

Funding Agreement to Implement Tax Neutrality Requirement

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 Shasta**, 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 for the Property that is the subject of this Agreement.

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 Stewardship Council's dissolution, winding down or ceasing operations.

2. Property. The Property consists of approximately [REDACTED] acres of real property located in the County of Shasta, State of California, within what is commonly known as the [REDACTED] Planning Unit and as more particularly described in Exhibit A attached and incorporated by this reference. The Property will be transferred to [REDACTED].

3. Funding Allocation. Within 60 days of the Effective Date, the Stewardship Council will pay County the sum of **XXXXXX (written amount) Dollars (\$XX,XXX) ("Funding Allocation")**, based upon the Payment Calculation in Exhibit B.

4. Satisfaction of Tax Neutrality Requirement.

a. The County hereby agrees with the Tax Neutrality Methodology attached hereto as Exhibit C 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.

b. 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 provide funding to County as follows:

- (1) 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 the 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; the resolution confirming same shall be attached to this Agreement as **Exhibit D**. 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: Executive Director

Date: _____

COUNTY OF SHASTA

By: _____

Title: _____

Date: _____

ATTEST:

Clerk of the Board of Supervisors

By: _____

Approved as to form:

County Counsel

By: _____

Exhibit A

To be attached

Exhibit B

Payment Calculation – SAMPLE

LEGAL ID #	SBE NO.	APN NO.	Total Acres	Non-Unitary Prop Tax	Unitary Prop Tax	Total Taxes	Acres Donated	Taxes on Acres Donated
174	130-45-1-11	018-010-001	640	5,938	0	5,938	632	5,865
	130-45-1-12	018-010-006	398	3,691	0	3,691	398	3,691
	130-45-1-18	016-410-007	640	5,511	427	5,938	574	5,323
	130-45-1-19	018-010-002	643	5,714	251	5,965	619	5,744
	130-45-1-20	018-010-008	640	6,511	169	6,680	621	6,480
	130-45-1-23	016-390-011	560	742	4,453	5,195		0
	130-45-1-24	016-410-005	640	5,863	74	5,938	178	1,652
	130-45-1-25	016-410-008	400	3,683	28	3,711	391	3,624
	130-45-1-27	016-420-001	200	1,855	0	1,855	123	1,139
	135-45-17-6	016-320-026	2	0	21	21	0	0
	135-45-17A-1	023-540-034	80	669	371	1,040		0
	135-45-20-1	016-320-013	184	793	1,234	2,027	54	592
	135-45-20-2	016-410-006	582	5,865	551	6,416	473	5,208
	135-45-20-3	016-390-008, 016-410-002	498	3,279	2,203	5,482	0	0
	135-45-20-4	016-390-010, 016-410-004	571	4,089	2,203	6,293	0	0
	135-45-20-5	016-390-005	123	0	1,357	1,357	0	0
	135-45-20-6	016-250-024, 016-320-012	59	0	652	652		0
	135-45-33-2	018-010-003	271	4,086	0	4,086	256	3,861
	135-45-33-6	018-010-009	202	3,049	0	3,049	173	2,611
174 Total			7,333	61,338	13,996	75,334	4,491	45,791
Funding Allocation Amount Calculation								
Annual Base Value:			45,791					
÷ <i>capitalization rate</i> :			4.0%					
= Funding Allocation Amount:			1,145,000					

Exhibit C

Tax Neutrality Methodology
To be Attached

Exhibit D

Resolution (to be attached)