

November 2, 2017

**RECORDING REQUESTED BY AND WHEN
RECORDED RETURN TO:**

Climate Action Reserve
818 West 7th Street, Suite 710
Los Angeles, CA 90017
Attn: [tbd]

(Space above this line reserved for Recorder's use.)

RESTRICTIVE COVENANT AND PROJECT IMPLEMENTATION AGREEMENT

PROJECT IMPLEMENTATION AGREEMENT

This Project Implementation Agreement (this “Agreement”) is entered into as of [_____, 20__], by and between the Climate Action Reserve, a California nonprofit public benefit corporation (“Reserve”) [and] [_____, a _____ [and _____, a _____]] ([collectively,] the “Project Owner”), and [_____, a _____] in connection with [insert project name and CAR project number] (“Grassland Project”), located in [insert name of county(ies), state of project].¹ The Reserve, Project Owner and [Grassland Owner]² shall hereinafter be referred to each as a “Party” and, collectively, as the “Parties.”

RECITALS

A. The Reserve is a nonprofit organization that establishes standards for the: (i) development and implementation of projects that seek to reduce and sequester greenhouse gas (“GHG”) emissions on certain properties (“GHG Reduction Projects”), (ii) calculation of the quantity of net GHG emission sequestration and reduction produced by GHG Reduction Projects to be registered with the Reserve and (iii) verification of the quantity of net GHG emission sequestration and reduction produced by GHG Reduction Projects already registered with the Reserve. The Reserve also issues carbon offset credits known as Climate Reserve Tonnes (“CRTs”), as defined in the Grassland Project Protocol (defined below), to GHG Reduction Projects registered with the Reserve. In addition, the Reserve tracks the use and transfer of CRTs over time in a transparent, publicly accessible online tracking system.

B. The Reserve has established the Grassland Project Protocol to ensure that Avoided Grassland Conversion projects, as further described in the Grassland Project Protocol, registered with the Reserve shall result in a net reduction of GHG emissions throughout the entire Term (defined below) and any extensions thereof.

C. [Grassland Owner is, [or Grassland Owners collectively are], the sole owner in fee simple absolute of that certain real property described in Exhibit A attached hereto, including, without limitation, [and except as set forth within this Recital C below,]³ the Carbon Stock on said property (the “Property”), and said Property, which if approved by the Reserve in its sole discretion, may constitute all or a portion of a legal parcel of land, is not subject to or encumbered by any lease, license, profit, security interest (other than a security interest held by a third-party mortgagee in connection with Qualified Financing), covenant, restriction, condition, or possessory or usufructuary interest or right in the Land (collectively, a “Property Interest”).⁴ [Project Owner holds legal title to and all beneficial ownership rights and interest in all GHG Reduction Rights created by the emissions reductions achieved by the Grassland Project, as more specifically provided for in the GHG Reduction Rights Contract between Project Owner, Grassland Owner, and, if applicable, Easement Holder, which form of GHG Reduction Rights Contract is attached hereto as Exhibit B.]⁵ [Grassland Owner has elected to act as the Project Owner in connection with the Grassland Project, including, without limitation, completing and submitting a Grassland Monitoring Plan and retaining title to and all beneficial ownership rights and interest in all GHG Reduction Rights created by

¹ [All footnotes, except footnote 3 (relating to CARB’s cap-and-trade program as an approved Regulatory Program), to be deleted before execution.] [Note: Insert relevant provisions of Section 2.3 of the Grasslands Protocol for explanatory purposes of who may be a Project Developer; revise as appropriate.]

² Select applicable party.

³ Remove this clause if the Grassland Owner holds legal title to the GHG Reduction Rights.

⁴ [Note: this provision may need to be modified, depending on nature of ownership rights of Grassland Owner. See Section 2.3 of the Grassland Project Protocol and cut and paste relevant portions of that section here for explanatory purposes. Revise the language above if appropriate. Only the property that is subject to this Agreement will be described in Exhibit A.]

⁵ Remove this clause if the Grassland Owner holds legal title to the GHG Reduction Rights.

the emissions reductions achieved by the Grassland Project. Therefore, as required by the context, references to Project Owner within this Agreement shall refer to Grassland Owner, acting in its capacity as Project Owner.]⁶

D. This Agreement sets forth certain liabilities, obligations and restrictions relating to the Grassland Project and the Property to (i) ensure that the Grassland Project results in a net reduction of GHG emissions as compared to the Baseline of the Property throughout the entire Term (and any extensions thereof) and (ii) remains in compliance with the Grassland Project Protocol and this Agreement for the entire Term (and any extensions thereof).

E. This Agreement shall bind the Parties hereto and their successors, successors in interest, and assigns and any other Party holding a Property Interest.

F. Project Owner has completed and submitted to the Reserve that certain Grassland Project Monitoring Plan attached hereto as Exhibit C and incorporated herein by reference (the “Grassland Project Monitoring Plan”), and the Grassland Project Monitoring Plan has been approved by Parties.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants, terms, conditions, and restrictions contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Project Owner hereby voluntarily agrees to enter into this Agreement and the Parties hereby agree as follows:

1. **Defined Terms.** In addition to the terms that may be defined elsewhere in this Agreement, the following terms when used in this Agreement shall be defined as follows:
 - (a) “Arbitration Costs” has the meaning ascribed to such term in Section 14.
 - (b) “Assignee” has the meaning ascribed to such term in Section 7(a)(1).
 - (c) “Assignment and Assumption Agreement” has the meaning ascribed to such term in Section 7(a)(2).
 - (d) “Avoidable Reversal” has the meaning ascribed to such term in Section 8(a).
 - (e) “Avoidable Reversal Notice” has the meaning ascribed to such term in Section 8(a)(1).
 - (f) “Baseline” is the baseline for this specific Grassland Project of Grassland Owner set forth in the Grassland Project Protocol, and subject to Section 18.
 - (g) “Breach Notice” has the meaning ascribed to such term in Section 9(a).
 - (h) “Carbon Stocks” are the quantity of carbon stored on or in the Property and on or in organic materials located on or in the Property, as set forth in the Grassland Project Protocol, which quantity has been and shall continue to be determined, monitored and verified in accordance with the Grassland Project Protocol and denominated in metric tonnes of carbon dioxide.

⁶ Use this clause if the Grassland Owner will act as project developer and retains title to the GG Reduction Rights.

- (i) “CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 *et seq.*
- (j) “CRT Costs” has the meaning ascribed to such term in Section 9(b).
- (k) “CRTs” has the meaning ascribed to such term in the Recitals.
- (l) “Damages” has the meaning ascribed to such term in Section 16.
- (m) “Dispute” has the meaning ascribed to such term in Section 14.
- (n) “Easement Holder” means that certain qualified land conservation organization or government agency which is the grantee of the Qualified Conservation Easement.
- (o) “Effective Date” has the meaning ascribed to such term in Section 4.
- (p) “Eligible CRTs” are CRTs that are: (i) in Project Owner’s account with the Reserve immediately before the CRTs are Retired (as defined below); (ii) issued by the Reserve to any Avoided Grassland Conversion Project (each as further described in the Grassland Project Protocol) registered with the Reserve, or are Forest CRTs (but only in such circumstances under which the use of Forest CRTs is expressly allowed by the Grassland Project Protocol for this purpose); and (iii) Retired for the sole purpose of compensating the Reversal and not for any other purpose including, without limitation, for the purpose of offsetting the GHG emissions of third parties. Project Owner shall be required to purchase CRTs if Project Owner does not have a sufficient quantity of Eligible CRTs to fulfill Project Owner’s obligations to cause Eligible CRTs to be retired under this Agreement.
- (q) “Extended Term” has the meaning ascribed to such term in Section 5(b).
- (r) “Grassland Project” is the Avoided Grassland Conversion Project of Project Owner that is described in the approved Grassland Project Monitoring Plan.
- (s) “Grassland Project Monitoring Plan” has the meaning ascribed to such term in the Recitals.
- (t) “Grassland Project Protocol” means the Grassland Project Protocol [Insert applicable Protocol version here] incorporated herein by reference.
- (u) “GHG” has the meaning ascribed to such term in the Recitals.
- (v) “GHG Reduction Projects” has the meaning ascribed to such term in the Recitals.
- (w) “GHG Reduction Right” is an interest in the GHG emission reductions which are created as a result of the Project Activities occurring on the Property for the Term of this Agreement (and any extensions thereof). [Said rights may be more particularly described in a GHG Reduction Rights Contract.]⁸

⁸ Remove if Grassland Owner owns all GHG Reduction Rights

- (x) [“GHG Reduction Rights Contract” means that certain legally binding and enforceable contract by and between Grassland Owner, Project Owner and, if a Qualified Conservation Easement is recorded against the Property, Easement Holder, which form of contract is attached hereto as Exhibit B, and which shall provide that Project Owner owns and holds exclusive legal title and beneficial ownership rights to all GHG Reduction Rights which are created as a result of the Project Activities (defined below) occurring on the Property for the Term of this Agreement (and any extensions thereof) as well as any and all right, interest, credit, entitlement, benefit or allowance to emit (whether now or at any future point) arising therefrom, including, without limitation, the exclusive right to be issued carbon offset credits or Climate Reserve Tonnes (“CRTs”) by any third-party entity, such as the Climate Action Reserve. Said GHG Reduction Rights Contract may, but need not, also be included as an exhibit to the Qualified Conservation Easement.]⁹
- (y) “Indemnified Parties” mean the Reserve and its directors, officers, employees, agents, contractors and representatives.
- (z) “Indemnify” has the meaning ascribed to such term in Section 16.
- (aa) “Notice” has the meaning ascribed to such term in Section 12.
- (bb) “Person” means a natural person, individual, partnership, firm, association, corporation, limited liability company, trust and any other form of governmental or business entity or association.
- (cc) “Project Activities” means the act of preventing the emission of GHGs to the atmosphere (thereby achieving a permanent reduction of GHG emissions compared to the project Baseline) by avoiding crop cultivation of eligible grassland (as defined in the Grassland Project Protocol) either by (i) recording a Qualified Conservation Easement that ensures the Property will be maintained as grassland for the protection of Carbon Stocks, or (ii) transferring all of Grassland Owner’s interest in the Property to the Federal Government so as to ensure that the Property will be maintained as grassland for the protection of Carbon Stocks.
- (dd) “Project Owner” has the meaning ascribed to such term in the Recitals.
- (ee) “Project Owner Breach” has the meaning ascribed to such term in Section 9(a).
- (ff) The “Property” has the meaning ascribed to such term in the Recitals.
- (gg) “Qualified Conservation Easement” means a limitation in the form of a restriction, easement, covenant or condition which has been executed by the Grassland Owner or the Grassland Owner’s duly appointed representative, has been recorded in the Official Records of the County in which the Property is located, and is binding on all heirs, successors, and assigns of Grassland Owner and requires the Property to be retained and managed for the entire Term (and any extensions thereof) in a manner that is fully consistent with the Grassland Project Protocols, this Agreement (which Agreement may be attached to and incorporated into the Qualified Conservation Easement by reference),

⁹ Remove if Grassland Owner holds title to the GHG Reduction rights.

and Project Activities, including, without limitation, a prohibition of (i) the conversion of the Property from grassland to any other use, and (ii) all Avoidable Reversals.

- (hh) “Qualified Financing” means third-party financing of all or any portion of the Property that is secured in whole or in part by a first-priority deed of trust or mortgage.
- (ii) “Regulatory Program” has the meaning ascribed to such term in Section 4(c).
- (jj) “Reversible Emission Reductions” means quantified emission reductions from the avoided emission of carbon that is stored in either soil or biomass within the Property. Such emission reductions are considered reversible until the completion of the permanence obligations as described in Section 3.5 of the Grassland Project Protocol.
- (kk) “Reserve Tracking System” means the Reserve’s online system that tracks the status of projects registered with the Reserve.
- (ll) To “Retire” a quantity of CRTs (which quantity shall be determined in accordance with this Agreement and the Grassland Project Protocol) means to transfer a quantity of CRTs into an account, which is designated by the Reserve and dedicated to retiring CRTs, such that, after the transfer, neither Grassland Owner nor Project Owner hold any ownership rights, including, but not limited, to rights to transfer, convey or otherwise control the transferred CRTs.
- (mm) A “Reversal” exists if the Reserve determines that some or all of the Property has experienced a significant disturbance, including, without limitation, digging or tilling.
- (nn) “Reversible Reductions” are reductions in GHG emissions quantified by the Grassland Project Protocol related to organic carbon that is stored in soil or biomass on the Project Area
- (oo) “Term” has the meaning ascribed to such term in Section 4.
- (pp) “Termination Notice” has the meaning ascribed to such term in Section 4(b).
- (qq) “Total CRTs Issued for Reversible Emission Reductions” has the meaning ascribed to such term in Section 4(b)(1).
- (rr) “Transfer” has the meaning ascribed to such term in Section 7(a).
- (ss) “Unavoidable Reversal” has the meaning ascribed to such term in Section 8(b).

2. **Obligations.** Project Owner shall: (i) fulfill all Project Owner covenants, obligations, duties and responsibilities in both this Agreement and the Grassland Project Protocol; (ii) ensure that use of and activity on the Property and the Grassland Project complies with this Agreement, the Qualified Conservation Easement, and the Grassland Project Protocol; and (iii) prevent any activity on or use of the Property that violates any aspect of the Grassland Project Protocol.

Grassland Owner shall fulfill all Grassland Owner covenants, obligations, duties and responsibilities in this Restrictive Covenant and Agreement; ensure that the use of and activity on the Property complies with this Restrictive Covenant and Agreement; not use or permit any other Person to use any portion of the Property in violation of this Restrictive Covenant and Agreement;

and prevent any activity on the Property that violates any aspect of this Restrictive Covenant and Agreement.

3. **Issuance of CRTs.** The Reserve shall issue CRTs to Project Owner in amounts to be determined by the Reserve, in its reasonable discretion, based on the determination of the Reserve-approved verification body in accordance with the Grassland Project Protocol, at which time the Project Owner shall have the right to control said CRTs. Nothing in this Section 3 shall be construed or interpreted as giving Project Owner or Grassland Owner any right to ongoing CRTs or obligating the Reserve to issue CRTs to the Grassland Project or Project Owner in the future. Due to technical limitations of the Reserve Tracking System, CRTs may pass through the account of another account holder before reaching the account of the Project Owner. This procedure does not imply any ownership of the CRTs by an account holder other than the Project Owner.
4. **Term.** This Agreement shall be effective as of the date hereof (the “Effective Date”) and shall continue in full force and effect until that date which is one-hundred (100) years following the Effective Date (the “Term”); *provided, however*, that this Agreement shall terminate prior to the end of the Term, subject to Section 18, if the requirements of subsection 4(a), 4(b), 4(c), or 4(d) below are satisfied, in which case the Parties shall execute and record a memorandum of termination indicating that this Agreement has been terminated; *and provided further* that the term may be extended as set forth in Section 5(b). This Agreement shall terminate if any of the following occur:
 - (a) The Reserve determines that: (i) an Unavoidable Reversal has occurred, (ii) as a result of the Unavoidable Reversal, the Reserve has Retired a certain quantity of CRTs from the Buffer Pool (as defined in the Grassland Project Protocol) pursuant to Section 10(b) and (iii) the Project Owner determines that the area unaffected by the Unavoidable Reversal is too small to constitute a Grassland Project (in which case subsection 4(b) applies to the area unaffected by the Unavoidable Reversal).
 - (b) Project Owner provides the Reserve with sixty (60) days' notice of Project Owner's intent to terminate this Agreement (“Termination Notice”), and Retires a quantity of Eligible CRTs equal to the total number of CRTs issued by the Reserve to the Grassland Project and relating to Reversible Reductions on the area of the project impacted by the reversal (“Total CRTs Issued for Reversible Emission Reductions”) at any point following the Effective Date of this Agreement.
 - (c) Project Owner provides Reserve with a Termination Notice and each of the following requirements are satisfied as a condition precedent to the effectiveness of the termination of this Agreement, as determined by the Reserve in its reasonable discretion: (1) Grassland Owner and/or Project Owner has registered with and covenants to participate in a federal or state regulatory program which primarily aims to offset GHG emissions (the “Regulatory Program”) ¹¹; (2) the Regulatory Program has similar goals to those of the Grassland Project Protocol, applies stringent standards and methodologies, and recognizes or otherwise accounts for CRTs issued by the Reserve to avoid double counting; and (3) Project Owner transfers over all CRTs issued in connection with the Grassland Project to the Regulatory Program, or alternately, the Regulatory Program agrees to assume liability for enforcing the permanence of all CRTs related to Reversible Emission Reductions that

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The California Air Resources Board's cap-and-trade program, established pursuant to AB 32, is an approved Regulatory Program for purposes of satisfying this Section 4(c).

are not transferred over to the Regulatory Program. Project Owner may choose to cancel CRTs that are not eligible for transfer to the Regulatory Program in order to comply with this Section 4(c)(3), provided the CRTs have not been retired and are in Project Owner's account at the time of cancellation.

- (d) Project Owner provides Reserve with a Termination Notice and each of the following requirements are satisfied as a condition precedent to the effectiveness of the termination of this Agreement, as determined by the Reserve in its reasonable discretion: (1) No CRTs issued by the Reserve in connection with the Grassland Project have been transacted or retired; (2) Project Owner pays any and all outstanding Reserve Account Holder fees, including CRT issuance fees at the prevailing rate as of the time of payment. Issuance fees shall be paid at the time of Grassland Project registration and subsequent issuance fees shall be paid upon Reserve approval of subsequent verifications that result in the issuance of credits; and (3) Project Owner exercises the cancellation option provided by this Section 4(d) within three years of Grassland Project registration. Upon successful termination pursuant to this Section 4(d), the Reserve shall cancel all CRTs issued in connection with the Grassland Project.

5. **Limitation on Termination and Term Extension.**

- (a) Except as provided in Section 8, no Project Owner Breach shall give Project Owner the right to cancel, rescind, or otherwise terminate this Agreement or the Grassland Project Protocol before the end of the Term (and any extensions thereof). Notwithstanding the immediately preceding sentence, nothing herein shall limit the Reserve's right to terminate, cancel, rescind or otherwise terminate this Agreement subject to the terms of this Agreement and the Grassland Project Protocol.
- (b) At any time after the Effective Date, if the Reserve issues CRTs in accordance with Section 3, then the Term of this Agreement shall be automatically extended until that date which is (100) years from the date of issuance of such additional CRTs (the "Extended Term"); *provided, however*, that in no event shall the Term, combined with all Extended Terms, continue later than that date which is one-hundred and fifty (150) years after the Effective Date. Following any extension of the Term as provided in this Section 5(b), at the request of either Party to this Agreement, the Parties shall execute and record a memorandum of such extension of the Term of this Agreement in accordance with Section 20.

- 6. **Monitoring Rights of the Reserve.** The Reserve and its agents shall have the right to request any and all data and documentation related to monitoring of the Grassland Project and provisions of the Grassland Project Protocol. The Reserve and its agents shall also have the right to obtain and/or generate monitoring data related to the provisions of the Grassland Project Protocol from sources other than the Grassland Owner and Project Owner, if any. If physical access to the Property is requested by the Reserve or its agents, Grassland Owner shall grant such access provided that: i) the Reserve gives no less than fifteen (15) business days' advance written notice to Grassland Owner, (ii) the Reserve adheres to reasonable health and safety practices while on the Property and (iii) the Reserve provides Grassland Owner with proof of insurance, which shows that the Reserve is insured for damage the Reserve may cause due to the Reserve's negligence or gross negligence, up to the Reserve's maximum insurance policy coverage.¹²

¹² NTD: Please confirm whether you are ok with this access right. It conforms more closely to the Forest Project protocol.

7. **Transfer of GHG Reduction Rights.** This Agreement shall be binding upon the Parties hereto and their successors, successors in interest, assigns and any other party holding, acquiring, or owning a GHG Reduction Right. Where the Grassland Owner holds title to the GHG Reduction Rights, any transfer of either a fee simple interest in the Property or an interest in the soil carbon located on the Property shall be deemed a transfer of GHG Reduction Rights; *provided, however*, that no security interest held by a third-party mortgagee in connection with Qualified Financing will constitute a “Property Interest” hereunder.

Any assignment and assumption of this Agreement in violation of this Section 7 shall be void, shall constitute a Breach pursuant to Section 9 of this Agreement.

- (a) **Assignment and Assumption.** Project Owner shall not, directly or indirectly, transfer, assign, delegate or convey (collectively, “Transfer”) any GHG Reduction Right unless the:
- (1) Third party obtaining a GHG Reduction Right (the “Assignee”) agrees to assume and be bound by this Agreement and the Grassland Project Protocol unconditionally without modification or amendment, unless the Reserve, in its sole and absolute discretion, agrees in writing to a modification or amendment;
 - (2) Project Owner and Assignee both duly execute the Assignment and Assumption Agreement in the form attached hereto as Exhibit D (the “Assignment and Assumption Agreement”) prior to any Transfer of any GHG Reduction Right;
 - (3) Project Owner ensures that a fully executed copy of the Assignment and Assumption Agreement is recorded in the office of the recorder of each county in which the Property is located within two (2) business days of the Transfer of any Property Interest;
 - (4) Assignee meets the requirements of Section 2.3.2 of the Grassland Project Protocol [including the execution of a GHG Reduction Rights Contract, whose parties include the Grassland Owner and the holder of the conservation easement which binds the Property]¹³; and
 - (5) Project Owner delivers a copy of the fully executed and recorded Assignment and Assumption Agreement to the Reserve within fifteen (15) days after its recordation pursuant to subparagraph (4) above.
- (b) **Release.** Provided that Project Owner Transfers a GHG Reduction Right in compliance with subpart (a), above, Project Owner shall be released from this Agreement at such time as Reserve provides its written consent, which consent shall not be unreasonably withheld. Notwithstanding any consent by the Reserve that releases Project Owner from this Agreement, Project Owner shall remain obligated to the Reserve, and liable for, all Grassland Owner and/or Project Owner Breaches that arose during the time that Project Owner held a GHG Reduction Right. Such release of the Project Owner shall not be construed as releasing Grassland Owner, in its capacity as Grassland Owner, from being released from its obligation to comply with the terms of the Restrictive Covenant, nor shall it be construed as a termination of the restrictions on the land contained within the Restrictive Covenant.

¹³ Delete if the Grassland Owner holds the GHG Reduction Rights.

- (c) Copies. Project Owner shall provide the Assignee with copies of the Grassland Project Protocol, this Agreement and all exhibits attached hereto and any amendments thereto prior to execution of the Assignment and Assumption Agreement. Assignee shall be deemed to have received the Grassland Project Protocol, this Agreement and all exhibits attached hereto, and any amendments thereof, in accordance with the notice provisions in Section 14 of this Agreement.
 - (d) Partial Transfers of the GHG Reduction Rights. This Section 7 shall apply if either a Project Owner or Grassland Owner Transfers GHG Reduction Rights relating to all, or any portion, of the Property. If Grassland Owner or Project Owner Transfers a GHG Reduction Right in only a portion of the Property, this Section 7 shall apply to only the GHG Reduction Right relating to the portion of the GHG Reduction Right being Transferred. Notwithstanding any provision to the contrary contained herein, if such Partial Transfer of the GHG Reduction Rights occurs without the Reserve's prior consent, the Reserve shall have the right, in its reasonable discretion, to terminate this Agreement. In the case of such termination, Project Owner shall Retire Eligible CRTs pursuant to the procedures provided by Section 4(b).
 - (e) The sale, transfer, or retirement of CRTs after registration shall not be construed as a Transfer of GHG Reduction Rights.
 - (f) Incorporation into Deeds, Leases and Subleases. Grassland Owner shall ensure that all future deeds, mortgages, leases, subleases and other instruments or encumbrances which may Transfer a Property Interest to another party: (i) incorporate by reference this Agreement and the Grassland Project Protocol and (ii) specifically state that the Property Interest thereby Transferred is subject to this Agreement and the Grassland Project Protocol.
 - (g) Assignee Deemed a Project Owner After Transfer. Once a GHG Reduction Right has been Transferred, the Assignee shall be deemed to be a "Project Owner" under this Agreement and require any future party holding, owning or acquiring a GHG Reduction Right to assume this Agreement in accordance with this Section 7.
8. **Obligations of Project Owner Upon a Reversal.** Pursuant to the Grassland Project Protocol, Project Owner shall notify the Reserve of any event that may constitute a Reversal. The Project Owner shall notify the Reserve in writing not more than thirty (30) days after the Project Owner first discovers or reasonably should have discovered event(s) that may constitute an Avoidable Reversal. The Project Owner shall notify the Reserve in writing not more than one-hundred-and-eighty (180) days after the Project Owner knows or reasonably should have known of event(s) that may constitute an Unavoidable Reversal, which notice shall include (i) an explanation of the nature of the unavoidable reversal, (ii) a map, of a scale and detail reasonably acceptable to the Reserve, delineating the affected areas and (iii) a calculation of the quantity of Reversible Reductions related to the area affected by the Reversal for which CRTs have been issued, pursuant to Equation 5.14 of the Grassland Project Protocol. As set forth below, the final determination as to whether a Reversal has occurred shall be made by the Reserve.
- (a) Avoidable Reversals. If the Reserve determines that a Reversal has occurred due to any one or more of the following occurrences: (i) the Project Owner voluntarily terminates the project prior to the end of the Term, including any extension thereof; (ii) the Project Owner ceases to timely perform all required monitoring and verification for a period longer than thirty (30) days after such monitoring and verification was required to be completed; (iii)

any activity occurs within the Property that leads to a significant disruption of soil carbon, including, without limitation, cropping activities (the conversion to crop land), eminent domain, mining or drilling activities, or installation of wind turbines; (iv) a natural disturbance occurs to the soil carbon within the Property that the Reserve reasonably determines to have been caused or made worse by the Grassland Owner's or Project Owner's negligence, gross negligence, willful act, or intentional mismanagement of the Property as grassland (each, an "Avoidable Reversal"), then:

- (1) the Reserve shall deliver written notice to Project Owner of the Avoidable Reversal ("Avoidable Reversal Notice"); and
 - (2) Project Owner shall: (i) within thirty (30) days of receiving the Avoidable Reversal Notice, provide a written description and explanation of the Reversal to the Reserve, which explanation shall include a map, of a scale and detail reasonably acceptable to the Reserve, delineating the affected areas; and (ii) within one-hundred-and-twenty (120) days of receiving the Avoidable Reversal Notice, transfer a quantity of Eligible CRTs as calculated pursuant to Equation 5.14 of the Grassland Project Protocol, which Eligible CRTs shall then be Retired by the Reserve and shall be designated in the Reserve software as compensating for an Avoidable Reversal.
- (b) Unavoidable Reversals. If the Reserve determines that a Reversal has occurred that is not an Avoidable Reversal ("Unavoidable Reversal"), the Reserve shall Retire a quantity of CRTs from the Reserve's Buffer Pool (as described in the Grassland Project Protocol) as calculated pursuant to Equation 5.14 of the Grassland Project Protocol.

9. **Remedies.**

- (a) If the Reserve determines that Grassland Owner or Project Owner has breached or violated this Agreement, including any obligation or covenant contained herein ("Project Owner Breach"), the Reserve shall deliver written notice to Project Owner of the Breach ("Breach Notice"). If Project Owner fails to cure the Breach within sixty (60) days of receiving the Breach Notice, the:
- (1) Reserve may (but shall not be obligated to): (i) place a notice of breach with respect to the Grassland Project, Property and Project Owner on the Reserve Tracking System, (ii) freeze any activity of Grassland Owner or Project Owner on the Reserve Tracking System that relates to the Grassland Project and Property, including, without limitation, the transfer of CRTs, (iii) require Project Owner to cease and desist from the activity, use or alteration to the Property that gives rise to the Breach and/or (iv) remove the Grassland Project from the Reserve Tracking System.
 - (2) Project Owner shall: (i) within ninety (90) days of receipt of the Breach Notice, provide a written description and explanation of the Breach to the Reserve and (ii) within one-hundred-and-twenty (120) days of receiving the Breach Notice, Retire a quantity of Eligible CRTs equal to the Total CRTs Issued for Reversible Emission Reductions.
- (b) The Parties agree that the Reserve will suffer damages in the event of Grassland Owner or Project Owner's Breach or a termination of this Agreement by Project Owner pursuant to

Section 4(b). Although the amount of such damages is extremely difficult or impossible to determine, the Parties agree that the cost of the CRTs Project Owner shall Retire pursuant to Section 4(b) or this Section 9 (the “CRT Costs”) is a reasonable estimate of the Reserve's loss in the event of Grassland Owner or Project Owner's Breach or termination of this Agreement by Grassland Owner or Project Owner pursuant to Section 4(b). Thus, the Reserve and Project Owner agree that the CRT Costs shall be liquidated damages but not a penalty. In no event shall this Section limit the Reserve's rights against Project Owner as set forth in this Agreement and the Grassland Project Protocol.

The Reserve and Project Owner acknowledge that they have read and understood the provisions of the foregoing liquidated damages provision and by their signatures immediately below agree to be bound by its terms. THE PROVISIONS OF THIS SECTION 9(b) ARE INTENDED BY THE PARTIES TO COMPLY WITH THE STATUTORY REQUIREMENTS SET FORTH IN CALIFORNIA CIVIL CODE SECTION 1671.

CLIMATE ACTION RESERVE

[INSERT PROJECT OWNER]

By: _____
Name: Craig Ebert
Title: President

By: _____
Name: [insert name of signatory]
Title: [insert title of signatory]

- (c) Any failure, delay or election not to act by either Party shall not be deemed to be a waiver or a forfeiture of any right or remedy on the part of the non-acting Party with respect to this Agreement.
- (d) Without limiting any of the Reserve's remedies set forth in this Section 9 and subject to Section 14 the Reserve shall have the right to seek any and all remedies: (i) available, including those remedies at law or in equity, for any breach of this Agreement or the Grassland Project Protocol and (ii) set forth in this Agreement or the Grassland Project Protocol.

10. **Representations, Warranties and Covenants.**

- (a) As of the Effective Date, and continuing thereafter for the Term of this Agreement, including any extensions thereof, Project Owner does hereby represent and warrant that:
 - (1) All reports, statements, certificates and other data, including, without limitation, the Grassland Project Monitoring Plan, provided by and on Project Owner to the Reserve in connection with the Grassland Project Protocol, this Agreement, the Property and the Grassland Project are true, correct and complete;
 - (2) [Grassland Owner is the sole owner in fee simple of the Property;]¹⁵

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[Note: Provision may need to be modified depending on nature of ownership rights of Grassland Owner. See footnote 1. Delete this footnote when language in document is updated.]

- (3) Project Owner owns and holds all right, title and interest in and to the GHG Reduction Rights created as a result of the Project Activities occurring on the Property [as set forth in a GHG Reduction Rights Contract]¹⁶;
- (4) Project Owner owns and holds all right, title and interest in and to the Grassland Project;
- (5) Grassland Project is located completely within the boundaries of the Property;
- (6) The execution and recordation of this Agreement by Project Owner and Grassland Owner and any consummation by Grassland Owner and Project Owner of the transactions contemplated hereby will not (i) violate any judgment, order, injunction, decree, regulation or ruling of any court or governmental entity or (ii) conflict with, result in a breach of, or constitute a default under the organizational documents of Grassland Owner and/or Project Owner, any note or other evidence of indebtedness, any mortgage, deed of trust or indenture, or any lease or other material agreement or instrument to which Grassland Owner and/or Project Owner is/are a party or by which Grassland Owner and/or Project Owner or the Property may be bound;
- (7) The signatories of this Agreement have the authority to execute this Agreement on behalf of Grassland Owner and Project Owner, respectively, and this Agreement and the Grassland Project Protocol are binding on and enforceable against Grassland Owner and Project Owner;
- (8) Grassland Owner and/or Project Owner has not registered any portion of the Property, the Grassland Project, or any enterprise on the Property that is similar to the Grassland Project simultaneously with the Reserve and another entity or organization that tracks credits, benefits, emissions reductions, offsets and allowances attributable to the sequestration and reduction of carbon dioxide and GHGs;
- (9) Grassland Owner and Project Owner have all corporate and other authority and all regulatory and other consents, approvals and authorizations necessary for it to legally: (i) enter into and perform the obligations, duties and responsibilities of this Agreement and (ii) engage in all activity, including, without limitation, the creation and transfer of CRTs, relating to this Agreement and the Grassland Project Protocol;
- (10) If Grassland Owner and/or Project Owner is / are not a natural person, Grassland Owner and/or Project Owner is / are duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and is qualified to do business in the state in which the Property is located; and
- (11) The legal description provided by the Grassland Owner and Project Owner and attached hereto as Exhibit A is a complete and accurate description of the Property which is the subject of the Grassland Project Monitoring Report and this Agreement.

¹⁶ Delete if the Grassland Owner retains the GHG Reduction Rights.

- (b) For the Duration of the Term, Grassland Owner and Project Owner do hereby covenant to and with the Reserve that:
- (1) Grassland Owner and Project Owner shall transfer, hold and retire CRTs for the Grassland Project only in accordance with the Reserve's Terms of Use and Program Manual, each as they may be amended from time to time;
 - (2) Grassland Owner and Project Owner shall not register any portion of the Property, the Grassland Project, or any enterprise on the Property that is similar to the Grassland Project simultaneously with the Reserve and another entity or organization that tracks credits, benefits, emissions reductions, offsets and allowances attributable to the sequestration and reduction of carbon dioxide and GHGs; and
 - (3) All reports, statements, certificates representations and warranties and other data, including, without limitation the annual reporting documents, provided by and on behalf of Grassland Owner and/or Project Owner to the Reserve in connection with the Grassland Project Protocol, this Agreement, the Property and the Grassland Project shall be true, correct and complete.
11. **Conservation Easements Permitted.** Nothing in this Agreement shall prevent Grassland Owner from encumbering the Property with a subsequent conservation easement pursuant to California Civil Code Sections 815 *et seq.* or other similar statutory scheme, provided that any changes to ownership of the GHG reductions related to the Grassland Project are in accordance with Section 7 of this Agreement.
12. **Notices.** All notices, instructions, requests, or other communications required or permitted under this Agreement or the Grassland Project Protocol ("Notice") shall be in writing and sent by (i) certified or registered mail, return receipt requested, postage prepaid, (ii) overnight delivery service or (iii) personal delivery addressed as follows:
- | | |
|------------------------|---|
| If to the Reserve: | Climate Action Reserve
818 W. Seventh Street, Suite 710
Los Angeles, CA 90017
Attn: Craig Ebert, President |
| If to Project Owner: | [insert mailing address of notifications] |
| If to Grassland Owner: | [insert mailing address of notifications] |

Any Notice shall be deemed received and effective at the following times: (i) on the fourth business day after mailing, (ii) on the first business day after delivery to the overnight delivery service and (iii) if personally delivered, upon delivery to the addressee. Notwithstanding the foregoing, whenever a Notice under this Agreement is received on a day that is not a business day or is required to be delivered on or before a specific day which is not a business day, the day of receipt or required delivery shall automatically be extended to the next business day. The Parties may change the addresses of notices, demands, requests, or other communications hereunder by giving notice pursuant to this Section 12.

13. **Costs.** Project Owner retains all duties, obligations and responsibilities and shall bear all liabilities and costs related to the ownership, operation, upkeep, and maintenance of the Grassland Project and performance of its obligations, duties and responsibilities under this Agreement.
14. **Dispute Resolution.** Any dispute regarding any aspect of this Agreement or the Grassland Project Protocol, any act or omission which allegedly has or will breach any provision of this Agreement or the Grassland Project Protocol, or any material breach of any law related to the Grassland Project activity (each a “Dispute”) shall be submitted to arbitration in Los Angeles, California, before an experienced arbitrator selected in accordance with the rules of the American Arbitration Association or its successor. The decision of the arbitrator shall be the exclusive remedy for any Dispute, final, conclusive and binding upon the Parties. The prevailing Party in such arbitration shall be entitled to recover its costs and expenses incurred as a result of such arbitration, including reasonable attorney fees, and any such costs and expenses shall be recoverable separately from and in addition to any other amount awarded through arbitration (“Arbitration Costs”). Should any Party to this Agreement pursue any Dispute by any method other than said arbitration in violation of Section 14, the responding Party shall be entitled to recover from the initiating Party all damages, costs, expenses and attorney fees incurred as a result of such action or proceeding.
15. **Attorney Fees.** If any action is brought by any party to this Agreement to enforce or interpret its terms or provisions or the terms or provisions of the Grassland Project Protocol, the prevailing party will be entitled to reasonable attorney fees and costs incurred in connection with such action regardless of whether the Parties enter arbitration pursuant to Section 14.
16. **Indemnity.** Project Owner shall indemnify, hold harmless and defend, using counsel appointed by the Reserve (collectively, “Indemnify”), the Indemnified Parties from and against all damages, liabilities, penalties, costs, losses, expenses, causes of action, claims, demands, or judgments, including, without limitation, reasonable attorney fees and legal costs (collectively, “Damages”), arising from or in any way connected with: (a) A breach of the terms of this Agreement by the Project Owner, (b) A breach by the Project Owner of a warranty made by the Project Owner in, or in any way connected to, this Agreement, (c) A representation made by the Project Owner in, or in any way connected to, this Agreement being untrue, incorrect, or incomplete, (d) An omission by the Project Owner, (e) for the avoidance of doubt, any untrue, incorrect, or incomplete statements contained in any one or more Attestations of Title, Attestations of Voluntary Implementation, and Attestations of Regulatory Compliance, (f) real or perceived violations of applicable laws and the Regulatory Compliance provisions set forth in the Grassland Project Protocol, and/or (g) any errors or omissions by the verifier; *provided, however*, that Project Owner shall not be obligated to Indemnify the Indemnified Parties for: (a) Arbitration Costs awarded to Project Owner upon Project Owner prevailing in arbitration pursuant to Section 14, (b) Damages caused by the Reserve and its agents entering the Property pursuant to Section 6, that are not due to Project Owner's negligence, gross negligence or willful misconduct and (c) Damages resulting from the Reserve's gross negligence or willful misconduct. This Section 16 shall survive the expiration or termination of this Agreement.
17. **Neither Grassland Owner nor Project Owner Hold Any Right to, Ownership of or Control over the Buffer Pool.** The Reserve holds all rights to, ownership of and control over the Buffer Pool. Notwithstanding any other terms in this Agreement or the Grassland Project Protocol, nothing in this Agreement or the Grassland Project Protocol shall give Project Owner any right to, ownership of or control over the Reserve's Buffer Pool.
18. **No Change to Grassland Project or Baseline.** Neither Grassland Owner nor Project Owner shall change, modify or revise the Grassland Project or Baseline in any way unless the Reserve consents

to such change, modification or revision. If the Reserve consents to modification or revision of the Grassland Project or Baseline, then the Grassland Project Monitoring Plan attached hereto as Exhibit C shall be updated and recorded in accordance with this Section 18.

19. **Governing Law.** This Agreement and the Grassland Project Protocol shall be governed and construed in accordance with the laws of the State of California without reference to any conflict of laws principles that would require the application of the laws of any other jurisdiction.
20. **Amendments.** This Agreement may not be amended, supplemented, or modified unless such amendment, supplement, or modification is in writing and signed by both the Parties hereto. Notwithstanding this provision, the Reserve may, in its sole discretion, update the Assignment and Assumption Agreement, attached hereto as Exhibit D, as it deems appropriate, without Project Owner's approval. For any CRTs issued in the future related to Reversible Emission Reductions, the Term of this Agreement may be extended in accordance with this Section 20. Project Owner shall record a memorandum of any such amendment in the office of the recorder of each county in which the Property or some portion thereof is situated within thirty (30) days of the date the amendment is fully executed, and Grassland Owner hereby consents to such recording.¹⁷
21. **Recordation.** Project Owner shall record this Agreement, and Grassland Owner hereby consents to same, in the office of the recorder of each county in which the Property or some portion thereof is situated within ten (10) days of the date this Agreement is fully executed.
22. **Severability.** If any portion of this Agreement or the Grassland Project Protocol, or the application thereof to any person or circumstance, is found invalid, the remainder of the provisions of this Agreement and the Grassland Project Protocol, or the application of such provisions to persons or circumstances other than those as to which it is found to be invalid shall not be affected.
23. **Incorporation of Recitals and Exhibits.** The Recitals stated in this Agreement are fully incorporated herein by this reference with the same force and effect as though restated herein. All exhibits attached hereto are deemed incorporated into this Agreement by reference.
24. **Captions.** The captions in this instrument have been inserted solely for convenience of reference and are not a part of this instrument and shall have no effect upon construction or interpretation.
25. **No Third-Party Beneficiaries.** This Agreement and the Grassland Project Protocol are for the sole and exclusive benefit of the Reserve, and its successors, successors in interest and assigns, and Grassland Owner and Project Owner, and its / their successors, successors in interest and assigns, and except as set forth in Section 16, no third party will have any rights under this Agreement or the Grassland Project Protocol.
26. **Definitions.** Any capitalized terms used herein, which are not defined herein, shall have the meanings for such terms as set forth in the Grassland Project Protocol.
27. **Terms of this Agreement Govern.** In the event that any definitions, terms and provisions in this Agreement conflict with the definitions, terms and provisions in the Grassland Project Protocol, the definitions, terms and provisions in this Agreement shall govern.

¹⁷ Ideally, all parties would consent to amendment each time.

28. **Entire Agreement.** This Agreement, including any exhibits attached hereto, and the Grassland Project Protocol, represent the entire agreement of the Parties with respect to the Property, Grassland Owner, Project Owner, Project, this Agreement and the Grassland Project Protocol and supersede any conflicting terms in any prior or contemporaneous oral or written agreements and all other communications.
29. **Successors and Assigns.** References to any natural person, governmental authority, publication, website, regulatory proceeding, corporation, partnership or other legal entity include its successors and lawful assigns.
30. **Binding on Successors and Runs with the Land.** Binding on Successors and Runs with the Land. This Agreement and the covenants, terms, conditions, restrictions, rights, and obligations created herein shall run with the land, shall constitute an equitable servitude and shall be binding upon, and inure to the benefit of the Parties hereto and their respective representatives, successors, and assigns, and on all Parties having or acquiring a Property Interest.
31. **Subordination.** [Grassland Owner shall ensure that any deed, mortgage, lien or other encumbrance on or affecting the Property that arises subsequent to the Effective Date shall be subordinate to this Agreement, unless the Grassland Owner makes an additional contribution to the Buffer Pool of 10% of baseline organic carbon emissions and, in consideration thereof, and in accordance with Section 5.4.3 of the Grassland Project Protocol, the Grassland Owner and the Reserve subsequently execute and record a "Subordination of Restrictive Covenant and Project Implementation Agreement" substantially in the form attached hereto as Exhibit E. Such contributions to the Buffer Pool as enumerated herein shall be in addition to the Buffer Pool contributions required by the Grassland Project Protocol and shall be an ongoing obligation of Grassland Owner for the Term; provided, however that the Reserve may, from time to time, decrease or increase the required additional Buffer Pool contributions if the Reserve determines, in its sole and absolute discretion, that the percentages set forth herein are either too high or too low, or otherwise should be modified.]¹⁹

["Subordination and Buffer Pool Contribution. This Agreement shall be subordinate to any deed or mortgage on or affecting the Property that arises subsequent to the date of this Agreement. Grassland Owner acknowledges that Reserve would not agree to this Section 31 without Grassland Owner's increased contribution to the Buffer Pool in the amount of 10% of baseline organic carbon emissions, except in the circumstance where the Project Owner is an accredited land trust as described in Section 5.4.3 of the Grassland Project Protocol. Such contributions to the Buffer Pool as enumerated herein are in addition to the Buffer Pool contributions required by the Grassland Project Protocol and shall be an ongoing obligation of Grassland Owner for the Term; provided, however that the Reserve may, from time to time, decrease or increase the required additional Buffer Pool contributions if the Reserve determines, in its sole and absolute discretion, that the percentages set forth herein are either too high or too low, or otherwise should be modified. So long as Grassland Owner is not in default of its obligations hereunder, including but not limited to its contributions to the Buffer Pool, Grassland Owner may request from time to time that Reserve execute the 'Subordination of Restrictive Covenant and Project Implementation Agreement' in the form attached hereto as Exhibit D. Reserve's consent to execute the 'Subordination of Restrictive Covenant and Project Implementation Agreement' in the form attached hereto as Exhibit D shall not be unreasonably withheld. Prior to the Reserve's execution of Exhibit D, the Grassland Owner

¹⁹ Type I Clause: use where there has been no upfront additional buffer pool contribution to account for the increased risk of financial failure.

shall provide an appraisal of the Property prepared by a Qualified Appraiser within the previous six months."]²¹

32. **CERCLA**. The Parties do not intend for the Reserve to be an owner, operator, manager or responsible party pursuant to CERCLA, or otherwise be liable under CERCLA, as a result of this Agreement.
33. **Construction**. The Parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.
34. **Joint and Several Liability**. If more than one Person has executed this Agreement as "Project Owner," the representations, covenants, warranties and obligations of all such Persons hereunder shall be joint and several.
35. **Counterparts**. This Agreement may be executed in one or more counterparts, and all of the counterparts shall constitute but one and the same agreement.

[SIGNATURES ON NEXT PAGE]

²¹ Type II Clause: use where the Grassland Owner has made an additional buffer pool contribution to account for the increased risk of financial failure.

November 2, 2017

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above.

THE RESERVE

Climate Action Reserve,
a California nonprofit public benefit corporation

By: _____
Name: Craig Ebert
Title: President

PROJECT OWNER

[insert name of entity, type of entity]

By: _____
Name: [insert name of signator]
Title: [insert title of signator]

GRASSLAND OWNER

[insert name of entity, type of entity]

By: _____
Name: [insert name of signator]
Title: [insert title of signator]

EXHIBIT LIST

Exhibit A: Legal Description of the Property

Exhibit B: Form of Greenhouse Gas Reduction Rights Contract²²

Exhibit C: Grassland Project Monitoring Plan (Approved Version)

Exhibit D: Form of Assignment and Assumption of Project Implementation Agreement and Greenhouse Gas Reduction Rights Contract

Exhibit E: Form of Subordination of Restrictive Covenant and Project Implementation Agreement

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

(See attached)

EXHIBIT B

FORM OF GREENHOUSE GAS REDUCTION RIGHTS CONTRACT

[TO BE ADDED]

EXHIBIT C

GRASSLAND PROJECT MONITORING PLAN (Approved Version)

(See attached)

EXHIBIT D

RECORDING REQUESTED BY

AND WHEN RECORDED RETURN TO:

Climate Action Reserve
818 W Seventh St., Suite 710
Los Angeles, CA 90017
Attention: Craig Ebert

THE AREA ABOVE IS RESERVED FOR RECORDER'S USE

**ASSIGNMENT AND ASSUMPTION OF RESTRICTIVE COVENANT, PROJECT
IMPLEMENTATION AGREEMENT [AND GREENHOUSE GAS REDUCTION RIGHTS
CONTRACT]²³**

THIS ASSIGNMENT AND ASSUMPTION OF RESTRICTIVE COVENANT AND PROJECT IMPLEMENTATION AGREEMENT [AND GREENHOUSE GAS REDUCTION RIGHTS CONTRACT] ("**Assignment and Assumption Agreement**") is made as of the [] day of [], 20__, by and between [], [a] ("**Assignor**") and [], a [] ("**Assignee**"). Capitalized terms used and not otherwise defined shall have the meanings ascribed to them in the Project Implementation Agreement (as defined below).

RECITALS

A. The Climate Action Reserve, a California nonprofit public benefit corporation ("**Reserve**"), and Assignor entered into that certain Project Implementation Agreement, dated [], 20__ (the "**PIA**"), which was recorded on [], 20__ as Instrument No. [] in the Official Records of [].

B. Assignor holds an interest in the GHG Reductions related to Avoided Grassland Conversion activities on the Property as defined under Exhibit A of the PIA and attached thereto.

C. Assignor is Transferring the GHG Reduction Rights to Assignee. In connection therewith, Assignor desires to delegate and Assignee desires to accept all of the Assignor's Project Owner Obligations under the PIA, including, without limitation, the provisions of the Grassland Project Protocol, and all rights, title, and interest in and to the GHG Reduction Right, subject to all of the terms on the terms and conditions set forth below.

²³ Use only if applicable.

D. Pursuant to the PIA, Assignor shall not, directly or indirectly, Transfer any GHG Reduction Right in violation of Section 7 of the PIA.

E. In accordance with Section 7 of the PIA, Assignor (i) shall ensure that a fully executed copy of this Assignment and Assumption Agreement will be recorded in the office of the recorder of each county in which the Property is located within two (2) business days of the Transfer, (ii) shall deliver a copy of this Assignment and Assumption Agreement, fully executed and recorded, to the Reserve within fifteen (15) days of the date of recordation and (iii) has provided Assignee with copies of the Grassland Project Protocol, the PIA and all exhibits attached thereto and any amendments thereto.

F. Assignor shall not be released of any obligation under the PIA or Grassland Project Protocol unless and until this Assignment and Assumption Agreement is consented to by the Reserve, and all other obligations and requirements set forth in Section 7(b) of the PIA are satisfied.

NOW THEREFORE, in consideration of the foregoing facts and the mutual covenants and conditions herein below set forth, it is agreed:

1. **Assignment.** Effective as of the Date of this Assignment and Assumption Agreement, Assignor hereby assigns and transfers to Assignee all of Assignor's right, title, and interest in the GHG Reduction Right and the interests conveyed by the GHG Reduction Rights Contract. [Assignor retains all Project Owner Obligations under the PIA with respect to any portion of the GHG Reduction Right that is not conveyed, transferred, or granted that the Assignor continues to own.]²⁴

2. **Assumption.** Assignee hereby agrees to assume, fulfill, perform, be bound by, and to discharge all of the obligations, liabilities, covenants, duties and agreements of Assignor under the PIA, and to be subject to the terms and conditions thereof, it being the express intention of both Assignor and Assignee that, upon execution of this Assignment and Assumption Agreement and conveyance of the GHG Reduction Right to Assignee, Assignee shall become substituted for Assignor as "Project Owner" and "Party" under the PIA with respect to the GHG Reduction Right.

3. **Representations.** Assignor warrants and represents to Assignee that Assignor has full right and authority to make this Assignment and Assumption Agreement and vest in Assignee the rights, interests, powers and benefits hereby assigned.

4. **Counterparts.** This Assignment and Assumption Agreement may be executed in multiple counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

5. **Binding Effect.** The provisions of this instrument shall be binding upon and inure to the benefit of Assignor and Assignee and each of their respective successors and assigns, and Assignee may assign its rights and obligations in accordance with the PIA.

6. **Conflict.** This Assignment is executed pursuant to the terms of the PIA and is intended to implement and be consistent with the terms and conditions of the PIA. If any of the provisions hereof are in conflict with the provisions of the PIA, the PIA shall control.

²⁴ NOTE: This provision should be retained only if it is a Partial Assignment and Assumption Agreement.

7. **Further Assurances.** Assignor and Assignee each hereby covenants that it will, at any time and from time to time, execute any documents and take such additional actions as the other, or its respective successors or assigns, shall reasonably require in order to more completely or perfectly carry out the transfers intended to be accomplished by this Assignment and Assumption Agreement.

8. **Governing Law.** This Assignment and Assumption Agreement shall be construed and interpreted in accordance with the laws of the State of California.

9. **Validity.** If any portion of this Assignment and Assumption Agreement, or the application thereof to any person or circumstance, is found invalid, the remainder of the provisions of this Assignment and Assumption Agreement, or the application of such provisions to persons or circumstances other than those as to which it is found to be invalid shall not be affected.

10. **Recording.** Assignee shall record this Assignment and Assumption Agreement, with all referenced exhibits, and any amendments hereto, in the office of the recorder of each county in which the Property is situated within two (2) days of the date when this Assignment and Assumption Agreement is fully executed.

11. ~~10.~~ **Modification and Amendment.** This Assignment and Assumption Agreement may not be amended, supplemented, or modified unless such amendment, supplement, or modification is in writing and executed by the Assignor, Assignee, and the Reserve.

[SIGNATURE PAGES TO FOLLOW]

101969737.2

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment and Assumption Agreement as of the date first set forth above by their duly authorized representatives.

“ASSIGNOR”

[____],
a [_____]

By: _____
Name: _____
Title: _____

“ASSIGNEE”

[____],
a [_____]

By: _____
Name: _____
Title: _____

THIS ASSIGNMENT AGREEMENT BY AND BETWEEN _____, A _____
("ASSIGNOR"), AND _____, A _____ ("ASSIGNEE"), IS APPROVED AND
CONSENTED TO BY THE RESERVE THIS ____ DAY OF _____, 20__:

"RESERVE"

Climate Action Reserve,
a California nonprofit public benefit corporation

By: _____

Name: Craig Ebert

Title: President

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 LOS ANGELES)

On _____, 20__ 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(ies) upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____ (Seal)

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 LOS ANGELES)

On _____, 20__ 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(ies) upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT E

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

THE AREA ABOVE IS RESERVED FOR RECORDER'S USE

**SUBORDINATION OF RESTRICTIVE COVENANT AND PROJECT IMPLEMENTATION
AGREEMENT¹**

This SUBORDINATION OF RESTRICTIVE COVENANT AND PROJECT IMPLEMENTATION AGREEMENT ("Subordination"), dated as of _____, is made between Climate Action Reserve, a California non-profit corporation, whose address is _____ ("Reserve"); _____, a _____, whose address is _____ ("Grassland Owner"), and _____ BANK ("Lender"), whose address is _____. Capitalized terms used and not otherwise defined shall have the meanings ascribed to them in the Project Implementation Agreement (as defined below).

RECITALS

A. Reserve and Grassland Owner are parties to that certain Restrictive Covenant and Project Implementation Agreement dated _____, 20[___], and recorded on _____, 20[___] as Instrument No. _____ in the Official Records of _____ (as amended, modified, replaced and/or supplemented from time to time, the "Project Implementation Agreement").

B. The Project Implementation Agreement sets forth certain liabilities, obligations and restrictions relating to that certain property described in Exhibit A attached hereto and incorporated herein (the "Property"), so that the Grassland Project (as defined in the Project Implementation Agreement) generates a net reduction and sequestration of greenhouse gas emissions.

C. Lender has agreed to make a loan to Grassland Owner to be secured by a [deed of trust/mortgage] (the "Mortgage") of the real property described in Exhibit A attached hereto and

¹ Appropriate revisions to allow for recording and notarization in applicable state will be made.

incorporated herein (the "Mortgaged Property"), which Mortgaged Property includes the Property. The Mortgage is to be recorded in the Official Records of the County of [_____] and shall constitute a lien upon the Mortgaged Property (the "Loan").

D. Pursuant to Section 31 of the Project Implementation Agreement, the Grassland Owner has requested that the Project Implementation Agreement be subordinated to the lien created by the Mortgage, and has contributed _____ of additional Buffer Pool Contribution .

E. By this Subordination, Reserve, Grassland Owner and Lender wish to evidence the subordination of the Project Implementation Agreement to the Mortgage.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, Reserve, Grassland Owner and Lender hereby irrevocably and unconditionally agree as follows:

1. The Loan and any and all present or future substitutions, replacements, restatements, renewals, modifications, amendments or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the Mortgaged Property, prior and superior to the Project Implementation Agreement.

2. Lender would not make the Loan without the execution, delivery and recordation of this Subordination.

3. All of Reserve's right, title, interest, claim and estate in and to the Mortgaged Property, if any, under or pursuant to the Project Implementation Agreement is and shall remain junior and subordinate in priority (a) to each and every lien and the security interest created by the Loan, and (b) to any and all extensions, replacements, substitutions, amendments, modifications and renewals thereof; *provided, however*, that nothing contained in this Subordination shall otherwise limit, modify or extinguish any of Reserve's rights, interests, claims, or remedies as described in the Project Implementation Agreement.

4. This Subordination shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

5. This Subordination shall be governed by and construed in accordance with the laws of California.

6. This Subordination may be executed in any number of counterparts and by different parties in separate counterparts, all of which taken together shall constitute one and the same document, binding upon all the parties.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Subordination as of the date first above written.

LENDER:

**[INSERT SIGNATURE BLOCK OF
LENDER]**

By: _____

Name: _____

Title: _____

GRASSLAND OWNER:

**[INSERT SIGNATURE BLOCK OF
GRASSLAND OWNER]**

By: _____

Name: _____

Title: _____

RESERVE:

CLIMATE ACTION RESERVE,

a California nonprofit public benefit corporation

By: _____

Name: Craig Ebert

Title: President

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 LOS ANGELES)

On _____, 20__ 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(ies) upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____(Seal)

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 LOS ANGELES)

On _____, 20__ 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(ies) upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____(Seal)

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 LOS ANGELES)

On _____, 20__ 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(ies) upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____
(Seal)