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RESTRICTIVE COVENANT AND PROJECT IMPLEMENTATION AGREEMENT

This Restrictive Covenant and Project Implementation Agreement (this "Agreement") is entered into as of _____, 2010, by and between the Climate Action Reserve, a California nonprofit public benefit corporation ("Reserve") and [_____, a _____ and _____, a _____] (collectively, the "Forest Owner").¹ The Reserve and Forest Owner 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 Forest Project Protocol Version 3.1 and the Forest Project Verification Protocol Version 3.0 attached hereto as Exhibit A (collectively the "Forest Project Protocols"), 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 Forest Project Protocols to ensure that Reforestation, Improved Forest Management and Avoided Conversion projects, as each project is further described in the Forest Project Protocols, registered with the Reserve shall generate a net reduction and sequestration of GHG emissions throughout the entire Term (defined below).

¹ [All footnotes to be deleted before execution.] [Note: Forest Owner may be comprised of multiple entities. A Forest Owner is a corporation or other legally constituted entity, city, county, state agency, individual, or a combination thereof that executes the Project Implementation Agreement. Generally, a Forest Owner is the owner in fee of the property involved in a Forest Project. In some cases, one entity may be the owner in fee while another entity may have an interest in the trees or the timber on the property, in which case the Reserve will make a determination as to whether both entities are required to execute the Project Implementation Agreement and thereby collectively be considered the Forest Owner. In some cases, the Reserve may determine that an entity or individual that is not the owner in fee, nonetheless does have a complete and perpetual interest in the trees on the property which allows for complete management of the trees and sufficient access rights to the property, such that it is the appropriate entity to execute the Project Implementation Agreement and thereby be defined as the Forest Owner, in which case an additional contribution to the buffer pool will be required.]

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C. Forest Owner is the sole owner of that certain real property described in Exhibit B attached hereto in fee simple, including without limitation the trees on said property (the "Property").²

D. This Agreement sets forth certain liabilities, obligations and restrictions relating to the Forest Project (defined below) and the Property, to ensure that the Forest Project generates a net reduction and sequestration of GHG emissions throughout the entire Term and remains in compliance with the Forest Project Protocols and this Agreement for the entire Term (defined below).

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

F. Forest Owner has completed and submitted to the Reserve that certain Forest Project Design Document attached hereto as Exhibit C (the "Forest Project Design Document"), and the Forest Project Design Document has been approved by all of the 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, Forest 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) "Baseline" is the baseline for this specific Forest Project of Forest Owner set forth in the Forest Project Design Document attached hereto as Exhibit C.
 - (b) "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, including without limitation trees, which quantity has been and shall continue to be determined, monitored and verified in accordance with the Forest Project Protocols and denominated in metric tonnes of carbon dioxide.
 - (c) "Eligible CRTs" are CRTs that are: (i) in Forest Owner's account with the Reserve immediately before Forest Owner Retires such CRTs, (ii) issued by the Reserve to any Reforestation, Improved Forest Management or Avoided Conversion project (each as further described in the Forest Project Protocols) registered with the Reserve, 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. Forest Owner shall be required to purchase CRTs if Forest Owner does not have

² [Note: This provision may need to be modified by the Reserve, depending on the nature of the ownership rights of the Forest Owner. See footnote 1. Furthermore, only the property that is subject to this Agreement will be described in Exhibit B.]

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a sufficient quantity of Eligible CRTs to fulfill Forest Owner's obligations to Retire Eligible CRTs under this Agreement.

- (d) "Forest Owner Obligation" is the obligation, imposed on Forest Owner by this Agreement, to fulfill all aspects, obligations and duties set forth in this Agreement and the Forest Project Protocols.
 - (e) "Forest Project" is the **[Reforestation, Improved Forest Management or Avoided Conversion]** project of Forest Owner that is described in the approved Forest Project Design Document.
 - (f) "Person" means an individual, partnership, firm, association, corporation, limited liability company, trust and any other form of governmental or business entity.
 - (g) "Property Interest" is either a fee simple interest in the Property or an interest in the trees and standing timber located on the Property.
 - (h) To "Retire" a quantity of CRTs (which quantity shall be determined in accordance with this Agreement and the Forest Project Protocols) 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, Forest Owner holds no ownership rights, including but not limited to rights to transfer, convey or otherwise control the transferred CRTs.
 - (i) A "Reversal" exists if the Reserve determines that the difference between the Carbon Stocks and the Baseline for the Forest Project (such difference a "Net Carbon Reduction") for a given year is less than the Net Carbon Reduction for the year immediately preceding the given year.
2. Issuance of CRTs. The Reserve shall issue CRTs to Forest 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 Forest Project Protocols, at which time the Forest Owner shall have the right to control said CRTs. Nothing in this Section 2 shall be construed or interpreted as giving Forest Owner any right to ongoing CRTs or obligating the Reserve to issue CRTs to the Forest Project or Forest Owner in the future.
3. Term. This Agreement shall be effective as of the date of recording of a Memorandum of Restrictive Covenant and Project Implementation Agreement in the form attached hereto as Exhibit D and in accordance with Section 18 (the "Effective Date") and shall continue in full force and effect until the 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 15, if the requirements of subsection 3(a), 3(b), or 3(c) below are satisfied, in which case the Parties shall execute and record a memorandum of termination indicating that this Agreement has been terminated.³

³ [Note: Forest Owner may then record a memorandum of the amendment indicating that there has been an early termination of the Agreement.]

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- (a) The Reserve determines that: (i) an Unavoidable Reversal (defined below) 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 Forest Project Protocols) pursuant to Section 8(b), and (iii) the Carbon Stocks for the year in which the Unavoidable Reversal occurs is less than the Baseline for that given year.
- (b) Forest Owner provides the Reserve with sixty (60) days' notice of Forest Owner's intent to terminate this Agreement ("Termination Notice"), and if the Forest Project was registered as:
 - (1) a Reforestation or Avoided Conversion project, Forest Owner Retires a quantity of Eligible CRTs equal to the total number of CRTs issued by the Reserve to the Forest Project during the preceding one hundred (100) years ("Total CRTs Issued"), or
 - (2) an Improved Forest Management project, Forest Owner Retires a quantity of Eligible CRTs equal to Total CRTs Issued multiplied by the Compensation Rate in the following table that corresponds to the number of years that have elapsed between the Effective Date and the date of the Termination Notice.

Number of Years that have Elapsed Between the Effective Date and the date of the Termination Notice	Compensation Rate
0-5	1.40
6-10	1.20
11-20	1.15
21-30	1.10
31-50	1.05
>50	1.00

- (c) Forest 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) Forest 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"); and (2) the Regulatory Program has similar goals to those of the Forest Project Protocols, applies stringent standards and methodologies, and recognizes or otherwise accounts for CRTs issued by the Reserve to avoid double counting.

4. Limitation on Termination and Term Extension.

- (a) No Forest Owner Breach (defined below) shall give Forest Owner the right to cancel, rescind, or otherwise terminate this Agreement or the Forest Project Protocols before the end of the Term. 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 Forest Project Protocols.

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- (b) At any time after the Effective Date, if the Reserve issues CRTs in accordance with Section 2, then the Parties to this Agreement shall execute and record an amendment to this Agreement, in accordance with Section 20, to extend the Term to one hundred (100) years from the date of issuance of the CRTs.

- 5. Compliance with Forest Project Protocols and this Agreement. Forest Owner shall fulfill all aspects of this Agreement, the Forest Project Protocols and the Forest Owner Obligation. Forest Owner shall ensure that the Forest Project complies with all aspects of this Agreement and the Forest Project Protocols.

Forest Owner shall: (i) not use or permit any other Person to use any portion of the Property in any manner that violates any aspect of this Agreement or the Forest Project Protocols, (ii) ensure that the Property is used only in ways that comply with all aspects of this Agreement and the Forest Project Protocols, (iii) not undertake any actions that violate any aspect of this Agreement or the Forest Project Protocols, (iv) only undertake actions that comply with all aspects of this Agreement and the Forest Project Protocols, (v) prevent any activity on the Property that violates any aspect of this Agreement or the Forest Project Protocols, and (vi) only allow activity on the Property that complies with all aspects of this Agreement and the Forest Project Protocols.

- 6. Monitoring Rights of the Reserve. The Reserve and its agents, including, without limitation, any and all accredited third-party verifiers approved by the Reserve, shall have the right to enter the Property at reasonable times and from time to time for purposes of monitoring and verifying Forest Owner's compliance with this Agreement and the Forest Project Protocols, provided that: (i) the Reserve gives no less than fifteen (15) business days' advance written notice to Forest Owner, (ii) the Reserve adheres to reasonable health and safety practices while on the Property and (iii) the Reserve provides Forest Owner with proof of insurance, which shows that the Reserve is insured for damage the Reserve may cause to the Property due to the Reserve's negligence, gross negligence or willful misconduct.

- 7. Transfer of this Agreement. 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 Property Interest.

- (a) Assignment and Assumption. Forest Owner shall not, directly or indirectly, transfer, assign, delegate or convey (collectively, "Transfer") any Property Interest unless the:

- (1) Third party obtaining a Property Interest (the "Assignee") agrees to assume the Forest Owner Obligation unconditionally without modification or amendment;
- (2) Forest Owner and Assignee both duly execute the Assignment and Assumption Agreement in substantially the form attached hereto as Exhibit E (the "Assignment and Assumption Agreement") prior to any Transfer;
- (3) Forest 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; and

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- (4) Forest Owner delivers a copy of the fully executed and recorded Assignment and Assumption Agreement to the Reserve within fifteen (15) days of the date of recordation.

Forest Owner and Assignee shall not execute, deliver or record an amended or modified version of the Assignment and Assumption Agreement without Reserve's prior approval of the amendment or modification in writing, which approval may be withheld at the Reserve's reasonable discretion.

Any Transfer of a Property Interest by any Forest Owner in violation of this Section 7 shall be void and not relieve Forest Owner of the Forest Owner Obligation.

If more than one Person has executed this Agreement as "Forest Owner," then any individual Forest Owner seeking to Transfer any Property Interest shall comply with the obligations of this Section 7 as to its Property Interest being transferred.

If Forest Owner Transfers a Property Interest, Forest Owner shall not be released from the Forest Owner Obligation unless and until Reserve provides its written consent. Notwithstanding any consent by the Reserve that releases Forest Owner from the Forest Owner Obligation, Forest Owner shall remain obligated to and liable for all Forest Owner Breaches that arose during the time that Forest Owner held a Property Interest.

Forest Owner shall provide the Assignee with copies of the Forest Project Protocols, this Agreement and all exhibits attached hereto and any amendments thereto. Assignee shall be deemed to have received the Forest Project Protocols, this Agreement and all exhibits attached hereto, and any amendments thereof, in accordance with the notice provisions in Section 12 of this Agreement.

- (b) Application to Complete and Partial Transfers of the Property. This Section 7 shall apply if Forest Owner Transfers a Property Interest in all, or any portion, of the Property. If Forest Owner Transfers a Property Interest in only a portion of the Property, this Section 7 shall apply to only the Property Interest in the portion of the Property being Transferred.
- (c) Notice. For all notices required under this Section 7, Forest Owner shall provide the Reserve with the full names and addresses of all grantees, lessees, mortgagees, and other interested parties, of the Transfer.
- (d) Incorporation into Deeds, Leases and Subleases. Forest 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 Forest Project Protocols and (ii) specifically state that the Property Interest thereby Transferred is subject to this Agreement and the Forest Project Protocols.
- (e) Subordination and Buffer Pool Contribution. Forest Owner shall ensure that any deed, mortgage, lien, lease or other encumbrance on or affecting the Property that arises subsequent to the date of this Agreement shall be subordinate to this Agreement. Notwithstanding the previous sentence, so long as Forest Owner is not in default of any Forest Owner Obligation, Forest Owner may request that this Subsection 7(e) be amended as set forth below in exchange for Forest Owner's contribution of additional

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CRTs to the Buffer Pool in an amount which matches the additional contribution that would have been made at the time of the execution of this Agreement and for each subsequent year thereafter had Forest Owner chosen at that time to execute a version of the project implementation agreement which would have made this Agreement automatically subordinate to subsequent deeds and mortgages, as shown in the "Buffer Pool Contributions" attached hereto as Exhibit F. The contributions to the Buffer Pool as shown in Exhibit F are in addition to the Buffer Pool contributions required in the Forest Project Protocols and shall be an ongoing obligation of Forest 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 as listed in Exhibit F are either too high or too low. So long as Forest Owner is not in default of any Forest Owner Obligation, including but not limited to its contributions to the Buffer Pool, Forest 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 G. Reserve's consent to execute the "Subordination of Restrictive Covenant and Project Implementation Agreement" in the form attached hereto as Exhibit G shall not be unreasonably withheld so long as Forest Owner has contributed the required additional CRTs to the Buffer Pool as described herein. From and after the recordation of the "Subordination of Restrictive Covenant and Project Implementation Agreement," this Subsection 7(e) shall be deleted and shall be replaced in its entirety with the following new Subsection 7(e):

"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. Forest Owner acknowledges that Reserve would not agree to this Subsection 7(e) without Forest Owner's increased contribution to the Buffer Pool in accordance with the 'Buffer Pool Contributions' attached hereto as Exhibit F. The contributions to the Buffer Pool as shown in Exhibit F are in addition to the Buffer Pool contributions required by the Forest Project Protocols and shall be an ongoing obligation of Forest 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 as listed in Exhibit F are either too high or too low. So long as Forest Owner is not in default of its obligations hereunder, including but not limited to its contributions to the Buffer Pool, Forest 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 G. Reserve's consent to execute the 'Subordination of Restrictive Covenant and Project Implementation Agreement' in the form attached hereto as Exhibit G shall not be unreasonably withheld."

[ALTERNATIVE SUBSECTION 7(e) (TYPE 2 SUBORDINATION CLAUSE) TO BE USED ONLY WITH INCREASED CONTRIBUTION TO BUFFER POOL AT THE TIME THE AGREEMENT IS SIGNED] [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. Forest Owner acknowledges that

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Reserve would not agree to this Subsection 7(e) without Forest Owner's increased contribution to the Buffer Pool in accordance with the "Buffer Pool Contributions" attached hereto as Exhibit F. The contributions to the Buffer Pool as shown in Exhibit F are in addition to the Buffer Pool contributions required by the Forest Project Protocols and shall be an ongoing obligation of Forest 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 as listed in Exhibit F are either too high or too low. So long as Forest Owner is not in default of its obligations hereunder, including but not limited to its contributions to the Buffer Pool, Forest 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 G. Reserve's consent to execute the "Subordination of Restrictive Covenant and Project Implementation Agreement" in the form attached hereto as Exhibit G shall not be unreasonably withheld.]

- (f) Assignee Deemed a Forest Owner After Transfer. Once a Property Interest has been Transferred, the Assignee shall be deemed to be a "Forest Owner" under this Agreement, be subject to the Forest Owner Obligation and require any future party holding, owning or acquiring a Property Interest to assume the Forest Owner Obligation in accordance with this Section 7.

8. Obligations of Forest Owner Upon a Reversal.

- (a) Avoidable Reversals. If the Reserve determines that a Reversal has occurred due to either (i) Forest Owner's negligence, gross negligence or willful misconduct, including without limitation, over-harvesting, development, or harm to the Property; or (ii) any act, error or omission of any Person pursuant to the exercise of a right, duty or obligation under a Property Interest or any agreement affecting the Property, including without limitation, an access right, an easement, a covenant, a mineral right, a mining right, a timber right, a mortgage, a deed of trust, a license or any other right to use the Property (each, an "Avoidable Reversal"), then:
- (1) the Reserve may deliver written notice to Forest Owner of the Avoidable Reversal ("Avoidable Reversal Notice"); and
 - (2) Forest 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; (ii) within three (3) months of receiving the Avoidable Reversal Notice, provide the Reserve with an accounting of the Carbon Stocks for the year in which the Avoidable Reversal occurred; and (iii) within four (4) months of receiving the Avoidable Reversal Notice, Retire a quantity of Eligible CRTs equal to the difference between the Net Carbon Reduction for the year in which the Avoidable Reversal occurred and the Net Carbon Reduction of the immediately preceding year, for each year in which there has been an Avoidable Reversal.
- (b) Unavoidable Reversals. If the Reserve determines that a Reversal has occurred that is not due to Forest Owner's negligence, gross negligence or willful misconduct, including, without limitation, wildfires or disease that are not due to Forest Owner's negligence,

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gross negligence or willful misconduct ("Unavoidable Reversal"), the Reserve may Retire a quantity of CRTs from the Reserve's Buffer Pool (as described in the Forest Project Protocols) up to the difference between the Net Carbon Reduction for the year in which the Unavoidable Reversal occurred and the Net Carbon Reduction of the immediately preceding year, for each year in which there has been an Unavoidable Reversal.

9. Remedies.

(a) If the Reserve determines that Forest Owner has breached or violated the Forest Owner Obligation ("Forest Owner Breach"), the Reserve shall deliver written notice to Forest Owner of the Forest Owner Breach ("Breach Notice"). If Forest Owner fails to cure the Forest Owner Breach within sixty (60) days of receiving the Breach Notice, the:

(1) Reserve may (but shall not be obligated to): (A) place a notice of breach with respect to the Forest Project, Property and Forest Owner on the Reserve's online system that tracks the status of projects registered with the Reserve ("Reserve Tracking System"), (B) freeze any activity of Forest Owner on the Reserve Tracking System that relates to the Forest Project and Property, including without limitation the transfer of CRTs, (iii) require Forest Owner to cease and desist from the activity, use or alteration to the Property that gives rise to the Forest Owner Breach and/or (iv) remove the Forest Project from the Reserve Tracking System.

(2) Forest Owner shall: (A) within ninety (90) days of receipt of the Breach Notice, provide a written description and explanation of the Forest Owner Breach to the Reserve and (B) within one hundred twenty (120) days of receiving the Breach Notice, if the Forest Project was registered with the Reserve as:

i) a Reforestation or Avoided Conversion project, Retire a quantity of Eligible CRTs equal to the Total CRTs Issued; or

ii) an Improved Forest Management project, Retire a quantity of Eligible CRTs equal to the Total CRTs Issued multiplied by the Compensation Rate in the following table that corresponds to the number of years that have elapsed between the Effective Date and the date of the Breach Notice.

Number of Years that have Elapsed Between the Effective Date and the date of the Breach Notice	Compensation Rate
0-5	1.40
6-10	1.20
11-20	1.15
21-30	1.10

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Number of Years that have Elapsed Between the Effective Date and the date of the Breach Notice	Compensation Rate
31-50	1.05
>50	1.00

- (b) The Parties agree that Reserve will suffer damages in the event of Forest Owner's Breach of the Forest Owner Obligations by Forest Owner or a termination of this Agreement by Forest Owner pursuant to Section 3(b). Although the amount of such damages is difficult or impossible to determine, the Parties agree that the cost of the CRTs Forest Owner shall retire pursuant to Section 3(b) or this Section 9(b) (the "CRT Costs") is a reasonable estimate of the Reserve's loss in the event of Forest Owner's Breach of the Forest Owner Obligations by Forest Owner or termination of this Agreement by Forest Owner pursuant to Section 3(b). Thus, the Reserve and Forest 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 Forest Owner as set forth in this Agreement and the Forest Project Protocols.

Reserve and Forest 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 1671.⁴

CLIMATE ACTION RESERVE

[insert signature block of Forest Owner]

By: _____
 Name: Gary Gero
 Title: President

By: _____
 Name: _____
 Title: _____

- (c) In the event of a Forest Owner Breach with respect to only a portion of the Property, Forest Owner shall be in default hereunder only with respect to the portion of Property for which the breach has occurred. This Agreement and the Forest Project Protocols shall not be affected with respect to the rest of the Property for which there is no breach.
- (d) 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.
- (e) 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,

⁴ [Note: revise for properties outside of California.]

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including those remedies at law or in equity, for any breach of this Agreement or the Forest Project Protocols, and (ii) set forth in this Agreement or the Forest Project Protocols.

- (f) In the event of a Forest Owner Breach, Forest Owner shall reimburse the Reserve for all costs and expenses that the Reserve incurs in enforcing the terms of this Agreement and the Forest Project Protocols, including without limitation, reasonable attorneys' fees and legal expenses, regardless of whether the Parties enter arbitration pursuant to Section 14.

10. Representations, Warranties and Covenants.

- (a) As of the Effective Date, Forest Owner does hereby represent and warrant that:
- (1) All reports, statements, certificates and other data, including without limitation the Forest Project Design Document, provided by and on behalf of Forest Owner to the Reserve in connection with the Forest Project Protocols, this Agreement, the Property and the Forest Project are true, correct and complete;
 - (2) Forest Owner is the sole owner in fee simple of the Property;⁵
 - (3) Forest Owner owns and holds all right, title and interest in and to the trees and standing timber located on the Property;⁶
 - (4) Forest Owner owns and holds all right, title and interest in and to the Forest Project;
 - (5) Forest Project is located completely within the boundaries of the Property;
 - (6) The execution and recordation of this Agreement by Forest Owner and any consummation by Forest 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 Forest 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 Forest Owner is a party or by which Forest Owner or the Property may be bound;

⁵ [Note: This provision may need to be modified by the Reserve, depending on the nature of the ownership rights of the Forest Owner. See footnote 1.]

⁶ [Note: This provision may need to be modified by the Reserve, depending on the nature of the ownership rights of the Forest Owner. See footnote 1.]

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- (7) The signatory of this Agreement has the authority to execute this Agreement on behalf of Forest Owner, and this Agreement and the Forest Project Protocols are binding on and enforceable against Forest Owner;
 - (8) Forest Owner has not registered any portion of the Property, the Forest Project, or any enterprise on the Property that is similar to the Forest 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) Forest Owner has 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 Forest Owner Obligations and (ii) engage in all activity, including without limitation, the creation and transfer of CRTs, relating to this Agreement and the Forest Project Protocols; and
 - (10) If Forest Owner is not a natural person, Forest Owner is 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.
- (b) For the Duration of the Term, Forest Owner does hereby covenant to and with the Reserve that:
- (1) Forest Owner shall transfer, hold and retire CRTs for the Forest 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) Forest Owner shall not register any portion of the Property, the Forest Project, or any enterprise on the Property that is similar to the Forest 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 and other data, including without limitation the annual reporting documents, provided by and on behalf of Forest Owner to the Reserve in connection with the Forest Project Protocols, this Agreement, the Property and the Forest Project shall be true, correct and complete.
11. Conservation Easements Permitted. Nothing in this Agreement shall prevent Forest Owner from encumbering the Property with a conservation easement pursuant to California Civil Code Sections 815 *et seq.* or other similar statutory scheme.
 12. Notices. All notices, instructions, requests, or other communications required or permitted under this Agreement or the Forest Project Protocols ("Notice") shall be in writing and sent by

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(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
523 W. Sixth Street, Suite 428
Los Angeles, CA 90014
Attn: Gary Gero, President

with a copy to: GIBSON, DUNN & CRUTCHER LLP
333 South Grand Avenue, 47th Floor
Los Angeles, CA 90071-1504
Attn: Patrick Dennis, Esq.

If to Forest Owner: [

]

with a copy to: [

]

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. Forest Owner retains all duties, obligations and responsibilities and shall bear all liabilities and costs related to the ownership, operation, upkeep, and maintenance of the Property and performance of the Forest Owner Obligation.

14. Dispute Resolution. Any dispute regarding any aspect of this Agreement or the Forest Project Protocols or any act or omission which allegedly has or will breach any provision of this Agreement, the Forest Project Protocols or any law (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 attorneys' 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 this Section 14, the responding Party shall be entitled to recover from the initiating Party all damages, costs, expenses and attorneys' fees incurred as a result of such action or proceeding.

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15. Indemnity. Forest Owner shall indemnify, hold harmless and defend, using counsel appointed by the Reserve (collectively, "Indemnify"), the Reserve and its directors, officers, employees, agents, contractors and representatives (collectively, the "Indemnified Parties") from and against all damages, liabilities, penalties, costs, losses, expenses, causes of action, claims, demands, or judgments, including without limitation, reasonable attorneys' fees and legal costs (collectively, "Damages"), arising from or in any way connected with this Agreement; *provided, however*, that Forest Owner shall not be obligated to Indemnify the Indemnified Parties for: (a) Arbitration Costs awarded to Forest Owner upon Forest Owner prevailing in arbitration pursuant to Section 14, (b) Damages caused by verifiers entering the Property pursuant to Section 6 that are not due to Forest Owner's negligence, gross negligence or willful misconduct and (c) Damages resulting from the Reserve's negligence, gross negligence or willful misconduct. This Section 15 shall survive the expiration or termination of this Agreement.
16. Forest Owner Holds No 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 Forest Project Protocols, nothing in this Agreement or the Forest Project Protocols shall give Forest Owner any right to, ownership of or control over the Reserve's Buffer Pool.
17. No Change to Forest Project or Baseline. Forest Owner shall not change, modify or revise the Forest Project or Baseline in any way unless the Reserve consents to such change, modification or revision.
18. Recordation. Forest Owner shall record a Memorandum of Restrictive Covenant and Project Implementation Agreement in the form attached hereto as Exhibit D 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.
19. Governing Law.⁷ This Agreement and the Forest Project Protocols 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 Reserve and Forest Owner. For any CRTs issued in the future, the Term of this Agreement may be extended in accordance with this Section 20. Forest 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 ten (10) days of the date the amendment is fully executed.

⁷ [Note: may revise for properties outside of California.]

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21. Severability. If any portion of this Agreement or the Forest Project Protocols, or the application thereof to any person or circumstance, is found invalid, the remainder of the provisions of this Agreement and the Forest Project Protocols, 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.
22. 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.
23. 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.
24. No Third-Party Beneficiaries. This Agreement and the Forest Project Protocols are for the sole and exclusive benefit of the Reserve, and its successors, successors in interest and assigns, and Forest Owner, and its successors, successors in interest and assigns, and except as set forth in Section 15, no third party will have any rights under this Agreement or the Forest Project Protocols.
25. Definitions. Any capitalized terms used herein, which are not defined herein, shall have the meanings for such terms as set forth in the Forest Project Protocols.
26. 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 Forest Project Protocols, the definitions, terms and provisions in this Agreement shall govern.
27. Entire Agreement. This Agreement, including any exhibits attached hereto, and the Forest Project Protocols, represent the entire agreement of the Parties with respect to the Property, Forest Owner Project, this Agreement and the Forest Project Protocols and supersede any conflicting terms in any prior or contemporaneous oral or written agreements and all other communications.
28. 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.
29. 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.
30. CERCLA. The Parties do not intend for the Reserve to be an owner, operator, manager or responsible party pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 *et seq.* ("CERCLA"), or otherwise be liable under CERCLA, as a result of this Agreement.

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31. Joint and Several Liability. If more than one Person has executed this Agreement as “Forest Owner,” the representations, covenants, warranties and obligations of all such Persons hereunder shall be joint and several.

32. 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]

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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: Gary Gero
Title: President

FOREST OWNER

[_____]

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

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EXHIBIT LIST

Exhibit A: Forest Project Protocols and Project Verification Protocols

Exhibit B: Legal Description of the Property

Exhibit C: Forest Project Design Document

Exhibit D: Memorandum of Restrictive Covenant and Project Implementation Agreement

Exhibit E: Form of Assignment & Assumption Agreement

Exhibit F: Buffer Pool Contribution

Exhibit G: Subordination of Restrictive Covenant and Project Implementation Agreement

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EXHIBIT A

FOREST PROJECT PROTOCOLS and PROJECT VERIFICATION PROTOCOLS

(See attached)

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EXHIBIT B

LEGAL DESCRIPTION OF THE PROPERTY

(See attached)

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EXHIBIT C

FOREST PROJECT DESIGN DOCUMENT (Approved Version)

(See attached)

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EXHIBIT D

**MEMORANDUM OF RESTRICTIVE COVENANT AND PROJECT IMPLEMENTATION
AGREEMENT**

(See attached)

Exhibit D

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Climate Action Reserve
523 W. Sixth St., Suite 428
Los Angeles, CA 90014
Attention: Gary Gero

THE AREA ABOVE IS RESERVED FOR RECORDER'S USE

**MEMORANDUM OF RESTRICTIVE COVENANT AND PROJECT
IMPLEMENTATION AGREEMENT**

This MEMORANDUM OF RESTRICTIVE COVENANT AND PROJECT IMPLEMENTATION AGREEMENT ("Memorandum") is being executed and recorded to reflect the fact that the Climate Action Reserve, a California nonprofit public benefit corporation (the "Reserve") and [REDACTED], a [REDACTED] and [REDACTED], a [REDACTED] (collectively, the "Forest Owner") have entered into that certain Restrictive Covenant and Project Implementation Agreement, dated as of the [REDACTED] day of [REDACTED], [REDACTED] (the "Agreement") with respect to that certain improved real property described in Exhibit A attached hereto and incorporated herein by this reference (the "Property"). Capitalized terms used and not otherwise defined shall have the meanings ascribed to them in the Agreement, attached hereto as Exhibit B and incorporated herein by this reference.

Pursuant to the Agreement, Forest Owner has agreed to the terms and conditions under which Forest Owner's Property shall be registered and listed with the Climate Action Reserve for the purpose of long-term storage of atmospheric carbon. The terms and conditions governing such registration and listing are more fully set forth in the Agreement attached hereto as Exhibit B.

Reserve and Forest Owner desire to record this Memorandum in order that third parties may have notice of the existence of the Agreement.

The 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 thereto and their respective representatives, successors, and assigns, and on all Parties having or acquiring a Property Interest.

In the event of a conflict between this Memorandum and any of the terms and conditions of the Agreement, the terms and conditions of the Agreement shall govern and nothing herein contained shall be construed to be a modification of or amendment to any of such terms and conditions.

This Memorandum 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.

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

THE RESERVE

Climate Action Reserve,
a California nonprofit public benefit corporation

By: _____
Name: Gary Gero
Title: President

FOREST OWNER

[_____]

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ACKNOWLEDGMENT

State of California)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

ACKNOWLEDGMENT

State of California)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

[To Be Inserted]

EXHIBIT B

**COPY OF RESTRICTIVE COVENANT AND PROJECT IMPLEMENTATION
AGREEMENT (without exhibits)**

[To Be Inserted]

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EXHIBIT E

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

(See attached)

EXHIBIT E

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Climate Action Reserve
523 W. Sixth St., Suite 428
Los Angeles, CA 90014
Attention: Gary Gero

THE AREA ABOVE IS RESERVED FOR RECORDER'S USE

**ASSIGNMENT AND ASSUMPTION OF RESTRICTIVE COVENANT AND PROJECT
IMPLEMENTATION AGREEMENT**

THIS ASSIGNMENT AND ASSUMPTION OF RESTRICTIVE COVENANT AND IMPLEMENTATION AGREEMENT ("**Assignment and Assumption Agreement**") is made as of the [] day of [], 20__ , by and between [] ("**Assignor**") and [] ("**Assignee**"). Capitalized terms used and not otherwise defined shall have the meanings ascribed to them in the Restrictive Covenant and 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 Restrictive Covenant and Project Implementation Agreement, dated [], 20__ (the "**PIA**"), a Memorandum of which was recorded on [], 20__ as Instrument No. [] in the Official Records of [].

B. Assignor holds an interest in the Property as defined under Exhibit B of the PIA and attached thereto.

C. Assignor is Transferring the Property or a Property Interest to Assignee. In connection therewith, Assignor desires to delegate and Assignee desires to accept all of the Assignor's Forest Owner Obligations arising from and after the date hereof with respect to the Property or Property Interest, subject to all of the terms, conditions and restrictions set forth in the PIA.

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

E. In accordance with Section 7 of the PIA, Assignor (i) will 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 Forest Protocols, the PIA and all exhibits attached thereto and any amendments thereto.

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

1. **Assignment.** Assignor hereby assigns and transfers to Assignee all of the Forest Owner Obligations with respect to the interest in the Property or Property Interest that is conveyed, transferred, or granted to Assignee. Assignor retains all Forest Owner Obligations under the PIA with respect to any portion of the Property or Property Interest that is not conveyed, transferred, or granted that the Assignor continues to own.

2. **Assumption.** Assignee hereby assumes all of the Forest Owner Obligations under the PIA with respect to Assignor's right, title and interest in the Property or Property Interest, and agrees to observe and fully perform all of the duties and obligations 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 Property or Property Interest to Assignee, Assignee shall become substituted for Assignor as "Forest Owner" and "Party" under the PIA with respect to the Property or Property Interest.

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.

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. **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 fifteen (15) days of the date when this Assignment and Assumption Agreement is fully executed.

10. **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.

11. **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]

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: _____

ACKNOWLEDGMENT

State of California)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

ACKNOWLEDGMENT

State of California)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

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EXHIBIT F

BUFFER POOL CONTRIBUTION

(See attached)

**EXHIBIT F
BUFFER POOL CONTRIBUTION**

The contributions to the Buffer Pool listed in the following Table 1 of this Exhibit F are in addition to the contributions described in Appendix D of the Forest Protocols, including but not limited to, the contributions listed in "Table D.2. Financial Risk Identification" of the Forest Protocols.

Table 1

Risk Category	PIA with "Subordination Clause Type 2"	PIA with "Subordination Clause Type 1"
Financial Failure	10%*	2%*

*The Reserve may, from time to time, transfer CRTs from the Buffer Pool to the Forest Owner's account or may partially waive future Buffer Pool contributions if the Reserve determines, in its sole and absolute discretion, that the previously assessed risk percentages, as listed above, were unnecessarily high. Similarly the Reserve may, from time to time, require additional Buffer Pool contributions if the Reserve determines, in its sole and absolute discretion, that the previously assessed risk percentages, as listed above, were too low.

For purposes of this Exhibit F only, the following terms shall be defined as follows:

- 1) "PIA" is a "restrictive covenant and project implementation agreement."
- 2) "Subordination Clause Type 1" reads as follows (*italics added*):

Subordination and Buffer Pool Contribution. Forest Owner shall ensure that any deed, mortgage, lien, lease or other encumbrance on or affecting the Property that arises subsequent to the date of this Agreement shall be subordinate to this Agreement. Notwithstanding the previous sentence, so long as Forest Owner is not in default of any Forest Owner Obligation, Forest Owner may request that this Subsection 7(e) be amended as set forth below in exchange for Forest Owner's contribution of additional CRTs to the Buffer Pool in an amount which matches the additional contribution that would have been made at the time of the execution of this Agreement and for each subsequent year thereafter had Forest Owner chosen at that time to execute a version of the project implementation agreement which would have made this Agreement automatically subordinate to subsequent deeds and mortgages, as shown in the "Buffer Pool Contributions" attached hereto as Exhibit F. The contributions to the Buffer Pool as shown in Exhibit F are in addition to the Buffer Pool contributions required in the Forest Project Protocols and shall be an ongoing obligation of Forest 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 as listed in Exhibit F are either too high or too low. So long as Forest Owner is not in default of any Forest Owner Obligation, including but not limited to its contributions to the Buffer Pool, Forest 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 G. Reserve's consent to execute the "Subordination of Restrictive Covenant and Project Implementation Agreement" in the form attached hereto as Exhibit G shall not be unreasonably withheld so long as Forest Owner has contributed the required additional CRTs to the Buffer Pool as described herein. From and after the recordation of the "Subordination of Restrictive Covenant and Project Implementation Agreement," this Subsection 7(e) shall be deleted and shall be replaced in its entirety with the following new Subsection 7(e):

"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. Forest Owner acknowledges that Reserve would not agree to this Subsection 7(e) without Forest Owner's increased contribution to the Buffer Pool in accordance with the 'Buffer Pool Contributions' attached hereto as Exhibit F. The contributions to the Buffer Pool as shown in Exhibit F are in addition to the Buffer Pool contributions required by the Forest Project Protocols and shall be an ongoing obligation of Forest 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 as listed in Exhibit F are either too high or too low. So long as Forest Owner is not in default of its obligations hereunder, including but not limited to its contributions to the Buffer Pool, Forest 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 G. Reserve's consent to execute the 'Subordination of Restrictive Covenant and Project Implementation Agreement' in the form attached hereto as Exhibit G shall not be unreasonably withheld."

3) "Subordination Clause Type 2" reads as follows (italics added):

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. Forest Owner acknowledges that Reserve would not agree to this Subsection 7(e) without Forest Owner's increased contribution to the Buffer Pool in accordance with the "Buffer Pool Contributions" attached hereto as Exhibit F. The contributions to the Buffer Pool as shown in Exhibit F are in addition to the Buffer Pool contributions required by the Forest Project Protocols and shall be an ongoing obligation of Forest 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 as listed in Exhibit F are either too high or too low. So long as Forest Owner is not in default of its obligations hereunder, including but not limited to its contributions to the Buffer Pool, Forest 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 G. Reserve's consent to execute the "Subordination of Restrictive Covenant and Project Implementation Agreement" in the form attached hereto as Exhibit G shall not be unreasonably withheld.

Table 2 below is illustrative only and provides an example relevant only to Subordination Clause Type 1, in which Forest Owner in Year 3 requests that the PIA be amended and subordinated to a mortgage and in exchange Forest Owner contributes to the Buffer Pool in an amount equal to what the Forest Owner would have contributed had it originally chosen to execute a version of the PIA with Subordination Clause Type 2, which makes the PIA subordinate to subsequent deeds and mortgages. Thus, in Year 3 Forest Owner would need to contribute an additional 8% to the Buffer Pool for Years 1 through 3, for a total of 36 CRTs to the Buffer Pool in Year 3. In future years beyond Year 3, Forest Owner would contribute 10% to the Buffer Pool for risks associated with financial failure, as if it had executed a PIA with Subordination Clause Type 2.

Table 2 EXAMPLE *(illustrative only)*

Year	Year 1	Year 2	Year 3
Agreement Type	PIA with Subordination Clause Type 1	PIA with Subordination Clause Type 1	PIA with Subordination Clause Type 2
CRTs	100	100	100
Hypothetical Contribution to Buffer Pool (assume fire risk at 3%)	12%	12%	20%
CRTs contributed to Buffer Pool for Current Year	12 CRTs	12 CRTs	20 CRTs
Adjustment, based on applying current Buffer Pool contribution % to previous CRTs	8 CRTs	8 CRTs	8 + 8 + 20 = 36 Total CRTs due in Year 3

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EXHIBIT G

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

(See attached)

EXHIBIT G

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 [____] corporation, whose address is [____] ("Forest Owner"), and [____] BANK ("Lender"), whose address is [____].

RECITALS

A. Reserve and Forest Owner are parties to that certain Restrictive Covenant and Project Implementation Agreement dated _____ (the "Project Implementation Agreement"), a memorandum of which was recorded in the Official Records of the County of [____], on [____] DATE], as Document Number [____].

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 Forest Project (as defined in the Project Implementation Agreement) generates a net reduction and sequestration of greenhouse gas emissions.

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

EXHIBIT G

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 [____] corporation, whose address is [____] ("Forest Owner"), and [____] BANK ("Lender"), whose address is [____].

RECITALS

A. Reserve and Forest Owner are parties to that certain Restrictive Covenant and Project Implementation Agreement dated _____ (the "Project Implementation Agreement"), a memorandum of which was recorded in the Official Records of the County of [____], on [____] DATE], as Document Number [____].

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 Forest Project (as defined in the Project Implementation Agreement) generates a net reduction and sequestration of greenhouse gas emissions.

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