such that it creates in or gives to

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Grantee any of the following solely as the result of being a passive holder of the Conservation Easement:

- (i) The obligations or liability of an “owner” or “operator” or “arranger,” as those terms are defined and used in Environmental Requirements, including, but not limited to, CERCLA;
- (ii) The obligations or liabilities of a person described in 42 U.S.C. Section 9607(a)(3) or (4);
- (iii) The obligations of a responsible person under any applicable Environmental Requirements (as defined below);
- (iv) The right to investigate and remediate any Hazardous Substances associated with the Property; or
- (v) Any control over Grantor’s ability to investigate, remove, remediate or otherwise clean up any Hazardous Substances associated with the Property.

This Section, however, shall not relieve Grantee from any obligations or liabilities for any of the foregoing to the extent that such obligations or liabilities arise as a result of or in connection with any activities of Grantee or Grantee’s employees, guests, agents or representatives on or about the Property. As used in this Conservation Easement the term “**Environmental Requirements**” means all applicable present and future laws, statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, judicial, administrative and regulatory decrees, directives and judgments of all governmental agencies, departments, commissions and boards, relating to the protection of human health or safety, or regulating or relating to industrial hygiene or environmental conditions, or the protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, including, without limitation, all requirements and regulations pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of Hazardous Substances, whether solid, liquid or gaseous in nature, into the air, surface water, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, whether solid, liquid or gaseous in nature. As used in this Agreement, the term “**Hazardous Substances**” means any hazardous or toxic material or waste which is or becomes regulated by any local governmental authority, the State of

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California or the United States Government under any Environmental Requirements, including, without limitation, any material or substance:

- (A) now or hereafter defined as a “hazardous substance,” “hazardous waste,” “hazardous material,” “extremely hazardous waste,” “restricted hazardous waste” or “toxic substance” or words of similar import under any applicable local, state or federal law or under the regulations adopted or promulgated pursuant thereto, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) (“CERCLA”); the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.); the Clean Water Act (33 U.S.C. §1251 et seq.); the Safe Drinking Water Act (33 U.S.C. § 300f et seq.); the River and Harbors Act of 1899 (33 U.S.C. § 401 et seq.); the National Emission Standard for Hazardous Air Pollutants for Asbestos (40 C.F.R. § 61.140 et seq.), the OSHA Construction Standard (29 C.F.R. § 1926.1001 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); the Oil Pollution Act (33 U.S.C. § 300f et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §136 et seq.); the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.); the Atomic Energy Act of 1954, (42 U.S.C. §2014 et seq.); the Nuclear Waste Policy Act of 1982 (42 U.S.C. §10101 et seq.); the Medical Waste Management Act (Cal. Health and Safety Code §25015 et seq.); the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13020 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 et seq.); the Carpenter-Presley-Tanner Hazardous Substance Account Act (Cal. Health and Safety Code §25300 et seq.); the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 et seq.); and all rules and regulations of the United States or California Environmental Protection Agency or any successor agency, or any other state or federal department, board or agency, or any other agency or governmental board or entity having jurisdiction, as any of the foregoing have been, or are hereafter amended from time to time; or

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- (B) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, and is now or hereafter regulated as a Hazardous Substance by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, any State of the United States or any political subdivision thereof; or which cause, or are listed by the State of California as being known to the State of California to cause, cancer or reproductive toxicity; or
 - (C) the presence of which on the Property poses or threatens to pose a hazard to the health or safety of persons or to the environment; or
 - (D) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or
 - (E) which contains lead-based paint or other lead contamination, polychlorinated biphenyls or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or
 - (F) which contains radon gas.
- 5.6 Subsequent Conveyances. The Grantor shall include reference to all terms and conditions of this Easement in any subsequent deed or legal instrument by which the Grantor divests itself of either the fee simple in all or part of the Protected Property or its possessory interest in any portion of the Protected Property. The Grantor shall notify the Grantee in writing of any changes in ownership, transfer of title or other conveyance of the Protected Property.
- 5.7 Subsequent Liens. No provision of this Easement should be construed as precluding the right of the Grantor to use this Protected Property as collateral for a subsequent monetary loan or other form of borrowing; provided, that the terms of any collateral documents covering the Property shall expressly confirm that the Easement is superior to the lien of such collateral documents and shall continue and survive in full force and effect following any foreclosure or enforcement thereof.
- 5.8 Notices and Requests for Approval.
- (a) Notice and Approval Requirements. Grantor agrees to notify Grantee prior to undertaking any activity or exercising any reserved right where such notice is required herein and as specifically indicated within this Easement. Grantor also agrees to obtain Grantee's approval prior to undertaking any activity that requires such approval herein and as specifically indicated within this Easement. Grantor also agrees to provide Grantee with a copy of any notice provided to Grantor from PG&E as related to the

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PG&E Reserved Rights or any notice received by Grantor relating to any Existing Third Party Uses.

- (b) Contents of Notice. Grantor's notices must include sufficient information to enable Grantee to determine whether Grantor's plans are consistent with the terms of this Easement and the Conservation Values and Conservation Purposes hereof. Grantee shall not give its written consent and approval unless Grantor demonstrates that the proposed use, activities or exercise of reserved rights are consistent with the terms, conditions, and Conservation Purposes of this Easement and will not diminish or impair the Conservation Values of the Protected Property.
- (c) Method for Notice. Any notices or requests for approval required from the Grantor by this Easement shall be in writing and shall be delivered: (i) in person (to be evidenced by a signed receipt); (ii) by certified mail, return receipt requested; (iii) by such commercial delivery service as provides proof of deliver; (iv) by regular U.S. mail; (v) by facsimile; or, (vi) by electronic mail, to Grantors and Grantee, at the following addresses, unless one has been notified by the other of a change of address or change of ownership:

GRANTEE:

Wetlands America Trust, Inc.
Attn: Director of Land Protection
One Waterfowl Way
Memphis, TN 38120-2351

With copy to:

Ducks Unlimited, Inc.
Attn: Lands Protection Program Manager
Western Regional Office
3074 Gold Canal Drive
Rancho Cordova, CA 95670

GRANTOR:

Fall River Resource Conservation District
Mike Millington, President FRRCD
P.O. Box 83
McArthur, CA 96056

With copy to:

Stewardship Council
Allene Zanger, Executive Director
15 N. Ellsworth Street, Suite 100
San Mateo, CA 94401

SIERRA NEVADA CONSERVANCY

Sierra Nevada Conservancy
Attention: Executive Director
11521 Blocker Drive, Suite 205

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Auburn, CA 95603

Such notice shall be deemed to have been given (i) when actually delivered in case of personal delivery; (ii) when delivered as confirmed by an official return receipt if sent by certified mail; (iii) within two business days of deposit with a commercial delivery service; (iv) when actually received in the case of U.S. mail; (v) when sent as evidenced with a confirmation of delivery if sent by facsimile; or (vi) when received if sent by electronic mail.

- (d) Time for Notice. Where Grantor is required to provide notice to Grantee pursuant to this Easement, such notice as described hereinabove shall be given in writing thirty (30) days prior to the event giving rise to the need to give notice except as otherwise specifically provided herein.
- (e) Response by the Grantee. Grantee, upon receipt of Grantor's request, shall acknowledge receipt of the same. Following review of the materials provided by Grantor, Grantee, shall grant, grant with conditions, or withhold its approval. Failure to respond to Grantor's request within forty-five (45) days from the date which it was received shall be deemed a grant of such request. No proposed activity may proceed without Grantee's written consent and approval, or Grantee's deemed consent and approval, as provided herein. Any activity deemed a grant of approval through Grantee's failure to respond in a timely manner that is inconsistent with the Conservation Purposes and Conservation Values of this Easement shall not be allowed.

5.9 Severability. In the event any provision of this Easement is determined by the appropriate court to be void and unenforceable, all remaining terms will remain valid and binding.

5.10 Perpetuity. The burdens of this Easement will run with the Protected Property and will be enforceable against the Grantor and all future owners of the Property in perpetuity during their respective periods of such ownership.

5.11 Grantee Assignment of Conservation Easement.

- (a) Voluntary Assignment. In the event that Grantee decides to assign its interest under this Easement, Grantee shall only assign such interest to an organization that is: (1) qualified to hold a conservation easement under Section 815.3 of the California Civil Code; (2) experienced in holding and monitoring conservation easements on properties

Appendix 3: Conservation Easement

- similar to the Property; and (3) willing and financially able to assume all of the responsibilities imposed on Grantee under this Easement. Before assigning its interest under this Easement, Grantee shall provide Grantor and the Sierra Nevada Conservancy (“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 set forth in this Section 5.11(a). Grantee 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 specified in this Section 5.11(a). If SNC does not approve the proposed assignee, SNC shall provide Grantee with the reasons behind such decision.
- (b) Involuntary Assignment. If Grantee ever ceases to exist or no longer qualifies under applicable state law to hold a conservation easement interest, then SNC shall, in consultation with Grantor, select an assignee that meets all the designation criteria specified in Section 5.11(a) above. If SNC is unable to identify an assignee that meets all the designation criteria specified in Section 5.11(a) 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 the Grantee hereunder during any period that a successor assignee for such Grantee is not yet in place.
 - (c) Conditions of Assignment. As conditions to any assignment of this Easement, Grantee and/or the SNC shall: (1) require the assignee to expressly agree in writing to assume Grantee’s obligations hereunder; and (2) ensure that assignee has the resources to fulfill its obligations under the 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 5.11 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.
- 5.12 Limitations on Extinguishment. If circumstances arise in the future that render the Conservation Purposes of the Easement impossible to accomplish, the Easement can only be

Appendix 3: Conservation Easement

terminated or extinguished, whether with respect to all or part of the Protected Property, by judicial proceedings in a court of competent jurisdiction. Unless otherwise required by applicable law at the time, in the event of any sale of all or a portion of the Protected Property (or any other property received in connection with an exchange or involuntary conversion of the Protected Property) after such termination or extinguishment, and after the satisfaction of prior claims and net of any costs or expenses associated with such sale, Grantor and Grantee shall divide the proceeds from such sale (minus any amount attributable to the value of improvements made by Grantor after the effective date of this Easement, which amount is reserved to Grantor) in accordance with their respective percentage interests in the fair market value of the Protected Property, as such percentage interests are determined under the provisions of paragraph Section 5.13 adjusted, if necessary, to reflect a partial termination or extinguishment of the Easement. All such proceeds received by Grantee shall be used by Grantee to support its charitable conservation purposes.

- 5.13 Percentage Interests. For purposes of this paragraph, the parties hereto stipulate that as of the effective date of this Easement, the Easement and the restricted fee interest in the Protected Property each represent a percentage interest in the fair market value of the Protected Property determined by multiplying (i) the fair market value of the Property unencumbered by the Easement (minus any increase in value after the date of this Easement attributable to improvements on the Property), as determined by a qualified appraisal obtained by Grantee at the time of such termination, extinguishment or condemnation, by (ii) the ratio of the value of the Easement to the value of the Property unencumbered by the Easement (minus any increase in value after the date of this Easement attributable to improvements on the Property) as of the date of such termination, extinguishment or condemnation, as determined by a qualified appraisal obtained by Grantee at the time of such termination, extinguishment or condemnation.
- 5.14 Eminent Domain/Condemnation. Whenever all or part of the Protected Property is taken in an exercise of eminent domain by public, corporate or other authority so as to abrogate the restrictions imposed by this Easement, Grantor and Grantee shall each take appropriate actions at the time of such taking to recover the full value of the taking and all incidental or direct damages resulting from the taking. The net proceeds (including, for purposes of this section, proceeds from any lawful sale of the Protected Property unencumbered by the

Appendix 3: Conservation Easement

restrictions hereunder) will be distributed between the Grantor and the Grantee in shares in proportion to the fair market value of their interests in the Protected Property on the date of the execution of this Easement, as determined in accordance with Section 5.13 above. The Grantee shall use its share of the net proceeds to support its charitable conservation purposes.

- 5.15 Amendments. This Easement shall not be amended, modified, or terminated except in writing in a document signed by Grantor and Grantee. Any such amendment shall be consistent with the Conservation Purposes of this Easement, shall not affect its perpetual duration, shall not permit additional development other than development permitted by this Easement on its effective date, and shall not result in the impairment of any Conservation Values of the Protected Property. Any such amendment shall be recorded in the land records of Shasta County, California. Nothing in this Section shall require Grantor or Grantee to agree to any amendment.
- 5.16 Discretionary Approval. Grantor and Grantee recognize that certain activities by the Grantor may warrant the prior discretionary approval of Grantee, and that Grantee has the right to issue such discretionary approvals without prior notice to any other party. Nothing in this paragraph shall require the Grantee to agree to any discretionary approval or to consult or negotiate regarding any discretionary approval. Grantee shall only grant such an approval if it has determined in its reasonable discretion that the proposed use furthers or is not inconsistent with the Conservation Purposes and Conservation Values of this Easement, substantially conforms to the intent of the grant of Easement, meets any applicable conditions expressly stated herein, and does not materially increase the adverse impact of expressly permitted actions under this Easement.
- 5.17 Notice of Breach, Enforcement, and Grantee's Remedies. Grantee has the right to enforce this Easement by proceedings in law and in equity, including without limitation the right to require the restoration of the Protected Property to a condition existing immediately prior to the violation complained of in compliance herewith. If Grantee determines that Grantor is in violation of the terms of this Easement or that a violation is threatened, Grantee shall give written notice to Grantor of such violation and demand corrective action sufficient to cure the violation and, where the violation involves injury to the Protected Property resulting from any use or activity inconsistent with the Conservation Purposes herein, to restore the portion of the Protected Property so injured to the condition existing immediately

Appendix 3: Conservation Easement

prior to the violation complained of. If Grantor fails to cure the violation within thirty (30) days after receipt of notice thereof from Grantee, or under circumstances where the violation cannot reasonably be cured within a thirty (30) day period, fails to begin curing such violation within the thirty (30) day period, or fails to continue diligently to cure such violation until finally cured, Grantee may bring an action at law or in equity in a court of competent jurisdiction to enforce the terms of this Easement, to enjoin the violation, by temporary or permanent injunction, to recover any damages to which it may be entitled for violation of the terms of this Easement or significant impairment of the Conservation Values protected by this Easement, including damages, costs, and attorneys' fees, or to require the restoration of the Protected Property to the condition that existed immediately prior to any such injury. Without limiting Grantor's liability therefore, Grantee, in its sole discretion, may apply any damages recovered to the cost of undertaking any corrective action on the Protected Property. If Grantee, in its sole discretion, determines that circumstances require immediate action to prevent or mitigate significant impairment to the Conservation Values of the Protected Property, Grantee may pursue its remedies under this Section without prior notice to Grantor or without waiting for the period provided for cure to expire. Grantee's rights under this Section apply equally in the event of either actual or threatened violations of the terms of this Easement, and Grantor agrees that Grantee's remedies at law for any violation of the terms of this Easement are inadequate and that Grantee shall be entitled to the injunctive relief described in this Section, both prohibitive and mandatory, in addition to such other relief to which Grantee may be entitled, including specific performance of the terms of this Easement, without the necessity of proving either actual damages or the inadequacy of otherwise available legal remedies. Grantee's remedies described in this Section shall be cumulative and shall be in addition to all remedies now or hereafter existing at law or in equity. Nothing herein shall be construed to entitle Grantee to institute any proceedings against Grantor for any changes to the Protected Property due to causes beyond Grantor's control such as changes occurring due to natural causes or unauthorized acts of third parties, or subject to Section 5.4.

- 5.18 Waiver of Rights. Grantee, its successors or assigns, does not waive or forfeit the right to take action as may be necessary to insure compliance with this Easement by any prior failure

Appendix 3: Conservation Easement

to act. The rights hereby granted will be in addition to, and not in limitation of, any other rights and remedies available to the Grantee for enforcement of this Easement.

- 5.19 Resolution of Disputes. The parties shall promptly and in good faith attempt to resolve any dispute arising out of or relating to this Conservation Easement. If those negotiations are not successful, the parties shall in good faith attempt to resolve the dispute through mediation. The parties shall appoint a mutually acceptable qualified mediator. If the parties cannot agree on who should serve as mediator, each party shall submit to the other a list of three potential mediators acceptable to them. Each party shall then strike two names from the list provided by the other. The two people remaining in the lists shall confer and jointly name a mediator. The mediation will be held no later than ninety days after the dispute has arisen, and the costs of the mediation shall be shared equally by the parties. Except as provided in Section 5.17 of this Conservation Easement, no judicial action may be instituted by either party until after such mediation has been held. If the mediation is not successful and a judicial action is instituted, the parties shall not assert the defense of the statute of limitations or laches based upon the time devoted to attempting to resolve the dispute in accordance with this Section.
- 5.20 Warranty of Title. Grantor hereby warrants and represents that the Grantor is seized of the Protected Property in fee simple and has the right to grant and convey this Easement in perpetuity, that the Protected Property is free and clear of any and all encumbrances except those matters of record, prescriptive easements, purchase money or other mortgages, and mineral right reservations, if any, and that the Grantee and its successors and assigns shall have the use of and enjoy all of the benefits derived from and arising out of this Easement.
- 5.21 Controlling Law. The interpretation and performance of this Easement shall be governed by the laws of the State of California.
- 5.22 Non-merger. No merger shall be deemed to have occurred hereunder or under any documents executed in the future affecting this Conservation Easement unless the parties expressly state that they intend a merger of estates or interests to occur.
- 5.23 Recording and Re-Recording. The Grantor shall record this instrument and any amendment in the official land records as soon as is practicable after all signatures have been obtained and the Grantee may re-record it and any amendments to the Easement at any time as may be required to preserve its rights in this Easement.

Appendix 3: Conservation Easement

5.24 Entire Agreement and Counterparts. This instrument was drafted with the mutual efforts of Grantor and Grantee and sets forth the entire agreement of the parties with respect to the Easement and supersedes all prior discussions, negotiations, understandings, or agreements relating to the Easement, all of which are merged herein. This Easement may be executed in multiple counterparts. No alteration or variation of this instrument shall be valid or binding unless contained in an amendment that complies with Section 5.15.

TO HAVE AND TO HOLD this Easement together with all and singular the appurtenances and privileges belonging or in any way pertaining thereto, either in law or equity, either in possession or expectancy, for the proper use and benefit of the Grantee, its successors and assigns, forever.

IN WITNESS WHEREOF, the Grantor has set his hand and seal and the Grantee has caused this Easement to be signed in its name and its corporate seal to be affixed hereto.

SIGNED, SEALED AND

DELIVERED IN THE PRESENCE OF:

GRANTOR:

Fall River Resource Conservation District

BY: _____

Michael J. Millington

ITS: President

State of California

County of Shasta

Appendix 3: Conservation Easement

On _____ before me, _____,
(here insert name and title of the officer)

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 _____

(Seal)

**Conservation Easement
Signature Page Continued
Grantee Signature**

GRANTEE:
WETLANDS AMERICA TRUST, INC.

BY: _____

Earl H. Grochau
ITS: Assistant Secretary

State of TENNESSEE
County of SHELBY

On this the _____ day of ____ 2012, before me _____, the undersigned officer, personally appeared Earl H. Grochau, who acknowledged himself to be the Assistant Secretary of Wetlands America Trust, Inc., a corporation, and that he as such Assistant Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Assistant Secretary.

In witness whereof I hereunto set my hand and official seal.

Notary Public

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT "A"

AREA "1"

All that real property being a portion of Section 1, Township 37 North, Range 4 East; of Sections 5, 6, 7, 8, and 9 in Township 37 North, Range 5 East, and of Sections 31 and 32 in Township 38 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 1" on sheet 7 of that certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records and containing some 2351.32 acres more or less.

Easement Areas Reserved by Pacific Gas and Electric Company

Strip 1

A strip of land 60.00 feet in width, lying in Sections 8 and 7, the South sideline of which is more particularly described as follows;

Beginning at a point on the South line of said Section 8 from which the South-East Corner there-of bears N.89°17'55"E., 500.00 feet; thence S.89°17'55"W., along the South line of said Section 8, a distance of 4855.26 feet to the South-West corner thereof; thence S.89°37'41"W., along the South line of Section 7, a distance of 60.00 feet to the point of Termination and the end of this strip.

Strip 2

A strip of land 60.00 feet in width, lying in Sections 8 and 7, the Centerline of which is more particularly described as follows;

Beginning at the South-West Corner of said Section 8; thence N.0°33'31"W., along the West line of Section 8, a distance of 80.00 feet to the point of Termination and the end of this strip.

Strip 3

A strip of land 60.00 feet in width, lying in Section 8, the Centerline of which is more particularly described as follows;

Commencing at the South-East Corner of Section 8, thence N.0°35'59"W., along the East line of Section 8, a distance of 500.00 feet; thence leaving said section line S.89°17'55"W., a distance of 30.00 feet to the **True Point of Beginning**; thence N.0°35'59"W., parallel to said east line, a distance of 2169.38 feet to a point hereinafter referred to as point "A"; thence continuing N.0°35'59"W., a distance of 71.60 feet to the point of Termination and the end of this strip.

Strip 4

A strip of land 60.00 feet in width, lying in Sections 8 and 9, the Centerline of which is more particularly described as follows;

Beginning at a point from which aforesaid point "A" bears N.88°46'43"E., a distance of 66.94 feet; thence N.88°46'43"E., a distance of 922.80 feet to the point of Termination and the end of this strip.

For all strips, widths are as measured at right angle to said side and centerlines, with the sidelines extended or truncated as appropriate to end on property or area boundary lines and as shown on exhibits "B1" and "B2" as attached hereto and made a part hereof.

AREA "2"

All that real property being a portion of Section 36, Township 38 North, Range 4 East, and of Sections 29, 31 and 32 in Township 38 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 2" on sheet 8 of that certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records and containing some 829.00 acres more or less.

AREA "3"

All that real property being a portion of Sections 4, 5, 8, and 9 in Township 37 North, Range 5 East, and of Sections 29, 32, and 33 in Township 38 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 3" on sheet 9 of that certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records and containing some 674.81 acres more or less.

Easement Areas Reserved by Pacific Gas and Electric Company

Strip 5

Commencing at a point on the North-South mid section line of said Section 9 from which the Center of Section bears S.00°40'17"E., a distance 30.00 feet; thence S.88°46'43"W., a distance of 1285.99 feet to the **True Point Of Beginning**; thence continuing S.88°46'43"W., a distance of 114.85 feet to the point of Termination of this strip Centerline.

The width is measured at right angle to said centerline, with the sidelines extended or truncated as appropriate to end on property or area boundary lines and as shown on exhibit "B3" as attached hereto and made a part hereof.

AREA "4"

All that real property being a portion of Sections 28, 29, 32, and 33 in Township 38 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 4" on sheet 10 of that

certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records and containing some 557.82 acres more or less.

AREA "5"

All that real property being a portion of Sections 4 and 9, Township 37 North, Range 5 East, Mount Diablo Meridian, situate in the Unincorporated Territory of Shasta County California and being more particularly described and delineated as "AREA 5" on sheet 11 of that certain Record of Survey filed in Book 57 of Land Surveys, at Page 124, Shasta County Records and containing some 78.16 acres more or less.

Easement Areas Reserved by Pacific Gas and Electric Company

Strip 6

Beginning at a point on the North-South mid section line of said section 9 from which the Center of Section bears S.00°40'17"E., a distance 30.00 feet; thence S.88°46'43"W., 52.85 feet to a point hereinafter referred to as point "A"; thence continuing S.88°46'43"W., 1165.19 feet to the point of Termination of this strip Centerline.

Strip 7

Beginning at a point from which aforesaid point "A" bears S.00°26'45"E., a distance of 2679.11 feet; thence S.00°26'45"E., a distance of 77.62 feet to a point hereinafter referred to as point "B"; thence continuing S.00°26'45"E., a distance of 2821.69 feet; thence S.01°47'13"E., 1218.02 feet; thence S.00°40'17"E., 99.05 feet to the point of Termination of this strip Centerline.

Strip 8

Beginning at a point from which aforesaid point "B" bears S.89°33'15"W., 42.60 feet; thence S.89°33'15"W., a distance of 120.23 feet to the point of Termination of this strip Centerline.

For all strips, widths are as measured at right angle to said centerlines, with the sidelines extended or truncated as appropriate to end on property or area boundary lines and as shown on exhibit "B4" as attached hereto and made a part hereof.



EXHIBIT B
PROPERTY MAP

2263.01

EXHIBIT C
GRANT DEED

EXHIBIT D
EXISTING THIRD PARTY USES

- (a) Pole easement granted to Big Valley Lumber Company recorded in Book 2551, Page 880, of Official Records as shown on the Preliminary Report dated April 19, 2013.
- (b) License Agreement for Grazing Purposes between Fall River Resource Conservation District and McArthur Resource Management Association dated January 3, 2016. This License Agreement shall become effective upon the transfer of title to the Property from PG&E to the Fall River Resource Conservation District.

EXHIBIT E CONSERVATION VALUES

(1) Fish, Plant, and Wildlife Habitat

The Property includes three general vegetation types: wetlands including wet meadows, seasonal wetlands, vernal pools, and emergent wetlands; annual and perennial native and seeded grasslands; and low sage uplands. Vernal pool and seasonal wetlands are associated with some of the intermediate and higher elevation upland areas while emergent wetlands occur in lower elevations. Habitat condition on the Property is generally good with high plant vigor and good production; however, noxious weeds are common in annual grasslands/low sage uplands in the south and east portions of the Property and compete with more desirable species. Noxious weeds in the Swamp include bull thistle (*Cirsium lanceolatum*), yellow starthistle (*Centaurea solstitialis*), spiny cocklebur (*Xanthium spinosum*), Scotch thistle (*Onopordum acanthium*), musk thistle (*Carduus natans*), diffuse knapweed (*Centaurea diffusa*), spotted knapweed (*Centaurea maculosa*), squarrose knapweed (*Centaurea squarrosa*), hoary Cress (*Cardaria draba*), perennial pepperweed (*Lepidium latifolium*), medusahead (*Taeniatherum caput-medusae*), and jointed goatgrass (*Aegilops cylindrica*).

The Property is an important area for migrating waterfowl including Pacific greater white-fronted and snow geese, northern pintail, mallard, American wigeon, gadwall, and green-winged teal. The grasslands on the Property also provide nesting cover for a variety of ducks, shorebirds, and songbirds including mallard, gadwall, cinnamon teal, long-billed curlew, savannah sparrow, and western meadowlark. Greater sandhill cranes also seasonally use the Property. The grasslands support a high population of rodents which provide prey for a number of nesting and winter migrant raptors. Local nesting raptors include red-tailed hawk and northern harrier. As for wintering raptors, the Property is especially important to birds migrating from northern breeding grounds including red-tailed, ferruginous, and rough-legged hawk, bald and golden eagle, and short-eared owl, all of which can be found in relatively high numbers.

Several sensitive plant species have previously been observed in the Planning Unit and may be present on the Property but have not been identified to date. These species include bristly sedge (*Carex comosa*), marsh skullcap (*Scutellaria galericulata*), profuse-flowered pogogyne (*Pogogyne floribunda*), long-leaved starwort (*Stellaria longifolia*), Boggs Lake hedge-hyssop (*Gratiola heterosepala*), slender orcutt grass (*Orcuttia tenuis*), Greene's tuctoria (*Tuctoria greenei*), and Modoc County knotweed (*Polygonum polygaloides* ssp. *esotericum*).

(2) Outdoor Recreation

The Property receives some hunting use. Wildlife viewing and bird watching opportunities exist along the main access roads on the Property.

(3) Agricultural Uses

Appendix 3: Conservation Easement

The historical agricultural usage of McArthur Swamp consisted of both grazing and farming, with hay and grain crops being grown. Currently, the Property's grasslands are grazed by cattle on a rotational basis, with the grasslands having been subdivided into a number of pasture units by construction of perimeter and cross-fencing. Livestock watering systems have been developed throughout the Property, with water troughs provided in each fenced pasture. The grazing season usually begins in mid-April and continues until mid-October. Individual fields are grazed at various times during the grazing season based on the condition and availability of forage species, as well as the soil moisture in the pastures.

(4) Historic Values

The Property is located within the ancestral territory of the Ahjumawi Band of the Pit River Tribe.

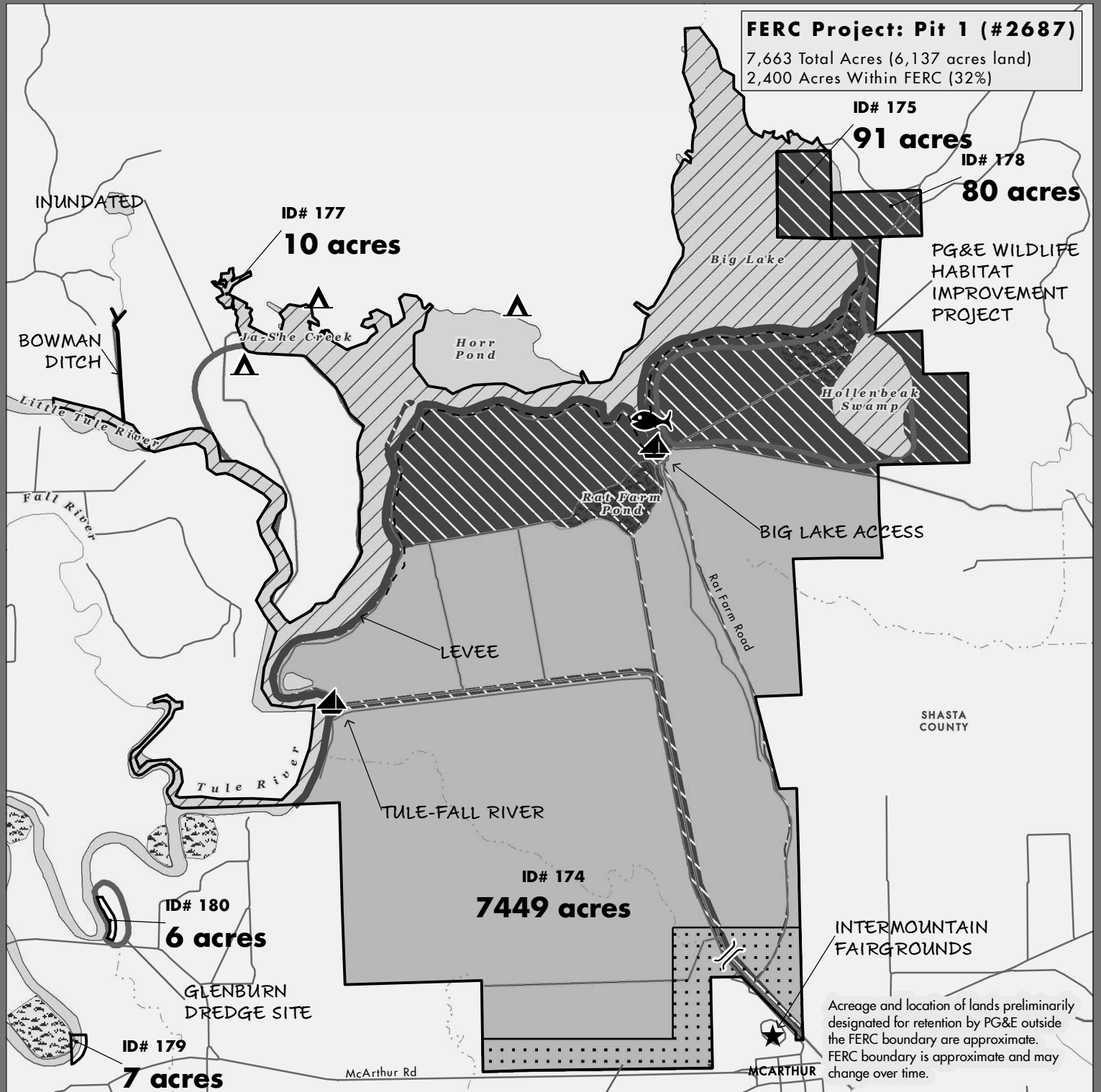
(5) Open Space

The Shasta County General Plan recognizes that agricultural lands provide privately maintained open space, which contributes to both the rural character of the county and its open, natural landscape. Lands along the southern portion of the planning unit provide scenic views for McArthur Road, an important thoroughfare. The open grassland area also provides excellent views of Mt. Shasta, a regional landmark.

EXHIBIT F
VISITOR CENTER AND YOUTH CAMP BUILDING ENVELOPE MAPS

Visitor Center Building Envelope follows on next page. Youth Center Building Envelope will be determined at a future date and will be subject to necessary approvals.

McArthur Swamp Planning Unit



- Lands Designated for Donation to the Fall River RCD
- PG&E Lands Designated for Retention
- PG&E Lands Designated for Retention Under Water
- Visitor Center Building Envelope General Area
- Legal Parcel Boundary and Id Number

- Boat Launch
- Campground
- Feature of Importance
- Fish Access
- Gate
- Lodge
- Canal / Ditch

0 1 2 Miles





**Conservation Easement Funding Agreement
McArthur Swamp Planning Unit (Donated Lands)**

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 **Wetlands America Trust, Inc.**, a non-profit corporation organized under the laws of the District of Columbia ("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 the Fall River Resource Conservation District consisting of approximately 4,491 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. 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 December 31, 2015, this Agreement shall be of no further force or effect and the parties shall thereupon be released from any obligations under this Agreement.

2. Grant. Effective upon the Effective Date, the Stewardship Council grants ONE HUNDRED AND SIXTY NINE THOUSAND AND SIX HUNDRED DOLLARS (\$169,600)(the "Grant Funds") to Grantee to be used solely for the following purposes:

a. One hundred and fifty nine thousand and six hundred dollars (\$159, 600) of the Grant Funds shall be used to implement conservation easement monitoring as described in Sections 3 and 4 below (the "Monitoring Funds").

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

3. Use of Grant Funds. 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.

- a. Grantee may "pool" the Monitoring Funds with other funds Grantee uses for monitoring of other conservation easements held by Grantee and Grantee may use the Monitoring Funds to monitor any of its conservation easements as long as Grantee meets its obligations as described in Section 4 below.
- b. Within ninety (90) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of (1) the Monitoring Funds into an account which shall be restricted to the stewardship and monitoring of conservation easements held by Grantee, including but not limited to the Conservation Easement on the Property; and (2) the Defense and Enforcement Funds into an account which shall be restricted to the legal defense or enforcement of conservation easements held by the Grantee, including but not limited to the Conservation Easement on the Property. The requirement to provide evidence of deposit will be satisfied when Grantee submits to the Stewardship Council the form attached as Exhibit B.

4. Conservation Easement Monitoring. From and after the Effective Date, Grantee agrees to conduct regular monitoring of the Property to ensure compliance with the terms of the Conservation Easement. Grantee shall conduct on-site monitoring of the Property not less than annually to assess compliance with the terms and conditions of the Conservation Easement and note any material changes to the Property compared to the baseline documentation report and



prior monitoring reports. Upon written request, the Stewardship Council or its designee shall be permitted to accompany the Grantee on its monitoring visits and to receive a copy of any monitoring report prepared by Grantee. Permissible uses of Monitoring Funds shall include:

- 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. 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;
- d. 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.

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

- a. To make direct expenditures of attorneys' fees, costs and disbursements incurred in connection with proceedings to enforce and/or defend the provisions of the Conservation Easement against legal challenge, 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.

6. 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 second quarter of the 2016 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 confer with Grantee in a timely manner to determine 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.

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

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

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

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



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

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

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

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

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

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

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



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

By: _____
Title: _____
Date: _____

Wetlands America Trust, Inc.
a non-profit corporation organized under the laws of the District of Columbia

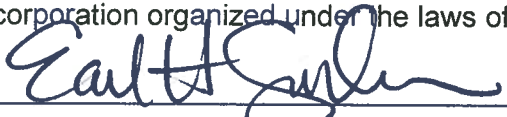
By: 
Title: Assistant Secretary
Date: 8/26/14

Exhibit A

Property Description

(to be attached)



Exhibit B

Deposit Certification

(to be attached)



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.

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.