

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE



October 9, 2019

Advice Letter 5633-E

Erik Jacobson
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

SUBJECT: North Fork Mokelumne River Land Donation - Request for Approval under Decision (D.) 03-12-035, D.08-11-043, D.10-08-004, and Public Utilities Code Section 851

Dear Mr. Jacobson:

Advice Letter 5633-E is effective as of October 7, 2019.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division



September 13, 2019

Advice 5633-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: North Fork Mokelumne River Land Donation - Request for Approval under Decision (D.) 03-12-035, D.08-11-043, D.10-08-004, and Public Utilities Code Section 851

Purpose

Pursuant to the streamlined procedures adopted by the California Public Utilities Commission (“Commission” or “CPUC”) in Decision (D.) 08-11-043 (as modified by D.10-08-004), Pacific Gas and Electric Company (“PG&E”) requests disposition letter approving PG&E’s donation of fee simple title to approximately 1,052 acres of land in Amador County, commonly known as North Fork Mokelumne River (“Property”) to the Department of Forestry and Fire Protection (“CALFIRE”). This donation is being made in the public interest and will protect and preserve the Beneficial Public Values (“BPVs”) on the Property, including the habitat of fish, wildlife and plants, the scenic viewshed of the Property, outdoor recreation, and identified historic and cultural values by restricting any use of the Property that would significantly impair or interfere with the protection of these values. This donation is in accordance with the terms and conditions specified in the Settlement Agreement and Stipulation that were approved by the Commission in D.03-12-035 (“Stipulation”).

Background

Pursuant to the Stipulation, the Pacific Forest and Watershed Lands Stewardship Council (“Stewardship Council”) was established in 2004 to develop a plan to permanently protect, for the benefit of the citizens of California, more than 140,000 acres of watershed lands (“Watershed Lands”) owned by PG&E. This effort is known as PG&E’s Land Conservation Commitment (LCC). PG&E is fulfilling its commitment through fee donation of certain Watershed Lands and/or the conveyance of conservation easements, (or satisfactory assurance in another form) that each parcel will be managed consistent with the purpose of the Land Conservation Commitment. PG&E will not make fee simple donations of lands that contain hydroelectric project features, hydroelectric projects licensed by the Federal Energy Regulatory Commission (“FERC”), or properties whose ownership is

otherwise required for utility operations. The Stipulation also includes provisions to ensure the rights necessary to operate and maintain current and future hydroelectric and associated water delivery facilities are reserved, and the existing agreements for economic uses will be honored.

A detailed description of this proposed donation, which addresses the requirements set forth in Section 12(a) of the Stipulation, is provided in the attached Land Conservation and Conveyance Plan (Attachment A) prepared by the Stewardship Council and approved by their Board of Directors. Land Conservation and Conveyance Plans will be issued serially for all Watershed Lands and together will comprise the Land Conservation Plan Volume III.

Property Specific Considerations

In accordance with the streamlined procedure adopted by the Commission in D.08-11-043 (as modified by D.10-08-004), PG&E provides the following information as required by Ordering Paragraph 2:

(1) Identity of the Conservation Property

The Property, identified as portions of Parcels 962 and 974-982 (totaling approximately 1,052 acres of land) on the map included in Attachment A, pages 4-5, is in Amador County. The Property is approximately 56 miles east of Sacramento just north of the Mokelumne River. The Property is surrounded by Sierra Pacific Industries lands and National Forest System lands managed by the El Dorado National Forest.

(2) Type of Property Interest Disposition

Per the Stewardship Council recommendation, PG&E will convey fee simple title to CALFIRE. CALFIRE will then immediately convey a conservation easement (Attachment B) to the Mother Lode Land Trust ("MLLT"), which will permanently protect the BPVs on the Property. The Property will be transferred subject to a Grant Deed restriction regarding water use. For the complete text of the Grant Deed, see Attachment C.

The State Board of Equalization estimates the value of the Property is \$388,005 (Attachment D).

A. Property Encumbrances and Uses

There are recorded encumbrances on the Property for roads, ingress/egress and for improvements. There are no unrecorded encumbrances and no existing third-party agreements for economic uses on the Property.

B. Public Access

The public can access the Property via Tiger Creek Road and Salt Springs Road.

Public access to the Property will not be changed because of the donation of the Property. For the complete text regarding Public Access please see the Conservation Easement, Attachment B, Page 11.

C. Building Envelopes

The conservation easement between CALFIRE and MLLT includes reserved rights in favor of CALFIRE allowing for three (3) Potential Building Envelopes to be located on the conveyed lands. CALFIRE will have the ability to select Building Envelope sites within the Potential Building Envelopes until such a time that a total of ten (10) acres have been selected. For the complete agreement between PG&E and CALFIRE regarding building envelopes please see the Conservation Easement, Attachment B, Pages 7 and 8.

D. Utility Facility Access, Operation and Maintenance Easement

PG&E and CALFIRE will also enter into a Utility Facility Access, Operation and Maintenance Easement Agreement covering PG&E's continued use, maintenance and access to all current and future hydroelectric facilities. For the complete text of the Utility Facility Access, Operation and Maintenance Easement Agreement see Attachment E.

E. PG&E's Assumption of Liability

Section 12(f) of the Stipulation requires that PG&E hold the donee and/or conservation organizations harmless for hazardous waste or substance liability. Fulfillment of that obligation is reflected in the Environmental Agreement, attached hereto as Attachment F.

PG&E conducted an environmental review as part of its diligence in preparation for donation of the Property. The environmental review included an Environmental Site Assessment (ESA). The ESA assessed the past and present uses, ownership, and environmental conditions to identify potential issues that present known or possible environmental areas of concern. The ESA included, but was not limited to, a site reconnaissance, interviews, historical and regulatory document review, and limited sampling. One potential environmental issue was identified on the Property, a debris pile used for informal shooting practice contained lead above the residential screening level. PG&E is scheduled to clean-up the site in August 2019.

(3) Legal Name and Location of Receiving Parties

State of California
Department of Forestry & Fire Protection
1300 U Street (A-45)
Sacramento, CA 95817
Attn: Technical Services Section

State Public Works Board
915 L Street, 9th Floor
Sacramento, CA 95814
Attn: Executive Director

Mother Lode Land Trust
1324 Jackson Gate Road
P.O. Box 1435
Jackson, CA 95642
Attn: Executive Director

(4) Proposed Uses and Conservation Management Objectives:

As set forth in the Stipulation, the cornerstone of the Land Conservation Commitment is its requirement that the Watershed Lands be preserved and enhanced for the following broad range of BPVs, which are as follows:

- Protection of the Natural Habitat of Fish, Wildlife, and Plants
- Preservation of Open Space
- Outdoor Recreation by the General Public
- Sustainable Forestry
- Agricultural Uses
- Historic Values

The conservation covenant for the Property ensures permanent protection of those BPVs listed in the Stipulation that are present on the Property. Attachment B, Section E provides that the following BPVs are protected on the Property:

A. Protection of the Natural Habitat of Fish, Wildlife, and Plants

The Mokelumne River, Tiger Creek, Panther Creek and other associated tributaries provide primary cold-water stream habitat for several species of trout. The waterways also support highly valued riparian habitat that is potentially suitable for several special status species. The Property also provides wintering ground for the Salt Springs deer herd and migratory corridors for many wildlife species.

B. Preservation of Open Space

The Property provides open space and viewshed values for many key areas along the Mokelumne River and nearby ridge tops.

C. Historic Values

Identified historical and cultural values, to the extent they are protected by state and federal law.

D. Outdoor Recreation by the General Public

The Property provides opportunities for outdoor recreation, such as fishing, hiking, picnicking, sightseeing and motorized vehicle use.

E. Sustainable Forestry

The Property contains several actively managed Timber Management Units managed under a Multiple-Use prescription. The forested portions of the Property contain mostly second growth Douglas-fir, incense cedar, ponderosa pine and sugar pine species.

Stipulation BPVs listed below are not present on this Property and thus are not included in this conservation easement.

F. Agricultural Uses**(5) Environmental Information**

The proposed transaction constitutes a change in ownership with no proposed changes to land uses; thus, no direct or indirect environmental impacts will occur as a result. Therefore, the transaction does not constitute a “project” under the California Environmental Quality Act (CEQA). Accordingly, as stated in D.99-12-030 (pages 7 and 9), this advice letter process is not subject to review under CEQA.

PG&E’s Review & Finding

PG&E has reviewed the transaction and documents herein and has determined that the proposed transaction is compliant with requirements of the Stipulation. Additionally, this transaction will not have an adverse effect on the public interest or on the ability of the utility to provide safe and reliable service to customers at reasonable rates.

Lastly, the Stewardship Council intends to provide funding to satisfy property tax payments in perpetuity for the Property.¹ Upon CPUC approval of fee title donation of the Property, Amador County will receive a one-time lump sum payment to satisfy property tax in perpetuity for the Property. The 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 parcels.

Protests

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail by facsimile or electronically, any of which must be received no later than October 3, 2019, which is 20 days after the date of this submittal. Protests should be mailed to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to this advice letter; the requirements for responding to advice letters are set forth in General Order 96-B, Rules 3.11; see also Decision 08-11-043 (as modified by Decision 10-08-004).

¹ As stated in Resolution E-4644 the Commission endorses the Stewardship Council 1) Guidelines Regarding Satisfaction of Tax Neutrality, and 2) the Property Tax Neutrality Methodology adopted by the Stewardship Council.

Effective Date

Pursuant to the review process outlined in D.08-11-043 (as modified by D.10-08-004), PG&E requests that this Category 1 advice submittal become effective as soon as possible.

Notice

In accordance with General Order 96-B, Section IV, and D.08-11-043, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, Service List A.08-04-020 and I.02-04-026, Appendix A and additional parties identified by the Stewardship Council. Address changes to the General Order 96-B service list should be directed to e-mail PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: <http://www.pge.com/tariffs>.

_____/s/_____

Erik Jacobson
Director, Regulatory Relations

Attachments:

- A Land Conservation and Conveyance Plan
- B Conservation Covenant
- C Grant Deed
- D State Board of Equalization Land Appraisal Record
- E Utility Facility Access, Operation and Maintenance Easement Agreement
- F Environmental Agreement – (Fee Donee)

Note: (1) the Donation Letter Agreement between PG&E and CALFIRE is available upon request.

cc: Service List Appendix A - Advice Letter 5633-E
Heidi Krolick, Stewardship Council
Erin Healy, Stewardship Council
Service List A.08-04-020 and I.02-04-026
Additional Parties Identified by the Stewardship Council

***** **SERVICE LIST Advice 5633-E** *****
APPENDIX A

Jonathan Reiger
Legal Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 355-5596
jzr@cpuc.ca.gov

Mary Jo Borak
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-1333
bor@cpuc.ca.gov

Robert (Mark) Pocta
Public Advocate Office
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2871
rmp@cpuc.ca.gov

Michael Rosauer
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2579
fly@cpuc.ca.gov

State of California
Department of Forestry & Fire Protection
1300 U Street (A-45)
Sacramento, CA 95817
Attn: Technical Services Section

State Public Works Board
915 L Street, 9th Floor
Sacramento, CA 95814
Attn: Executive Director

Mother Lode Land Trust
1324 Jackson Gate Road
P.O. Box 1435
Jackson, CA 95642
Attn: Executive Director



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U39 E)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Annie Ho

Phone #: (415) 973-8794

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: AMHP@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
 PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 5633-E

Tier Designation: 1

Subject of AL: North Fork Mokelumne River Land Donation - Request for Approval under Decision (D.) 03-12-035, D.08-11-043, D.10-08-004, and Public Utilities Code Section 851

Keywords (choose from CPUC listing): Agreements, Section 851

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.03-12-035, D.08-11-043, D.10-08-004

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name: Erik Jacobson, c/o Megan Lawson
Title: Director, Regulatory Relations
Utility Name: Pacific Gas and Electric Company
Address: 77 Beale Street, Mail Code B13U
City: San Francisco, CA 94177
State: California Zip: 94177
Telephone (xxx) xxx-xxxx: (415)973-2093
Facsimile (xxx) xxx-xxxx: (415)973-3582
Email: PGETariffs@pge.com

Name:
Title:
Utility Name:
Address:
City:
State: District of Columbia Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Attachment A

Land Conservation and Conveyance Plan

Revised Final LCCP

March 13, 2018

Revised July 10, 2019



Stewardship
Council

Land Conservation and
Conveyance Plan
Lands for Donation to CAL FIRE
North Fork Mokelumne River Planning Unit

Executive Summary

Subject

LCCP North Fork Mokelumne River Planning Unit (Lands Donated to CAL FIRE)
Land Conservation Plan Identification Numbers (Parcels) 962 and 974-982 as shown on the maps attached as Exhibit 1.

Type of Property Interest Disposition

- The California Department of Forestry and Fire Protection (CAL FIRE) to hold fee simple title to 1,052 acres within Parcels 962 and 974-982 of the North Fork Mokelumne River (NFMR) planning unit.
- Mother Lode Land Trust (MLLT) to hold the conservation easement on the 1,052 acres of Parcels 962 and 974-982 donated to CAL FIRE.

Summary

1,052 acres within Parcels 962 and 974-982 (Property) will be donated to CAL FIRE and, consistent with the conditions in the Settlement Agreement, the Property will be subject to a perpetual conservation easement granted to MLLT. The disposition of the remaining acres within the planning unit are addressed in other Land Conservation and Conveyance Plans (LCCPs).

Pending California Public Utilities Commission (CPUC) approval, and immediately following PG&E's conveyance of the 1,052 acres within Parcels 962 and 974-982 to CAL FIRE, PG&E and MLLT will enter into the conservation easement on acres that will be transferred directly to CAL FIRE.

The 1,052 acres in Parcels 962 and 974-982 to be donated to CAL FIRE are outside the Mokelumne River Project boundary (FERC #137) and PG&E has determined this acreage does not need to be retained for existing or future utility operations. Therefore, this acreage is available for donation, subject to PG&E's reserved rights.

This transaction will not have an adverse effect on the public interest or on the ability of the utility to provide safe and reliable service to customers at reasonable rates.

Property Location

The property subject to this LCCP consists of 1,052 acres in Amador County along Tiger and Panther Creeks and surrounding Tiger Creek Regulator Reservoir.

Existing Economic Uses and Agreements

There are recorded encumbrances for roads on the acreage for donation to CAL FIRE in the NFMR planning unit. There are no existing agreements for economic uses on the lands to be donated to CAL FIRE in the NFMR planning unit.

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

specific reserved rights are set forth in the grant deed, conservation easement, and utility easement, which can be found in Appendices 2 and 3.

An easement affecting APN's 024-051-012, 024-050-013, and 024-070-010 over the subject lands for ingress and egress, improvements and incidental purposes, has been disclosed and recorded as a final order of condemnation in favor of Amador Water Agency.

Permanent Protection of the Beneficial Public Values

The grant deed transferring fee title to CAL FIRE includes a recital that CAL FIRE and PG&E acknowledge that the conveyance, together with the conservation easement transaction being entered into with MLLT, 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 NFMR property will ensure the permanent protection and preservation of the following BPVs:

- Fish, Plant, and Wildlife Habitat – The Mokelumne River, Tiger Creek, Panther Creek and other associated tributaries provide primary cold-water stream habitat for several species of trout. The waterways also support highly valued riparian habitat that is potentially suitable for several special status species. The Property also provides wintering ground for the Salt Springs deer herd and migratory corridors for many wildlife species.
- Outdoor Recreation – The Property provides opportunities for outdoor recreation, such as fishing, hiking, picnicking, sightseeing, and motorized vehicle use.
- Open Space – The Property provides open space and viewshed values for many key areas along the Mokelumne River and nearby ridge tops.
- Forest Resources - The Property contains several actively managed Timber Management Units managed under a Multiple-Use prescription. The forested portions of the Property contain mostly second growth Douglas-fir, incense cedar, ponderosa pine, and sugar pine species.
- Historic Resources – Identified historical and cultural values, to the extent they are protected by state and federal law.

Tax Neutrality

After the lands are donated to CAL FIRE, a committee will be formed by CAL FIRE to determine the annual payments due from CAL FIRE in lieu of property taxes (pursuant to Section 4654 of the Public Resources Code). If the new amount is less than PG&E's current tax payments, the Stewardship Council will pay 100 percent of the difference with regard to distributions to Amador County, special districts in Amador County, and other "non-county" recipients in Amador County. In that event, Amador County will receive a lump sum payment from the Stewardship Council, consistent with the methodology described in the Property Tax Neutrality Methodology adopted on June 27, 2012 and amended most recently on November 15, 2017.

Hazardous Waste Disclosure

PG&E has provided the NFMR Planning Unit Environmental Site Assessment Report dated June 22, 2010, to CAL FIRE and MLLT, fulfilling the disclosure requirements of the Land Conservation Commitment.

Consideration of Parcel Split

Within Parcels 962 and 974-982, approximately 201 acres will be retained by PG&E. PG&E determined that operational needs would be met sufficiently through the reservation of rights for ongoing hydroelectric operations on the remaining 1,052 acres within these parcels. To effectuate transfer of a portion of the property, parcel splits will be 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 future conveyances of parcels within this planning unit.

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

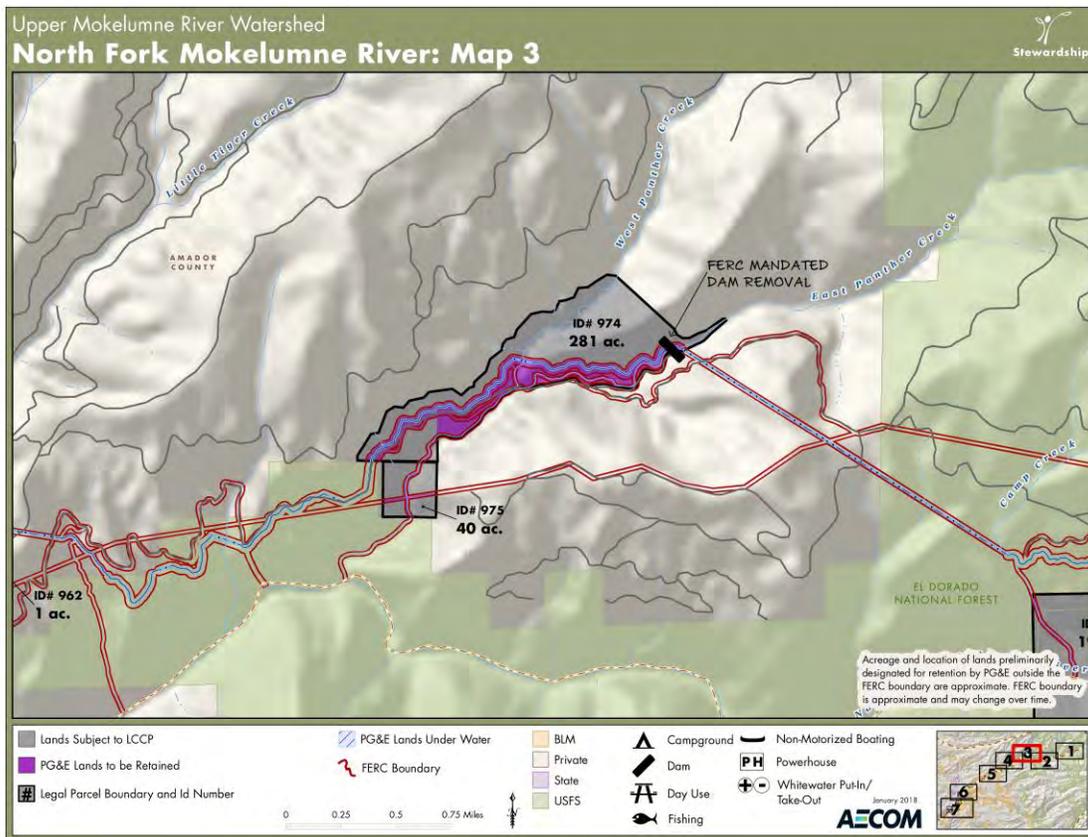
The establishment of a conservation easement is categorically exempt under Section 15325 of the CEQA Guidelines (CFR Title 14, Chapter 3).

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

While the principal effect of the conservation easement will be to significantly restrict development on the site in perpetuity, the conservation easement reserves to CAL FIRE the right to develop no more than a total of ten acres within the designated Building Envelopes for uses including recreation, research, or forest management subject to the limitations in the conservation easement. However, CAL FIRE is not proposing to carry out any permitted development or change in use at this time. Instead, at least for the time being, CAL FIRE intends to manage the Property as PG&E does presently. If, in the future, CAL FIRE decides to pursue new development or uses that are allowed by the

conservation easement, it must first obtain all necessary permits and conduct any necessary CEQA review at that time.

Exhibit 1. Map of the Property



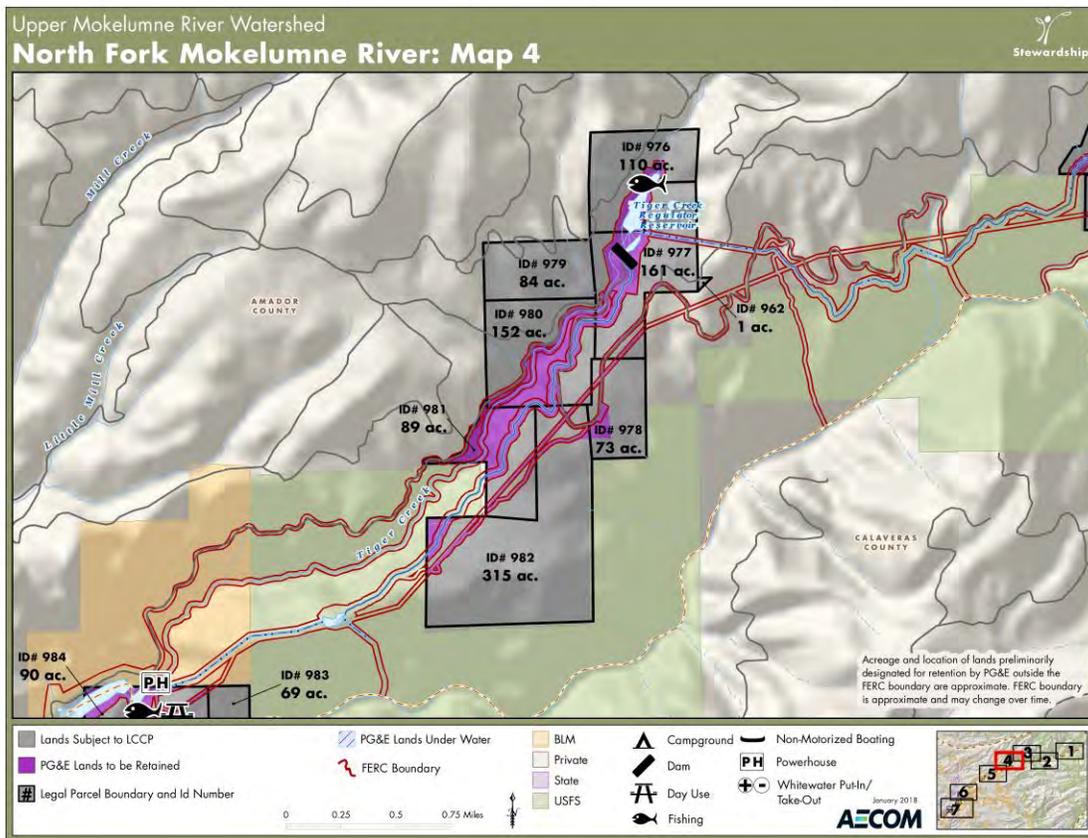


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Introduction

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 the Watershed Lands in fee to one or more public entities or qualified conservation organizations, whose ownership would be consistent with these conservation objectives.

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

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

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

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

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

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

Public input that the Stewardship Council received as a result of the public outreach process, including comments on Volume II of the LCP, comments from public information meetings on the selection of donees and other issues, and correspondence received by the Stewardship Council were considered by the Stewardship Council in its evaluation of the potential donees and their land stewardship proposals. In addition to public meetings, the public was given the opportunity to participate in all of the Stewardship Council's public board meetings where decisions were made on fee title and conservation easement donees. Prior to making a decision regarding the disposition of this parcel, the Stewardship Council will provide notice to the Board of Supervisors of the affected county, each affected city, town, and water supply entity, each affected Tribe and/or co-licensee, and each landowner located within one mile of the exterior boundary of the parcel, by mail or other effective manner. A summary of the public outreach process for this subject LCCP, the NFMR 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 California Department of Forestry and Fire Protection (CAL FIRE) receive 1,052 acres within ten parcels (962 and 974-982) of the North Fork Mokelumne River (NFMR) planning unit in fee and that the Mother Lode Land Trust (MLLT) hold a conservation easement over the lands recommended for donation to CAL FIRE in these parcels (962 and 974-982) of the NFMR planning unit.

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

Table 1 Stipulation 12(a) Requirements

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

1. Acreage, Existing Economic Uses and Agreements

Acreage and Property Description

Approximately 1,052 acres located within Parcels 962 and 974-982 will be donated to CAL FIRE and, consistent with the conditions in the Settlement Agreement, the Property will be subject to a perpetual conservation easement granted to MLLT. The remaining 201 acres within Parcels 962 and 974-982 will be retained by PG&E.

The NFMR planning unit is comprised of parcels scattered along a 30-mile segment of the North Fork Mokelumne River in Amador County. Elevations for lands within this planning unit range from 700 feet to 4,200 feet above mean sea level (msl) and the terrain within the planning unit is generally steep and hilly, which limits road access to many parcels.

Parcels 962 and 974-982 encompass portions of Tiger and Panther Creek as well as Tiger Creek Regulator Reservoir. Tiger Creek contains high quality trout habitat. Breaching of diversion dams on East and West Panther Creeks was mandated by FERC to provide for fish passage and sediment transport.

The properties recommended for donation to CAL FIRE provide opportunities for fishing at Tiger Creek Regulator Reservoir. In general, the Property is open to the public for recreational pursuits, however, the Property is “rustic” in that there are only a few "day use" areas near the river that contain picnic and/or restroom facilities.

There are no agricultural (farming or grazing) activities on the lands recommended for donation to CAL FIRE.

Prime timberland is located along Tiger Creek and Panther Creek. The land recommended for donation to CAL FIRE includes two PG&E Timber Management Units (TMUs) totaling 1,092 timbered acres. Both TMUs are managed under a Multiple-Use prescription, meaning that protection and uses of other resources and facilities may preclude sustained timber management as the highest and best use of portions of the TMU.

The NFMR planning unit is located within the traditional territory of the Northern Sierra Miwuk. The northern parcels, including Panther Creek and Tiger Creek parcels, are surrounded by the US Forest Service-designated Mokelumne Archeological District. Several areas in the Mokelumne River drainage, particularly in the vicinity of Tiger Creek Reservoir, continue to be important for Miwuk gatherings.

Adjacent and Nearby Landowners

The parcels subject to donation to CAL FIRE are surrounded by Sierra Pacific Industries' lands and National Forest System lands managed by the Eldorado National Forest. The parcels identified in this LCCP are accessible via US Forest Service Road 8N50 and private roads.

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

Existing Economic Uses and Agreements

There are recorded encumbrances for roads on the acreage for donation to CAL FIRE in the NFMR planning unit. There are no existing agreements for economic uses on the lands to be donated to CAL FIRE in the NFMR planning unit.

PG&E's specific reserved rights are set forth in the grant deed, conservation easement, and utility easement, which can be found in Appendices 2 and 3.

An easement affecting APN's 024-051-012, 024-050-013, and 024-070-010 over the subject lands for ingress and egress, improvements and incidental purposes, has been disclosed and recorded as a final order of condemnation in favor of Amador Water Agency.

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 NFMR planning unit that the Stewardship Council board approved in LCP Volume II, as well as a description of how the transaction, as summarized by this LCCP, supports each objective and preserves and/or enhances the BPVs.

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

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

The conservation easement (Appendix 3) includes Fish, Plant, and Wildlife Habitat as a BPV that will permanently protected. The Mokelumne River, Tiger Creek, Panther Creek and other associated tributaries provide primary cold-water stream habitat for several species of trout. The waterways also support highly valued riparian habitat that is potentially suitable for several special status species. The Property also provides wintering ground for the Salt Springs deer herd and migratory corridors for many wildlife species. In addition, the land will be managed in accordance with a Demonstration State Forest Management Plan that will be developed subsequent to fee title transfer.

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

The Property provides open space and viewshed values for many key areas along the Mokelumne River and nearby ridgetops. The conservation easement will ensure that no further development will occur unless specifically authorized by the conservation easement and consistent with the Conservation Values.

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

The Property provides opportunities for outdoor recreation, such as fishing, hiking, picnicking, sightseeing and motorized vehicle use. Although no recreational facilities are

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

proposed at this time, the conservation easement allows CAL FIRE to develop no more than a total of ten acres within the designated Building Envelopes. The allowable uses include recreation, research, or forest management. The conservation easement recognizes that access to the Property is inherent or may be inherent in the enjoyment of the Conservation Values and the Informal Uses. Therefore, CAL FIRE will allow public access to the Property that is substantially consistent with the public access existing on the date the conservation easement is recorded, subject to reasonable rules and regulations.

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

The Property contains several actively managed Timber Management Units managed under a Multiple-Use prescription. The forested portions of the Property contain mostly second growth Douglas-fir, incense cedar, ponderosa pine and sugar pine species. CAL FIRE proposes to conduct timber harvest activities on the Property in accordance with a Demonstration State Forest Management Plan that incorporates the following Forest Management Goals: maintain healthy and vigorous forest stands; protect important riparian resources; manage for sustainable stands of native tree species historically present on the landscape; improve resistance to drought and pests; address any infestation of insects or disease that threatens the viability of the forest; address any build-up of fuel to reduce risks of catastrophic fire; enhance climate benefits through carbon sequestration and storage; establish and maintain a full and balanced range of stand ages and characteristics, allowed to move across the landscape over time, including early-seral, mid-seral and late-seral forest conditions; provide adequate amounts of snags and cavity trees; provide adequate amounts of downed woody debris; manage for edge effects; and maintain and enhance vegetation types and structural elements across the landscape that support fish and wildlife habitats for native species historically present on the landscape.

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

The acreage proposed for transfer to CAL FIRE is not currently used for grazing.

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

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

3. Recommendations for Conservation Easement and Fee Simple Donation

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

Conservation Easement

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

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

Conservation easements must be donated to nonprofit organizations, Native American tribes, or public agencies that meet the requirements of California Civil Code section 815.3 and possess the experience and capacity to fully and strictly implement the terms of the conservation easement. MLLT will hold the conservation easement over the lands to be donated to CAL FIRE in the NFMR planning unit that are the subject of this LCCP. The qualifications of the MLLT are described in Chapter 4.

Accordingly, immediately prior to PG&E's conveyance of the Property to CAL FIRE, a conservation easement on the Property will be conveyed to MLLT and recorded.

Retention or Donation of Fee Title

The Settlement Agreement states that PG&E will not be expected to make fee simple donations of Watershed Lands with hydroelectric project features, and conservation easements and enhancements may not interfere with hydroelectric operations. In general, PG&E will retain fee title to those Watershed Lands within the boundaries of hydroelectric projects licensed by the FERC, as well as other properties required for continuing and future utility operations. However, these Watershed Lands will be

conserved via a conservation easement. See Appendix 6 for a description of PG&E's Land Conservation Commitment.

The 1,052 acres proposed for donation to CAL FIRE in Parcels 962 and 974-982 were identified as available for donation, subject to PG&E's reserved rights.

Lands to be Donated by PG&E

1,052 acres within ten legal parcels (962 and 974-982) will be donated to CAL FIRE pending CPUC approval of the Section 851 filing for the transaction. The legal description of the parcels is included in the grant deed, which is provided in Appendix 2. The qualifications and capacity of CAL FIRE to manage the NFMR property recommended for donation are described in Chapter 4.

The map attached in Exhibit 1 shows all of the land within Parcels 962 and 974-982 in the NFMR planning unit that will be donated. The map also shows key features in the planning unit and surrounding area, and the ownership of adjacent land.

Lands to be Retained by PG&E

The remaining 201 acres in Parcels 962 and 974-982 in the NFMR 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 December 2, 2010 and March 30, 2011 respectively:

- California Department of Forestry and Fire Protection (CAL FIRE) to hold fee simple title to 1,052 acres within Parcels 962 and 974-982.
- Mother Lode Land Trust (MLLT) to hold a conservation easement over the lands in the NFMR planning unit to be encumbered by a conservation easement.

Capacity of Selected Organizations

The Stewardship Council board finds that CAL FIRE and MLLT will have the funding and other capacity to maintain the property interest so as to preserve and/or enhance the BPVs².

A. CAL FIRE:

- CAL FIRE manages approximately 70,000 acres of Demonstration State Forests across California including the 164-acre Mount Zion Demonstration State Forest in Amador County. The eight Demonstration State Forests are managed and used to support research and demonstration projects on forest management, public recreation opportunities, fish and wildlife habitat, and watershed protection.
- At each of the Demonstration State Forests, CAL FIRE works in cooperation with a variety of entities to implement research, fuels management, and fire protection activities. In the Upper Mokelumne River area, CAL FIRE currently works with Eldorado National Forest, PG&E, and Amador Fire Safe Council to implement several fuel reduction and fire management projects.

B. MLLT:

- MLLT was established in 1991 and, as of 2018, MLLT holds 26 conservation easements over 6,000 acres in Amador, Calaveras, Alpine, El Dorado, and Tuolumne counties. MLLT also owns and manages the 187-acre Chichizola-Cuneo Ranch in Jackson, California as well as 375 acres of the Deer Creek Hills preserve in a partnership with the Sacramento Valley Conservancy.
- MLLT has an experienced staff and board of directors with expertise in forestry, agriculture, wildlife biology, rangeland science, land management, appraisal practices, local government, and community development.

² Stipulation, Section 12(a)(4)

- MLLT is a qualified conservation easement holder under California Civil Code Section 815.3.
- MLLT is an accredited land trust by the Land Trust Alliance Accreditation Commission.

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 NFMR planning unit. The process consisted of the following key steps:

- Organizations were invited to register via the Stewardship Council's Interested Donee Registry and were invited to submit a statement of qualifications (SOQ). The Stewardship Council reviewed the SOQs that were submitted to identify organizations that: (a) were determined to be a qualified nonprofit conservation organization; a federal, state or local governmental entity; or, a recognized tribe; (b) appeared to have sufficient financial and organizational capacity relative to the property interest sought within the planning unit; and, (c) appeared to be capable of satisfying the requirements of the Settlement and Stipulation for receiving a donation of fee title or to hold the conservation easement.
- Organizations interested in a fee title donation were invited to submit a land stewardship proposal ("LSP" or "proposal") describing their capacity and interest in preserving and enhancing the BPVs. The LSPs were posted on the Stewardship Council's website. On August 10, 2010, the Stewardship Council received five land stewardship proposals from organizations interested in being considered for a donation of fee title to certain lands located within the North Fork Mokelumne River planning unit. Amador County, the Bureau of Land Management, the California Department of Forestry and Fire Protection, the San Joaquin County Office of Education, and the US Forest Service (Eldorado National Forest) prepared and submitted proposals. The US Forest Service received a donation of Parcel 960 in the NFMR planning unit, Bureau of Land Management was not eligible to receive property due to the requirements of Section 12(b)(4) of the Stipulation pertaining to the Federal Power Act, and San Joaquin County Office of Education is focusing on acquiring a different parcel in the Lake Spaulding planning unit.
- 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 Amador County, the county in which the Property is located. The final LCCP submitted for all PG&E Watershed Lands located in Amador 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. The methodology establishes a standard payment process when lands are transferred to organizations that are exempt from paying property taxes (see Appendix 5).

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

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

Achieving Property Tax Neutrality

1,052 acres in Parcels 962 and 974 -982 in the North Fork Mokelumne River planning unit are being donated to CAL FIRE. Section 4654 of the California Public Resources Code states:

“There shall be paid to each county in which lands acquired for state forest purposes are situated, out of funds hereafter made available for such purpose, an amount equivalent to taxes levied by the county on similar land similarly situated in the county in the same manner as provided in the Revenue and Taxation Code for secured property tax payments as long as the state continues to own the land. Such payments shall be based only upon the value of the forest lands used for purposes of continuous commercial forest production and not upon value of such forest land used for any other purposes, including any improvements on such lands. Determination of what constitutes similar land similarly situated shall be made by a committee consisting of the county assessor of the county in which the land is located, a representative of the State Board of Equalization and a representative of the department.”³

Subsequent to the transfer of lands, the committee referenced in the paragraph above will determine the annual payments due from CAL FIRE in lieu of property taxes. If the new amount is less than PG&E's current tax payments, the Stewardship Council will pay the difference to Amador County.

If funding from the Stewardship Council is necessary to ensure property tax neutrality, Stewardship Council would make a one-time payment to the county. Amador 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 parcels.

Other Economic and Physical Impacts

The Settlement and Stipulation require an analysis of the physical and economic impacts of each fee title transfer. The transaction agreements for the donation of 1,052 acres within the NFMR planning unit have not mandated any changes to the physical or economic uses of the lands. CAL FIRE intends to manage the lands in a manner consistent with the current physical and economic uses of the lands. No new activities are proposed that will result in physical impacts.

³ California Public Resources Code Section 4654

6. Hazardous Waste Disclosure

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

Lands to be Donated by PG&E

PG&E has provided the NFMR Planning Unit Environmental Site Assessment Report dated June 22, 2010, to CAL FIRE and MLLT, fulfilling the disclosure requirements of the Land Conservation Commitment.

Environmental Agreement

Pending CPUC approval of the transaction, PG&E will execute Environmental Agreements with CAL FIRE and MLLT, satisfying the requirements of Section 12(f) of the Stipulation.

7. Consideration of Parcel Split

Within Parcels 962 and 974-982, approximately 201 acres will be retained by PG&E. PG&E determined that operational needs would be met sufficiently through the reservation of rights for ongoing hydroelectric operations on the remaining 1,052 acres within these parcels. To effectuate transfer of a portion of the property, parcel splits will be 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 future conveyances of parcels within this planning unit.

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)⁴ 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 that will fund selected enhancements on the Watershed Lands. It is anticipated that grant funding will be available to accomplish future projects that enhance one or more of the six Beneficial Public Values. Projects may include habitat restoration or physical measures such as developing trails, day use areas, and other public access improvements.

⁴ Settlement Agreement Paragraph 17(c) states, "PG&E shall fund PG&E Environmental Enhancement Corporation with \$70 million in Cash to cover administrative expenses and the costs of environmental enhancements to the Watershed Lands... provided that no such enhancement may at any time interfere with PG&E's hydroelectric operations maintenance or capital improvements."

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

The Stipulation requires that the LCCP outline a plan to monitor the economic and physical impacts of disposition and implementation of enhancement measures.

The conservation easement holder is required to monitor every conservation easement that it holds to ensure that the landowner is complying with the terms of the easement. The Stewardship Council will enter into a Conservation Easement Funding Agreement (Appendix 4) with each conservation easement holder whereby the holder will receive a monitoring and enforcement endowment from the Stewardship Council to fund its monitoring activities.

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

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

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

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

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

In addition to preparing an assessment report, which will be submitted to the CPUC and PG&E, SNC will serve as a public repository for key transaction documents and other documents pertaining to the Land Conservation Commitment through June 2025.

10. Implementation Schedule for Transactions and Measures

Schedule for Transaction

- CPUC review and approval (2019)
- Public Works Board review and approval (2020)
- Close of escrow (2020)
- Stewardship Council release of funds to MLLT per conservation easement funding agreement (2020)

Compliance with Local Land Use Planning Requirements

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

Appendix 1: Summary of Public Outreach

SUMMARY OF PUBLIC OUTREACH PROGRAM

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

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

Appendix 1: Summary of Public Outreach

- The Stewardship Council Board of Directors meets five to six times per year, typically on a bimonthly schedule. At the board meetings, the public is invited to directly address the board on an agenda item or on any other matter. The meetings have been held at locations in northern and central California and across the watershed lands to help facilitate public participation. Agendas are available one week prior to meetings, and meeting minutes are posted on the Stewardship Council public website approximately three weeks following those meetings.

NORTH FORK MOKELUMNE PLANNING UNIT PUBLIC OUTREACH

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

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

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

During public review of Volumes I and II of the LCP, 16 public comments were submitted concerning the North Fork Mokelumne planning unit. Amador Water Agency requested that any recreational enhancements contemplated for Lake Tabeaud reflect considerations for maintaining water quality. East Bay Municipal Utility District (EBMUD) submitted several comments requesting that water quality and supplies be reflected in Recommended Concept Objectives in Volume II of the Land Conservation Plan. Five comments were received from adjacent property owners in the Lake Tabeaud region and in vicinity to the Standard Canal with concerns related to how the donation of lands and/or increased public access and recreation on adjoining PG&E parcels would impact their private lands and business interests. Friends of the River submitted a comment in support of a donation of lands to Eldorado National Forest and the BLM. Two comments were submitted suggesting recreational enhancement opportunities related to the Mokelumne Coast to Crest Trail as well as Tiger Creek whitewater put in.

II. NOTICING OF LANDOWNERS WITHIN ONE MILE

In the fall of 2006 a postcard was distributed to the approximately 26,000 landowners located within one mile of the exterior boundary of all the parcels to notify and invite comment on Volume I and II of the LCP. A postcard was also sent to notify and invite all landowners located within one mile of the parcels within the North Fork Mokelumne planning unit to a Public Information Meeting that was held in Jackson, California on October 7, 2009. In addition, simultaneous with the release of the proposed subject LCCP for public comment, adjacent landowners located within one mile of the subject parcels

Appendix 1: Summary of Public Outreach

are noticed by mail 30 days before the Watershed Planning Committee considers forwarding the proposed subject LCCP to the board for final approval.

III. PUBLIC INFORMATION MEETING

A Public Information Meeting workshop for several planning units in the Mokelumne Watershed Area was hosted by the Stewardship Council on October 7, 2009 in Jackson, California. The meeting concerned two planning units: Lower Bear Area and North Fork Mokelumne River. Attendees at the workshop included a total of 36 individuals representing a wide variety of interests including local, state, federal, and tribal governments; and community organizations. The meeting was advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to the local newspaper, and a postcard sent to all landowners on record located within one mile of any PG&E parcel associated with the North Fork Mokelumne planning unit.

The purpose of the workshop was to: (1) provide an overview of the land conservation process; and, (2) solicit additional public input on future stewardship of the two planning units.

IV. PUBLIC REVIEW OF LAND CONSERVATION PROGRAM POLICIES & GUIDELINES

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

Land Conservation Program Funding Policy

The Stewardship Council created a Land Conservation Program Funding Policy to help guide future planning and decision-making regarding funding of the long term management and stewardship of the watershed lands. In June and July, 2009, the draft policy was posted on the Stewardship Council's web site and made available for review and comment to a group of stakeholders consisting of all registered potential donees and representatives of the counties in which the watershed lands are located. Two comments were received during the 30-day review and comment period. Both comments were reviewed, and it was determined that neither comment necessitated a change in the draft policy. The Stewardship Council's Board of Directors adopted the policy at a public board meeting in Sonoma, Calif. on September 17, 2009.

Guidelines for Achieving Property Tax Neutrality

The Stewardship Council created guidelines for achieving property tax neutrality to describe scenarios when the Stewardship Council will make property tax payments to affected counties as in lieu payments for property taxes that are lost due to the donation of PG&E watershed lands to an entity that is exempt from paying property taxes. The guidelines also defined a set of overarching assumptions regarding property tax neutrality payments. The draft guidelines were posted on the Stewardship Council's web site in December 2010. A notice inviting review and comment on the guidelines was sent to the

Appendix 1: Summary of Public Outreach

Stewardship Council's stakeholder database. Additional targeted outreach was performed to inform the affected counties. Nine comments were received during the 60-day review and comment period. After consideration of public comments, the Stewardship Council Board adopted a set of guidelines at its public board meeting on March 30, 2011.

Proposed methodology for achieving tax neutrality

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

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

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

All public comments received by staff concerning the fee and conservation easement recommendation at the North Fork Mokelumne planning unit were provided to the board for consideration at the relevant public board meeting.

VI. PUBLIC REVIEW OF THE LAND CONSERVATION AND CONVEYANCE PLANS

The public is provided an opportunity to review and comment on the proposed Land Conservation and Conveyance Plans (LCCPs), and the comments received are shared with board members prior to the Watershed Planning Committee's forwarding the proposed LCCP to the board for its review and approval. The 30-day public review and comment periods are announced via an e-mail sent to contacts in the Stewardship Council's database, a posting on the Stewardship Council's web site, and an advertisement placed in local newspapers in communities that may have an interest in a particular planning unit. A notice inviting review and comment on the proposed LCCP is also sent to all landowners on record located within one mile of the subject PG&E parcels and to PG&E leaseholders. In addition, a notice is mailed to the board of supervisors of the affected county; each affected city, town, and water

Appendix 1: Summary of Public Outreach

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.

VII. STEWARDSHIP COUNCIL BOARD OF DIRECTORS MEETINGS

Proposed LCCPs endorsed by the Watershed Planning Committee are posted on the Stewardship Council's website for additional public review and comment approximately 30 days prior to being considered by the board at a public board meeting. The posting of proposed LCCPs is advertised via an e-mail sent to contacts in the Stewardship Council's database. In addition, public board meetings are advertised via an e-mail sent to contacts in the Stewardship Council's database, an announcement posted on the Stewardship Council's web site, a press release issued to local papers, and an advertisement placed in local newspapers in the area where a board or public meeting is taking place or in communities that may have an interest in a particular topic on an upcoming meeting agenda. The board action taken is noted in the meeting minutes that are posted on the Stewardship Council's website following each meeting.

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 conservation easement donee is responsible for securing its own internal approvals prior to the transaction being completed. Transactions will be finalized upon LCCP review and transaction approval by the California Public Utilities Commission.

Appendix 2: Grant Deed

EXHIBIT VERSION 2/14/19

RECORDING REQUESTED BY AND RETURN TO:

STATE OF CALIFORNIA
Department of General Services
Real Property Services Division, Acquisition Unit
707 Third Street, 5th Floor, MS 505
West Sacramento, CA 95605

OFFICIAL STATE BUSINESS – EXEMPT FROM RECORDING FEES
PURSUANT TO GOVERNMENT CODE SECTION 27383 AND
DOCUMENTARY TRANSFER TAX PURSUANT TO REVENUE AND
TAXATION CODE SECTION 11922

(SPACE ABOVE FOR RECORDER'S USE ONLY)

LD

DEED

APN Nos. 24-050-11, 24-050-12, 24-050-13, 24-060-15, 24-060-16, 24-060-17, 24-060-18, 24-070-11, 24-070-12

GRANT DEED AND RESERVATION OF RIGHTS

I. CONVEYANCE OF FEE

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("**Grantor**"), does hereby grant to the STATE OF CALIFORNIA ("**STATE**"), all of its right, title, and interest in and to the real property situated in the unincorporated area of the County of Amador, State of California ("**Property**"), described in Exhibit A attached hereto and by this reference incorporated herein, and shown on Exhibit A-1 attached hereto and by this reference incorporated herein.

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 to protect such beneficial public values on the

Appendix 2: Grant Deed

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 purpose 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**"), and for other purposes as described more fully in Section III below (collectively, "**Hydro Project Activities**"). Additionally, Grantor has used and continues to use the Property to erect, construct, reconstruct, replace, remove, operate, inspect, maintain and use facilities of the type hereinafter specified for the transformation, transmission and distribution of electric energy and for communication purposes (collectively "**Electric Activities**").

F. To facilitate the Hydro Project Activities and Electric Activities following the conveyance effected by this Grant Deed and Reservation of Rights (this "**Grant Deed**"), and the continued use, maintenance, repair and replacement of those existing and future facilities, structures and improvements now or hereafter located on, above, or under the Property, that are associated with the Hydro Project Activities and/or the Electric Activities, STATE, as grantor, and Grantor, as grantee, are executing and delivering that certain Utility Facility Access, Operation and Maintenance Easement of even date with this Grant Deed (the "**Utility Facility Access, Operation and Maintenance Easement**").

G. Consistent with the terms of the Governing Documents, Grantor and STATE acknowledge this conveyance, together with Utility Facility Access, Operation and Maintenance Easement and the Conservation Easement ("**Conservation Easement**") being entered into by STATE and Mother Lode Land Trust ("**MLLT**") concurrently with this conveyance, is being made in the public interest with the intent to ensure the permanent protection of the beneficial public values on the Property as identified in the LCP while allowing the ongoing use of the Property by Grantor for hydroelectric operations, water delivery, and related activities, and acknowledging and honoring the existing third party uses.

III. STATE ACCESS; RESERVATION OF RIGHTS; EASEMENT AGREEMENT

STATE shall have a non-exclusive right of surface access, ingress and egress to and from the Property over and across Adjacent Lands, by means of roads, lanes, and routes thereon, if such there be, otherwise by such route or routes as shall occasion the least practicable damage and inconvenience to Grantor's Adjacent Lands, with the right to construct and maintain such roads, lanes, and routes ("**Access Rights**"). STATE's Access Rights shall only extend to

Appendix 2: Grant Deed

portions of the Property that are only reasonably accessible by the Adjacent Lands. "**Adjacent Lands**" means lands owned by Grantor that are contiguous to the Property, including lands excepted from the Property in **Exhibit A**. STATE will use reasonable efforts to notify and consult with Grantor in advance of any construction, repair or maintenance work related to the exercise of the Access Rights. STATE may allow MLLT and any successor to MLLT under the Conservation Easement to utilize the Access Rights.

STATE acknowledges that the Adjacent Lands are a part of the FERC Project No. 137. Grantor reserves the right to use the Adjacent Lands, including the Access Rights, in all ways and for all purposes necessary or appropriate to fulfill its obligations as licensee under FERC Project No. 137. STATE shall not make use of the Access Rights in any way which would be incompatible with overall project requirements.

STATE shall be solely responsible for the repair of any damage caused by its exercise of the Access Rights, excluding fair wear and tear from normal usage. For so long as the roads, lanes, and routes, related to the Access Rights, shall exist in private ownership, Grantor and STATE and their respective successors and assigns, shall bear the expenses of the reasonable maintenance of the roads, lanes, and routes related to the Access Rights in proportion to their respective use. Reasonable maintenance shall include such work as is necessary to maintain said roads, lanes, and routes related to the Access Rights in their existing condition, but shall not include the enlargement of or betterment of the Access Rights. STATE further agrees that any erosion or drainage problems caused by the exercise of the Access Rights by STATE shall be corrected by STATE without cost to Grantor and to the reasonable satisfaction of Grantor.

Grantor expressly reserves 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.

Grantor and STATE acknowledge that the Utility Facility Access, Operation and Maintenance Easement shall be effective immediately upon the execution, delivery and effectiveness of this Grant Deed with the same force and effect as if the easement rights set forth in the Utility Facility Access, Operation and Maintenance Easement were expressly reserved by Grantor in this Grant Deed.

IV. TERMS OF GRANT

The conveyance by Grantor to STATE pursuant to this Grant Deed is subject to: (a) a lien securing payment of real estate taxes and assessments; (b) all matters that would be disclosed by a physical inspection or survey of the Property or that are actually known to STATE; and (c) 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

Appendix 2: Grant Deed

future conveyances of the fee interest in the Property shall be consistent with the terms of the Governing Documents. In accordance with Section 12b(4) of the Stipulation, STATE, and its successors and assigns shall not convey all or any portion of the fee interest in the Property to any governmental entity, public agency, or Native American tribe without the prior written consent of the Grantor, which consent shall be in Grantor's sole discretion exercised in good faith.

V. MISCELLANEOUS

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

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.

IN WITNESS WHEREOF, the undersigned has executed this Grant Deed dated as of _____, ____.

Grantor:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____

CERTIFICATE OF ACCEPTANCE

This is to certify that, pursuant to Sections 15853 and 27281 of the California Government Code, the interest in real property conveyed by the Grant Deed dated _____, _____ from PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, to the STATE OF CALIFORNIA is hereby accepted by the undersigned officer on behalf of the State Public Works Board pursuant to the approval action by said Board and duly adopted on _____. The STATE consents to the recordation thereof by its duly authorized officer.

ACCEPTED:

STATE OF CALIFORNIA
State Public Works Board

By: _____
Andrea Scharffer, Deputy Director

Date: _____

AKNOWLEDGED:

STATE OF CALIFORNIA
Director, Department of General Services

By: _____
Michael P. Butler, Chief
Real Property Services Section

Date: _____

Appendix 2: Grant Deed

Exhibit A

Legal Description of Property
(Attached behind this Page)

Appendix 2: Grant Deed

Exhibit A-1

Property Maps
(Attached behind this Page)

RECORDING REQUESTED BY	
WHEN RECORDED MAIL TO	

CONSERVATION EASEMENT

THIS CONSERVATION EASEMENT (“**Conservation Easement**”) is made and entered into this ____ day of _____, 20__ (“**Effective Date**”), by and between the STATE OF CALIFORNIA (“**STATE**”), acting by and through the DEPARTMENT OF GENERAL SERVICES (“**DGS**”), on behalf of the DEPARTMENT OF FORESTRY AND FIRE PROTECTION (“**CALFIRE**”), and the MOTHER LODGE LAND TRUST, a California nonprofit public benefit corporation (“**Grantee**”), with reference to the following facts:

RECITALS

A. STATE is the owner of approximately 1,052 acres of real property located in the County of Amador (“**County**”), State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by reference, together with all improvements and appurtenances thereto (“**Property**”). A map of the Property identifying the improvements existing on the Property as of the date of this Conservation Easement and various other natural features of the Property is attached hereto as Exhibit B and incorporated herein by reference (“**Property Maps**”).

B. Pacific Gas and Electric Company, a California corporation (“**PG&E**”), transferred fee title to the Property to the STATE by Grant Deed, recorded in the Official Records of the County before recordation of this Conservation Easement (the “**Grant Deed**”), the form of which is attached hereto as Exhibit C and incorporated herein by reference. PG&E transferred fee title to the Property to the STATE in connection with PG&E’s implementation of the “Land Conservation Commitment” (defined below) provided for in the following documents and described more fully below:

- a. That certain Settlement Agreement (“**Settlement Agreement**”) as modified and approved by the Public Utilities Commission of the State of California (“**Commission**”) in its Opinion and Order of December 18, 2003 (Decision 03-12-035); and
- b. That certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (“**Stipulation**”). The Stipulation provides, among other things, that conservation easements will preserve or enhance reasonable public access.

Appendix 3: Conservation Easement

C. The Settlement Agreement and the Stipulation (collectively, “**Governing Documents**”) require PG&E to ensure that approximately 140,000 acres of watershed lands, all located in California and owned by PG&E as of the date the Governing Documents were entered into (collectively, “**Watershed Lands**”), 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 (collectively, “**Beneficial Public Values**” or “**BPVs**”). The Property is included in these Watershed Lands.

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

E. The Beneficial Public Values present at the Property are referred to herein as “**Conservation Values**” as more specifically provided below. The “**Land Conservation Commitment**” constitutes the obligations of PG&E to convey fee title and conservation easements to Watershed Lands, and to protect the Beneficial Public Values of the Watershed Lands, as well as certain other obligations related thereto, as set forth in detail in the Governing Documents.

F. The Property possesses forested, recreational, historical, scenic and open space characteristics, valuable to the people of the County, the State of California, and the public in general.

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

H. The Stewardship Council has defined the “sustainable forestry” BPV as “the practice of managing dynamic forest ecosystems to provide ecological, economic, social and cultural benefits for present and future generations.”

I. The Property includes the following specific Conservation Values:

- a. Fish, Plant, and Wildlife Habitat – The Mokelumne River, Tiger Creek, Panther Creek and other associated tributaries provide primary cold-water stream habitat for several species of trout. The waterways also support highly valued riparian habitat that is potentially suitable for several special status species. The Property also provides wintering ground for the Salt Springs deer herd and migratory corridors for many wildlife species.

Appendix 3: Conservation Easement

- b. Outdoor Recreation – The Property provides opportunities for outdoor recreation, such as fishing, hiking, picnicking, sightseeing, and motorized vehicle use.
- c. Open Space – The Property provides open space and viewshed values for many key areas along the Mokelumne River and nearby ridge tops.
- d. Forest Resources - The Property contains several actively managed Timber Management Units managed under a Multiple-Use prescription. The forested portions of the Property contain mostly second growth Douglas-fir, incense cedar, ponderosa pine, and sugar pine species.
- e. Historic Resources – Identified historical and cultural values, to the extent they are protected by state and federal law.

J. All rights of STATE and Grantee hereunder are subject to (i) PG&E’s reservation of certain rights in and to the Property, as set forth in the Grant Deed (“**PG&E Reserved Rights**”), (ii) that certain **Utility Facility Access, Operation and Maintenance Easement** (“**Utility Facility Access, Operation and Maintenance Easement**”) in favor of PG&E with respect to the Property, recorded in the Official Records of the County before recordation of this Conservation Easement, the form of which is attached hereto as **Exhibit D** and incorporated herein by reference (“**PG&E Easement Reserved Rights**”), and (iii) the third-party rights to use the Property in effect as of the Effective Date, as included on **Exhibit E** attached hereto and incorporated herein by reference (“**Express Third Party Uses**”).

K. 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. Grantee is a tax-exempt nonprofit organization qualified under section 501(c)(3) of the Internal Revenue Code and is eligible to acquire and hold a perpetual conservation easement pursuant to section 815.3(a) of the California Civil Code. In furtherance of the Land Conservation Commitment and the above-described public policy purposes, STATE desires to grant to Grantee, and Grantee desires to accept from STATE, a conservation easement over and upon the Property.

L. STATE and Grantee each desires through this Conservation Easement to ensure the permanent protection of the Conservation Values on the Property. Specifically, the parties desire to assure that the Conservation Values on the Property will be protected in perpetuity as provided herein, and that uses of the Property that significantly impair the Conservation Values will be prevented or corrected.

COVENANTS, TERMS, CONDITIONS AND RESTRICTIONS

NOW THEREFORE, in consideration of the above recitals, all of which are expressly incorporated into this Conservation Easement, the mutual promises and covenants contained in this Conservation Easement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, STATE hereby voluntarily grants and conveys to Grantee, and to Grantee’s successors and assigns, and Grantee hereby accepts from

Appendix 3: Conservation Easement

STATE, a perpetual conservation easement as defined by Section 815.1 of the Conservation Easement Act of 1979 (California Civil Code section 815 et seq.), of the nature and character described in this Conservation Easement, in, on, over and across the Property on the following terms and conditions as hereinafter set forth.

1. Conservation Purpose. The purpose of this Conservation Easement is as follows (“**Conservation Purpose**”): to protect the Conservation Values in perpetuity by preventing any use of the Property that will significantly impair the Conservation Values. Subject to the following terms and conditions, STATE and Grantee intend that this Conservation Easement will confine the uses of the Property to such activities that do not significantly impair the Conservation Values. As used in this Conservation Easement, the terms “significantly impair” and “significant impairment” mean a material adverse change in Conservation Values. Any consideration as to whether an actual or potential impact of a particular activity or use has or may significantly impair Conservation Values shall take into account the actual and potential impacts of the activity or use in question as well as the cumulative impacts of other uses and activities on the Property excepting therefrom the cumulative impacts of STATE’s Reserved Rights (as defined below), PG&E Reserved Rights, PG&E Easement Reserved Rights and the Express Third Party Uses. In every evaluation of whether significant impairment of Conservation Values has occurred or is threatened, Grantee shall evaluate the magnitude (including, without limitation, consideration of the rarity and fragility of the natural resource affected and the area of land, wildlife habitat or vegetation community involved both locally and in relation to total acreage of that type of land, wildlife habitat or vegetation community in the Property) and the duration of the actual or potential change(s).

STATE and Grantee acknowledge that the Governing Documents reflect the intention of the parties thereto (1) to honor Express Third-Party Uses and (2) to continue to permit beneficial uses of the Property that preserve and/or enhance 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 Values may impair, on an individual and stand-alone basis, one or more of the other Conservation Values, STATE and Grantee understand that achieving the Conservation Purpose 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. This Conservation Easement prohibits use of the Property for any purpose that would significantly impair the Conservation Values on a collective, not individual basis, taking into account the relative condition and quality of each of the Conservation Values on the Property as of the Effective Date.

2. PG&E Reserved Rights. All rights and obligations of STATE and Grantee under this Conservation Easement are subject to the PG&E Reserved Rights. In the event of a conflict between the PG&E Reserved Rights and the Conservation Purpose, this Conservation Easement shall be construed to unconditionally permit the exercise of the PG&E Reserved Rights.

Appendix 3: Conservation Easement

3. Utility Facility Access, Operation and Maintenance Easement. All rights and obligations of STATE and Grantee under this Conservation Easement are subject to the PG&E Easement Reserved Rights. In the event of a conflict between the PG&E Easement Reserved Rights and the Conservation Purpose, this Conservation Easement shall be construed to unconditionally permit the exercise of the PG&E Easement Reserved Rights.

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

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

(a) **Preserve and Protect.** Subject to the exceptions listed in **Section 7(a)** below and elsewhere in this Conservation Easement, Grantee has the right to identify, preserve and protect in perpetuity the Conservation Values of the Property.

(b) **Entry and Access Rights.** Grantee and Grantee’s directors, officers, employees, contractors, subcontractors, consultants, representatives, and agents, including entities authorized by Grantee to conduct monitoring activities on Grantee’s behalf (“**Grantee’s Representatives**”) are hereby granted rights of access to enter upon the Property, and may enter upon the Property after giving notice to STATE, as required below, in order to monitor compliance with and otherwise enforce the terms of this Conservation Easement, to study and make scientific observations of the Conservation Values, to determine whether STATE’s activities are in compliance with the terms of this Conservation Easement and to take all actions deemed necessary by Grantee to identify, preserve, protect, and monitor in perpetuity the Conservation Values, all in compliance with the provisions of **Section 12**. Except in cases where Grantee determines that immediate entry is required to prevent, terminate, or mitigate a violation of this Conservation Easement, Grantee shall give STATE fourteen (14) days prior written notice of such entry. Grantee’s Representatives may enter the Property immediately, where such entry is necessary to prevent, terminate, or mitigate damage to, or the destruction of any of the Conservation Values, or to prevent, terminate or mitigate a violation of the terms of this Conservation Easement. STATE’s representatives shall have the right to accompany Grantee’s Representatives during monitoring visits or on any other visit permitted by this **Section 5(b)**. All access and entry allowed under this **Section 5(b)** shall be made in a manner that will not significantly impair the permitted use(s) or enjoyment of the Property by STATE, its successors in interest, and any legally-recognized user(s) of the Property, including without limitation, PG&E with regards to the exercise of any PG&E Reserved Rights or PG&E Easement Reserved Rights, and third-parties with regards to the exercise of any Express Third Party Uses.

Appendix 3: Conservation Easement

(c) **Enforcement.** Subject to and in accordance with the provisions of **Section 12**, Grantee, has the right to enforce the terms of this Conservation Easement, to enjoin any activity on the Property or other use of the Property which is in violation of the terms of this Conservation Easement, and to enforce the restoration of such areas or features of the Property as may hereafter be damaged as a result of activity or use that is determined to be in violation of the Conservation Easement. Any requirement of STATE to expend monies to act and/or restore the Property under this Conservation Easement shall be subject to **Section 12(d)** of this Conservation Easement.

6. Demonstration State Forest Management Plan. As long as the Property is owned in fee by STATE or another party that is qualified to own and manage a Demonstration State Forest, the STATE and/or other qualified party may conduct timber harvest activities on the Property as a “Demonstration State Forest” in accordance with a Demonstration State Forest Management Plan that incorporates the Forest Management Goals (as defined in **Section 9(a)** below) and has been approved by the State Board of Forestry and Fire Protection (or successor agency or department of the State of California having jurisdiction over timber harvest activities in the State of California) (“**State Board of Forestry**”) that satisfies the following requirements (“**Demonstration State Forest Management Plan**”): (1) permits activities that do not significantly impair the Conservation Values of the Property; (2) complies with legislative mandates and State Board of Forestry policy for Demonstration State Forests and meets the requirements of the California Forest Practice Act and Rules; (3) has been approved by the State Board of Forestry in an open public process that provides an opportunity for public input and is subject to the State Board of Forestry’s periodic review as defined in policy adopted by the State Board of Forestry for Demonstration State Forests; (4) shall be publicly available; and (5) shall be subject to Grantee’s review and comment in conjunction with the State Board of Forestry’s initial and subsequent periodic review.

(a) **Timber Harvest.** Any Demonstration State Forest Management Plan shall describe the timber harvest and related activities that STATE intends to undertake on the Property, including without limitation, a comprehensive summary of STATE’s forest management objectives, forest stand descriptions and locations including site classes, stand volumes, growth rates, relevant inventory information and maps, locations of soils, estimates of slope and erosion potential, locations of known wildlife habitats, especially species listed as threatened or endangered at the federal or state level, known rare plants, wetlands, description of management history, silvicultural and harvest methods, projections of harvest yields, reforestation and management activities (collectively, the “**Management Plan Components**”).

(b) **Research.** Grantee understands that research and demonstration into sustainable forestry practices, best management practices, potential new forest practice rules, and other forestry-related research is an important component of STATE’s management of the Property as a Demonstration State Forest. The Demonstration State Forest Management Plan will describe the range of research and demonstration forest activities and projects that may be conducted on the Property.

(c) **Alternative Forest Management Plan.** If the Property is not owned in fee by the State of California or another party that is qualified to own and manage a Demonstration State Forest, such successor Property owner and/or the STATE may continue to

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conduct sustainable timber harvest activities on the Property in accordance with a management plan that satisfies the following requirements (“**Forest Management Plan**”): (1) incorporates the Forest Management Goals; (2) describes all of the Management Plan Components; (3) permits only activities that do not significantly impair the Conservation Values of the Property; (4) complies with legislative mandates and State Board of Forestry policy and meets the requirements of the California Forest Practice Act and Rules and all other Applicable Laws (as defined in Section 10 below); and (5) has been approved in advance by Grantee. Any modifications or amendments to an approved Forest Management Plan shall be subject to Grantee’s prior written approval.

7. Prohibited Uses, Change in Use, Unauthorized Use, Acts of God, Emergencies, Acts of Unrelated Third Parties.

(a) **Prohibited Uses.** Any activity on or use of the Property that significantly impairs Conservation Values is prohibited. Without limiting the generality of the foregoing, STATE will not actively engage in, or knowingly permit others to actively engage in, the following prohibited uses (collectively, “**Prohibited Uses**”) which could significantly impair Conservation Values and are in violation of the terms of this Conservation Easement and therefore prohibited on the Property, in each case (1) except as required or permitted pursuant to PG&E Reserved Rights and PG&E Easement Reserved Rights (as described in **Sections 2 and 3** above); (2) except as permitted under, and performed in accordance with, Express Third Party Uses; (3) except as required or permitted as part of a Demonstration State Forest Management Plan (as defined in **Section 6** above); (4) except as expressly permitted under **Sections 7 and 9** below and elsewhere in this Conservation Easement; and (5) except as required to be undertaken under any Applicable Law (as defined below):

(i) Construction and Development. STATE reserves the right to develop no more than a total of ten (10) acres of building envelopes that are: (a) located fully within one or more of the three potential building envelopes identified on the Property Map and (b) selected in accordance with this section. Except with prior written permission of Grantee and pursuant to **Section 7(a)**, there shall be no construction or placement of any additional structures or improvements on the Property outside of the Building Envelopes (as defined below). Development shall be limited to any one of the authorized uses of the state forests, which are recreation, research or forest management¹, and associated parking, constructed in a neutral style in keeping with the surrounding environment so that it unobtrusively blends into the environment. Examples of such development include, but are not limited to, a fire station, forest headquarters, and/or research/education facilities. In accordance with **Sections 9(g), 9(j), and 9(k)**, development, installation, protection, and use of utilities and underground water resources on the Property to serve the structures, may extend outside of the Building Envelopes. Such development may include, without limitation, access roads, wells, pump houses, underground pipelines, electricity facilities, and any additional infrastructure required, not including parking. Any existing structures (detailed in Report) and utilities may be maintained and repaired/replaced as necessary.

¹ California Public Resources Code, Section 4631.5, 4651.

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The Property Map attached hereto as **Exhibit B** identifies three separate potential building area portions of the Property (the “**Potential Building Envelopes**”) within which STATE may select one or more building envelopes that do not exceed ten (10) acres in total size (the “**Building Envelope(s)**”). Before constructing any structures or improvements in accordance with this section, STATE shall identify the area(s) within the Potential Building Envelopes that will serve as the Building Envelope(s) under this Conservation Easement by providing written notice to Grantee of such selection. STATE shall not be required to select the total ten (10) acres comprising the Building Envelope(s) at one time, but instead, may make selections from time to time in accordance with this section until such time that a total of ten (10) acres of Building Envelope(s) within the Potential Building Envelopes have been selected. With Grantee’s approval, which shall not be unreasonably withheld, Building Envelopes may be moved within a Potential Building Envelope if unforeseen circumstances prevent the construction within the Building Envelope. Under no circumstances shall the Building Envelopes exceed ten (10) acres in total size. Following the selection of any Building Envelope in accordance with this section, STATE and Grantee shall record in the Official Records of the County an addendum to **Exhibit B** to this Conservation Easement that identifies the location of the Building Envelope(s) selected. Following selection of a total of ten (10) acres of Building Envelopes in accordance with this section, all remaining portions of the Potential Building Envelopes that are not included in Building Envelopes shall no longer serve as Potential Building Envelopes under this Conservation Easement.

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

(iii) Subdivision. The Property is already comprised of several legal parcels owned by the STATE. There shall be no legal or *de facto* sale or gift of less than all of the parcels within the Property, nor any further division, subdivision or partitioning of the Property. The Property may not be sold, conveyed or otherwise transferred in separate parcels or lots, and STATE shall continue to maintain the parcels comprising the Property, and all interests therein, under common ownership, as though a single legal parcel.

(iv) Motorized Vehicles. Unless pursuant to one of the exceptions listed in **Section 7(a)** or as otherwise expressly authorized herein, there shall be no use of any motorized vehicles outside authorized roadways on the Property.

(v) Dumping or Salvage. There shall be no dumping, storage or other disposal on the Property of soil, trash or garbage except for (a) refuse generated on the Property which may be stored on the Property on a temporary basis prior to its removal from the Property in areas where the Conservation Values of the Property are not significantly impaired, or (b) compostable refuse generated on the Property which may be disposed of on the Property in a responsible manner which does not significantly impair

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the Conservation Values of the Property. There shall be no dumping, storage or other disposal on the Property of ashes, sludge, Hazardous Substances (as defined below), or other unsightly or dangerous materials. This restriction does not apply to ashes from wildfire or other fire conducted for resource management or research purposes. There shall be no storage or disassembly on the Property of inoperable automobiles, trucks, or other vehicles or equipment for purposes of sale, or rental of space for that purpose. Pursuant to **Section 7(c)** below, STATE shall make a reasonable effort to prevent unauthorized dumping by the public.

(vi) Vegetation. There shall be no removal, cutting or destruction on the Property of native vegetation. STATE reserves the right to (a) prune, cut down or remove dead or diseased trees, shrubs and other vegetation and to prune, as reasonably necessary and appropriate to control or prevent hazardous conditions or fire and to keep fire roads and trails clear and (b) exercise any of the exceptions listed in Section 7(a). Except as authorized under the provisions of **Section 9(f)**, there shall be no deliberate introduction by STATE on the Property of any invasive plant outside of the Building Envelopes. Lists of native, non-native and invasive plants can be found on the California Natural Diversity Database (CNDDDB) website or in the Jepson Manual.

(vii) Roads and Trails. Except with prior written permission of Grantee or pursuant to one of the exceptions listed in **Section 7(a)** or as otherwise expressly authorized herein, there shall be no oiling of existing roads or creation of new roads. Dust abatement treatments shall be acceptable.

(viii) Fences and Walls. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 7(a)** or **9(h)** or as reasonably necessary in connection with permitted research or for public safety purposes or as otherwise expressly authorized herein, there shall be no construction of any new, permanent fences or walls outside of the Building Envelopes. STATE may repair or replace existing and/or otherwise permitted fences or walls on the Property.

(ix) Alteration of Land or Excavation. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 7(a)** or for permitted research purposes upon Grantee's prior written permission or as otherwise expressly authorized herein, there shall be no filling, excavating, grading, draining or dredging on the Property, nor any change in the general topography of the Property, outside of the Building Envelopes.

(x) Mining and Drilling. There shall be no mining, dredging, drilling, removing, or exploring for or extracting of minerals, oil, gas, coal, or other hydrocarbons, soils, sands, gravel, loam, rocks or any other material on, under, or at the Property; provided, however, in no event shall the foregoing restriction be deemed to prohibit testing, drilling or operating groundwater wells on the Property as reasonably necessary in connection with STATE's exercise of any permitted rights. Recreational gold panning that does not significantly impair the Conservation Values is allowed, and utilizing rock pits for use on roads located within the Property are allowed, as long as such activity does not significantly impair the Conservation Values.

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(xi) Historical and Cultural Resource Identification. There shall be no activities, actions or uses that disturb or impair any identified historical or cultural resources on the Property, to the extent they are protected by state or federal law.

(xii) Water Resources. There shall be no development of any waters on the Property for fish farming or any other commercial or industrial purpose. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 7(a)** or as otherwise expressly authorized herein, there shall be no manipulation or alteration of natural water courses, wetland, stream bank, shorelines or bodies of water or activities or uses that significantly impair water quality. Groundwater wells may be installed for local use on the Property as reasonably necessary to support the permitted uses of the Property under **Section 9** below.

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

(xiv) Water Quality Degradation. There shall be no uses permitted under this Conservation Easement whereby runoff from such uses results in a violation of applicable federal, state, and local water quality laws.

(b) **Changes in Use**. STATE understands that the Prohibited Uses may be more economically valuable than permitted uses under this Conservation Easement and that neighboring properties may in the future be put entirely to such Prohibited Uses. It is the intent of both STATE and Grantee that any such changes shall not be deemed to be circumstances justifying the termination, extinguishment or modification of this Conservation Easement. In addition, the inability of STATE, or STATE's successors, or assigns, to conduct or implement any or all of the uses permitted under the terms of this Conservation Easement, or the unprofitability of doing so, shall not impair the validity of the Conservation Easement or be considered grounds for the termination, extinguishment or modification of same.

(c) **Unauthorized Third Party Uses and STATE's Obligations**. If Grantee discovers any unauthorized third-party use or activity on the Property that violates the terms of this Conservation Easement, and Grantee gives STATE written notice thereof, STATE shall use reasonable efforts to stop or prevent any such unauthorized use of the Property, subject to the provisions of **Section 12(d)** below.

(d) **Acts of God; Emergencies; Acts of Unrelated Third Parties; Pre-Existing Conditions**. Nothing in this Conservation Easement shall require STATE to take any action to restore the condition of the Property (i) after any Act of God, which includes, without limitation, fire, climatic change, flood, storm, earth movement, or natural evolutionary changes in the condition of the Property from that described in the Report; (ii) after any action taken by STATE under emergency conditions to prevent, abate, or mitigate unreasonable impairment to the Conservation Values, or to any person resulting from such causes; (iii) after any acts of unrelated third parties, so long as STATE has satisfied its obligations under **Section 7(c)**, above,

and **Section 8(d)**, below; or (iv) if such condition existed prior to the Effective Date of this Conservation Easement.

8. Public Access:

(a) **Informal Uses and Public Access.** STATE 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**”). STATE 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, STATE shall allow public access to the Property that is substantially consistent with the public access existing on the Effective Date of the Conservation Easement. STATE reserves the right to make reasonable rules and regulations to control, limit, or, as necessary, exclude Informal Uses and public access, including without limitation, (i) by posting and other means; and (ii) by restricting access to areas of the Property under active cultivation, grazing, study, temporarily to prevent vandalism and dumping, seasonally to prevent erosion/sedimentation concerns, or for safety purposes during timber harvesting or other permitted management activities that may pose a hazard. STATE shall make reasonable efforts to prevent Informal Uses that significantly impair the Conservation Values.

(b) **New or Increased Public Access.** If STATE desires to allow new public access or Informal Uses or expansion of public access or Informal Uses on the Property, Grantee’s advance written permission is required, which permission shall not be unreasonably withheld, provided such new or expanded use does not significantly impair the Conservation Values.

(c) **Limitations and Conditions.** Sections 8(a) and 8(b) above are subject to the following:

(i) **Liability Limitation.** STATE and Grantee claim all of the rights and immunities against liability for injury to the public to the fullest extent allowable by law, including without limitation, under the California Tort Claims Act, California Government Code section 810 et seq., as amended and any successor provisions thereof.

(ii) **Periodic Review of Informal Uses.** As part of Grantee’s annual compliance monitoring, (i) STATE and Grantee shall consult on the known Informal Uses and public access on the Property conducted under **Sections 8(a) and 8(b)** above during the preceding monitoring period for the purpose of Grantee’s assessment of STATE’s compliance with the requirements set forth in those sections; and (ii) with respect to Informal Uses allowed by the STATE on the Property in accordance with **Section 8(a)** above, STATE and Grantee will consult, and include recommendations, if any, regarding the necessity of controlling, limiting, or excluding Informal Uses to ensure the protection of the Conservation Values from significant impairment.

(d) **Unauthorized Public Access.** If STATE or Grantee discovers any

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unauthorized public access use or activity that violates the terms of this Conservation Easement, STATE shall use reasonable efforts, in consultation with Grantee, to stop or prevent any such unauthorized use of the Property, subject to the provisions of **Section 12(d)** below. The Parties acknowledge and agree that any form of legal action by STATE shall be subject to authorization by the California Attorney General.

9. STATE's Reserved Rights: Notwithstanding anything to the contrary in this Conservation Easement, STATE expressly reserves all rights accruing from the ownership of the Property, including the right to engage in or permit or invite others to engage in all uses of the Property that are not expressly prohibited by this Conservation Easement and are not in conflict with the Conservation Purpose ("**STATE's Reserved Rights**"). Pursuant to California Civil Code section 815.4, all interests in the Property not expressly transferred and conveyed to Grantee by this Conservation Easement or reserved to PG&E as the PG&E Reserved Rights or the PG&E Easement Reserved Rights (as described in **Sections 2 and 3 above**), shall remain with STATE. In exercising STATE's Reserved Rights, STATE will (i) use reasonable efforts to consult with Grantee, and (ii) use reasonable efforts to employ methods and practices that will not significantly impair the Conservation Values.

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

(a) **Forest Management.** STATE reserves the right to conduct forestry activities on the Property, in accordance with the following **Forest Management Goals** and **Section 6** above:

It is the intent of STATE and Grantee that any timber harvesting activities conducted on the Property in accordance with this Conservation Easement maintain healthy and vigorous forest stands, protect important riparian resources, manage for sustainable stands of native tree species historically present on the landscape, encourage regeneration of oak trees where applicable, improve resistance to drought and pests, address any infestation of insects or disease which threatens the viability of the forest, address any build-up of fuel to reduce risks of catastrophic fire, enhance climate benefits through carbon sequestration and storage, establish and maintain a full and balanced range of stand ages and characteristics, allowed to move across the landscape over time, including early-seral, mid-seral and late-seral forest conditions, provide adequate amounts of snags and cavity trees, provide adequate amounts of downed woody debris, manage for edge effects, and maintain and enhance vegetation types and structural elements across the landscape that support fish and wildlife habitats (collectively, the "**Forest Management Goals**"). The Forest Management Goals shall be accomplished by complying with the Forest Practice Act and Rules and the provisions set forth in this section.

(b) **Residential Use.** Subject to **Section 7(a)**, any and all development on the Property shall be restricted to the Building Envelopes, and shall meet all Applicable Laws for dwellings in Timber Production Zones. Additionally, development shall be constructed in a manner and with a design complementary to the surrounding environment.

(c) **Recreational Use.** Recreational use by STATE and the general public is permitted in accordance with **Section 8**.

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(d) **Roads.** STATE reserves the right, but shall have no obligation, to maintain the existing network of roads on the Property as shown in **Exhibit B**. Placing rock on the road network is permitted, however oiling of roads not traditionally treated in this manner, is not allowed. New roads are permitted to the extent incorporated in the Demonstration State Forest Management Plan or a Forest Management Plan, provided such roads do not significantly impair Conservation Values and, provided further, that any new road constructed by STATE and later abandoned shall promptly be restored to a condition consistent with the surrounding landscape subject to the provisions of **Section 12(d)** below. Subject to **Section 7(a)**, new roads or the resurfacing of existing roads are permitted within the Building Envelopes. In addition, STATE may, after providing written notice to Grantee, improve roads outside the Building Envelopes in conjunction with permitted maintenance, repair, replacement and construction of improvements under this Conservation Easement.

(e) **Motorized Vehicles.** STATE reserves the right to use motorized vehicles on the Property, including off-road vehicles (such as motorcycles and all-terrain vehicles) for non-recreational purposes, specifically for ingress and egress purposes, for practices permitted under this Conservation Easement, and for patrolling purposes, provided that such uses do not significantly impair the Conservation Values.

(f) **Non-Native Plants.** STATE reserves the right to remove and control non-native plants and noxious weeds (such as thistle), provided that the measures taken to remove and control the non-native plants and noxious weeds, including controlled burning, comply with Applicable Laws and regulations and do not significantly impair the Conservation Values of the Property. STATE reserves the right to introduce non-native species and species from different areas and seed zones for the purposes of research, adaptive management, ecosystem restoration and other objectives, all as specified in the Demonstration State Forest Management Plan.

(g) **Water and Irrigation.** STATE reserves the right to conduct the following:

- (i) develop groundwater wells where necessary. Such wells and their associated infrastructure must be in accordance with **Section 9(j)-Utilities**;
- (ii) subject to Grantee's prior written permission, develop wildlife enhancement ponds and/or guzzlers in a manner that does not significantly impair the Conservation Values; and
- (iii) develop water drafting sites that minimize impacts to water quality, riparian species, and the Conservation Values. Water drafting sites may be used for water collection for dust abatement, fire suppression purposes or other activities associated with the Property, and must be sited, constructed and maintained in order to not significantly impair the Conservation Values of the Property.

(h) **Fences.** Any new fencing shall be sited and designed not to significantly impair the Conservation Values of the Property, must allow for the free movement of wildlife to the extent practicable and compatible with any livestock exclusion fences in **Section 9(n)**, and shall be constructed according to standards established by the current best management practices recommended by the California Department of Fish and Wildlife. Fences to protect research, monitoring and other sensitive installations may be designed to exclude wildlife.

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(i) **Waste and Hazardous Substances.** The dumping, release, burning, permanent storage or disposal of waste, refuse, debris, motorized vehicles or hazardous materials is prohibited; provided, however, that vehicles, building materials, machinery or supplies, including, without limitation, petroleum products and pesticides, required for permitted and legal uses may be temporarily stored on roads, landings, and other clearings outside of riparian zones in compliance with all Applicable Laws; and provided that organic debris from forest management activities permitted in this Conservation Easement may be piled, burned or otherwise treated in a manner that is consistent with applicable regulations and the Forest Management Plan.

(j) **Utilities.** STATE reserves the right to grant utility easements on and over the Property to serve the allowed improvements and uses within the Building Envelopes in accordance with **Section 7(a)**, provided the uses under such easements do not significantly impair the Conservation Values. Right-of-way widths shall comply with the requirements of the California Forest Practice Act and Rules and any other applicable state or federal laws. New technology such as photovoltaic cells, solar arrays and windmills may be constructed in the Building Envelopes or in support of research projects in accordance with **Section 7(a)**. All utility infrastructure on the Property shall serve only the improvements permitted on the Property, except that any electricity generated from permitted utility infrastructure facilities in excess of requirements of the permitted improvements and uses on the Property may be sold to public utilities. Notwithstanding the foregoing, commercial power generation, collection or transmission facilities are prohibited.

The construction, operation and maintenance of power lines and pipelines are permitted, provided that, without limiting the PG&E Reserved Rights and PG&E Easement Reserved Rights, STATE shall use reasonable efforts to bury transmission or power lines or pipelines related to such activity or to align such lines along roadways, and the construction of new power lines and pipelines hereunder shall be limited to the support of STATE's permitted activities hereunder must be unobtrusively sited and shall not significantly impair the Conservation Values.

(k) **Renewable Energy Sources.** STATE reserves the right, subject to prior written permission from Grantee, to construct solar energy structures for generation of power for use on the Property, including generation of power for research equipment, provided, however, that: (i) all such solar energy structures shall be located within Building Envelopes, with the limited exception of solar energy structures used to power research equipment allowed to be used elsewhere on the Property; and (ii) no construction of solar energy structures shall be allowed to significantly impair the Conservation Values. Grantee's permission shall not be unreasonably delayed or withheld. STATE and Grantee agree that the provisions of this **Subsection 9(k)** restricting the locations of the installation of solar energy systems and prohibiting the construction of solar energy structures that would significantly impair the Conservation Values are "reasonable restrictions" within the meaning of California Civil Code § 714."

(l) **Future Easements, Leases, Licenses, Permits, and Contracts.** Excepting the Express Third Party Uses which are subject to **Section 11** below, STATE reserves

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the right to grant subsequent easements, leases, licenses, permits and contracts on or relating to the Property, provided that any such subsequent easement, lease, license, permit, or contract is for a permitted use and is subordinate, subject to, and consistent with the terms of this Conservation Easement, which is documented in a separate written agreement, subject to Grantee's approval, which approval shall not be unreasonably withheld, conditioned or delayed. If STATE wishes to grant subsequent easements, leases, licenses, permits and contracts on or relating to the Property, STATE shall so notify Grantee at least sixty (60) days in advance of any such proposed grant, shall provide to Grantee a copy of any proposed easement grant document together with any such additional information relating to the proposed grant as Grantee may reasonably request. STATE shall request Grantee's approval of such grant. Grantee will review the proposal and may, in its reasonable discretion, (a) approve the proposal as being consistent with the Conservation Purpose or (b) approve the proposal on conditions intended to ensure its consistency with the Conservation Purpose or (c) disapprove the proposal as being actually or potentially inconsistent with the Conservation Purpose. Failure of Grantee to respond in writing within sixty (60) days shall be deemed approval of the proposal as being consistent with the Conservation Purpose.

(m) **Trails.** STATE reserves the right to build multi-use recreation trails on the Property provided all new trails are approved by Grantee and are sited, constructed, and used in a manner that does not significantly impair the Conservation Values and does not damage soil, vegetation, or water quality in any riparian areas identified in the Report. New trails must be built with a natural base. Any trails built by the STATE and later abandoned promptly shall be restored to a condition consistent with the surrounding landscape subject to the provisions of **Section 12(d)** below.

(n) **Wildfire Suppression and Property Restoration.** In instances of active wildfires on or in immediate vicinity of the Property, STATE reserves the right to suppress the wildfire by any means necessary, at full discretion of STATE. All wildfire suppression activities will be carried out, to the extent practicable, in a manner that minimizes negative impacts to the Conservation Values. The STATE shall ensure installation of erosion control on all constructed firelines, if needed. Within the riparian zones, an organic surface cover shall be applied to areas of exposed soil caused by fireline construction.

(o) **Animal Grazing.** Due to state and local open-range laws in effect on the Property as of the Effective Date, STATE shall not be required herein to exclude livestock owned by third parties from the Property provided, however, that STATE, in its sole and absolute discretion, may, but shall not be obligated to, construct, maintain, repair, and replace fences for the purpose of excluding livestock from all or any portion of the Property.

(p) **Plant Gathering.** STATE reserves the right to allow pre-approved collection of native plants, historically collected by Native Americans and other ethnic groups, for traditional purposes. Any new proposed plant collections must be approved by the Grantee.

10. Responsibility for Operations. Nothing in this Conservation Easement shall be construed as giving any right or ability to Grantee to exercise physical or managerial control of the day-to-day operations of the Property or of STATE's activities on the Property. STATE shall

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have and retain all responsibility for, the ownership of the Property, and, in connection with STATE's use or occupancy of the Property, compliance with any present and future applicable laws, ordinances, rules, regulations, permits, authorizations, orders and requirements, whether or not in the current contemplation of the parties, which may affect or be applicable to the Property or any part of the Property (including, without limitation, any subsurface area), all consents or approvals required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, authorities, board of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, having or acquiring jurisdiction of the Property (in each case, an "**Applicable Law**" and, collectively "**Applicable Laws**"), except as expressly stated otherwise in this Conservation Easement. Without placing any limitation on the foregoing sentence, the parties agree as follows:

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

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

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

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

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

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

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

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

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

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

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

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Safety Code § 25100 et seq.); and all rules and regulations of the United States or California Environmental Protection Agency or any successor agency, or any other state or federal department, board or agency, or any other agency or governmental board or entity having jurisdiction, as any of the foregoing have been, or are hereafter amended from time to time; or

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

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

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

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

(F) which contains radon gas.

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

11. Express Third Party Uses. Exhibit E hereto describes the existing third party uses of the Property permitted with the express agreement of STATE ("**Express Third Party Uses:**"). STATE retains the right to maintain, renew, and replace all agreements memorializing the Express Third Party Uses ("**Third Party Use Agreements**") and to engage in all activities reasonably required to comply with STATE's obligations with respect to the Express Third Party Uses, subject to the following conditions:

(a) **Increases in Intensity or Expansion of Location or Size or Change in Use.** Any (i) increase in the intensity, or (ii) expansion of the location or size, or (iii) a change in the use, of an Express Third-Party Use (whether through a new agreement or an amendment to an existing agreement), that STATE determines in STATE's reasonable discretion exercised in good faith are likely to significantly impair the Conservation Values, shall be subject to Grantee's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed by Grantee.

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

(c) **Enforcement of Third Party Use Agreements.** If STATE or Grantee discovers any default under a Third Party Use Agreement that significantly impairs the Conservation Values (and if Grantee makes such discovery, Grantee gives STATE written notice thereof), subject to the provisions of **Section 12(d)** below, STATE shall use reasonable efforts to stop or prevent such violation. The Parties acknowledge and agree that any form of legal action by STATE shall be subject to authorization by the California Attorney General.

12. Enforcement and Remedies.

(a) **Notice of Violation.** If a party hereto (“**Non-Breaching Party**”) determines there is a violation of the terms of this Conservation Easement or that a violation is threatened (“**Violation**”), written notice of such Violation (“**Violation Notice**”) and a demand for corrective action sufficient to cure the Violation shall be given by the Non-Breaching Party to the party allegedly violating this Conservation Easement (“**Breaching Party**”). Within thirty (30) days after delivery of a Violation Notice, STATE and Grantee shall meet at a location that STATE and Grantee agree upon to discuss the circumstances of the alleged or threatened Violation and to attempt to agree on appropriate corrective action. If the parties determine that it is appropriate and desirable, a duly qualified expert in the subject matter of the alleged or threatened Violation (“**Consulting Expert**”) shall attend the meeting. CAL FIRE and Grantee shall each pay one-half of the costs of retaining the services of the Consulting Expert for such discussion; provided, however, that if STATE and Grantee are unable to agree upon a Consulting Expert, each party may retain the services of an expert at its own expense. If STATE and Grantee are unable to agree on appropriate corrective action (or if any such corrective action is required) within thirty (30) days after such meeting, then the Non-Breaching Party shall deliver a further written notice to the Breaching Party to demand reasonable, particular corrective action to cure the Violation (“**Second Notice**”). Upon the giving of a Second Notice, the Breaching Party shall promptly commence, and thereafter diligently pursue to completion, corrective action sufficient to cure the Violation and, where the Violation involves injury to the Property resulting from any use or activity that conflicts with the Conservation Values or the Conservation Purpose, to restore the portion of the Property so injured. If a Violation is not cured within thirty (30) days after the delivery of the Second Notice (“**Final Cure Period**”), or if the cure reasonably requires more than thirty (30) days to complete and there is failure to begin the cure or failure to continue diligently to complete the cure within the thirty (30) day period, the parties may elect to proceed with the Legal Remedies as provided in **Section 12(b)**.

(b) **Legal Remedies.** If the parties are not able to settle the claim or dispute through consultation pursuant to **Section 12(a)** above, following exhaustion of all requisite administrative remedies, if any, the parties may, pursuant to California Civil Code section 815.7, bring an action at law or in equity in a court of competent jurisdiction to seek injunctive relief and/or money damages to enforce the terms of this Conservation Easement. If any party hereto

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determines that the circumstances require immediate action to prevent or mitigate unreasonable damage to the Conservation Values from a Violation, then that party may pursue its remedies under this **Section 12(b)** without first complying with **Section 12(a)** above.

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

(d) **Subject to Appropriation.** The parties hereto agree and acknowledge that any expenditures of money that may be required by the STATE under this Conservation Easement shall be contingent on the appropriation of funds by the Legislature for the specific purpose of STATE complying with its obligations in this Conservation Easement. Any delay or failure of the STATE to perform and comply with its obligations in this Conservation Easement due to funds not being appropriated or being terminated by the Legislature shall not be considered a breach or default of the terms of this Conservation Easement, and STATE shall not be liable in any way due to delay or failure to perform under the terms of this Conservation Easement, including undertaking corrective action and/or restorative action, as a result of the funds not being appropriated or being terminated by the Legislature. Notwithstanding, STATE agrees to make diligent efforts to obtain the necessary budget appropriations in amounts reasonably calculated to support the fulfillment of its obligations under this Conservation Easement as expeditiously as possible. This section only applies to the STATE.

13. Indemnification

(a) **Indemnification of STATE by Grantee.** Grantee waives all claims against STATE, its agencies, departments, boards, commissions, officers, agents, and employees (collectively “**Indemnitees**”), for loss or damage caused by, arising out of, or in any way connected with the exercise of this Conservation Easement. Grantee shall protect, indemnify, and hold Indemnitees harmless and defend Indemnitees, with counsel selected by Indemnitees, from and against any suits, actions, judgments, legal or administrative proceedings, arbitrations, claims, demands, causes of action, damages, liabilities, interest, reasonable attorneys' fees, fines, penalties, losses, costs and expenses of whatsoever kind or nature, arising out of, in connection with or incidental to any injury to or the death of any person, or damage to any property arising out of, caused by, or resulting from (in whole or in part) the negligence or willful misconduct of Grantee and/or Grantee’s Representatives and their respective employees, agents and subcontractors on the Property in connection with this Conservation Easement. Grantee’s aforesaid indemnity, defense and hold harmless obligations shall not apply to liability caused by the negligence or willful misconduct of Indemnitees. Grantee’s duty to defend the Indemnitees is separate from, independent of and free-standing of Grantee’s duty to indemnify the Indemnitees and applies whether the issue of either parties negligence, breach of contract or other fault or obligations has in any way been determined. The indemnity set forth in this section shall survive the expiration or termination of this Conservation Easement until such time as action against the Indemnitees on account of any matter covered by this indemnity is barred by

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the applicable statute of limitations.

Grantee shall, further, cause such indemnification in favor of the Indemnitees to be inserted in each contract and/or agreement for the provision of services to Grantee on the Property or entry onto the Property by Grantee's Representatives. Grantee's failure to comply shall be considered a material breach of this Conservation Easement.

The foregoing provisions of **Section 13** shall be inoperative at any time, and for so long as, the fee interest in the Property is owned by an entity other than the STATE, and the following indemnification provisions shall instead be operative and binding on such successor fee interest owner ("**Grantor**"); provided, any obligation of Grantee to STATE arising prior to such transfer of the fee interest in the Property from STATE shall survive the transfer.

(b) **Indemnification by Grantor other than the STATE.** Grantor shall hold harmless, indemnify, and defend Grantee and its directors, officers, employees, agents, and contractors and the heirs, personal representatives, successors, and assigns of each of them (each a "**Grantee Indemnified Party**" and collectively, the "**Grantee Indemnified Parties**"), from and against any and all liabilities, penalties, costs, losses, damages, expenses (including, without limitation, reasonable attorneys' fees and experts' fees), causes of action, claims, demands, orders, liens or judgments (each a "**Claim**" and, collectively, "**Claims**"), arising from or in any way connected with: (a) injury to or the death of any person, or physical damage to any property, resulting from any act, omission, condition, or other matter related to or occurring on or about the Property, including but not limited to any such act, omission, condition or other matter occurring in connection with the presence of the general public on the Property, regardless of cause, unless due to the negligence or willful misconduct of any of the Grantee Indemnified Parties while acting upon the authority of Grantee; or (b) Grantor's obligations specified in this Conservation Easement; or (c) a breach of any of Grantor's representations or warranties made in this Conservation Easement; or (d) any violation of, or other failure to comply with, any state, federal or local law, regulation or requirement related to the Property, by Grantor, or any entity other than a Grantee Indemnified Party acting upon the authority of Grantee, in any way affecting, involving or relating to the Property; or (e) any Hazardous Substances or underground storage tanks present, alleged to be present, released in, from or about, or otherwise associated with the Property at any time, except with respect to any Hazardous Substances placed, disposed or released by a Grantee Indemnified Party acting upon the authority of Grantee, including Claims for injury to or death of any person or physical damage to any Property and for the violation or alleged violation of, or other failure to comply with, any Environmental Requirement. If any action or proceeding is brought against any Grantee Indemnified Party by reason of any such Claim, Grantor shall, at the election of and upon written notice from the applicable Grantee Indemnified Party, defend such action or proceeding by counsel reasonably acceptable to the Grantee Indemnified Party.

(c) **Indemnification by Grantee to Grantor other than the STATE.** Grantee shall hold harmless, indemnify, and defend Grantor and its members, directors, officers, employees, agents, and contractors and the heirs, personal representatives, successors, and assigns of each of them (each a "**Grantor Indemnified Party**" and, collectively, the "**Grantor Indemnified Parties**"), from and against any and all Claims arising from or in any way connected with: (a) injury to or the death of any person, or physical damage to any property,

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occurring on or about the Property, resulting from the negligence of any Grantee Indemnified Party, while acting on behalf of Grantee; or (b) Grantee's obligations specified in this Conservation Easement; or (c) any violation of, or other failure to comply with, any state, federal or local law, regulation or requirement, by any Grantee Indemnified Party while acting on behalf of Grantee in any way affecting, involving or relating to the Property. If any action or proceeding is brought against any Grantor Indemnified Party by reason of any such Claim, Grantee shall, at the election of and upon written notice from the applicable Grantor Indemnified Party, defend such action or proceeding by counsel reasonably acceptable to the Grantor Indemnified Party.

14. Insurance. Prior to any entry onto the Property under the terms of this Conservation Easement by Grantee or Grantee's Representatives, Grantee and Grantee's Representatives shall each, at their own expense, provide STATE evidence of insurance as follows:

a) **Commercial General Liability.** Grantee and Grantee's Representatives shall maintain general liability on an occurrence form with limits not less than \$1,000,000 per occurrence and \$2,000,000 aggregate for bodily injury and property damage liability. The policy must include coverage for liabilities arising out of premises operations, independent contractors, products/completed operations, personal & advertising injury and liability assumed under an insured contract. This insurance shall apply separately to each insured against whom claim is made or suit is brought subject to the Grantee and/or Grantee's Representatives limit of liability. The policy must include: Department of Forestry and Fire Protection, State of California, its officers, agents and employees as additional insureds. This endorsement must be supplied under form acceptable to DGS' Office of Risk and Insurance Management.

b) **Automobile Liability.** Grantee and Grantee's Representatives shall maintain motor vehicle liability with limits not less than \$1,000,000 combined single limit per accident. Such insurance shall cover liability arising out of a motor vehicle including owned, hired and non-owned motor vehicles. The same additional insured designation and endorsement required for general liability is to be provided for this coverage.

c) **Workers' Compensation and Employers' Liability.** Grantee and Grantee's Representatives shall maintain statutory workers' compensation and employers' liability for all employees who will be engaged in the performance of any activities and/or work related to the Property as authorized under this Conservation Easement. Employers' liability limits of \$1,000,000 are required. Workers' compensation policy shall contain a waiver of subrogation endorsement in favor of the STATE.

At any time, and for so long as, the fee interest in the Property is owned by an entity other than the STATE, such successor Grantor shall maintain a commercially available general liability policy, or self-insurance, insuring against bodily injury and property damage on the Property in the amount of not less than \$1,000,000 per occurrence \$2,000,000 in aggregate. Grantee shall be named an additional insured on any policy. For any claim covered by the indemnification in **Section 13** above, the liability insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs afforded to Grantee with respect to Grantee's entries onto the Property pursuant to the Conservation Easement. Grantor waives all rights of

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subrogation against the Grantee Indemnified Parties for recovery of damages to the extent these damages are covered by insurance maintained pursuant to this Conservation Easement. Grantor shall furnish Grantee with certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth above. Any failure of Grantee to demand such certificate or other evidence of full compliance with these insurance requirements or failure of Grantee to identify a deficiency from evidence that is provided shall not be construed as a waiver of Grantor's obligation to maintain such insurance.

15. Grantee Assignment of Conservation Easement.

(a) **Voluntary Assignment.** In the event that Grantee decides to assign its interest under this Conservation 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 similar to the Property; and (3) willing and financially able to assume all of the responsibilities imposed on Grantee under this Conservation Easement. Before assigning its interest under this Conservation Easement, Grantee shall provide STATE 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. Grantee shall allow SNC, with the consent of STATE, 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. If SNC does not approve the proposed assignee, SNC shall provide Grantee with the reasons behind such decision. Notwithstanding, any approved assignment by Grantee of this Conservation Easement to an approved assignee shall not relieve Grantee from any obligations hereunder arising prior to the date of the assignment.

(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, with the consent of STATE, select an assignee that meets all the designation criteria specified in **Section 15(a)** above. If SNC is unable to identify an assignee that meets all the designation criteria specified in **Section 15(a)** above that is willing to accept such assignment, then SNC shall petition a court of competent jurisdiction to effect a transfer of the Conservation Easement to an organization that meets each of the qualifications criteria in **Subsection 15(a)**. Notwithstanding the foregoing, SNC may elect to serve as such assignee but only on a temporary basis until a permanent assignee can be identified by SNC and/or such transfer is effectuated by a court of competent jurisdiction.

(c) **Conditions of Assignment.** As conditions to any assignment of this Conservation Easement, Grantee and/or the SNC shall: (1) require the assignee to expressly agree in writing to assume Grantee's obligations hereunder; (2) ensure that assignee has the resources to fulfill its obligations under the Conservation Easement; and (3) Grantee shall not be relieved from any obligations under the Conservation Easement arising prior to the date of the assignment.

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(d) **Successor to SNC.** Upon any liquidation or dissolution of SNC, SNC or STATE shall have the right to assign SNC's rights and obligations under this **Section 15** 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.

(e) **Recording.** Pursuant to California Civil Code section 815.5, any instrument assigning or otherwise transferring this Conservation Easement shall be recorded in the Official Records of the County.

16. Subsequent Property Transfers.

(a) STATE shall disclose the existence of this Conservation Easement in any deed or other legal instrument by which STATE divests itself of a real property interest in all or a portion of the Property, including, without limitation, a leasehold interest. STATE shall notify Grantee in writing not more than thirty (30) days after any grant by STATE to any third party of any interest in any portion of the Property, whether such interest is a fee, easement, lease, or other interest. The failure of STATE to perform any act required by this **Section 16** shall not impair the validity of this Conservation Easement or limit its enforcement in any way or create any obligation on the part of Grantee.

(b) **Release of Fee Title and Demonstration State Forest Status.** In the event that STATE transfers fee title to an unaffiliated third-party not qualified to own and manage a Demonstration State Forest, STATE shall release, relinquish and forever terminate, in a manner that shall be binding upon all successors in interest to the Property, all rights of STATE described in **Sections 6(a) and 6(b)**.

17. Extinguishment and Condemnation.

(a) **Judicial Extinguishment.** If circumstances arise in the future that render the Conservation Purpose impossible or impracticable to accomplish, this Conservation Easement can be terminated or extinguished, whether in whole or in part, only by judicial proceedings in a court of competent jurisdiction, and the amount of the compensation to which Grantee shall be entitled from any sale, exchange, or involuntary conversion of all or any portion of the Property after such termination or extinguishment, shall be determined, unless otherwise provided by California law at the time, in accordance with **Section 17(c)**. Grantee must use any proceeds received under the circumstances described in this section in a manner consistent with the Conservation Purposes, which are exemplified and articulated by the Conservation Easement and contemporaneously prepared exhibits to it and other documentation.

(b) **Condemnation.** If all or any part of the Property is taken by exercise of eminent domain, or acquired by purchase in lieu of condemnation, so as to terminate this Conservation Easement in whole or in part, STATE and Grantee may join in appropriate actions to recover the full value of their respective interests in the Property so taken or purchased, and all direct or incidental resulting damages. All expenses reasonably incurred by the STATE and Grantee in any such action shall be first reimbursed out of the recovered proceeds; the remainder of such proceeds shall be divided between STATE and Grantee in proportion to their respective interests in the Property, or portion thereof, as established by **Section 17(c)**.

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(c) **Valuation.** In accordance with California Civil Code section 815.2, STATE and Grantee acknowledge and agree that this Conservation Easement shall not be deemed personal in nature and shall constitute an interest in the Property in favor of Grantee notwithstanding that this Conservation Easement is an obligation, and not a financial asset. For the purpose of **Sections 17(a) and 17(b)**, the fair market value of the Conservation Easement shall be determined as of the time of the extinguishment or termination by an appraisal set forth in a written report prepared and signed by an appropriately licensed or certified real estate appraiser in good standing pursuant to Part 3 (commencing with Section 11300) of Division 4 of the Business and Professions Code and its implementing regulations, Title 10 Section 3701 of the California Code of Regulations, the California Department of General Services Appraisal Specifications, and shall conform to the Uniform Standards of Professional Appraisal Practice. STATE and Grantee shall mutually agree on the appraiser and shall share equally in the costs of preparing the appraisal report. The fair market value as set forth in the appraisal report is subject to the approval of the California Department of General Services.

(d) **No Merger.** Due to the Conservation Purpose of the Conservation Easement, it is the intent of STATE and Grantee that notwithstanding the provisions of Civil Code Section 811, any time the fee title to all or any portion of the Property is vested in an entity, including STATE, which also holds this Conservation Easement, the interest in the Conservation Easement shall not merge into the fee title (whether by operation of law or otherwise), and the Conservation Easement shall remain in full force and effect as to all portions of the Property, until and unless explicitly terminated by judicial proceedings (and then, only to the extent so terminated).

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

If to STATE:

California Department of Forestry and Fire Protection
PO Box 944246
Sacramento, CA 94244
Attn: State Forests Program Manager

With a copy to:

Department of General Services
707 Third Street, 5th Floor (MS 505)
West Sacramento, CA 95605
Attn: RESD/RPSS--Acquisitions Unit

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If to Grantee:

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

If to Sierra Nevada Conservancy:

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

The date of any notice or communication shall be deemed to be the date of receipt if delivered personally, or the date of the receipt or refusal of delivery if transmitted by mail or overnight courier. Any party may change the address for notice by giving notice to the other party in accordance with this **Section 18**.

19. Amendment. This Conservation Easement may be amended by STATE and Grantee or their respective successors and assigns, by mutual written agreement of STATE and Grantee. STATE and Grantee shall have no right to amend **Sections 2 or 3** hereof without the written consent of PG&E in its sole and absolute discretion. Without limiting the scope of the aforementioned power to amend, the parties anticipate that future amendments may be necessary to reflect boundary adjustments that remove any portion of the Property from the encumbrance of this Conservation Easement, clarifications, and corrections to the Conservation Easement and agree to mutually cooperate in good faith to accomplish such future amendments, to the extent such amendments are to clarify the terms of this Conservation Easement and do not significantly impair the Conservation Values. Any such amendment shall be consistent with the Conservation Purpose of this Conservation Easement and shall not affect its perpetual duration, and Grantee shall promptly record the amendment in the official records of the County, and shall thereafter promptly provide a conformed copy of the recorded amendment to STATE.

Notwithstanding the foregoing, STATE and Grantee have no right or power to consent to any action or agree to any amendment of this Conservation Easement that would result in any significant impairment of Conservation Values or limit the term or result in termination of the Conservation Easement, or otherwise adversely affect the qualification of the Conservation Easement as a conservation easement under California Civil Code section 815 et seq. or the status of Grantee as an entity authorized to acquire and hold conservation easements under California Civil Code section 815.3. Any amendment to this Conservation Easement shall comply with California Civil Code section 815 et seq. and other Applicable Laws.

20. General Provisions.

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

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

(c) **Liberal Construction.** Any general rule of construction to the contrary notwithstanding, this Conservation Easement shall be liberally construed in favor of Grantee to effect the purposes of this Conservation Easement and the policy and purpose of California Civil Code section 815 et seq. If any provision in this Conservation Easement is found to be ambiguous, an interpretation consistent with the purposes of this Conservation Easement which recognizes the PG&E Reserved Rights and the PG&E Easement Reserved Rights (as described in **Sections 2 and 3 above**), and STATE's Reserved Rights and that would render the provision valid shall be favored over any interpretation that would render it invalid.

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

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

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

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

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

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

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

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transfer.

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

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

<u>Exhibit A</u>	Legal Description of the Property
<u>Exhibit B</u>	Property Maps
<u>Exhibit C</u>	Form of Grant Deed
<u>Exhibit D</u>	Copy of Recorded Utility Facility Access, Operation and Maintenance Easement
<u>Exhibit E</u>	Schedule of Express Third-Party Uses

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

//signatures follow on next page//

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

STATE:

AUTHORIZED PER GOVERNMENT CODE §14666

STATE OF CALIFORNIA
Department of General Services

By: _____
Michael P. Butler, Chief
Real Property Services Section

Dated: _____

APPROVAL PER GOVERNMENT CODE §14666

STATE OF CALIFORNIA
Department of Forestry and Fire Protection

By: _____
Thom Porter, Director

Dated: _____

GRANTEE:

MOTHER LODGE LAND TRUST,
a California nonprofit public benefit corporation

By: _____

Its: _____

Dated: _____

ACCEPTANCE OF CONDITIONAL RIGHT OF ENFORCEMENT

The Sierra Nevada Conservancy, a subdivision of the California Natural Resources Agency, hereby acknowledges and accepts the conditional enforcement rights set forth in Section 15 hereof.

By: _____

Its: _____

Dated: _____

[Need Notary Acknowledgement to record]

Appendix 3: Conservation Easement

EXHIBIT A

Legal Description of the Property

Appendix 3: Conservation Easement

EXHIBIT B

Property Maps

[Attached Behind this Page]

EXHIBIT C

Form of Grant Deed

[Attached Behind this Page]

Appendix 3: Conservation Easement

EXHIBIT D

Copy of Recorded Utility Facility Access, Operation and Maintenance Easement

[Attached Behind this Page]

EXHIBIT E

Express Third-Party Uses

1.

AN EASEMENT OVER SAID LAND TO GRADE FOR, RECONSTRUCT, MAINTAIN AND USE EXISTING PRIVATE ROADS AND INCIDENTAL PURPOSES, AS GRANTED TO AMERICAN FOREST PRODUCTS COMPANY, IN DEED RECORDED FEBRUARY 13, 1968, IN BOOK 171 OF OFFICIAL RECORDS AT PAGE 106 AMADOR COUNTY RECORDS.

AFFECTS: APN: 024-050-12 PORTION
LCP ID #976, #977 AND #979
LD 2107-14-0059

3.

AN EASEMENT OVER SAID LAND TO CONSTRUCT, MAINTAIN AND USE A ROAD AND INCIDENTAL PURPOSES, AS GRANTED TO AMERICAN FOREST PRODUCTS CORPORATION, A DELAWARE CORPORATION, IN DEED RECORDED NOVEMBER 12, 1969, IN BOOK 189 OF OFFICIAL RECORDS PAGE 95 AMADOR COUNTY RECORDS

AFFECTS: APN 024-050-12
LCP ID #980
LD 2107-14-0075

4.

AN EASEMENT OVER SAID LAND FOR INGRESS AND EGRESS EASEMENTS AND IMPROVEMENT EASEMENTS AND INCIDENTAL PURPOSES, AS DISCLOSED BY FINAL ORDER OF COMDEMNATION IN FAVOR OF AMADOR WATER AGENCY INSTRUMENT RECORDED SEPTEMBER 25, 2013, IN INSTRUMENT NO. 2013-0008623, OFFICIAL RECORDS.

AFFECTS: 024-051-012, 024-050-013, AND 024-070-010



Appendix 4: Conservation Easement Funding Agreement

Conservation Easement Funding Agreement North Fork Mokelumne River Planning Unit – Lands Donated to CAL FIRE

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

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

B. Pursuant to the Settlement Agreement and Stipulation, certain lands owned by PG&E at the time of the Settlement (the “PG&E Watershed Lands”) are to be conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The Stewardship Council is charged with developing a Land Conservation Plan 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 by PG&E to the California Department of Forestry and Fire Protection consisting of approximately 1,105 acres of real property located in the Counties of Amador and Calaveras, 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.



Appendix 4: Conservation Easement Funding Agreement

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 Amador and Calaveras Counties (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, 2019, 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 Seventy-Six Thousand Three Hundred Dollars (\$176,300)** (the "Grant Funds") to Grantee. The Grantee will use the Grant Funds for the purposes described in this Agreement and for no other purpose without the prior written consent of the Stewardship Council. The Stewardship Council reserves the right to require the total or partial return of Grant Funds in the event Grantee fails to comply with the terms and conditions of this Agreement.

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

a. No less than Eighty-Three Thousand One Hundred and Fifty Dollars (\$83,150) of the Grant Funds shall be deposited into a non-wasting endowment restricted solely for the purpose of funding Grantee's costs for the stewardship and monitoring of conservation easements on the Watershed Properties (the "Endowment Monitoring and Stewardship Funds"). The types of allowable expenditures of these funds is described in Sections 5 and 6 below.

b. Ten Thousand Dollars (\$10,000) of the Grant Funds shall be restricted to the legal defense and enforcement of conservation easements held by Grantee, including, but not limited to, the conservation easements established on the Watershed Properties (the "Defense and Enforcement Funds"). The types of allowable expenditures of these funds is described in Section 8 below.

c. The remainder of the Grant Funds shall be restricted for the purpose of funding Grantee's costs for the stewardship and monitoring of any conservation easements on the Watershed Properties (the "General Monitoring and Stewardship Funds"). Grantee may use the General Monitoring and Stewardship Funds to monitor any of its conservation easements as long as Grantee meets its obligations as described in Section 5 below.

4. Grant Deposit Requirements:

a. Within thirty (30) days of receipt of funds, Grantee will provide the Stewardship Council with evidence of deposit of the Endowment Monitoring and Stewardship Funds into an account which shall be restricted solely for the purpose of funding Grantee's costs for the stewardship and monitoring of conservation easements on the Watershed Properties and shall be treated as a non-wasting endowment such that only earnings on the principal of the Endowment Monitoring and Stewardship Funds can be used by Grantee to cover the costs and expenses detailed in Sections 5 and 6 below for any Watershed Property conservation easement.

Appendix 4: Conservation Easement Funding Agreement

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

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

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

6. Endowment Monitoring and Stewardship Funds. Permissible uses of Monitoring Funds shall include, but not be limited to:

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

b. Recordkeeping and preparation of reports, notices of violation, any written consent to be submitted to the fee title owner of the property which is subject to the easement, and other documentation related to the Conservation Easement and the Property;

c. Payments for staff, consultants and attorney time necessary to carry out Grantee's stewardship responsibilities with regard to the conservation easements on the Watershed Properties.

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

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

Appendix 4: Conservation Easement Funding Agreement

7. General Monitoring and Stewardship Funds. Permissible uses of General Monitoring and Stewardship Funds shall include, but not be limited to the activities described in Section 6 above with regard to any of the conservation easements held by Grantee.

8. Defense and Enforcement Funds. Grantee shall be permitted to use the Defense and Enforcement Funds for the following purposes related to any conservation easement held by the Grantee:

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.

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

a. Copies of annual monitoring reports pertaining to the Conservation Easement for years selected by the Stewardship Council or its designee;

b. A statement as to whether any violations of the Conservation Easement were observed during the reporting period, and the outcome of any action taken to correct such violation;

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

d. A statement as to whether fee title of the property was conveyed, the date of such conveyance, and the identity of the transferee; and

e. A report providing an accounting of how the Grant Funds have been invested or expended in furtherance of the purposes of this Agreement.

Appendix 4: Conservation Easement Funding Agreement

10. 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.

11. 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.

12. 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. Grantee shall transfer the remaining balance of the Grant Funds to the successor conservation easement holder. 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.

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

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

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

15. 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



Appendix 4: Conservation Easement Funding Agreement

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.

16. 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.

17. 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.

18. 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.

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

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

[Signature page follows]

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

By: _____

Title: _____

Date: _____

Mother Lode Land Trust
a California Nonprofit Public Benefit Corporation

By: _____



Appendix 4: Conservation Easement Funding Agreement

Title: _____

Date: _____

Exhibit A

Property Description

(to be attached)



Appendix 4: Conservation Easement Funding Agreement

EXHIBIT B TO CONSERVATION EASEMENT FUNDING AGREEMENT

Evidence of Grant Fund Deposit and Restriction of Use Certification

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

*Date of Deposit of Grant Funds:	Amount Deposited:	
Bank Name:	Account Name:	Account #:
Certification of Deposit of Grant Funds and Restricted use of Monitoring of Conservation Easement Funds		
I, hereby state that the above referenced information is true and accurate, and understand that the above information, if misrepresented, or incomplete, may be grounds for immediate repayment of grant funds. I also agree that account activity will be restricted to the permissible uses of Monitoring Funds as set forth in Section 4 of the Grant Agreement.		
Name:	Title:	
Signature:	Date:	

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

Return to:
 Stewardship Council
 3300 Douglas Blvd, Suite 250
 Roseville, CA 95661
 Phone: (916) 297-6660

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.

More recently, 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.

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

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

Appendix 5: Tax Neutrality Methodology

Adopted 06/27/2012
Amended 06/24/2015
Amended 01/21/2016
Amended 11/15/2017

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 receive a one-time lump sum payment 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 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. 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.
4. The Stewardship Council will fund the settlement amount according to the terms of the tax neutrality funding agreement as described in number 3 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.

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,

Appendix 5: Tax Neutrality Methodology

Adopted 06/27/2012
Amended 06/24/2015
Amended 01/21/2016
Amended 11/15/2017

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.

Appendix A

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

Table 1

Table 1 – Estimated Property Taxes From Land Available for Donation³

County	Lands Available for Donation	Total Taxes (Annual)	Total Taxes (Lump)
Alpine	410	2,948	\$73,691
Amador	2,040	\$8,577	\$214,431
Butte	N/A	\$0	\$0
Calaveras	60	\$53	\$1,320
El Dorado	N/A	\$0	\$0
Fresno	267	\$2,413	\$60,334
Kern	N/A	\$0	\$0
Lake	986	\$31,844	\$796,090
Lassen	N/A	\$0	\$0
Madera	220	\$10,271	\$256,770
Mariposa	N/A	\$0	\$0
Mendocino	797	\$17,011	\$425,289

Appendix 5: Tax Neutrality Methodology

*Adopted 06/27/2012
 Amended 06/24/2015
 Amended 01/21/2016
 Amended 11/15/2017*

Merced	N/A	\$0	\$0
Nevada	1,867	\$13,150	\$328,758
Placer	2,683	\$46,794	\$1,169,882
Plumas	3,278	\$40,873	\$1,021,828
San Luis Obispo	N/A	\$0	\$0
Shasta	23,386	\$89,727	\$2,243,172
Tehama	151	\$45	\$1125
Tulare	N/A	\$0	\$0
Tuolumne	868	\$360	\$9,9009
Yuba	41	\$530	\$13,256
Total	\$37,054	\$264,597	\$6,614,955

^a This acreage
 includes lands
 within parcels that
 cross county
 boundaries

APPENDIX E
LAND CONSERVATION COMMITMENT

STATEMENT OF PURPOSE

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

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

-

COMMITMENTS

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

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

I.02-04-026

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

2. Process For Development of the Conservation Easements and Land Donation Plan: PG&E will work with PG&E Environmental Enhancement Corporation and the Commission in the development and implementation of the conservation easements and land donation plan. PG&E Environmental Enhancement Corporation will recommend to PG&E (1) conservation objectives for the properties, including identification of conservation values, (2) criteria for ultimate disposition of the properties, (3) conservation easements guidelines, and (4) land disposition plans.

3. Reporting Responsibilities: PG&E Environmental Enhancement Corporation will prepare a report to the Commission within 18 months of the Effective Date describing the status of the conservation easement and land disposition plan. PG&E Environmental Enhancement Corporation will make the report available to the public upon request. Every two years following the first report, PG&E Environmental Enhancement Corporation will prepare a report to the Commission on the implementation of the conservation easement and land disposition plan.

(END OF APPENDIX A)

Attachment B

Conservation Covenant

RECORDING REQUESTED BY	
WHEN RECORDED MAIL TO	

CONSERVATION EASEMENT

THIS CONSERVATION EASEMENT (“**Conservation Easement**”) is made and entered into this ____ day of _____, 20__ (“**Effective Date**”), by and between the STATE OF CALIFORNIA (“**STATE**”), acting by and through the DEPARTMENT OF GENERAL SERVICES (“**DGS**”), on behalf of the DEPARTMENT OF FORESTRY AND FIRE PROTECTION (“**CALFIRE**”), and the MOTHER LODGE LAND TRUST, a California nonprofit public benefit corporation (“**Grantee**”), with reference to the following facts:

RECITALS

A. STATE is the owner of approximately 1,052 acres of real property located in the County of Amador (“**County**”), State of California, as more particularly described in **Exhibit A** attached hereto and incorporated herein by reference, together with all improvements and appurtenances thereto (“**Property**”). A map of the Property identifying the improvements existing on the Property as of the date of this Conservation Easement and various other natural features of the Property is attached hereto as **Exhibit B** and incorporated herein by reference (“**Property Maps**”).

B. Pacific Gas and Electric Company, a California corporation (“**PG&E**”), transferred fee title to the Property to the STATE by Grant Deed, recorded in the Official Records of the County before recordation of this Conservation Easement (the “**Grant Deed**”), the form of which is attached hereto as **Exhibit C** and incorporated herein by reference. PG&E transferred fee title to the Property to the STATE in connection with PG&E’s implementation of the “Land Conservation Commitment” (defined below) provided for in the following documents and described more fully below:

- a. That certain Settlement Agreement (“**Settlement Agreement**”) as modified and approved by the Public Utilities Commission of the State of California (“**Commission**”) in its Opinion and Order of December 18, 2003 (Decision 03-12-035); and
- b. That certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (“**Stipulation**”). The Stipulation provides, among other things, that conservation easements will preserve or enhance reasonable public access.

C. The Settlement Agreement and the Stipulation (collectively, “**Governing Documents**”) require PG&E to ensure that approximately 140,000 acres of watershed lands, all located in California and owned by PG&E as of the date the Governing Documents were entered into (collectively, “**Watershed Lands**”), 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 (collectively, “**Beneficial Public Values**” or “**BPVs**”). The Property is included in these Watershed Lands.

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

E. The Beneficial Public Values present at the Property are referred to herein as “**Conservation Values**” as more specifically provided below. The “**Land Conservation Commitment**” constitutes the obligations of PG&E to convey fee title and conservation easements to Watershed Lands, and to protect the Beneficial Public Values of the Watershed Lands, as well as certain other obligations related thereto, as set forth in detail in the Governing Documents.

F. The Property possesses forested, recreational, historical, scenic and open space characteristics, valuable to the people of the County, the State of California, and the public in general.

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

H. The Stewardship Council has defined the “sustainable forestry” BPV as “the practice of managing dynamic forest ecosystems to provide ecological, economic, social and cultural benefits for present and future generations.”

I. The Property includes the following specific Conservation Values:

- a. Fish, Plant, and Wildlife Habitat – The Mokelumne River, Tiger Creek, Panther Creek and other associated tributaries provide primary cold-water stream habitat for several species of trout. The waterways also support highly valued riparian habitat that is potentially suitable for several special status species. The Property also provides wintering ground for the Salt Springs deer herd and migratory corridors for many wildlife species.

- b. Outdoor Recreation – The Property provides opportunities for outdoor recreation, such as fishing, hiking, picnicking, sightseeing, and motorized vehicle use.
- c. Open Space – The Property provides open space and viewshed values for many key areas along the Mokelumne River and nearby ridge tops.
- d. Forest Resources - The Property contains several actively managed Timber Management Units managed under a Multiple-Use prescription. The forested portions of the Property contain mostly second growth Douglas-fir, incense cedar, ponderosa pine, and sugar pine species.
- e. Historic Resources – Identified historical and cultural values, to the extent they are protected by state and federal law.

J. All rights of STATE and Grantee hereunder are subject to (i) PG&E’s reservation of certain rights in and to the Property, as set forth in the Grant Deed (“**PG&E Reserved Rights**”), (ii) that certain **Utility Facility Access, Operation and Maintenance Easement** (“**Utility Facility Access, Operation and Maintenance Easement**”) in favor of PG&E with respect to the Property, recorded in the Official Records of the County before recordation of this Conservation Easement, the form of which is attached hereto as **Exhibit D** and incorporated herein by reference (“**PG&E Easement Reserved Rights**”), and (iii) the third-party rights to use the Property in effect as of the Effective Date, as included on **Exhibit E** attached hereto and incorporated herein by reference (“**Express Third Party Uses**”).

K. 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. Grantee is a tax-exempt nonprofit organization qualified under section 501(c)(3) of the Internal Revenue Code and is eligible to acquire and hold a perpetual conservation easement pursuant to section 815.3(a) of the California Civil Code. In furtherance of the Land Conservation Commitment and the above-described public policy purposes, STATE desires to grant to Grantee, and Grantee desires to accept from STATE, a conservation easement over and upon the Property.

L. STATE and Grantee each desires through this Conservation Easement to ensure the permanent protection of the Conservation Values on the Property. Specifically, the parties desire to assure that the Conservation Values on the Property will be protected in perpetuity as provided herein, and that uses of the Property that significantly impair the Conservation Values will be prevented or corrected.

COVENANTS, TERMS, CONDITIONS AND RESTRICTIONS

NOW THEREFORE, in consideration of the above recitals, all of which are expressly incorporated into this Conservation Easement, the mutual promises and covenants contained in this Conservation Easement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, STATE hereby voluntarily grants and conveys to Grantee, and to Grantee’s successors and assigns, and Grantee hereby accepts from

STATE, a perpetual conservation easement as defined by Section 815.1 of the Conservation Easement Act of 1979 (California Civil Code section 815 et seq.), of the nature and character described in this Conservation Easement, in, on, over and across the Property on the following terms and conditions as hereinafter set forth.

1. Conservation Purpose. The purpose of this Conservation Easement is as follows (“**Conservation Purpose**”): to protect the Conservation Values in perpetuity by preventing any use of the Property that will significantly impair the Conservation Values. Subject to the following terms and conditions, STATE and Grantee intend that this Conservation Easement will confine the uses of the Property to such activities that do not significantly impair the Conservation Values. As used in this Conservation Easement, the terms “significantly impair” and “significant impairment” mean a material adverse change in Conservation Values. Any consideration as to whether an actual or potential impact of a particular activity or use has or may significantly impair Conservation Values shall take into account the actual and potential impacts of the activity or use in question as well as the cumulative impacts of other uses and activities on the Property excepting therefrom the cumulative impacts of STATE’s Reserved Rights (as defined below), PG&E Reserved Rights, PG&E Easement Reserved Rights and the Express Third Party Uses. In every evaluation of whether significant impairment of Conservation Values has occurred or is threatened, Grantee shall evaluate the magnitude (including, without limitation, consideration of the rarity and fragility of the natural resource affected and the area of land, wildlife habitat or vegetation community involved both locally and in relation to total acreage of that type of land, wildlife habitat or vegetation community in the Property) and the duration of the actual or potential change(s).

STATE and Grantee acknowledge that the Governing Documents reflect the intention of the parties thereto (1) to honor Express Third-Party Uses and (2) to continue to permit beneficial uses of the Property that preserve and/or enhance 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 Values may impair, on an individual and stand-alone basis, one or more of the other Conservation Values, STATE and Grantee understand that achieving the Conservation Purpose 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. This Conservation Easement prohibits use of the Property for any purpose that would significantly impair the Conservation Values on a collective, not individual basis, taking into account the relative condition and quality of each of the Conservation Values on the Property as of the Effective Date.

2. PG&E Reserved Rights. All rights and obligations of STATE and Grantee under this Conservation Easement are subject to the PG&E Reserved Rights. In the event of a conflict between the PG&E Reserved Rights and the Conservation Purpose, this Conservation Easement shall be construed to unconditionally permit the exercise of the PG&E Reserved Rights.

3. Utility Facility Access, Operation and Maintenance Easement. All rights and obligations of STATE and Grantee under this Conservation Easement are subject to the PG&E Easement Reserved Rights. In the event of a conflict between the PG&E Easement Reserved Rights and the Conservation Purpose, this Conservation Easement shall be construed to unconditionally permit the exercise of the PG&E Easement Reserved Rights.

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

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

(a) **Preserve and Protect.** Subject to the exceptions listed in **Section 7(a)** below and elsewhere in this Conservation Easement, Grantee has the right to identify, preserve and protect in perpetuity the Conservation Values of the Property.

(b) **Entry and Access Rights.** Grantee and Grantee’s directors, officers, employees, contractors, subcontractors, consultants, representatives, and agents, including entities authorized by Grantee to conduct monitoring activities on Grantee’s behalf (“**Grantee’s Representatives**”) are hereby granted rights of access to enter upon the Property, and may enter upon the Property after giving notice to STATE, as required below, in order to monitor compliance with and otherwise enforce the terms of this Conservation Easement, to study and make scientific observations of the Conservation Values, to determine whether STATE’s activities are in compliance with the terms of this Conservation Easement and to take all actions deemed necessary by Grantee to identify, preserve, protect, and monitor in perpetuity the Conservation Values, all in compliance with the provisions of **Section 12**. Except in cases where Grantee determines that immediate entry is required to prevent, terminate, or mitigate a violation of this Conservation Easement, Grantee shall give STATE fourteen (14) days prior written notice of such entry. Grantee’s Representatives may enter the Property immediately, where such entry is necessary to prevent, terminate, or mitigate damage to, or the destruction of any of the Conservation Values, or to prevent, terminate or mitigate a violation of the terms of this Conservation Easement. STATE’s representatives shall have the right to accompany Grantee’s Representatives during monitoring visits or on any other visit permitted by this **Section 5(b)**. All access and entry allowed under this **Section 5(b)** shall be made in a manner that will not significantly impair the permitted use(s) or enjoyment of the Property by STATE, its successors in interest, and any legally-recognized user(s) of the Property, including without limitation, PG&E with regards to the exercise of any PG&E Reserved Rights or PG&E Easement Reserved Rights, and third-parties with regards to the exercise of any Express Third Party Uses.

(c) **Enforcement.** Subject to and in accordance with the provisions of **Section 12**, Grantee, has the right to enforce the terms of this Conservation Easement, to enjoin any activity on the Property or other use of the Property which is in violation of the terms of this Conservation Easement, and to enforce the restoration of such areas or features of the Property as may hereafter be damaged as a result of activity or use that is determined to be in violation of the Conservation Easement. Any requirement of STATE to expend monies to act and/or restore the Property under this Conservation Easement shall be subject to **Section 12(d)** of this Conservation Easement.

6. Demonstration State Forest Management Plan. As long as the Property is owned in fee by STATE or another party that is qualified to own and manage a Demonstration State Forest, the STATE and/or other qualified party may conduct timber harvest activities on the Property as a “Demonstration State Forest” in accordance with a Demonstration State Forest Management Plan that incorporates the Forest Management Goals (as defined in **Section 9(a)** below) and has been approved by the State Board of Forestry and Fire Protection (or successor agency or department of the State of California having jurisdiction over timber harvest activities in the State of California) (“**State Board of Forestry**”) that satisfies the following requirements (“**Demonstration State Forest Management Plan**”): (1) permits activities that do not significantly impair the Conservation Values of the Property; (2) complies with legislative mandates and State Board of Forestry policy for Demonstration State Forests and meets the requirements of the California Forest Practice Act and Rules; (3) has been approved by the State Board of Forestry in an open public process that provides an opportunity for public input and is subject to the State Board of Forestry’s periodic review as defined in policy adopted by the State Board of Forestry for Demonstration State Forests; (4) shall be publicly available; and (5) shall be subject to Grantee’s review and comment in conjunction with the State Board of Forestry’s initial and subsequent periodic review.

(a) **Timber Harvest.** Any Demonstration State Forest Management Plan shall describe the timber harvest and related activities that STATE intends to undertake on the Property, including without limitation, a comprehensive summary of STATE’s forest management objectives, forest stand descriptions and locations including site classes, stand volumes, growth rates, relevant inventory information and maps, locations of soils, estimates of slope and erosion potential, locations of known wildlife habitats, especially species listed as threatened or endangered at the federal or state level, known rare plants, wetlands, description of management history, silvicultural and harvest methods, projections of harvest yields, reforestation and management activities (collectively, the “**Management Plan Components**”).

(b) **Research.** Grantee understands that research and demonstration into sustainable forestry practices, best management practices, potential new forest practice rules, and other forestry-related research is an important component of STATE’s management of the Property as a Demonstration State Forest. The Demonstration State Forest Management Plan will describe the range of research and demonstration forest activities and projects that may be conducted on the Property.

(c) **Alternative Forest Management Plan.** If the Property is not owned in fee by the State of California or another party that is qualified to own and manage a Demonstration State Forest, such successor Property owner and/or the STATE may continue to

conduct sustainable timber harvest activities on the Property in accordance with a management plan that satisfies the following requirements (“**Forest Management Plan**”): (1) incorporates the Forest Management Goals; (2) describes all of the Management Plan Components; (3) permits only activities that do not significantly impair the Conservation Values of the Property; (4) complies with legislative mandates and State Board of Forestry policy and meets the requirements of the California Forest Practice Act and Rules and all other Applicable Laws (as defined in Section 10 below); and (5) has been approved in advance by Grantee. Any modifications or amendments to an approved Forest Management Plan shall be subject to Grantee’s prior written approval.

7. Prohibited Uses, Change in Use, Unauthorized Use, Acts of God, Emergencies, Acts of Unrelated Third Parties.

(a) **Prohibited Uses.** Any activity on or use of the Property that significantly impairs Conservation Values is prohibited. Without limiting the generality of the foregoing, STATE will not actively engage in, or knowingly permit others to actively engage in, the following prohibited uses (collectively, “**Prohibited Uses**”) which could significantly impair Conservation Values and are in violation of the terms of this Conservation Easement and therefore prohibited on the Property, in each case (1) except as required or permitted pursuant to PG&E Reserved Rights and PG&E Easement Reserved Rights (as described in **Sections 2 and 3** above); (2) except as permitted under, and performed in accordance with, Express Third Party Uses; (3) except as required or permitted as part of a Demonstration State Forest Management Plan (as defined in **Section 6** above); (4) except as expressly permitted under **Sections 7 and 9** below and elsewhere in this Conservation Easement; and (5) except as required to be undertaken under any Applicable Law (as defined below):

(i) **Construction and Development.** STATE reserves the right to develop no more than a total of ten (10) acres of building envelopes that are: (a) located fully within one or more of the three potential building envelopes identified on the Property Map and (b) selected in accordance with this section. Except with prior written permission of Grantee and pursuant to **Section 7(a)**, there shall be no construction or placement of any additional structures or improvements on the Property outside of the Building Envelopes (as defined below). Development shall be limited to any one of the authorized uses of the state forests, which are recreation, research or forest management¹, and associated parking, constructed in a neutral style in keeping with the surrounding environment so that it unobtrusively blends into the environment. Examples of such development include, but are not limited to, a fire station, forest headquarters, and/or research/education facilities. In accordance with **Sections 9(g), 9(j), and 9(k)**, development, installation, protection, and use of utilities and underground water resources on the Property to serve the structures, may extend outside of the Building Envelopes. Such development may include, without limitation, access roads, wells, pump houses, underground pipelines, electricity facilities, and any additional infrastructure required, not including parking. Any existing structures (detailed in Report) and utilities may be maintained and repaired/replaced as necessary.

¹ California Public Resources Code, Section 4631.5, 4651.

The Property Map attached hereto as **Exhibit B** identifies three separate potential building area portions of the Property (the “**Potential Building Envelopes**”) within which STATE may select one or more building envelopes that do not exceed ten (10) acres in total size (the “**Building Envelope(s)**”). Before constructing any structures or improvements in accordance with this section, STATE shall identify the area(s) within the Potential Building Envelopes that will serve as the Building Envelope(s) under this Conservation Easement by providing written notice to Grantee of such selection. STATE shall not be required to select the total ten (10) acres comprising the Building Envelope(s) at one time, but instead, may make selections from time to time in accordance with this section until such time that a total of ten (10) acres of Building Envelope(s) within the Potential Building Envelopes have been selected. With Grantee’s approval, which shall not be unreasonably withheld, Building Envelopes may be moved within a Potential Building Envelope if unforeseen circumstances prevent the construction within the Building Envelope. Under no circumstances shall the Building Envelopes exceed ten (10) acres in total size. Following the selection of any Building Envelope in accordance with this section, STATE and Grantee shall record in the Official Records of the County an addendum to **Exhibit B** to this Conservation Easement that identifies the location of the Building Envelope(s) selected. Following selection of a total of ten (10) acres of Building Envelopes in accordance with this section, all remaining portions of the Potential Building Envelopes that are not included in Building Envelopes shall no longer serve as Potential Building Envelopes under this Conservation Easement.

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

(iii) Subdivision. The Property is already comprised of several legal parcels owned by the STATE. There shall be no legal or *de facto* sale or gift of less than all of the parcels within the Property, nor any further division, subdivision or partitioning of the Property. The Property may not be sold, conveyed or otherwise transferred in separate parcels or lots, and STATE shall continue to maintain the parcels comprising the Property, and all interests therein, under common ownership, as though a single legal parcel.

(iv) Motorized Vehicles. Unless pursuant to one of the exceptions listed in **Section 7(a)** or as otherwise expressly authorized herein, there shall be no use of any motorized vehicles outside authorized roadways on the Property.

(v) Dumping or Salvage. There shall be no dumping, storage or other disposal on the Property of soil, trash or garbage except for (a) refuse generated on the Property which may be stored on the Property on a temporary basis prior to its removal from the Property in areas where the Conservation Values of the Property are not significantly impaired, or (b) compostable refuse generated on the Property which may be disposed of on the Property in a responsible manner which does not significantly impair

the Conservation Values of the Property. There shall be no dumping, storage or other disposal on the Property of ashes, sludge, Hazardous Substances (as defined below), or other unsightly or dangerous materials. This restriction does not apply to ashes from wildfire or other fire conducted for resource management or research purposes. There shall be no storage or disassembly on the Property of inoperable automobiles, trucks, or other vehicles or equipment for purposes of sale, or rental of space for that purpose. Pursuant to **Section 7(c)** below, STATE shall make a reasonable effort to prevent unauthorized dumping by the public.

(vi) Vegetation. There shall be no removal, cutting or destruction on the Property of native vegetation. STATE reserves the right to (a) prune, cut down or remove dead or diseased trees, shrubs and other vegetation and to prune, as reasonably necessary and appropriate to control or prevent hazardous conditions or fire and to keep fire roads and trails clear and (b) exercise any of the exceptions listed in Section 7(a). Except as authorized under the provisions of **Section 9(f)**, there shall be no deliberate introduction by STATE on the Property of any invasive plant outside of the Building Envelopes. Lists of native, non-native and invasive plants can be found on the California Natural Diversity Database (CNDDDB) website or in the Jepson Manual.

(vii) Roads and Trails. Except with prior written permission of Grantee or pursuant to one of the exceptions listed in **Section 7(a)** or as otherwise expressly authorized herein, there shall be no oiling of existing roads or creation of new roads. Dust abatement treatments shall be acceptable.

(viii) Fences and Walls. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 7(a) or 9(h)** or as reasonably necessary in connection with permitted research or for public safety purposes or as otherwise expressly authorized herein, there shall be no construction of any new, permanent fences or walls outside of the Building Envelopes. STATE may repair or replace existing and/or otherwise permitted fences or walls on the Property.

(ix) Alteration of Land or Excavation. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 7(a)** or for permitted research purposes upon Grantee's prior written permission or as otherwise expressly authorized herein, there shall be no filling, excavating, grading, draining or dredging on the Property, nor any change in the general topography of the Property, outside of the Building Envelopes.

(x) Mining and Drilling. There shall be no mining, dredging, drilling, removing, or exploring for or extracting of minerals, oil, gas, coal, or other hydrocarbons, soils, sands, gravel, loam, rocks or any other material on, under, or at the Property; provided, however, in no event shall the foregoing restriction be deemed to prohibit testing, drilling or operating groundwater wells on the Property as reasonably necessary in connection with STATE's exercise of any permitted rights. Recreational gold panning that does not significantly impair the Conservation Values is allowed, and utilizing rock pits for use on roads located within the Property are allowed, as long as such activity does not significantly impair the Conservation Values.

(xi) Historical and Cultural Resource Identification. There shall be no activities, actions or uses that disturb or impair any identified historical or cultural resources on the Property, to the extent they are protected by state or federal law.

(xii) Water Resources. There shall be no development of any waters on the Property for fish farming or any other commercial or industrial purpose. Except with prior written permission of Grantee and pursuant to one of the exceptions listed in **Section 7(a)** or as otherwise expressly authorized herein, there shall be no manipulation or alteration of natural water courses, wetland, stream bank, shorelines or bodies of water or activities or uses that significantly impair water quality. Groundwater wells may be installed for local use on the Property as reasonably necessary to support the permitted uses of the Property under **Section 9** below.

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

(xiv) Water Quality Degradation. There shall be no uses permitted under this Conservation Easement whereby runoff from such uses results in a violation of applicable federal, state, and local water quality laws.

(b) **Changes in Use**. STATE understands that the Prohibited Uses may be more economically valuable than permitted uses under this Conservation Easement and that neighboring properties may in the future be put entirely to such Prohibited Uses. It is the intent of both STATE and Grantee that any such changes shall not be deemed to be circumstances justifying the termination, extinguishment or modification of this Conservation Easement. In addition, the inability of STATE, or STATE's successors, or assigns, to conduct or implement any or all of the uses permitted under the terms of this Conservation Easement, or the unprofitability of doing so, shall not impair the validity of the Conservation Easement or be considered grounds for the termination, extinguishment or modification of same.

(c) **Unauthorized Third Party Uses and STATE's Obligations**. If Grantee discovers any unauthorized third-party use or activity on the Property that violates the terms of this Conservation Easement, and Grantee gives STATE written notice thereof, STATE shall use reasonable efforts to stop or prevent any such unauthorized use of the Property, subject to the provisions of **Section 12(d)** below.

(d) **Acts of God; Emergencies; Acts of Unrelated Third Parties; Pre-Existing Conditions**. Nothing in this Conservation Easement shall require STATE to take any action to restore the condition of the Property (i) after any Act of God, which includes, without limitation, fire, climatic change, flood, storm, earth movement, or natural evolutionary changes in the condition of the Property from that described in the Report; (ii) after any action taken by STATE under emergency conditions to prevent, abate, or mitigate unreasonable impairment to the Conservation Values, or to any person resulting from such causes; (iii) after any acts of unrelated third parties, so long as STATE has satisfied its obligations under **Section 7(c)**, above,

and **Section 8(d)**, below; or (iv) if such condition existed prior to the Effective Date of this Conservation Easement.

8. Public Access:

(a) **Informal Uses and Public Access.** STATE 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**”). STATE 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, STATE shall allow public access to the Property that is substantially consistent with the public access existing on the Effective Date of the Conservation Easement. STATE reserves the right to make reasonable rules and regulations to control, limit, or, as necessary, exclude Informal Uses and public access, including without limitation, (i) by posting and other means; and (ii) by restricting access to areas of the Property under active cultivation, grazing, study, temporarily to prevent vandalism and dumping, seasonally to prevent erosion/sedimentation concerns, or for safety purposes during timber harvesting or other permitted management activities that may pose a hazard. STATE shall make reasonable efforts to prevent Informal Uses that significantly impair the Conservation Values.

(b) **New or Increased Public Access.** If STATE desires to allow new public access or Informal Uses or expansion of public access or Informal Uses on the Property, Grantee’s advance written permission is required, which permission shall not be unreasonably withheld, provided such new or expanded use does not significantly impair the Conservation Values.

(c) **Limitations and Conditions.** **Sections 8(a) and 8(b)** above are subject to the following:

(i) **Liability Limitation.** STATE and Grantee claim all of the rights and immunities against liability for injury to the public to the fullest extent allowable by law, including without limitation, under the California Tort Claims Act, California Government Code section 810 et seq., as amended and any successor provisions thereof.

(ii) **Periodic Review of Informal Uses.** As part of Grantee’s annual compliance monitoring, (i) STATE and Grantee shall consult on the known Informal Uses and public access on the Property conducted under **Sections 8(a) and 8(b)** above during the preceding monitoring period for the purpose of Grantee’s assessment of STATE’s compliance with the requirements set forth in those sections; and (ii) with respect to Informal Uses allowed by the STATE on the Property in accordance with **Section 8(a)** above, STATE and Grantee will consult, and include recommendations, if any, regarding the necessity of controlling, limiting, or excluding Informal Uses to ensure the protection of the Conservation Values from significant impairment.

(d) **Unauthorized Public Access.** If STATE or Grantee discovers any

unauthorized public access use or activity that violates the terms of this Conservation Easement, STATE shall use reasonable efforts, in consultation with Grantee, to stop or prevent any such unauthorized use of the Property, subject to the provisions of **Section 12(d)** below. The Parties acknowledge and agree that any form of legal action by STATE shall be subject to authorization by the California Attorney General.

9. STATE's Reserved Rights: Notwithstanding anything to the contrary in this Conservation Easement, STATE expressly reserves all rights accruing from the ownership of the Property, including the right to engage in or permit or invite others to engage in all uses of the Property that are not expressly prohibited by this Conservation Easement and are not in conflict with the Conservation Purpose ("**STATE's Reserved Rights**"). Pursuant to California Civil Code section 815.4, all interests in the Property not expressly transferred and conveyed to Grantee by this Conservation Easement or reserved to PG&E as the PG&E Reserved Rights or the PG&E Easement Reserved Rights (as described in **Sections 2 and 3 above**), shall remain with STATE. In exercising STATE's Reserved Rights, STATE will (i) use reasonable efforts to consult with Grantee, and (ii) use reasonable efforts to employ methods and practices that will not significantly impair the Conservation Values.

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

(a) **Forest Management.** STATE reserves the right to conduct forestry activities on the Property, in accordance with the following **Forest Management Goals** and **Section 6** above:

It is the intent of STATE and Grantee that any timber harvesting activities conducted on the Property in accordance with this Conservation Easement maintain healthy and vigorous forest stands, protect important riparian resources, manage for sustainable stands of native tree species historically present on the landscape, encourage regeneration of oak trees where applicable, improve resistance to drought and pests, address any infestation of insects or disease which threatens the viability of the forest, address any build-up of fuel to reduce risks of catastrophic fire, enhance climate benefits through carbon sequestration and storage, establish and maintain a full and balanced range of stand ages and characteristics, allowed to move across the landscape over time, including early-seral, mid-seral and late-seral forest conditions, provide adequate amounts of snags and cavity trees, provide adequate amounts of downed woody debris, manage for edge effects, and maintain and enhance vegetation types and structural elements across the landscape that support fish and wildlife habitats (collectively, the "**Forest Management Goals**"). The Forest Management Goals shall be accomplished by complying with the Forest Practice Act and Rules and the provisions set forth in this section.

(b) **Residential Use.** Subject to **Section 7(a)**, any and all development on the Property shall be restricted to the Building Envelopes, and shall meet all Applicable Laws for dwellings in Timber Production Zones. Additionally, development shall be constructed in a manner and with a design complementary to the surrounding environment.

(c) **Recreational Use.** Recreational use by STATE and the general public is permitted in accordance with **Section 8**.

(d) **Roads.** STATE reserves the right, but shall have no obligation, to maintain the existing network of roads on the Property as shown in **Exhibit B**. Placing rock on the road network is permitted, however oiling of roads not traditionally treated in this manner, is not allowed. New roads are permitted to the extent incorporated in the Demonstration State Forest Management Plan or a Forest Management Plan, provided such roads do not significantly impair Conservation Values and, provided further, that any new road constructed by STATE and later abandoned shall promptly be restored to a condition consistent with the surrounding landscape subject to the provisions of **Section 12(d)** below. Subject to **Section 7(a)**, new roads or the resurfacing of existing roads are permitted within the Building Envelopes. In addition, STATE may, after providing written notice to Grantee, improve roads outside the Building Envelopes in conjunction with permitted maintenance, repair, replacement and construction of improvements under this Conservation Easement.

(e) **Motorized Vehicles.** STATE reserves the right to use motorized vehicles on the Property, including off-road vehicles (such as motorcycles and all-terrain vehicles) for non-recreational purposes, specifically for ingress and egress purposes, for practices permitted under this Conservation Easement, and for patrolling purposes, provided that such uses do not significantly impair the Conservation Values.

(f) **Non-Native Plants.** STATE reserves the right to remove and control non-native plants and noxious weeds (such as thistle), provided that the measures taken to remove and control the non-native plants and noxious weeds, including controlled burning, comply with Applicable Laws and regulations and do not significantly impair the Conservation Values of the Property. STATE reserves the right to introduce non-native species and species from different areas and seed zones for the purposes of research, adaptive management, ecosystem restoration and other objectives, all as specified in the Demonstration State Forest Management Plan.

(g) **Water and Irrigation.** STATE reserves the right to conduct the following:

- (i) develop groundwater wells where necessary. Such wells and their associated infrastructure must be in accordance with **Section 9(j)-Utilities**;
- (ii) subject to Grantee's prior written permission, develop wildlife enhancement ponds and/or guzzlers in a manner that does not significantly impair the Conservation Values; and
- (iii) develop water drafting sites that minimize impacts to water quality, riparian species, and the Conservation Values. Water drafting sites may be used for water collection for dust abatement, fire suppression purposes or other activities associated with the Property, and must be sited, constructed and maintained in order to not significantly impair the Conservation Values of the Property.

(h) **Fences.** Any new fencing shall be sited and designed not to significantly impair the Conservation Values of the Property, must allow for the free movement of wildlife to the extent practicable and compatible with any livestock exclusion fences in **Section 9(n)**, and shall be constructed according to standards established by the current best management practices recommended by the California Department of Fish and Wildlife. Fences to protect research, monitoring and other sensitive installations may be designed to exclude wildlife.

(i) **Waste and Hazardous Substances.** The dumping, release, burning, permanent storage or disposal of waste, refuse, debris, motorized vehicles or hazardous materials is prohibited; provided, however, that vehicles, building materials, machinery or supplies, including, without limitation, petroleum products and pesticides, required for permitted and legal uses may be temporarily stored on roads, landings, and other clearings outside of riparian zones in compliance with all Applicable Laws; and provided that organic debris from forest management activities permitted in this Conservation Easement may be piled, burned or otherwise treated in a manner that is consistent with applicable regulations and the Forest Management Plan.

(j) **Utilities.** STATE reserves the right to grant utility easements on and over the Property to serve the allowed improvements and uses within the Building Envelopes in accordance with **Section 7(a)**, provided the uses under such easements do not significantly impair the Conservation Values. Right-of-way widths shall comply with the requirements of the California Forest Practice Act and Rules and any other applicable state or federal laws. New technology such as photovoltaic cells, solar arrays and windmills may be constructed in the Building Envelopes or in support of research projects in accordance with **Section 7(a)**. All utility infrastructure on the Property shall serve only the improvements permitted on the Property, except that any electricity generated from permitted utility infrastructure facilities in excess of requirements of the permitted improvements and uses on the Property may be sold to public utilities. Notwithstanding the foregoing, commercial power generation, collection or transmission facilities are prohibited.

The construction, operation and maintenance of power lines and pipelines are permitted, provided that, without limiting the PG&E Reserved Rights and PG&E Easement Reserved Rights, STATE shall use reasonable efforts to bury transmission or power lines or pipelines related to such activity or to align such lines along roadways, and the construction of new power lines and pipelines hereunder shall be limited to the support of STATE's permitted activities hereunder must be unobtrusively sited and shall not significantly impair the Conservation Values.

(k) **Renewable Energy Sources.** STATE reserves the right, subject to prior written permission from Grantee, to construct solar energy structures for generation of power for use on the Property, including generation of power for research equipment, provided, however, that: (i) all such solar energy structures shall be located within Building Envelopes, with the limited exception of solar energy structures used to power research equipment allowed to be used elsewhere on the Property; and (ii) no construction of solar energy structures shall be allowed to significantly impair the Conservation Values. Grantee's permission shall not be unreasonably delayed or withheld. STATE and Grantee agree that the provisions of this **Subsection 9(k)** restricting the locations of the installation of solar energy systems and prohibiting the construction of solar energy structures that would significantly impair the Conservation Values are "reasonable restrictions" within the meaning of California Civil Code § 714."

(l) **Future Easements, Leases, Licenses, Permits, and Contracts.** Excepting the Express Third Party Uses which are subject to **Section 11** below, STATE reserves

the right to grant subsequent easements, leases, licenses, permits and contracts on or relating to the Property, provided that any such subsequent easement, lease, license, permit, or contract is for a permitted use and is subordinate, subject to, and consistent with the terms of this Conservation Easement, which is documented in a separate written agreement, subject to Grantee's approval, which approval shall not be unreasonably withheld, conditioned or delayed. If STATE wishes to grant subsequent easements, leases, licenses, permits and contracts on or relating to the Property, STATE shall so notify Grantee at least sixty (60) days in advance of any such proposed grant, shall provide to Grantee a copy of any proposed easement grant document together with any such additional information relating to the proposed grant as Grantee may reasonably request. STATE shall request Grantee's approval of such grant. Grantee will review the proposal and may, in its reasonable discretion, (a) approve the proposal as being consistent with the Conservation Purpose or (b) approve the proposal on conditions intended to ensure its consistency with the Conservation Purpose or (c) disapprove the proposal as being actually or potentially inconsistent with the Conservation Purpose. Failure of Grantee to respond in writing within sixty (60) days shall be deemed approval of the proposal as being consistent with the Conservation Purpose.

(m) **Trails.** STATE reserves the right to build multi-use recreation trails on the Property provided all new trails are approved by Grantee and are sited, constructed, and used in a manner that does not significantly impair the Conservation Values and does not damage soil, vegetation, or water quality in any riparian areas identified in the Report. New trails must be built with a natural base. Any trails built by the STATE and later abandoned promptly shall be restored to a condition consistent with the surrounding landscape subject to the provisions of **Section 12(d)** below.

(n) **Wildfire Suppression and Property Restoration.** In instances of active wildfires on or in immediate vicinity of the Property, STATE reserves the right to suppress the wildfire by any means necessary, at full discretion of STATE. All wildfire suppression activities will be carried out, to the extent practicable, in a manner that minimizes negative impacts to the Conservation Values. The STATE shall ensure installation of erosion control on all constructed firelines, if needed. Within the riparian zones, an organic surface cover shall be applied to areas of exposed soil caused by fireline construction.

(o) **Animal Grazing.** Due to state and local open-range laws in effect on the Property as of the Effective Date, STATE shall not be required herein to exclude livestock owned by third parties from the Property provided, however, that STATE, in its sole and absolute discretion, may, but shall not be obligated to, construct, maintain, repair, and replace fences for the purpose of excluding livestock from all or any portion of the Property.

(p) **Plant Gathering.** STATE reserves the right to allow pre-approved collection of native plants, historically collected by Native Americans and other ethnic groups, for traditional purposes. Any new proposed plant collections must be approved by the Grantee.

10. Responsibility for Operations. Nothing in this Conservation Easement shall be construed as giving any right or ability to Grantee to exercise physical or managerial control of the day-to-day operations of the Property or of STATE's activities on the Property. STATE shall

have and retain all responsibility for, the ownership of the Property, and, in connection with STATE's use or occupancy of the Property, compliance with any present and future applicable laws, ordinances, rules, regulations, permits, authorizations, orders and requirements, whether or not in the current contemplation of the parties, which may affect or be applicable to the Property or any part of the Property (including, without limitation, any subsurface area), all consents or approvals required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, authorities, board of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, having or acquiring jurisdiction of the Property (in each case, an "**Applicable Law**" and, collectively "**Applicable Laws**"), except as expressly stated otherwise in this Conservation Easement. Without placing any limitation on the foregoing sentence, the parties agree as follows:

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

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

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

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

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

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

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

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

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

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

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

Safety Code § 25100 et seq.); and all rules and regulations of the United States or California Environmental Protection Agency or any successor agency, or any other state or federal department, board or agency, or any other agency or governmental board or entity having jurisdiction, as any of the foregoing have been, or are hereafter amended from time to time; or

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

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

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

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

(F) which contains radon gas.

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

11. Express Third Party Uses. Exhibit E hereto describes the existing third party uses of the Property permitted with the express agreement of STATE ("**Express Third Party Uses:**"). STATE retains the right to maintain, renew, and replace all agreements memorializing the Express Third Party Uses ("**Third Party Use Agreements**") and to engage in all activities reasonably required to comply with STATE's obligations with respect to the Express Third Party Uses, subject to the following conditions:

(a) **Increases in Intensity or Expansion of Location or Size or Change in Use.** Any (i) increase in the intensity, or (ii) expansion of the location or size, or (iii) a change in the use, of an Express Third-Party Use (whether through a new agreement or an amendment to an existing agreement), that STATE determines in STATE's reasonable discretion exercised in good faith are likely to significantly impair the Conservation Values, shall be subject to Grantee's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed by Grantee.

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

(c) **Enforcement of Third Party Use Agreements.** If STATE or Grantee discovers any default under a Third Party Use Agreement that significantly impairs the Conservation Values (and if Grantee makes such discovery, Grantee gives STATE written notice thereof), subject to the provisions of **Section 12(d)** below, STATE shall use reasonable efforts to stop or prevent such violation. The Parties acknowledge and agree that any form of legal action by STATE shall be subject to authorization by the California Attorney General.

12. Enforcement and Remedies.

(a) **Notice of Violation.** If a party hereto (“**Non-Breaching Party**”) determines there is a violation of the terms of this Conservation Easement or that a violation is threatened (“**Violation**”), written notice of such Violation (“**Violation Notice**”) and a demand for corrective action sufficient to cure the Violation shall be given by the Non-Breaching Party to the party allegedly violating this Conservation Easement (“**Breaching Party**”). Within thirty (30) days after delivery of a Violation Notice, STATE and Grantee shall meet at a location that STATE and Grantee agree upon to discuss the circumstances of the alleged or threatened Violation and to attempt to agree on appropriate corrective action. If the parties determine that it is appropriate and desirable, a duly qualified expert in the subject matter of the alleged or threatened Violation (“**Consulting Expert**”) shall attend the meeting. CAL FIRE and Grantee shall each pay one-half of the costs of retaining the services of the Consulting Expert for such discussion; provided, however, that if STATE and Grantee are unable to agree upon a Consulting Expert, each party may retain the services of an expert at its own expense. If STATE and Grantee are unable to agree on appropriate corrective action (or if any such corrective action is required) within thirty (30) days after such meeting, then the Non-Breaching Party shall deliver a further written notice to the Breaching Party to demand reasonable, particular corrective action to cure the Violation (“**Second Notice**”). Upon the giving of a Second Notice, the Breaching Party shall promptly commence, and thereafter diligently pursue to completion, corrective action sufficient to cure the Violation and, where the Violation involves injury to the Property resulting from any use or activity that conflicts with the Conservation Values or the Conservation Purpose, to restore the portion of the Property so injured. If a Violation is not cured within thirty (30) days after the delivery of the Second Notice (“**Final Cure Period**”), or if the cure reasonably requires more than thirty (30) days to complete and there is failure to begin the cure or failure to continue diligently to complete the cure within the thirty (30) day period, the parties may elect to proceed with the Legal Remedies as provided in **Section 12(b)**.

(b) **Legal Remedies.** If the parties are not able to settle the claim or dispute through consultation pursuant to **Section 12(a)** above, following exhaustion of all requisite administrative remedies, if any, the parties may, pursuant to California Civil Code section 815.7, bring an action at law or in equity in a court of competent jurisdiction to seek injunctive relief and/or money damages to enforce the terms of this Conservation Easement. If any party hereto

determines that the circumstances require immediate action to prevent or mitigate unreasonable damage to the Conservation Values from a Violation, then that party may pursue its remedies under this **Section 12(b)** without first complying with **Section 12(a)** above.

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

(d) **Subject to Appropriation.** The parties hereto agree and acknowledge that any expenditures of money that may be required by the STATE under this Conservation Easement shall be contingent on the appropriation of funds by the Legislature for the specific purpose of STATE complying with its obligations in this Conservation Easement. Any delay or failure of the STATE to perform and comply with its obligations in this Conservation Easement due to funds not being appropriated or being terminated by the Legislature shall not be considered a breach or default of the terms of this Conservation Easement, and STATE shall not be liable in any way due to delay or failure to perform under the terms of this Conservation Easement, including undertaking corrective action and/or restorative action, as a result of the funds not being appropriated or being terminated by the Legislature. Notwithstanding, STATE agrees to make diligent efforts to obtain the necessary budget appropriations in amounts reasonably calculated to support the fulfillment of its obligations under this Conservation Easement as expeditiously as possible. This section only applies to the STATE.

13. Indemnification

(a) **Indemnification of STATE by Grantee.** Grantee waives all claims against STATE, its agencies, departments, boards, commissions, officers, agents, and employees (collectively "**Indemnitees**"), for loss or damage caused by, arising out of, or in any way connected with the exercise of this Conservation Easement. Grantee shall protect, indemnify, and hold Indemnitees harmless and defend Indemnitees, with counsel selected by Indemnitees, from and against any suits, actions, judgments, legal or administrative proceedings, arbitrations, claims, demands, causes of action, damages, liabilities, interest, reasonable attorneys' fees, fines, penalties, losses, costs and expenses of whatsoever kind or nature, arising out of, in connection with or incidental to any injury to or the death of any person, or damage to any property arising out of, caused by, or resulting from (in whole or in part) the negligence or willful misconduct of Grantee and/or Grantee's Representatives and their respective employees, agents and subcontractors on the Property in connection with this Conservation Easement. Grantee's aforesaid indemnity, defense and hold harmless obligations shall not apply to liability caused by the negligence or willful misconduct of Indemnitees. Grantee's duty to defend the Indemnitees is separate from, independent of and free-standing of Grantee's duty to indemnify the Indemnitees and applies whether the issue of either parties negligence, breach of contract or other fault or obligations has in any way been determined. The indemnity set forth in this section shall survive the expiration or termination of this Conservation Easement until such time as action against the Indemnitees on account of any matter covered by this indemnity is barred by

the applicable statute of limitations.

Grantee shall, further, cause such indemnification in favor of the Indemnitees to be inserted in each contract and/or agreement for the provision of services to Grantee on the Property or entry onto the Property by Grantee's Representatives. Grantee's failure to comply shall be considered a material breach of this Conservation Easement.

The foregoing provisions of **Section 13** shall be inoperative at any time, and for so long as, the fee interest in the Property is owned by an entity other than the STATE, and the following indemnification provisions shall instead be operative and binding on such successor fee interest owner ("**Grantor**"); provided, any obligation of Grantee to STATE arising prior to such transfer of the fee interest in the Property from STATE shall survive the transfer.

(b) **Indemnification by Grantor other than the STATE.** Grantor shall hold harmless, indemnify, and defend Grantee and its directors, officers, employees, agents, and contractors and the heirs, personal representatives, successors, and assigns of each of them (each a "**Grantee Indemnified Party**" and collectively, the "**Grantee Indemnified Parties**"), from and against any and all liabilities, penalties, costs, losses, damages, expenses (including, without limitation, reasonable attorneys' fees and experts' fees), causes of action, claims, demands, orders, liens or judgments (each a "**Claim**" and, collectively, "**Claims**"), arising from or in any way connected with: (a) injury to or the death of any person, or physical damage to any property, resulting from any act, omission, condition, or other matter related to or occurring on or about the Property, including but not limited to any such act, omission, condition or other matter occurring in connection with the presence of the general public on the Property, regardless of cause, unless due to the negligence or willful misconduct of any of the Grantee Indemnified Parties while acting upon the authority of Grantee; or (b) Grantor's obligations specified in this Conservation Easement; or (c) a breach of any of Grantor's representations or warranties made in this Conservation Easement; or (d) any violation of, or other failure to comply with, any state, federal or local law, regulation or requirement related to the Property, by Grantor, or any entity other than a Grantee Indemnified Party acting upon the authority of Grantee, in any way affecting, involving or relating to the Property; or (e) any Hazardous Substances or underground storage tanks present, alleged to be present, released in, from or about, or otherwise associated with the Property at any time, except with respect to any Hazardous Substances placed, disposed or released by a Grantee Indemnified Party acting upon the authority of Grantee, including Claims for injury to or death of any person or physical damage to any Property and for the violation or alleged violation of, or other failure to comply with, any Environmental Requirement. If any action or proceeding is brought against any Grantee Indemnified Party by reason of any such Claim, Grantor shall, at the election of and upon written notice from the applicable Grantee Indemnified Party, defend such action or proceeding by counsel reasonably acceptable to the Grantee Indemnified Party.

(c) **Indemnification by Grantee to Grantor other than the STATE.** Grantee shall hold harmless, indemnify, and defend Grantor and its members, directors, officers, employees, agents, and contractors and the heirs, personal representatives, successors, and assigns of each of them (each a "**Grantor Indemnified Party**" and, collectively, the "**Grantor Indemnified Parties**"), from and against any and all Claims arising from or in any way connected with: (a) injury to or the death of any person, or physical damage to any property,

occurring on or about the Property, resulting from the negligence of any Grantee Indemnified Party, while acting on behalf of Grantee; or (b) Grantee's obligations specified in this Conservation Easement; or (c) any violation of, or other failure to comply with, any state, federal or local law, regulation or requirement, by any Grantee Indemnified Party while acting on behalf of Grantee in any way affecting, involving or relating to the Property. If any action or proceeding is brought against any Grantor Indemnified Party by reason of any such Claim, Grantee shall, at the election of and upon written notice from the applicable Grantor Indemnified Party, defend such action or proceeding by counsel reasonably acceptable to the Grantor Indemnified Party.

14. Insurance. Prior to any entry onto the Property under the terms of this Conservation Easement by Grantee or Grantee's Representatives, Grantee and Grantee's Representatives shall each, at their own expense, provide STATE evidence of insurance as follows:

a) **Commercial General Liability.** Grantee and Grantee's Representatives shall maintain general liability on an occurrence form with limits not less than \$1,000,000 per occurrence and \$2,000,000 aggregate for bodily injury and property damage liability. The policy must include coverage for liabilities arising out of premises operations, independent contractors, products/completed operations, personal & advertising injury and liability assumed under an insured contract. This insurance shall apply separately to each insured against whom claim is made or suit is brought subject to the Grantee and/or Grantee's Representatives limit of liability. The policy must include: Department of Forestry and Fire Protection, State of California, its officers, agents and employees as additional insureds. This endorsement must be supplied under form acceptable to DGS' Office of Risk and Insurance Management.

b) **Automobile Liability.** Grantee and Grantee's Representatives shall maintain motor vehicle liability with limits not less than \$1,000,000 combined single limit per accident. Such insurance shall cover liability arising out of a motor vehicle including owned, hired and non-owned motor vehicles. The same additional insured designation and endorsement required for general liability is to be provided for this coverage.

c) **Workers' Compensation and Employers' Liability.** Grantee and Grantee's Representatives shall maintain statutory workers' compensation and employers' liability for all employees who will be engaged in the performance of any activities and/or work related to the Property as authorized under this Conservation Easement. Employers' liability limits of \$1,000,000 are required. Workers' compensation policy shall contain a waiver of subrogation endorsement in favor of the STATE.

At any time, and for so long as, the fee interest in the Property is owned by an entity other than the STATE, such successor Grantor shall maintain a commercially available general liability policy, or self-insurance, insuring against bodily injury and property damage on the Property in the amount of not less than \$1,000,000 per occurrence \$2,000,000 in aggregate. Grantee shall be named an additional insured on any policy. For any claim covered by the indemnification in **Section 13** above, the liability insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs afforded to Grantee with respect to Grantee's entries onto the Property pursuant to the Conservation Easement. Grantor waives all rights of

subrogation against the Grantee Indemnified Parties for recovery of damages to the extent these damages are covered by insurance maintained pursuant to this Conservation Easement. Grantor shall furnish Grantee with certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth above. Any failure of Grantee to demand such certificate or other evidence of full compliance with these insurance requirements or failure of Grantee to identify a deficiency from evidence that is provided shall not be construed as a waiver of Grantor's obligation to maintain such insurance.

15. Grantee Assignment of Conservation Easement.

(a) **Voluntary Assignment.** In the event that Grantee decides to assign its interest under this Conservation 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 similar to the Property; and (3) willing and financially able to assume all of the responsibilities imposed on Grantee under this Conservation Easement. Before assigning its interest under this Conservation Easement, Grantee shall provide STATE 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. Grantee shall allow SNC, with the consent of STATE, 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. If SNC does not approve the proposed assignee, SNC shall provide Grantee with the reasons behind such decision. Notwithstanding, any approved assignment by Grantee of this Conservation Easement to an approved assignee shall not relieve Grantee from any obligations hereunder arising prior to the date of the assignment.

(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, with the consent of STATE, select an assignee that meets all the designation criteria specified in **Section 15(a)** above. If SNC is unable to identify an assignee that meets all the designation criteria specified in **Section 15(a)** above that is willing to accept such assignment, then SNC shall petition a court of competent jurisdiction to effect a transfer of the Conservation Easement to an organization that meets each of the qualifications criteria in **Subsection 15(a)**. Notwithstanding the foregoing, SNC may elect to serve as such assignee but only on a temporary basis until a permanent assignee can be identified by SNC and/or such transfer is effectuated by a court of competent jurisdiction.

(c) **Conditions of Assignment.** As conditions to any assignment of this Conservation Easement, Grantee and/or the SNC shall: (1) require the assignee to expressly agree in writing to assume Grantee's obligations hereunder; (2) ensure that assignee has the resources to fulfill its obligations under the Conservation Easement; and (3) Grantee shall not be relieved from any obligations under the Conservation Easement arising prior to the date of the assignment.

(d) **Successor to SNC.** Upon any liquidation or dissolution of SNC, SNC or STATE shall have the right to assign SNC's rights and obligations under this **Section 15** 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.

(e) **Recording.** Pursuant to California Civil Code section 815.5, any instrument assigning or otherwise transferring this Conservation Easement shall be recorded in the Official Records of the County.

16. Subsequent Property Transfers.

(a) STATE shall disclose the existence of this Conservation Easement in any deed or other legal instrument by which STATE divests itself of a real property interest in all or a portion of the Property, including, without limitation, a leasehold interest. STATE shall notify Grantee in writing not more than thirty (30) days after any grant by STATE to any third party of any interest in any portion of the Property, whether such interest is a fee, easement, lease, or other interest. The failure of STATE to perform any act required by this **Section 16** shall not impair the validity of this Conservation Easement or limit its enforcement in any way or create any obligation on the part of Grantee.

(b) **Release of Fee Title and Demonstration State Forest Status.** In the event that STATE transfers fee title to an unaffiliated third-party not qualified to own and manage a Demonstration State Forest, STATE shall release, relinquish and forever terminate, in a manner that shall be binding upon all successors in interest to the Property, all rights of STATE described in **Sections 6(a) and 6(b)**.

17. Extinguishment and Condemnation.

(a) **Judicial Extinguishment.** If circumstances arise in the future that render the Conservation Purpose impossible or impracticable to accomplish, this Conservation Easement can be terminated or extinguished, whether in whole or in part, only by judicial proceedings in a court of competent jurisdiction, and the amount of the compensation to which Grantee shall be entitled from any sale, exchange, or involuntary conversion of all or any portion of the Property after such termination or extinguishment, shall be determined, unless otherwise provided by California law at the time, in accordance with **Section 17(c)**. Grantee must use any proceeds received under the circumstances described in this section in a manner consistent with the Conservation Purposes, which are exemplified and articulated by the Conservation Easement and contemporaneously prepared exhibits to it and other documentation.

(b) **Condemnation.** If all or any part of the Property is taken by exercise of eminent domain, or acquired by purchase in lieu of condemnation, so as to terminate this Conservation Easement in whole or in part, STATE and Grantee may join in appropriate actions to recover the full value of their respective interests in the Property so taken or purchased, and all direct or incidental resulting damages. All expenses reasonably incurred by the STATE and Grantee in any such action shall be first reimbursed out of the recovered proceeds; the remainder of such proceeds shall be divided between STATE and Grantee in proportion to their respective interests in the Property, or portion thereof, as established by **Section 17(c)**.

(c) **Valuation.** In accordance with California Civil Code section 815.2, STATE and Grantee acknowledge and agree that this Conservation Easement shall not be deemed personal in nature and shall constitute an interest in the Property in favor of Grantee notwithstanding that this Conservation Easement is an obligation, and not a financial asset. For the purpose of **Sections 17(a) and 17(b)**, the fair market value of the Conservation Easement shall be determined as of the time of the extinguishment or termination by an appraisal set forth in a written report prepared and signed by an appropriately licensed or certified real estate appraiser in good standing pursuant to Part 3 (commencing with Section 11300) of Division 4 of the Business and Professions Code and its implementing regulations, Title 10 Section 3701 of the California Code of Regulations, the California Department of General Services Appraisal Specifications, and shall conform to the Uniform Standards of Professional Appraisal Practice. STATE and Grantee shall mutually agree on the appraiser and shall share equally in the costs of preparing the appraisal report. The fair market value as set forth in the appraisal report is subject to the approval of the California Department of General Services.

(d) **No Merger.** Due to the Conservation Purpose of the Conservation Easement, it is the intent of STATE and Grantee that notwithstanding the provisions of Civil Code Section 811, any time the fee title to all or any portion of the Property is vested in an entity, including STATE, which also holds this Conservation Easement, the interest in the Conservation Easement shall not merge into the fee title (whether by operation of law or otherwise), and the Conservation Easement shall remain in full force and effect as to all portions of the Property, until and unless explicitly terminated by judicial proceedings (and then, only to the extent so terminated).

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

If to STATE:

California Department of Forestry and Fire Protection
PO Box 944246
Sacramento, CA 94244
Attn: State Forests Program Manager

With a copy to:

Department of General Services
707 Third Street, 5th Floor (MS 505)
West Sacramento, CA 95605
Attn: RESD/RPSS--Acquisitions Unit

If to Grantee:

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

If to Sierra Nevada Conservancy:

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

The date of any notice or communication shall be deemed to be the date of receipt if delivered personally, or the date of the receipt or refusal of delivery if transmitted by mail or overnight courier. Any party may change the address for notice by giving notice to the other party in accordance with this **Section 18**.

19. Amendment. This Conservation Easement may be amended by STATE and Grantee or their respective successors and assigns, by mutual written agreement of STATE and Grantee. STATE and Grantee shall have no right to amend **Sections 2 or 3** hereof without the written consent of PG&E in its sole and absolute discretion. Without limiting the scope of the aforementioned power to amend, the parties anticipate that future amendments may be necessary to reflect boundary adjustments that remove any portion of the Property from the encumbrance of this Conservation Easement, clarifications, and corrections to the Conservation Easement and agree to mutually cooperate in good faith to accomplish such future amendments, to the extent such amendments are to clarify the terms of this Conservation Easement and do not significantly impair the Conservation Values. Any such amendment shall be consistent with the Conservation Purpose of this Conservation Easement and shall not affect its perpetual duration, and Grantee shall promptly record the amendment in the official records of the County, and shall thereafter promptly provide a conformed copy of the recorded amendment to STATE.

Notwithstanding the foregoing, STATE and Grantee have no right or power to consent to any action or agree to any amendment of this Conservation Easement that would result in any significant impairment of Conservation Values or limit the term or result in termination of the Conservation Easement, or otherwise adversely affect the qualification of the Conservation Easement as a conservation easement under California Civil Code section 815 et seq. or the status of Grantee as an entity authorized to acquire and hold conservation easements under California Civil Code section 815.3. Any amendment to this Conservation Easement shall comply with California Civil Code section 815 et seq. and other Applicable Laws.

20. General Provisions.

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

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

(c) **Liberal Construction.** Any general rule of construction to the contrary notwithstanding, this Conservation Easement shall be liberally construed in favor of Grantee to effect the purposes of this Conservation Easement and the policy and purpose of California Civil Code section 815 et seq. If any provision in this Conservation Easement is found to be ambiguous, an interpretation consistent with the purposes of this Conservation Easement which recognizes the PG&E Reserved Rights and the PG&E Easement Reserved Rights (as described in **Sections 2 and 3 above**), and STATE's Reserved Rights and that would render the provision valid shall be favored over any interpretation that would render it invalid.

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

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

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

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

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

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

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

transfer.

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

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

<u>Exhibit A</u>	Legal Description of the Property
<u>Exhibit B</u>	Property Maps
<u>Exhibit C</u>	Form of Grant Deed
<u>Exhibit D</u>	Copy of Recorded Utility Facility Access, Operation and Maintenance Easement
<u>Exhibit E</u>	Schedule of Express Third-Party Uses

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

//signatures follow on next page//

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

STATE:

**AUTHORIZED PER GOVERNMENT CODE
§14666**

STATE OF CALIFORNIA
Department of General Services

By: _____
Michael P. Butler, Chief
Real Property Services Section

Dated: _____

**APPROVAL PER GOVERNMENT CODE
§14666**

STATE OF CALIFORNIA
Department of Forestry and Fire Protection

By: _____
Thom Porter, Director

Dated: _____

GRANTEE:

MOTHER LODGE LAND TRUST,
a California nonprofit public benefit corporation

By: _____

Its: _____

Dated: _____

ACCEPTANCE OF CONDITIONAL RIGHT OF ENFORCEMENT

The Sierra Nevada Conservancy, a subdivision of the California Natural Resources Agency, hereby acknowledges and accepts the conditional enforcement rights set forth in Section 15 hereof.

By: _____

Its: _____

Dated: _____

[Need Notary Acknowledgement to record]

Attachment C

Grant Deed

RECORDING REQUESTED BY AND RETURN TO:

STATE OF CALIFORNIA
Department of General Services
Real Property Services Division, Acquisition Unit
707 Third Street, 5th Floor, MS 505
West Sacramento, CA 95605

OFFICIAL STATE BUSINESS – EXEMPT FROM RECORDING FEES
PURSUANT TO GOVERNMENT CODE SECTION 27383 AND
DOCUMENTARY TRANSFER TAX PURSUANT TO REVENUE AND
TAXATION CODE SECTION 11922

(SPACE ABOVE FOR RECORDER'S USE ONLY)

LD

DEED

APN Nos. 24-050-11, 24-050-12, 24-050-13, 24-060-15, 24-060-16, 24-060-17, 24-060-18, 24-070-11, 24-070-12

GRANT DEED AND RESERVATION OF RIGHTS

I. CONVEYANCE OF FEE

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("**Grantor**"), does hereby grant to the STATE OF CALIFORNIA ("**STATE**"), all of its right, title, and interest in and to the real property situated in the unincorporated area of the County of Amador, State of California ("**Property**"), described in Exhibit A attached hereto and by this reference incorporated herein, and shown on Exhibit A-1 attached hereto and by this reference incorporated herein.

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 to 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 purpose 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**"), and for other purposes as described more fully in Section III below (collectively, "**Hydro Project Activities**"). Additionally, Grantor has used and continues to use the Property to erect, construct, reconstruct, replace, remove, operate, inspect, maintain and use facilities of the type hereinafter specified for the transformation, transmission and distribution of electric energy and for communication purposes (collectively "**Electric Activities**").

F. To facilitate the Hydro Project Activities and Electric Activities following the conveyance effected by this Grant Deed and Reservation of Rights (this "**Grant Deed**"), and the continued use, maintenance, repair and replacement of those existing and future facilities, structures and improvements now or hereafter located on, above, or under the Property, that are associated with the Hydro Project Activities and/or the Electric Activities, STATE, as grantor, and Grantor, as grantee, are executing and delivering that certain Utility Facility Access, Operation and Maintenance Easement of even date with this Grant Deed (the "**Utility Facility Access, Operation and Maintenance Easement**").

G. Consistent with the terms of the Governing Documents, Grantor and STATE acknowledge this conveyance, together with Utility Facility Access, Operation and Maintenance Easement and the Conservation Easement ("**Conservation Easement**") being entered into by STATE and Mother Lode Land Trust ("**MLLT**") concurrently with this conveyance, is being made in the public interest with the intent to ensure the permanent protection of the beneficial public values on the Property as identified in the LCP while allowing the ongoing use of the Property by Grantor for hydroelectric operations, water delivery, and related activities, and acknowledging and honoring the existing third party uses.

III. STATE ACCESS; RESERVATION OF RIGHTS; EASEMENT AGREEMENT

STATE shall have a non-exclusive right of surface access, ingress and egress to and from the Property over and across Adjacent Lands, by means of roads, lanes, and routes thereon, if such there be, otherwise by such route or routes as shall occasion the least practicable damage and inconvenience to Grantor's Adjacent Lands, with the right to construct and maintain such roads, lanes, and routes ("**Access Rights**"). STATE's Access Rights shall only extend to

portions of the Property that are only reasonably accessible by the Adjacent Lands. "**Adjacent Lands**" means lands owned by Grantor that are contiguous to the Property, including lands excepted from the Property in **Exhibit A**. STATE will use reasonable efforts to notify and consult with Grantor in advance of any construction, repair or maintenance work related to the exercise of the Access Rights. STATE may allow MLLT and any successor to MLLT under the Conservation Easement to utilize the Access Rights.

STATE acknowledges that the Adjacent Lands are a part of the FERC Project No. 137. Grantor reserves the right to use the Adjacent Lands, including the Access Rights, in all ways and for all purposes necessary or appropriate to fulfill its obligations as licensee under FERC Project No. 137. STATE shall not make use of the Access Rights in any way which would be incompatible with overall project requirements.

STATE shall be solely responsible for the repair of any damage caused by its exercise of the Access Rights, excluding fair wear and tear from normal usage. For so long as the roads, lanes, and routes, related to the Access Rights, shall exist in private ownership, Grantor and STATE and their respective successors and assigns, shall bear the expenses of the reasonable maintenance of the roads, lanes, and routes related to the Access Rights in proportion to their respective use. Reasonable maintenance shall include such work as is necessary to maintain said roads, lanes, and routes related to the Access Rights in their existing condition, but shall not include the enlargement of or betterment of the Access Rights. STATE further agrees that any erosion or drainage problems caused by the exercise of the Access Rights by STATE shall be corrected by STATE without cost to Grantor and to the reasonable satisfaction of Grantor.

Grantor expressly reserves 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.

Grantor and STATE acknowledge that the Utility Facility Access, Operation and Maintenance Easement shall be effective immediately upon the execution, delivery and effectiveness of this Grant Deed with the same force and effect as if the easement rights set forth in the Utility Facility Access, Operation and Maintenance Easement were expressly reserved by Grantor in this Grant Deed.

IV. TERMS OF GRANT

The conveyance by Grantor to STATE pursuant to this Grant Deed is subject to: (a) a lien securing payment of real estate taxes and assessments; (b) all matters that would be disclosed by a physical inspection or survey of the Property or that are actually known to STATE; and (c) all contracts, leases, licenses, covenants, conditions, easements, restrictions, liens, encumbrances and other exceptions of record or unrecorded.

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto, and all covenants shall apply to and run with the Property. All

future conveyances of the fee interest in the Property shall be consistent with the terms of the Governing Documents. In accordance with Section 12b(4) of the Stipulation, STATE, and its successors and assigns shall not convey all or any portion of the fee interest in the Property to any governmental entity, public agency, or Native American tribe without the prior written consent of the Grantor, which consent shall be in Grantor's sole discretion exercised in good faith.

V. MISCELLANEOUS

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

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.

IN WITNESS WHEREOF, the undersigned has executed this Grant Deed dated as of _____, _____.

Grantor:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____

CERTIFICATE OF ACCEPTANCE

This is to certify that, pursuant to Sections 15853 and 27281 of the California Government Code, the interest in real property conveyed by the Grant Deed dated _____, _____ from PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, to the STATE OF CALIFORNIA is hereby accepted by the undersigned officer on behalf of the State Public Works Board pursuant to the approval action by said Board and duly adopted on _____. The STATE consents to the recordation thereof by its duly authorized officer.

ACCEPTED:

STATE OF CALIFORNIA
State Public Works Board

By: _____
Andrea Scharffer, Deputy Director

Date: _____

ACKNOWLEDGED:

STATE OF CALIFORNIA
Director, Department of General Services

By: _____
Michael P. Butler, Chief
Real Property Services Section

Date: _____

Attachment D

State Board of Equalization Land Appraisal Record

BRLNP705

State Board of Equalization
Board Roll System
Land Subsystem

07/25/18
9:24 AM

North Fork Mokelumne River

Page 10

Selected by: Assessee 0135 Pacific Gas & Electric Co.
County 03 AMADOR

Post List
Roll Year 2018

Map		Class	TRA	Miles	Index		Esc Ind	R/W	Market Values		Non- Unitary	Total	
Asse	Asse Cnty				Map	Par			Non-Fee	Status			Typ
0135	0135	03	001A	04	1 Acre	001	000 - 001	IND	001	9J	N	2,250	2,250

North Fork Mokelumne River

Selected by: Assessee 0135 Pacific Gas & Electric Co.
County 03 AMADOR

Post List
Roll Year 2018

Map		Non-Fee Status	Class	TRA	Miles	Index Typ Num	Esc Sht	Ind	R/W	Market Values		Total
Asse	Cnty									Op Not R/W	Non-Unitary	
0135	0135	03 001D 01	453 Acres	491	052 - 086	IND 001	9J	N		17,982	10,106	28,088
0135	0135	03 001D 02	102 Acres	001	000 - 001	IND 001	9J	N		91,359		91,359
0135	0135	03 001D 03	397 Acres	491	052 - 086	IND 001	9J	N		14,000	10,602	24,602
				001	000 - 001	IND 001	9J	N		41,976		41,976
0135	0135	03 001D 05	8 Acres	001	000 - 001	IND 001	9J	N		6,867		6,867
0135	0135	03 001D 06	92 Acres	001	000 - 001	IND 001	9J	N		82,625		82,625
0135	0135	03 001D 07	158 Acres	491	052 - 086	IND 001	9J	N		5,402	4,492	9,894
0135	0135	03 001D 08	58 Acres	491	052 - 086	IND 001	9J	N			1,340	1,340
0135	0135	03 001D 09	21 Acres	491	052 - 086	IND 001	9J	N			493	493

Attachment E

Utility Facility Access, Operation and Maintenance Easement Agreement

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

PACIFIC GAS AND ELECTRIC COMPANY
Land Department
Attention: Paul Coviello
1850 Gateway Blvd, Room 7043C
Concord, CA 94520

WITH A COPY TO:

STATE OF CALIFORNIA
Department of General Services
707 3rd Street, MS-501
West Sacramento, CA 95605
Attention: Mike Butler

(Space Above this Line for Recorder's Use)

A.P.N. 24-050-11, 24-050-12, 24-050-13, 24-
060-15, 24-060-16, 24-060-17, 24-060-18, 24-
070-11, 24-070-12
LD: _____

Agency: Department of Forestry and Fire Protection
Project: **North Fork Mokelumne River**
Project #: 133061

Date: _____

UTILITY FACILITY ACCESS, OPERATION AND MAINTENANCE EASEMENT

Between

STATE OF CALIFORNIA, acting by and through the DEPARTMENT OF GENERAL SERVICES, on
behalf of the DEPARTMENT OF FORESTRY AND FIRE PROTECTION,

as Grantor

and

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation,

as Grantee

UTILITY FACILITY ACCESS, OPERATION AND MAINTENANCE EASEMENT

This UTILITY FACILITY ACCESS, OPERATION AND MAINTENANCE EASEMENT (the "**Agreement**") is made and entered into by and between the STATE OF CALIFORNIA (hereinafter referred to as "**STATE**"), acting by and through the DEPARTMENT OF GENERAL SERVICES ("**DGS**"), on behalf of the DEPARTMENT OF FORESTRY AND FIRE PROTECTION ("**CAL FIRE**"), and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("**GRANTEE**"). The STATE, DGS, CAL FIRE and GRANTEE are collectively referred to as the "**PARTIES**". Capitalized terms used in this Agreement shall have the meanings ascribed to them by the section in which such term is first defined. This Agreement includes all exhibits attached hereto.

RECITALS

- A. STATE is the owner of approximately ±1,052 acres of land in the unincorporated area of Amador County (the "**County**"), State of California, Assessor's Parcel No.: 24-050-11, 24-050-12, 24-050-13, 24-060-15, 24-060-16, 24-060-17, 24-060-18, 24-070-11, 24-070-12, and is more particularly described in **Exhibit A** and shown on **Exhibit A-1**, each attached hereto and incorporated by this reference into this Agreement (the "**Property**"). STATE acquired fee title to the Property from GRANTEE immediately before the recordation of this Agreement.
- B. GRANTEE 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).
- C. 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**").
- D. The Settlement Agreement and the Stipulation (collectively, "**Governing Documents**") require GRANTEE to ensure that approximately 140,000 acres of watershed lands, all owned by GRANTEE (collectively, "**Watershed Lands**"), which included 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 GRANTEE 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**".
- E. 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. In addition, the Stewardship Council Board of Directors adopted that certain North Fork Mokelumne River Planning Unit Land

Conservation and Conveyance Plan on or about November 19, 2014 (the “**NFMR LCCP**”).

- F. In furtherance of the LCP and the NFMR LCCP, and with CPUC approval, GRANTEE conveyed the Property in fee to STATE pursuant to that certain Grant Deed and Reservation of Rights recorded in the Official Records of the County immediately prior to the recordation of this Agreement (the “**Grant Deed**”).
- G. Consistent with the conditions in the Governing Documents, immediately following the recordation of the Grant Deed and this Agreement, the Property shall be subject to a perpetual conservation easement (the “**Conservation Easement**”) granted by STATE to the Mother Lode Land Trust, a California nonprofit public benefit corporation (“**MLLT**”). The Conservation Easement shall be subject to the rights of GRANTEE reserved in the Grant Deed and the rights and interests of GRANTEE conveyed pursuant to this Agreement (such rights and interests being collectively referred to as the “**PG&E Reserved Rights**”).
- H. Pursuant to the NFMR LCCP, the Property is not associated with a Federal Energy Regulatory Commission (“**FERC**”) project and GRANTEE determined the Property did not need to be retained for existing or future utility operations.
- I. GRANTEE has used and continues to use the Property for the purpose 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 FERC, and for other purposes as described more fully below (collectively, “**Hydro Project Activities**”). Additionally, GranTEE has used desires to continue to use the Property to erect, construct, reconstruct, replace, remove, operate, inspect, maintain and use facilities of the type hereinafter specified for the transformation, transmission and distribution of electric energy and for communication purposes (collectively “**Electric Activities**”). As used herein, “**Hydroelectric Facilities and associated Water Delivery Facilities**” and “**Electric Facilities**” refers to those existing and future facilities, structures and improvements now or hereafter located on, above, or under the Property, that are associated with the Hydro Project Activities and the Electric Activities, as described more fully below.
- J. THE PARTIES enter into this Agreement for the purpose of GRANTEE receiving an easement for the purposes described below in this Agreement over the area of the Property more particularly described in Exhibit C and shown on Exhibit D, each attached hereto and incorporated by this reference into this Agreement (referred to in this Agreement as the “**Easement Area**”).

AGREEMENT

NOW THEREFORE, in consideration of the above recitals, all of which are expressly incorporated into this Agreement, and the mutual promises and covenants contained in this Agreement, the PARTIES agree as follows:

1. Grant of Easement. STATE, pursuant to the provisions of Section 14666 of the Government Code of the State of California, hereby grants to GRANTEE a non-exclusive, perpetual easement to engage in or invite or permit others to engage in the activities and uses set forth below (collectively, the “**Easement**”), as GRANTEE may determine in GRANTEE's sole discretion exercised in good faith is required for GRANTEE's continued Hydro Project Activities and Electric Activities, including the continued operation and maintenance of Hydroelectric Facilities and associated Water Delivery Facilities, and Electric Facilities (collectively the “**Permitted Uses**”):

- a. The right of GRANTEE and/or GRANTEE's agents, employees, contractors, subcontractors of any tier, and invitees (collectively "**GRANTEE's Representatives**") to operate and maintain existing and future Hydroelectric Facilities and associated Water Delivery Facilities within the Easement Area, 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 applicable license issued by the FERC ("**FERC License**"), FERC License renewal, or other regulatory requirements.
- b. The right of GRANTEE and GRANTEE's Representatives to conduct any and all uses and activities within the Easement Area now or at any time in the future deemed necessary or appropriate by GRANTEE in GRANTEE's sole discretion exercised in good faith in connection with the generation of hydroelectric energy, including, but not limited to the operation, repair, alteration, replacement and expansion of existing Hydroelectric Facilities and Water Delivery Facilities, and the construction, operation, repair, alteration, replacement and expansion of new Hydroelectric Facilities and Water Delivery Facilities.
- c. The right of GRANTEE and GRANTEE's Representatives to use, maintain, establish, construct, alter, expand and improve water sources, courses, and bodies upon and within the Property, and to take, divert and appropriate water.
- d. The right of GRANTEE and GRANTEE's Representatives to increase or otherwise modify water storage capacities of Water Delivery Facilities within the Easement Area.
- e. The right of GRANTEE and GRANTEE's Representatives to conduct any and all uses and activities within the Easement Area currently or in the future deemed necessary or appropriate by GRANTEE in GRANTEE's sole discretion exercised in good faith to comply with any applicable FERC License or other regulatory requirements, including any amendments thereto and replacements thereof, and with applicable regulations and orders of the FERC or other regulatory agencies.
- f. The right of GRANTEE and GRANTEE's Representatives to conduct any and all uses and activities now or at any time hereafter deemed necessary or appropriate by GRANTEE in GRANTEE's sole discretion exercised in good faith to comply with the Federal Power Act (Title 16 United States Code, Chapter 12).
- g. The right of GRANTEE and GRANTEE's Representatives to decommission all or any portion of existing and future Hydroelectric Facilities and associated Water Delivery Facilities in accordance with any applicable FERC License.
- h. The right of GRANTEE and GRANTEE's Representatives to access the Easement Area to operate and maintain GRANTEE's existing and future facilities for the transformation, transmission and distribution of electric energy, and for communication purposes within the strips of land described below and also the right to construct, install, repair, enlarge, improve, reconstruct, replace, remove, maintain and use the same as GRANTEE shall at any time and from time to time deem necessary, together with the rights to excavate for, construct, install, repair, enlarge, improve, reconstruct, replace, remove, maintain and use, at any time and from time to time, additional facilities for the transformation, transmission and distribution of electric energy, and for communication purposes, consisting of such devices and equipment with suitable concrete pads and adequate protection therefor necessary for transforming electric energy, one or more lines of

towers, poles and/or other structures, wires and cables, including both underground and overhead ground wires, and all necessary and proper foundations, footings, cross arms and other appliances and fixtures for use in connection with said towers, poles and/or other structures, wires and cables; all to be on land described as follows:

- (a). The strips of land described in **Exhibit E** and shown on **Exhibit F**, attached hereto and made a part hereof ("**Electrical Strips**").
 - i. The right of ingress to and egress over and across the Property by means of the existing roads and lanes thereon and/or any replacement or relocation thereof (collectively, "**Access Roads**") or by such route or routes as shall occasion the least practicable damage and inconvenience to STATE and to use said Access Roads or routes to provide access to any of GRANTEE's easements and facilities on lands adjacent to said real property.
 - j. The right of GRANTEE and GRANTEE's Representatives to install, maintain and use gates in all fences which now or in the future cross the Property, and in the event locked gates are placed in fences now or hereafter crossing Access Roads or routes, GRANTEE shall provide locks in such a manner that the gates may be used without disturbing the locks of others.
 - k. The right, from time to time, to trim or to cut down any and all trees and brush now or hereafter within the Easement Area, Access Roads, and/or routes and shall have the further right, from time to time, to trim and cut down trees and brush within the Property which now or hereafter in the opinion of Grantee may interfere with or be a hazard to the facilities installed hereunder, or as Grantee deems necessary to comply with applicable state or federal regulations.
 - l. The right to mark the location of the Electrical Strips 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 STATE shall make of said easement area.
2. "Required" Exercise. An exercise of the Easement shall be "required" (as used in the preceding Section 1) where GRANTEE determines in its sole discretion exercised in good faith that such exercise is necessary to fulfill requirements or directives of any one or more of the following: (a) the CPUC or the FERC; (b) other local, state or federal governmental entities; (c) any applicable law, ordinance, rule or regulation of local, state or federal governmental entity; (d) any third party agreement entered into by GRANTEE in good faith or by which GRANTEE is bound; or (e) professional engineering and design standards governing the ownership, maintenance, and/or operation of the Hydroelectric Facilities and associated Water Delivery Facilities [and/or Electric Facilities].
3. Notification and Consultation. GRANTEE will use reasonable efforts to notify and consult with STATE 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 of the Property except in the event of emergency response or for routine maintenance with no excavation.
4. Nature of Easement. This Agreement creates a non-exclusive easement and runs with the land in accordance with California Civil code sections 1460 – 1461. Each covenant of either party to this Agreement to do or refrain from doing some act stated in this Agreement is expressly for the benefit of the land of the other party to this Agreement which is described in this Agreement.

Each covenant runs with the land owned by or granted to the STATE and will benefit or be binding on each successive owner, during his, her, or its ownership, of any portion of the land affected by this Agreement and on each person having any interest in it derived through any owner thereof. This Agreement shall be recorded in the Official Records of the County of Amador.

5. Opportunity to Cure. If STATE, in its reasonable discretion, determines that a violation of the terms, covenants or conditions of the Agreement, including, but not limited to, use of the Easement Area beyond the Permitted Uses, has occurred, STATE shall give written notice to GRANTEE of such violation and specify the corrective action to cure the violation (the "**Corrective Notice**"). If GRANTEE fails to cure the violation to the reasonable satisfaction of STATE within one hundred and twenty (120) calendar days after receipt of the Corrective Notice, or under circumstances where the violation cannot be cured within a one hundred and twenty (120) day period, fails to begin curing such violation within such one hundred and twenty (120) day period, or fails to continue diligently to cure and finally cure such violation to the reasonable satisfaction of STATE, such continued violation shall be deemed a breach of this Agreement and STATE shall have the right to pursue any right or remedy as provided herein or at law or in equity; provided, however, that STATE shall not have the right to terminate the Easement. Any delay by STATE in providing notice to GRANTEE of a violation or after default of any of the terms, conditions or covenants to be performed, kept or observed by GRANTEE or GRANTEE's successors and assigns shall not be deemed a waiver on the part of STATE of (i) any right or remedy as provided herein or at law or in equity, or (ii) be construed to be or act as a waiver of any of the terms, covenants or conditions herein contained to be performed, kept and observed by GRANTEE or GRANTEE's successors and assigns. Nothing contained herein shall be deemed to limit GRANTEE's right to challenge a breach or material breach declared by STATE under this Paragraph.

6. Restrictions. STATE agrees that it shall not plant any trees, crops, vines or other vegetation that naturally exceeds a height of ten feet (10') at maturity within the Electrical Strips. STATE shall not:
 - (a). erect or construct any building or other structure, or drill or operate any well, or construct any reservoir or other obstruction, or add to the ground level within the immediate area of the then-existing Hydroelectric Facilities and associated Water Delivery Facilities without first submitting a work plan for GRANTEE's review and approval which approval will not be unreasonably withheld, conditioned or delayed. The work plan shall include an engineered design (if applicable), a scope of work, and an approximate schedule for commencement and completion;

 - (b). erect or construct any building or other structure, or drill or operate any well, or construct any reservoir or other obstruction, or add to the ground level within the Electrical Strips, which in the good faith sole discretion opinion of GRANTEE, constitute a hazard to persons or property, including the Hydroelectric Facilities and associated Water Delivery Facilities located within the Electrical Strips;

 - (c). deposit, or permit or allow to be deposited, earth, rubbish, debris or any other substance or material, whether combustible or noncombustible, within the Electrical Strips, which in the good faith sole discretion opinion of GRANTEE, constitute a hazard to persons or property, including the Hydroelectric Facilities and associated Water Delivery Facilities located within the Electrical Strips; and

 - (d). STATE and Grantee acknowledge and agree that paragraphs 6 (b) and 6(c) are not

intended to restrict STATE's forest management activities that are performed outside of the Electrical Strips.

7. STATE Reservation. STATE and STATE's agents, employees, licensees, lessees, invitees, contractors, and subcontractors of any tier, reserves the right to access and use the Easement Area and the Access Roads (the "**STATE Reservation**"), as long as STATE's use does not unreasonably interfere with GRANTEE's Permitted Uses of the Easement Area and Access Roads. Additionally STATE may install fences and underground pipelines with the written consent of GRANTEE which consent shall not be unreasonably withheld.
8. Further Grants. STATE agrees to grant future easements at no cost to GRANTEE, with substantially the same provisions described herein, that are necessary for the future installation of Electric Facilities outside of the Electrical Strips ("**Future Easements**"), as long as said Future Easements do not unreasonably interfere with STATE's use of the Property.
9. Exhibits. The following Exhibits are attached to this Agreement and incorporated by reference herein.
 - a. Exhibit A Legal Description of Property
 - b. Exhibit A-1 Property Maps
 - c. Exhibit B [Intentionally Deleted]
 - d. Exhibit C Description of Easement Area
 - e. Exhibit D Map Description of Easement Area
 - f. Exhibit E Description of Electrical Strips
 - g. Exhibit F Map Description of Electrical Strips
 - h. Exhibit G Additional Terms and Conditions

[SIGNATURES BEGIN ON PAGE 6]

STATE:

**AUTHORIZED PER GOVERNMENT CODE
§14666**

STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES

BY: _____
MICHAEL P. BUTLER, CHIEF
REAL PROPERTY SERVICES SECTION

DATED: _____

**APPROVED PER GOVERNMENT CODE
§14666:**

STATE OF CALIFORNIA
DEPARTMENT OF FORESTRY AND FIRE
PROTECTION

BY: _____
[INSERT NAME AND TITLE]

DATED: _____

GRANTEE:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

BY: _____
ANDREW K. WILLIAMS
VICE PRESIDENT
LAND & ENVIRONMENTAL MANAGEMENT

DATED: _____

EXHIBIT A

Legal Description of Property
(Attached behind this Page)

EXHIBIT A-1

Property Maps
(Attached behind this Page)

EXHIBIT B

[Intentionally Deleted]

EXHIBIT C

Description of Easement Area

See Exhibit A. The Property is the Easement Area.

EXHIBIT D

Map Description of Easement Area

See Exhibit A-1. The Property is the Easement Area.

EXHIBIT E

Description of Electrical Strips
(Attached behind this Page)

EXHIBIT E

RESERVING TO GRANTOR

115KV Transmission Line: A strip of land 80.00 feet wide across portions of Sections 8, 17, and 18, Township 7 North, Range 14 East, Mount Diablo Meridian, the centerline of which is described as follows:

COMMENCING at the center east 1/16th corner of said Section 18, monumented by an aluminum post with 3/4" diameter cap stamped U.S. Dept. of the Interior, Bur. of Land Management, Cadastral Survey, E 1/16, C-C S18, 1981; thence South 00°07'00" West 1189.9 feet along the north-south centerline of the southeast quarter of Section 18 to the centerline of a 115KV Transmission Line and POINT OF BEGINNING; thence North 43°09' East 7823.8 feet along said centerline to the north-south centerline of the southeast quarter of said Section 8 and POINT OF TERMINUS; the sidelines of said strip shall be prolonged or shortened so as to begin at said north-south centerline of the southeast quarter of Section 18 and terminate at said north-south centerline of the southeast quarter of Section 8.

The basis of bearings is geodetic north as determined by Global Positioning System observations at the south quarter corner of said Section 8 and the east quarter corner of said Section 17.

ALSO RESERVING TO GRANTOR

112KV Distribution line: A strip of land 30.00 feet wide across Sections 8, 17, and 18, Township 7 North, Range 14 East, Mount Diablo Meridian, the centerline of which is described as follows:

First

COMMENCING at the center east 1/16th corner of said Section 18, monumented by an aluminum post with 3/4" diameter cap stamped U.S. Dept. of the Interior, Bur. of Land Management, Cadastral Survey, E 1/16, C-C S18, 1981; thence South 00°07'00" West 1129.9 feet along the north-south centerline of the southeast quarter of said Section 18 to the centerline of a 12KV Distribution Line and POINT OF BEGINNING; thence along said centerline the following four (4) courses:

- 1) North 43°11' East 7228.1 feet;
- 2) North 00°13' East 1054.5 feet;
- 3) North 70°06' West 420.6 feet to a utility pole, hereinafter referred to as **Point F**;
- 4) North 69°49' West 202.8 feet to the POINT OF TERMINUS and westerly end of said distribution line; the sidelines of said strip shall be prolonged or shortened so as to begin at the north-south centerline of the southeast quarter of said Section 18.

Second

A strip of land 30.00 feet wide, the centerline of which is described as follows:

BEGINNING at said Point F; thence North 26°27' East 162.4 feet along the centerline of said 12KV distribution line to the boundary of Tiger Creek Regulator Reservoir and POINT OF TERMINUS; the sidelines of said strip shall be shortened so as to begin on the northerly line of said 12KV distribution line described in "First" above and to terminate at the boundary of Tiger Creek Regulator Reservoir.

The basis of bearings is geodetic north as determined by Global Positioning System observations at the south quarter corner of said Section 8 and the east quarter corner of said Section 17.

EXHIBIT E

ALSO RESERVING TO GRANTOR

115KV Transmission Line: A strip of land 80.00 feet wide across the northeast quarter of the northeast quarter of Section 10, Township 7 North, Range 14 East, Mount Diablo Meridian, the centerline of which is described as follows:

COMMENCING at the northeast corner of said Section 10, monumented with an aluminum post and 3/4" diameter cap stamped U.S. Dept. of the Interior, Bur. Of Land Management, Cadastral Survey, T7N R14E, S3 S2, S10 S11, 1982; thence South 02°36'33" East 705 feet along the east line of said Section 10 to the centerline of a 115KV transmission line and POINT OF BEGINNING; thence along said centerline South 82°53' West 1359.6 feet to the west line of the northeast quarter of the northeast quarter of said Section 10 and POINT OF TERMINUS. The sidelines of said strip shall be prolonged or shortened so as to begin on said east line of Section 10 and terminate on said west line of the northeast quarter of the northeast quarter of Section 10.

The basis of bearings is geodetic north as determined by Global Positioning System observations at said northeast corner of Section 10.

END OF DESCRIPTION

References to the corners of the Public Land Survey System are to the Dependent Resurvey of certain Sections in Township 7 North, Range 14 East, Mount Diablo Meridian by the United States Department of the Interior, Bureau of Land Management approved April 8, 1985, and filed in Book R566, Page 232 et seq.

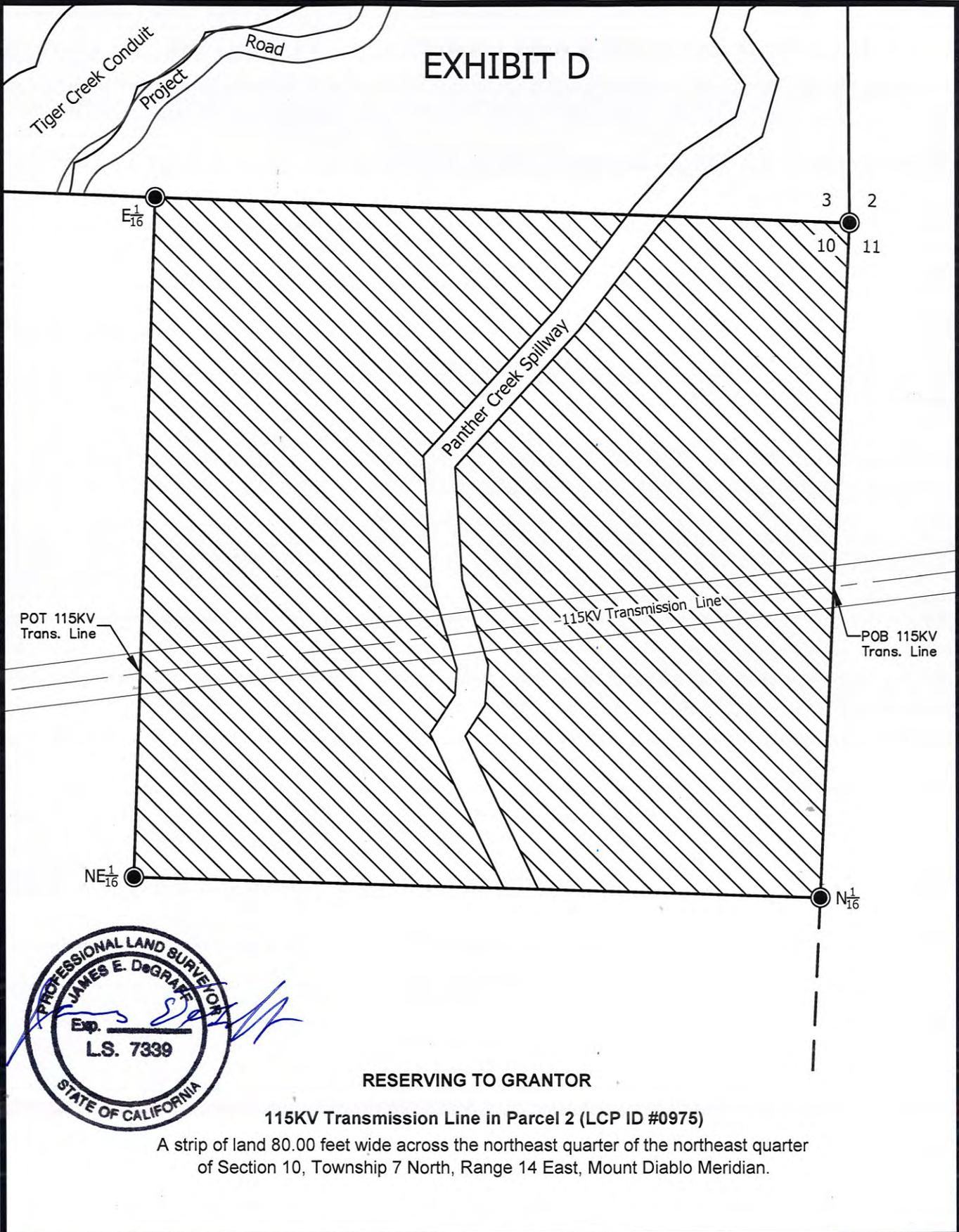



James E. DeGraff, LS 7339
Cal Fire
Technical Services, Lands Unit

EXHIBIT F

Map Description of Electrical Strips
(Attached behind this Page)

EXHIBIT D



POT 115KV
Trans. Line

115KV Transmission Line

POB 115KV
Trans. Line



RESERVING TO GRANTOR

115KV Transmission Line in Parcel 2 (LCP ID #0975)

A strip of land 80.00 feet wide across the northeast quarter of the northeast quarter of Section 10, Township 7 North, Range 14 East, Mount Diablo Meridian.

EXHIBIT G

ADDITIONAL TERMS AND CONDITIONS

This Agreement and the Easement herein granted to GRANTEE is subject to the following additional terms and conditions:

1. All rights and obligations of STATE and MLLT under the Conservation Easement are subject to the GRANTEE's rights conveyed pursuant to this Agreement.
2. This Easement is subject to existing contracts, leases, licenses, easements, encumbrances, and claims of record which may affect the Property and the use of the words "grant" and "reservation" herein shall not be construed as a covenant against the existence of any thereof.
3. GRANTEE acknowledges and covenants that their use of the Easement shall comply with the Land Conservation Commitment and Governing Documents.
4. GRANTEE agrees, at its sole cost and expense, to indemnify, protect, defend with counsel acceptable to STATE, and hold harmless STATE and its agencies, departments, boards, offices, commissions, officers, employees, agents, and representatives (collectively "Indemnitees"), from and against any and all claims, demands, damages, losses, liabilities, obligations, penalties, fines, actions, causes of action, judgments, suits, proceedings, costs and expenses (including, without limitation, reasonable attorneys' fees, court costs, administrative procedural costs and experts' fees) of any kind or nature whatsoever which may at any time be imposed upon, incurred or suffered by, or asserted or awarded against, Indemnitees relating to or arising directly or indirectly from: (i) GRANTEE's or GRANTEE's Representatives' occupation and use of the Easement Area and/or Access Roads pursuant to this Agreement; (ii) GRANTEE's or GRANTEE's Representatives' use, handling, generation, storage, release, transport, threatened release or disposal of Hazardous Substances on or around the Easement Area and/or Access Roads on or after the date of this Agreement; and (iii) any required or necessary remediation, repair, cleanup or detoxification and the preparation of required plans which occurs as a result of GRANTEE's or GRANTEE's Representatives' use, generation, storage, release, transport threatened release or disposal of Hazardous Substances on or around the Easement Area and/or Access Roads on or after the date of this Agreement. For the purposes of this Paragraph, "Hazardous Substances" means any hazardous or toxic material or waste that is or becomes regulated by the laws of any local governmental authority, the State of California or the United States Government under any Environmental Requirements applicable to the PARTIES in the management of property owned by them. Hazardous Substances may be defined differently based on the laws, regulations and policies applicable to each of the PARTIES to this Agreement. For purposes of this Agreement, Hazardous Substances may include, 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

- b. that 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 having jurisdiction over the PARTIES to this Agreement; or, as applicable to GRANTOR, 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. that contains gasoline, diesel fuel or other petroleum hydrocarbons; or
- e. that contains lead-based paint or other lead contamination, polychlorinated biphenyls ("PCBs") or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or
- f. that contains radon gas.

GRANTEE's duty to defend Indemnitees, is separate from, independent of and free-standing of GRANTEE's duty to indemnify Indemnitees under this Agreement, and applies whether the issue of the PARTIES negligence, breach of contract or other fault or obligations has in any way been determined. GRANTEE's indemnity obligations under this Agreement shall not extend to that portion of such loss or damage that shall have been caused by any of the Indemnitees' comparative negligence or willful misconduct.

GRANTEE shall have no cleanup liability, nor any obligation to defend, hold harmless or indemnify under this Agreement from and against any claims resulting from any pre-existing Hazardous Substances conditions. This indemnity shall survive the termination of this Agreement.

5. Prior to any entry onto the Easement Area or the Access Roads under the terms of this Agreement, GRANTEE and GRANTEE's Representatives shall each, at their own expense, provide STATE evidence of insurance as follows:
 - a. Commercial General Liability – GRANTEE and GRANTEE's Representatives shall maintain general liability on an occurrence form with limits not less than \$1,000,000 per occurrence and \$2,000,000 aggregate for bodily injury and property damage liability. The policy must include coverage for liabilities arising out of premises operations, independent contractors, products/completed operations, personal & advertising injury and liability assumed under an insured contract. This insurance shall apply separately to each insured against whom claim is made or suit is brought subject to the GRANTEE's and/or GRANTEE's Representatives limit of liability. The policy must include: **Department of Forestry and Fire Protection, State of California, its officers, agents and employees as additional insureds.** This endorsement must be supplied under form acceptable to DGS' Office of Risk and Insurance Management.
 - b. Automobile Liability – GRANTEE and GRANTEE's Representatives shall maintain motor vehicle liability with limits not less than \$1,000,000 combined single limit per accident. Such insurance shall cover liability arising out of a motor vehicle including owned, hired and non-owned motor vehicles. The same additional insured designation and endorsement required for general liability is to be provided for this coverage.
 - c. Workers' Compensation and Employers' Liability – GRANTEE and GRANTEE's Representatives shall maintain statutory workers' compensation and employers' liability for all employees who will be engaged in the performance of any work and/or maintenance related to the Easement Area and/or the Access Roads. Employers' liability limits of \$1,000,000 are required. Workers' compensation policy shall contain a waiver of subrogation endorsement in favor of the STATE.
 - d. GRANTEE shall have the right to self-insure with respect to any insurance requirements under this Agreement. In the event GRANTEE elects to self-insure with respect to any insurance requirements under this Agreement, GRANTEE shall submit a letter of self-insurance signed by a duly authorized representative to STATE, evidencing that the self-insurance program is in full force and effect and in compliance with and subject to all the terms, agreements, covenants, conditions and provisions of this Agreement.
6. GRANTEE understands that this Easement will be located within a State forest, and GRANTEE agrees to abide by certain regulations and restrictions set forth in sub-

paragraphs a. through d. of this Paragraph, concerning GRANTEE'S access and use of the Easement Area and/or the Access Roads:

- a. Use of any part of the Property outside of the Easement Area, Access Roads, and/or routes for any reason by GRANTEE or GRANTEE's Representatives shall be restricted to that use reasonably necessary in connection with the construction, operation, maintenance and repair of the Hydroelectric Facilities and associated Water Delivery Facilities, and Electric Facilities.
 - b. GRANTEE shall be solely responsible for the maintenance and repair of any damage caused by its use of the Easement Area at no cost to STATE. GRANTEE further agrees that any erosion or drainage problems caused by the use of the Easement Area by GRANTEE and GRANTEE's Representatives shall be corrected by GRANTEE without cost to STATE and to the reasonable satisfaction of the STATE.
 - c. GRANTEE shall be solely responsible for the repair of any damage caused by its use of the Access Roads and/or routes, excluding fair wear and tear from normal usage. For so long as the Access Roads and routes shall exist in private ownership, STATE and GRANTEE and their respective successors and assigns, shall bear the expenses of the reasonable maintenance of the Access Roads and/or routes in proportion to their respective use. Reasonable maintenance shall include such work as is necessary to maintain said Access Roads and/or routes in their existing condition as unpaved roads in good, usable condition, but shall not include the enlargement of or betterment of the Access Roads and/or routes.
 - d. GRANTEE shall not consent to the use of the Easement Area, Access Roads, and/or routes by any member of the general public not associated with any of the Permitted Uses without first obtaining written approval from STATE.
7. In making any excavation in the Easement Area and/or the Access Roads, GRANTEE shall make all excavation activities available to the STATE archaeologist for observation and monitoring. During excavation, the STATE archaeological monitor may observe and report to the STATE on all excavation. STATE archaeological monitor shall be empowered to stop construction activities in the event the monitor determines that significant cultural resource values are being disturbed. In the event that significant cultural resource values are being disturbed, all work within thirty feet (30') of the find shall be immediately halted.

Should GRANTEE or GRANTEE's Representatives find any cultural or historical resources in the absence of a STATE archaeologist, GRANTEE covenants to halt all work within thirty feet (30') of the find and immediately notify the STATE archaeological monitor. GRANTEE further covenants that work shall not resume within thirty feet (30') of the find until authorized by the STATE archaeological monitor. Should human bone or bones of questionable appearance be disturbed during excavation, GRANTEE agrees to halt all excavation within thirty feet (30') until the County Coroner and a representative of the local Native American community have examined the remains and determined redispotion. The archaeological conditions shall comply with STATE

directives, policies, regulations and laws, including, but not limited to, Public Resources Code §5024 and §5097 which outline procedures in the event Native American remains are discovered. Work shall not resume in the area of the find until authorized by the STATE archaeological monitor.

GRANTEE and/or GRANTEE's Representatives shall provide a work schedule to STATE so that the STATE archaeological monitor can arrange to be on site on the necessary days; GRANTEE agrees to notify the STATE archaeologist of any preconstruction meetings with GRANTEE's Representatives. Except in the case of emergencies the archaeologist should be provided at least two (2) weeks advanced notice of the construction start date. In the event of emergency work, GRANTEE will provide notice to the archaeologist within one (1) week of when the emergency work is discovered.

8. This Agreement shall be governed and construed by the laws of the State of California. The successive owners of the Property are bound by this Easement for the benefit of the GRANTEE. This Easement will be permanent and perpetual except as specifically provided herein.
9. GRANTEE shall have sole responsibility for obtaining all applicable city and county authorizations necessary to enjoy this Easement. STATE agrees to provide such reasonable cooperation, subject to reimbursement by GRANTEE of STATE's administrative expenses, as may be deemed appropriate by STATE to enable GRANTEE to implement and exercise the rights granted herein, including but not limited to the completion and/or execution of any applications, rights of access, and other supporting or required documentation necessary to GRANTEE'S processing and obtaining local, state and federal approvals of the Permitted Uses on the Easement Area and/or the Access Roads.
10. Any notice, tender, delivery, or other communication pursuant to this Agreement shall be in writing and shall be deemed to be properly given if delivered, mailed or sent by wire or other telegraphic communication in accordance with the time frames and any other requirements provided in this Agreement, to the following persons:

STATE: State of California
Department of Forestry & Fire Protection
1300 U Street (A-45)
Sacramento, CA 95817
Attn: Technical Services Section

With copies to: Department of General Services
707 Third Street, 5th Floor (MS 505)
West Sacramento, CA 95605
Attn: RESD/RPSS--Acquisitions Unit

GRANTEE: Manager, Hydro Support
Pacific Gas and Electric Company
2730 Gateways Oaks, Suite 220
Sacramento, CA 95833

With copies to: Law Department
Pacific Gas and Electric Company
P.O. Box 770000, Mail Code N10A
San Francisco, CA 94177
Re: Land Conservation Commitment

The PARTIES may change the person to be provided notice or the address for notices to be sent by giving notice pursuant to this section.

Attachment F

Environmental Agreement – (Fee Donee)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

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

WITH A COPY TO:

State of California – Official Business
Department of General Services
707 3rd Street, MS-501
West Sacramento, CA 95605
Attention: Mike Butler

**ENVIRONMENTAL AGREEMENT
(Fee Grantee)**

THIS ENVIRONMENTAL AGREEMENT ("Agreement"), dated _____, _____, executed by and between the STATE OF CALIFORNIA, acting by and through the DEPARTMENT OF FORESTRY AND FIRE PROTECTION ("STATE") and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("GRANTOR"), is entered into with reference to that certain Property Acquisition Agreement dated _____, _____, by and between STATE and GRANTOR ("Transaction Agreement"), pursuant to which GRANTOR is conveying to STATE fee title to that certain real property legally described in Exhibit A hereto and made a part hereof, and shown on Exhibit A-1 hereto and made a part hereof (the "Property"). GRANTOR and STATE are collectively referred to herein as the "PARTIES" and each is sometimes referred to as a "PARTY."

In consideration of, and as a material inducement to, GRANTOR's conveyance of the Property to STATE and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, GRANTOR and STATE hereby agree as follows:

1. Definitions. The following terms have the meanings ascribed to them below for purposes of this Agreement:

1.1. "Applicable Laws" means all 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 that regulate the conduct of either GRANTOR or STATE in the management of their respective real property or Hazardous Substances (defined below in Paragraph 1.5); provided, however, that nothing in this Agreement is intended to express or imply consent of the STATE to the regulation of its conduct under any law, regulation, order, policy or other provision of any unit of local government the application of which the California State Legislature has not previously expressly waived the sovereign immunity of the STATE.

1.2. "Closing Date" means the date on which the Grant Deed is recorded in the Official Records of the County of Amador conveying fee title to the Property to STATE pursuant to the terms of the Transaction Agreement.

1.3. "Environmental Requirements" means Applicable Laws regulating the actions of GRANTOR or STATE 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. The Environmental Requirements applicable to each PARTY may differ based on the laws, regulations and policies regulating the actions of each PARTY.

1.4. "Grant Deed" means the Grant Deed and Reservation of Rights conveying title to the Property from GRANTOR to STATE.

1.5. "Hazardous Substances" means any hazardous or toxic material or waste that is or becomes regulated by the laws of any local governmental authority, the State of California or the United States Government under any Environmental Requirements. applicable to either GRANTOR or STATE in the management of property owned by either. Hazardous Substances may be defined differently based on the laws, regulations and policies applicable to each PARTY to this Agreement. For purposes of this Agreement, Hazardous Substances may include, without limitation, any material or substance:

(a) now or hereafter defined as a "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste" or "toxic substance" or words of similar import under any applicable local, state or federal law or under the regulations adopted or promulgated pursuant thereto, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Act (49 U.S.C. § 5101 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); the Federal Water Pollution Control Act (33 U.S.C. § 1151 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.); the Safe Drinking Water Act (42 U.S.C. § 300f et seq.); the River and Harbor Act of 1899 (33 U.S.C. § 401 et seq.); the National Emission Standard for Asbestos (40 C.F.R. § 61.140 et seq.), the OSHA Construction Standards (29 C.F.R. § 1926.1001 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); the Oil Pollution Act (33 U.S.C. § 2701 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §136 et seq.); the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.); the Atomic Energy Act of 1954, (42 U.S.C. §2011 et seq.); the Nuclear Waste Policy Act of 1982 (42 U.S.C. §10101 et seq.); the Medical Waste Management Act (Cal. Health & Safety Code §25015 et seq.); the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13000 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 Act (Cal. Health & Safety Code § 25100 et seq.); and all rules and regulations of the United States or California Environmental Protection Agency or any successor agency, or any other state or federal department, board or agency, or any other agency or governmental board or entity having jurisdiction, as any of the foregoing have been, or are hereafter amended from time to time; or

(b) that 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, the State of California or any political subdivision thereof having jurisdiction over either PARTY to this Agreement; or which causes, or is 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) that contains gasoline, diesel fuel or other petroleum hydrocarbons; or

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

(f) that contains radon gas.

1.6. "Necessary Remediation" means Remediation required by any governmental agency having jurisdiction over the Remediation pursuant to the applicable Environmental Requirements, to address a Hazardous Substances release or disposal, or to enable the current use of the Property as of the Closing Date.

1.7. "Remediation" refers to the process of, and all work and planning performed in connection with, the investigation, testing for, monitoring, remediation, containment, transportation, removal and disposal or recycling of Hazardous Substances from the Property and any other property to which Hazardous Substances originating on the Property have migrated or may migrate in the future, and the repair and restoration of the Property, and restoration and mitigation of affected natural resources, regardless of whether such actions are required by applicable Environmental Requirements.

2. History of Use and Current Uses of the Property.

2.1. GRANTOR has prepared certain Environmental Reports concerning the Property. Copies of these Environmental Reports as described on Exhibit B (the "Environmental Reports") have been provided to STATE.

2.2. STATE has prepared [an Environmental Site Assessment dated March 15, 2016.

3. Environmental Agreement. GRANTOR and STATE agree that each will comply with Applicable Laws regulating the conduct of each with respect to any storage, disposal or release of a Hazardous Substance in, on or to the Property based on Environmental Requirements applicable to each PARTY.

3.1. GRANTOR's obligations under this Paragraph 3 are supplemented by the "Stipulation Resolving Issues Regarding Land Conservation Commitment dated April 22, 2002, and filed with the Public Utilities Commission of the State of California" filed in the Commission's Investigation I02-04-026 under the Commission's "Order Instituting Investigation into the

Ratemaking Implications for Pacific Gas and Electric Company (PG&E) Pursuant to the Commission's Alternative Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for PG&E in the United States Bankruptcy Court, Northern District of California, San Francisco Division, In re Pacific Gas and Electric Company, Case No. 01-30923DM (U 39M)" (hereafter "Stipulation"). In the Stipulation, GRANTOR agreed, among other provisions, to convey some of the lands it owns under the terms in the Stipulation to suitable donees, and further agreed as follows:

"In disposition of fee title, PG&E will hold the donee harmless for hazardous waste or substance liability, provided that PG&E may decline to agree to such disposition unless the Commission first authorizes PG&E to recover the costs of such liability and any associated mitigation or remediation in rates. In the absence of such authorization related to fee title, PG&E will convey a conservation easement that holds the donee harmless for such liability; provided that no such easement will permit any use that increases human exposure to hazardous waste or substance, unless the Commission first authorizes PG&E to recover the costs of any necessary mitigation or remediation in rates."

The terms of the Stipulation were formally adopted and approved by the California Public Utilities Commission by Decision 03-12-035, issued December 18, 2003, in Investigation I.02-04-026 and apply to this donation.

3.2. STATE warrants that it has no actual knowledge of any release or threatened release of Hazardous Substances in, on, to, beneath or from the Property except as disclosed in Paragraph 2, above. As used herein, the "actual knowledge" of the STATE means the current actual, not imputed, knowledge of STATE's Representative, without any duty of investigation or inquiry. As used herein, "STATE's Representative" means Pat Kelly, who is the employee of STATE familiar with the Property.

3.3. GRANTOR's obligation under this Agreement with regard to Hazardous Substances is limited to the Necessary Remediation of Hazardous Substances which were released onto the Property prior to the Closing Date. None of the forgoing limits GRANTOR's obligations under any Applicable Laws.

3.4. GRANTOR's retention of responsibility in this Paragraph 3 shall exclude:

(a) Remediation of naturally-occurring Hazardous Substances;

(b) Remediation of Hazardous Substances present at background or ambient concentrations;

(c) Remediation of Hazardous Substances in excess of Necessary Remediation, if any, that otherwise would have been the responsibility of GRANTOR in accordance with this Agreement, where such excess Remediation is caused by STATE or as a result of STATE's negligence, including Remediation necessitated by STATE's exacerbation of a Hazardous Substance release present as of the Closing Date. The preceding sentence is not intended to allocate GRANTOR's responsibility to undertake Necessary Remediation to STATE as otherwise would have been required by GRANTOR in accordance with this Agreement; and

(d) Liability to parties other than STATE (i.e. successors and assigns of STATE).

None of the forgoing in this Section 3.4 limits GRANTOR's obligations under any Applicable Laws.

4. Performance and Completion of Necessary Remediation. Any Necessary Remediation performed hereunder shall be conducted in a manner consistent with applicable Environmental Requirements and shall be considered complete when the PARTY conducting the Necessary Remediation obtains from the California Department of Toxic Substances Control or other governmental agency with jurisdiction over the matter, a "No Further Remedial Action Required Letter," "Certificate of Completion," or similar governmental certification indicating that additional Remediation is not required for the current land use from the governmental agency with jurisdiction over the performance of the Necessary Remediation. STATE shall allow GRANTOR necessary and reasonable access to the property to perform any Necessary Remediation that GRANTOR is required to perform under the terms of this Agreement on such terms and conditions as are mutually agreed by the PARTIES.

5. Dispute Resolution. In the event of a disagreement or dispute related to this Agreement, the PARTIES hereto agree first to seek an administrative resolution of the dispute by meeting prior to resorting to legal action for enforcement of this Agreement. The meeting will involve representatives for each of the PARTIES with an appropriate level of authority to consider and attempt to resolve the disputed matter. Each PARTY shall bear its own costs for participation in the administrative dispute resolution ("ADR") process and shall be entitled to be accompanied by in-house or outside counsel. Either PARTY may give the other PARTY written notice of any disagreement or dispute and its election to initiate the ADR process. Within thirty (30) days after delivery of said notice, the representatives will meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the disagreement or dispute. If the matter has not been resolved within sixty (60) days of the first meeting, then either PARTY may seek relief in a court of competent jurisdiction. Notwithstanding the foregoing, either PARTY may seek equitable, legal or administrative relief pursuant to or necessary to comply with the California Tort Claims Act (generally, California Government Code §§ 810-996.6, and its progeny) or similar applicable statutes (if any) to preserve the status quo prior to participating in the ADR process or at any time during the ADR process.

6. Other Provisions.

6.1. This Agreement shall be binding upon and inure to the benefit of the heirs, assignees and other successors in interest of STATE and GRANTOR. No transfer of an interest in the Property or this Agreement by STATE or its assignees shall operate to relieve GRANTOR or STATE of their obligations hereunder. This Agreement shall not create or bestow any right in any third party. STATE and GRANTOR agree that no third party beneficiary to this Agreement exists and that nothing contained herein shall be construed as giving any other person or entity third party beneficiary status.

6.2. The failure of GRANTOR or STATE to insist upon strict compliance with any of the terms hereof shall not be considered to be a waiver of any of the other terms of this Agreement, nor shall it militate against the right of GRANTOR or STATE to insist upon strict compliance with any term of this Agreement at any later time.

6.3. This Agreement shall not constitute or be construed as an admission of liability or fact by GRANTOR or STATE for any purpose whatsoever.

6.4. STATE and GRANTOR shall execute, acknowledge and deliver to each other all documents, and shall take all actions reasonably required by each of them from time to time to confirm or effect the matters set forth herein, or otherwise to carry out the purposes of this Agreement.

6.5. The representations, warranties, covenants, and agreements of GRANTOR and STATE contained in this Agreement shall survive the recordation of the Grant Deed.

6.6. Time is of the essence of this Agreement.

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

6.8. If any portion, word, clause, phrase, sentence or paragraph of this Agreement is declared void or unenforceable, such portion shall be considered independent and severable from the remainder, and the validity of the remainder of the terms of this Agreement shall remain unaffected.

6.9. This Agreement sets forth the entire understanding of STATE and GRANTOR in connection with the subject matter hereof, and each acknowledges that the other has made no statement, representation or warranty relating to the Property upon which either has relied or that acted as an inducement for either to enter into this Agreement. GRANTOR's and STATE's obligations under this Agreement may not be altered or amended in any respect except by a writing executed by both STATE and GRANTOR and recorded in the same Official Records where this Agreement is recorded.

6.10. The covenants contained in this Agreement shall survive the conveyance of title to the Property from GRANTOR to the STATE, shall be construed as running with the title to the Property conveyed by GRANTOR to STATE, and may be enforced by either PARTY, subject to the Dispute Resolution provisions in Paragraph 5, above.

6.11. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, GRANTOR and STATE have executed this Agreement as of the date first written above.

GRANTOR:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Andrew K. Williams
Vice President
Land & Environmental Management

STATE:

STATE OF CALIFORNIA,
Department of Forestry and Fire Protection

By: _____

Print Name: _____

Its: _____

By: _____

Print Name: _____

Its: _____

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

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

**PG&E Gas and Electric
Advice Submittal List
General Order 96-B, Section IV**

AT&T	Downey & Brand	Pioneer Community Energy
Albion Power Company	East Bay Community Energy	Praxair
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	
	Energy Management Service	
Alta Power Group, LLC	Engineers and Scientists of California	Redwood Coast Energy Authority
Anderson & Poole	Evaluation + Strategy for Social Innovation	Regulatory & Cogeneration Service, Inc.
	GenOn Energy, Inc.	SCD Energy Solutions
Atlas ReFuel	Goodin, MacBride, Squeri, Schlotz & Ritchie	
BART	Green Charge Networks	SCE
	Green Power Institute	SDG&E and SoCalGas
Barkovich & Yap, Inc.	Hanna & Morton	
P.C. CalCom Solar	ICF	SPURR
California Cotton Ginners & Growers Assn	International Power Technology	San Francisco Water Power and Sewer
California Energy Commission	Intestate Gas Services, Inc.	Seattle City Light
California Public Utilities Commission	Kelly Group	Sempra Utilities
California State Association of Counties	Ken Bohn Consulting	Southern California Edison Company
Calpine	Keyes & Fox LLP	Southern California Gas Company
	Leviton Manufacturing Co., Inc. Linde	Spark Energy
Cameron-Daniel, P.C.	Los Angeles County Integrated Waste Management Task Force	Sun Light & Power
Casner, Steve	Los Angeles Dept of Water & Power	Sunshine Design
Cenergy Power	MRW & Associates	Tecogen, Inc.
Center for Biological Diversity	Manatt Phelps Phillips	TerraVerde Renewable Partners
City of Palo Alto	Marin Energy Authority	Tiger Natural Gas, Inc.
	McKenzie & Associates	
City of San Jose	Modesto Irrigation District	TransCanada
Clean Power Research	Morgan Stanley	Troutman Sanders LLP
Coast Economic Consulting	NLine Energy, Inc.	Utility Cost Management
Commercial Energy	NRG Solar	Utility Power Solutions
County of Tehama - Department of Public Works		Utility Specialists
Crossborder Energy	Office of Ratepayer Advocates	
Crown Road Energy, LLC	OnGrid Solar	Verizon
Davis Wright Tremaine LLP	Pacific Gas and Electric Company	Water and Energy Consulting Wellhead Electric Company
Day Carter Murphy	Peninsula Clean Energy	Western Manufactured Housing Communities Association (WMA)
		Yep Energy
Dept of General Services		
Don Pickett & Associates, Inc.		
Douglass & Liddell		