

PACIFIC GAS AND ELECTRIC COMPANY
APPENDIX A
UNREDACTED CONTRACTS

Contract - Long Form

SELLER LEGAL NAME: Sempervirens Fund Inc.
REPRESENTATIVE'S NAME: Brian Steen, Executive Director
ADDRESS: 2483 Old Middlefield Way, Suite 110
 Mountain View, CA 94043
CONTRACT NUMBER 2500038029
TOTAL PAGE COUNT: Page 1 of 79

Hereinafter called "Seller," and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called "Buyer," hereby agree as follows:

WORK:

Summary: The sale and delivery of the Verified Emission Reductions pursuant to the attached Verified Emission Reduction Purchase and Sale Agreement (the "Agreement") dated February __, 2008.

Any letters, drawings, specifications, Buyer legal terms, or other material annexed hereto or referred to herein shall be deemed a part hereof and incorporated herein.

CONTRACT TERM: Seller shall commence performance hereof when authorized to do so by Buyer, and WORK shall be completed according to the Agreement.

INSURANCE: In accordance with Article 13 of the Agreement.

INDEMNITY: In accordance with Section 10.3 of the Agreement.

LOCATION: WORK will be performed at the following location: The Premises (as defined in the Agreement).



TERMS OF PAYMENT: In accordance with Sections 3.3 and 15.1 of the Agreement.

PAYMENT: As full consideration for the performance hereof, PG&E shall pay Contractor the following sum:

Pricing: TOTAL: One Hundred Fifty Two Thousand Five Hundred Dollars (\$152,532.00)

X NOT TO EXCEED

FIRM FIXED PRICE

BUYER		SELLER	
		Firm Name	Sempervirens Fund Inc.
Name	Rudy Promani	Name	Brian Steen
Title	Portfolio Manager EH&S Portfolio	Title	Executive Director
Signature		Signature	
Date	February 26 2008	Date	February 15, 2008
Buyer Negotiator	Gary Kaufmann	Seller Representative	Laura McLendon
Phone	415-973-1470	Phone	650-968-4509

CONTRACT NUMBER:

INVOICE INSTRUCTIONS: Seller shall send invoices for each payment when due, showing the Contract number, to:

PACIFIC GAS AND ELECTRIC COMPANY
Send P.O. Box 770000, Mail Code N12E
ORIGINAL San Francisco, CA 94177
Invoice to Attn: ClimateSmart™ Manager
Phone: (415) 973-2092
Facsimile: (415) 973-0230

Copy of Invoice None.
Attention
Address

WORK SUPERVISED BY: Robert Parkhurst

PHONE: 415-973-1470

**ACCOUNTING
REFERENCE:**

INFORMATION

Distribution Data

- PLEASE ORIGINAL COPY TO:**
- Document Services (Signed Original Copy)
Mail Code N0B1X
245 MARKET ST., SAN FRANCISCO
 - Contractor (Signed Original Copy)
 - Work Supervisor
 - Invoice Approver
 - Director/V.P.
 - Manager
 - Supervisor
 - Sourcing/ Purchasing
 - Law

EXHIBITS: The exhibits referenced in the Agreement are attached to this Agreement and incorporated herein.

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**CLIMATESMART™ PROGRAM
VERIFIED EMISSION REDUCTION
PURCHASE AND SALE AGREEMENT**

THIS CLIMATESMART™ PROGRAM VERIFIED EMISSION REDUCTION PURCHASE AND SALE AGREEMENT (this “Agreement”) is made as of the Effective Date by and between Pacific Gas and Electric Company, a California corporation (“Buyer”), and Sempervirens Fund Inc., a California non-profit public benefit corporation (“Seller”; with Buyer a “Party” and collectively, the “Parties”), with reference to the following:

PREAMBLE

WHEREAS the CPUC authorized Buyer to operate the ClimateSmart™ Program pursuant to the ClimateSmart™ Program Decision (D.06-12-032) by collecting funds from customers enrolled in the ClimateSmart™ Program and to procure Verified Emissions Reductions (VERs) from projects in California that reduce, avoid or sequester emissions of Greenhouse Gases;

WHEREAS, Seller owns the GHG Emission Reductions and will own the resulting Verified Emission Reductions from the Lompico Headwaters Forest Carbon Project, as more particularly described in Exhibit B (the “Project”);

WHEREAS, the Project is capable of being certified and GHG Emission Reductions capable of being Verified pursuant to this Agreement, and Seller desires to sell, and Buyer desires to purchase, Verified Emission Reductions in connection with the ClimateSmart™ Program;

WHEREAS, Buyer has formed ClimateSmart Charity, a California non-profit public benefit corporation (“ClimateSmart Charity”) to implement a directive in the ClimateSmart™ Program Decision to obtain deductible status for voluntary contributions by Buyer’s customers to the ClimateSmart™ Program; and

WHEREAS, Buyer and ClimateSmart Charity desire to establish a formal arrangement with respect to the rights and obligations of Buyer under this Agreement to effectuate the purposes and obligations of Climate Smart.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, the Parties agree as follows:

**ARTICLE 1:
DEFINITIONS; RULES OF INTERPRETATION**

1.1 Definitions.

“AAA” means the American Arbitration Association.

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“Activity-Shifting Leakage” means a loss of net carbon benefits by the displacement of activities from inside the Premises to locations outside of the Premises as a direct result of Project activities, caused by Seller or any other person or entity.

“Affiliate” means, with respect to any entity, any other entity (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For this purpose, “control” means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

“Agreement” is defined in the Preamble.

“Annual Amount” means the number of VERs which Seller is to sell and Buyer is to purchase in any given Reporting Year in accordance herewith, as set forth on Exhibit C.

“Annual Report” means a report provided annually to Buyer by Seller setting forth the amount of GHG Emission Reductions and VERs generated by the Project as of the date thereof, with all other data as may be required to be collected and recorded in accordance with the Approved Methodologies, along with a detailed quantitative and qualitative explanation of all cumulative Methodology Nonattainment for all previous Reporting Years.

“Approved Methodologies” means initial and ongoing Monitoring, Verification, Methodology Nonattainment and other relevant formulae, measurement and reporting rules, procedures, systems and other methodologies conforming to the requirements of the CCAR and the CCAR Protocols and reasonably acceptable to Buyer, used for the Pre-Registration, the Initial Verification Report, Project Certification and Verification of GHG Emission Reductions.

“Approved Verifier” means one or more persons or entities, with recognized expertise in the field, mutually agreed upon by Buyer and Seller, and approved by the CCAR (so long as CCAR provides approval of such persons or entities for such purposes), that applies the Approved Methodologies or Verifies the Contracted VERs, as applicable.

“Arbitration” is defined in Section 15.5.

“Attestation” means the Bill of Sale and VER Attestation in the form of Exhibit A.

“Bankrupt” means with respect to any entity, such entity (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar Law, or has any such petition filed or commenced against it, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

“Baseline” means the long-term projection that reasonably represents the volume of anthropogenic emissions by sources and removals by sinks of Greenhouse Gas emissions that

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would have occurred in the absence of the Project, as calculated by Seller and verified by the Approved Verifier providing the Initial Verification Report pursuant to the Approved Methodologies.

“Business Day” means any day between the hours of 8:00 AM and 5:00 PM, except a Saturday, Sunday or a holiday on which federally insured banks in San Francisco, California are permitted to close.

“Buyer” is defined in the Preamble.

“Buyer Co-Benefit Rights” means those Co-Benefits, or rights associated therewith, which are being acquired by Buyer under this Agreement, as expressly identified in the Co-Benefit Plan.

“Buyer Project Costs” means any costs incurred by Buyer in connection with the preparation or execution of this Agreement, or the Project, including Buyer’s costs incurred in connection with Buyer’s environmental, social, financial and legal due diligence and review, and the preparation, revision or review of any Project Documents, Pre-Registration, the Initial Verification Report or Project Certification, including allocated costs of in-house counsel.

“CARB” means the California Air Resources Board.

“CARROT” means the Climate Action Registry Online Tool of the CCAR.

“CCAR” means the California Climate Action Registry.

“CCAR Database” means CARROT and any present or future CCAR certificate registration and transaction database implemented by CCAR.

“CCAR Protocols” means the Protocols, Project Protocols, Reporting Protocols, Certification Protocols, and other protocols, rules, reporting requirements and online tools promulgated or published by the CCAR, as the same may change from time to time.

“Carbon Dioxide Equivalent” or “CO₂e” means the radiative forcing of a Greenhouse Gas expressed in the equivalent of carbon dioxide emissions.

“CEC” means the California Energy Commission.

“Claiming Party” is defined in Section 11.1.

“ClimateSmart™ Program” means Buyer's retail customer choice program authorized by the ClimateSmart™ Program Decision.

“ClimateSmart Charity” is defined in the Preamble.

“ClimateSmart™ Program Decision” means CPUC Decision 06-12-032 dated December 14, 2006.

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“Co-Benefits” means any and all environmental, social, and emission benefits, claims, or characteristics which result from the GHG Emission Reductions and the actions creating or relating thereto, including protection of habitat for wildlife and native plants, protection of watersheds, improvements to local air quality, promotion of environmental justice, socio-economic benefits for the community, appropriate resolution of any environmental impact reports, and the elimination, offsetting or reduction of potential adverse environmental and social impacts.

“Co-Benefit Plan” means Seller’s plan set forth in Exhibit 4.11 that describes the mitigation, monitoring, and institutional measures in addition to the GHG Emission Reductions to be taken by Seller during implementation and operation of the Project to realize the Co-Benefits, and which identifies the “Buyer Co-Benefit Rights.”

“Commercial Operation” means the Project is operating and able to deliver Contracted VERs, Seller and the Project are registered with the CCAR, and the Initial Verification Report has been delivered by Seller to Buyer.

“Commercial Operation Date” means the Milestone on or before which an Approved Verifier notifies Buyer that Commercial Operation has occurred.

“Conservation Easement” means those conservation easements applicable to the Premises meeting the requirements of California Civil Code Sections 815 et seq., as recorded in the real estate records of the county in which the Premises are situated, and more specifically described in Exhibit 4.12, as such Exhibit may be updated by Seller from time to time.

“Construction Start Date” means the Milestone by which Seller will begin constructing or constituting the Project.

“Contracted VER” means the total amount of VERs that are contracted to be sold under this Agreement as set forth in Exhibit C, but are not Purchased VERs.

“CPUC” means the California Public Utilities Commission.

“Defaulting Party” is defined in Section 9.1.

“Delivery Term” means the period during which Seller is to sell and deliver to Buyer, and Buyer is to purchase and receive from Seller, the Contracted VERs as scheduled in Exhibit C; provided, that the Delivery Term shall end sooner than the period set forth in Exhibit C if and when Seller has delivered to Buyer the total amount of all VERs set forth in Exhibit C.

“Designated Representative” is defined in Section 5.1.

“Disclosing Party” is defined in Section 16.4.

“Disclosure Order” is defined in Section 16.4.

“Early Action” means action taken to reduce Greenhouse Gas emissions in advance of being required to do so under applicable Law.

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“Effective Date” is the date of the last signature as set forth in the cover pages attached to this Agreement.

“Emission Rights” means any present or future right, interest, claim, credit, entitlement, benefit or allowance to emit present or future gases arising from, resulting from or in connection with any GHG Emission Reduction and includes any right that may be created under any present or future applicable Law.

“Event of Default” is defined in Section 9.1.

“Excess VERs” means any and all GHG Emission Reductions capable of becoming VERs, if any, in any Reporting Year, that are in excess of the Annual Amounts as detailed in Exhibit C, except Reserve VERs.

“Excess VERs Notice” is defined in Section 3.6.

“Executive” is defined in Section 15.4.

“Failure of Additionality” means a failure of the GHG Emission Reductions to be reductions from the Baseline in the manner covenanted herein, for any reason, including a failure by Seller to adhere, for whatever material reason, to the Financial Plan, or the failure of the Project activity or operation to be additional to that required by then-applicable Law or Buyer.

“FERC” means the Federal Energy Regulatory Commission.

“Financial Plan” means Exhibit 4.10, (i) setting forth Seller’s financial plan for the use of the Price for the Contracted VERs to be paid to Seller by Buyer hereunder, (ii) showing that but for the payments by Buyer hereunder the Project would not have occurred, (iii) demonstrating how the payments by Buyer hereunder allow for this Project to occur, (iv) describing any other sources of Project funding or loan guaranties and (v) explaining whether the Project is a component of a larger project activity.

“Force Majeure” is defined in Section 11.2.

“GHG Emission Reduction(s)” means the removal, limitation, reduction, avoidance, sequestration, or mitigation of emissions of any Greenhouse Gases by Project activity or by operation of the Project below the Baseline, and all present and future legal and beneficial rights arising therefrom, including any and all credits, benefits and claims (but not including the Co-Benefits other than the Buyer Co-Benefit Rights), offsets, and allowances, howsoever entitled, and whether or not tradable, all fungible commodities created by certifying or verifying the capture, destruction or avoided discharge of Greenhouse Gases resulting from Project activity or by operation of the Project below the Baseline, and all credit for Early Action, Reporting Rights, Emissions Rights and Buyer Co-Benefit Rights associated with that GHG Emission Reduction. GHG Emission Reductions do not include (i) production tax credits associated with the construction or operation of the Project and other financial incentives in the form of credits, reductions, or allowances associated with the Project that are applicable to a state or federal income taxation obligation, (ii) fuel-related subsidies or “tipping fees” that may be paid for the acceptance of certain fuels, or local subsidies received for the destruction of particular pre-

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existing pollutants or the promotion of local environmental benefits, (iii) emission reduction credits encumbered or used by the Project for compliance with local, state, or federal operating and/or air quality permits, and disclosed as Permits hereunder, (iv) manure, methane or natural gas in their respective physical forms, if any, (v) any of the foregoing within this defined term that are part of any other acquisition by Buyer, of a "Renewable Energy Credit" within the meaning of California Public Utilities Code §399.12(g) or otherwise, made in connection with the California Renewables Portfolio Standard energy program and policies codified in California Public Utilities Code §§399.11 through 399.20 and California Public Resources Code §§25740 through 25751, or otherwise, (vi) any liabilities, including those related to adverse wildlife or environmental impacts, (vii) any other non-Buyer funding source for the Project whether it be a source of revenue or avoided expense for the Seller, or (viii) the Co-Benefits other than the Buyer Co-Benefit Rights.

"Government Action" means action by a Governmental Authority which has a material effect on the value of VERs.

"Governmental Authority" means any federal, state, local or municipal government, governmental department, commission, board, bureau, agency, instrumentality, or judicial, regulatory or administrative body.

"Governmental Charges" is defined in Section 12.2.

"Greenhouse Gas" means one of the gases listed on Annex I of the Kyoto Protocol.

"Guaranteed Commercial Operation Date" means the Milestone on or before which Seller must be notified by an Approved Verifier that Commercial Operation has occurred.

"Guaranteed Construction Start Date" means the Milestone on or before which Seller must have begun constructing or constituting the Project.

"Initial Negotiation End Date" is defined in Section 15.4.

"Initial Verification" means the evaluation of the Project by the Approved Verifier that the Project can generate the GHG Emission Reductions in accordance with the requirements of the Approved Methodology to create the Contracted VERs.

"Initial Verification Report" means the report of the Initial Verification by the Approved Verifier and acceptance of such report by the CCAR.

"Interest Rate" means the rate per annum equal to the "Monthly" Federal Funds Rate (as reset on a monthly basis based on the latest month for which such rate is available) as reported in Federal Reserve Bank Publication H.15-519.

"Kyoto Protocol" means the protocol to the UNFCCC adopted at the Third Conference of the Parties to the UNFCCC in Kyoto, Japan on December 11, 1997.

"Law" means any statute, law, treaty, rule, regulation, ordinance, code, permit,

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enactment, injunction, order, writ, decision, authorization, judgment, decree or other legal or regulatory determination or restriction by a court or Governmental Authority of competent jurisdiction, including any of the foregoing that are enacted, amended, or issued after the Effective Date, and which become effective during the Term (provided that all warranties and representations of the Parties are with respect to the Law as of the Effective Date, unless specifically provided otherwise); or any binding interpretation of the foregoing.

“Leakage” means Activity-Shifting Leakage or Market Leakage.

“Leakage Avoidance Plan” means Seller’s plan set forth in Exhibit 4.7.1 for avoiding Leakage, describing all Project Leakage risks, formulae used, how such risks are retained by the Project, not passed on to Buyer, and mitigated by Seller, including insurance or buffer of unsold GHG Emission Reductions.

“Manager” is defined in Section 15.4.

“Market Leakage” means the creation of Greenhouse Gas emissions outside of the Project through substitution or replacement due to the Project activity impacting an established market for goods.

“Material Adverse Effect” means an event or condition that (i) has a significant adverse effect on (A) Seller’s ability to own, control or operate a Project, (B) a Party’s required rights from third parties, or other necessary abilities to perform its obligations hereunder, (C) the business, operations, properties, assets, prospects or condition (financial or otherwise) of a Party, (D) Buyer’s ratepayers or ClimateSmart™ Program participants, or (ii) subjects Buyer, any Buyer Affiliate, ClimateSmart Charity, or any of their executives, agents, directors, or employees, to any (A) criminal or third party civil liability or (B) enforcement action or investigation by the CPUC, the CEC, or any Governmental Authority.

“Methodology Nonattainment” means any negative change in the estimated GHG Emission Reductions when the Annual Amounts are compared with the actual GHG Emission Reductions calculated in accordance with the Approved Methodology, or there is loss of Purchased VERs due to Leakage, Permanence Failure, Failure of Additionality, Project design deficiencies or variations, or any other cause.

“Milestones” are the accomplishments and corresponding dates for the Project set forth in Exhibit 4.2 hereto.

“Monitoring” means the collection and recording of all relevant data necessary for (i) Verification of the VERs by the Approved Verifier and (ii) the Approved Verifier and Buyer to determine if Methodology Nonattainment has occurred.

“Monitoring Plan” means Seller’s plan, set forth on Exhibit 4.9, for all Monitoring and management systems required by the Approved Methodologies and this Agreement throughout the Term.

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“mtCO₂e” means metric ton of CO₂e.

“Notice” is defined in Article 17.

“Party” is defined in the Preamble.

“Permanence Failure” means the failure of a Purchased VER to remain permanent throughout the Permanence Period.

“Permanence Maintenance Plan” means Seller’s plan set forth in Exhibit 4.8.1, describing Seller’s plan to provide appropriate assurances of permanence of the Purchased VERs throughout the Permanence Period.

“Permanence Period” means one hundred years from the applicable Reporting Year.

“Permits” means all of the permits, licenses, approvals, certificates, entitlements and other authorizations issued by, and notices and registrations submitted to, Governmental Authorities required for the ownership and operation of the Project, including those specified Required Project Documents, and all general conditions and addenda thereto.

“Pre-Registration” means the documentation, in the form of Exhibit 4.1, of the Project concept with the CCAR pursuant to the CCAR Protocols.

“Premises” means the real property on which the Project is situated, and all rights appurtenant thereto.

“Prepayment” is defined in Section 3.3.

“Price” means the price for the VERs which Seller is to sell and Buyer is to purchase in any given Reporting Year, as set forth on Exhibit C.

“Progress Report” means a report to Buyer in the form of Exhibit 5.1.

“Project” is defined in the Preamble and further described on Exhibit B.

“Project Certification” means the annual certification of the Project by a qualified Approved Verifier pursuant to the CCAR Project Certification Protocol.

“Project Documents” means together, or individually, this Agreement and all of its Exhibits, the Pre-Registration Report, the Monitoring Plan, the Initial Verification Report, Required Project Documents and all other agreements, documents and instruments entered into or delivered in connection herewith or relating to the Project and its development, construction, ownership, use, occupancy and operation.

“Project Participants” means those individuals, entities or organizations listed on Exhibit 6.2.4 which have or claim to have an ownership interest in any portion of the Project or Premises.

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“Projected Project Reductions” means the amount of GHG Emission Reductions Seller reasonably anticipates that the Project will produce each Reporting Year applying the Approved Methodologies, as set forth on Exhibit C.

“Purchased Lost VERs” is defined in Section 3.5.1.

“Purchased VERs” means the VERs that Seller has delivered to Buyer and for which Buyer has paid the Price to Seller, pursuant to this Agreement.

“Referral Date” is defined in Section 15.4.

“Replacement VERs” is defined in Section 3.5.2.

“Reporting Rights” means the right to report the exclusive ownership of the Purchased VERs, GHG Emission Reductions, or any part thereof, in compliance with applicable Law or otherwise, to an international, federal or state agency or any other person or entity, including under Section 1605(b) of the Energy Policy Act of 1992 and any applicable Law, and international or foreign emissions trading program.

“Reporting Year” means January 1 to December 31 of each year, provided that the first Reporting Year begins on the Commercial Operation Date as set forth on Exhibit C.

“Required Project Documents” means all Permits and any other approvals, authorizations, rights, easements, Conservation Easement, environmental impact statements, certifications and agreements now or hereafter necessary for the construction, operation and maintenance of the Project, including those set forth in Exhibit 6.2.5.

“Reserve VERs” is defined in Section 8.2.

“Seller” is defined in the Preamble.

“Step-In Costs” is defined in Section 10.4.

“Step-In Rights” is defined in Section 10.4.

“Successor System” is defined in Section 4.15.1.

“Term” is defined in Section 2.1.

“UNFCCC” means the United Nations Framework Convention on Climate Change adopted in New York on May 9, 1992, and includes the Kyoto Protocol thereto.

“Verification” and “Verified” means the initial and periodic independent review and assessment by an Approved Verifier of the Contracted VERs and their quantity, and that the GHG Emission Reductions have occurred as a result of the Project during a specified period, in accordance with the Approved Methodologies and otherwise meet all applicable requirements

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hereof.

“Verification Report” means the annual report of the Verification of the GHG Emission Reductions prepared by an Approved Verifier including a statement of the amount of VERs the Project has generated in the Reporting Year, any Methodology Nonattainment for such Reporting Year and any prior Reporting Years, certification of continuous compliance with, or any changes to, the Monitoring Plan, and such other matters as may be required pursuant to the Approved Methodologies.

“Verified Emissions Reduction” or “VER” means a one mtCO₂e GHG Emission Reduction produced by the Project, calculated as to quantity, capable of Verification, and Verified using the Approved Methodology.

1.2 Rules of Interpretation.

1.2.1 Capitalized terms used herein are defined in Section 1.1, unless otherwise specified.

1.2.2 References in the singular include references to the plural and vice versa, pronouns having masculine or feminine gender include the other, and words denoting natural persons include partnerships, firms, companies, corporations, joint ventures, trusts, associations, organizations or other entities, whether or not having a separate legal personality. Other grammatical forms of defined words or phrases have corresponding meanings.

1.2.3 “Include” or “including” mean “including without limitation”.

1.2.4 “Quarter” means, unless otherwise indicated, a three month calendar period beginning on the first day of January, April, July, or October of a given year; “month” means a calendar month unless otherwise indicated, and a “day” is a 24-hour period beginning at 12:00:01 AM and ending at 12:00:00 midnight, whether or not a Business Day; provided that a “day” may be 23 or 25 hours on those days on which daylight savings time begins or ends.

1.2.5 Unless otherwise specified herein, where the consent or approval of a Party is required, such consent or approval may not be unreasonably withheld, conditioned or delayed.

1.2.6 Unless otherwise specified herein, all references herein to any agreement or other document of any description include all amendments, supplements, modifications and any superseding agreement or documents, including any website, as existing at the applicable time.

1.2.7 References to a particular article, section, exhibit or attachment is, unless specified otherwise, a reference to that article, section, exhibit or attachment in or hereto.

1.2.8 References to any natural person, Governmental Authority, publication, website, market price index, regulatory proceeding, corporation, partnership or other legal entity include its successors and lawful assigns.

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1.2.9 All references to dollars are to U.S. dollars.

1.2.10 An "order", "determination" or "decision" or "interpretation" of the CCAR, CPUC, CARB or CEC includes a resolution, advice letter or other action embodying a final decision by it.

1.2.11 "Or" is not necessarily exclusive.

1.2.12 All references herein to hours of the day are stated in Pacific Standard Time or Pacific Daylight Time, as applicable on the day in question.

1.2.13 "Herein", "hereunder" and similar terms refer to this Agreement in its entirety unless the context requires otherwise.

1.2.14 Headings are included for convenience only and are not to be considered in interpretation.

1.2.15 Each term hereof is to be construed simply according to its fair meaning and not strictly for or against either Party. No term hereof is to be construed against a Party on the ground that the Party is the author of that provision.

ARTICLE 2: TERM

2.1 Term. The "Term" of this Agreement commences on the Effective Date and ends on the full payment and completion of performance of all of the obligations of both Parties. Without being limited by the foregoing, the obligations and rights of the Parties under Sections 3.5, 4.7, 4.8, 4.11 through 4.17, 6.2 and 8.2 and those terms necessary to enforce such rights and obligations, shall survive the Delivery Term through to the end of the Permanence Period.

ARTICLE 3: SALE AND TRANSFER OF VERS

3.1 Conveyance of VERS. Seller hereby sells, transfers and conveys, and agrees to sell, transfer and convey, to Buyer all of its right, title and interest in and to all VERS in the Annual Amounts and for the Prices set forth on Exhibit C. Seller shall sell, transfer and convey to Buyer all GHG Emission Reductions of the Project occurring until all Contracted VERS have been received by Buyer.

3.2 Delivery of VERS; Verification. During the Delivery Term, Seller shall deliver to Buyer by April 15 (or the Milestone for Project Certification set forth in Exhibit 4.2 in the case of the first Reporting Year) for each Annual Amount and Reporting Year of VERS, the applicable Verification Report, written evidence of the transfer to Buyer in the CCAR Database, Attestation and an invoice for the VERS delivered. Title to VERS, which includes the items described in this Section, shall be sold, transferred and conveyed to Buyer at the time that the payment of the Price of such VERS is delivered to Seller. Seller shall obtain and pay for the Pre-Registration, Initial Verification Report, Project Certification, Verification, each Verification Report and all costs of the Approved Verifier in connection therewith. Buyer's obligations to

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pay for VERs are contingent on VERs being Verified by the Approved Verifier according to the Approved Methodology. Seller shall take all such actions as are required to transfer registered ownership of the VERs on the CCAR Database to Buyer and provide Buyer with written evidence of such transfer. Upon notification by CCAR that any transfer of VERs contemplated by this Agreement will not be or is not effective, the Parties shall promptly confer and shall cooperate in taking all reasonable actions necessary to effect the transfer.

3.3 Payment for VERs. Within twenty (20) Business Days of the Effective Date, Buyer shall pay Seller Twenty-Two Thousand Eight Hundred and Eighty Dollars [(\$22,880)] as a prepayment for Contracted VERs to Buyer (the "Prepayment"). Buyer shall pay Seller the Price (less the Prepayment) for GHG Emission Reductions after delivery as VERs within thirty (30) Business Days of Buyer's receipt of the items set forth in Section 3.2. The sale and purchase of VERs in this Agreement and as set forth on Exhibit C is not an option, but Buyer's commitment to purchase, and Seller's commitment to sell, GHG Emission Reductions and VERs regardless of fluctuations in price or availability of property similar to VERs in the marketplace and participation levels of Buyer's customers in the ClimateSmart™ Program.

3.4 Verification Report Review. Either Party may review any particular Verification Report for up to three (3) years following its delivery to Buyer pursuant to Section 3.2. In the event of a dispute of a Verification Report, the Parties may appoint a mutually agreed Approved Verifier, at the expense of the Party questioning the Verification Report, to resolve such findings. In the event of a failure to mutually agree upon an Approved Verifier to resolve such a dispute within thirty (30) days of Notice of a Party to select a mutually agreed Approved Verifier, a Party may then request the CCAR to appoint an Approved Verifier for such purpose and shall provide the other Party with Notice of such request. In the event the Parties cannot resolve such dispute pursuant to this Section 3.4, such dispute shall be resolved pursuant to Article 15.

3.5 Reserve VERs; Replacement VERs; Refund.

3.5.1 Notwithstanding Sections 3.4 or 15.1, if Purchased VERs cease to be VERs (the "Purchased Lost VERs") because (a) verification of the Purchased VERs is subsequently denied or revoked by the Approved Verifier or pursuant to Section 3.4, (b) the Project is denied Pre-Registration or an Initial Verification Report, (c) Seller materially fails to comply with the Monitoring Plan or Leakage Avoidance Plan throughout the Permanence Period, or (d) a Methodology Nonattainment has occurred, then Seller shall within ten (10) Business Days of Notice from Buyer deliver to Buyer Reserve VERs in the amount all such Purchased Lost VERs, provided that delivery of Reserve VERs to Buyer pursuant to Section 8.2 shall be deemed delivery of Reserve VERs for purposes of this Section 3.5.1 if Buyer has not received a response with respect to such Purchased Lost VERs from Seller at the end of such ten (10) Business Days, in which event such Reserve VERs corresponding to the Purchased Lost VERs shall be permanently transferred to Buyer.

3.5.2 If the amount of the available Reserve VERs is not sufficient to replace all Purchased Lost VERs, then Seller shall within ninety (90) days deliver the shortfall by providing VERs registered with the CCAR of the same or later (but no later than the current calendar year) Reporting Year from another property owned or controlled as to GHG Emission Reductions by Seller (or from the Premises if the event that has caused Purchased VERs to become Purchased

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Lost VERs necessitates the registration of the Premises as a new Project with the CCAR), or acquired by Buyer from third parties, of a quality and committed permanence no less than that of the Purchased Lost VERs that are reasonably acceptable to Buyer ("Replacement VERs").

3.5.3 If there remains a shortfall under Section 3.5.2 above, then Seller shall refund to Buyer all payments received for the balance of the Purchased Lost VERs for which Buyer did not receive either Reserve VERs or Replacement VERs, including any Prepayments, together with interest on such funds at the Interest Rate dating from the expiration of the ninety (90) day period provided for under Section 3.5.2. Buyer may deduct such due and owing refund and corresponding interest from any future amounts owed to Seller.

3.5.4 Subject to Section 9.4, if a Seller Event of Default has occurred, Buyer may, at its option, pursue its remedies under Article 10, rather than seek Replacement VERs, Reserve VERs, or a refund pursuant to this Section 3.5.

3.6 Purchase of Excess VERs. If at any time during the Delivery Term any Verification determines that the Project activity has generated Excess VERs in any Reporting Year, then Buyer shall purchase such Excess VERs until Purchased VERs equal the total VERs of all Annual Amounts set forth in Exhibit C, at the Price for the Reporting Year in which such Excess VERs were generated. When from time to time Excess VERs exist for any Reporting Year, Seller shall provide Buyer Notice with an accompanying Verification Report ("Excess VERs Notice"). To the extent Buyer purchases Excess VERs, the Annual Amounts to be purchased hereunder shall be reduced in like amount starting with the last Reporting Year of the Delivery Term and working in reverse chronological order towards the present.

3.7 Compliance with ClimateSmart™ Program Decision. Buyer shall use the Purchased VERs in accordance with the provisions of the ClimateSmart™ Program Decision.

ARTICLE 4: CERTAIN OBLIGATIONS RESPECTING SELLER AND THE PROJECT

4.1 Registration. Seller shall register Seller and Pre-Register the Project with the CCAR no later than three (3) months from the Effective Date and maintain such registration throughout the Term. Seller's Pre-Registration of the Project is attached in Exhibit 4.1. Seller shall designate Buyer as a read-only "Participant Admin User" (as such term is defined by the CCAR), and otherwise grant Buyer the highest available level of read-only access, to Seller's Project CARROT accounts and CCAR Database data, during the Term.

4.2 Milestones. During the Delivery Term, Seller shall Pre-Register and obtain the Initial Verification Report for the Project and otherwise meet the Milestones.

4.3 Operation of the Project. During the Delivery Term, Seller shall (a) operate the Project in a competent and prudent manner, (b) maintain all Project Documents to enable the Project to produce the Contracted VERs, (c) cause Verification of all of the Contracted VERs according to the Approved Methodologies by the Approved Verifier.

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4.4 Verification. During the Delivery Term, Seller shall arrange for Verification according to the Approved Methodologies of all GHG Emission Reductions that are Contracted VERs.

4.5 Compliance. During the Term, Seller will operate the Project in compliance with all applicable Law. If any of the Project Documents are not approved in whole or part by the Approved Verifier or the CCAR, or are otherwise non-compliant with the Approved Methodologies, or if there has been a Methodology Nonattainment, Seller shall, and if Seller does not, Buyer may arrange, in consultation with Seller or as otherwise provided herein, to, at Seller's expense, have the relevant Project Documents revised to a standard which is approved by the Approved Verifier or the CCAR or which brings them into compliance with the Approved Methodologies, and to take such other actions as are necessary to cause the Verification of all GHG Emission Reductions from the Project and to deliver the resulting VERs to Buyer. Seller shall ensure that, as soon as practically possible, the operation of the Project is made compliant with any such revisions.

4.6 [Intentionally Omitted.]

4.7 Leakage. During the Term:

4.7.1 Seller shall operate the Project and its other activities in accordance with its Leakage Avoidance Plan and during the Delivery Term Seller shall update the Leakage Avoidance Plan with applicable Project, factual and scientific developments (including those provided by Seller to the CCAR pursuant to the Approved Methodologies), and seek and obtain Buyer's consent before modifying the Leakage Avoidance Plan.

4.7.2 Seller shall not engage in Activity-Shifting Leakage activities on land Seller owns anywhere, and shall avoid knowingly causing Activity-Shifting Leakage on other land; and

4.7.3 Leakage will be determined solely by reference to activities wholly within California.

4.8 Permanence.

4.8.1 Seller shall operate the Project in accordance with the Permanence Maintenance Plan throughout the Permanence Period. Seller shall update the Permanence Maintenance Plan with applicable Project, factual and scientific developments, and seek and obtain Buyer's consent before modifying the Permanence Maintenance Plan.

4.8.2 Seller shall maintain as permanent any and all Conservation Easements that are Required Project Documents or are otherwise required by the Project, and maintain its documentation and records relating thereto for the length of the Permanence Period. Seller's compliance with Required Project Documents and requisite standards of competence does not excuse Seller from meeting all of its obligations to Buyer hereunder; for example, Seller's full, faithful, and timely compliance with the Permanence Maintenance Plan and the Monitoring Plan will not excuse Seller from ensuring the permanence of the VERs.

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4.8.3 Buyer may at any time during the Permanence Period retain an Approved Verifier at its expense to determine if there has been Methodology Nonattainment. The costs of this shall be at Seller's expense if such Approved Verifier determines that VERs subject to loss through Methodology Nonattainment exceed what was most currently reported to Buyer by Seller by twenty percent (20%) by reason of a Seller Event of Default. Any refunds due under such audit will be administered under Section 3.5. Buyer will in good faith seek to share such data and reports with Seller, without being obligated to do so, and grants Seller the right to use such data for the benefit of the Project.

4.8.4 If an Approved Verifier is prevented for sixty (60) days from completing a Verification Report due to an inability to enter the Premises and/or view the Project after Notice from Buyer to Seller of the need for access to the Property, the VERs subject to such report shall be presumed to have suffered a Methodology Nonattainment and Seller shall comply with Section 3.5.

4.9 Monitoring Plan. On or before the Milestone Date provided, Seller, in consultation with Buyer, shall cause the Approved Verifier to prepare the Monitoring Plan and deliver a copy thereof to Buyer. Seller shall comply with the Monitoring Plan and maintain its documentation and records relating thereto during the Delivery Term and the Permanence Period.

4.10 Financial Plan. During the Delivery Term, Seller shall operate Seller and the Project in accordance with the Financial Plan.

4.11 Co-Benefit Plan. During the Term, Seller shall implement and abide by the Co-Benefit Plan. During the Delivery Term, Seller shall update the Co-Benefit Plan with applicable Project, factual and scientific developments and community opportunities.

4.12 Conservation Easement. During the Term, Seller shall not harvest any portion of the Premises in excess of the amount permitted by the Conservation Easement.

4.13 Covenants Against Double Selling. Seller shall not sell, or attempt to sell, any portion of the Purchased VERs, Contracted VERs or Excess VERs to any other person or entity at any time during the Delivery Term. Neither Seller, nor any of its Affiliates or its customers, shall claim any VERs, GHG Emission Reductions, Emissions Rights, Buyer Co-Benefit Rights, or any part thereof sold to Buyer hereunder as part of its own carbon inventory, footprint, or other carbon statement or declaration. During the Term, Seller shall not, without the advance written permission of Buyer, take or claim, or attempt to take or claim, any credit or benefit (including any GHG Emission Reduction claims made in any public forum or through any media) from the VERs or GHG Emission Reductions which are sold to Buyer unless such claim explicitly and clearly states that Seller has sold the VERs from the Project to Buyer for Buyer's exclusive purchase and use.

4.14 Other Registrations. In the event any state, regional, federal or international registry or program for offset projects, or climate registry or program, or system for the transfer of VERs, that involves sources or sinks in the nature of the Project is implemented during the

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Delivery Term, Seller shall provide all Project Documents and Verification Reports and other reasonably available information to Buyer in the event Buyer, at its sole expense, elects to additionally register or have Seller register the VERs with any such registries; provided that if such registry is a Successor System, registration of the Project and the VERs shall be governed by Section 4.15.1.

4.15 During the Term, if the CCAR ceases to exist or perform its functions:

4.15.1 With a successor or substitute system, organization or entity performing functions similar to the CCAR or as established by a Governmental Authority ("Successor System"), then Buyer may provide Seller with thirty (30) days Notice of such Successor System and Seller shall continue to perform according to this Agreement and shall maintain a membership, register the Project, and submit Verification Reports to the Successor System, at Seller's expense; provided that Seller shall not be obligated to incur costs or expenses materially in excess of the costs and expenses contemplated by the Parties as evidenced by the Financial Plan in effect as of the Effective Date; and provided further that if such costs and expenses are materially in excess thereof and are not further paid for by Seller, Seller shall provide Buyer with prompt Notice of such failure to pay and Buyer may elect to pay such excess in its sole discretion. If Buyer elects not to pay such excess, then Seller shall not be in breach of this Section; provided, however that Buyer may terminate this Agreement at its option at any time thereafter upon Notice to Seller pursuant to Section 9.5, or

4.15.2 Without a Successor System, then any function assigned to or performed by the CCAR shall be performed according to this Agreement, unless otherwise determined by mutual agreement of the Parties, subject to the dispute resolution procedures of Article 15 if mutual agreement is not achieved within thirty (30) days of Notice of such requirement by a Party.

Subject to Section 4.15.1, the obligations of purchase and sale of the VERs hereunder shall remain in effect between the Parties in the event future registries or programs are established.

4.16 Notice of Material Adverse Effects. During the Term, Seller shall promptly notify Buyer of receipt of written notice or actual knowledge by Seller of (a) the occurrence of any event of default under any Project Document, (b) the commencement of any action, suit, and proceeding before any court or Governmental Authority relating to Seller or the Project, or (c) any other development, financial or otherwise, that could materially and adversely affect the ability of Seller to perform its obligations hereunder or cause a Material Adverse Effect.

4.17 Others with Interests in the Premises or Project. Seller shall throughout the Term cause all other persons or entities having or acquiring any present or future ownership interest in any portion of the Project or Premises to execute the acknowledgment of Buyer's Exclusive Ownership of Purchased VERs in the form of Exhibit 6.2.4. Without limiting the generality of the foregoing:

4.17.1 During the Term, Seller shall provide Buyer with twenty (20) days prior Notice of any sale, conveyance, transfer or assignment of the any portion of the Premises or GHG Emission Rights by Seller. Seller shall, prior to effecting any such sale, transfer or

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conveyance, cause any such proposed transferee to execute and deliver to Buyer the acknowledgment of Buyer's Exclusive Ownership in the form of Exhibit 6.2.4.

4.17.2 During the Term, Seller shall provide Buyer with twenty (20) days prior Notice of any grant of a Conservation Easement. Seller shall, prior to effecting any such grant, cause any proposed grantee of a Conservation Easement to execute and delivery to Buyer the acknowledgment of Buyer's Exclusive Ownership in the form of Exhibit 6.2.4.

ARTICLE 5: REPORTING

5.1 Designated Representatives; Progress Reports. In addition to the contact information in Article 17, within fifteen (15) days of the Effective Date Buyer and Seller shall each appoint by Notice an individual to serve as its respective principal point of contact between the other for purposes hereof (each a "Designated Representative") including an electronic mailbox address to which the notified Party shall direct all written communications to comply with Sections 5.1 and 5.2. Each Designated Representative shall provide Notice of a change in the name of the Designated Representative during the Term provided that a Party may provide to the other Party. The Designated Representative shall have access to such mailbox. Oral communication to a Designated Representative shall not satisfy requirements of Notice. Within fifteen (15) days after the end of each month from the Effective Date through the Commercial Operation Date, Seller shall provide to Buyer Progress Reports and cause its Designated Representative to meet in person or by telephone regularly with Buyer's Designated Representative to review the status of the Project. If Seller becomes aware or has reason to believe that a delay may occur with any Milestone, Seller shall promptly notify Buyer.

5.2 Quarterly Progress Reports. In addition to the Progress Reports required by Section 5.1, during the Delivery Term, at the beginning of each quarter following the Effective Date, Seller shall provide to Buyer's Designated Representative a brief written report on the status of the Project and Seller's latest projections of the generation of VERs over the then-current Reporting Year.

5.3 Records and Reporting. During the Term, Seller shall provide copies of its documentation and records relating to the Project, including all Required Project Documents, as requested by Buyer, the Approved Verifiers, or CCAR. During the Term, Seller shall maintain adequate records relating to the Project to assist Buyer, the Approved Verifiers, or CCAR in meeting any present or future reporting, verification, transfer, registration, or retirement requirements associated with the VERs. During the Term, Seller shall contemporaneously provide Buyer a copy of any application, report or other document it files with the CCAR or any Governmental Authority relating to the Project, Purchased VERs or Contracted VERs. Buyer shall make available to Seller a copy of the non-confidential portions of any formal filing it files with the CCAR or CPUC that is about the Project or the Contracted VERs or Purchased VERs. Unless specifically stated otherwise, Seller shall maintain during the Term and for ten (10) years thereafter all records relating to the Project.

5.4 Access Rights. Buyer and the Approved Verifier, their respective authorized agents, employees and inspectors shall have the right to enter upon the Premises on reasonable

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advance notice during normal business hours up to four (4) times per calendar year and for any purposes connected with this Agreement. Visits in excess of four (4) times per calendar year may be arranged on a case-by-case basis and at sole discretion of the Seller. Buyer shall make reasonable efforts to coordinate its activities with Seller's safety and security departments, if any.

5.5 Additional Information. Seller shall provide to Buyer such other information respecting the condition, operations or regulation of Seller or the Project as Buyer may, from time to time, reasonably request.

5.6 Review of Records. Subject to Section 16.4, Buyer has the right, at its sole expense and during normal working hours, to examine Seller's records to the extent reasonably necessary to verify the accuracy of any statement, charge, data, or computations made pursuant hereto. If any such examination reveals any material inaccuracy in any statement, the Parties shall make the necessary adjustments in such statement and the payments thereof promptly, and amounts discovered to be so due shall bear interest calculated at the Interest Rate from the date the overpayment or underpayment was made until paid.

5.7 Exculpation. Buyer is under no obligation to exercise any of the monitoring or review rights provided to Buyer herein and, having exercised any such rights, is under no obligation to communicate or take action with respect to any information discovered as a result of monitoring or reviewing. Without limiting the generality of the foregoing, although Buyer shall disclose to Seller information discovered of which it becomes aware, Buyer shall have no liability to Seller for failing to advise it of associated activities or omissions, including any condition, damages, circumstances, infraction, fact, act, omission or disclosure discovered or not discovered by Buyer with respect to the Project or any contractor of Seller.

5.8 Financial and Accounting Information. Buyer believes that generally accepted accounting principles and U.S. Securities and Exchange Commission rules may require Buyer to evaluate if Buyer must consolidate Seller's financial information. In the event Buyer believes that such principles or rules may require such financial consolidation, Buyer will require access to Seller's financial records and personnel, at a mutually convenient and agreeable time, to determine if consolidated financial reporting is required. If Buyer determines that such financial consolidation is required, Buyer shall require the following during every calendar quarter for the Term: (a) complete financial statements and notes to financial statements; and (b) financial schedules underlying the financial statements, all within fifteen (15) days after the end of each fiscal quarter. Any information provided to Buyer pursuant to this Section 5.8 shall be considered confidential in accordance with the terms hereof and shall only be disclosed on an aggregate basis with other similar entities for which Buyer has similar agreements. The information will only be used for financial statement purposes and shall not be otherwise shared with internal or external parties. All costs incurred by Seller in complying with this provision shall be paid by Buyer, unless it is determined that Seller structured the transactions herein or its corporate form with the intent to evade accounting rules or without true economic purpose.

ARTICLE 6: REPRESENTATIONS AND WARRANTIES

6.1 Mutual Representations and Warranties. Each Party represents and warrants to

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the other Party that:

6.1.1 It is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation.

6.1.2 It has all contractual rights and regulatory authorizations necessary for it to perform its obligations hereunder.

6.1.3 The execution, delivery and performance hereof are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Law applicable to it.

6.1.4 This Agreement and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, subject to any bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally, and with regard to equitable remedies, the discretion of the court before which proceedings to obtain same may be pending.

6.1.5 It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks hereof.

6.1.6 It has the capacity or the ability to make, in the case of Seller, or take, in the case of Buyer, delivery of the VERs as provided herein.

6.2 Seller's Representations and Warranties. Seller represents and warrants to Buyer that:

6.2.1 Seller has no obligation to, and does not, report any Greenhouse Gas emissions or GHG Emission Reductions relating to the Project, other than pursuant hereto.

6.2.2 None of Seller or any Affiliate or person or entity associated with the Project has (a) sold the GHG Emission Reductions, Purchased VERs or Contracted VERs or any part thereof to any other person or entity, including any Governmental Authority or (b) separately sold, marketed or otherwise represented itself as climate neutral, carbon neutral or carbon-free through application of the Purchased VERs or Contracted VERs.

6.2.3 As of the Effective Date, the Projected Project Reductions represent (a) Seller's best good faith estimate of all GHG Emission Reductions that the Project is capable of achieving in each respective Reporting Year and (b) reductions from the Baseline.

6.2.4 All right, title and interest to the Contracted VERs, and the associated Reporting Rights, will vest in Buyer free and clear of all liens, taxes, claims, security interests, or other encumbrances of any kind whatsoever, before or upon payment by Buyer of the Price, and Buyer will before or upon payment of the Price have the exclusive right to (a) make all claims as

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to the GHG Emission Reductions connected with Contracted VERs and Purchased VERs, and (b) the associated Reporting Rights. Seller has caused all Project Participants to execute the acknowledgment of Buyer's Exclusive Ownership in the form of Exhibit 6.2.4 and has delivered copies of such acknowledgements to Buyer.

6.2.5 The Permits set forth in Exhibit 6.2.5 list all permits and other approvals from any and all Governmental Authorities presently necessary for the construction, operation and maintenance of the Project throughout the Delivery Term. The Required Project Documents set forth in Exhibit 6.2.5 list all regulatory, legal and third party contracts, consents and authorities presently required for Seller to construct the Project and perform all of its obligations hereunder throughout the Delivery Term. Nothing set forth in Exhibit 6.2.5 limits the obligations of Seller to obtain the Permits or Required Project Documents required hereunder.

6.2.6 As of the Effective Date, neither Seller nor the Project is required by applicable Law to generate the Contracted VERs or GHG Emission Reductions or any part thereof, and no part of the Purchased VERs or Contracted VERs are to be used to meet any international, national, state or local renewable energy or carbon reduction requirement, renewable energy procurement, renewable portfolio standard (except as otherwise separately sold by Seller to Buyer), other renewable energy mandate, nor any emissions program, reporting, nor other voluntary or involuntary requirement or declaration.

6.2.7 No GHG Emission Reductions, VERs or part thereof associated with the Project (a) have been allocated or awarded for Greenhouse Gas emissions benefits in any other regulatory setting or climate neutral/carbon offset program, (b) are claimed by or for any other person or program, or (c) have been sold, transferred or conveyed to, or can be claimed by, a buyer pursuant to a natural gas agreement, if any.

6.2.8 All of the GHG Emission Reductions qualify as "additional" as that term is described in the Approved Methodologies, and the GHG Emission Reductions would have been emitted into the atmosphere in the absence of the Project.

6.2.9 The Project (a) was not initiated before December 14, 2006, and all GHG Emission Reductions in VERs sold hereunder occurred after December 14, 2006, (b) can be Pre-Registered, receive Project Certification and the Initial Verification Report, and the GHG Emission Reductions can be Verified, according to the Approved Methodologies, throughout the Delivery Term, and (c) would have a lower than acceptable rate of return for Seller without the payment of the Price for the VERs by Buyer.

6.2.10 The Financial Plan is true, correct and complete as of the Effective Date.

6.2.11 The Project Baseline projection in graph form depicting the Project's Baseline and sequestration estimates as carbon sources and sinks over the course of the Project's lifetime as of the Effective Date, is set forth in Exhibit 6.2.11 and thereafter as updated by Seller from time to time.

6.3 No Other Representations or Warranties. Each Party acknowledges that it has entered hereinto in reliance upon only the representations and warranties set forth herein, and

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that no other representations or warranties have been made by the other Party with respect to the subject matter hereof.

6.4 Continuing Nature of Representations and Warranties. The representations and warranties set forth in this Section are made as of the Effective Date and deemed made continually throughout the Term, unless expressly stated otherwise.

**ARTICLE 7:
[INTENTIONALLY OMITTED]**

**ARTICLE 8:
CREDIT AND RESERVE VERS REQUIREMENTS**

8.1 Financial Reporting. If requested by Buyer, Seller shall deliver within ninety (90) days following the end of each fiscal year during the Delivery Term, a copy of Seller's annual report containing audited consolidated financial statements for such fiscal year prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Seller diligently pursues the preparation, certification and delivery of the statements. Any information provided to Buyer pursuant to this Section shall be considered confidential in accordance with the terms hereof and shall only be disclosed on an aggregate basis with other similar entities for which Buyer has similar agreements. The information may only be used for financial statement purposes and shall not be otherwise shared with internal or external parties.

8.2 Reserve VEs. During the Term, Seller shall set aside as a permanent reserve to be used only as provided herein ("Reserve VEs") ten percent (10%) of the Projected Project Reductions in excess of the Annual Amounts. In the event Seller is unable to establish and maintain Reserve VEs in the amount of 10% of all GHG Emission Reductions in any Reporting Year, such shortfall shall be made up by Seller in subsequent Reporting Years. Seller shall not sell Reserve VEs to any person or entity, except to Buyer pursuant to this Agreement. Seller shall transfer all Reserve VEs to Buyer on CARROT and the CCAR Database to Buyer as nominee holder for Seller, for use by Buyer in the event of Purchased Lost VEs pursuant to Section 3.5. Following the expiration of the Term, Buyer shall return to Seller all Reserve VEs which have not otherwise been permanently transferred to Buyer pursuant to Section 3.5. To the extent CARROT and the CCAR Database do not permit comment or title of the Reserve VEs to be held by Buyer as nominee or otherwise for the benefit of Seller, such Reserve VEs shall be held in the name of Buyer, with Buyer acting as nominee holder for Seller's beneficial interest pursuant to this Agreement. In no event shall Buyer be deemed a fiduciary of Seller, on CARROT, the CCAR Database, or otherwise.

8.3 Security Interest in Contracted VEs. To secure the full, faithful and timely performance of its obligations of payment and performance hereunder, Seller hereby grants to Buyer a valid, continuing security interest in Seller's rights to (a) any and all GHG Emission Reductions or any part thereof that Buyer may now or hereafter acquire and (b) all proceeds of timber and lumber products that are harvested from the Premises in violation of the Conservation

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Easement. Seller agrees to execute Exhibit 8.3: VERs Financing Statement and Security Agreement, and authorizes Buyer to take such actions and file financing statements and such instruments as are necessary to perfect and maintain perfected Buyer's security interest therein. Buyer agrees to promptly release its security interest in all Excess VERs which are not purchased by Buyer in accordance with Section 3.6.

8.4 Memorandum of Agreement. On or before the Effective Date, the Parties shall execute and record, in the appropriate real property records of the counties in which the Project is situated, a memorandum in the form of Exhibit 8.4 to provide constructive notice to third parties of Seller's obligations hereunder.

**ARTICLE 9:
EVENTS OF DEFAULT; TERMINATION**

9.1 Mutual Events of Default. An "Event of Default" means with respect to a Party (a "Defaulting Party"), the occurrence of any of the following:

9.1.1 the failure to make, when due, any payment required pursuant hereto if such failure is not remedied within thirty (30) Business Days after Notice of an Event of Default;

9.1.2 any representation or warranty made by such Party ceases to be true and correct in any material respect if such failure is not remedied within thirty (30) Business Days after Notice of an Event of Default;

9.1.3 the failure to perform any material covenant or obligation set forth herein (except to the extent constituting a separate Event of Default), if such failure is not remedied within thirty (30) days after Notice of an Event of Default;

9.1.4 such Party becomes Bankrupt; provided that in the case of Buyer, becoming Bankrupt will not constitute an Event of Default if Buyer at its option within thirty (30) Business Days provides to Seller cash security or a letter of credit in an amount equal to all amounts due to Seller from Buyer for the next Annual Amount of Contracted VERs for which the Price has not previously been paid (less any outstanding unapplied Prepayment); or

9.1.5 except as provided in Section 16.3, such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party hereunder to which it or its predecessor was a party by operation of Law or pursuant to an agreement reasonably satisfactory to the other Party, within twenty (20) days of Notice of an Event of Default.

9.2 Seller Defaults. Without limiting the generality of Section 9.1, an "Event of Default" also means with respect to Seller as a "Defaulting Party":

9.2.1 Seller fails to deliver Contracted VERs as required, if such failure is not cured as provided in Section 9.4;

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9.2.2 Seller materially fails to maintain the Project as required and such failure is not cured within three (3) months from the date of Buyer's Notice to Seller of such failure;

9.2.3 Seller materially does not comply with the Approved Methodologies, the Monitoring Plan, the Leakage Avoidance Plan, or the Permanence Maintenance Plan, and the Approved Verifier is of the opinion that there is no reasonable prospect of such compliance being obtained within three (3) months from the date of Buyer's Notice to Seller of such noncompliance;

9.2.4 Seller sells or delivers any GHG Emission Reductions, Contracted VERs or Reserve VERs (not including any Contracted VERs for which Buyer does not make timely payments under Section 3.3) to a third party prior to delivery to Buyer of all Contracted VERs;

9.2.5 Seller fails to meet the Guaranteed Construction Start Date or the Guaranteed Commercial Operation Date;

9.2.6 The Project or any part thereof is foreclosed upon by a lender, mechanic or materialman, or any other holder of an unpaid lien or other charge or encumbrance;

9.2.7 Seller causes a Material Adverse Effect on Buyer;

9.2.8 Seller fails to maintain in full force and effect any material Required Project Document, after the expiration of applicable notice, cure and waiver periods therein; or

9.2.9 Seller intentionally interferes with the work of, or knowingly provides materially false information to, any Approved Verifier.

9.3 Termination for Force Majeure. Buyer may terminate this Agreement by Notice to Seller, without further liability of either Party to the other Party in the event of a prolonged Force Majeure which prevents Seller from (a) meeting the Guaranteed Construction Start Date; (b) meeting the Guaranteed Commercial Operation Date; or (c) delivering during any consecutive two Reporting Years at least 50% of the Annual Amount.

9.4 Seller Cure Rights.

9.4.1 Seller may cure an Event of Default under Section 9.2.1, 9.2.2, 9.2.3, 9.2.5, 9.2.6 or 9.2.8 by providing a sufficient number of Replacement VERs as are necessary to make Buyer whole, within ninety (90) days of the Notice of the Event of Default, with such ninety (90) cure period to run concurrently with the Notice period for the Event of Default itself. If Seller fails to so cure such Event of Default in such manner within such ninety (90) day period, or if Seller has not reasonably demonstrated to Buyer within thirty (30) days of the Event of Default that it is exercising commercially reasonable efforts to provide Buyer with Replacement VERs, Buyer may exercise its remedies in Article 10.

9.4.2 Seller may cure an Event of Default under Section 9.2.4 by repurchasing or otherwise retrieving for delivery to Buyer any and all such GHG Emission Reductions,

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Contracted VERs or Reserve VERs within thirty (30) days of Buyer's Notice to Seller of such Event of Default. If Seller fails to so cure such Event of Default in such manner within such thirty (30) day period, Buyer may exercise its remedies in Article 10.

9.5 Termination for Seller Successor System Cost. Buyer may terminate this Agreement without payment of any damages, liability or penalty of either Party to the other, pursuant to Section 4.15.1 upon Notice to Seller.

**ARTICLE 10:
REMEDIES**

10.1 Seller's Default. If Seller is the Defaulting Party, Buyer may at its sole option and election do any or all of the following, subject to Section 9.4, as Buyer's sole remedies under this Agreement:

10.1.1 allow Seller to transfer any shortfall on the Annual Amount for any given Reporting Year into the following Reporting Year(s), without reducing the Annual Amount for such subsequent Reporting Year or otherwise relieving Seller of any other obligations hereunder;

10.1.2 exercise its Step-In Rights;

10.1.3 terminate this Agreement;

10.1.4. recover from Seller, subject to Section 10.7, any

10.1.4.1 (a) Prepayments; (b) Buyer Project Costs, (c) applicable Governmental Charges and (c) advance payments made and not yet deducted from the Annual Payments, all with interest accruing from the date paid at the Interest Rate, plus

10.1.4.2 damages in the amount necessary to compensate Buyer for all of the detriment proximately caused by Seller or which, in the ordinary course of things, would be likely to result therefrom, including, if a positive number, an amount equal to the Price of the aggregate Annual Amounts hereunder not yet delivered subtracted from Buyer's actual or expected cost of otherwise acquiring GHG Emission Reductions capable of meeting the Verification and all other standards set herein, with interest accruing from the date of termination at the Interest Rate, plus

10.1.5 obtain a refund if any is due under the terms of Section 3.5.3; and

10.1.6 Require Seller to deliver to Buyer any and all Reserve VERs for application to the damages calculated pursuant to Section 10.1.4 in the amount of the Price in the Reporting Year of Seller's default times the quantity of such Reserve VERs.

10.2 One-Way Termination. In the event that (a) Seller is the Defaulting Party, (b) Buyer is therefore entitled to terminate this Agreement, (c) Buyer terminates this Agreement, and (d) the actual or expected sales price of GHG Emission Reductions is less than the Price for Contracted VERs at any time following the Notice of Seller Event of Default, Buyer shall in no event be required to pay, nor shall Seller be entitled to request or receive, any damages based on

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the difference between the Price of the Contracted VERs and the actual or expected sales price of the GHG Emissions Reductions, at any time following the Notice of Seller Event of Default.

10.3 **Expenses.** Subject to Section 10.7, a Defaulting Party shall, on demand, indemnify and hold harmless the other Party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other Party by reason of the enforcement and protection of its rights hereunder, including costs of collection.

10.4 **Step-In Rights.** Subject to Section 9.4, during the occurrence and continuance of any Event of Default by Seller, and in addition to any other rights Buyer may have hereunder or at Law or in equity, Buyer shall have the right, but not the obligation, to take all actions necessary to perform any and all work and labor it deems necessary to complete, operate or maintain the Project in accordance with the terms of this Agreement ("Step-In Rights"), with Buyer hereby granted all rights and licenses to enter upon the Project and use the Project and all proprietary information, equipment and other supplies located at the Project to Buyer. Step-In Rights shall in no way whatsoever imply or constitute a change in land ownership. Buyer may arrange for Verification for a Reporting Year at Seller's cost if Seller has not done so by June 1 of the following year. Seller grants to Buyer a power of attorney, coupled with an interest, and therefore irrevocable, for the Delivery Term, to act in Seller's name and stead to ensure delivery of the Initial Verification Report, Project Certification, Verification, entry of appropriate information into the CCAR Database, and such other matters necessary to fulfill Seller's obligations to Verify and deliver VERs, and Seller shall provide all necessary assistance and cooperation required by Buyer for these purposes. If Buyer at any time exercises its rights under this Section, Buyer shall be entitled to recover all costs reasonably incurred by Buyer incurred in connection therewith. Once a Seller Event of Default is cured to the reasonable satisfaction of Buyer, Buyer will cease to exercise its Step-In Rights with respect to such Event of Default. If Buyer at any time exercises its rights under this Section, Buyer shall be relieved of its obligations of payment during such time as it is exercising its right under this Section, and shall be entitled to recover all costs incurred by Buyer, plus 20% thereof for general and administrative costs in connection with work performed during that time ("Step-In Costs"). Notwithstanding the foregoing, nothing herein shall excuse Seller of its obligations to remedy the Event of Default and perform its obligations hereunder. Buyer shall hold Seller harmless from all damage and loss it directly causes to third parties while present on the Premises in the exercise of its Step-In Rights.

10.5 **Buyer's Defaults.** If Buyer is the Defaulting Party, Seller may at its sole option and election do any or all of the following as Seller's sole remedies under this Agreement:

10.5.1 terminate this Agreement; plus

10.5.2. recover from Buyer, subject to Section 10.7, all damages in the amount necessary to compensate Seller for all of the detriment proximately caused by Buyer or which, in the ordinary course of things, would be likely to result therefrom.

10.6 **Remedies Cumulative.** Except as provided herein, the rights, powers, remedies and privileges provided herein are cumulative and not exclusive of any rights, powers, remedies and privileges provided by Law.

10.7 **Limitation of Damages.** Except in the case of an intentional breach hereof, any damages awarded under this Agreement to either Party are limited to the aggregate Price of the Contracted VERs from the Effective Date. In the case of an intentional breach, which includes the intentional provision of false or misleading information or representation, an act or omission made with the intent to breach that Party's obligations hereunder, conduct by a Party that intentionally and recklessly disregards the rights of the other Party hereunder, the abandonment by Seller of the Project, or any Event of Default under Sections 9.2.4 (subject to Section 9.4.2), 9.2.9 or 9.1.4 on the part of Seller, the limitation on damages set forth in the foregoing sentence does not apply. The Parties confirm that the express remedies and measures of damages provided in this Agreement satisfy the essential purposes hereof. If no remedy or measure of damages is expressly provided herein, the obligor's liability shall be limited to direct actual damages only, such direct actual damages shall be the sole and exclusive remedy and all other remedies or damages at Law or in equity are waived unless expressly herein provided. Neither Party shall be liable for consequential, incidental, punitive, lost profits, business interruption damages, exemplary, or indirect damages in tort, contract, or anything other than direct, benefit-of-the-bargain damages. Unless expressly herein provided, it is the intent of the Parties that the limitations herein imposed on the remedies and the measure of damages be without regard to the cause or causes related thereto, including the negligence of any Party, whether such negligence be sole, joint or concurrent or active or passive.

**ARTICLE 11:
FORCE MAJEURE; GOVERNMENT ACTION**

11.1 **Force Majeure.** Except with regard to a Party's obligation to make payments hereunder, in the event either Party is rendered unable, wholly or in part, by Force Majeure to carry out its material obligations with respect hereto, which prevents or delays performance, then upon such Party's (the "Claiming Party") giving oral or informal notice and full particulars of such Force Majeure as soon as reasonably possible after the occurrence of the cause relied upon, but in no event more than thirty (30) days, during the Delivery Term, and ninety (90) days during the Permanence Period, after such cause has commenced, such notice to be confirmed by written Notice to the other Party, then the obligations of the Claiming Party will, to the extent they are affected by such Force Majeure, be suspended during the continuance of said inability, but for no longer period, and the Claiming Party will not be liable to the other Party for, or on account of, any loss, damage, injury or expense resulting from, or arising out of such event of Force Majeure. The Party receiving the confirming Notice of Force Majeure has until the end of the tenth (10th) business day following such receipt during the Delivery Term, and to the end of the thirtieth (30th) day during the Permanence Period, to provide Notice to the Claiming Party that it objects to or disputes the existence of an event of Force Majeure.

11.2 **Definition.** "Force Majeure" means any event or circumstance which wholly or partly prevents or delays the performance of any material obligation arising hereunder, but only if and to the extent (a) such event is not within the reasonable control, directly or indirectly, of the Party seeking to have its performance obligations excused thereby, (b) the Party seeking to have its performance obligations excused thereby has taken all reasonable precautions and measures in order to prevent or avoid such event or mitigate the effect of such event on such Party's ability to perform its obligations hereunder and which by the exercise of due diligence

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such Party could not reasonably have been expected to avoid and which by the exercise of due diligence it has been unable to overcome, and (c) such event is not the direct or indirect result of the negligence or the failure of, or caused by, the Party seeking to have its performance obligations excused thereby. Subject to the foregoing, events that could qualify as Force Majeure include earthquake, explosion, flood, Santa Cruz and Santa Lucia mountain ranges-wide Sequoia Sempervirens tree species pandemic event or other catastrophic event, or war (declared or undeclared), riot or similar civil disturbance, acts of the public enemy (including acts of terrorism), sabotage, blockage, insurrection, revolution, expropriation or confiscation; provided, however, that Force Majeure may *not* be based on:

11.2.1 Seller's ability to sell the Contracted VERs at a price greater than the Price;

11.2.2 Seller's inability to obtain approvals of any type for the operation or maintenance of the Project;

11.2.3 forest fire, insect infestation or disease affecting trees, plants or livestock, other than a Santa Cruz and Santa Lucia mountain ranges-wide Sequoia Sempervirens tree species pandemic, no matter how pervasive or destructive;

11.2.4 Seller's inability to obtain sufficient fuel, power or materials to operate the Project, except if Seller's inability to obtain sufficient fuel, power or materials is caused solely by an event of Force Majeure of the specific type described above;

11.2.5 Seller's failure to obtain additional funds, including funds authorized by a state or the federal government or agencies thereof, to supplement the Price for the Contracted VERs;

11.2.6 a strike, work stoppage or labor dispute limited only to any one or more of Seller, Seller's Affiliates, or any contractor or subcontractor thereof or any other third party employed by Seller to work on the Project;

11.2.7 any equipment failure unless such equipment failure is caused solely by an event of Force Majeure of the specific type described above; or

11.2.8 a general increase in prevailing regional wages.

11.3 Force Majeure Does Not Affect Other Obligations. No obligations of either Party that arose before the Force Majeure causing the suspension of performance or that arise after the cessation of the Force Majeure shall be excused by the Force Majeure.

11.4 Government Action. Except as provided in Sections 4.14 and 4.15, Government Action that changes in any respect the value of VERs, including the establishment of mandatory Greenhouse Gas limits or a VERs trading program, will have no effect on the obligation of the Parties to perform this Agreement and purchase and sell VERs at the Price and on the terms set forth herein. To the extent that Government Action renders delivery of VERs by Seller illegal under applicable Law, Seller shall refund the Prepayment or portion thereof to the extent that Seller has not delivered to Buyer the corresponding VERs, and the Parties' obligations and this

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Agreement shall be terminated without further liability to either Party.

**ARTICLE 12:
GOVERNMENTAL CHARGES**

12.1 Cooperation. Each Party shall use reasonable efforts to implement the provisions of and to administer this Agreement in accordance with the intent of the Parties to minimize all taxes, so long as neither Party is materially adversely affected by such efforts.

12.2 Governmental Charges. Seller shall pay or cause to be paid all taxes imposed by any Governmental Authority ("Governmental Charges") on or with respect to the VERs arising prior to their delivery to Buyer, including present or future sales taxes, if any, *ad valorem* taxes and other taxes attributable to the Project, land, land rights or interests in land for the Project, or the transfer of any interest in the VERs or part thereof. Buyer shall pay or cause to be paid all Governmental Charges on or with respect to the VERs after its receipt of such VERs. If Buyer is required by Law to remit or pay Governmental Charges which are Seller's responsibility hereunder, Buyer may deduct such amounts from payments to Seller with respect to payments hereunder; if Buyer elects not to deduct such amounts from Seller's payments, Seller shall promptly reimburse Buyer for such amounts upon request. If Seller is required by Law to remit or pay Governmental Charges which are Buyer's responsibility hereunder, Buyer shall promptly reimburse Seller for such Governmental Charges. Nothing shall obligate or cause a Party to pay or be liable to pay any Governmental Charges for which it is exempt under the Law.

**ARTICLE 13:
INSURANCE**

Seller shall maintain, or if Seller is no longer the owner of the Premises, Seller or the owner of the Premises shall maintain, the following insurance coverage and be responsible for its contractors or subcontractors maintaining sufficient limits of the appropriate insurance coverage.

13.1 Workers' Compensation and Employer's Liability.

13.1.1 Workers' Compensation insurance or self-insurance indicating compliance with applicable labor codes, acts, laws or statutes, state or federal, including those relating to longshoreman and harbor and Jones Act, where Seller performs work.

13.1.2 Employers' Liability insurance shall not be less than \$1,000,000 for injury or death each accident.

13.2 Commercial General Liability.

13.2.1 Coverage shall be at least as broad as the Insurance Services Office (ISO) Commercial General Liability Coverage "occurrence" form.

13.2.2 The limit shall not be less than \$10,000,000 each occurrence for bodily injury, property damage, and personal injury and endorsed to include pesticide and herbicide application and fire suppression.

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13.2.3 Coverage shall:

13.2.3.1 by "Additional Insured" endorsement add as insureds Buyer, its Affiliates, and Buyer's directors, officers, agents and employees with respect to liability arising out of the Work performed by or for Seller (ISO Form CG2010 form or equivalent). In the event the comprehensive general liability insurance policy includes a "blanket additional insured by contract," the following language added to the certificate of insurance will satisfy this requirement: *"PG&E, its affiliates, subsidiaries, and parent company, and PG&E's directors, officers, agents and employees with respect to liability arising out of the work performed by or for Seller, has been endorsed by blanket endorsement;"*

13.2.3.2 be endorsed to specify that Seller's insurance is primary and that any insurance or self-insurance maintained by Buyer shall not contribute with it; and

13.2.3.3 include a severability of interest clause.

13.3 Business Auto.

13.3.1 Coverage shall be at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, code 1 "any auto."

13.3.2 The limit shall not be less than \$1,000,000 each accident for bodily injury and property damage.

13.4 Additional Insurance Provisions.

13.4.1 Before commencing performance of the Work, Seller shall furnish Buyer with certificates of insurance and endorsements of all required insurance for Seller.

13.4.2 Such documentation shall state that coverage shall not be cancelled except after thirty (30) days prior Notice has been given to Buyer.

13.4.3 Such documentation must be signed by a person authorized by that insurer to bind coverage on its behalf and shall be submitted to:

Pacific Gas and Electric Company
c/o ERM & Insurance Department, Suite 2400
One Market, Spear Tower
San Francisco, CA 94105

A copy of all such insurance documents shall be sent to Buyer's Contract Negotiator and/or Contract Administrator.

13.4.4 Buyer may inspect the original policies or require complete certified copies, at any time.

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13.4.5 Upon request, Seller shall furnish Buyer the same evidence of insurance for its contractors and subcontractors as Buyer requires of Seller.

13.5 Waiver of Subrogation. All policies or binders with respect to insurance maintained shall include a waiver of any right of subrogation of the insurers hereunder against Buyer or additional insureds and the officers, directors, employees, agents and representatives of each of them, and any right of the insurers to any setoff or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any such person insured under such policy.

**ARTICLE 14:
GOVERNING LAW**

14.1 Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14.2 Waiver of Immunities. Each Party irrevocably waives, to the fullest extent permitted by applicable Law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (a) suit, (b) jurisdiction of any court, (c) relief by way of injunction, order for specific performance or for recovery of property, (d) attachment of its assets (whether before or after judgment) and (e) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable Law, that it will not claim any such immunity in any proceedings before any court or Governmental Authority.

**ARTICLE 15:
DISPUTE RESOLUTION**

15.1 Disputes and Adjustments of Invoices. In the event an invoice or portion thereof or any other claim or adjustment arising hereunder is disputed, payment of the undisputed portion of the invoice shall be required to be made when due, with Notice of the objection given to the other Party, provided that so long as Seller has met its obligations under Section 3.2 by timely delivering a Verification Report, Attestation and invoice to Buyer, Buyer shall pay for all VERs covered therein, regardless of Buyer's dispute regarding the Verification. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment. The Parties agree to use good faith efforts to resolve the dispute or identify the adjustment as soon as possible. Upon resolution of the dispute or calculation of the adjustment, any required payment shall be made within fifteen (15) days of such resolution along with interest accrued at the Interest Rate from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned upon request or deducted by the Party receiving such overpayment from subsequent payments, with interest accrued at the Interest Rate from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment. If an invoice is not rendered by Seller within twelve (12) months

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after the close of the applicable Reporting Year, the right to payment for such performance is waived.

15.2 Waiver of Right to Jury Trial. TO THE EXTENT ENFORCEABLE AT SUCH TIME, EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. EACH PARTY HEREBY WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS AGREEMENT, OR ANY MATTER ARISING HEREUNDER OR THEREUNDER, IN WHICH A JURY TRIAL HAS NOT OR CANNOT BE WAIVED.

15.3 Intent of the Parties. Except as provided in the next sentence, the sole procedure to resolve any claim arising out of or relating hereto or any related agreement is the dispute resolution procedure set forth in this Article. Either Party may seek a preliminary injunction or other provisional judicial remedy if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both Parties nonetheless will continue to pursue resolution of the dispute by means of this procedure.

15.4 Management Negotiations. The Parties must attempt in good faith to resolve any dispute, controversy or claim arising out of or relating hereto or any related agreements by prompt negotiations between each Party's Designated Representative, or such other person designated in writing as a representative of such Party (each a "Manager"). Each Manager may request a meeting (in person or telephonically) to initiate negotiations to be held within ten (10) Business Days of the other Party's receipt of such request, at a mutually agreed time and place. If the matter is not resolved within fifteen (15) Business Days of their first meeting ("Initial Negotiation End Date"), the Managers shall refer the matter to the designated senior officers of their respective companies (each an "Executive"), who shall have authority to settle the dispute. Within five (5) Business Days of the Initial Negotiation End Date ("Referral Date"), each Party shall provide the other Notice confirming the referral and identifying the name and title of the Executive designated to represent the Party. Within five (5) Business Days of the Referral Date the Executives shall establish a mutually acceptable location and date, which date shall not be greater than thirty (30) days from the Referral Date, to meet. After the initial meeting date, the Executives shall meet, as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five (45) days of the Referral Date, or if the Party receiving the written request refuses or does not meet within the ten (10) Business Day period specified, either Party may initiate mediation of the controversy or claim according to the terms of Section 15.5.

15.5 Mediation; Arbitration.

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15.5.1 If the dispute cannot be so resolved by negotiation as set forth above, it shall be resolved at the request of any Party through a two-step dispute resolution process administered by the AAA. As the first step, the Parties agree to mediate any controversy before a mediator from the AAA panel, pursuant to AAA's commercial mediation rules, in San Francisco, California other than the mediation of any disputes relating solely to Verification, Methodology Nonattainment, compliance with the Monitoring Plan, or the Approved Methodologies which shall be mediated exclusively by an individual selected from CCAR-approved certifiers and technical assistance providers. The Parties shall agree upon such individual and, if unable to reach such agreement within ten (10) days, shall request the CCAR to select such an individual at random. If the Parties both agree that such individual is not qualified to mediate, the CCAR shall be asked to select another individual at random, until at least one Party is satisfied with such selection. Either Party may begin mediation by serving a written demand for mediation. The mediator shall not have the authority to require, and neither Party may be compelled to engage in, any form of discovery prior to or in connection with the mediation.

15.5.2 If within sixty (60) days after service of a written demand for mediation, the mediation does not result in resolution of the dispute, then the controversy shall be settled by arbitration conducted by a retired judge or justice from the AAA panel conducted in San Francisco, California, administered by and in accordance with AAA's Commercial Arbitration Rules ("Arbitration"), which either Party may initiate by filing with the AAA a notice of intent to arbitrate. Any disputes relating solely to Verification, Methodology Nonattainment, compliance with the Monitoring Plan, or the Approved Methodologies must be arbitrated with a report delivered by an individual selected from CCAR-approved certifiers and technical assistance providers, with such individual to be selected by the arbitrator selected pursuant to the AAA's Commercial Arbitration Rules. The period commencing from the date of the written demand for mediation until the appointment of a mediator shall be included within the sixty (60) day mediation period. Any mediator(s) and arbitrator(s) shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall be knowledgeable in the field of the dispute.

15.5.3 The arbitrator's award shall be made within nine (9) months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. This time limit may be extended by agreement of the Parties or by the arbitrator, if necessary. The California Superior Court of the City and County of San Francisco may enter judgment upon any award rendered by the arbitrator. The Parties are aware of the decision in *Advanced Micro Devices, Inc. v. Intel Corp.*, 9 Cal 4th 362 (1994) and, except as modified by this Agreement, intend to limit the power of the arbitrator to that of a Superior Court judge enforcing California Law. The prevailing Party in an arbitrated dispute is entitled to recover its costs and reasonable attorneys' fees. Except as may be required by Law, neither a Party nor an arbitrator may disclose the existence, content or results of any Arbitration hereunder without the prior written consent of both Parties.

15.6 Settlement Discussions. No statements of position or offers of settlement made in the course of the dispute process described in this Article 15 may be offered into evidence for any purpose in any litigation between the Parties, nor will any such statements or offers of settlement constitute an admission or waiver of rights by either Party in connection with any such litigation. At the request of either Party, any such statements and offers of settlement, and

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all copies thereof, shall be promptly returned to the Party providing the same.

ARTICLE 16: GENERAL AND MISCELLANEOUS

16.1 No Joint Venture. This Agreement is not intended to create a partnership, joint venture, or any other co-owned enterprise. Except as provided herein, each Party shall be responsible for its own operating expenses and personnel expenses.

16.2 Further Assurances Each Party, upon the reasonable request of the other Party, agrees to perform any further acts and execute and deliver any documents that may be necessary to carry out the intent and provisions hereof.

16.3 Assignment. Neither Party may assign this Agreement or its rights hereunder without the prior written consent of the other Party; provided, however, (a) Seller may, without the consent of Buyer (but without relieving Seller from any liability hereunder), transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof, to its financing providers and the financing provider(s) shall be required to assume the obligations provided hereunder with respect to Seller provided, however, any such assignee shall agree in writing for the benefit of Buyer to be bound by the terms and conditions hereof and so long as Seller delivers such tax and enforceability assurance as Buyer may reasonably request and (b) Buyer may, without the consent of Seller (but without relieving Buyer from any liability hereunder), transfer, sell, pledge, encumber or assign this Agreement or portions thereof, to its Affiliates or ClimateSmart Charity and such assignee shall assume the corresponding obligations provided pursuant to such transfer, sale, pledge, encumbrance or assignment, provided, however, any such assignee shall agree in writing to be bound by the terms and conditions hereof to the extent such assignee is assuming the corresponding obligations.

16.4 Confidentiality. Subject to Section 16.5, neither Party may disclose the non-public terms or conditions hereof to a third party other than (a) to the Party's respective employees, Board members, lenders, investors, counsel, accountants or advisors who have a need to know such information and have agreed to keep such terms confidential, (b) by Buyer to the ClimateSmart™ Program External Advisory Group, (c) to the CCAR, CARB, CEC, or CPUC, (d) in order to comply with any applicable Law or any rule, or order issued by a court or entity with competent jurisdiction over the disclosing Party ("Disclosing Party") or applicable regulation, rule, or order of the CARB, CPUC, CEC, or FERC ("Disclosure Order"). In connection with a Disclosure Order each Party shall, to the extent practicable, use reasonable efforts: (i) to notify the other Party prior to disclosing the confidential information and (ii) prevent or limit such disclosure. After using such reasonable efforts, the Disclosing Party shall not be: (x) prohibited from complying with a Disclosure Order or (y) liable to the other Party for monetary or other damages incurred in connection with the disclosure of the confidential information. Except as provided in the preceding sentence, the Parties shall be entitled to all remedies available at Law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.

16.5 ClimateSmart™ Program Promotion.

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16.5.1 Seller and Buyer shall cooperate in the development of a written communications plan that will announce and provide to the public information concerning Seller, the Project and this Agreement, and the Parties shall work in good faith to ensure that their public communications conform with such plan. Seller shall not make a public announcement or issue a press release with respect to this Agreement without Buyer's prior written approval of the form and content thereof. Neither Party shall publicly deprecate, impugn or otherwise publish statements that could be reasonably construed to defame or disparage the other, the Project or ClimateSmart™ Program; provided that the foregoing will not limit any action or statement that either Party may take or make in connection with the exercise of dispute resolution pursuant to Article 15.

16.5.2 Buyer is expressly authorized hereunder to disclose to third parties, including any present or future registries or regulators of VERs, Seller's name and Project details, including location, price, quantities, Annual Amounts, Co-Benefits, Monitoring Plans and management practices, names of Approved Verifiers and estimated cost of the Project. After Buyer has initially announced this Agreement publicly, Buyer shall use commercially reasonable efforts to include Seller and the Project when disclosing multiple forestry projects in the nature of the Project with which it is contracting in connection with presentations or other advertising information respecting the ClimateSmart™ Program.

16.5.3 Seller will cooperate with efforts by Buyer to arrange tours of the Project during normal business hours or other times reasonably acceptable to Seller for a maximum of four (4) tours per calendar year unless an exception is granted in writing by Seller. Seller shall provide, or coordinate to provide, a tour guide for Project tours. Travel, lodging, meals, and other expenses are the responsibility of Buyer or the visiting parties.

16.5.4 From the Effective Date through December 31, 2009, Buyer shall use reasonable commercial efforts to include, on a nonexclusive basis, the name of Seller and/or the Project as a reference, acknowledgement or otherwise in Buyer's promotion, marketing or advertising materials or other Buyer materials ("Buyer Materials") to promote, market or advertise the ClimateSmart™ Program, Buyer, or its programs or products, at Buyer's expense; provided that (a) Seller delivers to Buyer Seller's photographs, audio or video of the Project, Seller logo or other materials as Buyer may request ("Seller Materials"), which Seller authorizes Buyer to use in Buyer Materials; (b) Buyer shall have sole, absolute and unfettered discretion to determine the type, timing, content and "look and feel" of Buyer's Materials, as well as in the use of Seller's Materials in such Buyer Materials, (c) Seller shall not have the right to review, edit, or comment on Buyer Materials, provided that Buyer may, but is not obligated to, request Seller's consultation with respect to Buyer Materials, (d) Buyer may in its sole and absolute discretion choose not to disseminate Buyer Materials, which include Seller Materials, at any time and for any reason, including requirements of applicable Law or the ClimateSmart™ Program Decision, and (e) Buyer does not grant Seller a license to use Buyer's Materials. Buyer Materials may, but are not required to, include bill inserts, direct mailings, e-newsletters or other electronic communications, or web pages, or any other materials circulated or prepared by Buyer. Notwithstanding the foregoing, Seller shall have the right to terminate Buyer's right to use any of the Seller Materials upon ninety (90) days prior Notice to Buyer.

16.6 No Third-Party Beneficiaries. There are no intended third-party beneficiaries

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hereof, and the Parties do not intend to create or confer any right or interest in or to, or to grant any remedies to, any third party as a beneficiary hereof or of any duty, obligation, or undertaking established herein.

16.7 Survival Rights. This Agreement will continue in effect after termination to the extent necessary to allow or require either Party to fulfill rights or obligations that arose hereunder.

16.8 Waiver, Amendment. None of the terms or conditions hereof may be amended or waived except in a writing signed by the Parties. No waiver, amendment, or modification hereof may be established by conduct, custom, or course of dealing. The failure of a Party to require performance of any provision hereof will not limit such Party's right to seek such performance at a later time. A Party's waiver of its rights with respect to any Event of Default or any other matter arising in connection with this Agreement may not be considered a waiver with respect to any subsequent Event of Default or similar matter.

16.9 Severability. If any provision herein is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant hereof, and the Parties shall use their best efforts to modify this Agreement to give effect to the original intention of the Parties.

16.10 Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to its subject matter and supersedes any and all prior understandings, agreements, and memoranda of understanding.

16.11 Counterparts. This Agreement may be executed in one or more counterparts each of which shall be deemed an original and all of which together shall be deemed one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile will be deemed as effective delivery of an originally executed counterpart. Any Party delivering an executed counterpart of this Agreement by facsimile will also deliver an originally executed counterpart, but the failure of any Party to deliver an originally executed counterpart of this Agreement will not affect the validity or effectiveness of this Agreement.

ARTICLE 17: NOTICES

17.1 Notices. Whenever this Agreement requires or permits delivery of a "Notice" (or requires a Party to "notify"), the Party with such right or obligation shall provide a written communication ("Notice") in the manner specified herein. Notices are effective upon receipt. A Notice sent by facsimile transmission shall be deemed received on the Business Day on which such Notice was transmitted if received before 5:00 PM (and if received after 5:00 PM, on the next Business Day). Any Party may periodically change any address, phone number, or contact to which Notice is to be given it by providing Notice of such change to each other Party. If Seller has not provided Buyer an accurate, current address for notices, service upon the Secretary of State of California will constitute adequate notice for Notice and service of any legal process. Addresses for Notices are as follows:

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PG&E Contacts for Notices:

All Notices:

Delivery Address:
Pacific Gas and Electric Company
Street: 245 Market Street, Mail Code N12E
City: San Francisco, CA 94105-1702

Mailing Address:
P.O. Box 770000, Mail Code N12E
San Francisco, CA 94177
Attn: ClimateSmart™ Manager

Phone: (415) 973-2092
Facsimile: (415) 973-0230
Duns: 556650034
Federal Tax ID Number: 94-0742640

Invoices:

Pacific Gas and Electric Company
P.O. Box 770000, Mail Code N12E
San Francisco, CA 94177
Attn: ClimateSmart™ Manager
Phone: (415) 973-2092
Facsimile: (415) 973-0230

Payments:

Pacific Gas and Electric Company
P.O. Box 770000, Mail Code N12E
San Francisco, CA 94177
Attn: ClimateSmart™ Manager
Phone: (415) 973-2092
Facsimile: (415) 973-0230

Wire Transfer: Mellon Trust of New England, N.A.
ABA: 011001234
Acct: 059994

Credit and Collections:

Attn: Credit Risk Management
Phone: (415) 972-5188
Facsimile: (415) 973-7301

Notices of Event of Default:

Attn: ClimateSmart™ Manager
Phone: (415) 973-2092

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Facsimile: (415) 973-0230
and a copy to PG&E Law Department
Phone: (415) 973-4377
Facsimile: (415) 973-0516

Seller Contacts for Notices:

Mailing Address:

Sempervirens Fund
Attn: Executive Director
Drawer BE
Los Altos, CA 94023

Delivery Address:

Sempervirens Fund
Attn: Executive Director
2483 Old Middlefield Way, Suite 110
Mountain View, CA 94043
Phone: (650) 968-4509
Facsimile: (650) 968-0713
Duns: N/A
Federal Tax ID Number: 94-2155097

Wire Transfer:

Wire instructions into our Merrill Lynch account:
Mellon Bank, 3 Mellon Banking Center, Pittsburgh, PA 15259
ABA #043000261
For credit to Merrill Lynch account 1011730
For further credit to:
Client Name: Sempervirens Fund
Account #: 252-04020

**ARTICLE 18:
EXECUTION**

In WITNESS WHEREOF, each Party has caused this Agreement to be duly executed by its authorized representative as of the Effective Date set forth on the cover page.

Exhibit A

**BILL OF SALE AND VERIFIED EMISSION REDUCTION
ATTESTATION FORM**

Project Information

Company Name
("Seller"): Sempervirens Fund, Inc.

Address of Project: Address: Lompico Headwaters Property
NE of Lompico Road
Lompico, CA 95018

APNs: 092-011-05, 092-011-35, 091-092-04

County: Santa Cruz County

Contact Person: [state name and title]

Telephone: (650) 968-4509

Fax: (650) 968-0713

Protocol (forest,
methane, etc): Forest Protocols

Project Attestation
No.: _____

Capacity (MW) (if
applicable) N/A

Date Project was
1st Operational
(mm/yy) 03/07

Project Name	VERs (mtCO₂e)	Period of Production
Lompico Headwaters Forest Carbon Project	[state amount delivered]	[state reporting year]

Bill of Sale

Pursuant to that certain Verified Emission Reduction Purchase and Sale Agreement dated as of February __, 2008 by and between Seller and PG&E, as the same shall be modified from time to time (the "VERPA"), Seller hereby sells, transfers and conveys to PG&E all right title and interest to the above VERs. Capitalized terms not define herein have the meaning given them in the VERPA.

SEMPERVIRENS FUND, INC.

By _____
Its _____

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Declaration

I, (print name and title) _____, declare that the Verified Emissions Reductions listed above were sold exclusively from Seller to PG&E.

I further declare that:

- 1) the Project Verified Emissions Reductions listed above have been validated and verified, respectively, according to an Approved Methodology by an Approved Verifier pursuant to the Verified Emissions Reduction Purchase Agreement in place between the parties and all the Verified Emissions Reductions, the requirements of which Seller authorizes PG&E to disclose to third parties, including any emissions reduction credits or emissions allowances, represented by the Project listed above were transferred to PG&E;
- 2) the Verified Emissions Reductions were not sold, marketed or otherwise claimed by a third party;
- 3) Seller sold the Verified Emissions Reductions only once, to PG&E;
- 4) Seller's full and exclusive ownership rights are not being disputed by another party;
- 5) the Verified Emissions Reductions were not used to meet any international federal, state or local requirement of any kind, or any emissions program, reporting, or requirements by Seller, nor to the best of my knowledge, by any other entity;

Seller's representations and warranties set forth in that certain Verified Emissions Reduction Purchase Agreement between Seller and PG&E remain true and correct, and Seller authorized PG&E to advise third parties of those representations and warranties;

As an authorized agent of Seller, I attest that the above statements are true and correct.

Signature _____ Date _____

Printed Name _____

Place of Execution _____

Exhibit B

DESCRIPTION OF PROJECT AND SITE

The Project consists of 14,148 tons of greenhouse gas emission reductions generated from 2007 through 2021 located on parcel numbers 092-011-05, 092-011-35, 091-092-04 on the Premises depicted in Figure 1 below.

PROJECT SUMMARY WORKSHEET

Name of Entity:	Sempervirens Fund
Name of person completing summary:	Laura McLendon, Land Resources Specialist
Telephone	(650) 968-4509
Email:	lmclendon@sempervirens.org
Address:	2483 Old Middlefield Way, Suite 110 Mountain View, CA 94043
Date of initial reporting year:	2007
Date Forest Entity Description submitted to Registry:	2007
If different than above:	
Project start date (month/year)	March 6, 2007 (date Forest Entity, Sempervirens Fund, joined CCAR)
Project end date (month/year) (expected)*	No later than final year of Delivery Term stated in Exhibit C
Project Developer Name:	Sempervirens Fund
Title:	Brian L. Steen, Executive Director
Telephone number:	(650) 968-4509
Email:	bsteen@sempervirens.org
Project Mailing address:	Drawer BE Los Altos, CA 94023-4054
Relationship to Entity:	Same. Sempervirens is the reporting entity and project developer.
Geographic scope of your report:	California (Only California projects may be registered)

Section I. Project Description**1. Summary Description of Project and Site**

Sempervirens Fund's Lompico Forest Carbon Project (the "Project") is a greenhouse gas (GHG) emissions reductions project located on the 202-acre coastal redwood forest, and former timber harvest plan area, within the Lompico Headwaters property in Santa Cruz County, California. The goal of the Project is to create Verified Emission Reductions

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(VERs) through the permanent protection and preservation of the Project's forest carbon stock and ecological resources resulting from the sum of 1) avoided emissions from prohibited commercial timber harvest and 2) increases in forest carbon stocks through continued carbon sequestration. The Project is defined by both its process and results, meaning 1) the amount of VERs created on an annual basis, the quantities of which are stated in Exhibit C, over the Delivery Term, also stated in Exhibit C, and 2) all the processes and procedures involved in registering and certifying the VERs over this period in accordance with the California Climate Action Registry's (CCAR) Forest Sector, Forest Project, and Forest Certification Protocols beginning when Sempervirens Fund became a member of CCAR on March 6, 2007.

2. Ownership Summary

a. List the fee title owners of this land:

Names on Fee Title Record	% of timber ownership*	Management role
Sempervirens Fund	100%	Current owner and manager of Lompico Headwaters Property.

b. Who has legal right to the timber on this land? Sempervirens Fund

Note: In order to report this information, you must have legal ownership of the timber.

3. Organizational Boundaries

Are you reporting by:

Equity Share *It is strongly recommended that you report according to your equity share.*

Management *If you do not have management control, you cannot report control emissions from your biological inventory.*

4. Forest Project type: (See Part II. A for additional information)

a. Conservation-based forest management

b. Reforestation

c. Conservation

5. Physical description of forest project area

The Lompico Headwaters Property is located in T9S, R2W, Sections 23, 24 and 26, in Santa Cruz County, California (Felton and Castle Rock Ridge USGS quads; Zayante Creek and Newell Creek watersheds). The property is approximately 8 miles north of the City of Santa Cruz, near the towns of Felton and Ben Lomond. Lompico Creek runs through the property, a tributary of Zayante Creek. See **Figure 1, 2, and 3**

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- **Vegetation:** 202 acres in mixed redwood forest. Redwoods are 80 to 100 year-old second-growth, with some residual old-growth; Remainder (223 acres) in mostly northern maritime chaparral.
- **Watershed:** The 1,700 acre Lompico Creek watershed (Lompico Creek runs through middle of the property) is located 15 miles north of the City of Santa Cruz. Adjacent to the heavily forested Newell Creek watershed & Loch Lomond (City of Santa Cruz water supply). The Lompico Creek watershed is the source of drinking water for 1,500 residents of the town of Lompico, directly south of the Lompico Headwaters Property.
- **Elevation:** 800 feet in the canyons to 1,500 feet on the ridge tops.
- **Geology:** Steep slopes, erosive soils, prone to landslides and debris flows.
- **Scenic qualities:** Inner gorges, streams, & large redwood trees.
- **Fisheries:** Lompico Creek is a Class I steelhead stream. Community stream restoration project on Lompico Creek recently completed.
- **Birds:** Cooper's hawk, sharp-shinned hawk, red-tailed hawk, red-shouldered hawk, screech owl, great horned owl, northern pygmy owl, northern saw-whet owl.

The property consists of 3 adjacent parcels, totaling 425 acres, including 202 acres in mixed Coast redwood / Douglas fir forest (80 to 100 year-old second-growth, with scattered residual old-growth redwoods), and the remaining 223 acres in mostly northern maritime chaparral. The Lompico Forest Project area is defined as just the 202 timbered acres, since this is the area slated for harvest in the Lompico Timber Harvest Plan, and thus the area where precluding harvest will produce reportable GHG emission reductions net of the baseline.

WHR vegetation types are Second Growth Redwood – Redwood Dominant and Other Vegetation (northern maritime chaparral). In the 202 timbered acres, crown canopy is approximately 70% conifers and 30% hardwoods (primarily tan oak and madrone). Average site class is Site III.

Of the total property, 406 acres are zoned Timber Production Zone (TPZ) and 19 acres are zoned Special Use (SU). Immediate pressure for conversion to non-forest use, development or subdivision is relatively light as a result of TPZ zoning and other County-level ordinances restricting density of development.

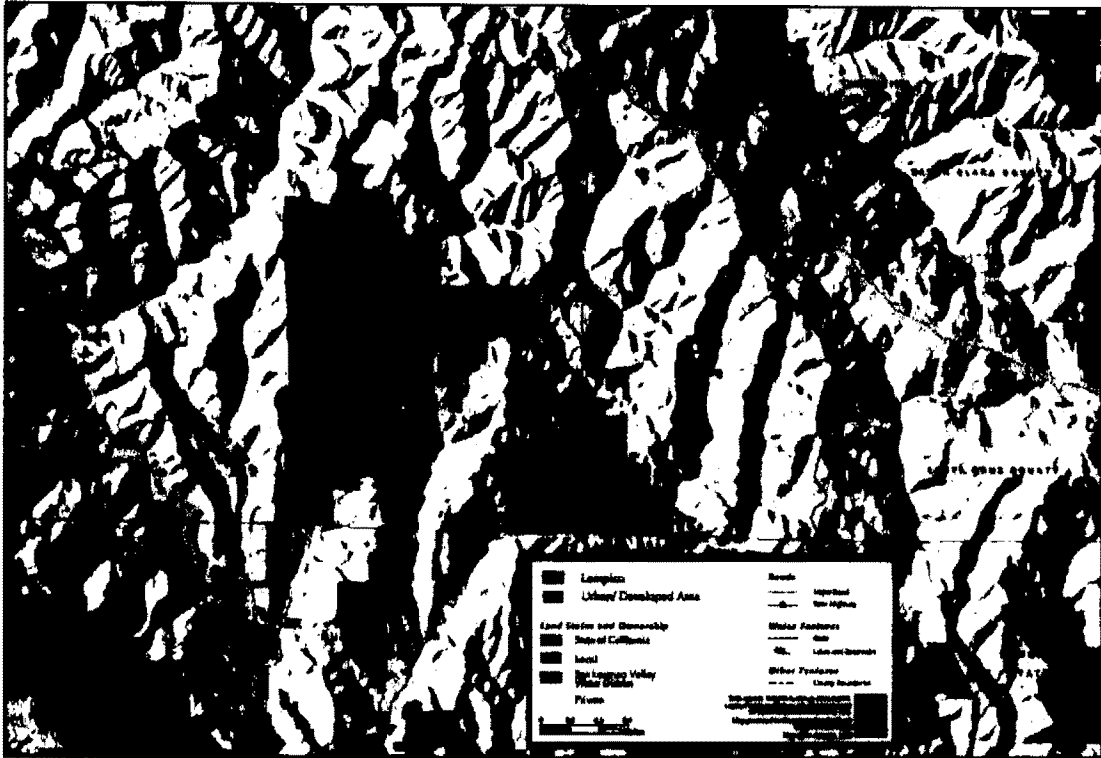


Figure 1. Lompico Headwaters Property and surrounding area.



Figure 2. Lompico Headwaters Property topographical map.

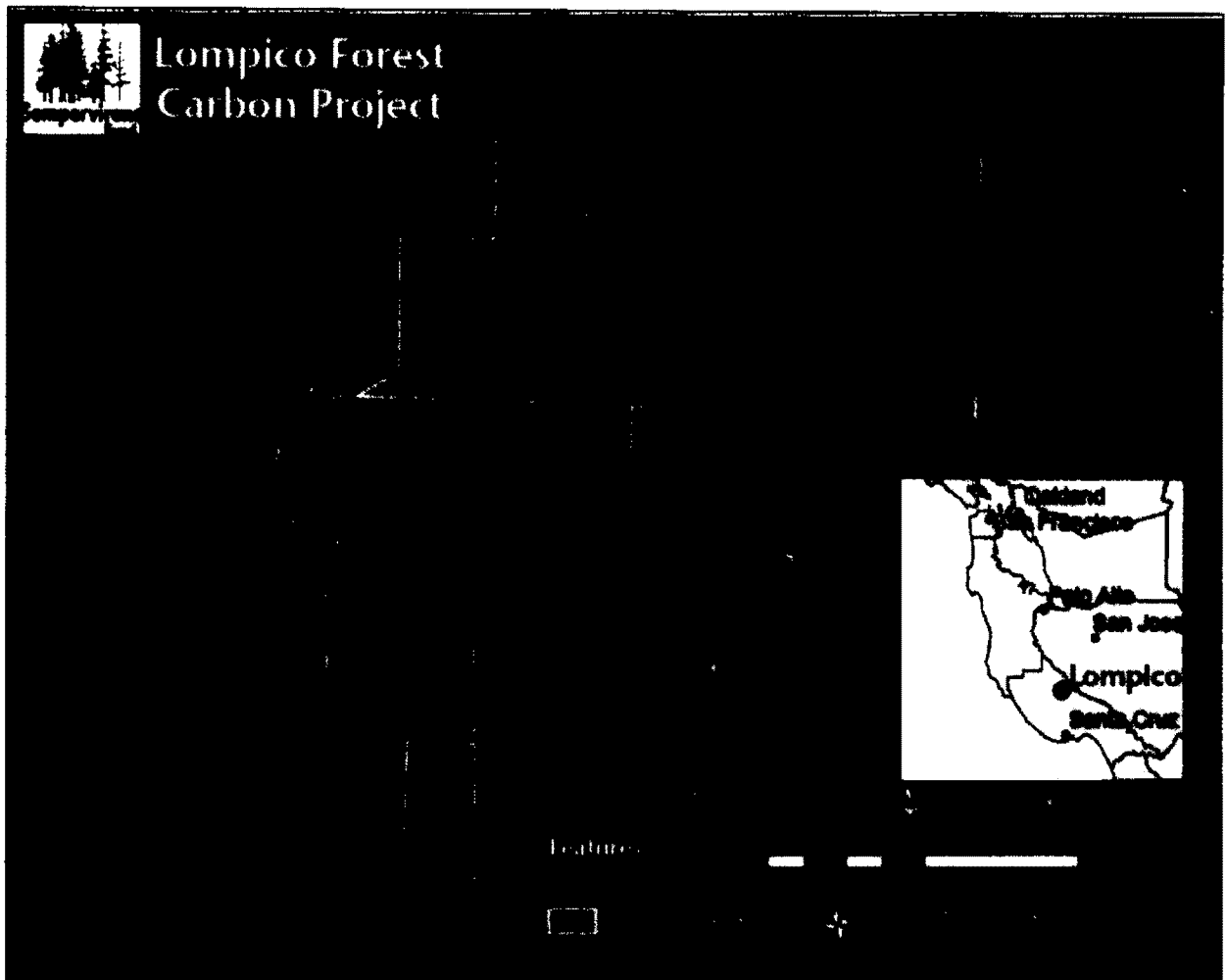


Figure 3. Lompico Forest Carbon Project: Aerial Photo Map with Former THP Area

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6. Description of the project's local environmental benefits (e.g. water quality, biodiversity, habitat etc.)

Averting timber harvest at Lompico will protect the underlying watershed which serves as the source of fresh drinking water for 1,500 nearby residents. Loch Lomond is part of the City of Santa Cruz water supply.

Lompico Creek is a Class I steelhead stream. Avian habitat in the area includes Cooper's hawk, sharp-shinned hawk, red-tailed hawk, red-shouldered hawk, screech owl, great horned owl, northern pygmy owl, and northern saw-whet owl.

7. Permanence and Environmental Integrity

- a. What is the date of easement execution and county in which easement was recorded? (a copy of the easement will also be reviewed by the certifier)

The conservation easement on the Project area will be executed according to the date set forth in **Exhibit 4.2**

- b. How do the terms of the easement conform with Section 42823 of the California Public Health and Safety Code (or Section 170(h)(4) (A)(ii) and (iii) of Title 26 of the United States Code¹) and support the project activity? Specifically, how does the easement address natural forest management, native species, and exceed mandatory law?

The terms of the conservation easement are currently being developed, but they will follow all natural forest management laws applicable to Project area, ensure the protection of all native species in Project area, and will exceed mandatory timber harvest laws by extinguishing all timber rights on the property in perpetuity.

- c. Please list the native tree species that comprise the project area currently and how the species mix generally will or will not change over the course of the project. (Forest management, reforestation, etc.)

Coast redwood - *Sequoia sempervirens*
Douglas fir - *Pseudotsuga menziesii*
Tanoak - *Lithocarpus densiflorus*
Pacific madrone - *Arbutus menziesii*
California laurel - *Umbellularia californica*
Coast Live Oak - *Quercus agrifolia*
California foothill ("digger") pine - *Pinus sabiniana*

Species mix will not change over the course of the project, since no timber harvest or management is planned.

¹ Section 170(h)(4) (A) (ii) the protection of a relatively natural habitat of fish, wildlife, or plants, or similar ecosystem

(iii) the preservation of open space where such preservation is for the scenic enjoyment of the general public or pursuant to a clearly delineated Federal, State or local governmental conservation policy, and will yield a significant public benefit.

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- d. If your project is conservation-based forest management, please describe how your project meets the natural forest management criteria (fire hazard, drought, over- or under-stocked) to promote and maintain native forests comprised of multiple ages and mixed native species in the overstory and understory:

Natural forest management is defined in the FSP and FPP as "practices that promote and maintain native forests comprised of multiple ages and mixed native species in the overstory and understory." Sempervirens Fund's management practices are comprised of protecting its forests from future harvesting and ensuring the preservation of these native forests in perpetuity. Sempervirens Fund's volunteers work to eradicate invasive species, such as French and Scotch Broom, on acquired forest properties. Thus, through natural succession processes under perpetual protection and the eradication of invasive species, management practices on the Lompico Forest Project will promote and maintain native forests comprised of multiple ages and mixed native species in the forest overstory and understory.

Section II: Project Baseline and Additionality Analysis

1. Project Goals: What are the GHG reductions you expect to achieve and over what time period? Please demonstrate this with a graph showing the project's estimated stocks over the project lifetime.

The Lompico Forest Project will achieve GHG reductions additional to the regulatory baseline through the purchase and prevention of planned timber harvest on the Lompico Headwaters Property. Specifically, on the 202 acres of the property slated for harvest in the Lompico Timber Harvest Plan², harvest would have occurred beginning in 2007 as allowable in the California Forest Practice Rules (FPR) at 14 CCR 913.11, 933.11, 953.11(c) ("Option C" rule) and other FPR sections applicable to the District, Subdistrict, County and logging method at Lompico.

A general description of the methods for estimating GHG reductions net of baseline is given below.

In the baseline, harvest is assumed to occur in 2007, with re-entries at 14-year intervals, as allowed by the FPR for this region and logging method. Over a 15-year projection, there are 2 total harvests: 2007 and 2021. Each harvest transfers some carbon into slash, which is lopped and left on site per applicable FPR; these are additions to the lying dead wood pool, decomposed (emitted) over time. The remainder of the harvested carbon is extracted from the site. Of the extracted carbon, a portion is lost to mill wastes and assumed immediately emitted, using the conversion efficiency assumptions of the FPP. The remainder of extracted carbon is transferred into the wood products pool, assigned to wood product classes, and retired (emitted) over time using the wood products decay rates of the FPP.

² Hildreth, J. 2005. Lompico Timber Harvest Plan 1-05-158 SCR. Prepared by James Hildreth, RPF #2639. Submitted by Zeke Sechrest, Redwood Empire Sawmill. Timberland owners of record Roger and Michele Burch/RMB Revocable Family Trust and Donald Morey, Trustee for road and landing access.

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The project activity is simply zero harvest on the THP area. The timber that had been slated for harvest instead continues to grow and sequester carbon.

Net GHG reductions are the sum of sequestration in the project scenario (growth of redwoods, Douglas fir and hardwoods not harvested) plus avoided emissions in the baseline scenario (immediate emissions in harvest years, and ongoing emissions from the carbon transferred to slash or wood products that are decomposed or retired over time). These quantities are summed to yield estimates of GHG reductions in the project net of baseline for 2007 through 2021.

Estimated net GHG reductions in the Lompico Forest Project total **15,720 metric tons CO₂ equivalent (tCO₂e) cumulative** over the 15-year analysis period (2007-2021). Cumulative net GHG reductions from 2007 to 2021 are shown in **Table 1** and illustrated graphically in **Figure 5**.

	tCO ₂ e				
2007	24,766	33,720	551	1,173	7,776
2008	25,173	34,390	543	1,157	8,062
2009	25,593	35,079	534	1,142	8,356
2010	26,025	35,788	526	1,126	8,657
2011	26,469	36,518	518	1,111	8,965
2012	26,927	37,268	510	1,097	9,281
2013	27,397	38,041	502	1,082	9,605
2014	27,882	38,836	494	1,068	9,937
2015	28,381	39,654	487	1,054	10,278
2016	28,895	40,495	479	1,040	10,627
2017	29,424	41,361	472	1,027	10,985
2018	29,968	41,955	465	1,013	11,055
2019	30,528	42,560	457	1,000	11,120
2020	31,104	43,177	450	987	11,181
2021	26,624	43,806	719	1,561	15,720

Table 1. Cumulative net GHG reductions from 2007 to 2021 in the Lompico Forest Project

2. Project Additionality: How will your project provide carbon stocks additional to the baseline over time?

The FPP requires all forest projects to demonstrate that the project activity "exceeds, or is additional to, the project baseline qualitative characterization, including any mandatory statutes or regulations used to characterize the project baseline." The FPP thus requires

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regulatory additionality. Specifically, conservation-based forest management projects must demonstrate that the planned project activities exceed the applicable forest management regulations used to characterize the baseline.

In this case, the baseline characterization for Lompico is defined by the FPR "Option C" rules at 14 CCR 913.11, 933.11, 953.11(c), and other FPR sections applicable to the District, Subdistrict, County and logging method at Lompico (see below). Timber harvest as proposed in the Lompico Timber Harvest Plan 1-05-158 SCR meets all these requirements and is thus allowable under the FPR. The project activity exceeds or is additional to this baseline characterization by foregoing 100% of this allowable harvest in perpetuity.

3. Graph: Please provide a project baseline projection in graph form depicting your project baseline as carbon stocks over the course of the project's lifetime.

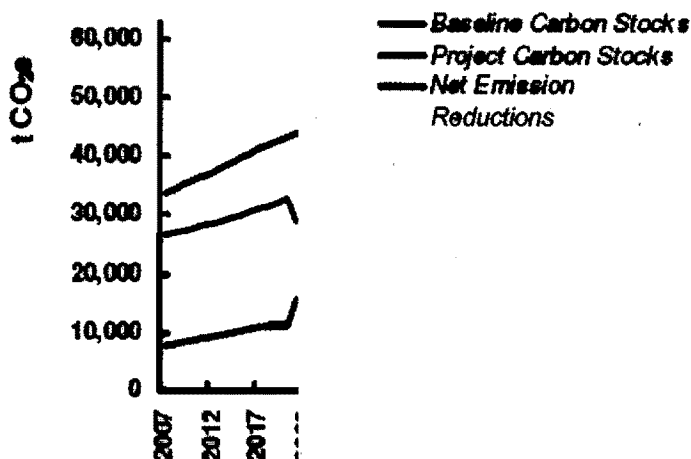


Figure 5. Cumulative sequestration, baseline emissions, and net GHG reductions in the Lompico Forest Project.

4. Sampling Methodology

The FSP and FPP require forest entities to conduct a complete inventory for estimation of carbon stocks at the entity and, if applicable, forest project levels. Inventories must include required carbon pools of living tree biomass (above and belowground), standing dead biomass and lying dead wood, and may include the optional pools of shrubs and herbaceous understory, litter and duff, soil, and wood products. The protocols provide guidance for developing an inventory design and sampling each of these pools. Inventory plots must be no older than 12 years. Sempervirens requested assistance from Winrock International in conducting baseline carbon stock inventory at the forest entity and Lompico Forest Project levels. Winrock staff in July-August 2007 conducted direct sampling of forest carbon stocks across the 15 landholdings that constitute Sempervirens' forest entity reporting.

For the entity, inventory was conducted at random measurement plot locations pre-assigned across the 14 entity landholdings save Lompico, at a sampling intensity designed to meet the FSP requirement of minimum statistical confidence (standard error within 20% of the estimate of

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the mean for all required pools derived from sampling). More intensive sampling was conducted at Lompico, in order to achieve the more exacting requirements of the Forest Project Protocol. Ultimately 25 measurement plots were sampled across the 14 entity landholdings, of which 1 plot was discarded from the analysis because composed entirely of brush (an optional pool not reported by Sempervirens). Forty-one measurement plots were sampled on Lompico.

At each measurement plot, Registry-required carbon pools of living tree biomass, standing dead and lying dead biomass carbon were sampled using the measurement guidance for each pool from the FSP and FPP. Optional carbon pools of herbaceous understory vegetation, litter/duff, soil and wood products were not estimated.

Plot data was analyzed to derive an estimate of total biomass carbon, including above- and belowground living trees, standing dead and lying dead, at the entity and Lompico Forest Project levels.

Across the 202 acres constituting the Lompico Forest Project, the following carbon estimates were obtained:

- Live Tree Biomass: 581 t CO₂/acre
- Standing Dead Biomass: 17 t CO₂/acre
- Lying Dead Wood Biomass: 23 t CO₂/acre

This gives a total of 620 t CO₂/acre. Across 202 acres this is an estimated total of **125,000 t CO₂**. The 90% confidence interval is 14,707 t CO₂. This is equal to 12% of the mean. Following the FPP, a 90% confidence equal to 12 % of the mean requires a 20% deduction in reportable carbon from required pools derived from sampling. The reportable baseline carbon stock is therefore **100,269 t CO₂**.

5. Baseline characterization: Provide a qualitative description of your baseline characterization including: 1) its duration; 2) practices that will occur in the baseline over the baseline duration and 3) the assumptions that underlie this baseline characterization

The Lompico Forest Project's baseline characterization is defined as timber harvest at intensities and return intervals as allowable under the FPR applicable to this District, Subdistrict, county and selection logging method.

The Project baseline characterization is over the Delivery Term, from 2007-2021. Harvests are allowed at 14-year re-entry periods per applicable FPR. At each re-entry, it is assumed that timber harvest occurs at the maximum allowable levels accounting for all applicable restrictions such as basal area retention, rotation ages, harvest adjacency restrictions, watercourse buffer widths, and sustained yield requirements. Thus, the conservation-based forest management baseline characterization for this Project uses the maximum sustained production "Option C" Rules of the California FPR at 14 California Code of Regulations 913.11, 933.11 and 953.11 (c). Specific FPR applicable to this Project baseline are listed in the response to the following question.

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Over the baseline duration, timber would be harvested at allowable levels at 14-year re-entry periods. Each harvest will transfer some carbon into slash (lying dead wood), which per the applicable FPR would be lopped and left on site to decompose over time, and remove the remainder from the property. Of the harvested carbon extracted from the property, a portion will be lost to conversion inefficiencies and is assumed immediately emitted to the atmosphere, and the remainder will be transferred into wood products of varying lifetimes and retired (emitted) over time using wood products decay rates of the Forest Project Protocol (FPP).

6. Scope of legal analysis: Please cite the laws, regulations and rules that support your baseline characterization. In addition, list any other laws and regulations that you considered, or describe any legal analysis you conducted, when identifying the statutes and regulations to support your baseline characterization.

For this conservation-based forest management project, our approach to the baseline characterization follows the FPP presumption that "unless otherwise required by law, a forest management baseline would reflect a management scenario that resulted in harvest and regeneration of trees to the extent permitted by mandatory forest management laws and regulations. Such mandatory laws include the California Z'berg- Nejedly Forest Practice Act of 1973 (FPA) and the corresponding Forest Practice Rules (FPR), specifically the 'Option C' Rules, of the California Board of Forestry and Fire Protection." The "Option C" rules are found at 14 CCR 913.11, 933.11, 953.11(c).

All FPR sections applicable to the District, Subdistrict, County and logging method at Lompico were reviewed. These include:

- 913.1, 933.1, 953.1, which specify minimum basal area retention in seed trees for regeneration;
- 913.8(a), the option chosen in the Lompico THP to demonstrate Maximum Sustained Production for the selection harvest method used within the Southern Subdistrict of the Coast Forest District where Lompico is located;
- 926.25, which dictates a minimum 14-year re-entry period for the level of harvest (51-60% harvest of trees greater than 18") proposed in the Lompico THP;
- 916.9(d)(1), which details harvest limitations for Watercourse and Lake Protection Zones around Class 1, 2 and 3 streams;
- 917.4, which dictates treatment of logging slash in the Southern Subdistrict – Coast District;
- 926.25 Special Harvesting Methods for Santa Cruz County.

Other than a review of applicable FPR, no detailed legal analysis was conducted. Timber harvest as proposed in the Lompico THP is in compliance with all the California Forest Practice Rules listed above, and is thus allowable. No statutes or regulations prevent the harvest that would have taken place had the THP been approved and implemented, and no statutes or regulations require Sempervirens to purchase and prevent timber harvest on the Lompico Headwaters Property.

Exhibit C

SCHEDULE OF VERS DELIVERIES

Payment Schedule from Buyer to Seller for Metric Tons CO ₂ e						
reduction year	annual tons total	reserve tons	regular tons	price/ton	payment to SVF	cumulative tons
2007	7,776	778	6,998	\$ 9.71	\$ 67,954.48	7,776
2008	286	29	257	\$ 9.91	\$ 2,550.83	8,062
2009	294	29	265	\$ 10.11	\$ 2,675.11	8,356
2010	301	30	271	\$ 10.31	\$ 2,792.98	8,657
2011	308	31	277	\$ 10.51	\$ 2,913.37	8,965
2012	316	32	284	\$ 10.71	\$ 3,045.92	9,281
2013	324	32	292	\$ 10.91	\$ 3,181.36	9,605
2014	332	33	299	\$ 11.11	\$ 3,319.67	9,937
2015	341	34	307	\$ 11.31	\$ 3,471.04	10,278
2016	349	35	314	\$ 11.51	\$ 3,615.29	10,627
2017	358	36	322	\$ 11.71	\$ 3,772.96	10,985
2018	70	7	63	\$ 11.91	\$ 750.33	11,055
2019	65	7	59	\$ 12.11	\$ 708.44	11,120
2020	61	6	55	\$ 12.31	\$ 675.82	11,181
2021	4,539	454	4,085	\$ 12.51	\$ 51,104.60	15,720
totals:	15,720	1,572	14,148		\$ 152,532.18	
				average price/ gross ton	\$ 9.70	
				upfront payment (15%)	\$ 22,879.83	

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Exhibit 4.2

MILESTONES

Conservation easements in place:	12/31/08
Construction Start Date:	3/6/07
Guaranteed Construction Start Date:	3/6/07
Delivery of Monitoring Plan:	12/31/08 or sooner
Seller to post Project Development Security:	not applicable
Commercial Operation Date:	12/31/08
Guaranteed Commercial Operation Date:	12/31/08
Initial Verification Report:	12/31/08
Project Certification:	12/31/08
Successfully pass one CCAR certification cycle:	Fourth anniversary of Effective Date

Exhibit 4.7.1

LEAKAGE AVOIDANCE PLAN

Sempervirens does not commercially log its properties, so the plan to avoid leakage is as follows:

a) continue to operate as a financially viable organization to avoid foreclosure on Sempervirens' properties; and

b) place conservation easements and/or deed restrictions that prevent commercial logging on any properties we convey to third parties. The only notable exception to this policy will be lands Sempervirens conveys to CA State Parks.

INITIAL LEAKAGE ASSESSMENT

*To be completed with initial registration of project with Registry
Submitted to the California Climate Action Registry September 1, 2007*

All information in this report will be publicly available.

Project Name Lompico Forest Project
Entity Name Sempervirens Fund
Contact Name, etc. Laura McLendon

Please use this worksheet as a guide for completing your Initial Leakage Assessment. You may need to consult the Forest Project Protocol for details about the information this form requires. Use additional space or attachments as required.

For each forest project, please answer the following questions:

I. Activity-Shifting Leakage (Required)

1. Do you expect your organization's biological forest carbon stocks outside of the forest project boundary, but inside your forest entity boundaries, to change as a direct result of the forest project? If yes, please explain.

Answer: No. Unlike many other organizations, SVF does not engage in commercial logging. As long as SVF remains a going concern (i.e., financially viable), there is no risk of additional logging anywhere within the forest entity boundaries except in rare circumstances such as public safety or to clear downed trees from existing roadways.

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2. Is it possible that the forest project may cause another entity to change its operations or business activities in a manner that results in increases or decreases in carbon stocks or CO2 emissions? If so, please explain how and to what extent, if possible.

Answer: SVF cannot say with certainty that the former owner of the property (Redwood Empire) will not use the purchase proceeds to log elsewhere. However, according to the THP filed by Redwood Empire, the company considered alternatives as required by CEQA legislation (CEQA § 21080.5(d)(3)(A); 14 CCR §§15250-15253). The forester considered six alternatives including: project as proposed, no project, alternative land use, timing of project, alternative site, and public acquisition.

The "alternative site" language of the THP is particularly useful in determining potential leakage as a result of the transaction. According to this section of the THP (ftp://thp.fire.ca.gov/THPLibrary/North_Coast_Region/THPs2005/1-05-158SCR/20050825_1-05-158SCR_ReSubSec3.pdf, page 6 of 25, but marked page 35), the following information was shared about Redwood Empire:

"This alternative would involve carrying out the harvesting proposed in the THP on a different property under the same ownership. No other sites exist for this project. While this property is one of several properties that the landowner owns, this property has been scheduled for harvest for silvicultural and economic reasons particular to this site." Further investigation reveals that Redwood Empire's other properties are already in long rotations (i.e., have already been cutover), so there is little potential for leakage in the short term unless the company acquires new timberland.

Could Redwood Empire acquire new redwoods? While possible, the company's lands and distribution networks are heavily concentrated in the Santa Cruz Mountains area. To leverage economies of scale, Redwood Empire would likely try to acquire lands from the only two other logging firms active in Santa Cruz County: Big Creek and Redtree Properties. The trouble is that these firms' logging activities have also been in serious decline when looking at market statistics taken from the CA State Board of Equalization:

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	1994	2006	Delta	% Change
Santa Cruz County Harvest (MBF)	22,835	9,600	(13,235)	-58.0%
CA State Harvest (MBF)	2,316,328	1,631,200	(685,128)	-29.6%
Santa Cruz County Timber Revenue (\$MM)	\$ 12.2	\$ 6.3	(6)	-48.4%
CA State Timber Revenue (\$MM)	\$ 1,103.1	\$ 534.1	(569)	-51.6%
Harvest Value \$/MBF for Santa Cruz County Redwoods*	\$ 600	\$ 760	160	26.7%

*All data from CA State Board of Equalization:
 (Source: <http://www.boe.ca.gov/proptaxes/timbertax.htm>)
 \$/MBF for redwoods for Region 2S. Prices based on tractor logging with average volume of 300 BF/log.

Thus, the market statistics bear out that the CA logging industry as a whole is in steady decline, with harvests in Santa Cruz County declining twice as fast as the rest of the state. This decline is largely due to increased regulations, community opposition, increased costs of production, and changes in the highest-and-best-use (HBU) from timber harvest to development.

The fact that redwood prices on a \$/MBF have risen during this time period (albeit less so when factoring in general price inflation) is indicative of the fact that the supply of harvestable redwoods trees is diminishing. Virtually all old growth redwoods are either gone or under protected status, and most of the younger trees have also been harvested or placed into long rotation periods. Redwoods (*Sequoia sempervirens*) grow in a very narrow band along the Pacific Coast, and it makes sense that this limited supply would quickly be logged and/or protected in a short period. This is especially true in coastal areas like Santa Cruz County, where population pressure is greatest.

3. If the answer to #2 is yes, will these potential stock and/or emissions be monitored? If yes, how?

Answer: All signs point to the fact that the prior owner is not logging elsewhere as a specific result of the transaction, so no further monitoring of his activities are envisioned.

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II. Market Leakage (Optional)

1. Will the project activity result in an increase or decrease in the production of commercial products? If yes, please estimate the amount of the increase or decrease in production.

Answer: SVF expects that the project will reduce the amount of commercial products available by the amount of foregone harvestable timber. According to appraisal estimates, this would be approximately 3.0MMBF of coastal redwoods plus 0.575MMBF of Douglas-fir in 2007 and their ancillary products plus any growth and harvests into perpetuity. See Baseline Graph for additional details.

2. Will this project result in an increase or decrease in the availability of land (e.g. for development of agriculture or other commercial use)? If yes, please explain the extent.

Answer: The land will remain in TPZ zoning status. The conservation easement will forbid further development. Thus, the land is "lost" to commercial development or "gained" for ecological, aesthetic, and recreational purposes, depending on your viewpoint.

3. If the answer to either question 1 or 2 is yes, will this change likely result in a change in the market? Please describe the potential market impacts.

Answer: Yes, SVF expects prices to rise slightly (but not significantly) as a result of the reduction in supply. Redwood is considered a luxury product due to its appearance, fire resistance, and insect resistance. In general, buyers consume as much redwood as they can get, which is why prices generally increase over time as fewer trees come to market.

4. Please state the volume of timber foregone due to the project (designate green or dry):

Answer: See response to Question #1. The timber forgone is green timber.

5. What type of timber will be foregone?

Softwood: Coastal redwoods and Douglas-fir

Hardwood: N/A

6. What is the current market price per ton of wood types?

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Answer: These are not typically priced per ton, but rather \$/MBF. Current rates in 2007 for redwoods are approximately ~\$925/MBF, while Douglas-fir #2 sawmill grade are ~\$625/MBF. Both prices are F.O.B. mill and will differ from stumpage values. Stumpage values for Lompico Headwaters are significantly reduced (~\$585/MBF and ~\$28/MBF for redwoods and Douglas-fir, respectively) due to the need for helicopter logging. See http://www6.forestweb.com/cfusion/Corporate/resources/pdf/Report_PacRim.pdf for details.

7. What would the likely wood product categorization of the total timber foregone have been (as a %) ?

Pulp and Paper: 0%
Sawtimber (speciality): %
Sawtimber (generic): 100%

8. What is the relative carbon density of the stand (tons/ha or tons/acre)?

Across the 202 acres constituting the Lompico Forest Project, the following carbon estimates were obtained:

- Live Tree Biomass: 581 t CO₂/acre
- Standing Dead Biomass: 17 t CO₂/acre
- Lying Dead Wood Biomass: 23 t CO₂/acre

This gives a total of 620 t CO₂/acre. Across 202 acres this is an estimated total of **125,000 t CO₂**. The 90% confidence interval is 14,707 t CO₂. This is equal to 12% of the mean. Following the FPP, a 90% confidence equal to 12 % of the mean requires a 20% deduction in reportable carbon from required pools derived from sampling. The reportable baseline carbon stock is therefore **100,269 t CO₂**.

Exhibit 4.8.1

PERMANENCE MAINTENANCE PLAN

Permanence of GHG reductions will be ensured to the best of Sempervirens Fund's ability through a perpetual conservation easement placed on the property. Specific terms of that easement are still being finalized, but the relevant sections will be substantially similar to the following:

GRANT OF CONSERVATION EASEMENT

NOW THEREFORE, in consideration of the above and for a valuable consideration, and the mutual covenants, terms, conditions, and restrictions contained herein, and pursuant to the laws of California and in particular California Civil Code Section 815 through 816, The parties agree as set forth herein.

1. Grant of Conservation Easement; Purpose. Grantor hereby grants to Holder a Conservation Easement in perpetuity in and over the Property on the terms and conditions set forth in this Agreement. The purpose of the Conservation Easement is to protect the Conservation Values of the Property and its function as an important watershed.

2. Reservation of Water Rights. Grantor specifically reserves all water and water rights with respect to the Property, including without limitation springs and spring rights, reservoir and storage rights, wells and groundwater rights, and all other rights in and to the use of water historically used on or otherwise appurtenant to the Property (collectively, the "Water Rights"). Grantor shall have the right to develop and use the Water Rights in connection with its status and function as a California special district whose purpose is to provide water to its constituents. Grantor shall not abandon or allow the abandonment of, by action or inaction, any of the Water Rights without the prior written consent of Holder.

3. Use Restrictions. The Property shall be used only as a watershed to serve Grantor's mission of providing water to its constituents and for uses specifically authorized in this Agreement. Without limitation of the foregoing, no logging, mining or agriculture activities, and no commercial or residential use or other building development, are permitted on the Property except as expressed authorized herein.

4. Subdivision and Development.

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(A) Structures. The term "structure," as used in this Conservation Easement, is intended to include all objects, constructions, assemblages, buildings, or erections, temporary or permanent, with or without anchors or foundations, placed, assembled, constructed on, over, or under the surface of the earth by human efforts. As of the date of this grant, there are no structures on the Property as described in the Baseline Documentation. Except for structures and improvements necessary for the development, use and protection of the Water Rights, no additional structures of any kind, temporary or permanent, may be constructed, located, placed, or installed on the Property without the prior written consent of Holder; except, however, the Grantor reserves the right to install additional boundary markers and minor, small-scale structures, as necessary for the use and management of the Water Rights not detrimental to the conservation values of the Property.

(B) Extinguishment of Development Rights. All rights to develop or use the Property that are prohibited by or inconsistent with this Conservation Easement are extinguished, and cannot be used to transfer development rights to other land, or to permit increased development density or increased natural resource use or extraction on other land.

(C) Subdivision Limitations. The Property shall remain in unified ownership, which may be joint or undivided, but without division, partition, subdivision, or other legal or de facto creation of lots or parcels in separate ownership, or by way of lease or use agreements. Grantor may enter into boundary line agreements to resolve bona fide boundary disputes with the prior written consent of Holder, which shall not be unreasonably withheld, provided that the total acreage of land protected under the Conservation Easement shall not materially be reduced thereby.

5. Surface Alterations. As of the date of this grant, there are no surface alterations on the Property except as described in the Baseline Documentation, all of which are depicted generally in Exhibit B;

Grantor reserves the right to maintain existing surface alterations and the right to alter the surface to the extent reasonably necessary to exercise the rights reserved herein. No additional filling, dumping, excavation, or other alteration may be made to the surface or subsurface of the Property or to its surface waters or wetlands; except that the Grantor reserves the following rights, provided that in every case the disturbed surrounding area must be restored as soon as reasonably possible to a state consistent with the Conservation Values to be protected hereunder.

(A) Water Rights. Grantor reserves the right to develop and exploit the Water Rights and resources on the Property by the excavation of

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wells and springs, the creation of ponds and treatment facilities, the redirecting of streams and the construction and maintenance of roads.

(B) Trails and Footpaths. Grantor reserves the right to establish and maintain additional unpaved footpaths and recreational trails, provided that they are located and designed in a manner to prevent soil erosion and prevent damage to fragile plant communities and wildlife habitat. Grantor also reserves the right, with the prior written consent of the Holder, to establish and maintain access roads and parking areas reasonably necessary for the development and protection of the Water Rights.

(C) Archaeological and Scientific Study. Grantor reserves the right, subject to prior written approval by Holder, to permit limited excavation of the surface of the Property for ecological, education, scientific research, and archaeological investigation conducted under then current generally accepted professional standards and without adverse impact to the conservation values protected by this Conservation Easement.

6. **Vegetation Management.**

(A) Generally. As of the date of this grant, the Property is in a substantially natural condition, predominantly forested as documented in the Baseline Documentation. Trees and other vegetation may not be cut, disturbed, altered, or removed from the Property without the prior written consent of Holder, except that Grantor reserves the right to selectively cut, prune, and manage vegetation and forest cover to the extent reasonably necessary to exercise the rights of Grantor reserved hereunder, and provided that Grantor acts reasonably to minimize any such activities that are inconsistent with the Conservation Values intended to be protected by this Conservation Easement.

(B) Forest Management-Noncommercial Purposes. Grantors reserves the right to manage forested land by selective cutting, pruning, and planting for the safety of users of the Property, for control of active fire, for prevention of fire and disease, for eradication of species, exotic intrusion, for restoration or enhancement of wildlife habitat, watershed and riparian areas.

(C) **Waste Disposal and Water Protection.**

(A) Water Disposal. Discharge of septic waste or wastewater into surface waters on or about the Property is prohibited. It is forbidden to dispose of or store rubbish, garbage, building debris, unserviceable vehicles and equipment or parts thereof, hazardous or other waste, hazardous or toxic substances, or other unsightly or offensive waste material on the Property, except that waste generated by permitted uses on the Property may be stored

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temporarily in appropriate containment for removal at reasonable intervals, all in accordance with applicable state, local, and federal laws and regulations.

(B) Chemical Agents. The use of chemical herbicides, pesticides, rodenticides, fungicides, fertilizers, and other agents that may have an adverse effect on wildlife, waters, and other important conservation interests to be protected by this Conservation Easement is prohibited, unless their use is recommended in writing by a recognized conservation professional for permitted vegetation management purposes, and such use is approved in advance and in writing by Holder, upon a determination by Holder, in its sole and exclusive discretion, that such is necessary to avoid greater harm to important Conservation Values.

7. **Public Recreation and Education.**

(A) No Commercial Outdoor Recreation. The Property shall not be used for commercial outdoor recreation. It is the intent of the parties to prevent the Property from becoming the site of a commercial recreational enterprise, such as a commercial campground, an exclusive hunting ground or club, a commercial site for ATV, motorcross, or other racetrack, or other similar intensive or predominantly commercial use.

(B) Limitations-Grantor's Uses Allowed. Grantor has the right to require that Holder and its delegates conduct any public use in a manner that does not cause damage to natural resources, watershed value or any improvements on the Property. Grantor agrees to refrain from posting, prohibiting, or otherwise discouraging access and use of the Property inconsistent with Holder's affirmative public use rights set forth in this Agreement.

(C) Liability. Notwithstanding any public use of the Property and any insurance coverage therefore, neither the Grantor nor the Holder assumes any obligation to maintain the Property for public recreational use, and Grantor and Holder claim all the rights and immunities against liability for injury to the public to the fullest extent of the law. Nothing herein should be construed to grant the public standing to bring an action at law or in equity hereunder, nor any rights in the Property by adverse possession or otherwise.

(D) Holder Acknowledgement Signs. Holder has the right, after consultation with Grantor, to install and maintain small unlighted signs visible from public vantage points and along boundary lines, to identify Holder and inform the Public and abutting property owners that the Property is under the protection of this grant.

Exhibit 4.9

MONITORING PLAN

Permanence of GHG reductions will be ensured to the best of Sempervirens Fund's ability through a perpetual conservation easement placed on the property. Specific terms of that easement are still being finalized, but the relevant sections as it relates to monitoring will be substantially similar to the following with the additional requirement for annual inspections to ensure GHG reductions remain on schedule. Sempervirens Fund will also honor any monitoring requirements for the Project set forth by CCAR.

(A) Entry and Inspections. Holder is hereby granted the right to reasonable entry and access to the Property for inspection and monitoring purposes and for enforcement of the terms of this Conservation Easement, including the right to access the Property over roads owned by Grantor and any rights-of-way or other access ways now or hereafter available to Grantor for access to the Property.

(B) Enforcement and Remedies. Holder may bring an action at law or in equity in a court of competent jurisdiction to enforce the terms of this Conservation Easement, to enjoin the violation by temporary or permanent injunction, and to require restoration of the Property to the condition that existed prior to any such injury. Holder shall be entitled to recover monetary damages for violation of the terms of this Conservation Easement or injury to any Conservation Values protected by this Conservation Easement, including, without limitation, damages for the loss of scenic, aesthetic, or environmental values, and to require the restoration of the Property to the condition that existed prior to any such injury. Grantor agrees that Holder's remedies at law for any violation of the terms of this Conservation Easements are inadequate and that Holder shall be entitled to the injunctive relief described above in addition to such other relief to which Holder may be entitled, without the necessity of proving actual damages or the inadequacy of otherwise available legal remedies. All reasonable costs incurred by Holder in enforcing the terms of this Conservation Easement against Grantor, including, without limitation, costs and expenses of suit and reasonable attorneys' fees, and any costs of restoration necessitated by Grantor's violation of the terms of this Conservation Easement, shall be borne by Grantor; provided, however, that if Grantor ultimately prevail in a judicial enforcement action, each party shall bear its own costs.

Exhibit 4.10--FINANCIAL PLAN

Date: February 1, 2008

Lompico Headwaters Carbon Sequestration Project Stewardship Fund Requirement Calculations

Assumptions:

Land Stewardship Cost/Acre/Yr.*

\$ 15.00

Discount Rate**

7.50%

Activities:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016***
Negotiate Easement on Lompico (Mostly Legal Work)	\$ 20,000									
Join CCAR	\$ 600									
Training on CCAR CARROT Software & Conference	\$ 1,500									
GHG Footprint Analysis	\$ 3,500									
Winrock--Registration of SVF as Forest Entity	\$ 30,000									
Winrock--Registration of Lompico Headwaters as Forestry Project	\$ 32,800									
3rd Party Certification (Estimate)	\$ 10,000									
Response to PG&E's RFO -- Technical Components	\$ 8,500									
Negotiate Emissions Reduction Purchase Agreement (ERPA)	\$ 10,000									
Re-certification of Lompico Headwaters							\$ 10,000			
Ongoing Reporting of Forest Entity & GHG to CCAR		\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Ongoing Stewardship of Land Post-Easement		\$ 6,375	\$ 6,375	\$ 6,375	\$ 6,375	\$ 6,375	\$ 6,375	\$ 6,375	\$ 6,375	\$ 6,375
Total Stewardship Costs	\$ 116,900	\$ 7,875	\$ 7,875	\$ 7,875	\$ 7,875	\$ 7,875	\$ 17,875	\$ 7,875	\$ 7,875	\$ 7,875

Net Present Value Needed to Fund Stewardship:

\$223,453

*Stewardship assumptions taken from Natural Lands Management Cost Analysis and include fencing, signage, community outreach, field equipment, invasive plant control, contingency funds, etc.

**SVF's operating funds are invested in secure, liquid investments. As such, SVF's discount rate is lower than some organizations.

***10 years of project costs shown for simplicity. Actual spreadsheet covers all 100 years of project life.

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Exhibit 4.11

CO-BENEFIT PLAN

"Co-Benefits" include any and all environmental, social, and emission benefits, claims, or characteristics which result from the GHG Emissions Reductions and the actions creating or relating thereto, including protection of habitat for wildlife and native plants, protection of watersheds, improvements to local air quality, promotion of environmental justice, socio-economic benefits for the community, appropriate resolution of any environmental impact reports, and the elimination, offsetting or reduction of potential adverse environmental and social impacts.

Co-benefits are owned by Seller. Buyer shall have non-exclusive worldwide rights to discuss and market how its actions helped create the Co-benefits associated with the Project ("Buyer Co-Benefit Rights").

Steps to ensure Co-benefits include measures within the permanent conservation easement that deal with the preservation of Co-benefits. These measures will be substantially similar to those listed in Exhibit 4.8.1 and include the preservation of water quality, non-commercial recreation, and plant and animal habitat. Potential non-GHG pollution (e.g., use of fertilizers and pesticides) and other disturbances will also be avoided as a result of the project and its easement.

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Exhibit 5.1

FORM OF PROGRESS REPORT

The Progress Report shall identify the Milestones and indicate whether Seller has met or is currently scheduled to meet such Milestones.

Progress Report Template

MEMO

To: [state name of PG&E representative]

From: [state name of Lompico Forest Project representative]

RE: Monthly Progress Report on Lompico Forest Carbon Project

Date: [state date submitted]

[include update of Project status as it relates to completing the Milestones]

Exhibit 6.2.4

**PROJECT IMPLEMENTATION PARTNER
CONSENT AND ACKNOWLEDGMENT
OF BUYER'S EXCLUSIVE OWNERSHIP OF VERS**

[This is an example form. The form of any acknowledgment must be adapted for the particular circumstances of the required acknowledgement, and must in any event be acceptable to PG&E]

1. Sempervirens, Fund, Inc. ("Fund") is the sole owner of the fee simple interest in the Lompico Headwaters Forest (the "Premises").
2. [Other Party] ("Acknowledging Party") is the [state relationship, e.g. Grantee of that certain Conservation Easement over the Premises dated _____ and recorded in the Official Records of the County of Santa Cruz commencing with Page No. _____.]
3. Acknowledging Party understands and acknowledges that the Fund and Pacific Gas and Electric Company ("PG&E") have entered into that certain Verified Emission Reduction Purchase and Sale Agreement dated February __, 2008, pursuant to which the Fund has agreed to sell to PG&E Verified Emission Reductions as defined therein (collectively with all greenhouse gas emission reductions generated by or relating to activities, or the absence of activities, on the Premises, whether or not verified, "VERs").
4. Acknowledging Party acknowledges that the Fund is the owner of the VERs and, as between the Fund and Acknowledging Party, the Fund has the sole right to sell the VERs, to PG&E or otherwise.
5. Acknowledging Party has not transferred or promised to transfer any of the VERs to any person, entity, or regulatory authority.

[Acknowledging Party]

By:
Its:

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Exhibit 6.2.5

REQUIRED PROJECT DOCUMENTS

The Conservation Easement and signed copy of "PROJECT IMPLEMENTATION PARTNER CONSENT AND ACKNOWLEDGMENT OF BUYER'S EXCLUSIVE OWNERSHIP OF VERS" will be provided to Buyer as soon as these documents are finalized.

Additional documents will be provided to Buyer on an as-requested basis. Seller does not foresee any permits required to complete project.

Exhibit 6.2.11

PROJECT BASELINE GRAPH

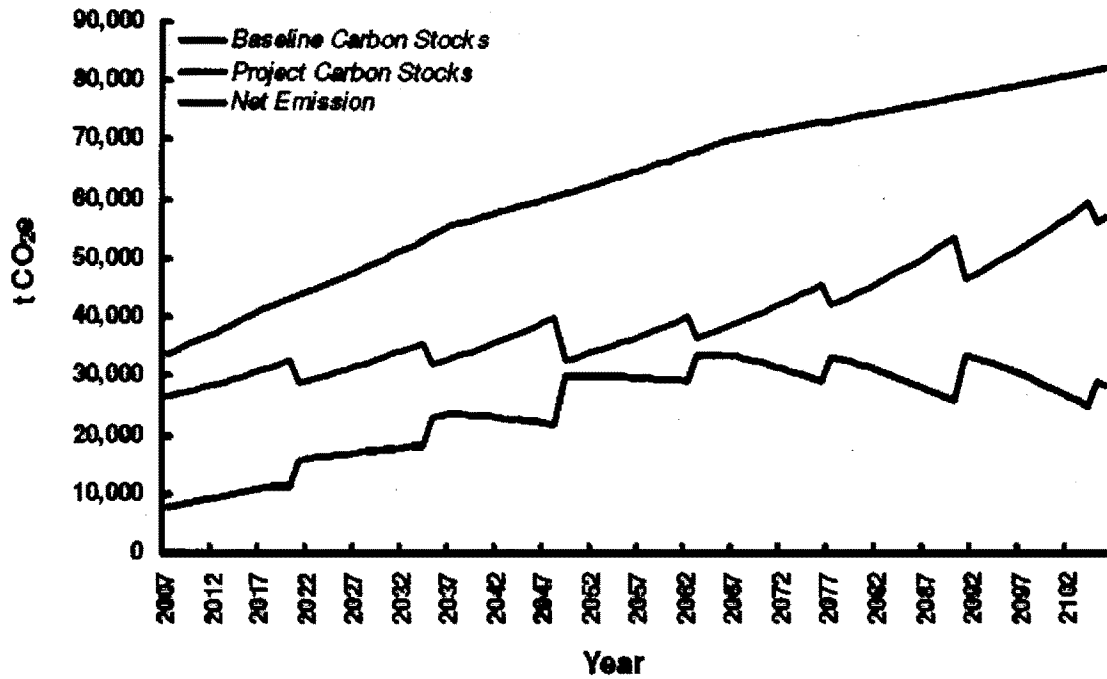


Figure 1. Cumulative sequestration, baseline emissions, and net GHG reductions in the Lompico Forest Project. Only Years 2007-2021 are relevant to the Project as defined by this contract.

Exhibit 8.3

VERS FINANCING STATEMENT

This FINANCING STATEMENT and SECURITY AGREEMENT covers all of Debtor's interests in all of the following types or items of property, wherever located and whether now owned or hereafter acquired, and Debtor hereby grants Secured Party a security interest therein as collateral for the payment and performance of all present and future indebtedness, liabilities, guarantees and obligations of Debtor to Secured Party, howsoever arising. Debtor agrees that said security interest may be enforced by Secured Party in accordance with the terms of all security and other agreements between Secured Party and Debtor, the California Uniform Commercial Code, or both, and that this document shall be fully effective as a security agreement, even if there is no other security or other agreement between Secured Party or Debtor:

All present and future rights, title, "general intangibles", "chattel paper", "contract rights", "documents", "instruments", "inventory", "equipment", and "farm products", as such terms are defined in Division 9 of the Uniform Commercial Code in effect on the date hereof, of every kind relating to "VERS" and "GHG Emissions Reductions" produced by the "Project" (excluding the "Unencumbered Excess VERs") as those terms are defined in that certain Verified Emission Reduction Purchase and Sale Agreement between Debtor and Secured Party of proximate date herewith (the "VERPA"), any part thereof, and Debtor's rights to acquire to take any action or exercise any right with respect thereto;

All proceeds of timber and lumber products that are harvested from the Premises in violation of what is permitted to be harvested pursuant to the Conservation Easement, as those terms are defined in the VERPA.

All books, records, ledger cards, computer data and programs and other property and general intangibles at any time evidencing or relating to any or all of the foregoing; and

All cash and non-cash products and proceeds of any of the foregoing, in whatever form, including proceeds of proceeds and proceeds of insurance, and all claims by Debtor against third parties for loss or damage to, or destruction of, or otherwise relating to, any or all of the foregoing.

NOTICE - PURSUANT TO AN AGREEMENT BETWEEN DEBTOR AND SECURED PARTY, DEBTOR HAS AGREED NOT TO FURTHER ENCUMBER THE COLLATERAL DESCRIBED HEREIN, THE FURTHER ENCUMBERING OF WHICH MAY CONSTITUTE THE TORTIOUS INTERFERENCE WITH SECURED PARTY'S RIGHTS BY SUCH ENCUMBRANCER. IN THE

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EVENT THAT ANY ENTITY IS GRANTED A SECURITY INTEREST IN DEBTOR'S ASSETS CONTRARY TO THE ABOVE, THE SECURED PARTY ASSERTS A CLAIM TO ANY PROCEEDS THEREOF RECEIVED BY SUCH ENTITY.

"DEBTOR"

"SECURED PARTY"

SEMPERVIRENS FUND, INC.
A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION

PACIFIC GAS AND ELECTRIC COMPANY

By: Brian Stein

By: [Signature]

Name: Brian Stein

Name: Rudolph Prohaci

Title: Executive Director

Title: Portfolio Mgr, EHS

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Exhibit B.4

MEMORANDUM OF VERPA

WHEN RECORDED, MAIL TO:

Jeremy D. Weinstein
Law Offices of Jeremy D. Weinstein
1512 Bonanza St.
Walnut Creek, CA 94596

**MEMORANDUM OF VERIFIED EMISSION REDUCTIONS
PURCHASE AND SALE AGREEMENT**

THIS MEMORANDUM OF VERIFIED EMISSION REDUCTIONS PURCHASE AND SALE AGREEMENT ("Memorandum"), dated as of February 2, 2008, is made by and between Sempervirens Fund, Inc., a California non-profit corporation ("Seller"), and Pacific Gas and Electric Company, a California corporation ("PG&E"). Seller and PG&E are sometimes hereinafter referred to collectively as the "Parties" and individually as a "Party".

WHEREAS, Seller and PG&E have entered into that certain Verified Emission Reduction Purchase and Sale Agreement on even date herewith (the "Agreement"), pursuant to which Seller has agreed to maintain a conservation easement and take such further actions with respect to property located in Santa Cruz County (as more particularly defined in the Agreement, the "Project"), and to sell to PG&E the GHG Emissions Reductions (as that term is defined in the Agreement), all on the terms and conditions set forth in the Agreement. The real property on which the Project is to be maintained (the "Premises") is more particularly described in the attached Exhibit "A"; and

WHEREAS, Seller and PG&E desire to provide record notice of certain terms and conditions of the Agreement pertaining to the Parties' respective rights and obligations under the Agreement in the event the Agreement is terminated due to a default by Seller.

NOW, THEREFORE, in consideration of the mutual covenants and obligations set forth in the Agreement and this Memorandum, Seller and PG&E agree as follows:

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Order Number: 08649680

Attached to and made a part of Stewart Title Guaranty Company Policy Number: CNJP-1597-834779

Schedule A (Continued)

LINE OF THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4 OF SAID SECTION 26, NORTHERLY 1350.00 FEET, MORE OR LESS, TO THE 1/16 SECTION CORNER AT THE NORTHWEST CORNER OF SAID SOUTHEAST 1/4 OF THE NORTHEAST 1/4 OF SAID SECTION 26; THENCE ALONG THE NORTHERLY LINE OF SAID SOUTHEAST 1/4 EASTERLY 1350.00 FEET, MORE OR LESS, TO PARCEL TWO: CONTINUED

THE 1/16 SECTION CORNER ON THE EASTERLY BOUNDARY OF SAID SECTION 26; THENCE ALONG THE WESTERLY BOUNDARY OF SECTIONS 25 AND 24 AND THROUGH THE CORNER COMMON TO SECTIONS 23, 24, 25 AND 26, NORTHERLY 4900.00 FEET, MORE OR LESS, TO THE 1/4 SECTION CORNER AT THE NORTHWEST CORNER OF THE SOUTHWEST 1/4 OF SAID SECTION 24; THENCE ALONG SAID 1/4 SECTION LINE WESTERLY 1400.00 FEET, MORE OR LESS, TO THE 1/16 SECTION CORNER AT THE NORTHWEST CORNER OF THE NORTHEAST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 23, M. D. B. & M.; THENCE ALONG THE WESTERN LINE OF SAID NORTHEAST 1/4, SOUTHERLY 1250.00 FEET, MORE OR LESS, TO THE 1/16 SECTION CORNER AT THE SOUTHWEST CORNER OF SAID NORTHEAST 1/4; THENCE ALONG THE 1/16 SECTION LINE RUNNING THROUGH THE MIDDLE OF SAID SOUTHEAST 1/4 OF SAID SECTION 23, WESTERLY 750.00 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

PARCEL THREE:

RIGHTS OF WAY, APPURTENANT TO PARCELS ONE AND TWO, OVER ALL ROADS WITHIN THE ABOVE DESCRIBED PARCEL OF LAND, AS SHOWN ON RECORD OF SURVEY MAP, VOLUME 31, PAGE 5, SANTA CRUZ COUNTY RECORDS.

EXCEPT FROM PARCELS ONE AND TWO, ONE-HALF OF ALL OIL, GAS AND MINERAL RIGHTS AS RESERVED IN DEED FROM SANTA CRUZ LAND TITLE COMPANY, RECORDED NOVEMBER 9, 1960, IN BOOK 1354, PAGE 131, OFFICIAL RECORDS OF SANTA CRUZ COUNTY.

APN: 091-092-04 PARCEL ONE (PORTION) PARCEL TWO (PORTION)
092-011-05 PARCEL ONE (PORTION)
092-011-35 PARCEL TWO (PORTION)

CLTA STANDARD COVERAGE - 1990
1597

Stewart Title Guaranty Company

Page 3 of 7

238643.2

A-75

SB_GT&S_0657174

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1. The Premises. Seller acknowledges and agrees that the real property comprising the Premises, and all improvements and fixtures to be constructed thereon, including the Project, is and will be used subject to and in accordance with the provisions of the Agreement.

2. Effect of Memorandum. This Memorandum, and the rights and obligations of the parties hereunder, are subject to all of the terms and conditions of the Agreement. The Agreement is hereby incorporated by reference as if fully set forth herein.

3. Further Information. Further information regarding the specific terms and conditions of the Agreement may be requested from PG&E at P.O. Box 770000, Mail Code N12E, San Francisco, CA 94177; Attn: ClimateSmart™ Program Manager. Disclosure of any such information shall be subject to the terms and conditions of a written confidentially agreement acceptable to PG&E in its sole and absolute discretion.

IN WITNESS WHEREOF, Seller and PG&E have executed and acknowledged this Memorandum as of the day and year first above written.

Sempervirens Fund Inc.,
a California non-profit corporation

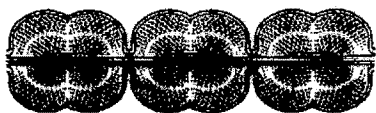
Pacific Gas and Electric Company
a California corporation

By Brian Steen
Name Brian Steen
Title Executive Director

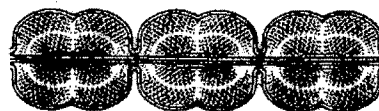
[Signature]
Name Rudie Provan
Title Portfolio Mgr, EHS

[SIGNATURES TO BE NOTARIZED]

CALIFORNIA



ALL-PURPOSE



ACKNOWLEDGEMENT

STATE OF CALIFORNIA)

COUNTY OF SANTA CLARA)

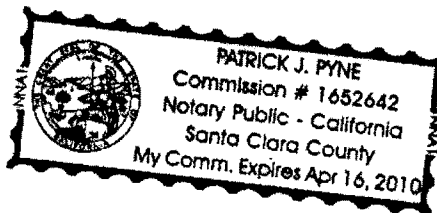
On 2-15-08 before me, PATRICK J. PYNE NOTARY PUBLIC
DATE NAME, TITLE OF OFFICER E.G. "JANE DOE, NOTARY PUBLIC"

personally appeared, Brian Steen

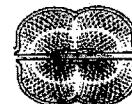
proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), 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.

Patrick J. Pyne (SEAL)
NOTARY PUBLIC SIGNATURE



OPTIONAL INFORMATION



TITLE OR TYPE OF DOCUMENT Memorandum of Verpa-

DATE OF DOCUMENT 2-15-08 NUMBER OF PAGES _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

EXECUTION COPY

Exhibit 8.4 "A" Legal Description of the Premises

Address: Lompico Headwaters Property
NE of Lompico Road
Lompico, CA 95018

APNs: Santa Cruz County, CA
092-011-05, 092-011-35, 091-092-04

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

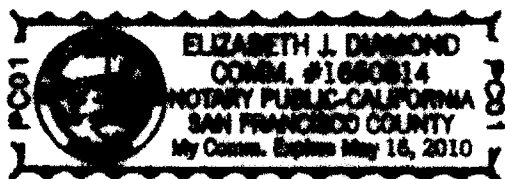
County of San Francisco

On February 25, 2008 before me, ELIZABETH J. Diamond
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Rudy Promani
Name(s) of Signer(s)

personally known to me

(or 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.

WITNESS my hand and official seal.

Elizabeth J. Diamond
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

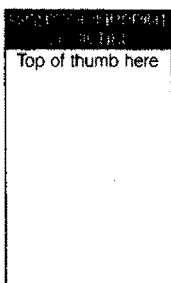
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

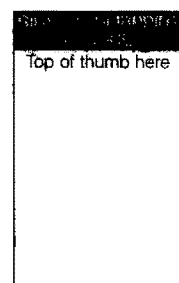
Signer Is Representing: _____



Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer Is Representing: _____



EXECUTION COPY

SCHEDULE A

Order No.: 09549600

Policy No.: CNJP-1597-834779

Premium: \$8,105.75

Loan No.:

Amount of Insurance: \$3,850,000.00

Date of Policy: June 15, 2006 at 8:00 A.M.

1. Name of Insured:

Sempervirens Fund Inc., a California Non-Profit Public Benefit Corporation

2. The estate or interest in the land which is covered by this policy is:

A FEE AS TO PARCELS ONE AND TWO; AN EASEMENT AS TO PARCEL THREE

3. Title to the estate or interest in the land is vested in:

Sempervirens Fund Inc., a California Non-Profit Public Benefit Corporation

4. The land referred to in this policy is described as follows:

SITUATE IN THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA AND DESCRIBED AS FOLLOWS:

PARCEL ONE:

BEING THE SOUTHWEST 1/4 OF SECTION 24, T. 9 S. R. 2 W., M. D. B. & M. AND THE EAST 1/2 OF THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 26, T 9 S. R. 2 W., M. D. B. & M.

PARCEL TWO:

BEGINNING AT THE NORTHEAST CORNER OF THE LAND CONVEYED TO THE CITY OF SANTA CRUZ, A MUNICIPAL CORPORATION, BY DEED RECORDED JUNE 12, 1959 IN VOLUME 1252, PAGE 16, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE EASTERLY LINE OF SAID LAND DUE SOUTH 1100.0 FEET TO A POINT; THENCE SOUTHWESTERLY 1050.00 FEET, MORE OR LESS, TO A POINT ON THE CENTERLINE OF THE ROAD LEADING TO LOMPICO ROAD, FROM WHICH STATION "J" AS SHOWN ON THE RECORD OF SURVEY MAP SHOWING LANDS OF J. E. FAUSTINA AND BETTY LAWLER, FILED OCTOBER 19, 1961 IN MAP BOOK 31, PAGE 5, SANTA CRUZ COUNTY RECORDS, BEARS NORTH 79° 15' WEST 140.59 FEET DISTANT; THENCE ALONG THE CENTERLINE OF SAID ROAD AS SHOWN ON SAID MAP SOUTH 12° 45' EAST 92.07 FEET; SOUTH 18° 54' WEST 189.94 FEET; SOUTH 34° 30' EAST 101.40 FEET; SOUTH 15° 01' WEST 155.09 FEET; SOUTH 24° 38' WEST 205.05 FEET AND SOUTH 5° 46' WEST 235 FEET, MORE OR LESS, TO THE NORTHWEST CORNER OF THE LAND DESCRIBED IN PARCEL TWO IN THE DEED TO THOMAS J. MCKINLEY, ET UX., RECORDED OCTOBER 30, 1958 IN VOLUME 1212, PAGE 567, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE NORTHERN LINE OF SAID PARCEL TWO, DUE EAST 105 FEET, MORE OR LESS, TO THE NORTHEAST CORNER THEREOF ON THE AVERAGE CENTERLINE OF A

CLTA STANDARD COVERAGE - 1990
1597

Stewart Title Guaranty Company

Page 1

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Order Number: 09549600

Attached to and made a part of Stewart Title Guaranty Company Policy Number: CNJP-1597-834779

Schedule A (Continued)

SMALL CREEK, SAID POINT BEING ALSO ON THE NORTHWESTERLY LINE OF THE LAND CONVEYED TO AUGUST ANTHENIEN, ET UX., BY DEED RECORDED MAY 23, 1952 IN VOLUME 869, PAGE 218, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE CENTERLINE OF SAID SMALL CREEK NORTHEASTERLY 450.00 FEET, MORE OR LESS, TO A POINT ON THE CENTERLINE OF A 50 FOOT RIGHT OF WAY NOW KNOWN AS ANTHENIEN DRIVE, AS SHOWN ON SAID RECORD OF SURVEY MAP; THENCE ALONG SAID CENTERLINE NORTH 41° 03' 30" WEST 20.00 FEET, MORE OR LESS, TO THE NORTHWEST CORNER OF THE LAND CONVEYED TO FRANK E. FRANCIS, ET AL., BY DEED RECORDED DECEMBER 21, 1953 IN VOLUME 946, PAGE 492, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE NORTHERN LINE OF SAID LAND DUE EAST 415.00 FEET, MORE OR LESS, TO THE NORTHEAST CORNER THEREOF; THENCE ALONG THE EASTERN LINE OF SAID LAND OF FRANCIS AND THE PRODUCTION THEREOF DUE SOUTH 220.00 FEET TO THE SOUTHEAST CORNER OF THE LAND CONVEYED TO FRANK E. FRANCIS, ET UX., BY DEED RECORDED FEBRUARY 11, 1955 IN VOLUME 1003, PAGE 383, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE SOUTHERN LINE OF SAID LAND DUE WEST 120 FEET, MORE OR LESS, TO THE PARCEL TWO: CONTINUED

NORTHEAST CORNER OF THE LAND CONVEYED TO MANUEL R. PIMENTEL, ET AL., BY DEED RECORDED AUGUST 10, 1954 IN VOLUME 978, PAGE 275, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE EASTERN LINE OF SAID LAND OF PIMENTEL, DUE SOUTH 100.00 FEET TO THE SOUTHEAST CORNER THEREOF; THENCE ALONG THE SOUTHERN LINE OF SAID LAND DUE WEST 50.00 FEET, MORE OR LESS, TO THE NORTHEAST CORNER OF THE LAND CONVEYED TO SAID AUGUST ANTHENIEN; THENCE ALONG THE EASTERN LINE OF SAID LAND OF ANTHENIEN AND THE PRODUCTION THEREOF DUE SOUTH 300 FEET, MORE OR LESS, TO THE SOUTHEAST CORNER OF THE LAND CONVEYED TO OSCAR BROWN, ET UX., BY DEED RECORDED AUGUST 14, 1958 IN VOLUME 1199, PAGE 451, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE SOUTHERN LINE OF SAID LAND OF BROWN DUE WEST 50 FEET, MORE OR LESS, TO THE NORTHEAST CORNER OF THE LAND CONVEYED TO HAROLD B. MONIGHAN, ET UX., BY DEED RECORDED JUNE 9, 1958 IN VOLUME 1189, PAGE 24, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE EASTERN LINE OF SAID LAND OF MONIGHAN AND THE PRODUCTION THEREOF DUE SOUTH 200 FEET TO THE SOUTHEAST CORNER OF LAND CONVEYED TO GLEN R. WOLF, ET UX., BY DEED RECORDED JANUARY 3, 1955 IN VOLUME 997, PAGE 585, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE SOUTHERN LINE OF SAID LAND DUE WEST 10.00 FEET, MORE OR LESS, TO THE NORTHEAST CORNER OF THE LAND CONVEYED TO ALBERT J. CRICHTON, ET UX., BY DEED RECORDED AUGUST 23, 1956 IN VOLUME 1032, PAGE 154, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE EASTERN LINE OF SAID LAND OF CRICHTON DUE SOUTH 100.00 FEET TO THE SOUTHEAST CORNER THEREOF; THENCE DUE SOUTH 410.00 FEET, MORE OR LESS, TO A POINT FROM WHICH THE NORTHEAST CORNER OF THE LAND CONVEYED TO ELMER E. DEAN, ET UX., BY DEED RECORDED DECEMBER 27, 1955 IN VOLUME 1063, PAGE 64, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, BEARS DUE WEST; THENCE DUE WEST 425.00 FEET, MORE OR LESS, TO THE NORTHEAST CORNER OF SAID LAND OF DEAN; THENCE ALONG THE EASTERN AND SOUTHERN LINE OF SAID LAND OF DEAN DUE SOUTH 100.0 FEET AND DUE WEST 275.00 FEET, MORE OR LESS, TO A POINT ON THE CENTERLINE OF A SMALL CREEK; THENCE ALONG SAID CENTERLINE SOUTHERLY 275.00 FEET, MORE OR LESS, TO THE NORTHEAST CORNER OF THE LAND CONVEYED TO RUSSELL VINCENT LUGLI, ET UX., BY DEED RECORDED MARCH 29, 1960 IN VOLUME 1309, PAGE 236, OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE EASTERLY LINE OF SAID LAND AND THE AVERAGE CENTERLINE OF SAID SMALL CREEK SOUTHERLY 200.00 FEET, MORE OR LESS, TO A POINT ON THE 1/4 SECTION LINE RUNNING EAST AND WEST THROUGH THE CENTER OF SECTION 26, T. 9 S. R. 2 W., M. D. B. & M.; THENCE ALONG SAID 1/4 SECTION LINE EASTERLY 1950.00 FEET, MORE OR LESS, TO THE 1/16 SECTION CORNER; THENCE ALONG THE WESTERLY

CLTA STANDARD COVERAGE - 1980
1597

Stewart Title Guaranty Company

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Contract - Long Form

SELLER LEGAL NAME: The Conservation Fund
REPRESENTATIVE'S NAME: Chris Kelly, California Program Director
ADDRESS: P.O. Box 5326
 Larkspur, CA 94977
CONTRACT NUMBER 2500038028
TOTAL PAGE COUNT: Page 1 of 91

Hereinafter called "Seller," and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called "Buyer," hereby agree as follows:

WORK:

Summary: The sale and delivery of the Verified Emission Reductions pursuant to the attached Verified Emission Reduction Purchase and Sale Agreement (the "Agreement") dated February __, 2008.

Any letters, drawings, specifications, Buyer legal terms, or other material annexed hereto or referred to herein shall be deemed a part hereof and incorporated herein.

CONTRACT TERM: Seller shall commence performance hereof when authorized to do so by Buyer, and WORK shall be completed according to the Agreement.
INSURANCE: In accordance with Article 13 of the Agreement.
INDEMNITY: In accordance with Sections 2.1 and 4.13, Article 7, and Section 10.4 of the Agreement.
LOCATION: WORK will be performed at the following location: The Premises (as defined in the Agreement).
TERMS OF PAYMENT: In accordance with Sections 3.3 and 15.1 of the Agreement.
PAYMENT: As full consideration for the performance hereof, PG&E shall pay Contractor the following sum:
 Pricing: TOTAL: Two Million Dollars (\$2,000,000.00)

x NOT TO EXCEED

FIRM FIXED PRICE

BUYER		SELLER	
Name	Rudy Promani	Firm Name	The Conservation Fund
Title	Portfolio Manager EH&S Portfolio	Name	Richard L. Erdmann
Signature		Title	Executive Vice President and General Counsel
Date	February 23, 2008	Signature	
Buyer Negotiator	Gary Kaufmann	Date	February 15, 2008
Phone	415-973-1470	Seller Representative	Chris Kelly
		Phone	415-927-2123



CONTRACT NUMBER:

INVOICE INSTRUCTIONS: Seller shall send invoices for each payment when due, showing the Contract number, to:

PACIFIC GAS AND ELECTRIC COMPANY
Send P.O. Box 770000, Mail Code N12E
San Francisco, CA 94177
ORIGINAL Invoice to Attn: ClimateSmart™ Manager

Phone: (415) 973-2092
Facsimile: (415) 973-0230

Copy of Invoice None.

Attention

Address

WORK SUPERVISED BY: Robert Parkhurst

PHONE: 415-973-1470

ACCOUNTING REFERENCE:

INTERNAL PG&E USE ONLY

Distribution Date

- PG&E ORIGINAL COPY TO:**
- Document Services (Signed Original Copy)
Mail Code N081X
245 MARKET ST., SAN FRANCISCO
 - Contractor (Signed Original Copy)
 - Work Supervisor
 - Invoice Approver
 - Director/V.P.
 - Manager
 - Supervisor
 - Sourcing/Purchasing
 - Law

EXHIBITS: The exhibits referenced in the Agreement are attached to this Agreement and incorporated herein.

**CLIMATESMART™ PROGRAM
VERIFIED EMISSION REDUCTION
PURCHASE AND SALE AGREEMENT**

THIS CLIMATESMART™ PROGRAM VERIFIED EMISSION REDUCTION PURCHASE AND SALE AGREEMENT (this “Agreement”) is made as of the Effective Date by and between Pacific Gas and Electric Company, a California corporation (“Buyer”), and The Conservation Fund, a Maryland non-profit corporation (“Seller”; with Buyer a “Party” and collectively, the “Parties”), with reference to the following:

PREAMBLE

WHEREAS the CPUC authorized Buyer to operate the ClimateSmart™ Program pursuant to the ClimateSmart™ Decision (D.06-12-032) by collecting funds from customers enrolled in the ClimateSmart™ Program and to procure Verified Emissions Reductions (VERs) from projects in California that reduce, avoid or sequester emissions of Greenhouse Gases;

WHEREAS, Seller desires to create GHG Emission Reductions and will own the resulting Verified Emission Reductions from a project in California implementing certain forest management activities, policies and practices designed to restore and protect a natural coastal California ecosystem and demonstrate that a forest can be returned to sustainable timber production, all as more particularly described in Exhibit B (the “Project”) which Project is funded by sales of Verified Emission Reductions;

WHEREAS, the Project is capable of being certified and GHG Emission Reductions capable of being Verified pursuant to this Agreement, and Seller desires to sell, and Buyer desires to purchase, Verified Emission Reductions in connection with the ClimateSmart™ Program;

WHEREAS, Buyer has formed ClimateSmart Charity, a California non-profit public benefit corporation (“ClimateSmart Charity”) to implement a directive in the ClimateSmart™ Decision to obtain deductible status for voluntary contributions by Buyer’s customers to the ClimateSmart™ Program; and

WHEREAS, Buyer and ClimateSmart Charity desire to establish a formal arrangement with respect to the rights and obligations of Buyer under this Agreement to effectuate the purposes and obligations of the ClimateSmart™ Program.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, the Parties agree as follows:

**ARTICLE 1:
DEFINITIONS; RULES OF INTERPRETATION**

1.1 Definitions.

“Activity-Shifting Leakage” means a loss of net carbon benefits by the displacement by

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Seller of activities from inside the Premises to locations outside of the Premises but within the State of California, as measured from the Baseline in accordance with CCAR Protocols.

“Affiliate” means, with respect to any entity, any other entity (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For this purpose, “control” means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

“Agreement” is defined in the Preamble.

“Annual Amount” means the number of VERs which Seller is to sell and Buyer is to purchase in any given Reporting Year in accordance herewith, as set forth on Exhibit C.

“Annual Report” means an appropriately completed Project Summary Worksheet as required by the CCAR Forest Project Protocol (including the required elements of Annexes C and D), together with any quantitative and qualitative analysis, explanations or procedures employed as the Approved Verifier shall choose in support thereof.

“Approved Verifier” means one or more persons or entities, with recognized expertise in the field, mutually agreed upon by Buyer and Seller, and approved by the CCAR (so long as CCAR provides approval of such persons or entities for such purposes), that applies the CCAR Protocols or Verifies the Contracted VERs. The Parties agree that SGS North America and SCS are Approved Verifiers.

“Arbitration” is defined in Section 15.5.

“Arbitration Group” means the JAMS alternative dispute resolution group or other reputable dispute resolution service agreed upon by the Parties.

“Attestation” means the bill of sale and VER attestation in the form of Exhibit A.

“Bankrupt” means with respect to any entity, such entity (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar Law, or has any such petition filed or commenced against it, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

“Baseline” means the long-term projection that reasonably represents the volume of anthropogenic emissions by sources and removals by sinks of Greenhouse Gas emissions that would have occurred in the absence of the Project, as calculated by Seller and verified by the Approved Verifier providing the Initial Verification Report pursuant to the CCAR Protocols.

“Business Day” means any day between the hours of 8:00 AM and 5:00 PM, except a

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Saturday, Sunday or a holiday on which federally insured banks in San Francisco, California are permitted to close.

“Buyer” is defined in the Preamble.

“Buyer Agreement Costs” means any costs incurred by Buyer in connection with the preparation or execution of this Agreement, or the Project, including Buyer’s costs incurred in connection with Buyer’s environmental, social, financial and legal due diligence and review, and the preparation, revision or review of any Required Project Documents, Pre-Registration, the Initial Verification Report or Project Certification, including allocated costs of in-house counsel.

“CARB” means the California Air Resources Board.

“CARROT” means the Climate Action Registry Reporting Online Tool of the CCAR.

“CCAR” means the California Climate Action Registry.

“CCAR Database” means CARROT and any present or future CCAR certificate registration and transaction database implemented by CCAR.

“CCAR Protocols” means the Forest Project Protocol, the Forest Sector Protocol, the Forest Certification Protocol for Entities and Projects and the General Reporting and Certification Protocol, and other rules, reporting requirements and online tools promulgated or published by the CCAR, as of the Effective Date, or as mutually agreed in writing by the Parties pursuant to Section 4.15.1 or otherwise.

“Carbon Dioxide Equivalent” or “CO₂e” means the radiative forcing of a Greenhouse Gas expressed in the equivalent of carbon dioxide emissions.

“CEC” means the California Energy Commission.

“Claiming Party” is defined in Section 11.1.

“Claims” means all third party claims or actions, threatened or filed prior to or after the expiration or termination of the Term, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of an indemnity, and the resulting losses, damages, expenses, attorneys’ fees and court costs, whether incurred by settlement or otherwise.

“ClimateSmart Charity” is defined in the Preamble.

“ClimateSmartTM Decision” means CPUC Decision 06-12-032 dated December 14, 2006.

“ClimateSmartTM Program” means Buyer’s retail customer choice program authorized by CPUC Decision 06-12-032 dated December 14, 2006.

“Co-Benefits” means any and all environmental, social, and emission benefits, claims, or characteristics which result from the GHG Emissions Reductions and the actions creating or relating thereto, including protection of habitat for wildlife and native plants, protection of water-

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sheds, improvements to local air quality, promotion of environmental justice, socio-economic benefits for the community, appropriate resolution of any environmental impact reports, and the elimination, offsetting or reduction of potential adverse environmental and social impacts.

“Commercial Operation” means the Project is operating and able to deliver GHG Emission Reductions, Seller and the Project are registered with the CCAR, and the Initial Verification Report has been delivered by Seller to Buyer.

“Commercial Operation Date” means the first date on which all elements of Commercial Operation shall have been satisfied.

“Conservation Easement” means those conservation easements applicable to the Premises meeting the requirements of California Civil Code Sections 815 et seq., as recorded in the real estate records of the county in which the Premises are situated, and more specifically described in Exhibit 4.12.

“Contracted VER” means the VERs that are subject to purchase and sale pursuant to this Agreement, but are not Purchased VERs.

“CPUC” means the California Public Utilities Commission.

“Defaulting Party” is defined in Section 9.1.

“Delivery Term” means the period during which Seller is to sell and deliver to Buyer, and Buyer is to purchase and receive from Seller, the VERs as scheduled in Exhibit C.

“Designated Representative” is defined in Section 5.1.

“Disclosing Party” is defined in Section 16.4.

“Disclosure Order” is defined in Section 16.4.

“Early Action” means action taken to reduce Greenhouse Gas emissions in advance of being required to do so under applicable Law.

“Effective Date” is the date of the last signature as set forth in the cover pages attached to this Agreement.

“Emission Rights” means any present or future right, interest, claim, credit, entitlement, benefit or allowance to emit present or future gases arising from, resulting from or in connection with any GHG Emission Reduction and includes any right that may be created under any present or future applicable Law.

“Event of Default” is defined in Section 9.1.

“Excess VERs” means any and all GHG Emission Reductions capable of becoming VERs in any Reporting Year from the Project or Premises in excess of 88,000 mtCO₂e.

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“Excess VERs Notice” is defined in Section 3.6.

“Executive” is defined in Section 15.4.

“Failure of Additionality” means a failure of the Contracted VERs or Purchased VERs to be reductions from the Baseline as provided herein for any reason.

“FERC” means the Federal Energy Regulatory Commission.

“Financial Additionality” means that the Price paid by Buyer for the VERs compensates Seller for some or all of the net revenue that would likely have been realized by Seller had it conducted the harvests as would be permitted pursuant to the Conservation Easement, as established by the Forester’s Opinion.

“Financial Plan” means the financial plan set forth on Exhibit 4.10, as the same may be modified from time to time pursuant to Section 4.10.

“Force Majeure” is defined in Section 11.2.

“Forest Management Plan” means the Garcia River Forest Integrated Resource Management Plan dated August 2006 available at http://conserveonline.org/workspaces/Sustainable_Forestry/Management_Plans/garcia_management_plans as of the Effective Date.

“Forester's Opinion” means a written opinion provided by one or more Registered Professional Foresters that (a) the Forest Management Plan meets standards for forest industry management of the Project as of the Effective Date, (b) the management measures intended to prevent a reduction in carbon stocks associated with unplanned activities or natural events, as outlined in the Permanence Maintenance Plan, meet the standards of the forestry industry for management of the Project as of the Effective Date, (c) the harvest of wood products from the Project set forth in the Financial Plan is less than what would be permitted pursuant to the Conservation Easement, (d) Seller’s estimate of the net revenue foregone as a result of Seller not conducting certain timber harvests otherwise allowable under the Conservation Easement (the “Foregone Harvest Estimate”), as set forth in the Financial Plan, is reasonable, (e) Seller’s estimates of the expenses of operating the Project set forth in the Financial Plan are reasonable, and (f) Seller’s Foregone Harvest Estimate is at least equal to the payments to be made by Buyer to Seller hereunder..

“GHG Emission Reduction(s)” means the removal, limitation, reduction, avoidance, sequestration, or mitigation of emissions of any Greenhouse Gases by Project activity or by operation of the Project below the Baseline and all present and future legal and beneficial rights arising therefrom, including any and all credits, benefits, claims, offsets, and allowances, howsoever entitled, and whether or not tradable, all fungible commodities created by certifying or verifying the capture, destruction or avoided discharge of Greenhouse Gases resulting from Project activity or by operation of the Project below the Baseline, and all credit for Early Action, Reporting Rights, Emissions Rights associated with that GHG Emission Reduction. GHG Emission Reductions do not include (i) production tax credits associated with the construction or operation of the Project and other financial incentives in the form of credits, reductions, or

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allowances associated with the Project that are applicable to a state or federal income taxation obligation, (ii) fuel-related subsidies or “tipping fees” that may be paid for the acceptance of certain fuels, or local subsidies received for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits, (iii) emission reduction credits encumbered or used by the Project for compliance with local, state, or federal operating and/or air quality permits, and disclosed as Permits hereunder, (iv) manure, methane or natural gas in their respective physical forms, if any, (v) any of the foregoing within this defined term that are part of any other acquisition by Buyer, of a “Renewable Energy Credit” within the meaning of California Public Utilities Code §399.12(g) or otherwise, made in connection with the California Renewables Portfolio Standard energy program and policies codified in California Public Utilities Code §§399.11 through 399.20 and California Public Resources Code §§25740 through 25751, or otherwise, or (vi) any liabilities, including those related to adverse wildlife or environmental impacts.

“Government Action” means action by a Governmental Authority which has a material effect on the value of VERs.

“Governmental Authority” means any federal, state, local or municipal government, governmental department, commission, board, bureau, agency, instrumentality, or judicial, regulatory or administrative body.

“Governmental Charges” is defined in Section 12.2.

“Greenhouse Gas” means one of the gases listed on Annex I of the Kyoto Protocol.

“Guaranteed Commercial Operation Date” means the date of the Milestone on or before which Buyer must be notified by an Approved Verifier that Commercial Operation has occurred.

“Initial Negotiation End Date” is defined in Section 15.4.

“Initial Verification” means the evaluation of the Project by the Approved Verifier that the Project can generate the GHG Emission Reductions in accordance with the requirements of the CCAR Protocols to create the Contracted VERs.

“Initial Verification Report” means the report of the Initial Verification by the Approved Verifier and acceptance of such report by the CCAR.

“Interest Rate” means the rate per annum equal to the “Monthly” Federal Funds Rate (as reset on a monthly basis based on the latest month for which such rate is available) as reported in Federal Reserve Bank Publication H.15-519.

“Kyoto Protocol” means the protocol to the UNFCCC adopted at the Third Conference of the Parties to the UNFCCC in Kyoto, Japan on December 11, 1997.

“Law” means any statute, law, treaty, rule, regulation, ordinance, code, permit, enactment, injunction, order, writ, decision, authorization, judgment, decree or other legal or regulatory determination or restriction by a court or Governmental Authority of competent

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jurisdiction, including any of the foregoing that are enacted, amended, or issued after the Effective Date, and which become effective during the Term (provided that all warranties and representations of the Parties are with respect to the Law as of the Effective Date, unless specifically provided otherwise); or any binding interpretation of the foregoing.

“Leakage” means Activity-Shifting Leakage or Market Leakage.

“Leakage Avoidance Plan” means Seller’s plan set forth in Exhibit 4.7.1 for avoiding Activity-Shifting Leakage, describing all Project Leakage risks, formulae used, how Activity-Shifting Leakage risks are retained by the Project and not passed on to Buyer, and mitigated by Seller, as such plan may from time to time be modified in the discretion of Seller and such modifications approved by Buyer.

“Manager” is defined in Section 15.4.

“Market Leakage” means the creation of Greenhouse Gas emissions in California outside of the Project through substitution or replacement due to the Project activity impacting an established market for goods.

“Material Adverse Effect” means an event or condition caused by Seller’s intentional act or willful misconduct that (i) has a significant adverse effect on Buyer’s ratepayers or ClimateSmart™ Program participants, or (ii) subjects Buyer, any Buyer Affiliate, ClimateSmart Charity or any of their executives, agents, directors, or employees, to any (A) criminal or third party civil liability or (B) enforcement action or investigation by the CPUC, the CEC, or any Governmental Authority.

“Milestones” are the accomplishments and corresponding dates for the Project set forth in Exhibit 4.2 hereto.

“Monitoring” means the collection and recording of all relevant data necessary for Verification of the VERs by the Approved Verifier in accordance with the CCAR Protocols.

“Monitoring Plan” means Seller’s plan, set forth on Exhibit 4.9, for all Monitoring and management systems required by the CCAR Protocols and this Agreement throughout the Term.

“mtCO₂e” means metric tons of CO₂e.

“Notice” is defined in Article 17.

“Party” is defined in the Preamble.

“Permanence Failure” means the loss of a Purchased VER during the Permanence Period due to a failure to remain permanent.

“Permanence Maintenance Plan” means Seller’s plan set forth in Exhibit 4.8.1, describing Seller’s plan to assure permanence of the Purchased VERs throughout the Permanence Period and to determine Permanence Failure, as such plan may from time to time be modified in the

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discretion of Seller and such modifications approved by Buyer.

“Permanence Period” means one hundred years from the applicable Reporting Year.

“Permits” means all of the permits, licenses, approvals, certificates, entitlements and other authorizations issued by, and notices and registrations submitted to, Governmental Authorities required for the ownership and operation of the Project, including those specified Required Project Documents, and all general conditions and addenda thereto.

“Prepayment” is defined in Section 3.3.

“Pre-Registration” means the documentation in the form of Exhibit 4.1.

“Premises” means the real property on which the Project is situated as further defined in Exhibit B.

“Price” means the price for the VERs which Seller is to sell and Buyer is to purchase in any given Reporting Year, as set forth on Exhibit C.

“Progress Report” means a report to Buyer in the form of Exhibit 5.2.

“Project” is defined in the Preamble and further described on Exhibit B.

“Project Certification” means certification of the Project by a qualified Approved Verifier pursuant to the CCAR Project Certification Protocol.

“Project Documents” means together, or individually, this Agreement and all of its Exhibits, the Monitoring Plan, the Initial Verification Report and all material agreements, documents and instruments entered into between the Parties relating to the Project and its development, ownership, use, occupancy and operation.

“Projected Project Reductions” means the amount of GHG Emission Reductions Seller reasonably anticipates that the Project will produce each Reporting Year, as set forth on Exhibit C.

“Project Participants” means only those individuals, entities or organizations identified in Exhibit 6.2.4 which may have, or claim to have, an ownership interest in the Premises or may be, or claim to be, an implementation partner in the Project, provided, however that such identification shall not act as an acknowledgement that such individuals, entities or organizations actually have such an ownership interest or actually are implementation partners.

“Purchased Lost VERs” is defined in Section 3.5.

“Purchased VERs” means the VERs that Seller has delivered to Buyer and for which Buyer has paid the Price to Seller, pursuant to this Agreement.

“Referral Date” is defined in Section 15.4.

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“Registered Professional Forester” means a reputable forester, selected by Seller and approved by Buyer, licensed by the State of California Board of Forestry and Fire Protection to perform professional services that require the application of forestry principles and techniques to the management of forested landscapes.

“Reporting Rights” means the right to report the exclusive ownership of the Purchased VERs or any part thereof, in compliance with applicable Law or otherwise, to an international, federal or state agency or any other person or entity, including under Section 1605(b) of the Energy Policy Act of 1992 and any applicable Law, and international or foreign emissions trading program.

“Reporting Year” means January 1 to December 31 of each year during the Delivery Term, provided that the first Reporting Year begins as set forth on Exhibit C.

“Required Project Documents” means the Project Documents, all Permits and any other approvals, authorizations, rights, easements, Conservation Easements, environmental impact statements, certifications and agreements now or hereafter necessary for the operation and maintenance of the Project as specifically set forth in Exhibit 6.2.5.

“Reserve VER Fund” means that number of VERs that are not part of the Annual Amount and are to be, or have been, retained by Seller to support Seller’s obligations in each, or any prior, Reporting Year from the Project or the Premises throughout the Term as a reserve.

“Reserve VER Requirement” means that number of VERs allocated to the Reserve VER Fund, in each, or any prior, Reporting Year and which are equal to at least ten percent (10%) of the Annual Amounts.

“Reserve VERs” means those VERs in the Reserve VER Fund.

“Seller” is defined in the Preamble.

“Seller Agreement Costs” means any costs incurred by Seller in connection with the negotiation, preparation or execution of this Agreement.

“Step-In Costs” is defined in Section 10.5.

“Step-In Rights” is defined in Section 10.5.

“Successor System” is defined in Section 4.15.2.

“Term” is defined in Section 2.1.

“UNFCCC” means the United Nations Framework Convention on Climate Change adopted in New York on May 9, 1992, and includes the Kyoto Protocol thereto.

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“Verification” and “Verified” means the initial and periodic review and assessment by an Approved Verifier of the Contracted VERs and their quantity, and that the GHG Emission Reductions have occurred as a result of the Project during the period specified in the Verification Report, in accordance with the CCAR Protocols.

“Verification Report” means, with respect to the Contracted VERs and Purchased VERs in any Reporting Year, a report of Verification of the GHG Emission Reductions prepared by an Approved Verifier, including (a) a statement of the amount of VERs the Project has generated in the Reporting Year, as specified in the CCAR Protocols and (b) such explanatory material, formulae, measurement standards, systems and other methodologies as used in connection with the preparation thereof by Seller and such Approved Verifier as such Approved Verifier deems appropriate.

“Verified Emissions Reduction” or “VER” means a one mtCO₂e GHG Emission Reduction produced by the Project, calculated as to quantity, capable of Verification, and Verified using the CCAR Protocols.

1.2 Rules of Interpretation.

1.2.1 Capitalized terms used herein are defined in Section 1.1, unless otherwise specified.

1.2.2 References in the singular include references to the plural and vice versa, pronouns having masculine or feminine gender include the other, and words denoting natural persons include partnerships, firms, companies, corporations, joint ventures, trusts, associations, organizations or other entities, whether or not having a separate legal personality. Other grammatical forms of defined words or phrases have corresponding meanings.

1.2.3 “Include” or “including” mean “including without limitation”.

1.2.4 “Quarter” means, unless otherwise indicated, a three month calendar period beginning on the first day of January, April, July, or October of a given year; “month” means a calendar month unless otherwise indicated, and a “day” is a 24-hour period beginning at 12:00:01 AM and ending at 12:00:00 midnight; provided that a “day” may be 23 or 25 hours on those days on which daylight savings time begins or ends.

1.2.5 Unless otherwise specified herein, where the consent or approval of a Party is required, such consent or approval may not be unreasonably withheld, conditioned or delayed.

1.2.6 Unless otherwise specified herein, all references herein to any agreement or other document of any description include all amendments, supplements, modifications and any superseding agreement or documents, including any website, as existing at the applicable time.

1.2.7 References to a particular article, section, exhibit or attachment is, unless specified otherwise, a reference to that article, section, exhibit or attachment in or hereto.

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1.2.8 References to any natural person, Governmental Authority, publication, website, market price index, regulatory proceeding, corporation, partnership or other legal entity include its successors and lawful assigns.

1.2.9 All references to dollars are to U.S. dollars.

1.2.10 An "order", "determination" or "decision" or "interpretation" of the CCAR, CPUC, CARB or CEC includes a resolution, advice letter or other action embodying a final decision by it.

1.2.11 "Or" is not necessarily exclusive.

1.2.12 All references herein to hours of the day are stated in Pacific Standard Time or Pacific Daylight Time, as applicable on the day in question.

1.2.13 "Herein", "hereunder" and similar terms refer to this Agreement in its entirety unless the context requires otherwise.

1.2.14 Headings are included for convenience only and are not to be considered in interpretation.

1.2.15 Each term is to be construed simply according to its fair meaning and not strictly for or against either Party. No term hereof is to be construed against a Party on the ground that the Party is the author of that provision.

ARTICLE 2: TERM

2.1 Term. The "Term" of this Agreement commences on the Effective Date and ends on the full payment and completion of performance of all of the obligations of the Parties. All indemnity rights survive the termination or expiration for no less than a period of six (6) years following the end of the Delivery Term. Without being limited by the foregoing, the obligations of Seller and rights of Buyer under Sections 3.5, 4.4, 4.8, 4.9, 4.13, 4.14 and 4.15, and those terms necessary to enforce such rights and obligations, shall survive the Delivery Term through to the end of the Permanence Period.

ARTICLE 3: SALE AND TRANSFER OF VERS

3.1 Conveyance of VERS. Seller hereby sells, transfers and conveys, and agrees to sell, transfer and convey, to Buyer all of its right, title and interest in and to all VERS in the Annual Amounts and for the Prices set forth on Exhibit C.

3.2 Delivery of VERS; Verification. Seller shall deliver to Buyer by April 15 of each year for the preceding Reporting Year for each Annual Amount and Reporting Year of VERS, the applicable Verification Report, Attestation and an invoice for the VERS. Title to VERS, which include the items described in this Section, shall be sold, transferred and conveyed to Buyer at the time that the payment for the Price of such VERS as set forth in Exhibit C is

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delivered to Seller. Seller must obtain and pay for the Pre-Registration, Initial Verification Report, Project Certification, Verification, the Verification Report for the VERs sold to Buyer and all costs of the Approved Verifier in connection therewith. Buyer's obligations to pay for VERs are contingent on VERs being Verified by the Approved Verifier in the applicable Verification Report. From and after the time the CCAR establishes a mechanism to provide evidence of a transfer of VERs, Seller shall at its expense take all such actions as are required to transfer registered ownership of the VERs on the CCAR Database to Buyer and provide Buyer with written evidence of such transfer. Upon notification by the CCAR that any transfer of VERs contemplated by this Agreement will not be or is not effective, the Parties shall promptly confer and shall cooperate in taking all reasonable actions necessary to effect the transfer.

3.3 Payment for VERs.

3.3.1. Prepayment. As a prepayment for Contracted VERs (the "Prepayment"), Buyer shall pay to Seller (a) within twenty (20) Business Days of the Effective Date, One Hundred and Fifty Thousand Dollars (\$150,000) and (b) within twenty (20) Business Days of Seller's submission to the CCAR of the Project's Verification Report for the 2008 Reporting Year, One Hundred and Fifty Thousand Dollars (\$150,000).

3.3.2. Balance of Payment. Buyer shall pay the Price (less the Prepayment paid by Buyer) for GHG Emission Reductions after they are delivered as VERs within thirty (30) Business Days of Buyer's receipt of the items set forth in Section 3.2.

3.4 Verification Report Dispositive. A Verification Report meeting the requirements of this Agreement and resulting in CCAR approval of the Verification Report concerning the relevant VERs shall be final and binding on both Parties.

3.5 Replacement VERs and Refund.

3.5.1 Notwithstanding Section 3.4, if a Verification for any Purchased VERs is revoked for any reason during the Permanence Period by an Approved Verifier or the CCAR ("Purchased Lost VERs"), then Seller shall within thirty (30) days of Seller's actual knowledge of such revocation provide to Buyer Notice of such revocation and transfer the same quantity of Reserve VERs to Buyer. If sufficient Reserve VERs are not available, Seller shall within one hundred eighty (180) days of notice from the Approved Verifier or CCAR of such revocation, at Seller's option, (a) transfer to Buyer alternative VERs otherwise complying with the requirements of this Agreement, (b) obtain a restoration of some or all of the Purchased Lost VERs or (c) otherwise perform any combination of such options which shall, in the aggregate, make up for the Purchased Lost VERs.

3.5.2 If Seller is unable to restore or replace the Purchased Lost VERs pursuant to Section 3.5.1, then Seller shall refund all payments made by Buyer for any such Purchased Lost VERs. Buyer may deduct such refund, including interest at the Interest Rate from the date of revocation of the Verification of the Purchased Lost VERs, from any future amounts owed by Buyer to Seller. Upon receipt of a refund, Reserve VERs, alternative VERs or restored VERs, Buyer shall transfer back to Seller the Purchased Lost VERs and all related rights, to the extent they exist.

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3.6 Right of First Refusal for Excess VERs. Before selling Excess VERs to any third party, Seller shall first offer such Excess VERs to Buyer for purchase at a price specified by Seller in its sole discretion by notifying Buyer of such Excess VERs with an accompanying Verification Report (collectively, "Excess VERs Notice"). Within thirty (30) days of the receipt of the Excess VERs Notice, Buyer may provide Seller with Notice of Buyer's acceptance or rejection of Seller's offer to sell the Excess VERs to Buyer. If Buyer accepts such offer, the Parties shall negotiate in good faith to consummate such purchase within thirty (30) days thereafter on terms, other than Price, substantially similar to those specified in this Agreement. If Buyer does not respond to Seller's Excess VERs Notice or declines to purchase all of the Excess VERs within the thirty (30) day period following receipt of the Excess VERs Notice or the Parties fail to consummate the sale of the Excess VERs, then Seller may sell such Excess VERs for a period of one hundred and eighty (180) days after the end of the applicable thirty (30) day period to a third party at or above the price specified in the Excess VERs Notice; provided that if such third party sale is not consummated within such one hundred and eighty (180) days, such Excess VERs shall again be subject to this right of first refusal.

ARTICLE 4: CERTAIN OBLIGATIONS RESPECTING SELLER AND THE PROJECT

4.1 Registration. Seller is registered, and has registered the Project, with the CCAR. During the Term, Seller shall (a) maintain such registration, (b) designate Buyer as a read-only "Participant Admin User" (as such term is defined by the CCAR) of Seller's information in the CCAR Database, and (c) otherwise provide Buyer with access to such information sufficient to enable Buyer to determine Seller's compliance with Section 4.13 and the existence or an absence of Permanence Failure.

4.2 Milestones. During the Delivery Term, Seller shall implement the Project, obtain the Initial Verification Report for the Project and meet the Milestones.

4.3 Operation of the Project. During the Delivery Term, Seller shall (a) maintain, or cause to be maintained, all Required Project Documents to enable the Project to produce the total amount of Contracted VERs, (b) operate the Project, or cause the Project to be operated, in a competent manner, (c) cause Verification of all of the Contracted VERs according to CCAR Protocols, and (d) comply, or cause compliance, with all applicable Law and CCAR Protocols in all material respects.

4.4 Verification. Seller shall arrange for Verification of all GHG Emission Reductions generated by the Project to be sold as VERs during the Delivery Term according to the CCAR Protocols. Buyer may arrange for Verification for a Reporting Year at Seller's cost if Seller has not done so by June 1 of the following year. Seller shall provide a Verification Report to Buyer each Reporting Year of the Delivery Term, and as required pursuant to Section 5.3.2. After the Delivery Term, Seller shall provide a Verification Report to CCAR at the times required pursuant to the CCAR Protocols. During the Delivery Term, Seller grants to Buyer a power of attorney, coupled with an interest, and therefore irrevocable, for Buyer to act in Seller's name and stead to ensure delivery of the Initial Verification Report, Project Certification, Verification and such other matters necessary to fulfill Seller's obligations to arrange Verification hereunder and shall provide all necessary assistance and cooperation required by

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Buyer for these purposes. If Buyer at any time exercises its rights under this Section, Buyer shall be entitled to recover all costs reasonably by Buyer incurred in connection therewith. If an Approved Verifier is prevented from completing a Verification Report required hereunder due to lack of permission to enter the Premises and/or view the Project, the VERs subject such report shall be presumed to have suffered a Permanence Failure and Seller shall comply with Section 3.5 to the extent Buyer shall have paid for such VERs.

4.5 Project Document Compliance. Seller shall use commercially reasonable efforts to comply, or cause compliance, with the Required Project Documents during the Delivery Term in all material respects.

4.6 System Impacts. Seller shall take, or cause to be taken, all steps necessary during the Delivery Term to ensure that the Project does not interfere with or adversely impact Buyer's or the California Independent System Operator's operating systems, transmission lines or forestry practices related thereto, or interfere with Buyer's distribution system or its maintenance and easements.

4.7 Leakage. During the Delivery Term:

4.7.1 Seller shall operate the Project, or cause the Project to be operated, in accordance with its Leakage Avoidance Plan. Seller's other activities shall also be in accordance with its Leakage Avoidance Plan;

4.7.2 Seller shall not engage in Activity-Shifting Leakage activities on land Seller owns in California, and shall avoid causing Activity-Shifting Leakage on other land in California; and

4.7.3 Leakage will be determined solely by reference to Seller's activities wholly within California.

4.8 Permanence.

4.8.1 Seller shall operate the Project, or cause the Project to be operated, in accordance with the Permanence Maintenance Plan during the Delivery Term and the Permanence Period. Buyer may at any time during the Permanence Period and at its own expense retain a Registered Professional Forester to review operation of the Project to determine adherence to the Permanence Maintenance Plan. Such Registered Professional Forester may be any Registered Professional Forester used for the Project during the Delivery Term or may be selected by Buyer with the approval of Seller; provided that if such Registered Professional Forester is not available or the Registered Professional Forester proposed by Buyer is not approved by Seller, the Parties shall promptly meet to select a Registered Professional Forester satisfactory for both Parties, and if the Parties do not meet or otherwise agree on a Registered Professional Forester within fifteen (15) days of Notice from a Party, or Seller does not respond to Buyer within fifteen (15) days of Notice to Seller, Buyer may unilaterally select the Registered Professional Forester. If such Registered Professional Forester is prevented from assessing

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compliance with the Permanence Maintenance Plan due to lack of permission to enter onto or view the Premises as necessary there shall be deemed to exist a Permanence Failure hereunder.

4.8.2 Seller shall exercise its reasonable best efforts to maintain, or cause to be maintained, the Conservation Easement and maintain its documentation and records relating thereto during the Delivery Term and the Permanence Period. Seller's compliance with Required Project Documents and requisite standards of competence does not excuse Seller from meeting all of its obligations to Buyer. For example, Seller's full, faithful, and timely compliance with the Permanence Maintenance Plan and the Monitoring Plan will not excuse Seller from ensuring the permanence of the VERs.

4.8.3 Annual Reports and Verification Reports submitted under the CCAR Protocols during the Permanence Period shall indicate the VERs with respect to each Reporting Year and the Reserve VERs. Verification of VERs pursuant to the CCAR Protocols may change and vary among Approved Verifiers, the differences in analysis, explanations or procedures employed, as determined by the Approved Verifier shall not serve as the basis for a claim against a Party for breach hereunder.

4.8.4 During the Permanence Period, Seller shall maintain and replenish the Reserve VER Fund in an amount not less than the Reserve VER Requirement.

4.8.5 If CCAR ceases to exist during the Term and no Successor System has been established, as contemplated in Section 4.15.2 to which Seller can maintain a membership, register the Project, and submit Verification Reports, then:

4.8.5.1 Seller shall continue to provide to Buyer a Verification Report every six (6) years, and if Seller does not do so, Buyer may at any time during the Permanence Period after sixty (60) days Notice to Seller retain an Approved Verifier to determine a Permanence Failure. Such Approved Verifier may be any Approved Verifier previously used for the Project during the Term or may be selected by Buyer with the approval of Seller; and

4.8.5.2 if such Approved Verifier is not available or the Approved Verifier proposed by Buyer is not approved by Seller, the Parties shall promptly meet to select an Approved Verifier, and if the Parties do not meet or otherwise agree on an Approved Verifier within fifteen (15) days of Notice from a Party, or Seller does not respond to Buyer within fifteen (15) days of Notice to Seller, Buyer may unilaterally select the Approved Verifier. Seller shall pay the costs of the Approved Verifier if either (a) Seller has not obtained a Verification Report within ninety (90) days after Notice by Buyer for such a determination or (b) such Approved Verifier determines that Purchased VERs subject to loss through Permanence Failure exceed the amount of Purchased VERs most currently reported to Buyer or CCAR by Seller by twenty percent (20%).

4.9 Monitoring Plan. Seller shall comply, or cause compliance, with the Monitoring Plan and maintain its documentation and records relating thereto during the Delivery Term and the Permanence Period.

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4.10 Financial Additionality. During the Delivery Term, Seller shall operate the Project, or cause the Project to be operated, in accordance with the Financial Plan. Financial Additionality shall be demonstrated through Buyer's receipt of the Forester's Opinions. Seller shall obtain a Forester's Opinion for the Financial Plan no later than the date referenced in Exhibit C for such Milestone. Seller may modify the Financial Plan provided that prior to any material modification of the Financial Plan, Seller shall obtain a Forester's Opinion, at Seller's expense, opining to compliance with items (c), (d), (e) and (f) of the definition of Forester's Opinion. During the Delivery Term, the Financial Plan must: (i) show how the Price to be paid by Buyer for the Contracted VERs will be used by Seller in the Project to enable the Project to occur, (ii) describe generally any other sources of funding or loan guaranties that Seller will be using for the Project and (iii) indicate if the Project is a component of a larger project activity by Seller; provided, however, that a Financial Plan of the same form, substance and specificity of the Financial Plan set forth in Exhibit 4.10 on the Effective Date shall satisfy the requirements of this sentence. Seller shall deliver to Buyer by January 15 of each year during the Delivery Term an update to the Financial Plan with respect to activities for the upcoming Reporting Year. Updates of the Financial Plan shall reflect any sale of the Premises by Seller to a third party.

4.11 Co-Benefit Claims. During the Delivery Term, Seller shall not sell or otherwise transfer any Co-Benefits directly associated with the Project to any third party except that Buyer and third parties purchasing GHG Emission Reductions related to the Premises may claim a proportional contribution to the attainment of such Co-Benefits.

4.12 Conservation Easement. During the Term, Seller shall operate the Project, or cause the Project to be operated, in accordance with the Conservation Easement. During the Term, Seller shall neither harvest, nor permit the harvest, of any portion of the Project or Premises in excess of the amount permitted pursuant by the Conservation Easement.

4.13 Covenants Against Double Selling. Except as specifically permitted herein, during the Term, Seller shall not sell, or attempt to sell, any portion of the Purchased VERs or Contracted VERs, including any Excess VERs Buyer agrees to purchase, to any other person or entity at any time. Seller shall not sell Reserve VERs to any person or entity at any time during the Delivery Term or the Permanence Period. During the Term, Seller shall not take or claim, or attempt to take or claim, any form of credit, award, allocation, or benefit (including any claims made in any public forum or through any media) from the Purchased VERs or claim the Purchased VERs or related Emissions Rights, Reporting Rights or any part thereof as part of its own carbon inventory, footprint, or other carbon statement or declaration, in each case, unless such claim explicitly and clearly states that Seller has sold the Contracted VERs and Purchased VERs from the Project to Buyer for Buyer's exclusive purchase and use. In addition to Seller's obligations under Article 7 and Section 10.4, Seller shall indemnify and hold Buyer harmless from any loss or Claims occasioned on account of a sale of a Contracted VER or a Reserve VER, or part thereof, by any owner or subsequent owner of the Premises or any material portion thereof. During the Term, Seller shall, subject to Article 16, notify any purchaser of the Premises, or any material portion thereof, of this Agreement and of Seller's essential obligations hereunder.

4.14 Other Registrations. In the event any state, regional, federal or international registry or program for offset projects, climate registry or program, or system for the transfer of

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VERs, that involves sources or sinks in the nature of the Project, is implemented during the Term and Buyer wishes to additionally register the Contracted VERs or Purchased VERs thereunder, Buyer may, at its sole cost and expense, use such information regarding such VERs and the Project as Seller provides under this Agreement, including information provided by Seller in connection with a Successor System, to effect such registration and Seller will cooperate with such registration as Buyer may reasonably request; provided that if such registry or program is a Successor System, registration of the Project and VERs shall be governed by Section 4.15.2

4.15 Changes in CCAR or CCAR Project Protocols.

4.15.1 During the Term, if any material changes in the requirements of the CCAR or the CCAR Protocols occur, in each case relating to the Project, which would be reasonably likely to affect the Contracted or Purchased VERs, the Parties shall promptly meet and negotiate to modify this Agreement to effect the essential purposes hereof, provided, however, that such obligation to negotiate shall in no event require Seller to accept such changes that might reduce the VERs or increase the costs to Seller of compliance with this Agreement without an adjustment of the Price to an amount reasonably acceptable to the Parties; and provided further that should the Parties be unable to agree upon modifications, the CCAR Protocols as of the Effective Date shall continue to be applicable to this Agreement;

4.15.2 if during the Term, the CCAR ceases to exist or perform its essential functions and (a) a successor or substitute system, organization or entity performing functions substantially similar to the CCAR ("Successor System") shall have been established and become operational, then Buyer may provide Seller with thirty (30) days Notice of such Successor System, Seller shall continue to perform according to this Agreement as nearly as reasonably possible consistent with such Successor System and Seller shall use commercially reasonable efforts to maintain a membership, register the Project, and submit Verification Reports to the Successor System, at Seller's expense, or (b) no Successor System shall have been established and become operational, then any function assigned to or performed by the CCAR shall be performed according to Sections 4.8.5.1 and 4.8.5.2 and this Agreement, unless otherwise determined by mutual agreement of the Parties. If on the date of receipt of such Notice there shall exist more than one Successor System and Seller and Buyer have not agreed as to which Successor System shall apply and in the event of any other dispute with respect to a Successor System, the dispute resolution procedures of Article 15 shall apply.

4.16 Additional Delivery Term Covenants. Seller covenants and agrees that during the Delivery Term:

4.16.1 It shall be duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation.

4.16.2 It shall maintain, or cause to be maintained, all Permits, regulatory, legal and third party contracts, consents and authorities necessary for it to perform its obligations hereunder.

4.16.3 This Agreement will constitute its legally valid and binding obligation enforceable against it in accordance with its terms, subject to any bankruptcy, insolvency,

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reorganization and other laws affecting creditors' rights generally, and with regard to equitable remedies and the discretion of the court before which proceedings to obtain same may be pending.

4.16.4 It shall maintain, or cause to be maintained, the capacity or the ability to deliver the VERs as provided herein.

4.16.5 Seller will not commit itself to report any GHG Emission Reductions relating to the Contracted VERs other than pursuant to the CCAR Protocol, as required by Law or pursuant to a Successor System as contemplated under Section 4.15.

4.16.6 Neither Seller nor any of its Affiliates will sell the GHG Emission Reductions relating to the Contracted VERs or Contracted VERs, or any part thereof, to any other person or entity, including any Governmental Authority.

4.16.7 All right, title and interest to the Contracted VERs, and the associated Reporting Rights, will vest in Buyer free and clear of all liens, taxes, claims, security interests, or other encumbrances arising by, through or under Seller, before or upon payment by Buyer of the Price, and Seller covenants that Buyer will, upon payment of the Price, have the exclusive right to (a) make all claims as to the Purchased VERs and (b) the Reporting Rights.

4.16.8 No part of the Contracted VERs shall be used by Seller to meet any international, national, state or local renewable energy or carbon reduction requirement, renewable energy procurement, renewable portfolio standard (except as otherwise separately sold by Seller to Buyer), other renewable energy mandate, nor any emissions program, reporting, nor other voluntary or involuntary requirement or declaration other than pursuant to the CCAR Protocol, as required by Law or pursuant to a Successor System as contemplated under Section 4.15.

4.16.9 Seller will cause all other persons or entities having an ownership interest in the Project and any transferee of the Premises to execute the acknowledgment of Buyer's Exclusive Ownership in the form of Exhibit 6.2.4.

4.16.10 No Contracted VER or part thereof, or Co-Benefit directly associated with the Project and which are allocable to the Purchased VERs, shall be allocated or awarded for Greenhouse Gas emissions benefits in any other regulatory setting or climate neutral/carbon offset program or, to the best knowledge of Seller, claimed by or for any other person or program other than pursuant to the CCAR Protocol, a registry or program contemplated in Section 4.14, or a Successor System as contemplated under Section 4.15.

ARTICLE 5: REPORTING

5.1 Designated Representatives. In addition to the contact information in Article 17, Buyer and Seller shall each within fifteen (15) days of the Effective Date appoint by Notice an individual to serve as their respective principal points of contact (each a "Designated Representative"), and an electronic mailbox address to which the notified Party shall direct all

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written communications to comply with Sections 5.1 and 5.2. Each Designated Representative shall provide Notice of a change in the name or contact information during the Term provided that a Party may provide to the other Party. The Designated Representative of the respective Party shall have access to such mailbox. Oral communication to a Designated Representative shall not satisfy requirements of Notice. Within fifteen (15) days after the end of each month from the Effective Date through the Commercial Operation Date, Seller shall provide to Buyer Progress Reports and cause its Designated Representative to meet in person or by telephone regularly with Buyer's Designated Representative to review.

5.2 Quarterly Progress Reports. In addition to the Progress Reports in Section 5.1, at the beginning of each quarter following (a) the Effective Date and (b) the delivery of the Verification Report, during the Delivery Term Seller shall provide to Buyer a Progress Report showing the status of the Project and Seller's latest projections of the generation of Contracted VERs over the then current Reporting Year.

5.3 Records and Reporting. During the Term:

5.3.1 Seller shall maintain adequate records relating to the Project to assist Buyer, the Approved Verifiers, or CCAR in meeting any reporting, verification, transfer, registration, or retirement requirements associated with the Contracted VERs and Purchased VERs;

5.3.2 Seller shall contemporaneously provide to, or cause to be provided to, Buyer a copy of any application, report or other document it files with the CCAR or any Governmental Authority relating to Purchased VERs or Contracted VERs; and

5.3.3 Unless specifically stated otherwise, Seller shall maintain throughout the Term and for one (1) year thereafter all records and copies of the documents specified in Section 5.3.1.

5.4 Access Rights. During the Delivery Term, Buyer and the Approved Verifier, their respective authorized agents, employees and inspectors, shall have the right to enter upon the Premises on not less than seventy two (72) hours prior Notice during normal business hours and for any purposes specified in this Agreement. Buyer shall coordinate its activities with the safety and security departments or personnel of the owner of the Premises and Buyer's access to the Premises shall be under their supervision. Notwithstanding this Section 5.4 or any other provision in this Agreement to the contrary, in no event shall Buyer exercise this right to cause any person to go onto any portion of the Premises when entry upon such Premises is unsafe, and Seller shall determine and advise Buyer in advance if any proposed entry is potentially unsafe.

5.5 Additional Information. During the Delivery Term, Seller shall provide, or cause to be provided, to Buyer such Project Documents and other relevant information respecting the condition or operations of Seller or the Project as Buyer may, from time to time, reasonably request.

5.6 Review of Records. In the event Buyer has reasonable cause to believe that Seller has provided materially inaccurate statements, charges, data or computations pursuant to this

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Agreement which are reasonably likely to materially adversely affect the Contracted VERs or Purchased VERs, Buyer shall provide Seller Notice specifying the basis for its belief in reasonable detail. Seller shall then meet with Buyer within thirty (30) days of receipt of Notice and present such information as Seller determines is relevant to Buyer's inquiry. If any such examination reveals any inaccuracy that has a material adverse effect on a Contracted VER or Purchased VER, the Parties shall make the necessary adjustments in such statement and the computations related thereto (including payments due hereunder).

5.7 Exculpation. Buyer is under no obligation to exercise any of the monitoring or review rights provided herein and, having exercised any such rights, is under no obligation to communicate or take action with respect to any information discovered as a result of monitoring or reviewing. Without limiting the generality of Article 5, although Buyer may disclose to Seller information discovered of which it becomes aware, Buyer shall have no liability to Seller for failing to advise it, or incorrectly advising it, of associated activities or omissions, including any condition, damages, circumstances, infraction, fact, act, omission or disclosure discovered or not discovered by Buyer with respect to the Project or any contractor of Seller.

5.8 Financial and Accounting Information. Buyer believes that generally accepted accounting principles and U.S. Securities and Exchange Commission ("SEC") rules may require Buyer to evaluate if Buyer must consolidate Seller's financial information, for reasons including use of Seller's non-profit status to evade or circumvent accounting principles or SEC rules. In the event Buyer believes that such principles or rules may require such financial consolidation, Buyer will require access to financial records and personnel, at a mutually convenient and agreeable time, to determine if consolidated financial reporting is required. If Buyer determines that such financial consolidation is required, Buyer shall require the following for every calendar quarter for the Term: (a) complete financial statements, and notes to financial statements; and (b) financial schedules underlying the financial statements, all within fifteen (15) days after the end of each fiscal quarter. Any information provided to Buyer pursuant to this Section 5.8 shall be considered confidential in accordance with the terms hereof and shall only be disclosed on an aggregate basis with other similar entities for which Buyer has similar agreements. The information will only be used for financial statement purposes and shall not be otherwise shared with internal or external parties.

ARTICLE 6: REPRESENTATIONS AND WARRANTIES

6.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party that as of the Effective Date:

6.1.1 It is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation.

6.1.2 It has all contractual rights and regulatory authorizations necessary for it to perform its obligations hereunder.

6.1.3 The execution, delivery and performance hereof are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and

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conditions in its governing documents, any contracts to which it is a party or any Law applicable to it.

6.1.4 This Agreement and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, subject to any bankruptcy, insolvency, reorganization and other Laws affecting creditors' rights generally, and with regard to equitable remedies, the discretion of the court before which proceedings to obtain same may be pending.

6.1.5 It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks hereof.

6.1.6 It has the capacity or the ability to make in the case of Seller, or take in the case of Buyer, delivery of the Contracted VERs.

6.2 Seller's Representations and Warranties. Seller represents and warrants to Buyer as of the Effective Date that:

6.2.1 Seller has no obligation to, and does not, report any Greenhouse Gas emissions or GHG Emission Reductions relating to the Project, other than pursuant to the CCAR Protocol and this Agreement.

6.2.2 None of Seller or any of its Affiliates has sold the Contracted VERs, or the GHG Emission Reductions related to the Purchased VERs or the Contracted VERs, or any part thereof, to any other person or entity, including any Governmental Authority.

6.2.3 The Projected Project Reductions represent (a) Seller's best good faith estimate of all GHG Emission Reductions of the Project in each respective Reporting Year and (b) reductions from the Baseline.

6.2.4 All right, title and interest to the Contracted VERs, and the associated Reporting Rights, will vest in Buyer free and clear of all liens, taxes, claims, security interests, or other encumbrances arising by, through or under Seller, before or upon payment by Buyer of the Price, and Buyer will before or upon payment of the Price have the exclusive right to (a) make all claims as to the Contracted VERs and (b) the Reporting Rights. Seller has caused all Project Participants to execute the acknowledgment of Buyer's Exclusive Ownership in the form of Exhibit 6.2.4 and has delivered copies of such acknowledgements to Buyer.

6.2.5 To the best of Seller's knowledge, the Permits set forth in Exhibit 6.2.5 list all the material Permits necessary for the operation and maintenance of the Project. The Required Project Documents set forth in Exhibit 6.2.5 list all material regulatory, legal and third party contracts, consents and authorities required for Seller to develop and operate the Project and perform all of its obligations throughout the Term. Nothing set forth in Exhibit 6.2.5 limits the obligations of Seller to obtain the Permits required hereunder.

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6.2.6 Neither Seller nor the Project is required by applicable Law to generate the Contracted VERs or the GHG Emission Reductions related thereto or any part thereof. The Project is not being developed, and no part of the GHG Emission Reductions are being used to meet any international, national, state or local renewable energy or carbon reduction requirement, renewable energy procurement, renewable portfolio standard (except as otherwise separately sold by Seller to Buyer), other renewable energy mandate, nor any emissions program, reporting, nor other voluntary or involuntary requirement or declaration.

6.2.7 No Contracted VER or part thereof has been allocated or awarded for Greenhouse Gas emissions benefits in any other regulatory setting or climate neutral/carbon offset program. To the best knowledge of Seller, no Contracted VER or part thereof (a) is claimed by or for any other person or program or (b) has been sold, transferred or conveyed to, or can be claimed by, a buyer pursuant to a natural gas agreement, if any. To the best knowledge of Seller, no Co-Benefit directly associated with the Project (y) has been allocated or awarded for benefits in any other regulatory setting or neutral/carbon offset program or (z) is claimed by or for any other person or program.

6.2.8 (a) The Project was not initiated before December 14, 2006, and all Contracted VERs occurred after December 14, 2006, (b) Pre-Registration of the Project has been performed and the Project is eligible to receive Project Certification and the Initial Verification Report, (c) Seller has reviewed the CCAR Protocols and represents that the Contracted VERs can be Verified, according to the CCAR Protocols, throughout the Delivery Term, (d) the Project would have a lower than acceptable rate of return for Seller without the payment of the Price for the Contracted VERs, and (e) in the absence of the Project the GHG Emission Reductions represented by the Contracted VERs would not have occurred.

6.2.9 The Financial Plan is true, correct and complete as of the Effective Date.

6.2.10 The Project Baseline projection in graph form depicting the Project's Baseline and sequestration estimates as carbon sources and sinks during the Term is set forth in Exhibit 6.2.10.

6.2.11 Seller's good faith estimate of the Co-Benefits of the Project is generally described in the Forest Management Plan.

6.2.12 All of the Contracted VERs qualify as additional as such term is described in the CCAR Protocols.

6.2.13 Seller's good faith estimate, made consistent with Exhibit 4.1, of the market inelasticity of the applicable redwood lumber market is set forth in Exhibit 6.2.13. As a consequence of this inelasticity and in recognition of the nature of the Project and that Seller's Project activities will contribute on a long-term basis to increases in the overall supply of redwood lumber, the Parties have determined that the likelihood of any Market Leakage resulting from the Project is very low, and Buyer therefore accepts Seller's Leakage Avoidance Plan. In the event either Party becomes aware of material Market Leakage resulting from the Project and brings evidence of the same to the attention of the other Party, the Parties will consult in good faith as to the potential existence of material Market Leakage and potential remedial actions but

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nothing in this Agreement shall require either Party to take any reporting or remedial action in connection therewith and the existence of material Market Leakage will not act as the basis for an Event of Default hereunder.

6.2.14 The audited financial statements of Seller as of December 31, 2006, and the related statements of income and cash flows for the fiscal year of Seller ended as of such date, accompanied by an unqualified report/opinion of Mayer Hoffman McCann P.C., a copy of which have been provided to Buyer, present fairly in all material respects the consolidated financial condition of Seller as of such date, and the consolidated results of its operations and its consolidated cash flows for such fiscal year. Buyer has relied on the accuracy of such financial statements as a fundamental inducement to entering into this Agreement.

6.3 No Other Representations or Warranties. Each Party acknowledges that it has entered hereinto in reliance upon only the representations and warranties set forth herein, and that no other representations or warranties have been made by the other Party with respect to the subject matter hereof.

ARTICLE 7: SELLER'S INDEMNITY; LIMITATIONS ON LIABILITY

7.1 Indemnity by Seller. In addition to Seller's obligations in Section 4.13 and the obligations in Section 10.4, Seller shall release, indemnify and hold harmless Buyer, its directors, officers, agents and representatives against and from any and all losses, Claims, actions or suits, including by any third party or Governmental Authority, and including costs and attorneys' fees resulting from, or arising out of or in any way connected with (a) Seller's willful misconduct or negligence in its operation or maintenance of the Project, or (b) Seller's actions or inactions in contravention hereof which are the result of Seller's willful misconduct or negligence, including any loss, Claim, action or suit, for or on account of injury, bodily or otherwise, to, or death of, persons, or for damage to, or destruction of, or economic loss of property belonging to Buyer, Seller or others, excepting only such loss, Claim, action or suit as may be caused solely by the willful misconduct or gross negligence of Buyer, its agents, employees, directors or officers.

7.2 Limitation on Damages. The Parties confirm that the express remedies and measures of damages provided in this Agreement satisfy the essential purposes hereof. If no remedy or measure of damages is expressly provided herein, the obligor's liability shall be limited to direct actual damages only, such direct actual damages shall be the sole and exclusive remedy and all other remedies or damages at Law or in equity are waived unless expressly herein provided. Neither Party shall be liable for consequential, incidental, punitive, lost profits, business interruption damages, exemplary, or indirect damages in tort, contract, or anything other than direct, benefit-of-the-bargain damages. Unless expressly herein provided including the provisions of Section 7.1, it is the intent of the Parties that the limitations herein imposed on the remedies and the measure of damages be without regard to the cause or causes related thereto, including the negligence of any Party, whether such negligence be sole, joint or concurrent or active or passive.

7.3 Service Tariff. Seller shall obtain at its sole cost and expense any station retail electric service required by the Project. Notwithstanding anything to the contrary herein, in no

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way shall Buyer have any liability with respect to the delivery of electricity in excess of the amounts to which its liability is limited pursuant to its applicable tariffs or for any act or omission by its distribution function, and Seller agrees not to use any provision hereof, including concepts of set-off, to hold Buyer liable for such amounts hereunder.

**ARTICLE 8:
FINANCIAL REPORTING AND COLLATERAL REQUIREMENTS**

8.1 Financial Reporting. If requested by Buyer, Seller shall deliver (a) within one hundred twenty (120) days following the end of each fiscal year, a copy of Seller's annual report containing audited consolidated financial statements for such fiscal year and (b) within sixty (60) days after the end of each of its first three fiscal quarters of each fiscal year, a copy of such Party's quarterly report, in each case in such form and with such detail as Seller shall make available to its principal funders; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Seller diligently pursues the preparation, certification and delivery of the statements. Any information provided to Buyer pursuant to this Section shall be considered confidential in accordance with the terms hereof. The information may only be used for the preparation of Buyer's own financial statements and shall not be otherwise shared with internal or external parties.

8.2 Security is Not a Limit on Seller's Liability. The security contemplated by this Article: (a) constitutes security for, but is not a limitation of, Seller's obligations hereunder, and (b) shall not be Buyer's exclusive remedy for Seller's failure to perform in accordance with this Agreement.

8.3 Security Interest. To secure the full, faithful and timely performance of its obligations of payment and performance during the Delivery Term hereunder, Seller hereby grants to Buyer a valid, continuing security interest in Seller's rights to any and all Contracted VERs and all products and proceeds thereof. Seller shall execute Exhibit 8.3: VERs Financing Statement and Security Agreement, and authorizes Buyer to take such actions and file such financing statement and such instruments as are necessary to perfect and maintain perfected Buyer's security interest in the property described in Exhibit 8.3. Seller shall terminate such security interest one (1) year following the final delivery of Contracted VERs.

**ARTICLE 9:
EVENTS OF DEFAULT; TERMINATION**

9.1 Mutual Events of Default. An "Event of Default" means with respect to a Party (a "Defaulting Party"), the occurrence of any of the following:

9.1.1 the failure to make, when due, any payment required pursuant hereto if such failure is not remedied within thirty (30) Business Days after Notice thereof;

9.1.2 any representation or warranty made by such Party is false or misleading in any material respect when made if such failure is not remedied within thirty (30) Business Days after Notice thereof;

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9.1.3 the failure to perform any material covenant or obligation in any material respect as set forth herein (except to the extent constituting a separate Event of Default), if such failure is not remedied within thirty (30) Business Days after Notice thereof;

9.1.4 such Party becomes Bankrupt; provided that in the case of Buyer, becoming Bankrupt will not constitute an Event of Default if (a) Buyer at its option within thirty (30) Business Days provides to Seller cash security or a letter of credit in an amount equal to all amounts due to Seller from Buyer for the next Annual Amount of Contracted VERs for which the Price has not previously been paid (less any outstanding unapplied Prepayment) and (b) Buyer assumes this Agreement within ninety (90) days under all applicable Law relating to such Bankruptcy; or

9.1.5 except as provided in Section 16.3, such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party hereunder to which it or its predecessor was a party by operation of Law or pursuant to an agreement reasonably satisfactory to the other Party within ten (10) Business Days of Notice thereof.

9.2 Seller Defaults. Without limiting the generality of Section 9.1, an “Event of Default” also means with respect to Seller as a “Defaulting Party”:

9.2.1 Seller fails to deliver VERs as required, if such failure is not remedied within thirty (30) days after Notice thereof;

9.2.2 Seller fails to maintain the Project as required and such failure is not cured within three (3) months from the date of Buyer’s Notice to Seller of such failure, provided, however that if such failure is not reasonably capable of cure in such period, then such additional period to cure shall be permitted as shall be reasonable in the circumstances;

9.2.3 Seller does not comply with the applicable CCAR Protocols or the Financial Plan for the periods specified herein, and the Approved Verifier in the case of the CCAR Protocols, and a Registered Professional Forester in the case of the Financial Plan, is of the opinion that there is no reasonable prospect of such compliance being obtained within three (3) months from the date of Buyer’s Notice to Seller of such noncompliance, provided that a Registered Professional Forester’s opinion that a Financial Plan modified pursuant to Section 4.10 complies with this Agreement will constitute compliance with the Financial Plan for any current or prior period specified herein;

9.2.4 Seller sells or delivers GHG Emission Reductions or VERs to a third party for any particular Reporting Year at any time when the Annual Amount of VERs for all previous Reporting Years has not yet been received by Buyer, provided, however, that the sale and delivery of VERs to a third party pursuant to agreements entered into prior to the Reporting Year for which the Annual Amount of VERs has not been delivered as required shall not violate this Section;

9.2.5 Seller causes a Material Adverse Effect and Buyer delivers Notice of such

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Event of Default within one year of the later of the date of the Material Adverse Effect or Notice from Seller of the Material Adverse Effect;

9.2.6 A material portion of the Premises is foreclosed upon, unless Seller provides Buyer, within thirty (30) days, reasonable assurances that Seller can continue to deliver the Contracted VERs;

9.2.7 Seller fails to maintain in full force and effect any Required Project Document, after the expiration of applicable notice, cure and waiver periods therein; or

9.2.8 Seller intentionally interferes with the work of, or knowingly provides materially false information to, any Approved Verifier in connection with a Verification relating to the Contracted VERs or Purchased VERs.

9.3 Termination for Force Majeure. Buyer may terminate this Agreement by Notice to Seller, without further liability of either Party to the other Party, other than a refund by Seller for any Prepayment (and payments pursuant to Section 9.1.4, if any) received for any VERs not delivered to Buyer, in the event of a prolonged Force Majeure which prevents Seller from (a) meeting the Guaranteed Commercial Operation Date; or (b) delivering during any consecutive two Reporting Years at least 50% of the Annual Amount.

9.4 Termination of Future Deliveries for Loss of Additionality. In the event Seller becomes obligated during the Delivery Term pursuant to applicable Law or by a Governmental Authority to create the Contracted VERs, and a Failure of Additionality is reasonably likely to occur with respect to such Contracted VERs, Buyer may terminate any further obligation to purchase and receive any Contracted VERs upon Notice to Seller, without any liability of either Party to the other Party, other than a refund by Seller of any Prepayment (and payments pursuant to Section 9.1.4, if any) received for such Contracted VERs, provided, however, that Buyer may rescind such termination in its sole discretion if Seller provides Buyer with assurances acceptable to Buyer that a Failure of Additionality will not occur.

ARTICLE 10: REMEDIES

10.1 Seller's Default. If Seller is the Defaulting Party, Buyer may at its sole option and election do any one or more of the following:

10.1.1 allow Seller to transfer any shortfall of VERs in the following Reporting Year(s), without reducing the Annual Amount for such subsequent Reporting Year or otherwise relieving Seller of any other obligations hereunder;

10.1.2 exercise its Step-In Rights;

10.1.3 set off any monetary obligations Buyer owes to Seller against any monetary obligations Seller owes to Buyer;

10.1.4 terminate this Agreement; or

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10.1.5. recover from Seller, subject to Section 7.2, all with interest accruing at the Interest Rate, any:

10.1.5.1 (a) Buyer Agreement Costs; (b) Prepayments to the extent applicable to Contracted VERs, (c) applicable Governmental Charges to the extent applicable to Contracted VERs and (d) advance payments made and not yet deducted from the Annual Payments, plus

10.1.5.2 damages in the amount necessary to compensate Buyer for all of the detriment proximately caused by Seller or which, in the ordinary course of things, would be likely to result therefrom, including, if a positive number, the amount equal to the Price of the aggregate Annual Amounts hereunder not yet delivered subtracted from Buyer's actual or expected cost of otherwise acquiring GHG Emissions Reductions capable of meeting the Verification and all other standards set herein, provided, however, that, except in the case of Seller's willful breach of its obligation to deliver VERs hereunder, damages under this Section 10.1.5.2 shall in no event exceed the aggregate Price of all Contracted VERs.

10.2 Buyer's Default. If Buyer is the Defaulting Party, Seller may at its sole option and election do any one or more of the following:

10.2.1 terminate this Agreement and all obligations to provide Contracted VERs;

10.2.2 set off any monetary obligations Seller owes to Buyer against any monetary obligations Buyer owes to Seller;

10.2.3 recover from Buyer, all with interest accruing at the Interest Rate, any:

10.2.3.1 (a) Seller Agreement Costs to the extent applicable to Contracted VERs and (b) applicable Governmental Charges to the extent applicable to Contracted VERs, plus

10.2.3.2 damages in the amount necessary to compensate Seller for all of the detriment proximately caused by Buyer or which, in the ordinary course of things, would be likely to result therefrom, including, if a positive number, an amount equal to Seller's actual or expected sales price of GHG Emissions Reductions capable of meeting the Verification and all other standards set forth in this Agreement subtracted from the Price of the aggregate Contracted VERs, provided, however, that, except in the case of Buyer's willful breach of its obligations, damages under this Section 10.2.3.2 shall in no event exceed the aggregate Price of all Contracted VERs;

10.2.4 require Buyer to return to Seller delivered Contracted VERs for which the Price has not been paid; or

10.2.5 sell Contracted VERs to a third party for which Seller has not been paid by Buyer following the later of ninety (90) days of delivery by Seller of such VERs or the Notice set forth in Section 9.1.1.

10.3 One-Way Termination. In the event that (a) Seller is the Defaulting Party, (b)

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Buyer terminates this Agreement, and (c) the actual or expected sales price of GHG Emission Reductions is less than the Price for Contracted VERs at any time following the Notice of Seller Event of Default, Buyer shall in no event be required to pay, nor shall Seller be entitled to request or receive, any damages based on the difference between the Price of the Contracted VERs and the actual or expected sales price of the GHG Emissions Reductions, at any time following the Notice of Seller Event of Default.

10.4 Expenses. A Defaulting Party shall, on demand, indemnify and hold harmless the other Party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other Party by reason of the enforcement and protection of its rights hereunder, including costs of collection.

10.5 Step-In Rights. During the occurrence and continuance of any Event of Default by Seller, and in addition to any other rights Buyer may have hereunder or at Law or in equity, Buyer shall during the Delivery Term have the right, but not the obligation, to take all actions reasonably necessary to arrange for Verification of all GHG Emission Reductions generated by the Project to be sold as VERs hereunder ("Step-In Rights"). Seller grants to Buyer a power of attorney, coupled with an interest, and therefore irrevocable, for the Delivery Term, to act in Seller's name and stead to ensure delivery of the Initial Verification Report, Project Certification, Verification, entry of appropriate information into the CCAR Database, and such other matters necessary to fulfill Seller's obligations to Verify and deliver VERs, and Seller shall provide all necessary assistance and cooperation required by Buyer for these purposes. If Buyer at any time exercises its rights under this Section, Buyer shall be entitled to recover all costs reasonably incurred by Buyer in connection therewith ("Step-In Costs"). Notwithstanding the foregoing, nothing set forth in this Section shall excuse Seller of its obligations to remedy its Event of Default and perform its obligations hereunder.

10.6 Remedies Cumulative. Except as provided herein, the rights, powers, remedies and privileges provided herein are cumulative and not exclusive of any rights, powers, remedies and privileges provided by Law.

ARTICLE 11: FORCE MAJEURE; GOVERNMENT ACTION

11.1 Force Majeure. Except with regard to a Party's obligation to make payments hereunder for performance prior to an event of Force Majeure, in the event either Party is rendered unable, wholly or in part, by Force Majeure to carry out its material obligations with respect hereto, which prevents or delays the performance, then upon such Party's (the "Claiming Party") giving oral or informal notice and full particulars of such Force Majeure as soon as reasonably possible after the occurrence of the cause relied upon, but in no event more than five (5) days after such cause has commenced, such notice to be confirmed in writing or by facsimile as Notice to the other Party, then the obligations of the Claiming Party will, to the extent they are affected by such Force Majeure, be suspended during the continuance of said inability, but for no longer period, and the Claiming Party will not be liable to the other Party for, or on account of, any loss, damage, injury or expense resulting from, or arising out of such event of Force Majeure. The Party receiving the confirming Notice of Force Majeure has until the end of the tenth (10th) Business Day following such receipt to provide Notice to the Claiming Party that it

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objects to or disputes the existence of an event of Force Majeure.

11.2 Definition. "Force Majeure" means any event or circumstance which wholly or partly prevents or delays the performance of any material obligation arising hereunder, but only if and to the extent (a) such event is not within the reasonable control, directly or indirectly, of the Party seeking to have its performance obligations excused thereby, (b) the Party seeking to have its performance obligations excused thereby has taken all reasonable precautions and measures in order to prevent or avoid such event or mitigate the effect of such event on such Party's ability to perform its obligations hereunder and which by the exercise of due diligence such Party could not reasonably have been expected to avoid and which by the exercise of due diligence it has been unable to overcome, and (c) such event is not the direct or indirect result of the negligence or the failure of, or caused by, the Party seeking to have its performance obligations excused thereby. Subject to the foregoing, events that could qualify as Force Majeure include earthquake, explosion, or natural event not related to or enhanced by climate change; or war (declared or undeclared), riot or similar civil disturbance, acts of the public enemy (including acts of terrorism), sabotage, blockage, insurrection, revolution, expropriation or confiscation; provided, however, Force Majeure may *not* be based on:

11.2.1 Seller's ability to sell the Contracted VERs at a price greater than the Price;

11.2.2 Seller's inability to obtain approvals of any type for the operation or maintenance of the Project;

11.2.3 Seller's inability to obtain sufficient fuel, power or materials to operate the Project, except if Seller's inability to obtain sufficient fuel, power or materials is caused solely by an event of Force Majeure of the specific type described above;

11.2.4 forest fire or disease affecting trees or plants, no matter how pervasive or destructive;

11.2.5 Seller's failure to obtain additional funds, including funds authorized by a state or the federal government or agencies thereof, to supplement the Price for the Contracted VERs.

11.2.6 a strike, work stoppage or labor dispute limited only to any one or more of Seller, Seller's Affiliates, or any contractor or subcontractor thereof or any other third party employed by Seller to work on the Project;

11.2.7 any equipment failure unless such equipment failure is caused solely by an event of Force Majeure of the specific type described above; or

11.2.8 a general increase in prevailing regional wages.

11.3 Force Majeure Does Not Affect Other Obligations. No obligations of either Party that arose before the Force Majeure causing the suspension of performance or that arise after the cessation of the Force Majeure shall be excused by the Force Majeure.

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11.4 Government Action. Except as provided in Section 4.14 and 4.15, Government Action that changes in any respect the value of VERs, including the establishment of mandatory Greenhouse Gas limits or a VERs trading program, will have no effect on the obligation of the Parties to perform this Agreement and purchase and sell VERs at the Price and on the terms set forth herein. To the extent that Government Action renders delivery of VERs by Seller illegal under applicable Law, Seller shall refund the Prepayment or portion thereof to the extent that Seller has not delivered to Buyer the corresponding VERs, and the Parties' obligations and this Agreement shall be terminated without further liability to either Party.

ARTICLE 12: GOVERNMENTAL CHARGES

12.1 Cooperation. Each Party shall use reasonable efforts to implement the provisions of and to administer this Agreement in accordance with the intent of the Parties to minimize all taxes, so long as neither Party is materially adversely affected by such efforts.

12.2 Governmental Charges. Seller shall pay or cause to be paid all taxes imposed by any Governmental Authority ("Governmental Charges") on or with respect to the Purchased VERs and related rights arising prior to their delivery to Buyer, including present or future sales taxes, if any, *ad valorem* taxes and other taxes attributable to the Project, land, land rights or interests in land for the Project, or the transfer of any interest in the Purchased VERs or part thereof and all related rights. Buyer shall pay or cause to be paid all Governmental Charges on or with respect to the Purchased VERs and related rights after its receipt of such VERs. If Buyer is required by Law to remit or pay Governmental Charges which are Seller's responsibility hereunder, Buyer may deduct such amounts from payments to Seller with respect to payments hereunder; if Buyer elects not to deduct such amounts from Seller's payments, Seller shall promptly reimburse Buyer for such amounts upon request. If either Party is required by Law to remit or pay Governmental Charges which are the other Party's responsibility hereunder, the other Party shall promptly reimburse such Party for such Governmental Charges. Nothing shall obligate or cause a Party to pay or be liable to pay any Governmental Charges for which it is exempt under the Law.

ARTICLE 13: INSURANCE

During the Delivery Term, Seller shall maintain, the following insurance coverage and be responsible for its contractors or subcontractors maintaining sufficient limits of the appropriate insurance coverage, and if Seller is no longer the owner of the Premises, Seller shall use commercially reasonable efforts to obligate the owner of the Premises to obtain similar types and amounts of insurance.

13.1 Workers' Compensation and Employer's Liability.

13.1.1 Workers' Compensation insurance or self-insurance indicating compliance with applicable labor codes, acts, laws or statutes, state or federal, including those relating to longshoreman and harbor and Jones Act, where Seller performs work.

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13.1.2 Employers' Liability insurance shall not be less than \$1,000,000 for injury or death each accident.

13.2 Commercial General Liability.

13.2.1 Coverage shall be at least as broad as the Insurance Services Office (ISO) Commercial General Liability Coverage "occurrence" form.

13.2.2 The limit shall not be less than \$4,000,000 each occurrence for bodily injury, property damage and personal injury.

13.2.3 Coverage shall:

13.2.3.1 by "Additional Insured" endorsement add as insureds Buyer, its Affiliates, and Buyer's directors, officers, agents and employees with respect to liability arising out of the Work performed by or for Seller (ISO Form CG2010 form or equivalent). In the event the comprehensive general liability insurance policy includes a "blanket additional insured by contract," the following language added to the certificate of insurance will satisfy this requirement: *"PG&E, its affiliates, subsidiaries, and parent company, and PG&E's directors, officers, agents and employees with respect to liability arising out of the work performed by or for Seller, has been endorsed by blanket endorsement;"*

13.2.3.2 be endorsed to specify that Seller's insurance is primary and that any insurance or self-insurance maintained by Buyer shall not contribute with it; and

13.2.3.3 include a severability of interest clause.

13.3 Business Auto.

13.3.1 Coverage shall be at least as broad as the Insurance Services Office (ISO) Business Auto Coverage form covering Automobile Liability, code 1 "any auto."

13.3.2 The limit shall not be less than \$1,000,000 each accident for bodily injury and property damage.

13.4 Additional Insurance Provisions.

13.4.1 Within thirty (30) days of the Effective Date, Seller shall furnish Buyer with certificates of insurance and endorsements of all required insurance for Seller.

13.4.2 Such documentation shall state that coverage shall not be cancelled except after thirty (30) days prior Notice has been given to Buyer.

13.4.3 Such documentation must be signed by a person authorized by that insurer to bind coverage on its behalf and shall be submitted to:

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Pacific Gas and Electric Company
c/o ERM & Insurance Department, Suite 2400
One Market, Spear Tower
San Francisco, CA 94105

A copy of all such insurance documents shall be sent to Buyer's Contract Negotiator and/or Contract Administrator.

13.4.4 Buyer may inspect the original policies or require complete certified copies, at any time.

13.4.5 Upon request, Seller shall furnish Buyer the same evidence of insurance for its contractors and subcontractors as Buyer requires of Seller.

13.5 Waiver of Subrogation. All policies or binders with respect to insurance maintained shall include a waiver of any right of subrogation of the insurers hereunder against Buyer or additional insureds and the officers, directors, employees, agents and representatives of each of them, and any right of the insurers to any setoff or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any such person insured under such policy.

**ARTICLE 14:
GOVERNING LAW**

14.1 Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14.2 Waiver of Immunities. Each Party irrevocably waives, to the fullest extent permitted by applicable Law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (a) suit, (b) jurisdiction of any court, (c) relief by way of injunction, order for specific performance or for recovery of property, (d) attachment of its assets (whether before or after judgment) and (e) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable Law, that it will not claim any such immunity in any proceedings before any court or Governmental Authority.

**ARTICLE 15:
DISPUTE RESOLUTION**

15.1 Disputes and Adjustments of Invoices. In the event an invoice or portion thereof or any other claim or adjustment arising hereunder is disputed, payment of the undisputed portion of the invoice shall be required to be made when due, with Notice of the objection given to the other Party. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment. Payment of the disputed amount shall not be required until

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the dispute is resolved. The Parties agree to use good faith efforts to resolve the dispute or identify the adjustment as soon as possible. Upon resolution of the dispute or calculation of the adjustment, any required payment shall be made within fifteen (15) days of such resolution along with interest accrued at the Interest Rate from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned upon request or deducted by the Party receiving such overpayment from subsequent payments, with interest accrued at the Interest Rate from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment. If an invoice is not rendered by Seller within twelve (12) months after the close of the applicable Reporting Year, the right to payment for such performance is waived.

15.2 Waiver of Right to Jury Trial. TO THE EXTENT ENFORCEABLE AT SUCH TIME, EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. EACH PARTY HEREBY WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS AGREEMENT, OR ANY MATTER ARISING HEREUNDER OR THEREUNDER, IN WHICH A JURY TRIAL HAS NOT OR CANNOT BE WAIVED.

15.3 Intent of the Parties. Except as provided in the next sentence, the sole procedure to resolve any claim arising out of or relating hereto or any related agreement is the dispute resolution procedure set forth in this Article. Either Party may seek a preliminary injunction or other provisional judicial remedy if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both Parties nonetheless will continue to pursue resolution of the dispute by means of this procedure.

15.4 Management Negotiations. The Parties must attempt in good faith to resolve any dispute, controversy or claim arising out of or relating hereto or any related agreements by prompt negotiations between each Party's Designated Representative, or such other person designated in writing as a representative of such Party (each a "Manager"). Each Manager may request a meeting (in person or telephonically) to initiate negotiations to be held within ten (10) Business Days of the other Party's receipt of such request, at a mutually agreed time and place. If the matter is not resolved within fifteen (15) Business Days of their first meeting ("Initial Negotiation End Date"), the Managers shall refer the matter to the designated senior officers of their respective companies (each an "Executive"), who shall have authority to settle the dispute. Within five (5) Business Days of the Initial Negotiation End Date ("Referral Date"), each Party shall provide the other Notice confirming the referral and identifying the name and title of the Executive designated to represent the Party. Within five (5) Business Days of the Referral Date the Executives shall establish a mutually acceptable location and date, which date shall not be greater than thirty (30) days from the Referral Date, to meet. After the initial meeting date, the Executives shall meet, as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged

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between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five (45) days of the Referral Date, or if the Party receiving the written request refuses or does not meet within the ten (10) Business Day period specified, either Party may initiate mediation of the controversy or claim according to the terms of Section 15.5.

15.5 Mediation; Arbitration.

15.5.1 If the dispute cannot be so resolved by negotiation as set forth above, it shall be resolved at the request of any Party through a two-step dispute resolution process administered by an Arbitration Group. As the first step, the Parties agree to mediate any controversy before a mediator from the Arbitration Group's panel, pursuant to its standard and accepted commercial mediation rules, in San Francisco, California other than the mediation of any disputes relating solely to Verification, a Verification Report, an Annual Report, compliance with the Monitoring Plan, or the CCAR Protocols which shall be mediated exclusively by an individual selected from CCAR-approved certifiers and technical assistance providers. The Parties shall agree upon such individual and, if unable to reach such agreement within ten (10) days, shall request the CCAR to select such an individual at random. If the Parties both agree that such individual is not qualified to mediate, the CCAR shall be asked to select another individual at random, until at least one Party is satisfied with such selection. Either Party may begin mediation by serving a written demand for mediation. The mediator shall not have the authority to require, and neither Party may be compelled to engage in, any form of discovery prior to or in connection with the mediation.

15.5.2 If within sixty (60) days after service of a written demand for mediation, the mediation does not result in resolution of the dispute, then the controversy shall be settled by arbitration conducted by a retired judge or justice from the Arbitration Group's panel conducted in San Francisco, California, administered by and in accordance with Arbitration Group's Commercial Arbitration Rules ("Arbitration"), which either Party may initiate by filing with the Arbitration Group a notice of intent to arbitrate. Any disputes relating solely to Verification, a Verification Report, an Annual Report, compliance with the Monitoring Plan, or the CCAR Protocols must be arbitrated with a report delivered by an individual selected from CCAR-approved certifiers and technical assistance providers, with such individual to be selected by the arbitrator selected pursuant to the standard and accepted Arbitration Group's Commercial Arbitration Rules. The period commencing from the date of the written demand for mediation until the appointment of a mediator shall be included within the sixty (60) day mediation period. Any mediator(s) and arbitrator(s) shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall be knowledgeable in the field of the dispute.

15.5.3 The arbitrator's award shall be made within nine (9) months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. This time limit may be extended by agreement of the Parties or by the arbitrator, if necessary. The California Superior Court of the City and County of San Francisco may enter judgment upon any award rendered by the arbitrator. The Parties are aware of the decision in *Advanced Micro Devices, Inc. v. Intel Corp.*, 9 Cal 4th 362 (1994) and, except as modified by this Agreement, intend to limit the power of the arbitrator to that of a

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Superior Court judge enforcing California Law. The prevailing Party in an arbitrated dispute is entitled to is entitled to recover its costs and reasonable attorneys' fees. Except as may be required by Law, neither a Party nor an arbitrator may disclose the existence, content or results of any Arbitration hereunder without the prior written consent of both Parties.

15.6 Settlement Discussions. No statements of position or offers of settlement made in the course of the dispute process described in this Article 15 may be offered into evidence for any purpose in any litigation between the Parties, nor will any such statements or offers of settlement constitute an admission or waiver of rights by either Party in connection with any such litigation. At the request of either Party, any such statements and offers of settlement, and all copies thereof, shall be promptly returned to the Party providing the same.

ARTICLE 16: GENERAL AND MISCELLANEOUS

16.1 No Joint Venture. This Agreement is not intended to create a partnership, joint venture, or any other co-owned enterprise. Except as provided herein, each Party shall be responsible for its own operating expenses and personnel expenses.

16.2 Further Assurances Each Party, upon the reasonable request of the other Party, agrees to perform any further acts and execute and deliver any documents that may be necessary to carry out the intent and provisions hereof.

16.3 Assignment. Neither Party may assign this Agreement or its rights hereunder without the prior written consent of the other Party; provided, however, (a) Seller may, without the consent of Buyer (but without relieving Seller from any liability hereunder), transfer, sell, pledge, encumber or assign the accounts, revenues or proceeds hereof, but not delegate any of Seller's duties, as security to its financing providers and (b) Buyer may, without the consent of Seller (but without relieving Buyer from any liability hereunder), transfer, sell, pledge, encumber or assign this Agreement or portions thereof, to its Affiliates or ClimateSmart Charity and such assignee shall assume in a writing in favor of Seller the corresponding obligations of Buyer provided pursuant to such transfer, sale, pledge, encumbrance or assignment. Subject to the express requirements of Sections 4.13 and 4.16.9, nothing in this Agreement shall limit the right of Seller to sell the Premises to a third party and Seller shall provide Buyer with prior Notice of the consummation of any such sale.

16.4 Confidentiality. During the Delivery Term, subject to Sections 16.5 and 16.6, neither Party may disclose the non-public terms or conditions hereof to a third party other than (a) to the Parties' respective employees, directors, lenders, investors, new Project funders, counsel, accountants or advisors who have agreed to keep such terms confidential, or existing Project funders from whom Seller requests and agrees to use good faith efforts to obtain confidential treatment, (b) by Buyer to the ClimateSmartTM External Advisory Group, (c) by Seller to its Project Participants, (d) to the CCAR, CARB, CEC, or CPUC, or (e) in order to comply with any applicable Law or any rule, or order issued by a court or entity with competent jurisdiction over the disclosing Party ("Disclosing Party") or applicable regulation, rule, order or protocol requirement of the CCAR, CARB, CPUC, CEC, or FERC ("Disclosure Order"). In connection with a Disclosure Order, each Party shall, to the extent practicable, use reasonable

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efforts: (i) to notify the other Party prior to disclosing the confidential information and (ii) prevent or limit such disclosure. After using such reasonable efforts, the Disclosing Party shall not be: (x) prohibited from complying with a Disclosure Order or (y) liable to the other Party for monetary or other damages incurred in connection with the disclosure of the confidential information. Except as provided in the preceding sentence, the Parties shall be entitled to all remedies available at Law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.

16.5 ClimateSmart™ Promotion. Notwithstanding Section 16.4, during the Delivery Term, Buyer is expressly authorized hereunder to disclose (a) to CCAR or a Successor System, such matters as are required to be disclosed to it in order for Buyer to perform as required in accordance with the terms hereof, (b) to third parties, including any present or future registries or regulators of VERs, Seller's name and Project details, including location, Co-Benefits, Monitoring Plans and management practices, names of Approved Verifiers and estimated cost of the Project, and (c) to reputable carbon finance and forestry literature publications, the mechanism of the Forester's Opinion and other assurances to achieve Financial Additionality, so long as full reference to Seller as a collaborator and citation to Buyer's and Seller's roles with respect thereto is made. Seller will cooperate with efforts by Buyer to arrange tours of the Project during normal business hours or other times reasonably acceptable to Seller. Seller shall provide, or coordinate to provide, a tour guide for Project tours. Travel, lodging, meals, and other expenses are the responsibility of Buyer or the visiting parties. Seller shall provide Buyer access to the Project to take photographs, audio and video of the Project, and authorizes Buyer to use such photographs, audio or video in marketing or promotional materials of Buyer and Buyer's customers as Buyer may reasonably determine. Seller and Buyer shall cooperate in the development of a communication plan that will announce and provide to the public information concerning Seller, the Project and this Agreement, and the Parties shall work in good faith to ensure that their public communications conform with such plan. Neither Party shall make a public announcement or issue a press release with respect to this Agreement without the other Party's approval of the form and content thereof, provided, however, if the Parties have not agreed to a communication plan and made a public announcement within forty-five (45) days of the Effective Date, either Party may make such announcements as it deems appropriate provided that neither Party shall publicly deprecate, impugn or otherwise publish statements that could be reasonably construed to tend to defame or disparage the other, the Project or the ClimateSmart™ Program; provided that the foregoing will not limit any action or statement that either Party may take or make in connection with the exercise of dispute resolution pursuant to Article 15.

16.6 The Conservation Fund Promotion. Notwithstanding Section 16.4, during the Delivery Term, Seller is expressly authorized hereunder to disclose (a) to CCAR or a Successor System, such matters as are required in order for Seller to perform this Agreement, and (b) to third parties, including present or future registries or regulators of VERs, foundations, donors and public agencies providing funding for land conservation and related activities, Buyer's name and the Project details, including location, Co-Benefits, Monitoring Plans and management practices, names of Approved Verifiers and estimated cost of the Project, and (c) to reputable carbon finance and forestry literature publications, the mechanism of the Forester's Opinion and other assurances to achieve Financial Additionality, so long as full reference to Buyer as a collaborator and citation to Buyer's and Seller's roles with respect thereto is made.

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16.7 No Third-Party Beneficiaries. There are no intended third-party beneficiaries hereof, and the Parties do not intend to create or confer any right or interest in or to, or to grant any remedies to, any third party as a beneficiary hereof or of any duty, obligation, or undertaking established herein.

16.8 Survival Rights. This Agreement will continue in effect after termination to the extent necessary to allow or require either Party to fulfill rights or obligations that arose hereunder.

16.9 Waiver, Amendment. None of the terms or conditions hereof may be amended or waived except in a writing signed by the Parties. No waiver, amendment, or modification hereof may be established by conduct, custom, or course of dealing. The failure of a Party to require performance of any provision hereof will not limit such Party's right to seek such performance at a later time. A Party's waiver of its rights with respect to any Event of Default or any other matter arising in connection with this Agreement may not be considered a waiver with respect to any subsequent Event of Default or similar matter.

16.10 Severability. If any provision herein is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant hereof, and the Parties shall use their best efforts to modify this Agreement to give effect to the original intention of the Parties.

16.11 Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to its subject matter and supersedes any and all prior understandings, agreements, and memoranda of understanding.

16.12 Counterparts. This Agreement may be executed in one or more counterparts each of which shall be deemed an original and all of which together shall be deemed one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile will be deemed as effective delivery of an originally executed counterpart. Any Party delivering an executed counterpart of this Agreement by facsimile will also deliver an originally executed counterpart, but the failure of any Party to deliver an originally executed counterpart of this Agreement will not affect the validity or effectiveness of this Agreement.

ARTICLE 17: NOTICES

17.1 Notices. Whenever this Agreement requires or permits delivery of a "Notice" (or requires a Party to "notify"), the Party with such right or obligation shall provide a written communication ("Notice") in the manner specified herein. Notices are effective upon receipt. A Notice sent by facsimile transmission shall be deemed received on the Business Day on which such Notice was transmitted if received before 5:00 PM (and if received after 5:00 PM, on the next Business Day). Any Party may periodically change any address, phone number, or contact to which Notice is to be given it by providing Notice of such change to each other Party. If Seller has not provided Buyer an accurate, current address for notices, service upon the Secretary of State of California will constitute adequate notice for Notice and service of any legal process. Addresses for Notices are as follows:

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Buyer:

Pacific Gas and Electric Company
All Notices:
Delivery Address:
Street: 245 Market Street, Mail Code N12E
City: San Francisco, CA 94105-1702

Mailing Address:
P.O. Box 770000, Mail Code N12E
San Francisco, CA 94177
Attn: ClimateSmart™ Manager
Phone: (415) 973-2092
Facsimile: (415) 973-0230
Duns: 556650034
Federal Tax ID Number: 94-0742640

Invoices:
Pacific Gas and Electric Company
P.O. Box 770000, Mail Code N12E
San Francisco, CA 94177
Attn: ClimateSmart™ Manager
Phone: (415) 973-2092
Facsimile: (415) 973-0230

Payments:
Pacific Gas and Electric Company
P.O. Box 770000, Mail Code N12E
San Francisco, CA 94177
Attn: ClimateSmart™ Manager
Phone: (415) 973-2092
Facsimile: (415) 973-0230

Wire Transfer: Mellon Trust of New England, N.A.
ABA: 011001234
Acct: 059994

Credit and Collections: Attn: Credit Risk Management
Phone: (415) 972-5188
Facsimile: (415) 973-7301

With additional Notices
of Event of Default to Contract Manager:

Attn: ClimateSmart™ Manager

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Phone: (415) 973-2092
Facsimile: (415) 973-0230

and a copy to PG&E Law Department
Phone: (415) 973-4377
Facsimile: (415) 973-0516

Seller:

Seller: The Conservation Fund
1655 North Fort Myer Drive, Suite 1300
Arlington, Virginia 22209
Attn: Richard L. Erdmann, Esq.
Phone (703) 525-6300:
Facsimile: (703) 525-4610
Federal Tax ID Number: 52-1388917

Credit and Collections: Richard L. Erdmann, Esq.
Phone: (703) 525-6300
Facsimile: (703) 525-4610

With additional Notice
of Event of Default to: David L. Phillips, CFO
1655 North Fort Myer Drive, Suite 1300
Arlington, Virginia 22209
Phone (703) 525-6300:
Facsimile: (703) 525-4610

Wire Transfer:
WIRE TO: SunTrust Bank
7818 Parham Road
Richmond, VA 23294

CREDIT TO: The Conservation Fund

ACCOUNT NO: 202132617
ABA NO: 061000104

WIRE ADVICE TO: David Phillips or Michael Cox of The Conservation Fund
Accounting Department at (703) 525-6300, with reference to the Fund's file or account
name.

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**ARTICLE 18:
EXECUTION**

In WITNESS WHEREOF, each Party has caused this Agreement to be duly executed by its authorized representative as of the Effective Date set forth on the cover page.

Exhibit A

**BILL OF SALE AND VERIFIED EMISSION REDUCTION
ATTESTATION FORM**

Project Information

Company Name

("Seller"):

The Conservation Fund

Address of Project:

Contact Person:

Telephone:

Fax:

Protocol (forest,
methane, etc):

Project Attestation No.:

Capacity (MW) (if
applicable)

Date Project was

1st Operational (mm/yy)

Project Name	VERs (mtCO2e)	Reporting Year
Garcia River Forest		

Bill of Sale

Pursuant to that Verified Emission Reduction Purchase and Sale Agreement dated as of February __, 2008 by and between Seller and PG&E, as the same shall be modified from time to time (the "VERPSA"), Seller hereby sells, transfers and conveys to PG&E all right title and interest to the above VERs. Capitalized terms not define herein have the meaning given them in the VERPSA.

THE CONSERVATION FUND

By

Date

Printed Name

Title

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Declaration

I, (print name and title) _____, declare that the Verified Emissions Reductions listed above were sold exclusively by Seller to PG&E.

I further declare that:

- 1) the Project Verified Emissions Reductions listed above have been validated and verified, respectively, according to CCAR Protocols by an Approved Verifier pursuant to the Verified Emissions Reduction Purchase Agreement in place between the parties and all the Verified Emissions Reductions, the requirements of which Seller authorizes PG&E to disclose to third parties;
- 2) the Project Verified Emissions Reductions listed above were not sold to, and, to the best of Seller's knowledge, are not claimed by, a third party;
- 3) Seller sold the Project Verified Emissions Reductions only once, to PG&E;
- 4) Seller has all right, title and interest to the Project Verified Emissions Reductions listed above and the associated Reporting Rights, free and clear of all liens, taxes, claims, security interests, or other encumbrances;
- 5) the Project Verified Emissions Reductions were not used to meet any international federal, state or local requirement of any kind, or any emissions program, reporting, or requirements by Seller, nor to the best of my knowledge, by any other entity;

Seller's representations and warranties set forth in that certain Verified Emissions Reduction Purchase Agreement between Seller and PG&E remain true and correct, and Seller authorized PG&E to advise third parties of those representations and warranties;

As an authorized agent of Seller, I attest that the above statements are true and correct.

Signature _____ Date _____

Printed Name _____

Place of Execution _____

Exhibit B

DESCRIPTION OF PROJECT AND PREMISES

The project (the "Project") is the implementation since January 1, 2007 of those forest management activities, policies and practices generally described in the Garcia River Forest Integrated Resource Management Plan (including, without limitation, the selective harvest, thinning and replanting of trees to improve growth, value, health, habitat, quality, sustainability, timber inventory and diversity characteristics) pre-funded or funded in part by proceeds of sales of GHG Emission Reductions to Buyer under its ClimateSmart program. These activities, policies and practices are designed to restore and protect a natural coastal California ecosystem and demonstrate the forest can be returned to sustainable timber production and to increase carbon sequestration. The premises on which the Project is located (the "Premises") is the forest known as the Garcia River Forest and is located in the coastal mountain range of southwestern Mendocino County, California, closest to the towns of Boonville to the east and Point Arena and Manchester to the west. The general location is longitude 123 degrees 44'W and latitude 38 degrees 56'N, approximately 120 miles north of San Francisco and 40 miles south of Fort Bragg. The Project Site is contained within three 7.5-minute USGS quad maps: Zeni Ridge, McGuire Ridge, and Eureka Hill. The Property is located within the central portion of the Garcia River watershed, encompassing approximately one-third of the entire 73,223-acre Garcia River watershed; it includes 70 percent of the North Fork Garcia River, over seven miles of Garcia River mainstream, 85 percent of the Signal Creek watershed, 82 percent of the Inman Creek watershed, and the majority of Blue Waterhole Creek West. The Project Premises encompasses approximately 23,780 acres. A copy of the Garcia River Forest Integrated Resource Management Plan is available online at <http://conserveonline.org/workspaces/GRF/planningdocs/IRMP>.

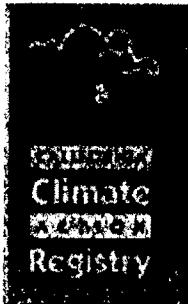
Exhibit C

SCHEDULE OF VERS DELIVERIES

<u>Reporting Year</u>	<u>Annual Amount</u>	<u>Price</u>	<u>Projected Project Reductions</u>
2008	40,000	\$8.00	88,000 mtCO2e
2009	40,000	\$9.00	88,000 mtCO2e
2010	40,000	\$10.00	88,000 mtCO2e
2011	40,000	\$11.00	88,000 mtCO2e
2012	40,000	\$12.00	88,000 mtCO2e

Exhibit 4.1

Project Pre-Screening Worksheet for 2006



PROJECT PRE-SCREENING WORKSHEET

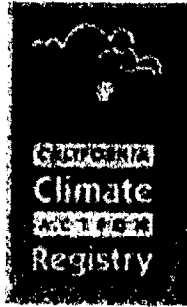
(Optional—to be completed before initiation/registration of project)

All information in this report will be publicly available.

For Registry pre-screening, please provide a summary of your project information, as requested below. More detailed information of the required criteria are provided in parts II and III of the Protocol. You may write directly on this form and submit the completed version to the Registry. Or, if you need additional space, you may transfer this outline to another document to draft your summary, so long as the same format is used and all of the required criteria outlined below are addressed (as well as any optional criteria you choose to include). Once the summary is complete, please submit the draft and any necessary attachments to the Registry for pre -screening.

If you don't set an entity baseline presumption will be that leakage occurs anytime you have a decrease in stocks... any activity-shifting leakage must be deducted from your project emissions. (repeat a similar comment in Entity forms)

**To be updated once the Project Summary
Worksheet is finalized**



PROJECT SUMMARY WORKSHEET

All information in this report will be publicly available.

This project summary must be submitted to the Registry and Certifier in the first year of reporting at the time of certification. In some cases, it may be necessary to update parts of the Project Summary Worksheet in subsequent years.

If you have already submitted a pre-screening worksheet and none of the information in the worksheet has changed since its submission the Registry, you may provide this worksheet in lieu of Section I. However, you must fill out the remainder of the project summary information, starting with Section II.

Name of Entity:	The Conservation Fund
Name of person completing summary:	Evan Smith
Telephone	(503)407-0301
Email:	esmith@conservationfund.org
Address:	The Conservation Fund, 14951 "A" Caspar Road, Box 50, Caspar, CA 95420
Date of initial reporting year:	2004
Date Forest Entity Description submitted to Registry:	July, 2005
<i>If different than above:</i>	
Project start date (month/year)	Feb, 2004
Project end date (month/year) (expected)*	July, 2104
Project Developer Name:	Evan Smith
Title:	Forestry Projects Director
Telephone number:	(503)407-0301
Email:	esmith@conservationfund.org
Project Mailing address:	The Conservation Fund, 14951 "A" Caspar Road, Box 50, Caspar, CA 95420
Relationship to Entity:	Employee
Geographic scope of your report:	California <i>(Only California projects may be registered)</i>

**For consistency with entity reporting requirements a 100-year project lifetime is recommended.*

Section I. Project Description

1. Ownership Summary

a. List the fee title owners of this land:

Names on Fee Title Record	% of timber ownersh	Management role
The Conservation Fund	100	All Management Oversight

**If ownership < 100%, list other owners and their respective ownership (%)*

If more than one name is listed on the fee title, what is the ownership structure?

Individual

Corporation

Partnership Identify each partner, its equity share, and role in the forest management below.

b. Who has legal right to the timber on this land? The Conservation Fund **Note: In order to report this information, you must have legal ownership of the timber.**

2. Organizational Boundaries

Are you reporting by:

Equity Share *It is strongly recommended that you report according to your equity share.*

Management *If you do not have management control, you cannot report emissions control from your biological inventory.*

a. If you are reporting by Management Control, under what financial or operational control criteria can your organization establish Management control?

Your organization wholly owns the forest operation, forest lands or timber Your organization considers the forest land to be, for the purposes of financial accounting, a group company or

subsidiary, and consolidates its financial accounts in your organization's financial statements

The financial policies of this forest operation are governed by your organization through a statute, agreement or contract

Your organization retains the rights to the majority of the economic benefits and/or financial risks from this forest operation or facility that is part of a joint venture or

partnership (incorporated or unincorporated), however these rights are conveyed. Your organization has the full authority to introduce and implement operational and health, safety and environmental policies

Your organization casts the majority of votes at a meeting of the board of directors Your organization has the right to appoint/remove a majority of the members of the

board

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3. Please list any other external programs with which you will be registering this project's GHG reductions:

- Chicago Climate Exchange
- US DOE 1605(b)
- Other

4. Have all or part of the GHG reductions resulting from the project been sold or will any part of the GHG reductions be sold or transferred to another party? If so, list the transferee, and the amount and date of transfer.

Transferee	Date of Transfer	Metric tons of CO ₂ Transferred
Unknown	Unknown	

5. Please specify your forest project type: (See Part II. A for additional information)

- a. Conservation-based forest management
- b. Reforestation
- c. Conservation

7. Physical description of forest project area

Please provide a map that demonstrates all of the required elements (a-f) listed below. You may choose to provide additional maps demonstrating elements (g-i), where these are relevant to your project and may assist with certification.

See attached maps.

Elements to be included in each map:

- a. Latitude/longitude, legal land description or USGS public land survey (township range & section)
- b. Topograph
- c. Major transportation systems used throughout the year by the public or land owner (private and public permanent roads)
- d. Permanently flowing watercourses
- e. Forest entity property boundaries
- f. Existing land cover, by broad vegetative communities (e.g., oak woodlands, conifer, hard wood, chaparral)

Optional elements you may choose to report in additional maps:

- g. More refined description of forest strata (species by size class, density and age, if available)
- h. Site Classes, with productivity expressed as height capability over time
- i. Wildlife Habitat Relationship (WHR) Classes

8. *Optional:* Please provide a description of the project's local environmental benefits (e.g. water quality, biodiversity, habitat etc.)

Beneficial uses of the Garcia River listed by the North Coast Regional Water Quality Control Board (NCRWQCB) include:

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- Commercial and sport fishing
- Cold freshwater habitat
- Wildlife management
- Migration of aquatic organisms
- Spawning, reproduction, and early development of anadromous fish; and
- Estuarine habitat.

The Garcia River remains a strong producer of steelhead trout, and sport fishing on the river is still a contributor to the local economy. As the river progresses in its recovery, restoration of coho salmon habitat in some parts of the basin is anticipated within a decade. Low numbers of coho have been detected in Brush Creek, Fleming Creek, South Fork Garcia, Signal Creek and the North Fork Garcia River in recent times (Bell 2003, California Department of Fish and Game [CDFG] 2003).

The Garcia River Forest Conservation Easement states that the conservation values of the property include (but are not necessarily limited to) habitats essential to maintaining various natural communities of sensitive, rare, and/or endangered plant and animal species. The protection of the property will also help to: support many other non-listed plant and animal species which are dependent on the water sources, nesting habitat, and food sources found on the property; enhance connectivity for wildlife, including anadromous salmonids; and ensure that this area and its existing features will continue to be available for its natural habitat values. The conservation values of the property also include the significant public benefits of preserving open space from development and providing protection for scenic qualities unique to the area.

Specific natural communities at the Garcia River Forest include Redwood, Douglas-fir, Coastal Oak Woodland, Montane Hardwood, Mixed Chaparral, Coastal Scrub and Grasslands. Specific ecosystem conservation targets include neotropical migratory birds, anadromous fish, riparian forests, intermittent and perennial streams and other wetland features, including seeps and springs.

Furthermore, by limiting vineyard development and logging, water quality will be improved in this drainage basin. Specifically, the sediment load and temperature of the watercourses fed by springs in this property or passing through this property should be reduced. Additionally, any chemical fertilizers or pesticides that would have entered the watershed as a result of viticulture or intensive timber management will be avoided.

9. Permanence and Environmental Integrity

- a. What is the date of easement execution and county in which easement was recorded? (a copy of the easement will also be reviewed by the certifier)

February 4th, 2004, Mendocino County, CA

- b. How do the terms of the easement conform with Section 42823 of the California Public Health and Safety Code (or Section 170(h)(4) (A)(ii) and (iii) of Title 26 of the United States Code¹) and support the project activity? Specifically, how does the easement address natural forest management, native species, and exceed mandatory law?

¹ Section 170(h)(4) (A) (ii) the protection of a relatively natural habitat of fish, wildlife, or plants, or similar ecosystem

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The conservation easement, section 4(c) states that all forests must be certified according to both the Forest Stewardship Council (FSC) forest management certification program and the Sustainable Forestry Initiative (SFI) standards within five years of initiating harvest. Both of these standards exceed federal, state, and local land use laws and regulations.² Additionally, the conservation easement conforms to the requirements listed in Section 1 70(h)(4)(A)(ii) and (iii) of Title 26 of the United States Code. Please see section 2b(6) of this document for a complete account.

Section 4(b and c) of the conservation easement states that all forest management be undertaken to maintain and restore the complex native coastal redwood ecosystem. This includes b) Respectfully maintain the vegetative diversity of the Property by maintaining Oak Woodlands and Serpentine Grasslands as designated in a map in the Easement Documentation Report and by not seeking to completely exclude native hardwoods from sites managed for conifer growth and harvest; c) Conserve and improve the habitat conditions for Northern spotted owl, marbled murrelet, coho salmon, and steelhead trout by increasing the forest inventory, late seral conditions, including large trees, structural diversity, high canopy closure and the maturity of the riparian forests.

Additionally, the easement purpose (section 1, a and b) states, "Grantor and Grantee intend that the Property be managed and maintained by Grantor, and by Grantor's successors and assigns to enhance, restore and maintain in perpetuity the Conservation Values of the Property, including its complex native forest ecosystem, to: a) Restore and protect a productive and relatively natural coastal California forest ecosystem; b) Protect fish and wildlife habitat associated with this ecosystem, in particular the oak woodlands, serpentine grasslands, and redwood-Douglas-fir, forest, and spawning habitat for coho salmon and steelhead trout.

- c. Please list the native tree species that comprise the project area currently and how the species mix generally will or will not change over the course of the project. (Forest management, reforestation, etc.)

Common Name	Scientific Name
Big Leaf Maple	<i>Acer macrophyllum</i>
California Buckeye	<i>Aesculus californica</i>
Madrone	<i>Arbutus menziesii</i>
California Hazelnut	<i>Corylus cornuta var. californica</i>
Tan Oak	<i>Lithocarpus densiflorus</i>
Sugar Pine	<i>Pinus lambertiana</i>
Douglas Fir	<i>Pseudotsuga menziesii</i>
True Scrub Oak	<i>Quercus berberidifolia</i>

(iii) the preservation of open space where such preservation is for the scenic enjoyment of the general public or pursuant to a clearly delineated Federal, State or local governmental conservation policy, and will yield a significant public benefit.

² See Pacific Coast (USA) Regional Forest Stewardship Standard Version 7.9 (Approved by FSC-US Board 12 August 2002; Accredited by FSC International, 26 July 2003) and the 2002-2004 Edition SFI Standard (Adopted by the Sustainable Forestry Board, December, 2001, and amended, June 2002.

Canvon Live Oak	<i>Quercus chrysolepis</i>
Oregon White Oak	<i>Quercus garryana</i>
California Black Oak	<i>Quercus kelloggii</i>
Interior Live Oak	<i>Quercus wislizenii</i>
Coast Redwood	<i>Sequoia sempervirens</i>
California Bay	<i>Umbellularia californica</i>
California Torreya	<i>Torreya californica</i>

As discussed above in reference to Section 42823, part d (4 and 5) of the California Public Health and Safety Code, the conservation easement on this property explicitly outlines that native forest types are to be restored and/or maintained. The easement allows only those forest management activities that “are consistent with the Performance Goal above and the other terms of this Paragraph 4.” The performance goals and the rest of the material in paragraph 4 are discussed above. In addition to this, section 4 (h and i) of the conservation easement discuss fire management and herbicide use on this property.

(h) Fire management. Fire is recognized to be an infrequent but natural part of the California coastal forest ecosystem. Therefore fire management activities, including suppression or prescribed burning, may be permitted under this Easement by the Grantee for the purposes of achieving the Performance Goal. Copies of any relevant or required permits shall be furnished by Grantor to Grantee prior to fire management activities.

(i). Herbicides. Herbicides may only be used for control of non-native invasive species or to accelerate conifer competitiveness by reducing (but not excluding) hardwood or brush competition on sites that have desirable conifer regeneration already present and that were likely to have historically been dominated by conifers. Herbicides may only be used in oak woodlands to protect or maintain the oak woodland characteristics.

d. If your project is conservation-based forest management, please describe how your project meets the natural forest management criteria (fire hazard, drought, over- or under-stocked) to promote and maintain native forests comprised of multiple ages and mixed native species in the overstory and understory:

See above 9b and 9c.

Section II: Project Baseline and Additionality Analysis

Refer to Part 1, Sections F-G of the Forest Project Protocol, page 57-63. Please answer (A), and then complete the appropriate section, based on the project type indicated in question #6.

A. All Projects

i. Project Goals: What are the GHG reductions you expect to achieve and over what time period? Please demonstrate this with a graph showing the project’s estimated stocks over the project lifetime. *Optional: To be consistent with your entity reporting, we recommend demonstrating a 100-year plan.*

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After 100 years of growth, the Garcia River Forest (GRF) will store a total of 2,262,894.3 metric tonnes of C. After subtracting the baseline forest management scenario, the additional carbon stored in this forest as a result of The Conservation Fund's (TCF) management would be approximately 1,135,118 Mg of C (or 4,161,343 Mg of CO₂). Applying the 10% uncertainty deductions to this outcome, over 100 years (2004 to 2104) the GRF will have 3,745,208.7 Mg of certifiable CO₂e offsets.

Figure 1: Total Carbon Over Time

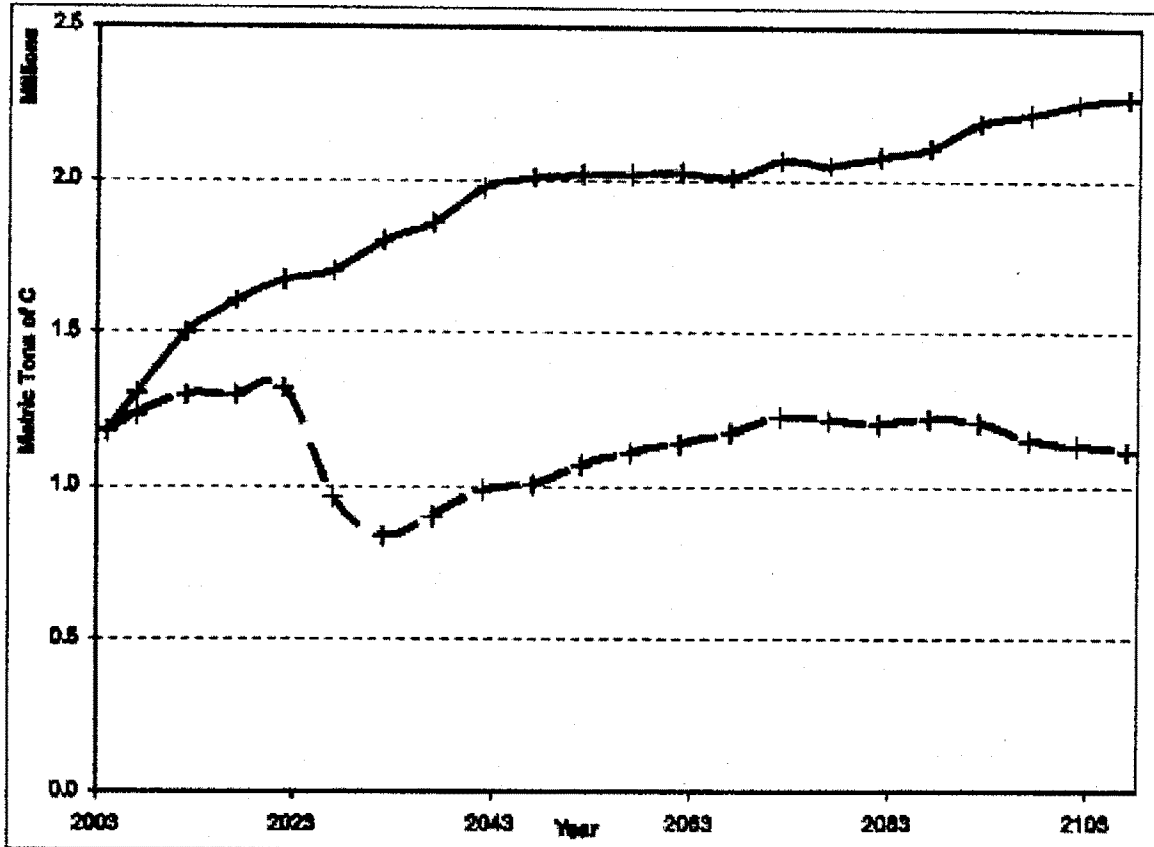
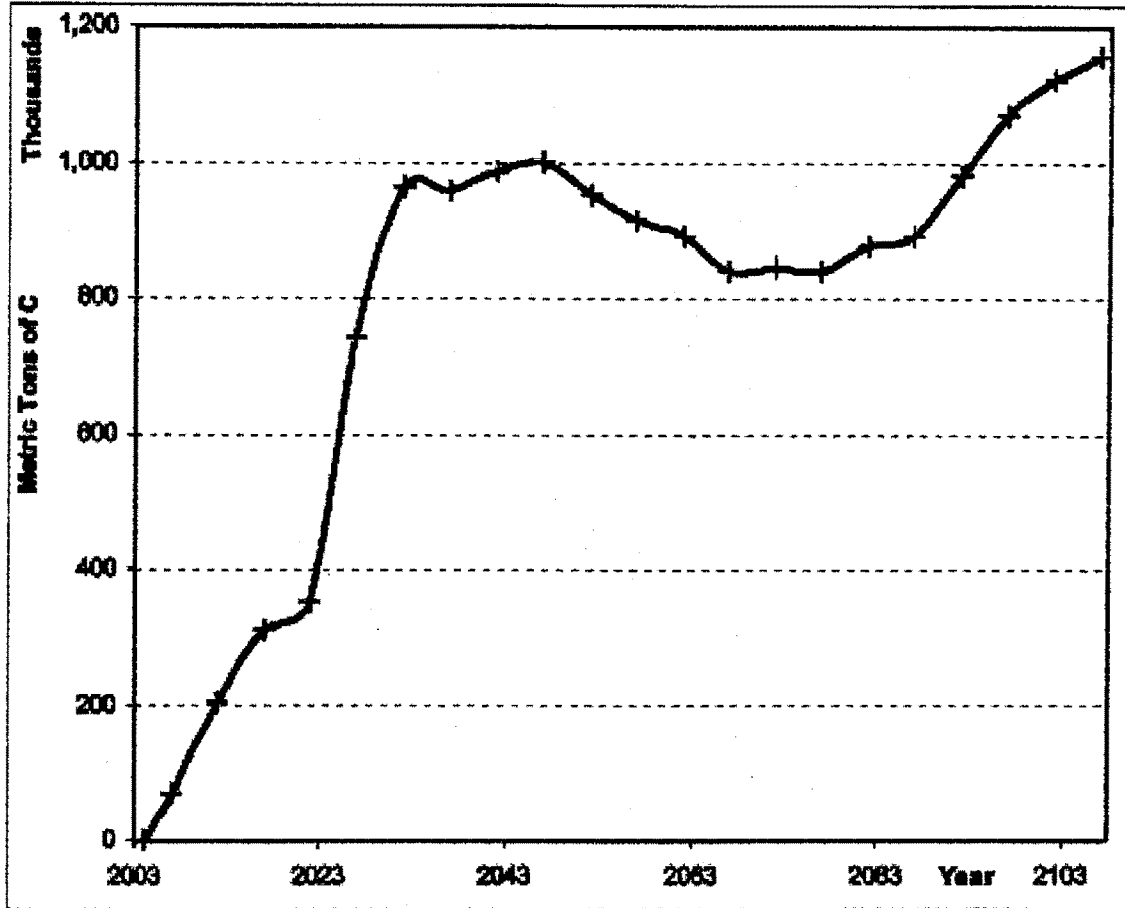


Figure 2: Project Activity Carbon (Mg of C)



ii. Project Additionality: How will your project provide carbon stocks additional to the baseline over time?

Figure 2 above shows the additional carbon stored in forest over time as a result of TCF management. Under the California Forest practice Rules, TCF is allowed to manage this forest resulting in the dashed red line (see below for a more complete description of the baseline characterization and the assumptions that underlie this baseline). Because TCF is using selection harvests as opposed to even aged management and increasing the forest inventory, more carbon is retained in this forest than would be required by law.

iii. Graph: Please provide a project baseline projection in graph form depicting your project baseline as carbon stocks over the course of the project's lifetime.

See figure 1 above. This graph is generated by tracking all stands using the Forest Projection and Planning Systems (FPS) software.

iv. Sampling Methodology: Please describe your sampling methodology here (see Part III, Section D: About Forest Inventories for guidance)

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Estimating the harvestable volume or the carbon found in a forest requires an accurate sampling of the trees found in that forest. The Garcia River Forest (GRF) has been sampled several times by different groups. Although the data collected and the sampling procedures used are not the same across these different inventories, they all can be used to increase our understanding of the current state of the GRF and provide a basis for future projections of forest growth and yield.

Table 1 outlines the inventory data and some important attributes of this data. Figure 3 shows all of the plots by type within stands color coded by strata.

Inventory	Year	Sampling Entity	# of Plots	sampling methodology	unique data collected / missing data
Permanent Plots	2005	NCRM	44	1/5 (16m) acre fixed radii for trees >10' 1/250 acre understory veg plot	some snag or down dead data however, these are remeasurements of existing plots and provide growth rate info, no age data, live crown ratio
TNC/UCB Cruise	2005	TNC/UCBerkeley	28	1 central 17.95m radii plot central plot 3 satellite plots 4 subplots 7.32m radii for small trees 1 central microplot 2.07m radius for shrubs 17.95m line transect for dwd and shrubs	crown diameter, height below live crown, total height no age data taken
Terra Verde Cruise	2005	Terra Verde	833	20, 27.78, or 33.61 BAF variable radius prism cruises 11.78' fixed radius ingrowth plot 100 ft line transect for dwd	age data for some trees
Pioneer Cruise	1999 and 2000	Olympic Resource Management	2443	20 BAF cruise with 1/250th acre fixed area regeneration plot	LCR, total height

Table 1: Inventory Summary

Permanent Plots:

This description is taken from Evan Smith's Forest Inventory and Analysis Summary document from September 16, 2005.

A system of 56 permanent plots were established by Coastal Forest Lands in 1994-5, using 1/5 acre fixed radius plots with all conifers greater than 10" dbh tagged and a 1/250th acre understory vegetation plot. Because the distribution was randomized across the entire Longview property, their distribution is not necessarily representative of the Garcia River Forest. 44 plots were remeasured by NCRM in 2005, which included tagging the hardwoods greater than 10" dbh. Unfortunately information on snags and down material was not collected in this re-measurement (but will be in the future). Some plots were not re-measured because they were identified as too close to a road, were too repetitive within a small geographic area, or could not be found. The permanent plot network can be used to evaluate and/or calibrate growth models but their volumes should not be assumed to be representative of the property.

For the 2005 remeasurement, DBH, total height, and live crown ratio were measured for trees greater than 10.5 inches within the 1/5 acre fixed area plot. A 1/50th acre fixed area plot was used to measure all trees between 3.5 and 10.4 inches DBH. In some cases, a 1/250th of an acre fixed plot was used to measure lesser vegetation and regeneration. Merchantable height was measured by the cruiser on the tree at diameter inside bark of 6 inches. This information was

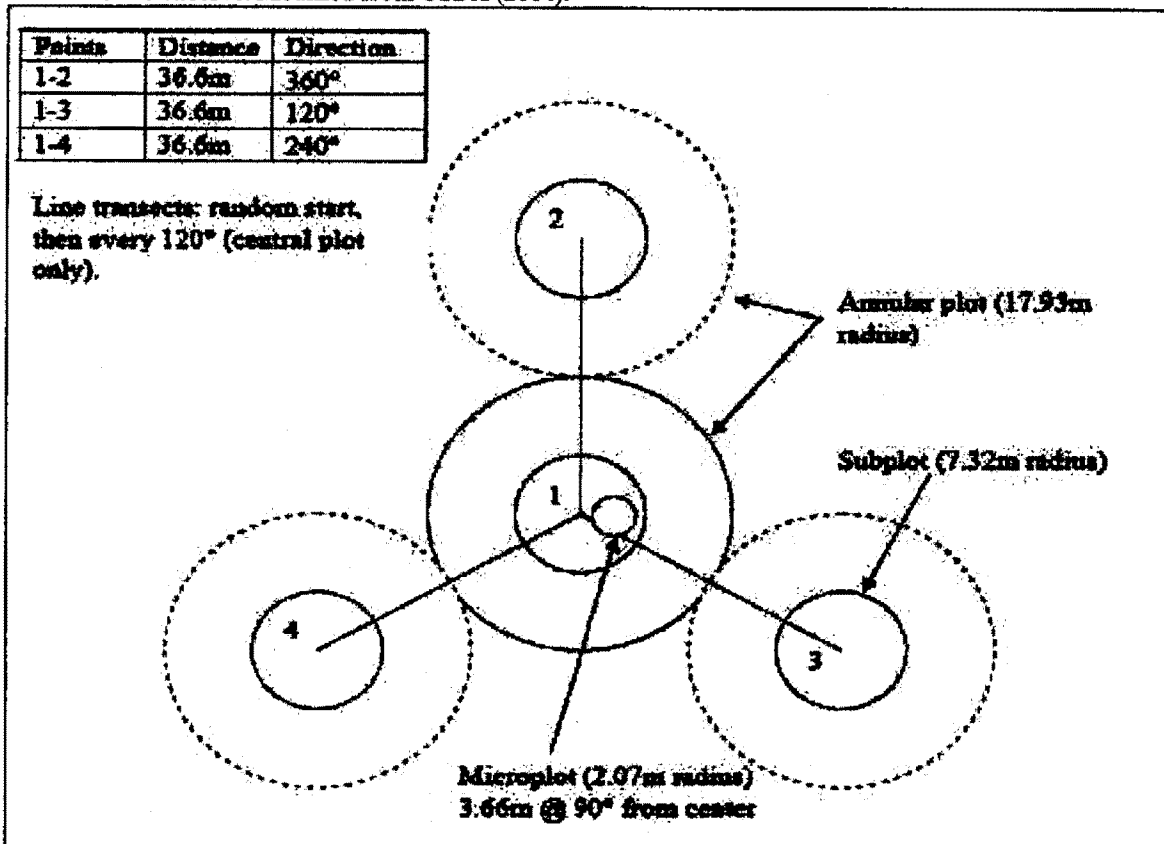
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used as taper height and a taper diameter of 7 inches was used to account for bark thickness as FPS accepts a taper diameter outside of bark.

Gonzalez Cruise:

This information is taken from the Waring et al. document describing the results of the sampling and remote estimates of forest carbon in a portion of the GRF (Forest carbon and climate change in the Coast Range of California, September 21, 2006). This research was conducted in collaboration with The Nature Conservancy, TCF, and several scientists. One goal of this research was to determine if LIDAR or Quickbird data could be used in conjunction with ground data to generate accurate and reliable estimates of aboveground biomass. These plots only occur in the southeast portion of the GRF.

Figure 3. Plot design for forest inventory plots in the Garcia River Forest carbon area and Mailliard State Reserve. Modified from USDA (2004).



The ground data collected used a modified version of the USFS Forest Inventory and Analysis plot design that consists of one central plot with three satellite plots around the central plot. Figure 1 shows the plot design of this sampling. All trees greater than 12.5cm (~4.9 in) DBH were recorded in either the annular plot or the subplot data.

Terra Verde Cruise:

This description is taken from Evan Smith's Forest Inventory and Analysis Summary document from September 16, 2005.

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Inventory layout

Twenty-three stands covering 5125 acres were randomly selected for sampling based on their size and type. In order to most efficiently generate new inventory information relevant to our operations, a couple of constraints were used in selecting stands for cruising. We required stands that had been treated with herbicide to be sampled (since the old data would not capture that). In addition we required that three stands (# 43, 72, 166) that were well-sampled in the 1999-2000 cruise to be sampled in this effort so we can informally assess the accuracy of the old data. In addition we directed TerraVerde to not sample stands that are oak woodlands, grasslands, less than 20% conifer, or within 200' of Class 1 streams. We decided to not install plots within 200' of Class 1 streams because we anticipated that those acres would be included in the ecological reserve and would see only incidental timber harvesting and we did not want to inflate the estimates of operable volume in the stand with the higher volume riparian areas. Within stands sampled there was approximately 1 plot for every 5 acres (most plots were on a 6 chain by 8 chain grid), unless the stand was less than 30 acres. Each plot center is marked with a numbered plastic stake and identified with flagging (this adds minor expense but was necessary to meet the carbon registry guidelines). The cruisers were able to collect GPS locations for most of the plots.

Plot measurements

The cruise specifications are summarized below. There are two types of plots—measure plots and count plots. The measure plots provide height and volume information while the count plots only provide diameter information. This is a streamlined way to collect information across a large area because it efficiently generates a very good sense of the variability within a stand. Both are variable radius plots (typically 20 square foot basal area factor). On measure plots each “in” tree is measured for diameter, total height, taper height, live crown ratio, damage and defect. For hardwoods and trees less than 5” dbh, heights are visually estimated (not precisely measured). On count plots, only diameter is measured. On both types of plots there is also a nested 1/10 acre fixed area plot for assessing understory conditions and snags and a 1/100 acre fixed area plot for assessing regeneration. Down woody debris is measured on transects between points (and is converted to pieces per acre) with detail on diameter, length, and decay state. In addition, information was collected on one site tree per measure plot.

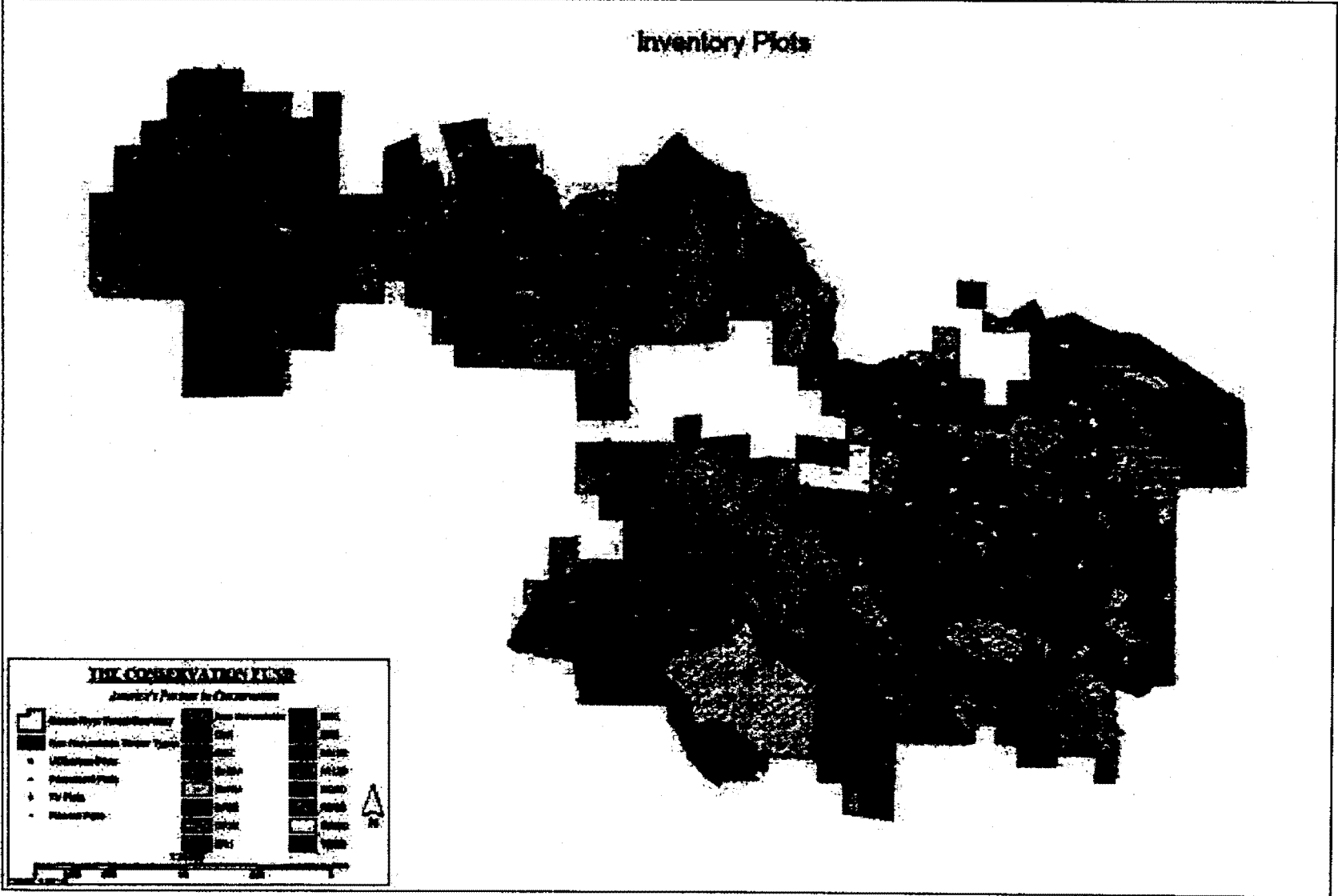
Pioneer Cruise

In 1999 and 2000 Pioneer Resources collected data on over 2000 plots across the entire GRF ownership. This cruise was part of a larger cruise that covered close to 70,000 acres over the entire Longview ownership. This ownership was later subdivided and one piece of this is now the GRF. The Pioneer 1999 cruise was done by Olympic Resource Management (ORM) and they installed 2410 plots across the Longview property (approximately 997 plots on GRF) using a systematic grid consisting of cruise lines running north-south and located approximately one mile apart, with 2.5 chains between plots. These were variable radius plots using a 20-factor prism and a 1/250th acre subplot. In 2000, ORM installed another 2986 plots across Longview (approximately 1235 plots on GRF) clustered in specific strata to improve the statistical accuracy of the strata-level calculations. These were variable radius plots using a 20-factor prism and a 1/250th acre subplot. For the carbon work on the GRF, these plots were used primarily in hardwood strata that was underrepresented by the 2004 cruises and only 568 of these plots were used (the balance of the plots were not included in this analysis). These stands will be selected for re-measurement in the future.

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In conclusion, the strata sampled represent a total of 22,583 acres and the stands sampled sum to 14,893 acres out of a total of 23,781 acres. That represents 95% of the strata and 63% of the total area sampled. The inventory had an overall carbon sampling accuracy of 9% at the 90% confidence level weighted by the area of each strata.

Figure 4: Plot locations by plot type with stands colored by strata



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1. Add itionality will be specific to each project type (legal analysis)
2. threat is unique to conservation/reforestation
3. management only uses Forest Practices Rules for baseline (legal analysis)

A. Conservation-based forest management projects:

i. Baseline characterization: Provide a qualitative description of your baseline characterization including: 1) its duration; 2) practices that will occur in the baseline over the baseline duration and 3) the assumptions that underlie this baseline characterization

Under the baseline management, all forested stands outside of required buffers will be harvested. The non-harvestable area within any given stand based on the water courses, sensitive species occurrences, and mass-wasting sensitivity zones will all be removed as described above in the buffer area description and assumptions section. These buffers are no-cut buffers and no harvest will be modeled in these areas. In order to model the growth in these areas, the entire property will be modeled in a no cut management regime and the projected growth will only be applied to the acreage in the buffered areas by stand and strata.

The management of the non-buffered areas will initially be a clearcut management regime that cuts approximately 1/27th of the total available acreage every year for the next 27 years until the entire forested area of the property has been cut. The 1/27th will not be an exact acreage amount but will serve as a guide. Harvest will occur on a stand by stand basis based on the age of the stands. The oldest stands will be cut first insuring that over a 27 year period only those stands that are at least 60 years old will be cut.

This clearcut harvest will be modeled to retain 15 ft² of basal area to meet CA FPR requirements for protection of Class III watercourses and retention of wildlife trees. The 15 ft² of basal area retention will be distributed across all size classes and species. This initial even-aged harvest will be followed by a series of selection harvests designed to meet the "transition" and "selection" prescriptions under the FPR. The first stand re-entry for the transition management will occur no less than twenty years after the initial harvest followed by another transition harvest no less than 10 years later. The transition thinning will be a thin from below to a BA target of 60 ft² per acre to insure that at least 15 ft² of BA are trees larger than 12 inches DBH. 20 years after the second transition entry, stands will be re-entered for a selection harvest. The first entry will be a thin from below to a target BA of 85 ft² per acre. Re-entries will then occur every ten years and will thin from above from above to a minimum DBH of 20 inches with a BA target of 85 ft². Both types of selection entries are designed to provide for the minimum stocking (including 15 square feet of trees over 18") requirements of the California Forest Practice Rules.

ii. Scope of legal analysis: Please cite the laws, regulations and rules that support your baseline characterization. In addition, list any other laws and regulations that you considered, or describe any legal analysis you conducted, when identifying the statutes and regulations to support your baseline characterization.

The legal basis for the regulations that guide the baseline analysis is found in the ZBerg-Nejedly Forest Practice Act of 1973. Specific regulations are pursuant to the California Public Resources Code –Section 4511 et sec., and include:

- Section 913.11(c)(1)
- Section 913.1

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- Section 916.5
- Section 919.9

Section III: Leakage and Other Effects

10. Please complete and attach your project's Initial Leakage Assessment form.

11. How does your project design address mitigation of activity-shifting or market leakage?

The primary activity-shifting leakage concern for GRF would be if The Conservation Fund (TCF) increased harvest levels on other TCF properties to offset reduced harvest levels on the GRF. The Conservation Fund pledges to not engage in activity-shifting leakage. Furthermore, there is no reason for activity-shifting leakage to occur (because the revenues are tied to specific properties and shared with outside parties) and it would be very obvious if it did occur (because both our intended and actual annual harvest volumes are publicly available and subject to independent review by our forest management auditors). If, for some reason, activity-shifting leakage did occur, it would be easily remedied over the next year or two by reversing the change in harvest volumes to result in the original net emission reductions. Thus, activity-shifting leakage is highly unlikely and would be readily apparent and easily remedied.

Market-shifting leakage, because it occurs beyond the scope of the project manager is more difficult to assess and control. The primary market-shifting leakage concern for GRF would be if, because of an increase in log prices due to TCF's harvest restrictions, other landowners increased their harvest levels or consumers chose substitute materials with higher carbon emissions (tropical hardwoods). The likelihood of this is infinitesimal for two reasons. First, the annual harvest volume of the GRF is less than one percent of the annual harvest volume for the county, and thus represents such a small portion of the supply as to be irrelevant. Second, should the reduction in county supply because of the GRF be noticed by the mills or other landowners, there is no motivation for other landowners to increase harvest volume because supply and price are highly unrelated in Mendocino County. Timber harvest is constrained by over a dozen sets of state and federal regulations, requires 6-12 months of planning, and is subject to an inconsistent supply of contractors, and thus, supply is governed by many things in addition to price. Because of these pressures and constraints, Mendocino log markets can be characterized as highly inelastic; in short prices do not increase when supply decreases and supply does not increase when prices increases. Local prices and supply are likely more directly-related in the long-term, but in the short-term markets are more immediately influenced by stochastic factors such as private landowner needs, weather, environmental regulations, and the management of Jackson Demonstration State Forest. At the county level, there is very little explainable correlation between harvest volumes and price. At the state level a more linear pattern emerges, but is far from rational, and because of the increased cost of transporting logs long distances, it is irrelevant to the GRF.

If market-shifting leakage were to occur despite the miniscule contribution of the GRF and the chaotic market behavior, it would be near impossible to identify at a local level and completely undetectable at a state level. In the highly unlikely event that market-shifting leakage did occur it also would be very difficult to influence and/or remedy without governmental intervention

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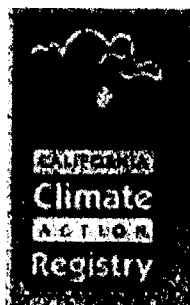
(also unlikely). Thus, market-shifting leakage is highly unlikely and would be virtually undetectable and difficult to remedy. Additionally, any market-shifting leakage would only be short-term because the carbon sequestration-oriented management of the Garcia River Forest will increase available timber in the long-term, thus reversing any short-term market impacts.

12. Based on your ownership, please identify the types of non-biological emissions that are or would be associated with your project (e.g. logging trucks, harvesting equipment) *For more information, refer to FPP, Part 2 Section H. (These emissions may also be quantified in your entity report but are also provided here for transparency)*

Mobile Combustion (logging trucks, harvesting equipment, etc.)
Please describe: We anticipate using logging trucks and chainsaws

Stationary Combustion (generators, turbines, etc.)
Please describe: _____

Indirect Emissions (electricity, heat or steam purchases)
Please describe: _____



INITIAL LEAKAGE ASSESSMENT

To be completed with initial registration of project with Registry **All information in this report will be publicly available.**

Project Name: The Garcia River Forest Project
Entity Name: The Conservation Fund
Project Developers: Evan Smith
Project Lifetime: 100 years

Please use this worksheet as a guide for completing your Initial Leakage Assessment. You may need to consult the Forest Project Protocol for details about the information this form requires. Use additional space or attachments as required.

For each forest project, please answer the following questions:

1. Activity-Shifting Leakage (Required)

- a. Do you expect your organization's biological forest carbon stocks outside of the forest project boundary, but inside your forest entity boundaries, to change as a direct result of the forest project? If yes, please explain. no
- b. Are you planning to establish/have you established an entity baseline? If not, how do you plan to demonstrate that any decrease in stock is not activity-shifting leakage? yes
- c. Has the forest project caused another entity to change its operations or business activities in a manner that results in increases or decreases in carbon stocks or CO₂ emissions? If so, please explain how and estimate to what extent (refer to FPP Part X Section X). not as far as we know.
- d. If the answer to (c) is yes, will these potential stock and/or emissions be monitored? If yes, how?

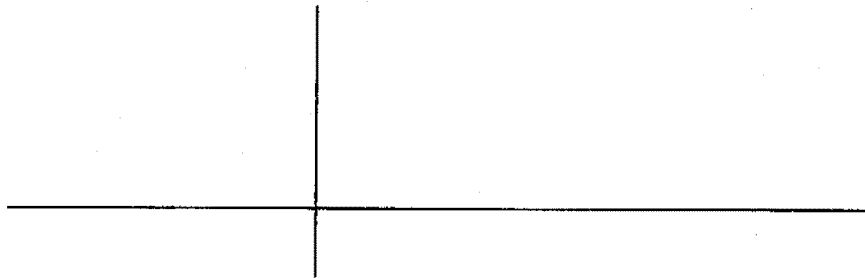
2. Market Leakage (Optional)

- a. Will the project activity result in an increase or decrease in the production of commercial products? If yes, please estimate the amount of the increase or decrease in production.
- b. Will this project result in an increase or decrease in the availability of land and/or timber

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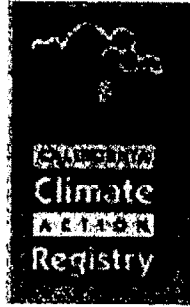
products (e.g. for development of agriculture or other commercial use)? If yes, please explain the extent. _____

- c. If the answer to either question (a) or (b) is yes, will this change likely result in a change in the market? Please describe the potential market impacts.
- d. Using the table, estimate the foregone market products as a result of this project.



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<p><u>Volume of timber foregone (boardfeet)</u> <u>Expected timeframe?</u></p> <p><u>Break down by wood product type Percentage (%)</u></p> <p><u>Pulp and Paper</u> <u>Solid wood products</u> <u>Reconstituted wood products</u> <u>Chemicals</u> Other (describe):</p>
--



Forest Project Annual Monitoring Report Narrative

All information in this report will be publicly available.

Please use this worksheet as a guide for completing your Annual Project Monitoring Report. You will need to consult the Forest Project Protocol for details about the information this form requires. Use additional space or attachments as required.

Entity Name:	The Conservation Fund
Project Name:	The Garcia River Forest Project
Your Name:	Evan Smith
Date:	November 18 th , 2007
Reporting year:	2006
First year for which emissions reported to the Registry:	2004
Measurement method?	Direct sampling Modeling Combination
Year of last certification:	2005
Year of next certification:	2007

Leakage Assessment

1. Have your organizational boundaries changed in this reporting year due to structural changes? (mergers, divestitures, etc.)?
 No
 Yes. Please describe: _____
2. Have you developed an entity baseline?
 No. Please answer question 3A. Yes.
 Please answer question 3B.
3. In either question A or question B below, please state your estimated total carbon stocks and emissions for the year.

A. Projected Change in Carbon Stock (No Baseline projection)

Current Year Estimate	1,262,570.6
Prior Year Estimate	1,222,406.5
Change from Current Year Estimate	0

B. Projected Change in Carbon Stock (Baseline projection)

	Carbon Stocks (metric tons)
Current Year Estimate	1,215,871.2
Entity Baseline Projection	1,215,871.2
Change from Entity Baseline Projection	0

a. Has there been a change from your baseline projected carbon stocks for this year?

- Yes.
- No.

b. If so, what caused the change?

- UPDATE LIST WITH OTHER ELEMENTS FROM PROTOCOL
- Change in harvest schedule
- Inaccurate growth assumptions
- Inventory updates
 - Natural disturbances. Please explain any disturbances (tree removals, natural significant disturbances etc.) that occurred, the date of the disturbance(s), the extent of the disturbance and whether it was originally included in your original projected entity
 - activities. Other. Please explain:

Disturbance (tree removal, natural, etc.)	Date occurred	Extent of disturbance	Included in original activities?

If a natural disturbance occurred, please estimate when your next direct measurement will take place (must be within 3 years of the time of the significant disturbance). _____

3. What are the causes of any changes from projected stocks? Explain any significant increase or decrease in stocks that took place during the reporting year.

Cause	Estimated Impact (metric tons)	Description
Normal sampling variation		
Pest infestation		
Fire		
Change in harvest schedule		
Other		

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4. Have you initiated any new forest projects in this reporting year?

No

• Yes. Project name: Big River/Salmon Creek. This 16,100 acquisition occurred on November 1st, 2006. No management of any kind occurred on this land in 2006. Furthermore, since the months of November and December are after the growing season in 2006 little or change in carbon stocks occurred on this land in this period. As a result of these factors, The Conservation Fund will officially begin this project and account for the carbon on this land beginning in 2007.

5. Have you, to the best of your knowledge followed the reporting requirements set forth in the Forest Project Protocol?

• Yes

No. If no, please explain: _____

6. Is there any information you would like to additionally report to the Registry to describe your forest activities this year?

• No

Yes. Please explain: _____

7. Please identify and briefly describe any voluntary agreements that you have entered into within the past year that may impact your project's forest carbon stocks (e.g. habitat conservation plan). _____

I have completed and/or reviewed this form, and believe it contains the most accurate data and

_____ information

_____ possible.

Signature of person completing form

Signature of officer

Evan Smith

Printed Name

Printed Name

December 11, 2007

Date

Date

For each emission reduction **project**, please answer the following questions:

I. Activity-Shifting Leakage

On-site:

1. If your project's physical boundaries are smaller than your entity's physical boundaries: have your entity's forest carbon stocks outside of the forest project boundary, but within your entity boundary, decreased over the past year? If yes, please answer questions a –f.
 - a. Is this decline consistent with your established entity baseline (if applicable)?
 - b. If this decline is not reflected in an established entity baseline, please explain the reason for the decline in stocks.
 - c. If your decline in entity stocks is not a result of activity-shifting leakage on-site, please explain how one of the exceptions in (Part II, section H – check reference) is applicable.
 - d. If you have established an entity baseline and your annual entity results indicate a negative deviation from the baseline, please calculate the difference between the entity baseline carbon stocks and annual reported amount and state the amount here.
 - e. If you have not established an entity baseline and your reported annual entity stocks show a decline from the previous reporting year, please calculate the difference and state the amount here.

f.	Carbon stocks (metric tons)
Current Year Estimate	
Prior Year Estimate	
Change from Current Year Estimate	

- g. Please state the amount of on-site activity-shifting leakage that you attribute to your project over the past year.

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Off-site:

2. Is there any evidence that your project caused another entity to change its operations or business activities? If so, what are the GHG implications of the changes to the other organization's activities? Does this represent positive or negative leakage?

Does it impact operations or business activities? If so, will these changes impact GHG emissions? Is this positive or negative leakage?

3. (Optional) Estimate the tons of C that will be lost due to activity-shifting leakage that occurred offsite in the past year.

Written Attestation Regarding On-site Activity-shifting Leakage

This statement serves as an assurance that activity-shifting leakage _____ has _____ has not been detected during annual monitoring of the project.

If activity-shifting leakage has been detected, please describe the nature and extent of the leakage: _____

Additional Supporting Rationale: The project extent and the entity extent are the same.

Evan Smith
Authorized Representative

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Exhibit 4.2

MILESTONES

Seller joins the CCAR:	Completed July, 2005
Pre-Registration:	Attached as Exhibit 4.1
Conservation Easements in place:	Completed February 4, 2004
Delivery of Monitoring Plan:	Attached as Exhibit 4.9
Project Certification:	Completed February 11, 2008
Initial Verification Report:	Completed February 11, 2008
Commercial Operation Date:	Completed February 11, 2008
Forester's Opinion:	By March 30, 2008

Exhibit 4.7.1

LEAKAGE AVOIDANCE PLAN

Types of leakage

There are two general forms of leakage—or the reduction in net carbon benefits of the project because of compensatory action outside the project. Activity shifting leakage might occur if a controlling entity, such as The Conservation Fund, reduces emissions through one project while increasing emissions on another project; for example reducing timber harvest on one property but offsetting it with increased timber harvest on another property, thus reducing or eliminating the net emission reduction. Market shifting leakage occurs when the consequences of an emission reduction project result in increased emissions elsewhere through offsetting market forces. The risks of market shifting leakage are addressed in Exhibit 6.2.12 .

Avoidance of activity shifting leakage

The primary activity-shifting leakage concern for GRF would be if The Conservation Fund (TCF) increased harvest levels on other TCF properties to offset reduced harvest levels on the GRF. Since all of TCF's forested properties in California will be registered and certified under CCAR this should not be a concern. Additionally, there is no reason for activity-shifting leakage to occur (because the revenues are tied to specific properties and shared with outside parties) and it would be very obvious if it did occur (because both our intended and actual annual harvest volumes are publicly available and subject to independent review by our forest management and CCAR auditors). If, under some extraordinary circumstance, activity-shifting leakage did occur, it would be easily remedied over the next year or two by reversing the change in harvest volumes to result in the original net emission reductions. Thus, activity-shifting leakage is unlikely but would be readily apparent and easily remedied.

Pursuant to the CCAR Protocols, TCF is required to submit a report annually which includes a declaration of whether any on-site activity-shifting leakage has occurred, a description of the type and scope of analysis that was performed to assess this leakage, as well as the quantification of any activity-shifting leakage that has occurred on-site. A good faith assessment of any off-site activity-shifting leakage will also be included.

Exhibit 4.8.1

PERMANENCE MAINTENANCE PLAN

Seller's Permanence Maintenance Plan is intended to assure the permanence of the VERs to be sold hereunder throughout the Permanence Period and to determine whether there has been a Permanence Failure with respect to such VERs. This Permanence Maintenance Plan may from time to time be modified in the discretion of Seller, with such modifications approved by Buyer, such approval not to be unreasonably withheld or delayed.

The most likely causes of Permanence Failure are (a) catastrophic wild fire, (b) widespread infestation of the Premises by pests or disease that affect the health of the forest, or (c) the intentional destruction of the forest. This Permanence Plan is comprised of a set of conditions, management actions and covenants which, taken together, provide assurance that these most likely causes will not occur or, if they occur, can be mitigated.

I. Premises Condition Assures Permanence.

As described in Exhibit B, the Project is the implementation since January 1, 2007 of certain forest management activities, policies and practices pre-funded or funded in part by proceeds of sales of GHG Emission Reductions from Buyer under its ClimateSmart program on the Premises. The Premises is the 23,780-acre forest known as The Garcia River Forest and is located in the coastal mountain range of southwestern Mendocino County, California. The location, size and topography and composition of tree species found on the Premises make a Permanence Failure unlikely.

A. Location of the Project Premises. Intense wild fire is rare in coastal redwood forests. A map maintained by the Forest and Range Assessment Program of the California Department of Forestry and Fire Protection which delineates the location and perimeters of all fires in California between 1950 and 2004 shows *no* records of fires greater than 300 acres for the coastal region of Mendocino County where the Premises is located.¹

In addition, a review of the literature indicates that the redwood forests closest to the coast are rarely subjected to catastrophic wildfire.

"Fire frequency and intensity increase with distance from the Pacific Coast and elevation. Fire return intervals of up to 500-600 years are found in the moistest sites near the ocean. Brown (1991) reports three or more stand-altering fires per century in the drier, warmer inland sites. Because lightning is rare along the coast, and fire conditions are rarely

¹ See

http://frap.cdf.ca.gov/data/frapgismaps/select.asp?htmlid=389&camefrom=http://frap.cdf.ca.gov/projects/fire_data/fire_perimeters&cameFromStr=Fire%20Perimeter%20Data

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extreme, more severe fires were probably blown into the redwoods from their eastern margins, as suggested by Greenlee (1983) for the southern redwood forests.”²

“In moist coastal redwood sites, fires may occur at intervals of more than 500 years....In warmer, drier, inland stands, farther from the oceanic influence, fire scar records show fire frequencies of 100 to 250 years on intermediate sites and two to three fires per century on interior sites... The extent of these fires is poorly known, and there are few accounts of large wildfires in the redwoods.”³

“In the northern redwoods, there is *no evidence* of stand-replacing fires like those in the lodge pole pine forests in and around Yellowstone National Park of 1988 ...”⁴

“Historic fires appear to have been mostly low to moderate severity, with rare high-severity fires (Sawyer et al. 1999b). Coast redwood are very fire-resistant, are capable of basal sprouting following fires and regenerate well on bare mineral soil. (Sawyer et al. 1999b).”⁵

Finally, the California Department of Forestry and Fire Protection has facilities located in Boonville and Ukiah with ground and aerial equipment ready to promptly respond to fires. In addition to state fire suppression programs, The Conservation Fund conducts regular property patrols year-round and participates in the Mendocino County Aerial Fire Patrol Cooperative which provides aerial surveillance of the Garcia River Forest during the fire season. The combination of these programs has ensured that the hundreds of thousands of acres of commercial redwood forest in Mendocino County has been spared from stand replacing fires during the modern era.

B. Size and Topography: The size and topography of the Premises limit the likelihood of a Permanence Failure due to natural or human threats. The Premises are comprised of 23,780 acres. From east to west, the Premises span more than seven miles; from north to south, more than twelve miles. The Premises is comprised of seven separate subwatersheds or drainages. Each of these drainages is separated by ridges or other natural breaks in the topography which provide natural boundaries preventing the spread of fire, disease and pests. Further, by its sheer size, the Premises is unlikely to be materially affected by intentional or negligent unpermitted harvests or other human activities that would cause a Permanence Failure.

C. Composition of Tree Species. There are no known pathogens or pests that are lethal to redwood. Similarly, the literature indicates there is no substantial threat of catastrophic loss due to pests or disease.

² The Redwood Forest, History, Ecology, and Conservation of the Coast Redwoods, Noss, R., ed. Page 111.

³ *Ecology of the Coast Redwood*, Stephen D. Veirs, Jr, Proceedings of Conference “Coast Redwood Forest Ecology and Management” at page 6.

⁴ Id at page 6. (Emphasis added).

⁵ “Fire Regimes, Fire History and Forest Conditions in the Klamath-Siskiyou Region: An Overview and Synthesis of Knowledge” (Frost, E.J., Sweeney, R., 2000).

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“Coastal redwoods do not appear to die of old age, and killing disease is virtually unknown.”⁶

“Standing dead redwoods are rare; killing diseases are unknown for redwoods past the seedling stage.”⁷

“Redwood leaves, branchlets, roots, and wood are seldom severely damaged by nonhuman animals, presumably because of the presence of volatile essential oils and tannins. Despite this chemical protection, many insects infest redwood, although none are capable of singularly killing mature trees (Ross 1966).”⁸

The prospect does exist for a major decline in the tanoak (*lithocarpus*) component of the forest because of infection and death by Sudden Oak Death, which is likely to occur throughout Northern California within this decade. If the tanoaks on the Garcia River Forest become infected and are killed it would likely occur over several decades and likely effect only a portion of the tanoaks. Other species in the stand, including redwood and Douglas fir, can be expected to increase growth with reduction in competition from tanoaks and thus no carbon impacts are likely. Moreover, a reduction of tanoak relative to conifer species to more accurately reflect historical ecological conditions on the Premises is an intended objective of the Forest Management Plan.

II. Management Actions to Provide Assurances Against Permanence Failure.

A. Aerial Surveillance. Cooperative aerial surveillance during fire season and modern fire protection methods provide an early warning and effective response to the threat of fire. Landowners in the vicinity annually participate in a cooperative program that provides for aerial surveillance during the summer and fall to ensure timely notice of fire and a rapid response. As noted above, the California Department of Forestry and Fire Protection has ground and aerial equipment located close by the Premises.

B. Reconnaissance and Security Patrols. The Conservation Fund provides regular reconnaissance and security patrols as part of its onsite management. In addition, the fire season is the most active time on the Premises for our field staff and contractors, who have been prepared for fire response, increasing the likelihood of adequate security and surveillance.

C. Easement Monitoring. In addition to the actions undertaken by The Conservation Fund, The Nature Conservancy holds a perpetual conservation easement on the property. The Nature Conservancy is required to conduct annual monitoring to ensure that violations of the conservation easement, such as illicit timber harvesting or construction, have not occurred and The Nature Conservancy has the right and obligation to require restoration of the ecological conditions.

⁶ *Ecology of the Coast Redwood*, at page 7.

⁷ *The Redwood Forest, History, Ecology, and Conservation of the Coast Redwoods*, at page 112.

⁸ *Id* at 116.

III. Covenants Provide Assurances Against Permanence Failure.

A. The Conservation Fund will, and any subsequent owner will likely, continue to participate in the cooperative aerial surveillance program described above so long as it is provided at a reasonable cost.

B. The Conservation Fund will, and any subsequent owner will likely, continue to provide regular reconnaissance and security patrols consistent with the customary practice of owners of large blocks of industrial timberland in the region.

C. The Conservation Fund has covenanted to maintain the Reserve VER Fund. As the VERs in the Reserve Fund are not associated with any particular portion of the Premises, the natural boundaries discussed under the "Size and Topography" heading above, assure that any Permanence Failure of the Reserve Fund is similarly diversified and limited.

IV. Establishing Permanence and Permanence Failure.

The Conservation Fund will follow the CCAR Protocols for monitoring, as defined therein. The annual monitoring report prepared under the CCAR Protocols will address all changes in carbon stocks (expected and unexpected), assessment results and methodology. The annual monitoring report will be available to Seller.

Permanence of the VERs will be established with reference to CCAR Protocols. Pursuant to the CCAR Protocols, Seller will maintain a record of Seller's verified carbon stocks pursuant to Part IV, Section 2.7 of the Forest Certification Protocol for Entities and Projects, version 2.0, May 2007, or successor provisions thereto. Permanence will be established if the verified carbon stocks of the Premises during any given Reporting Year are not less than the sum of (1) the verified baseline carbon stocks upon the initial CCAR registration of the Premises, (2) the number of VERs in the Reserve VER Fund, and (3) VERs sold to Buyer and (4) VERs sold to third parties.

Exhibit 4.9

MONITORING PLAN

The Conservation Fund will follow the CCAR Protocols for monitoring, as defined in the protocols. The Forest Project Annual Monitoring Report prepared under the CCAR Protocols will address all changes in carbon stocks (expected and unexpected), assessment results and methodology. The annual monitoring report will be available to all purchasers of Verified Emission Reductions. Additional supplemental materials available will include annual financial reports for the project and forest management certification reports every five years.

On an annual basis, a Forest Project Annual Monitoring Report must be submitted to the CCAR on the prescribed form. The purpose of this report is to report estimated annual carbon stocks, attest that intended project activities are being carried out, and confirm that carbon stocks for the Project are increasing or decreasing in accordance with initial projections. Specifically, the Forest Project Annual Monitoring Report must include the following:

- *Carbon stock estimate:* An estimate of total carbon stocks in project area for the year being reported, including anticipated or unanticipated changes in the stocks due to disturbances. Depending on inventory methodology and direct sampling intervals, these estimates may be based on direct sampling and/or modeled results.
- *Project compliance:* Annual written assurance that the project activities are being carried out, as described in the project description and the CCAR Protocols are being followed.
- *Disturbances:* A written report listing material disturbances (tree removals, natural significant disturbances etc.) that have occurred, the date of the disturbance(s), the extent of the disturbance, including whether it is a natural significant disturbance, and whether it was originally anticipated as part of the project activity. If direct sampling does not occur in the year of the disturbance, a good faith estimate of the loss in carbon stocks will be made and subtracted from the carbon stock estimate.
- *Leakage:* A report including a declaration of whether any on-site activity-shifting leakage has occurred, a description of the type and scope of analysis that was performed to assess this leakage, as well as the quantification of any activity-shifting leakage that has occurred on-site. A good faith assessment of any off-site activity-shifting leakage will also be included. The risks associated with market shifting leakage are addressed in Exhibit 6.2.12.

The information gathered through this monitoring process should support any calculation of GHG reductions or emissions for the project. Seller will use the template for the annual monitoring reports, the results of which will be entered into the Registry's online reporting tool, known as CARROT.

Exhibit 4.10

FINANCIAL PLAN

This Financial Plan is intended to demonstrate Financial Additionality as defined in the Agreement. This Exhibit 4.10 constitutes the initial Financial Plan required under Section 4.10 of the Agreement. Any updated Financial Plan will be delivered in accordance with the Agreement.

The subsequent table references expected expenses and revenues for the Garcia River Forest's complete operations from 2008-2012. The Conservation Fund manages the Garcia River Forest (GRF) and the Project as a component part of its North Coast Forest Conservation Initiative. Staff and consultants for the GRF are shared with other local projects. This provides for more expertise and greater cost-efficiency. All staff, consultant expenses and other project expenses are directly allocated to the appropriate project.

Many assumptions are made in the development of this project budget:

1. Most project expenses and revenues are expected to have 3% appreciation for inflation.
2. Project expenses are an estimate of the reasonably foreseeable costs of operating the project, but do not include reserves or assumptions regarding capital expenses such as property maintenance or repair, additional staff or equipment, or matching obligations in connection with grants for restoration and other enhancement activities.
3. Timber harvest revenue is based on general assumptions of planned harvest volume (1.5 million board feet annually), expected logging costs, and likely log sale prices. It is not possible for it to be based on individual harvest plans as they cannot be planned in sufficient detail more than one year in advance. The revenue assumptions are based on our past operations and our Senior Forester's 20 years of experience in the region. However, lumber markets are cyclical and it is reasonable to assume that these variables will vary significantly from year to year.
4. Carbon offset revenue is based on the negotiated sales to date, including 40,000 mtCO_{2e} annually between 2008-2012 to PG&E pursuant to the Agreement, and those emission reductions which PG&E declined to purchase. The outside sales consist of 75,000 mtCO_{2e} from 2005, 65,000 mtCO_{2e} from 2006, 65,000 mtCO_{2e} from 2007, and 25,000 mtCO_{2e} annually from 2008-2012. All outside sales will be paid in 2008 (no sale revenues were received in 2004-2007). Additionally The Conservation Fund committed to donate the retirement of 30 mtCO_{2e} (vintage unspecified) to offset the travel of the California delegation to the United Nations Climate Change Conference in Bali, Indonesia and is obligated to hold an additional 4000 mtCO_{2e} in reserve each year from 2008-2012. A modest amount of Excess VERS may be confirmed with future certifications.
5. Loan repayment is for a \$2.5 million low-interest loan secured at the time of acquisition of the property. This loan had a \$500,000 principal payment due at the end of 2007

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(which is reflected in the prior year carry-forward). It is due to be paid in full by December 31, 2009.

6. TNC Required Contribution is to establish a \$1 million endowment for conservation easement stewardship and legal defense. The Conservation Fund is contractually obligated to provide these funds out of net operating revenues or net proceeds in the event of a property sale.
7. The prior year carry forward does not include the capital investment made by The Conservation Fund and it does not include any interest expense for The Conservation Fund's cost of capital.

Without the sale of carbon offsets, including the VERs, the project has a \$4.5 million shortfall by 2012. In the absence of revenue from carbon offset sales, timber harvest revenues would need to approximately double to meet operating and acquisition expenses and loan repayments. In the absence of a market for verified emission reductions, the project would not be managed to provide the significant climate benefits of which it is capable.

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FINANCIAL PLAN for the GARCIA RIVER FOREST, THE CONSERVATION FUND (1/31/08)					
OPERATING EXPENSES	2008	2009	2010	2011	2012
Salary costs	\$ 149,925	\$ 164,918	\$ 173,163	\$ 181,822	\$ 190,913
Employee benefits	\$ 27,061	\$ 29,768	\$ 31,256	\$ 32,919	\$ 34,460
Office lease	\$ 8,190	\$ 8,190	\$ 8,436	\$ 8,689	\$ 8,949
Office expenses	\$ 4,200	\$ 4,326	\$ 4,458	\$ 4,589	\$ 4,727
Employee travel	\$ 6,300	\$ 6,489	\$ 6,684	\$ 6,884	\$ 7,091
Vehicles & maintenance	\$ 12,500	\$ 12,875	\$ 13,261	\$ 13,659	\$ 14,069
Property taxes	\$ 48,000	\$ 49,440	\$ 50,923	\$ 52,451	\$ 54,024
Insurance	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255
Contractual expenses--		\$ -	\$ -	\$ -	\$ -
Accounting & Administrative	\$ 33,250	\$ 34,248	\$ 35,275	\$ 36,333	\$ 37,423
Advisory Group & Outreach	\$ 1,750	\$ 1,803	\$ 1,857	\$ 1,912	\$ 1,970
Inventory and carbon modeling	\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020
GIS	\$ 7,000	\$ 7,210	\$ 7,426	\$ 7,649	\$ 7,878
Security & Gates	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
Certification (FSC/SFI)	\$ 3,500	\$ 3,605	\$ 3,713	\$ 3,825	\$ 3,940
Field foresters	\$ 45,000	\$ 46,350	\$ 47,741	\$ 49,173	\$ 50,648
Biology, botany, geology	\$ 28,000	\$ 28,840	\$ 29,705	\$ 30,596	\$ 31,514
Roadwork	\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709	\$ 45,020
Watershed	\$ 175,000	\$ 180,250	\$ 185,658	\$ 191,227	\$ 196,964
Upland	\$ 7,500	\$ 25,000	\$ 35,000	\$ 36,050	\$ 37,132
Permits	\$ 3,750	\$ 3,863	\$ 3,978	\$ 4,098	\$ 4,221
Legal services	\$ 12,000	\$ 12,360	\$ 12,731	\$ 13,113	\$ 13,506
Misc expenses	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883
Total Expenses	\$ 682,926	\$ 732,833	\$ 767,961	\$ 795,089	\$ 834,285
REVENUES					
Net harvest revenues	\$ 622,654	\$ 641,334	\$ 660,574	\$ 680,391	\$ 700,803
Donations	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
PG&E carbon offset sales	\$ 320,000	\$ 360,000	\$ 400,000	\$ 440,000	\$ 480,000
Other carbon offset sales	\$ 2,350,000				
Total Revenues	\$ 3,312,654	\$ 1,021,334	\$ 1,080,574	\$ 1,140,391	\$ 1,200,803
Net Operating Income	\$ 2,629,728	\$ 288,501	\$ 312,612	\$ 345,302	\$ 366,508
Loan repayment	\$ (1,520,000)	\$ (505,000)			
TNC required contribution			\$ (300,000)	\$ (300,000)	\$ (400,000)
Prior year carry-forward	\$ (1,046,682)	\$ 63,065	\$ (153,434)	\$ (140,821)	\$ (95,519)
Net Project Account	\$ 63,065	\$ (153,434)	\$ (140,821)	\$ (95,519)	\$ (129,011)
Project w/o carbon sales	\$ (2,606,936)	\$ (3,183,434)	\$ (3,670,921)	\$ (3,966,519)	\$ (4,479,011)

Notes:

- "Security" = property patrol and membership in the aerial fire patrol cooperative.
- "Watershed" = stream and road assessment, restoration, and monitoring projects-- net of any DFG grants.
- "Upland" = invasive species control, hardwood competition reduction, and supplemental planting.
- "Donations" are prospective and have not been identified or committed.
- "Other carbon offset sales" are more fully described in the text of the Financial Plan.

Exhibit 4.12

CONSERVATION EASEMENT

The Nature Conservancy (“TNC”) is the Grantee of that certain Conservation Easement over the Garcia River Forest dated January 30, 2004 and recorded in the Official Records of the County of Mendocino commencing with Page No. 2004-02664 (the “*Conservation Easement*”) whereby certain activities are limited on the Premises. Copies of the Conservation Easement have been made available to Buyer and the actual terms thereof, rather than the below summary, will define Seller’s obligations under Section 4.12 of this Agreement. The following summary of the Conservation Easement is provided for convenience only and has no operative effect.

Summary:

The conservation easement restricts in perpetuity certain uses that are incompatible with the Easement Purposes cited below, including subdivision, development, mining and agricultural conversion, among other things.

The conservation easement specifies the following “Easement Purposes:”

- Restore and protect a productive and relatively natural coastal California forest ecosystem;
- Protect fish and wildlife habitat associated with this ecosystem, in particular the oak woodlands, serpentine grasslands, and redwood/Douglas-fir forest, and spawning habitat for coho salmon and steelhead trout;
- Protect significant water resources, springs and the water quality thereof;
- Maintain the capacity of the Premises for productive forest management, including the long-term sustainable harvest of high quality forest products, contributing to the economic vitality of the state and region in a manner that does not impair the Conservation Values or the other Easement Purposes:
- Maintain the use of the Premises for outdoor recreation;
- Maintain at least 35 percent of the Premises as a permanent ecological reserve network (the “Ecological Reserve Network”), which shall include oak woodlands, grasslands, riparian areas and other areas with unusually high Conservation Value; and
- Prohibit any use of the Premises that will impair, degrade or damage the Conservation Values of the Premises (collectively, the “Easement Purposes”).

In addition, the conservation easement specifies the following “performance goals” for the Premises:

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- Significantly increase the inventory of commercial conifer volume in fifty years while permitting the removal of timber at a rate considerably less than growth during that period;
- Respectfully maintain the vegetative diversity of the Premises by maintaining Oak Woodlands and Serpentine Grasslands as designated in a map in the Easement Documentation Report and by not seeking to completely exclude native hardwoods from sites managed for conifer growth and harvest;
- Conserve and improve the habitat conditions for northern spotted owl, marbled murrelet, coho salmon, and steelhead trout by increasing the forest inventory, late seral conditions, including large trees, structural diversity, high canopy closure and the maturity of the riparian forests;
- Maintain the highest possible, commercially feasible standards for road layout, construction and maintenance so as to minimize the impacts on water quality riparian habitat and the Ecological Reserve Network; and
- Designate and maintain at least 35 percent of the Premises as an Ecological Reserve Network.

The conservation easement provides for two, five-acre improvement areas on the Premises, one for an environmental education and/or research center, and one for a single-family residence to provide on-site management of the property, subject to a variety of siting and construction restrictions to minimize potential adverse impacts on conservation values of the Forest.

Exhibit 5.2

FORM OF PROGRESS REPORT

This Progress Report is presented pursuant to that certain VERIFIED EMISSION REDUCTION PURCHASE AND SALE AGREEMENT BETWEEN THE CONSERVATION FUND as Seller, AND PACIFIC GAS AND ELECTRIC COMPANY, as Buyer, dated February ____, 2008. Seller attests that the information contained herein is true and correct.

MILESTONE SATISFACTION

Seller joins the CCAR:	Completed July, 2005
Pre-Registration:	Attached as Exhibit 4.1
Conservation Easements in place:	Completed February 4, 2004
Delivery of Monitoring Plan:	Attached as Exhibit 4.9
Project Certification:	Completed February, 11, 2008
Initial Verification Report:	Completed February, 11, 2008
Commercial Operation Date:	Completed February, 11, 2008
Forester's Opinion:	_____

PROJECTIONS CONTRACTED VER GENERATION OVER CURRENT REPORTING YEAR:

Exhibit 6.2.4

**PROJECT IMPLEMENTATION PARTICIPANT
CONSENT AND ACKNOWLEDGMENT
OF BUYER'S EXCLUSIVE OWNERSHIP OF VERS –
The Nature Conservancy**

1. The Conservation Fund ("Fund") is the sole owner of the fee simple interest in the Garcia River Forest.
2. The Nature Conservancy ("TNC") is the Grantee of that certain Conservation Easement over the Garcia River Forest dated January 30, 2004 and recorded in the Official Records of the County of Mendocino commencing with Page No. 2004-02664.
3. TNC understands and acknowledges that the Fund and Pacific Gas and Electric Company ("PG&E") have entered into that certain Verified Emission Reduction Purchase and Sale Agreement dated _____, pursuant to which the Fund has agreed to sell to PG&E Verified Emission Reductions generated by the Garcia River Forest for the years 2008 through 2012, inclusive ("GRF VERS").
4. TNC acknowledges that the Fund is the owner of the GRF VERS and, as between the Fund and TNC, the Fund has the sole right to sell the GRF VERS to PG&E.
- 5, TNC has not transferred or promised to transfer any of the GRF VERS to any person, entity, or regulatory authority.

The Nature Conservancy

By:

Its:

Exhibit 6.2.5

REQUIRED PROJECT DOCUMENTS

1. The Conservation Easement.
2. Timber Harvest Plans for timber management activities during a Reporting Year as the same are approved by the California Department of Forestry and Fire Protection.
3. Lake & Streambed Alteration Agreement issued by the California Department of Fish & Game
4. Certification Notices pertaining to the Categorical Waiver of General Waste Discharge Requirements or Certification of Coverage under the General Waste Discharge Requirements, issued by the North Coast Regional Water Quality Control Board
5. US Fish & Wildlife Service's Responses to Requests for Technical Assistance Regarding Timber Harvest Plans (Northern Spotted Owl)

Exhibit 6.2.11

PROJECT BASELINE GRAPH

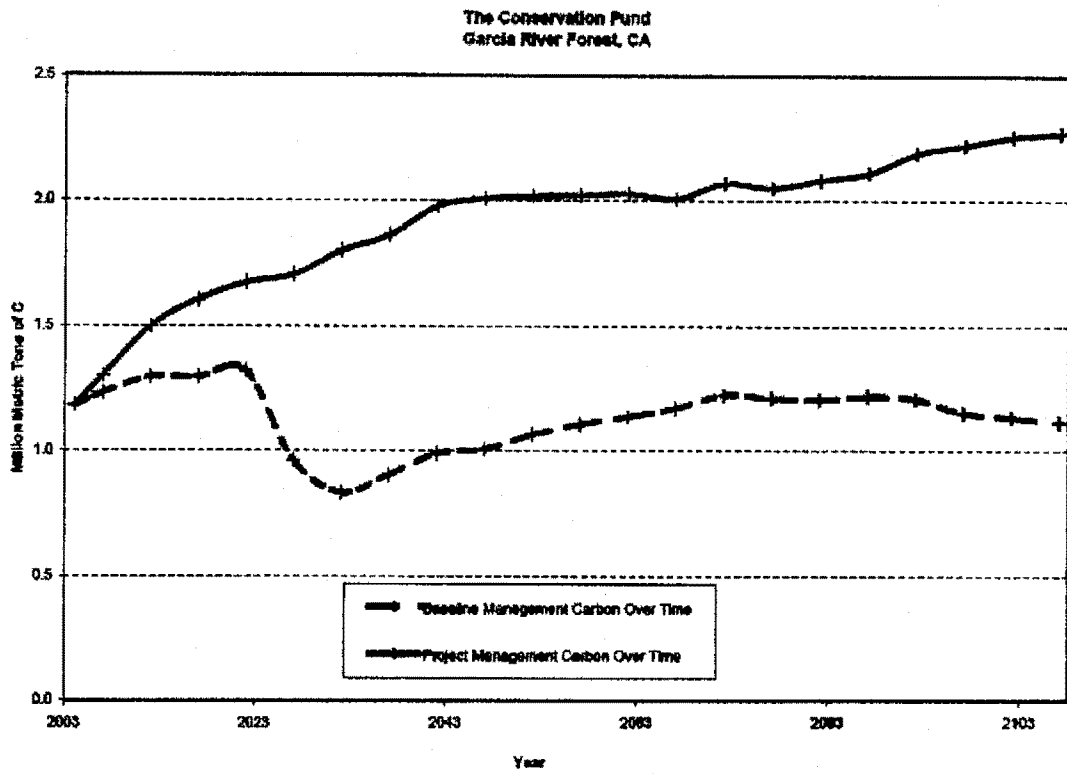
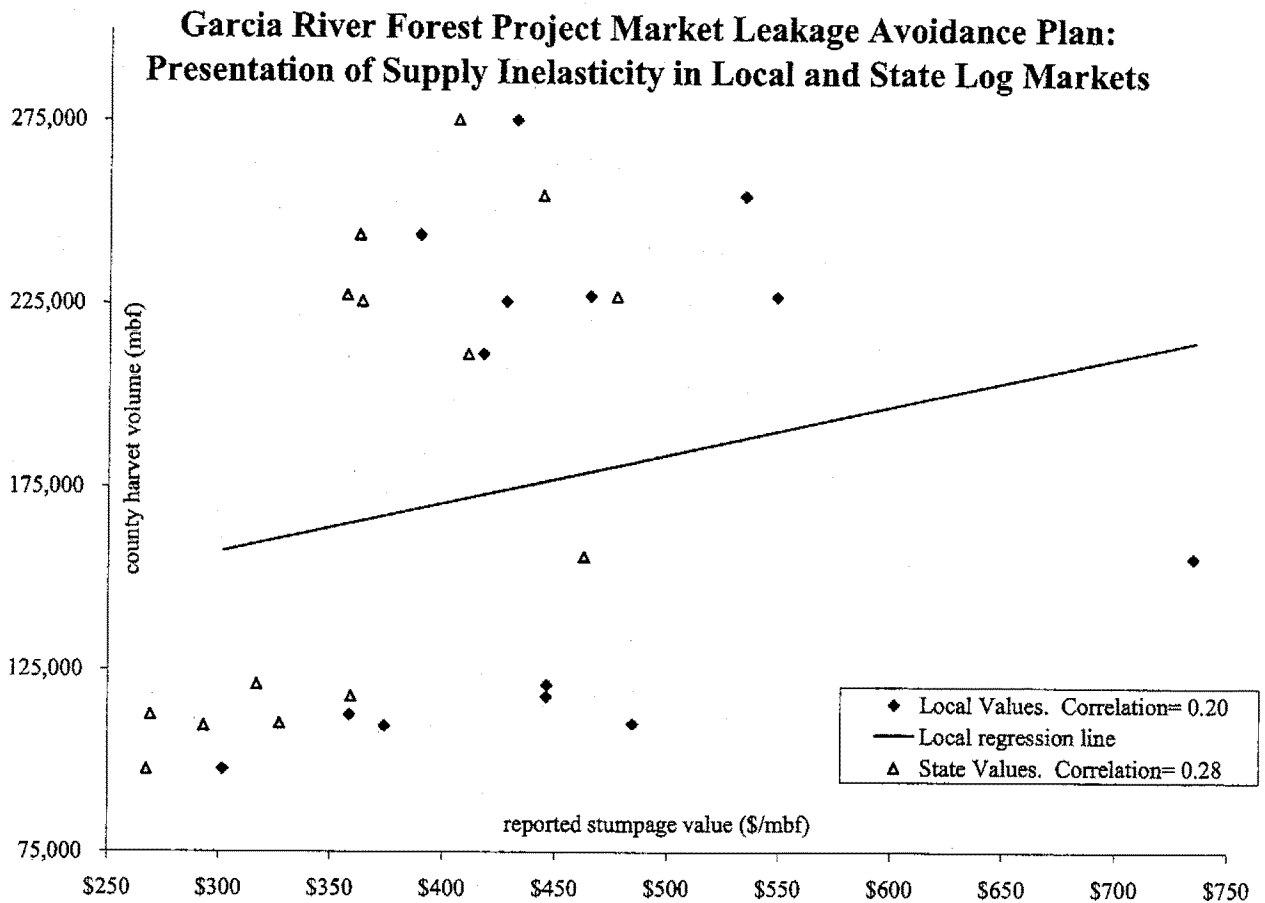


Exhibit 6.2.13

MARKET INELASTICITY OF REDWOOD LUMBER MARKET

Avoidance of market-shifting leakage

The primary market-shifting leakage concern for GRF would be if other landowners increased their harvest levels to offset the reductions on GRF (presumably because of an increase in log prices). Should TCF's reduction redwood supply in Mendocino County supply be noticed by the mills or other landowners, there is little motivation for other landowners to increase harvest volume because supply and price are highly unrelated in Mendocino County. Timber harvest is constrained by over a dozen sets of state and federal regulations, requires 6-12 months of planning, and is subject to an inconsistent supply of contractors, and thus, supply is governed by many things in addition to price. Because of these pressures and constraints, Mendocino County log markets can be characterized as highly inelastic; in short, prices do not appreciably increase due to short-term supply decreases and supply does not appreciably increase due to short-term prices increases. Local prices and supply are likely more directly-related in the long-term, but in the short-term markets are more immediately influenced by stochastic factors such as endangered species listings, mill closures, private landowner needs, weather, environmental regulations, and the management of Jackson Demonstration State Forest. The attached chart reflects actual Mendocino County log market data since 1993 as published by the California Board of Equalization and shown in pink ("actual"). The idealized behavior of a rationally elastic market is shown in blue ("normal"). At the county level, there is very little explainable correlation between harvest volumes and price. At the state level a more linear pattern emerges, but is far from rational, and because of the increased cost of transporting logs long distances, it is largely inapplicable to the GRF.



Note: Points on the graph reflect date points for particular years from 1993 though 2007. This graph illustrates how the sales prices of the Mendocino County timber harvest in each year have low correlation with state and county sales prices. Each diamond represents one year's harvest volume and the reported sales prices for that year at the local level. Each triangle represents one year's harvest volume and the reported sales price for that year at the state level. The diagonal line represents a linear regression; on a chart of values, the degree of correlation would ordinarily be illustrated by values displaying as proximate to the linear regression line.

Annual data from California Board of Equalization;
<http://www.boe.ca.gov/proptaxes/timbertax.htm>

Exhibit 8.3

VERS FINANCING STATEMENT AND SECURITY AGREEMENT

This VERS FINANCING STATEMENT and SECURITY AGREEMENT covers all of Debtor's interests in all of the following types or items of property, wherever located and whether now owned or hereafter acquired, and Debtor hereby grants Secured Party a security interest therein as collateral for the payment and performance of all present and future indebtedness, liabilities, guarantees and obligations of Debtor to Secured Party, arising under that ClimateSmart™ Program Verified Emission Reduction Purchase and Sale agreement dated as of February __, 2007, between Debtor and Secured Party (the "VERs Purchase Agreement"):

The Contracted VERs, Purchased VERs and all related rights required to be sold to Secured Party under the VERs Purchase Agreement, whether or not the same shall constitute "general intangibles", "chattel paper", "contract rights", "documents" or any other type of personal property collateral defined under Division 9 of the California Uniform Commercial Code as in effect on the date hereof;


All books, records, ledger cards, computer data and programs and other property and general intangibles to the extent the same shall evidence any or all of the foregoing; and


All cash and non-cash products and proceeds of any of the foregoing, in whatever form, including proceeds of proceeds and proceeds of insurance, and all claims by Debtor against third parties for loss or damage to, or destruction of, or otherwise relating to, any or all of the foregoing, but not including any cash or other consideration received from Secured Party or its assignees pursuant to the VERs Purchase Agreement.

Debtor agrees that said security interest may be enforced by Secured Party in accordance with the terms of all security and other agreements between Secured Party and Debtor, the California Uniform Commercial Code, or both, and that this document shall be fully effective as a security agreement, even if there is no other security or other agreement between Secured Party or Debtor. Seller shall terminate the security interest described in this VERs Financing Statement and Security Agreement one (1) year following the final delivery of Contracted VERs. Capitalized terms not expressly defined herein shall have the meanings given them in the VERs Purchase Agreement.

"DEBTOR"
THE CONSERVATION FUND

"SECURED PARTY"
PACIFIC GAS AND ELECTRIC COMPANY

By: 
Name: RICHARD J. ERDMANN
Title: EXEC. VP.

By: 
Name: Rudy Armani
Title: Portfolio Manager