

Funding Agreement to Implement the Tax Neutrality Requirement for Donation of PG&E Lands near Lake Spaulding to The University of California Regents

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

A. The Stewardship Council was created to oversee the **“Land Conservation Commitment”** described in (1) that certain Settlement Agreement among Pacific Gas and Electric Company (**“PG&E”**), PG&E Corporation, and the California Public Utilities Commission (the **“Commission”**) as modified and approved by the Commission in its Opinion and Order of December 18, 2003 (Decision 03-12-035) (the **“Settlement Agreement”**); and (2) that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the **“Stipulation”**). The Stewardship Council has limited assets and no foreseeable sources of revenue, and consequently the Stewardship Council is anticipated to dissolve or otherwise wind down or cease to operate in the future.

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

C. In connection with the Land Conservation Commitment, PG&E has agreed to donate a portion of the PG&E Watershed Lands to eligible organizations, including the lands described below in Section 2.

D. The Settlement Agreement requires that the LCP assess that any donation will not adversely impact local tax revenue, and the Stipulation requires that an appropriate entity provide property tax revenue, other equivalent revenue source, or a lump sum payment so that the totality of the dispositions in each affected county under the Land Conservation Commitment will be tax neutral for that county (**“Tax Neutrality Requirement”**). By and through this Agreement, County and Stewardship Council desire, among other things, to confirm and acknowledge that the Tax Neutrality Requirement has been met.

E. In consideration of the covenants and obligations set forth herein, the Stewardship Council intends that the funding be provided to County as described in Section 3, and County desires to accept such funding, all subject to the terms and conditions described in this Agreement.

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

1. **Effective Date and Term.** This Agreement shall become effective as of the last date it has been signed by both parties. (**“Effective Date”**). The provisions of this Agreement shall survive the closing of the transactions contemplated hereby and Stewardship Council's dissolution, winding down or ceasing operations.

2. **Property.** The Property consists of approximately 1,459 acres of real property located in the County of Nevada, State of California, within what is commonly known as the Lake Spaulding Planning Unit and as more particularly described in Exhibit A attached and incorporated by this reference. The Property is expected to be transferred to the University of California.

3. **Funding Allocation.** The County elects to receive the lump sum payment option as described in Exhibit B, and not any of the other options described in Exhibit B. Within 60 days of the recording of the Grant Deed in favor of the University of California in the Official Records of Nevada County (the "Recording Date"), the Stewardship Council will pay the sum of **Twenty Five Thousand Nine Hundred Twenty Five Dollars (\$25,925) ("Funding Allocation")**, to be paid to the County of Nevada. The Funding Allocation is based upon the Payment Calculation:
Annual Base Value of \$1,037 divided by Capitalization Rate of 4% = Funding Allocation of \$25,925

4. **Satisfaction of Tax Neutrality Requirement.**

a. The County hereby agrees with the Tax Neutrality Methodology attached hereto as Exhibit B as being an appropriate method to calculate the Funding Allocation.

b. The parties hereby agree and acknowledge that the Funding Allocation represents a reasonable payment to the County in lieu of property taxes which might otherwise have been received by County from the owner of the Property, and that the Funding Allocation satisfies the Tax Neutrality Requirement with regard to the donation of the Property.

c. The County hereby waives and releases all claims, currently known or unknown, relating to the final calculation of the Funding Allocation and the Tax Neutrality Methodology that was used by the Stewardship Council to determine the amount of the Funding Allocation.

5. **Welfare Exemption.** County agrees that the County Assessor will not unreasonably withhold approval of the Welfare Exemption from Property Taxes in the event that the Property is subsequently conveyed to another organization qualified for said exemption with regard to the Property.

6. **Risk of Loss; Waiver and Release; Estoppel.**

a. County hereby waives and releases the Stewardship Council and any of the Stewardship Council's direct and indirect past, present and future shareholders, partners, members, trustees, officers, directors, principals, parents, subsidiaries, affiliates, employees, agents, contractors, transferees, successor(s), and assignees (collectively, the "**Related Entities**"), from all claims, currently known or unknown, which may arise from any reduction or loss of Funding Allocation, or potential or actual tax loss, and County is estopped from asserting that the Funding Allocation was not a reasonable payment in lieu of taxes, or otherwise does not satisfy the Tax Neutrality Requirement with regard to the donation of the Property.

b. County expressly waives any benefits of Section 1542 of the Civil Code of the State of California, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE

RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

7. Distribution of Funding Allocation to Other Local Agencies.

a. County agrees to pay reasonable and timely distributions from said Funding Allocation to special districts and other local agencies consistent with the methodologies described in Division 1 of the California Revenue and Taxation Code. Distributions from the Funding Allocation shall be the sole responsibility of the County and the Stewardship Council shall have no responsibility to verify or ensure that such distributions are paid or made consistent with the methodologies described in Division 1 of the California Revenue and Taxation Code.

i. 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. Said payment will be made at the time the Stewardship Council makes its lump-sum tax neutrality payment to County.

8. Record Keeping. County will indicate the Funding Allocation separately on its books of account, charge expenditures made in furtherance of the purposes of this Agreement against the Funding Allocation, and keep records adequate to enable the use of the Funding Allocation with regard to distributions to special districts and local agencies pursuant to Section 7 to be checked readily by the Stewardship Council or its designee, or to the extent permitted by the California Public Records Act, by members of the public.

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

10. County's Representations. County represents that it was represented by Counsel in connection with the negotiation of this Agreement and that in agreeing to execute this Agreement gave due consideration to all relevant factors, including the current and future property tax potential of the Property and any development potential the Property might have had.

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

12. Indemnification. County hereby agrees to indemnify, defend, and hold harmless the Stewardship Council and any of the Related Entities from and against any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest, penalties, and reasonable attorney fees and costs, that any one or more of them may incur or suffer and that result from, or are related to, breach of this Agreement by County or any liability or claim made by the County or by any third party in connection with the County's use, management, or distribution of the Funding Allocation.

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

13. Third Party Beneficiaries. The Related Entities are express third party beneficiaries of this Agreement and shall be entitled to enforce the provisions hereof against County.

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

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

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

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

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

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.

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

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

By: _____

Title: _____

Date: _____

COUNTY OF NEVADA

By: _____

Title: _____

Date: _____

ATTEST:

Clerk of the Board of Supervisors

By: _____

Approved as to form:

County Counsel

By: _____

Exhibit A

THE LAND DESCRIBED HEREIN IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF NEVADA,
UNINCORPORATED AREA, AND IS DESCRIBED AS FOLLOWS:

PARCLE 1:

00DR-CFX-00003
SBE# 135-29-4C-1
LCP ID#: 0795

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 5, TOWNSHIP 17 NORTH, RANGE 12 EAST,
MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED IN BOOK 116, PAGE 63 OF DEEDS OF THE OFFICIAL
RECORDS OF THE COUNTY OF NEVADA, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS
FOLLOWS:

ALL OF SAID SECTION 5.
A.P.N. 64-140-02000

PARCLE 2:

00DR-CFX-00004
SBE# 135-29-4C-2
LCP ID#: 0796

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 7, TOWNSHIP 17 NORTH, RANGE 12 EAST,
MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED IN BOOK 116 , PAGE 63 OF DEEDS OF THE COUNTY
OF NEVADA, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

THE EAST ONE-HALF OF THE NORTHWEST ONE-QUARTER AND THE NORTHEAST ONE-QUARTER OF SAID
SECTION 7.

EXCEPTING THEREFORM THAT PORTION DESCRIBED IN THE CORRECTED FINAL ORDER OF
CONDEMNATION RECORDED JULY 9, 2014, AS INSTRUMENT NO. 2014-0012713, NEVADA COUNTY
RECORDS.

A.P.N 64-140-06000 PORTION

PARCEL 3:

00DR-CFX-00005
SBE# 135-29-1-13
LCP ID#: 0797

ALL THAT CERTAIN PARCEL OF LAND SITUATE IN SECTION 1, TOWNSHIP 17 NORTH, RANGE 11 EAST,
MOUNT DIABLO BASE AND MERIDIAN, AS RECORDED IN BOOK 115, PAGE 273 OF DEEDS OF THE COUNTY
OF NEVADA, STATE OF CALIFORNIA, PARTICULARLY DESCRIBED THEREIN AS FOLLOWS:

ALL SAID SECTION 1 EXCEPT THE NORTHEAST ONE-QUARTER OF THE SOUTHWEST ONE-QUARTER
THEREOF.

EXCEPTING THEREFROM THAT PORTION AS DESCRIBED IN THE CORRECTED FINAL ORDER OF
CONDEMNATION RECORDED JULY 9, 2014 AS INSTRUMENT NO. 2014-0012713.

A.P.N 64-130-08-000