



California Fair Political Practices Commission

June 2, 1988

William W. Abbott
Balfrey & Abbott
1801 I Street, Suite 200
Sacramento, CA 95814

Re: Your Request for Advice
Our File No. A-88-156

Dear Mr. Abbott:

You have requested advice on behalf of Joe Marin about application of the conflict-of-interest provisions of the Political Reform Act (the "Act")^{1/} to his duties on the Sierra County Board of Supervisors.

QUESTION

May Mr. Marin participate in board decisions to certify the supplementary environmental impact report (EIR) for the Haypress Creek hydroelectric project and related decisions?

^{1/} Government Code Sections 81000-91015. All statutory references are to the Government Code unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations Section 18000, *et seq.* All references to regulations are to Title 2, Division 6 of the California Code of Regulations.

CONCLUSION

Based on the special facts you have provided, Mr. Marin may participate in a board decision to approve the supplemental EIR because the decision will not have a foreseeable material financial effect on his employer. We are not providing advice about related decisions, because you have not given us any information about the content or effects of the other decisions.

FACTS

Joe Marin is a member of the Board of Supervisors of Sierra County. He also is an employee of Sierra Pacific Industries (Sierra Pacific).

Sierra Pacific is a privately held corporation with net tangible assets of more than \$18,000,000. Its gross pre-tax income for the past fiscal year was more than \$2,500,000. Sierra Pacific owns the land on which Northwest Power, Inc. (Northwest Power) is building the Haypress Creek hydroelectric plant (Haypress project), an access road, and part of a power transmission line. On February 29, 1988, Sierra Pacific acquired the land when it acquired Santa Fe Pacific Timber Co. (Santa Fe).

Northwest Power already has obtained all required discretionary approvals from Sierra County for the Haypress project. When Northwest Power applied to the State Water Resources Board, however, for the final required approvals to build the Haypress project, its application was challenged. The case now is on appeal to the Court of Appeal.

In the meantime, Sierra County has assumed responsibility for developing and certifying the supplementary EIR for the Haypress project. Nevertheless, under state law the Water Resources Board has ultimate authority for certifying the supplementary EIR for the project.

As a result of Sierra Pacific's acquiring Santa Fe, Northwest Power now owes fees to Sierra Pacific for the use of Sierra Pacific property for the Haypress project. The following is a summary of the fee arrangements for use of Sierra Pacific property. These facts are derived from your letter of April 26, 1988. Please let us know immediately if our understanding of the facts is incorrect.

Northwest Power agreed to pay 50% of the costs of building an access road to the Haypress project on what now is Sierra Pacific land. Currently, Northwest Power owes Sierra Pacific less than \$35,000 for the cost of building the road. Northwest Power is expected to assume the costs for maintaining the road.

Northwest Power also has agreed to pay an annual fee, based on a timber site classification multiplier, for surface disturbance of about 22 acres of timberland on which Northwest Power will build power transmission lines. The highest possible fee for disturbing 22 acres would result in annual income of \$6,160 for Sierra Pacific.

The county assessor believes the value of the land underlying the hydroelectric project will not change after the project is built. If Northwest Power abandons the project, Northwest Power has agreed to remove all facilities and restore Sierra Pacific land nearly to its original condition. Furthermore, certification of the supplementary EIR will not affect the value of surrounding land because of restrictive timber zoning and because the project area is small in comparison to the size of the timber production area. Sierra Pacific will not be paying taxes for improvements to the property; Northwest Power has promised to pay those taxes.

ANALYSIS

Section 87100 prohibits a public official from making, participating in making, or in any way attempting to influence a governmental decision in which an official knows or has reason to know he has a financial interest. An official has a financial interest in a decision that will have a foreseeable and material financial effect, different from the effect on the general public, on a source of income of \$250 or more promised to or received by the official within 12 months before the decision. (Section 87103(c).)

Mr. Marin is a public official because of his position on the Board of Supervisors of Sierra County. (Section 82048.) Sierra Pacific, Mr. Marin's employer, is a source of income of \$250 or more to Mr. Marin. Soon the board of supervisors will be considering a decision to certify the supplementary EIR, which Northwest Power needs to finish its Haypress project. Sierra Pacific owns the property on which Northwest Power is building the hydroelectric plant, an access road, and part of a power transmission line. By means of several different contracts, Northwest Power owes Sierra Pacific money for using its property. Mr. Marin would be disqualified from participating in the EIR certification decision if the decision would have a foreseeable and material financial effect on Sierra Pacific.

To require disqualification, the effect of a decision must be foreseeable. An effect does not have to be certain to be foreseeable. However, if an effect were a mere possibility, it would not be foreseeable. (In re Thorner (1975) 1 FPPC Ops. 198, 206-207, copy enclosed.)

The effect of a decision also must be material. Regulation 18702.2 (copy enclosed) provides guidelines for determining whether the effect of a decision on a business entity will be material. Sierra Pacific has net tangible assets of at least \$18,000,000 and pre-tax income for the last fiscal year of at least \$2,500,000. Therefore, pursuant to Regulation 18702.2(f), the standards contained in Regulation 18702.2(d) apply. The decision is material if:

- (1) The decision will result in an increase or decrease in the gross revenues for a fiscal year of \$150,000 or more; or
- (2) The decision will result in the business entity incurring or avoiding additional expenses or reducing or eliminating existing expenses for a fiscal year in the amount of \$50,000 or more; or
- (3) The decision will result in an increase or decrease in the value of assets or liabilities of \$150,000 or more.

Regulation 18702.2(d).

The information in your letter shows that Northwest Power owes money to Sierra Pacific under various contracts for the use of Sierra Pacific land for the Haypress project. The next question is what kind of an effect the supplementary EIR decision will have on Sierra Pacific's financial status.

Based on the special facts you have provided and applying Regulation 18702.2(d) to those facts, it appears the certification decision will not have a material financial effect on Sierra Pacific. Even if the board of supervisors does not certify the supplementary EIR, the amounts Northwest Power owes Sierra Pacific under various contracts for using Sierra Pacific land for the Haypress project will not result in a foreseeable increase or decrease in gross revenues for a fiscal year of \$150,000 or more.

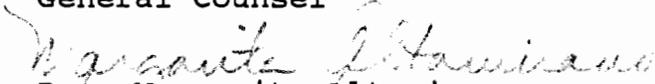
Based on the information provided in your letter, the value of property being used for the project and surrounding timberland will not increase or decrease as a result of the project. Sierra Pacific has no rights to the project; Northwest Power will remove all facilities if it abandons the project. Therefore, the decision will not result in a foreseeable increase or decrease in the value of assets or liabilities or gross revenues of \$150,000 or more, or in a foreseeable incurrence or elimination of expenses of \$50,000 or more. Consequently, Mr. Marin may participate in a decision to certify the supplementary EIR for the Haypress project.

William W. Abbott
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I hope this letter provides you with a satisfactory answer to your advice request. Please call me at (916) 322-5901 if you have any questions about this letter.

Sincerely,

Diane M. Griffiths
General Counsel


By: Margarita Altamirano
Counsel, Legal Division

DMG:MA:ld:Abbott

Enclosures

LAW OFFICES OF
BALFREY & ABBOTT

1801 I Street, Suite 200
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(916) 447-8899

APR 27 8 14 AM '88

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Toll Free — Auburn Area
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(707) 576-0709

Bay Area Office:
Webster Street Tower
2101 Webster St., Suite 1700
Oakland, California 94612
(415) 268-1527

April 26, 1988

If this box is checked,
please reply to Oakland
address.

Fair Political Practices Commission
P.O. Box 807
Sacramento, CA 95804

Re: Request for Opinion - Government Code Section 83114

To Whom It May Concern:

As special counsel to the Board of Supervisors to the County of Sierra, I request an opinion regarding the facts and issue set forth below. This request is made on behalf of Supervisor Joe Marin.

NAME AND ADDRESS OF REQUESTING PARTY

Honorable Joe Marin
P.O. Box 750
Loyalton, CA 96118

QUESTION PRESENTED

May Supervisor Marin vote on the certification of the Haypress Creek Hydroelectric Projects EIR and related actions?

FACTS

Presently, Sierra County is preparing a supplemental EIR for a hydro-electric project. The applicant is Northwest Power, Inc. The property owner is Sierra Pacific Industries. Mr. Marin, a county supervisor, is an employee of Sierra Pacific Industries ("SPI"), which is a source of income to him of greater than \$250.00 within the 12 months prior to the time when this decision is to be made. Development of the hydro-electric facility will not have a direct impact on the income or assets of SPI.

However, due to the lease arrangement executed between NWP and SPI's predecessor in interest, there will be some economic impacts. The various transactions and agreements linking SPI & NWP are also set forth in the attached March 22, 1988 letter from R.L. Smith of SPI and the attached "Quitclaim Deed".

The following information should be of relevance to your analysis.

The proposed project encompasses 11 acres of private land (SPI), and 6.55 acres of United States Forrest Service permit land. According to the Sierra County Tax Assessor, the taxes on the private land are \$0.53/acre per year. The assessor believes that the value of the land itself underlying the project will not be changed by the proposed project. Approval of the hydro project will probably have no impact on the market value of surrounding land, due to the restrictive timber zoning and by virtue of the fact that the project area is relatively small compared to the size of the timber production parcels overall. The improvement will be taxed to NWP, not SPI.

NWP currently owes SPI for its proportionate share of completed road construction into the project. Though the amount is not fixed it does not exceed \$35,000.00 (letter attached). This claim arises from SPI's acquisition of the land, not from any current agreement. Yearly reimbursement in the future for road maintenance into the project site as per the "Quitclaim Deed" is estimated to be \$2,500.00 per year. Also, a worst case catastrophic damage repair cost of \$20,000.000 in one year is possible. The expectation is that NWP will itself perform any maintenance and repair work on the road.

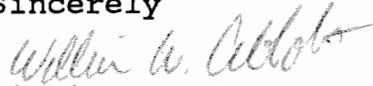
Planned power transmission lines will occupy a 60 foot wide corridor passing through three sections to the county line, of both private (SPI) and public (U.S.F.S.)land. This encompasses approximately 22 acres including public acreage.

Pursuant to the lease agreement, NWP will be obligated to reimburse SPI based on a formula tied to the amount of timberland disturbed. Based on an estimated disturbed area of 22 acres times the highest possible royalty, the result is projected to be in an annual income of \$6,160.00. Based upon the annual income requirements for disqualification, I believe that at least 500+ acres of Class 1 lands would have to be disturbed.

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On our review of the facts and relevant statutes, we believe that Mr. Marin is not disqualified from voting in this decision. However, Mr. Marin has requested that we also seek an opinion from the FPPC. Your cooperation is appreciated. Should you need any additional facts please do not hesitate in calling Jim Falcone of my office, or myself.

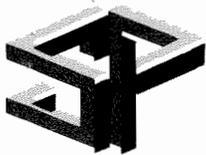
Sincerely


William W. Abbott

WWA/jb

Enclosure

(JF\JF\JB\FPPC.LTR\#2)



Sierra Pacific Industries

Timber Division • P.O. Box 996014 • Redding, CA 96099 (916) 365-3721

Anderson, April 21, 1988
Haypress Hydro

Mr. Bill Abbott
Balfrey & Abbott
1801 "I" Street
Sacramento, CA 95814

Dear Mr. Abbott:

The purpose of this letter is to confirm Sierra Pacific Industries interest, both past and future, in the Haypress Hydro projects being constructed in Sierra County.

As successor in interest to Santa Fe Pacific Timber Company, we are the land owner of the portions of Sections 25 and 35, Twp. 20N., Rge. 12E., over which a portion of the above mentioned project crosses. During the construction of the roads the Haypress Hydro Project contractor agreed to share in the cost of building the roads based on their proposed use. This amounted to approximately 50% of the costs.

Since the roads were built, in 1984, the property has changed ownership twice and the amount now owed to Sierra Pacific Industries is less than \$35,000.00. We are still in the process of attempting to collect the amount owed and would appreciate being informed as to progress of this project.

If you need any further information please feel free to call me at the number shown.

Very truly yours,


Jack G. Frost
Lands Forester

JGF:ekf

SIERRA PACIFIC INDUSTRIES

P.O. Box 1189 Arcata, California 95521-1189
(707) 443-3111

March 22, 1988

William Abbott
County Counsel, Sierra County
Balfrey & Abbott
1210 G Street, Suite 2
Sacramento, CA 95814

Dear Mr. Abbott:

In connection with the Haypress Creek Hydroelectric projects proposed by Northwest Power Company, Inc. ("Northwest"), we have been asked whether Sierra Pacific Industries ("SPI") has any interest in the projects as a result of its ownership of the land (the "Property") on which a portion of the projects are to be located.

On February 29, 1988, SPI acquired all of the stock of Santa Fe Pacific Timber Company ("SFPT"), the owner of the Property. SFPT was subsequently merged into SPI.

Prior to February 29, 1988, the following events occurred which had the effect of severing hydroelectric rights from the Property:

- 1) SFPT quitclaimed to Southern Pacific Land Company ("SPL") a perpetual easement over the Property together with the right to exclusive use of the Property for the purpose of developing hydroelectric power and constructing, operating, renewing and replacing generating and transmission facilities and for other activities on the Property as appropriate in connection therewith, together with the right to use riparian and appropriative water rights as necessary and to access as necessary to the Property across adjoining and nearby lands owned by the grantor for the purpose of constructing, operating and maintaining transmission lines, roads and facilities necessary for the exercise of the rights under the quitclaim deed (the "Quitclaim Deed").

Under the Quitclaim Deed, SPI (as successor by merger to SFPT) is entitled to receive annual compensation, based on a formula using a "Timber Site Classification Multiplier," for acres of the Property occupied by or restricted in use for timber management by a hydroelectric development project. This compensation reflects payment for surface disturbance to the Property and not revenues or royalties from the projects.

The Quitclaim Deed does provide, under specified circumstances, an option for repurchase of the hydroelectric rights by SPI. Since, however, hydroelectric facilities have already been constructed on the Property, the option, by its terms, does not apply to the site where the projects are located.

2) SFPT executed two leases, effective as of July 1, 1986, in favor of Northwest, for the purpose of hydroelectric development on the Property. After executing the Quitclaim Deed, SFPT assigned all of its right, title and interest in these two leases to SPL.

3) After assigning the two leases to SPL, SFPT executed two deeds in favor of SPL ("Access Deeds") granting SPL a perpetual and exclusive easement over other property owned by SFPT for construction and operation of power transmission lines, roads and facilities with the exercise of hydroelectric rights on the Property. This deed was inadvertently dated with a 1987 date, although a 1988 date was intended. A correction deed is being prepared for execution and recording now. The annual compensation payable under the Quitclaim Deed is also payable under the Access Deeds. As noted above, this compensation reflects payment for surface disturbance to the property encumbered by the Access Deeds and not revenues or royalties from the projects.

It is our understanding that, once the above correction deed is in place, SPL and Northwest intend to subject the property covered by the Access Deeds to the leases to Northwest.

SPL, as lessor to Northwest, has an interest in the projects proposed by Northwest. Since SFPT (SPI's predecessor in interest in the property subject to the leases) quitclaimed an easement for hydroelectric rights as described above to SPL, SPI has no interest or rights in the projects proposed by Northwest. Similarly, SPI will receive no royalty payments or other revenue from the operation of the hydroelectric facilities. (As mentioned above, its only compensation will be for the surface disturbance of the property affected by the projects.)

As to the relative size of SPI, it is a privately held corporation with net tangible assets greater than \$18,000,000. In the last fiscal year, SPI had pre-tax income in an amount greater than \$2,500,000.

Very Truly Yours,


R.L. Smith
Treasurer

8-130-10 #12

97280

Recording Requested By and
When Recorded, Mail to:

AFTER RECORDING RETURN TO:
PRESIDENT, SANTA FE PACIFIC TIMBER CO.
2250 BENTON DRIVE, SUITE 200, REDDING, CA 96003

R.P. DOCUMENTARY TRANSFER TAX \$ 0
I HEREBY DECLARE TRANSFER TAX WAS COMPUTED ON
 FULL VALUE OF PROPERTY INTEREST CONVEYED
 FULL VALUE LESS REMAINING ENCUMBRANCE
Jack J. [Signature]
SIGNATURE AGENT SANTA FE PACIFIC TIMBER CO.

FILE

Space above this line for Recorder's use only

Hydroelectric

QUITCLAIM DEED

For a good and valuable consideration, receipt of which is hereby acknowledged, Santa Fe Pacific Timber Company, a Delaware corporation, Grantor, hereby quitclaims to Southern Pacific Land Company, a California corporation, Grantee, the following rights with the right to grant such rights, in whole or in part, to others with respect to the property ("Property") described in Exhibit "A," attached and made a part hereof:

Perpetual easements over, under, along and across, together with the right to exclusive use of the Property for the purpose of developing hydroelectric power and constructing, operating, renewing and replacing hydroelectric power generating and transmission facilities on the Property and for other activities on the Property as may be necessary or appropriate for the development of hydroelectric power or construction and operation of such facilities, together with the right to the use of such riparian and appropriative water rights necessary for such purpose, and to access as necessary to the Property over and across adjoining and nearby lands owned by Grantor for the purpose of constructing, operating and maintaining electric power transmission lines, roads and facilities necessary for the exercise of such right.

Subject to the following provisions:

1. Qualification. Grantee's rights under this quitclaim deed ("Deed") shall be subject to and qualified by
 - (a) all leases, contracts, deeds and other instruments in effect on the date hereof to the extent they affect any portion of the Property; and
 - (b) Grantor's reserved right to manage and enjoy the surface of the Property in a manner that does not unreasonably interfere with or impede Grantee's rights hereunder.

The exercise of any one or more of the rights granted herein shall be consistent with the requirements of any timberland preserve zone ("TPZ") in which the Property is located; if the exercise of a right hereunder is not a use permitted by applicable laws and ordinances or is inconsistent with the requirements of a TPZ, then Grantee shall, at its sole expense, obtain the necessary permits, approvals and variances before exercising such right. At no cost to Grantor, Grantor shall cooperate with Grantee in obtaining and shall execute all documents necessary for Grantee to obtain such permits, approvals and variances.

2. Surface Disturbance. By accepting this Deed, Grantee covenants and agrees to pay Grantor as compensation for surface disturbance of the Property an annual payment equal to the sum derived by multiplying the number of acres of each Timber Site Classification (as hereinafter defined) of the Property occupied by, or upon which Grantor's timber management activities are restricted or limited by, any project of Grantee utilizing the surface of the Property ("Project") by the Timber Site Classification Multiplier (as hereinafter defined) appropriate for each acre or portion thereof so occupied and adding the products thereby obtained.

*SPLC PAYS
SSI for
Timber Rights*

- (a) ✓ Shown on the map attached hereto as Exhibit "B" and made a part hereof is the Timber Site Classification of each acre of the Property. The portion of the Property to be occupied by any Project may be adjusted by Grantee at the beginning of each year to show additions and deletions.
- (b) The term "Timber Site Classification" as used herein shall mean the five categories of forest land referred to in California Public Resources Code Sec. 4528 (d) as amplified in Section 1060 of Title 14 and Section 1021 (b) of Title 18 of the California Administrative Code for Ponderosa Pine, Jeffrey Pine, Mixed Conifer and True Fir as taken from A site classification for the mixed-conifer selection forests of the Sierra Nevada, by Duncan Dunning.
- (c) It is agreed that each acre or portion thereof of the Property has an annual compensation which varies in accordance with its Timber Site Classification. The term "Timber Site Classification Multiplier," as used herein, is the varying annual compensation for each acre shown in Exhibit B, which annual compensation varies in accordance with the Timber Site

Classification of each acre. The following table sets forth the agreed dollar amounts of the Timber Site Classification Multiplier:

<u>Timber Site Classification</u>	<u>Multiplier</u>
I	\$280/Ac./Yr.
II	\$200/Ac./Yr.
III	\$120/Ac./Yr.
IV	\$ 60/Ac./Yr.
V	\$ 40/Ac./Yr.

- (d) The Timber Site Classification Multipliers provided for in Subparagraph (c) above shall be adjusted annually on January 1 by multiplying the same by One Hundred Percent (100%) of the increase or decrease in the Western Wood Products Association (WWPA) Lumber Price Index for Coast-Inland North Ponderosa Pine occurring during the preceding year and the amount thereby determined shall be added to or subtracted from the base annual compensation specified in Subsection (c) above, provided, however, that the amount of such decrease shall not reduce the individual Timber Site Classification Multipliers below seventy-five percent (75%) of the amount shown in Subparagraph (c). Should the WWPA discontinue the publication of the above Index, or publish same less frequently, or alter same in some other manner, then a substitute index or substitute procedure reasonably acceptable to Grantor which reasonably reflects and monitors the price of lumber in the same manner as the WWPA Index shall be used.

3. Road Costs. Grantee shall reimburse Grantor for Grantee's proportionate share of the cost of road construction and maintenance costs, for roads constructed by Grantor and utilized by Grantee in exercising its right hereunder.

Grantor shall reimburse Grantee for its proportionate share of the cost of road construction and maintenance costs, or roads constructed by Grantee, and utilized by Grantor in its operations.

4. Taxes. Grantee shall pay all taxes imposed upon the Property as a result of Grantee's improvements on the Property and activities in exploiting hydroelectric resources on the Property and all taxes assessed against land underlying the

improvements on the Property made by or through Grantee as long as such improvements remain on the Property. Grantee may contest the assessment of any tax in accordance with the law if it has first paid such tax under protest.

5. Non-Use of the Surface. At any time Grantee may discontinue its use of any surface portion of the Property ("Discontinued Portion"). In such event, Grantee's obligation to pay Grantor compensation for surface disturbance of the Discontinued Portion under Section 2 hereof shall cease for as long as Grantee's use is so discontinued. Upon Grantee's discontinuance of its use of the Discontinued Portion, Grantee shall remove from the Discontinued Portion all facilities connected with the Project, and shall restore the Discontinued Portion as nearly to its original condition as is reasonably practical; however, Grantee shall not be obligated to restore timber, crops or any other things for which it has previously paid Grantor damages under Section 2 above.

6. Covenants Run with the Land. All of Grantee's covenants hereunder shall run with the land and shall be binding upon Grantee's successors in interest for the benefit of the surface estate of the Property.

7. Option to Repurchase. In consideration of this Deed and by its acceptance hereof, Grantee hereby grants to Grantor and any successor owner of the surface estate in the Property (each such owner being herein referred to as an "Optionee"), the exclusive option (the "Option") to purchase the rights and interests transferred to Grantee hereunder which Option may be exercised with respect to all or any portion or from time to time with respect to portions of the Property. The Option shall have a term of ten (10) years, commencing upon and running from the tenth (10th) anniversary of the date of this deed, and expiring at the close of business (Pacific Standard Time) on the twentieth (20th) anniversary of the date of this deed. The Option shall not apply to any portion of the Property upon which Grantee shall have developed or is in the process of developing facilities for utilization of the rights granted hereunder, or which is the subject of an option to lease, a license, a lease, or any other form of agreement or instrument granting to others the right to utilize or exploit the rights granted in this deed provided such party shall have developed or be in the process of developing facilities for utilization of such rights. The Option shall be exercisable by written notice solely in the event that the Optionee desires to sell or exchange a small parcel of the Property for purposes other than utilization of the rights granted hereunder, or to transfer to the United States government or agency or department thereof, or the State of California or agency, department, or political subdivision thereof, the Property or

portion thereof with respect to which the Option is then being exercised. The purchase price for the rights and interests subject to the Option shall be the fair market value as agreed upon by the parties or, in the event the parties fail to agree within thirty (30) days after Optionee's notice, as shall be determined by appraisal as hereinafter provided. The purchase and sale of the rights and interests subject to the Option, shall be consummated within thirty (30) days of the date of the determination of the fair market value, or such later date as the parties may agree in writing, by the delivery to Optionee of a Quitclaim Deed duly executed and acknowledged by Grantee, of all of Grantee's right, title and interest in the Property or portion thereof subject to the exercise of the Option, and the delivery to Grantee of the purchase price, in cash. Property taxes shall be prorated between Grantee and Optionee as of the date the Quitclaim Deed is recorded.

In the event the parties are unable to agree upon the fair market value of the interests subject to the exercise of the Option within thirty (30) days of Optionee's notice of exercise, Optionee shall appoint a disinterested appraiser with not less than ten (10) years experience appraising rights and interests of the nature of the rights and interests subject to the Option in the State of California to determine the fair market value as to which the parties are unable to agree. If Grantee does not accept the appraisal delivered by the appraiser so appointed by Optionee, Grantee may request a second appraisal by appointing a second appraiser with not less than ten (10) years experience in appraising rights and interests of the nature of the rights and interests subject to the Option in the State of California within thirty (30) days of receipt of the first appraisal, which second appraiser shall deliver an appraisal within sixty (60) days of such appointment. If the amount of the two appraisals does not differ by more than 5% of the highest appraised amount, the fair market value shall be the average of the two appraisals. If the amount of the second appraisal differs from the amount of the first appraisal by more than 5% of the highest appraised amount, the two appraisers shall appoint a third appraiser, similarly qualified, who shall deliver an appraisal within sixty (60) days of this appointment. The average of the two (2) closest appraisals shall be the fair market value.

8. Arbitration. Any dispute regarding the interpretation or enforcement of any provision of this Deed shall be settled by arbitration in the county in which the Property or any portion of the Property is located. Except as otherwise provided with respect to the selection and number of arbitrators, said arbitration shall be conducted in accordance with the Rules of Commercial Arbitration of the American Arbitration Association or its successor, provided that the parties shall have the

rights of discovery provided under the provisions of California Code of Civil Procedure section 1283.05, or any successor or amended statute or law containing similar provisions. Each party shall appoint one arbitrator and notify the other party of such appointment. Promptly after their appointment, the arbitrators shall meet and shall attempt to resolve the dispute, controversy or claim submitted to arbitration hereunder. In the event that the arbitrators are not able to agree upon a resolution of the matter submitted to arbitration, the arbitrators shall agree upon and appoint a third arbitrator and each arbitrator shall submit to the third arbitrator in writing his or her proposed determination of such matter. The third arbitrator shall review the matter submitted to arbitration and each party shall be entitled to present evidence which respect to its position to the third arbitrator. At the request of any party to the arbitration proceeding, the third arbitrator shall conduct a hearing at which all parties may present evidence supporting the proposed determination of their respective arbitrators. The third arbitrator shall resolve the matter by choosing the proposed determination that most closely corresponds to the determination that the third arbitrator would have made if he or she were to have determined the matter independently. The party whose arbitrator's determination is so chosen shall be deemed to be the prevailing party in such arbitration. The expenses of arbitration shall be borne equally by the parties, provided that each party shall be responsible for the fees and expenses of its own experts, evidence and attorneys; provided, however, that if the final determination is made by a third arbitrator, the expenses and fees of the third arbitrator shall be paid by the non-prevailing party and the third arbitrator may, in his discretion, require the non-prevailing party to pay the attorneys' and experts' fees of the prevailing party. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Quitclaim Deed on the 6th day of January, 1988.

GRANTOR:

SANTA FE PACIFIC TIMBER COMPANY

BY: [Signature]

TITLE: President

ATTEST:
03679

[Signature]
VICE PRESIDENT & CORPORATE SECRETARY

GRANTEE:

SOUTHERN PACIFIC LAND
COMPANY

BY: [Signature]

TITLE: Director, Property Sales

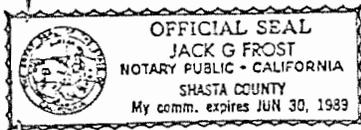
Attest: [Signature]

Assistant Secretary

121

STATE OF CALIFORNIA
COUNTY OF Shasta

SS.



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Cowdery's Form No. 28 — Acknowledgement to Notary Public — Corporation (C. C. Secs. 1190-1190.1) — (Rev. 1/83)

On this 6th day of January, in the year 1988, before me, _____, a Notary Public, State of California, duly licensed and sworn, personally appeared W. F. Herbert

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President or on behalf of the corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

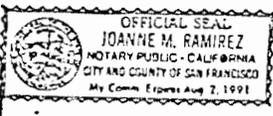
IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the _____ County of Shasta on the date set forth above in this certificate.

Jack G. Frost
Notary Public, State of California
My commission expires June 30, 1989

STATE OF CALIFORNIA
City and County of San Francisco

SS.

On this 8th day of January, in the year One Thousand Nine Hundred and Eighty 8 before me, JOANNE M. RAMIREZ, a Notary Public in and for the City and County of San Francisco, State of California, personally appeared



R. A. Balkman
personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as the Executive Director President and personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as the

M. E. Howard Secretary or on behalf of the Corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.
WITNESS my hand and official seal.

Joanne M. Ramirez
Notary Public in and for the City and County of San Francisco, State of California.

Corporation
My commission expires on August 2, 1991.

EXHIBIT A

SIERRA COUNTY

MOUNT DIABLO MERIDIAN

SEC-TWP-RGE

PARCEL
DESCRIPTION

8-130-10

25-20N-12E

ALL, EXCEPT N1/2 OF NW1/4 OF NW1/4, SW1/4 OF
SE1/4 OF NW1/4, AND NW1/4 OF NE1/4 OF SW1/4

35-20N-12E

N1/2 AND SE1/4

8-130-12

EXHIBIT "B"

to Quitclaim Deed

Dated January 6, 1988

There is no map as contemplated by paragraph 2(a) of the Quitclaim Deed to which this Exhibit "B" is attached at this time. Upon the delineation of each specific Project site for the development of hydroelectric rights and facilities, as determined by Grantee, Grantor shall provide a map which will show specific Timber Site Classifications for the acreage identified by Grantee. The method to be used for determining the Timber Site Classifications shall be as set forth in A site classification for the mixed-conifer selection forests of the Sierra Nevada, by Duncan Dunning, USDA Forest Service, California Forest and Range Experiment Station, 1942. References to Exhibit "B" in the Quitclaim Deed to which this Exhibit "B" is attached shall be deemed to refer to this Exhibit "B" and to each map prepared as provided above.

97280

OFFICIAL RECORDS
RECORDING REQUESTED
BY: *Santa Fe Pacific Timber Co*
88 JAN 14 PM 2:51
SIERRA COUNTY, CA
SANDRA LOVING, RECORDER
VOL 121 PG. 119 FEE 21.00

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