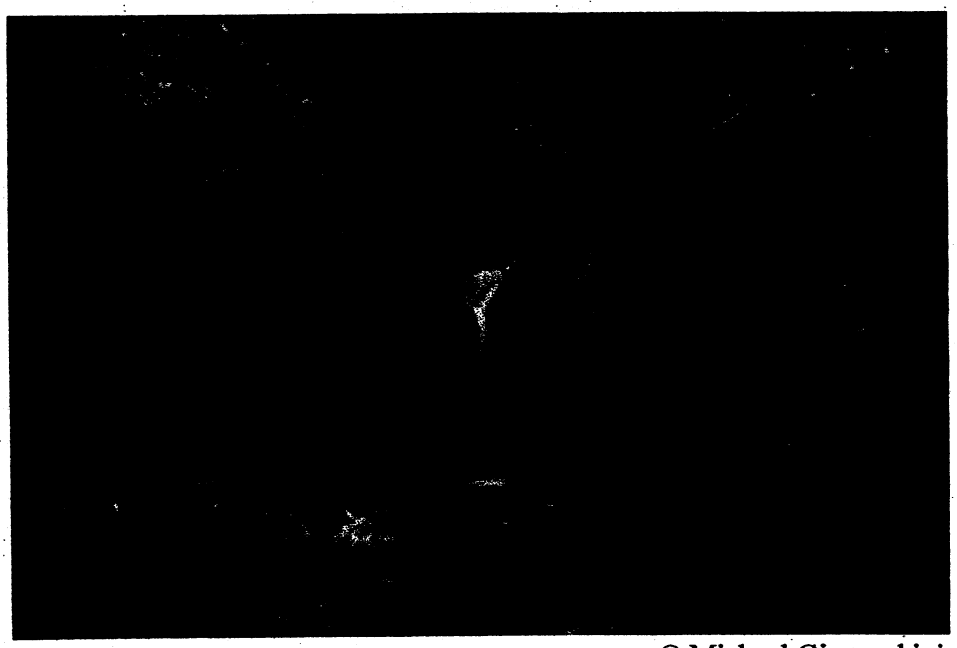
APPENDIX R

DOCUMENTS RELATING TO OTHER EMISSIONS ARRANGEMENTS

ANTONINA PILOT REFORESTATION PROJECT

COMPREHENSIVE AGREEMENT



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Texaco Inc.

Sociedade de Pesquisa em Vida Selvagem

The Nature Conservancy

AGREEMENT FOR THE
TEXACO ANTONINA PILOT REFORESTATION PROJECT

This AGREEMENT FOR THE TEXACO ANTONINA PILOT REFORESTATION PROJECT ("Agreement"), together with the Attachments hereto, is made and entered into as of its execution, by, between, and among Sociedade de Pesquisa e Vida Selvagem, a not-for-profit conservation organization established under the laws of Brazil (hereinafter "SPVS"), TEXACO INC., a Delaware U.S.A. Corporation (hereinafter "TEXACO"), and THE NATURE CONSERVANCY, a non-profit corporation incorporated under the laws of Washington, D.C., U.S.A. (hereinafter the "CONSERVANCY"), (each referred to separately as a "Party" and all of which are cumulatively referred to herein as the "Parties"). The Parties understand and agree that the Parties shall not be bound by this Agreement until such time as the CONSERVANCY's Board of Directors approves the CONSERVANCY's participation in this TEXACO ANTONINA PILOT REFORESTATION PROJECT ("Project").

RECITALS

WHEREAS, this Project has not been submitted to or accepted by the United States Initiative on Joint Implementation or to any other governmental program or entity;

WHEREAS, on 4 June 1992, the Government of Brazil ratified and thereby became a party to the United Nations Framework Convention on Climate Change (the "FCCC");

WHEREAS, on 15 October 1992, the Government of the United States of America ratified and thereby became a party to the FCCC;

WHEREAS, on 29 April 1998, the Government of Brazil signed the Kyoto Protocol;

WHEREAS, on 12 November 1998, the Government of the United States signed the Kyoto Protocol under which it would be committed to reduce its level of greenhouse gas emissions by 7% below 1990 levels between the period 2008-2012;

WHEREAS, the text of the Kyoto Protocol includes the Clean Development Mechanism to assist developing countries achieve sustainable development while assisting industrialized countries to meet their emissions reductions obligations;

WHEREAS, neither the Government of the United States nor the Government of Brazil has ratified the Kyoto Protocol;

WHEREAS, TEXACO wishes to undertake substantial voluntary greenhouse gas mitigation strategies within the United States and internationally;

WHEREAS, SPVS is principally dedicated to preserving the environmental integrity and biodiversity of the Atlantic Forest particularly in the state of Parana, Brazil and to facilitating sustainable economic opportunities for the communities located there;

WHEREAS, the CONSERVANCY is principally dedicated to the protection and conservation of endangered flora and fauna, and to assisting non-governmental conservation organizations such as SPVS;

WHEREAS, the CONSERVANCY's Board of Governors has not yet approved the CONSERVANCY's involvement in this project;

WHEREAS, the Parties have determined, after careful review, that the area, in which the Project Site will be located, is an optimal location for demonstrating greenhouse gas mitigation through the process of carbon sequestration, carbon storage and other strategies, and have thus undertaken various actions, set forth in this Agreement, to develop a pilot greenhouse gas mitigation project on the Project Site;

WHEREAS, the Parties desire that the Project generate the maximum number of Certified Offsets on as rapid and regular a basis as feasible, consistent with the Project Proposal to TEXACO found in Attachment 8 to this Agreement, and that TEXACO obtain a proprietary interest in any Offsets which may be generated from the Project;

WHEREAS, the Parties desire to hereby formally establish and implement the TEXACO ANTONINA PILOT REFORESTATION PROJECT;

NOW, THEREFORE, in consideration of the mutual promises, obligations and undertakings set forth herein, it is agreed by and among the Parties as follows:

ARTICLE I
DEFINITIONS

The terms used in this Agreement shall have the meanings set forth below.

1. "Agreement" means this Agreement, including all Attachments and amendments hereto.

2. "Annual Workplan and Budget" means a plan for operations and activities under this Agreement for a given calendar year (or fiscal year), including a work plan and operating budget.

3. "Apportion" means the process established in accordance with this Agreement for transferring title to all Offsets produced by the Project to TEXACO.

4. "Authorized Officer" means a legal representative of each one of the Parties hereto.

5. "Business Day" means any day other than a Saturday, Sunday or a United States or Brazilian national holiday. If any performance date referred to in this Agreement is not a Business Day, such performance date shall be the next Business Day. All other references to "days" shall mean calendar days.

6. "Carbon Monitoring Protocol" shall mean the Carbon Monitoring, Offset Creation, and Reporting Protocol, which protocol will provide the procedures for documenting changes over time in the greenhouse gases emitted, reduced, avoided, or sequestered by the Project, including definition of the methods, procedures, and frequency of measurement of carbon pools in and around the Project Site; calculation of a Project reference case; calculation of Leakage; carbon emissions calculations and accounting procedures; and preparation and submission of Offset reports.

7. "Certified Offset" means an Offset that has been demonstrated to any Certifying Entity designated by TEXACO and certified by such Certifying Entity.

8. "Certifying Entity" means (1) an agency, instrumentality, department or other entity established, accredited, or recognized by a Mechanism as having legal authority to certify Offsets that are entitled or may or will be entitled, currently or in the future, to recognition by a Mechanism for compliance determination purposes; (2) any other agency, instrumentality, department or other entity that undertakes to certify, on its own authority, Offsets that will or may be recognized by a Mechanism or that will or may have commercial value.

9. "CONSERVANCY Medium-Term Project Funds Account" has the meaning ascribed to it in Article VII of this Agreement.

10. "CONSERVANCY Long-Term Project Funds Account" has the meaning ascribed to it in Article VII of this Agreement.

11. "Disbursement" means each transfer by the Project Funds Manager of Project Funds.

12. "Donation Agreement" means an agreement between the CONSERVANCY and SPVS in the form found in Attachment 5 hereto and providing conditions and restrictions on the use of funds donated to SPVS for the purchase of lands pursuant to this Agreement.

13. "Executive Committee" has the meaning ascribed to it in Article IV of this Agreement.

14. "Financial Statement" means a SPVS or CONSERVANCY periodic balance sheet (active and passive), statements of income and periodic expenditures, and sources and application of funds for the fiscal period, with comparable figures for the corresponding periods of its previous fiscal year.

15. "Leakage" means a measurable positive or negative change in the metric tons of carbon dioxide-equivalent ("CO2-eq.") greenhouse gas emissions caused by activities occurring outside those lands acquired by the Project but occurring directly and solely as a result of the Project, calculated in accordance with standards and procedures established by the Intergovernmental Panel on Climate Change or a relevant Mechanism or Certifying Entity, and monitored using the measuring and modeling procedures established in the Project Plan or Carbon Monitoring Protocol. For purposes of this Agreement, "Leakage" shall not include any change in metric tons of CO2-eq. emissions caused by the continuation, based on historical and projected future trends, of current or established activities outside the Project Site.

16. "Mechanism" means an agreement, arrangement, program, agency, instrumentality, department or other entity currently established or established in the future pursuant to international and/or domestic law, including the law of Brazil or the law of the United States, with legal authority to certify, recognize and/or grant credit for Offsets for purposes of determining compliance by the owner or holder of the Offset with international or domestic greenhouse gas emissions limitations, obligations or commitments, voluntary or otherwise. "Mechanism" includes, without limitation, the Clean Development Mechanism defined by the Kyoto Protocol to the Framework Convention on Climate Change and the program established by Section 1605(b) of the United States Energy Policy Act of 1992.

17. "Offset" means a unit of carbon dioxide-equivalent ("CO2-eq.") greenhouse gas emissions demonstrated to be mitigated, reduced, avoided, sequestered or fixed in any calendar year.

18. "Operating Protocols" means the Carbon Monitoring Protocol and any other binding written procedures, authorizations, delegations and Project management systems that are developed by the Project Site Manager and the Project Funds Manager to manage and implement the Project Plan and this Agreement.

19. "Party" means the signatories hereto, or a natural or juridical person that is hereafter assigned a Party's rights, duties and obligations, or portions thereof (but does not include any assignee whose assignment is limited to the purchase or acquisition of any Offset Registration Interest of Texaco).

20. "Person" means any natural or juridical person with the capacity to work, any individual, corporation, partnership, association, or other private or commercial entity, and any sovereign state, district municipality, political subdivision, agency, department, or instrumentality of a sovereign state, and any officer, employee, representative or agent thereof.

21. "Principal Contact" has the meaning ascribed to it in Article IV of this Agreement.

22. "Project Documents" means this Agreement, including all Attachments and amendments hereto, the Project Plan and any updates to the Project Plan, the Carbon Monitoring Protocol and any updates to the Carbon Monitoring Protocol, and other documents that are established after the signing of this Agreement by agreement of the Parties for the management and implementation of the Project. The term "Project Documents" shall not include filings made by any Person under Section 1605(b) of the United States Energy Policy Act of 1992 or any other Mechanism for the purpose of registering Offsets of the Project that have been apportioned to TEXACO as contemplated herein.

23. "Project Funds" means the sum total of funds deposited into the CONSERVANCY Medium-Term Project Funds Account, the CONSERVANCY Long-Term Project Funds Account, the SPVS Project Account, and the Project Endowment Fund under this Agreement and all interest earned on such funds.

24. "Project Funds Manager" has the meaning ascribed to it in Article V of this Agreement.

25. "Project Plan" means the TEXACO ANTONINA PILOT REFORESTATION PROJECT PLAN to be completed by the CONSERVANCY and approved by the Parties before the one year anniversary of the execution of this Agreement, and any revisions to it approved by the Parties. The Project Plan shall include activities designed to address the sustainable development criteria of the local government(s) of Brazil and other authorities authorized under the Kyoto Protocol.

26. "Project Site" means lands purchased for the express purpose of implementing the Project, exclusive of the lands that are outside of the boundaries of this purchased land on which activities related to the Project take place.

27. "Project Site Manager" has the meaning ascribed to it in Article V of this Agreement.

28. "Project Technical and Financial Report" has the meaning ascribed to it in Article VII of this Agreement.

29. "Project Term" has the meaning ascribed to it in Article III of this Agreement.

30. "Registration Interest" means the right accorded to TEXACO under the terms of this Agreement, Section 1605(b) of the United States Energy Policy Act of 1992, and any other relevant Mechanism to claim, to obtain certification to formally register or otherwise to obtain environmental or other credit for Offsets generated pursuant to activities under this Agreement.

31. "Restricted Information" means any non-public information regarding any Party, provided by such Party or by an agent, employee, or representative of such Party and marked or otherwise identified as "Restricted Information" to any other Party or to an agent, representative, or employee of such other Party. "Restricted Information" does not include (1) Project-verified information that must be disclosed to obtain Offset Certification, or to register Certified Offsets under the ground rules of the United States Department of Energy's Section 1605(b) registration program or of any other relevant Mechanism, or to comply with an order or legal requirement of a federal, state or local court or governmental agency, unless such disclosure is protected by a valid claim on confidentiality or other disclosure restriction; (2) information which at the date of this Agreement is publicly available; (3) information which after the date of this Agreement becomes publicly available through no fault or activity of a Party or its employees or agents; (4) information that a Party can show was in its possession before the date of this Agreement and which is not subject to any other disclosure restrictions; or (5) information received by a Party without restriction as to disclosure from a third party who has the lawful right to disclose the same.

32. "SPVS Project Account" has the meaning ascribed to it in Article VII of this Agreement.

33. "TAP" means the Technical Advisory Panel assembled by the CONSERVANCY, in consultation with TEXACO, and composed of climate change experts as well as other outside specialists.

34. "TEXACO" means TEXACO or any Person that may hereafter be assigned their rights, duties and obligations, or a portion thereof (but does not include any assignee whose

assignment is limited to the purchase or acquisition of any Offset Registration Interest of Texaco).

ARTICLE II
OBJECTIVE

2.1 Objective. This Agreement has as its objective to implement during the Project Term the TEXACO ANTONINA PILOT REFORESTATION PROJECT for the following purposes:

(a) to mitigate greenhouse gases in the Earth's atmosphere, principally through reforestation on the Project Site;

(b) to protect the biodiversity on the Project Site in particular and in the Guaraqueçaba region in general;

(c) to promote sustainable economic development in the Guaraqueçaba region;

(d) to generate on as rapid and regular a basis as is feasible, without compromising the biodiversity objectives of the Project, the maximum amount of Certified Offsets for TEXACO; and

(e) to carry out the activities contemplated by the TEXACO ANTONINA PILOT REFORESTATION PROJECT, consistent with the Project Plan.

ARTICLE III
TERM

3.1 Project Term. This Agreement shall enter into force upon its execution, and shall continue in effect until June 30, 2040. This period shall constitute the Project Term. A Project Year shall be from July 1 through June 30.

ARTICLE IV
PROJECT GOVERNANCE

4.1 Legal Address, Address of the Project Site Manager. The address of the Project and the Project Site Manager shall be the SPVS office in Curitiba, Brazil, as listed in Attachment 4 of this Agreement, unless the Parties designate in writing an alternate address.

4.2 The Executive Committee. The Executive Committee shall have three members and consist of three members, the Principal Contacts for TEXACO, SPVS and the CONSERVANCY. It shall meet, at a minimum, once per year during the first eight years of the Project Term, and as the Parties deem necessary during the remaining Project Term. The Executive Committee shall hold additional meetings whenever requested by two-thirds of the Executive Committee. At least two-thirds of all Executive Committee members must be present for a quorum. In lieu of meeting, the Executive Committee may act by written resolution, signed by at least two-thirds of all Executive Committee members in the case of an advisory action and by all Executive Committee members in the case of a binding decision. All annual meetings and other meetings shall be noticed in writing by the Project Site Manager at least thirty (30) days

prior to the date of the meeting. This notice is considered waived if all members of the Executive Committee are present at the meeting. The site for Executive Committee annual meetings shall be the office of the Project Site Manager in Curitiba, Brazil, unless the Parties agree to an alternate location. Executive Committee meetings may be held by teleconference. The Project Site Manager shall keep minutes of the Executive Committee meetings in English and Portuguese, which shall be distributed to the Parties within thirty (30) days following a meeting. Reasonable expenses of the CONSERVANCY and SPVS to attend Executive Committee meetings can be paid out of Project Funds; TEXACO shall bear the expenses of its own attendance in Executive Committee meetings.

4.2.1 Advisory Role. Except to the extent otherwise provided in this Agreement, during the Project Term the Executive Committee may consider in an advisory capacity any issues concerning the Project that any Party requests be considered. While consensus shall be the goal, recommendations of the Executive Committee shall be by approval of at least two of the three Executive Committee members. The Executive Committee may provide, but is not limited to providing, recommendations on the following matters:

(a) Annual Workplan and Budget;

(b) Annual Technical and Financial Report;

(c) General project implementation activities.

4.2.2 Decision Making Role. Any and all binding decisions of the Executive Committee shall require the agreement of all three members of the Executive Committee. In addition to its advisory role, the Executive Committee shall have the following duties and responsibilities with respect to which its decisions will be binding upon the Project Funds Manager and the Project Site Manager:

(a) the review and approval of the Project Plan and the Carbon Monitoring Protocol and any changes to this Agreement, the Project Plan, and the Carbon Monitoring Protocol;

(b) the delegation of responsibility for preparing and submitting all necessary documentation and applications related to the filing, submission and registration of certified Offsets;

(c) the approval of any sale, assignment, conveyance, lease or other disposition of the Project Site or the placing on, or permitting to exist on or in respect of the Project Site of any encumbrance, including but not limited to a mortgage, lien, security interest, pledge or other encumbrance of any kind or nature whatsoever;

(d) the changing of the frequency or number of any audits or reports required under this Agreement;

(e) the changing of the fiscal year for the Project;

(f) any other binding decision identified in this Agreement to be undertaken by the Executive Committee.

4.3 Principal Contacts. Each Party agrees to be represented at all times during the Project Term by a Principal Contact, who shall be fully authorized to represent and bind his or her appointing Party in connection with all matters concerning the Project and this Agreement. The names of the Principal Contacts shall be set forth in Attachment 4 to this Agreement, *provided that,* each Party shall notify the Project Site Manager within thirty (30) days of any change in the names of the Principal Contacts or in the address to which communications should be sent. The Project Site Manager shall record any change and notify the other Parties of the change within ten (10) days thereafter.

4.4 Communication Among Parties. Unless explicitly provided for otherwise within this Agreement, all communications among the Parties may be given orally, by phone, or in writing. Any communications that are required to be in writing shall be in the language of receptor or accompanied by a certified translation in the language of the receptor and may be delivered by hand, mail, telegram, facsimile, e-mail, or telex, postage prepaid. All Project Documents shall be deemed to have been given when received by the Principal Contact of a Party.

4.5 Consultation With External Advisors and Other Service Providers. The Parties may consult with independent advisors, including government entities and Certifying Entities, and separately engage accountants, technical experts and other service providers, including Certifying Entities in addition to those approved and paid for as specified by the Project Plan to review, verify, and advise the Parties on implementation of the Project, and each Party shall be solely responsible for any fees or costs (beyond those specified by the Project Plan) incurred by such separate engagements.

4.6 Public Communications. Recognizing the importance of the Project to the public and to the relationships between nations, the Parties hereby direct that all information regarding the Project be publicly available, subject only to the following:

(a) Uses of Names and Logos. No Party shall use the name and/or logo or registered trademarks/service marks of another Party without the approval of that Party. A Party intending to use another Party's name or logo shall submit in writing, via an overnight carrier, a final copy of all descriptions, copy and other materials not previously approved, associated with said name or logo for review and prior written approval before publication. Such approvals shall not be unreasonably withheld by a Party; *provided that,* acceptable criteria for disapproving a request include the conclusion by the reviewing Party that (i) the proposed communication, if published, would measurably diminish, injure, or damage such reviewing Party's reputation or good will or (ii) the requesting Party is proposing to make a commercial use of a Party's name or logo.

(b) Other Communication. Each Party agrees to communicate to the other Parties the content of and receive concurrence from the other Parties on the content of public statements, press statements, and press releases concerning any activities that have occurred or are occurring pursuant to this Agreement. Each Party will grant

its concurrence at its sole discretion. No Party to this Agreement will be required to provide an endorsement or recommendation with respect to any of the other Parties to this Agreement or any of their activities.

(c) Restricted Information. The Parties each hereby agree not to use or disclose to any person any information that has been previously identified by any other Party as Restricted Information without such other Party's prior written approval. The Parties further agree to apply the same procedures to prevent the disclosure and use of such Restricted Information as they each apply to maintain the integrity and (if applicable) confidentiality of their own confidential and proprietary business information.

4.7 Subjection to the Project Plan. All decisions of the Project Funds Manager regarding Project Site Manager actions shall be in accordance with the provisions of the Project Plan. All future revisions of the Project Plan shall be consistent with the objective in Article II of this Agreement and approved by the Executive Committee.

ARTICLE V
ROLES OF THE PARTIES

5.1 Roles of the Parties.

5.1.1 Duties of SPVS. SPVS is hereby designated Project Site Manager and in this capacity shall, in consultation with the Project Funds Manager, TEXACO and, as appropriate, the Executive Committee, be principally responsible for managing and implementing the Project in a timely and professional manner in accordance with the Project Plan. SPVS shall serve as a member of the Executive Committee, and in that capacity vote as required on issues brought before the Executive Committee. The duties of the Project Site Manager include:

(a) purchasing and holding title to the lands comprising the Project Site, and managing the Project Site in accordance with the Project Plan;

(b) hiring staff, contracting consultants, training, directing, managing, and coordinating the work to implement the Project as laid out in the Project Plan and the Annual Workplans and Budgets;

(c) assuring that the Project Plan, annual Technical and Financial Reports, Quarterly Financial Reports, and other such reports and Party updates necessary to implement the Project are developed and presented to the Project Funds Manager and, as appropriate, the Executive Committee;

(d) submitting to the Project Funds Manager an Annual Workplan and Budget as described in Article VII that is in conformance with the Project Plan and in substantive conformance with the Overall Budget, found in Attachments 3 and 2 to this Agreement, respectively, and acceptable to the Project Funds Manager.

(e) submitting to the Project Funds Manager an Annual Technical and Financial Report as described in Article VII;

(f) submitting to the Project Funds Manager Quarterly Financial Reports as described in Article VII;

(g) managing and implementing the Project's Offset creation strategies and sustainable development activities set forth in the Project Plan; calculating for the Executive Committee's review the number of Offsets; managing the accounts for creation, deduction, certification, and transfer of Offsets to TEXACO; and maintaining all necessary and appropriate records in connection with these activities;

(h) managing the Project Site in accordance with the Project Plan;

(i) developing Offset reports and submitting them as well as other necessary Project filings and Project Documents to the appropriate Brazilian government entities on behalf of the Parties, with the appropriate certification to the truth and accuracy of such Offset reports, Project filings and other necessary Project Documents;

(j) serving as custodian of all Project records legally required to be kept at SPVS, at the Project Site, or pursuant to this Agreement, and ensuring the availability of such records to the Project Funds Manager, TEXACO, the Executive Committee, and the appropriate governmental entities;

(k) maintaining disbursed Project Funds in an SPVS Project Bank Account, as described in Article VII, and expending Project Disbursements in accordance with this Agreement and the Annual Workplans and Budgets as approved by the Project Funds Manager;

(l) engaging, coordinating and managing the work for accountants, scientific experts and other service providers as appropriate and necessary to implement the Project, including providing the direction necessary regarding such work to ensure its quality, accuracy and timeliness;

(m) acquiring, maintaining, and renewing all rights, contracts, powers, leases, and franchises, and making all payments, filings, and records pertaining thereto, as necessary for the conduct of its business and the performance of its obligations under this and all other Project Documents;

(n) obtaining and maintaining in force at all times during the Project Term, such property, general liability, and other insurance on its property, business and the Project Site as is appropriate for the activities in the Project Plan, is in accordance with good commercial practice in Brazil, and is satisfactory to the Project Funds Manager;

(o) undertaking all actions as may be necessary or appropriate to ensure the success of the Project, within the framework of this Agreement and applicable legal requirements.

5.1.2 Duties of TEXACO. Subject to the continuing satisfaction of the conditions precedent set forth in Article VII and the default provisions set forth in Article XII, TEXACO shall:

(a) within thirty (30) days of the execution of this Agreement, pay to the CONSERVANCY the sum of US Three Million Dollars ($3,000,000.00), which will be employed to finance the development of the Project and its implementation throughout the Project Term. Texaco's payment under this subsection 5.1.2(a) will constitute its sole financial obligation under this Agreement. Further contributions to the Project by TEXACO beyond those described in Article V are permitted at Texaco's sole discretion and will be subject to the same conditions, herein stipulated, as the initial funding, or as may be agreed to by TEXACO and CONSERVANCY;

(b) serving as a member of the Executive Committee, and in that capacity vote as required on issues brought before the Executive Committee, and consult with the Project Funds Manager and the Project Site Manager regarding the financing and implementation of the Project;

(c) reviewing and commenting on the Project Plan, the Carbon Monitoring Protocol, and Annual Workplans and Budgets.

5.1.3 Duties of the CONSERVANCY.

The CONSERVANCY is hereby designated the Project Funds Manager, and in such capacity it shall be responsible for providing the financial management services set forth in this Agreement, in a timely and professional manner, and overseeing the Project implementation by the Project Site Manager. The CONSERVANCY shall serve as a member of the Executive Committee, and in that capacity vote as required on issues brought before the Executive Committee. The duties of the Project Funds Manager include:

(a) Project Financial Management. The CONSERVANCY shall provide the Project's financial management through the following responsibilities:

(i) establishing a CONSERVANCY Medium-Term Project Funds Account and CONSERVANCY Long-Term Project Funds Account with Project Funds received from TEXACO, and tracking, managing and maintaining this CONSERVANCY Medium-Term Project Funds Account and CONSERVANCY Long-Term Project Funds Account throughout the Project Term, as described in Article VII;

(ii) approving the Annual Workplan and Budget submitted by the Project Site Manager after allowing for review and comment by TEXACO;

(iii) disbursing funds to the Project Site Manager on such dates and in accordance with the Project Plan;

(iv) approving Quarterly Financial Reports submitted by the Project Site Manager;

(v) approving the Annual Technical and Financial Report submitted by the Project Site Manager;

(vi) seeking and facilitating technical support for the financial administration of the Project according to the requirements of the Project Site Manager;

(vii) establishing and managing the Project Site Endowment Fund established as described in Article VII; and

(viii) collaborating with the Project Site Manager to ensure the success of the Project conservation activities.

(b) Project Technical Assistance. The CONSERVANCY shall also provide technical assistance to the Project for the following activities:

(i) seeking and facilitating technical support required by the Project Site Manager as set forth in Article V;

(ii) providing advice and technical assistance in the development and revision of the Project Plan, the Operating Protocols (including the Carbon Monitoring Protocol), the Annual Workplan and Budget, the Annual Technical and Financial Report, Quarterly Financial Reports, and other such reports and Party updates as are necessary to implement the Project and as required by the Project Site Manager; and

(iii) reviewing and approving all of the decisions of the Project Site Manager that require Project Funds Manager approval, and reviewing proposed revisions and amendments to the Project Plan.

ARTICLE VI
COVENANTS

6.1 Covenants. Each Party independently and separately hereby covenants to perform as follows:

6.1.1 Due Diligence. Each Party shall perform its obligations under this Agreement, and shall conduct the Project on the basis of customary commercial practice, reasonable care and arm's length arrangements, in accordance with the objective in Article II, with due diligence and efficiency, within the due dates and time lines established herein, in the Project Plan or in any

other Project Document and in accordance with applicable legal requirements of any kind or nature whatsoever;

6.1.2 Assignment of Duties and Obligations and Transfer of Rights. Except as otherwise expressly provided herein, a Party shall not assign any of its duties, rights, or obligations under any provision of this Agreement to any third party except by written agreement of all of the Parties, which agreement may not be unreasonably withheld; *provided that*:

(a) TEXACO may assign all or any portion of its interest herein to any TEXACO subsidiary or affiliate without written agreement of the other Parties; and

(b) TEXACO may assign, sell, or trade any or all Offsets generated pursuant to this Agreement at its sole discretion, without notice to or agreement of the other Parties.

6.1.3 Notification. It shall notify the other Parties orally as soon as possible and in writing within five (5) Business Days of:

(a) the occurrence of an Event of Default and of any event known to any of its officers which, upon the giving of notice, the lapse of time or both, would become an Event of Default;

(b) the filing of any lawsuit, or the assertion of any claim, against such Party involving claims that could directly and materially affect such Party's performance of this Agreement, or that concern activities in connection with this Agreement;

(c) the occurrence of any other condition or event which is likely to materially adversely affect the Party's financial condition or its ability to perform its obligations under this Agreement.

6.1.4 Professional Performance of Obligations. All obligations to be performed under this Agreement by each one of the Parties and their respective employees, representatives, and agents, shall be performed in a professional and efficient manner using due diligence to prevent unnecessary injury or damage to the Offsets produced on the Project Site, and shall use their best efforts to ensure that such Offsets shall be of good quality;

6.1.5 Materials Prepared and Submitted. All materials prepared and submitted to any governmental or non-governmental entity, made by a Party or its employee, representative or agent, shall be prepared and submitted in a manner that meets the requirements of this Agreement, applicable Project Documents, and applicable guidelines, Mechanisms, or legal requirements of any kind or nature whatsoever;

6.1.6 Reliance on Information. To the extent permitted by applicable legal requirements of any kind or nature whatsoever and this Agreement, all service providers, and each employee, representative, and agent of any other Party working on the Project shall have

the rights to rely on information provided and preparations and representations made by such Party or its duly authorized employee, representative, or agent.

6.1.7 Support. Each Party will provide its employees, and the persons engaged to assist such employees, with the support necessary to ensure timely and full performance of such appointees' responsibilities and obligations under this Agreement and any subsequent document approved by the Project Funds Manager and/or the Executive Committee;

6.1.8 Communication with Accountants. Upon the Executive Committee's request, each Party will instruct its respective accountants and auditors to communicate directly with the Executive Committee regarding their accounts and operations as they relate to the Project.

6.1.9 Covenants of SPVS and the CONSERVANCY. SPVS and the CONSERVANCY each further covenant:

(a) not to sell, assign, convey, lease, or otherwise dispose of all or a substantial part of its assets or real properties to the extent such action would have a material effect on the Project, whether such assets or real properties are now owned or hereafter acquired, except for the replacement of capital assets with assets of equal or greater value;

(b) not to voluntarily dissolve, liquidate, or otherwise cease to do business during the Project Term to the extent such action would have a material effect on the Project;

(c) not to change the nature or scope of the Project without the written consent of the other Parties;

(d) not to change its bylaws, articles of association, or other organizing documents, in a manner that would be inconsistent with the provisions of any Project Document;

(e) not to enter into any legal partnership, profit-sharing or royalty agreement, or other similar arrangement whereby Project Disbursements are, or might be, shared with any person, except as authorized in a Project Document or approved by the Project Funds Manager;

(f) to maintain its corporate existence and its right and authorities to carry on the Project;

(g) to assist TEXACO in advocating for or defending the transfer of Offsets under this Agreement, against the claims of any persons by providing any documentation in their possession;

(h) to ensure observance of confidentiality with regard to any Restricted Information or confidential information or data disclosed to it, pursuant to this Agreement; and

(i) to use reasonable care in designing and implementing the Project activities so that the Project will not result in the loss of jobs or homes or other events with negative social or environmental consequences.

6.2 SPVS further covenants during the Project Term not to sell, assign, convey, lease, or otherwise dispose of the Project Site or place on, or permit to exist on or in respect of, the Project Site any encumbrance, including but not limited to a mortgage, lien, security interest, pledge, or other encumbrance of any kind or nature whatsoever on the Project Site, unless approved by the Executive Committee per Article 4.2.

6.3 SPVS further covenants that all permits, licenses and approvals required or necessary to go forward with the Project, have either been granted and not modified or withdrawn, or will be sought in a timely manner by SPVS as Project Site Manager pursuant to the procedures established in the Project Plan and Operating Protocols.

ARTICLE VII
PROJECT FINANCE

7.1 Funding for the Project.

7.1.1 Project Funds.

(a) Project Development and Initial Implementation Expenses. As reflected in and limited by Attachment 2 to this Agreement, the CONSERVANCY shall expend funds for certain Project development and initial implementation expenses prior to CONSERVANCY Board of Governors approval of the Project. The total of these Project development and initial implementation expenses expended prior to such approval shall not exceed US$30,000. If the CONSERVANCY Board of Governors does not approve the Project, all remaining Project Funds shall be returned to TEXACO.

(b) CONSERVANCY Medium-Term Project Funds Account. CONSERVANCY shall deposit a portion of the Project Funds into an internally cost-segregated medium-term investment account ("CONSERVANCY Medium-Term Project Funds Account") to be invested in short- to medium-term money-market, investment-grade instruments at the discretion of the CONSERVANCY, with the same care and diligence as used to invest its other similar financial resources and with the objective of ensuring that the Project's medium-term financial needs are met. The Parties understand that the value of the CONSERVANCY Medium-Term Project Funds Account will fluctuate and may lose value. During the Project Term, the principal and income from the CONSERVANCY Medium-Term Project Funds Account (less any custodial costs and fund management fees) shall only be utilized for the purposes of supporting the Project or for the support of the Project

Site.

(c) CONSERVANCY Long-Term Project Funds Account. CONSERVANCY shall deposit the balance of the Project Funds (the total of all Project Funds less those expended for Project development and initial implementation expenses and those placed in the CONSERVANCY Medium-Term Project Funds Account) into an internally cost-segregated long-term investment account ("CONSERVANCY Long-Term Project Funds Account") to be invested with the same care and diligence as used to invest its other long-term financial resources at CONSERVANCY's discretion and in accordance with the investment criteria put in place by CONSERVANCY Board of Governors with the objective of ensuring that the Project is financed for the balance of the Project Term from the principal and income earned in the CONSERVANCY Long-Term Project Funds Account. Notwithstanding the above conditions, the annual payout from the CONSERVANCY Long-Term Project Funds Account may exceed the payout rate provided for the CONSERVANCY's other long-term accounts. The Parties understand that the value of the CONSERVANCY Long-Term Project Funds Account will fluctuate and may lose value. During the Project Term, the principal and income from the CONSERVANCY Long-Term Project Funds Account (less any custodial costs and fund management fees) shall only be utilized for the purposes of supporting the Project or for the support of the Project Site.

(d) Project Site Endowment Fund Upon termination of the Project for any reason, any funds remaining in the CONSERVANCY Medium-Term Project Funds Account or the CONSERVANCY Long-Term Project Funds Account shall be used by CONSERVANCY to establish a Project Site Endowment Fund, which shall be used solely to support the protection of flora and fauna on the Project Site beyond the Project Term. This Project Site Endowment Fund shall be established pursuant to the policies, procedures and practices of CONSERVANCY and the laws of the State of Virginia, U.S.A. and invested at CONSERVANCY's discretion and according to the investment criteria put in place by CONSERVANCY's Board of Governors with the objective that a reliable source of income is available to protect the flora and fauna on the Project Site beyond the Project Term. CONSERVANCY shall own, manage, and administer the Project Site Endowment Fund with the same care and diligence as used to administer its other endowment funds.

7.1.2 Economic and Commercial Uses of Project Site. Income from any use of the Project Site during the Project Term shall be used solely for the benefit of the Project unless otherwise decided by the Executive Committee. Income from any use of the Project Site following the Project Term shall be used solely to support the protection of flora and fauna on the Project site indefinitely.

7.2 Disbursements.

7.2.1 Disbursement Obligation. As Project Funds Manager, CONSERVANCY shall make Disbursements of all Project Funds to the Project Site Manager or CONSERVANCY for authorized Project uses. Such Disbursements shall be in accordance with this Article and the Project Plan. All Disbursements to the Project Site Manager for the purpose of purchasing land shall also be governed by Donation Agreements the form of which is found in Attachment 5 hereto. All Disbursements to the Project Site Manager for purposes other than purchasing land shall also be governed by Deposit Contract(s) the form of which is found in Attachment 6 hereto.

7.2.2 Disbursement Schedule. All disbursements shall be made on a quarterly basis and only upon receipt of the previous quarter's Financial Report, or at such other times as may be agreed to by the Funds Manager and the Project Site Manager. At the end of Year 8 of the Project Term, or at any other time as requested by a Party, the Executive Committee shall review reporting and Disbursement requirements to determine if any changes are warranted in the Disbursement schedule; any changes which the Executive Committee votes to accept will then take precedence over this Article VII.

7.3 Undisbursed Funds. During the Project Term, all undisbursed Project Funds shall be retained by the Project Funds Manager in the CONSERVANCY Medium-Term Project Funds Account or CONSERVANCY Long-Term Project Funds Account.

7.4 Uses of Project Disbursements.

7.4.1 Obligation. All Project Funds disbursed to the Project Site Manager and the Funds Manager shall be used exclusively in furtherance of the Project in accordance with this Agreement, the Project Plan, and the Annual Workplans and Budgets, and for no other purposes whatsoever.

7.4.2 SPVS Project Account. The Project Site Manager shall deposit all Project Funds disbursed in accordance with this Article into a SPVS separate specific Project bank account to be applied solely to the Project. SPVS will receive the funds as depository pursuant to the terms and conditions set forth by a Deposit Contract, the form of which is found in Attachment 6.

7.4.3 Expenditure Categories and Authorizations. The Project Site Manager and Funds Manager are authorized to expend disbursed Project Funds strictly in accordance with the categories and amounts authorized by the Project Plan and Annual Workplans and Budgets for the Project. Any change in the categories or amounts indicated in the Project Plan shall be reflected in a revision to the Project Plan and will require authorization by the Executive Committee. Notwithstanding the foregoing, the Project Site Manager is authorized, without approval by, but with notification in writing to, the Funds Manager, to transfer funds amounting to no more than the lesser of $3,000 (or such other amount as is approved by the Executive Committee) or ten percent (10%) (or another percentage as is approved by the Executive Committee) of any individual annual budget category to another annual budget category, *provided that,* such transfer does not impact the successful implementation of Project activities as laid out in the Project Plan or exceed the overall approved annual budget as indicated in the Annual Workplan and Budget.

7.5 Conditions Precedent. The Project Fund Manager's Disbursement obligations under this Article shall be subject to the following conditions precedent:

(a) Performance by SPVS and CONSERVANCY of the covenants set forth in Articles VI and XI;

(b) The warranties and representations set forth in Article XI being true and remaining true;

(c) That SPVS continues to control and administer the Project Site and the facilities necessary for conducting the Project, free and clear of any and all circumstances that would interfere with the creation and Apportionment of Offsets contemplated under this Agreement;

(d) That the Project Site Manager continues to have all Government of Brazil approvals, licenses, and permits with regard to the Project Site to ensure full and successful implementation of the Project Site Manager's Offset generating and Project financing activities;

(e) That the Project Site Manager remains in compliance with the provisions of any Donation Agreements and Deposit Contracts; and

(f) If a condition precedent is not satisfied because of a Party's action or inaction, Article XII of this Agreement shall control. If a condition precedent is unsatisfied for any other reason, disbursement and payment obligations shall be suspended until all conditions have been satisfied.

7.6 Accounting. The Parties shall implement financial and Project implementation accounting mechanisms as necessary and appropriate to ensure good business practice, and to document performance by all Parties of their respective Project obligations. The Executive Committee has the power to change the frequency, form, and number of any audits or reports under this Agreement.

7.6.1 The Funds Manager shall maintain a complete, up-to-date and segregated cost center within its accounting structure for all Project Funds it receives, which shall include accounting for all CONSERVANCY Medium-Term Project Funds Account and CONSERVANCY Long-Term Project Funds Account deposits and withdrawals, for all Project services costs and expenditures, and for all Project costs and expenses actually incurred.

7.6.2 The Project Site Manager shall maintain a complete, up-to-date and segregated cost center within its accounting structure for the Project Funds it receives, which shall include accounting for all SPVS Project Account deposits and withdrawals, for all Project services costs and expenditures, and for all Project costs and expenses actually incurred.

7.6.3 Annual Workplans and Budgets, and Annual Financial and Technical Reports.

(a) Annual Workplan and Budget. In substantial conformance with the overall Project Budget, found in Attachment 2 to this Agreement, and in

conformance with the Project Plan, found in Attachment 3 to this Agreement, the Project Site Manager shall submit an Annual Workplan and Budget to the Project Funds Manager. The Annual Workplan and Budget will detail spending for the coming Project Year and will be submitted not later than ten weeks prior to the start of CONSERVANCY's Fiscal Year (July 1) for each year of the Project, unless otherwise stipulated by the Executive Committee. The Project Funds Manager's approval of the Annual Workplan and Budget for the Project that is consistent with this Agreement and the limitations on the Parties' obligations set forth in this Agreement, shall be given by not later than June 15 of each year of the Project. Should the Project Funds Manager wish to change the Annual Workplan and Budget submitted to the Project Site Manager, it will consult with and obtain approval from the Project Site Manager before doing so. The Project Plan and any revisions to it shall govern implementation of the Project throughout the Project Term.

(b) Annual Technical and Financial Report. The Project Site Manager shall submit an Annual Technical and Financial Report to the Project Funds Manager within 60 days after the end of each year of the Project, with the first year ending on June 30, 2001. The Annual Technical and Financial Report will provide detailed progress on the Project including Disbursements and Expenditures of funds, unexpended or surplus funds available to the Funds Manager and Project Site Manager, and the progress and percentage of completion of major phases and milestones of the Project. If major phases and/or milestones have not been completed on schedule, the Annual Technical and Financial Report will include an explanation for the delays and set forth the steps that the Project Site Manager intends to take to bring Project implementation activities back into conformance with the Project Plan. The Annual Technical and Financial Report shall contain a statement signed by an Authorized Officer or the Principal Contact of SPVS and CONSERVANCY of each of the applicable conditions that acknowledges the contents of the reports. If they choose, and at their sole expense, any of the Parties may also conduct an External Project Evaluation of the Project Site Manager at any time during the Project Term.

(c) Quarterly Financial Reports. The Project Site Manager shall submit Quarterly Financial Reports to the Project Funds Manager within 30 days after the end of each quarter of the Project (quarters shall end on March 31, June 30, September 31 and December 31) using financial reporting forms provided by the Project Funds Manager and including copies of all bank statements relevant to the Project during the quarter. Any changes which the Executive Committee votes to accept will then take precedence over this Article VII.

(d) Change in Conditions Precedent, Covenants, or Warranties. If a change that is beyond the control of any of the Parties causes any of the conditions

precedent, covenants or warranties set forth in this Agreement to materially change, SPVS or CONSERVANCY as appropriate shall notify the Executive Committee in writing within thirty days of the change; such notification will advise the Executive Committee as to the nature and impact of such change, and propose a plan to address such impact.

(e) Access and Examination. Upon the request of any Executive Committee member, any other Party shall grant the requesting Executive Committee member or a person designated by the requesting Executive Committee member during normal business hours, access to, and permission to examine, copy and make extracts from, any and all records and documents pertinent to the Project in the possession or subject to the control of the requested Party relating to the Project, and to inspect the Project Site facilities and properties. Subject to all applicable legal requirements, the requesting Executive Committee member shall treat the financial information provided under this Subsection, as Restricted Information.

7.6.4 Audits. Copies of the following audits shall be provided to all members of the Executive Committee in a timely manner.

(a) Annual External Organizational Audit. The Project Site Manager and Funds Manager shall do annual external organizational audits and shall provide copies of these to the Executive Committee.

(b) Project Site Manager Audit. If they choose, and at their sole expense, any of the Parties may also audit the Project Site Manager.

(c) Other Audits. If they choose, and at their sole expense, any of the Parties may also audit the SPVS Project Account, the CONSERVANCY Medium-Term Project Funds Account, the CONSERVANCY Long-Term Project Funds Account, the Project Site Endowment Fund, and all other Project programs or activities.

ARTICLE VIII
REAL PROPERTY TRANSACTIONS

8.1 Real Property Transactions. Funds transferred from the CONSERVANCY to SPVS or to any sellers of real property for the purpose of purchasing land pursuant to this Agreement shall be donations from the CONSERVANCY to SPVS and shall be governed by Donation Agreement(s) the form of which is found in Attachment 5 to this Agreement.

ARTICLE IX
OFFSETS RECOGNITION AND TREATMENT

9.1 Pilot Project. The Parties to this Agreement understand and agree that this Project is being developed as a pilot project to demonstrate the viability and effectiveness of reforestation

and forest protection greenhouse gas mitigation strategies and to generate Certified Offsets that may be used at a later date.

(a) The Parties to this Agreement further understand and agree that this Project has not been submitted to any Mechanism or Certifying Entity for approval or acceptance.

(b) In order to implement the Project objective of generating Certified Offsets, the Executive Committee, shall, as feasible and appropriate, take all necessary steps to obtain certification of Project Offsets by one or more Mechanisms or Certifying Entities identified or approved by TEXACO. TEXACO, as the sole recipient of the Project's Certified Offsets under this Agreement shall bear any and all charges, fees, or "share of the proceeds" (as indicated in Article 12 of the Kyoto Protocol) or other costs associated with any preparation and application for Certified Offsets under this Section.

(c) No Party guarantees that any such Mechanisms or Certifying Entities will be adopted, established, or authorized by the parties to the FCCC or otherwise. In addition, no Party assumes financial liability for failure of such Mechanism or Certifying Entity to be adopted, established, or authorized by the Parties to the FCCC.

9.2 Offsets Calculation, Demonstration, and Certification. The Project Site Manager, or such other Party or entity as may be designated by the Executive Committee, will be responsible for the demonstration and calculation of the Project's Offsets while the CONSERVANCY or such other entity selected by the Executive Committee will be responsible for the preparation and submission of all necessary documentation to the relevant Mechanism or Certifying Entity, in accordance with the methods and procedures set forth herein, in the Carbon Monitoring Protocol.

9.2.1 Carbon Monitoring Protocol. The CONSERVANCY and SPVS will prepare a Carbon Monitoring Protocol that will provide the factual basis and procedures for documenting changes over time in the greenhouse gases emitted, reduced, avoided, or sequestered by the Project. The Carbon Monitoring Protocol shall include provisions for monitoring and measurement of biomass for the purpose of determining the rate of carbon sequestration. Such monitoring shall be conducted once every two years for the first eight years of the Project Term and then as agreed to by the Parties for the remainder of the Project Term. This Carbon Monitoring Protocol will be reviewed and evaluated by the TAP and will define the methods, procedures, and frequency of activities in the following areas:

(a) measurement of carbon pools in and around the Project Site;

(b) calculation of a Project reference case or baseline;

(c) calculation of net carbon emissions attributed to Project leakage or avoided through the Project's leakage prevention activities as compared to the Project reference case;

(d) carbon emissions calculations and accounting procedures;

(e) preparation and submission of Offset reports;

(f) evaluation of Offset reports by the TAP.

9.2.2 Refinements of Methodologies. The Parties to this Agreement mutually understand and agree that, as a pilot effort, the Project's Offsets monitoring, measurement, and reference case calculation methodologies and techniques may be developed and refined over the Project Term, consistent with those methodologies or techniques that are or are likely to be acceptable to or approved by relevant Mechanisms or Certifying Entities.

9.3 Certification Protocol. The Parties to this Agreement shall cooperate to submit the necessary documentation for obtaining certification of Offsets from the relevant Mechanism or Certifying Entity or Entities annually, or at such other intervals as shall be consistent with the rule, policies, and practices of the Mechanism or Certifying Entity and the Project objective of generating Certified Offsets on as rapid and regular a basis as is feasible and procedures set forth herein, in the Carbon Monitoring Protocol. The Parties to the Agreement shall work with the relevant Mechanism or Certifying Entity or Entities to develop a transparent procedure for certification and obtain certification decisions as expeditiously as feasible.

9.4 Conveyance of Offsets. As long as TEXACO is not in default of its duties under this Agreement, all Offsets generated pursuant to this Agreement shall be conveyed to TEXACO. Such Offsets shall be conveyed providing sufficient time to register such Offsets with registries and tracking systems established by relevant Mechanisms or Certifying Entities. Such conveyance shall transfer to TEXACO the right to hold, register, sell, hypothecate, transfer, or otherwise dispose of such Offsets subject to all applicable legal requirements whatsoever.

9.5 Registration and Recognition of Offsets. The Parties to this Agreement mutually understand, intend, and agree that, subject to all applicable legal requirements whatsoever, each Offset conveyed, or to be conveyed, to TEXACO under this Agreement shall constitute an unconditional marketable private right for TEXACO, or TEXACO's successor in interest or permitted assignees, to register the Offset, in a metric tons, or other acceptable unit measure, of carbon-dioxide equivalent amount equal to the net greenhouse gas mitigation represented by such Offset, with the Energy Information Administration Section 1605(b) Registry of the United States government or with any other relevant Mechanism or Certifying Entity, and to count such Offset toward compliance by TEXACO, or its successor in interest or assignee, with its current or potential future greenhouse gas limitation obligation or commitments, voluntary or otherwise.

9.6 TAP. The TAP will review and evaluate the Carbon Monitoring Protocol, other Project carbon monitoring procedures, Offset reports and any other items requiring TAP review and evaluation under the Carbon Monitoring Protocol. The reasonable costs of these reviews will be paid out of Project funds.

ARTICLE X
RELATIONS WITH GOVERNMENT ENTITIES

10.1 U.S. Government Institutional Relationship. The CONSERVANCY shall be responsible for maintaining regular contact as required by Law with any U.S. government entity that implements a program into which the Project has been accepted for the purposes of certifying, registering, accrediting, or otherwise recognizing greenhouse gas Offsets. It will also be responsible for all Project filings, reports, and other necessary or appropriate Project Documents on behalf of the Parties other than the U.S. government entity, except in the case of Offset registrations under Section 1605(b) of the United States Energy Policy Act of 1992 or any similar or successor governmental or non-governmental GHG mitigation registries and tracking systems that may be hereafter established under applicable law, for which the affected Party shall be responsible.

10.2 Government Communications. Should the Project be accepted by any Mechanism or Certifying Entity, all Project Documents required to be filed, submitted, or registered to such Mechanism or Certifying Entity under this Agreement or any applicable Law shall be:

(a) prepared by the Party or Parties designated by the Executive Committee under the direction of the CONSERVANCY or, in the case of Offset registration under Section 1605(b) (or any other governmental or non-governmental GHG mitigation registries and tracking systems that are or may be hereafter established under applicable law), by TEXACO:

(b) except for registration under Section 1605(b), approved for content by the Executive Committee prior to making the filing, submission, or registration; and

(c) following the approvals and procedures set forth in this Subsection, filed, submitted, and registered by the Party designated by the Executive Committee, in the manner designated by the Executive Committee, or by TEXACO, as applicable.

10.3 External Verification. Consistent with the rules and regulations or practices of relevant Certifying Entities or Mechanisms, the Parties shall direct their respective appointees to provide representatives from such Entities or Mechanisms such opportunities for external verification of the Project as are necessary, appropriate, or required to ensure the reliability of the greenhouse gas benefits reported for the Project.

ARTICLE XI
REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS

11.1 Representation, Warranties, and Covenants. Each Party independently and separately hereby represents, warrants, and covenants as follows:

11.1.1 Transfer of Influence.

(a) It will not use any form of influence at any level to obtain or elicit favors as is prohibited under U.S. or Brazilian law.

(b) In connection with any business transactions under this Agreement it will not make, offer, or authorize a payment of anything of value to a government official, political party or official thereof, or a political candidate, for the purpose of influencing an official act or decision by such person to obtain, retain, or direct business to any Person.

11.1.2 It has the organizational power to own and operate its properties and to carry on its business;

11.1.3 It is authorized to make the appointments, and grant the authorizations and delegations provided for elsewhere herein, including granting its appointees the authorities to act on behalf of, and to fully bind and represent such Party in all matters that may arise under this Agreement, the Project, or applicable legal requirements of any kind or nature whatsoever;

11.1.4 It has duly obtained or will in a timely fashion obtain, so as not to delay implementation of the Project Plan, all material consents, permits, licenses, approvals, and authorizations and has effected all declarations, filings, and registrations necessary for the due implementation, delivery, and performance of this Agreement and of all other Project Documents;

11.1.5 Its implementation, delivery, and performance of this Agreement and of all other Project Documents to the extent it will materially affect its performance under this Agreement: (i) will not violate any applicable law, regulation, or ruling of any governmental authority; and (ii) will cause each such respective instrument to constitute a legal, valid, and binding obligation of such Party, enforceable in accordance with its terms;

11.1.6 It is a corporation duly organized, validly existing, and in good standing under the Laws of the state, the District of Columbia or the country in which it is incorporated, as applicable; and

11.1.7 No Warranty Regarding Offsets. It is mutually understood and agreed by the Parties that, notwithstanding any good faith estimates of the net greenhouse gas benefit of the Project, they make no representations, warranties, or guarantees as to the amount, quality, or quantity of the Offsets that will be produced, demonstrated, or certified under the Project; *provided that*, each Party hereto does hereby covenant and agree that it will faithfully comply with the responsibilities and obligations under this Agreement on its part to be performed, including, but not limited to those set forth in Articles VIII and IX of this Agreement, and it does hereby warrant performance of the same against the claims of any person whatsoever, and that it will deliver under this Agreement within the time established.

11.2 Additional Warranties of SPVS. In addition to the warranties set forth in Section 11.1, SPVS specifically warrants the following:

11.2.1 Debts & Encumbrances.

(a) It does not have outstanding, nor is it contractually bound to create, any mortgage, pledge, encumbrance, or any other kind of security interest in or with respect to any of its properties or revenues that would materially interfere with performance hereunder and all tax returns and reports required by Law to be filed by SPVS have been duly filed, and all taxes, assessments, fees, and other governmental charges due upon it, or upon any of its assets or income, have been duly paid;

(b) It is not in breach of any provision of any contract to which it is a party which would have a materially adverse effect upon its financial condition or ability to perform its obligations under this Agreement or any other Project Document and no action, suit, proceeding, or investigation is pending against it by or before any domestic or foreign court or governmental authority, nor, to the best of its knowledge and belief after due inquiry, is any action threatened against it or against any of its properties or rights that, if adversely determined, is likely to materially adversely affect its financial condition or its ability to perform its obligations under this Agreement or any other Project Document.

11.2.2 All documents, reports or other written information pertaining to the Project (including, without limitation, this Agreement) which have been furnished by it to another Party are true and correct, and do not contain any material misstatement of fact, or omit to state a material fact, or omit to state a fact necessary to make the statements contained herein or therein not materially misleading.

11.2.3 The Financial Statement dated April 5, 2000, which has been furnished to the other Parties, is complete, correct and fairly represents SPVS's financial condition and the results of its operations for the period then ended. No contingent obligation, liability for taxes, material or long-term commitment, or outstanding debt of any kind exists except as is closed in such statements, and there has been no material adverse change in its financial condition or prospects from that set forth in such Financial Statements, except as disclosed to the Parties in writing.

11.3. Additional Warranties of the CONSERVANCY.

11.3.1 The CONSERVANCY's Financial Statement dated October 2, 1999, which has been furnished to TEXACO, is complete, correct and fairly represents the CONSERVANCY's financial condition and the results of its operations for the period then ended.

11.3.2 Debts & Encumbrances.

(a) It does not have outstanding, nor is it contractually bound to create, any mortgage, pledge, encumbrance or any other kind of security interest in or with respect to any of its properties or revenues that would materially interfere with performance hereunder and all tax returns and reports required by Law to be filed by the CONSERVANCY have been duly

filed, and all taxes, assessments, fees, and other governmental charges due upon it, or upon any of its assets or income, have been duly paid;

(b) It is not in breach of any provision of any contract to which it is a party which would have a materially adverse effect upon its financial condition or ability to perform its obligations under this Agreement or any other Project Document and no action, suit, proceeding, or investigation is pending against it by or before any domestic or foreign court or governmental authority, nor, to the best of its knowledge and belief after due inquiry, is any action threatened against it or against any of its properties or rights that, if adversely determined, is likely to materially adversely affect its financial condition or its ability to perform its obligations under this Agreement or any other Project Document.

11.3.4 All documents, reports, or other written information pertaining to the Project (including, without limitation, this Agreement) which have been furnished by it to another Party are true and correct, and do not contain any material misstatement of fact, or omit to state a material fact, or omit to state a fact necessary to make the statements contained herein or therein not materially misleading.

11.4 Guarantee. No Party represents, warrants, or guarantees to any other Party, successor or assign that any mechanism for achieving national obligations under the FCCC or related documents will be adopted, established, or authorized by the parties to the FCCC. In addition, no Party assumes financial responsibility or liability for the failure of such mechanism to be adopted, established or authorized by the parties to the FCCC, or for the level of value placed on any Offsets generated under this Agreement. Further, no Party represents, warrants, or guarantees to any other Party, successor, or assign that this Agreement or any action under this Agreement, shall cause the creation of any Offset or credit that will be recognized by any governmental or inter-governmental authority of any kind.

11.5 Continuation. The warranties, covenants and acknowledgements set forth in this Agreement shall continue in effect as to each Party so long as such Party remains obligated to perform hereunder.

ARTICLE XII
EVENTS OF DEFAULT

12.1 Events Constituting Default. The occurrence and continuation of any of the following events or circumstances constitutes an "Event of Default" under this agreement:

12.1.1 Failure to Pay. A Party fails to pay when due any amount payable pursuant to this Agreement which failure continues for a period in excess of thirty (30) days; or

12.1.2 Failure to Perform Material Obligation. Any Party fails to comply with or perform any other material obligation, undertaking, agreement, covenant or provision contained herein or in any other Project Document; or

12.1.3 Representations. Any representation or warranty made by or on behalf of any Party in this Agreement or other Project Document, notice, certificate, or other statement delivered pursuant hereto shall prove to have been incorrect, misleading, or false in any material respect when made; or

12.1.4 Authorizations. Any authorization, permit, license, consent or approval of any governmental agency or public authority required to be obtained by a Party and necessary for the implementation, delivery or performance of a material provision of this Agreement or any other Project Document, or for the validity or enforceability of any material obligations under this Agreement or other Project Document is not given or is withdrawn or ceases to remain in full force and effect due to the malfeasance or nonfeasance of such Party; or

12.1.5 Cessation of Grants of Rights. In any material respect a Party ceases to give or grant another Party the rights, titles, remedies, powers or privileges provided by this Agreement or any other Project Document; or

12.1.6 Condemnation. Any governmental authority condemns, nationalizes, seizes or otherwise expropriates a portion of the assets of the Project Site, or takes any other action that would prevent a Party from performing any material obligation under this Agreement or any other Project Document, due to the malfeasance or nonfeasance of such party; or

12.1.7 Contesting of Obligations. Any Party takes any judicial or other action to void, repudiate or otherwise contest the validity of its obligations hereunder or under any other Project Document, including:

(a) applying for or consenting to the appointment of a receiver, trustee, custodian, intervenor or liquidator of itself or of all or a substantial part of its assets,

(b) filing a voluntary petition in bankruptcy, admitting in writing that it is unable to pay its debts as they become due or generally not paying its debts as they become due,

(c) making a general assignment for the benefit of creditors,

(d) filing a petition or answer seeking a reorganization or arrangement with creditors, or to take advantage of any bankruptcy or insolvency Laws,

(e) filing an answer admitting the material allegations of, or consenting to, or defaulting in answering, a petition filed against it in any bankruptcy, reorganization or insolvency proceeding where such action or failure to act will result in a determination of bankruptcy or insolvency against such entity; or

12.1.8 Bankruptcy. Without its application, approval or consent, a proceeding that could void a Party's obligations hereunder or under any other Project Document is instituted in a court of competent jurisdiction, or by or before any government or governmental agency of competent jurisdiction, seeking in respect to any Party an adjudication in bankruptcy, reorganization,

dissolution, winding up, liquidation, composition or other arrangement with creditors, a readjustment of debt, the appointment of a trustee, receiver, liquidator or the like, of it or of all or any substantial part of its property or assets, or other like relief in respect of it under any bankruptcy, reorganization or insolvency Law; and, if such proceeding is being contested by it in good faith, the same shall continue undismissed for a period of sixty (60) days; or

12.1.9 Discharge of Judgments. Any final judgment(s) for the payment of money is rendered against SPVS or the CONSERVANCY, and such judgment or judgments shall affect SPVS's ability to perform its obligations as Project Site Manager or the CONSERVANCY's ability to perform its obligations as Project Funds Manager and such judgment or judgments shall not be satisfied or discharged within sixty (60) days of entry; or

12.1.10 SPVS:

(a) is not performing or will not be able to perform its obligations as Project Site Manager in any respect in accordance with the terms of this Agreement or any other Project Document, or

(b) ceases to exist, or retain or exercise management control of the Project Site; or

12.1.11 The CONSERVANCY:

(a) is not performing or will not be able to perform its obligations as Project Funds Manager in any respect in accordance with the terms of this Agreement or any other Project Document, or

(b) is not performing or will not be able to perform its obligations regarding the Project Site Endowment Fund in any respect in accordance with the terms of this Agreement or any other Project Document, or

(c) Ceases to exist or is substantially restructured to the point that its activities in Brazil cease to be a priority.

12.2 Notice Upon an Event of Default. If an Event of Default is determined by a simple majority of the non-defaulting Parties, or in the case of an Event of Default by two Parties the non-defaulting Party, to be of a material nature, then notice of such default shall be given to such Party or Parties by the non-defaulting Party or Parties, which notice shall be directed to the defaulting Party or Parties by registered mail at the address listed in Attachment 4 of this Agreement.

12.3 Remedies Upon an Event of Default.

12.3.1 Opportunity to Cure. The defaulting Party shall cure the Event of Default within thirty (30) days from the date on which notice is given to the defaulting Party under Section 11.2, except for:

(a) an Event of Default arising under Subsections 12.1.6, 12.1.8, 12.1.9 or 12.1.10 or 12.1.11, in which case no cure period will be allowed, or

(b) an Event of Default that cannot be cured within thirty (30) days despite diligent efforts, in which case the defaulting Party shall commence the cure within the thirty (30) day period and proceed diligently thereafter until the cure is effected.

12.3.2 Failure to Cure. If the Event of Default is not cured within the applicable deadline set forth above, or the default arises under Subsection 12.1.6, 12.1.8, 12.1.9 or 12.1.10 or 12.1.11, and except when the noticed Party disputes the alleged default diligently and in good faith pursuant to Article XIII, then and in that event the following remedies shall be available to the non-defaulting Parties (without limiting the availability of any other remedies available under this Agreement, or in law or equity, all such remedies to be cumulative):

(a) suspend or defer performance of the non-defaulting Parties' obligations under the Project Documents, in whole or in part, until the Event of Default is cured by the defaulting Party,

(b) continue performance if it deems it reasonable to do so, or

(c) if Texaco is the non-defaulting Party, it may elect to obtain reimbursement of the remaining Project Funds. Such remedy shall not affect Texaco's rights regarding any Offsets generated to the date of such election.

12.3.3 Non-defaulting Parties may invoke their rights in this Subsection against a defaulting Party.

(a) Project Site Manager Default. In the event of a Project Site Manager default under 12.1.10, the non-defaulting Parties may seek such relief in proceedings initiated under Article XII, as is permitted by applicable legal requirements or in equity to continue the expeditious and full implementation of the Project. To the extent that the equitable relief necessary to prevent irreparable harm to the Project or any Party cannot be awarded in arbitration under Article XII, the non-defaulting Parties shall have the right to (1) replace the Project Site Manager with another Brazilian entity with appropriate conservation objectives acceptable to the non-defaulting Parties, and SPVS shall transfer to such entity all of the assets it holds or possesses in connection with this Agreement (including, but not limited to, the Project Site), shall transfer to such entity all of its records in connection with this Agreement and shall otherwise cooperate with TEXACO and The CONSERVANCY in conducting such replacement effectively and efficiently; and/or (2) notwithstanding Article XIII, seek such relief directly in any court of competent jurisdiction. SPVS hereby agrees and consents to such relief including:

(i) such (affirmative or negative) temporary, preliminary or permanent injunctive relief as may be necessary to ensure the timely and full implementation of the Project Site manager performance, duties and obligations established under this Agreement, and

(ii) an order transferring such obligation to another Brazilian organization with appropriate conservation objectives selected by the non-defaulting Parties, during the term established by the Parties

(b) The non-defaulting Parties may, by unanimous agreement:

(i) declare, by written demand to the defaulting Party, to be made whole without any other presentment, demand, diligence, protest, notice of acceleration, or other notice of any kind, all of which the Parties hereby expressly waive;

(ii) without notice of default or demand, proceed to protect and enforce their rights and remedies by appropriate proceedings, whether for damages or the specific performance of any provision of this Agreement, in any other Project Document or by Law; and

(iii) suspend or terminate this Agreement as to such Party, in which case all the rights, titles and interests of the defaulting Party hereunder shall wholly cease without any right of reclamation or compensation for expenditures made or money paid or to be paid hereunder or otherwise.

(c) Costs. In any such event of continuing default, the reasonable costs incurred by the Executive Committee as a result of a Party's default shall be due and payable by such defaulting Party upon submission to such Party by the Executive Committee of invoices thereof. In the event that the defaulting Party shall institute any suit or action to enforce any right hereunder and not prevail, the defaulting Party shall pay the other Parties such sum as the tribunal or Court may adjudge reasonable as attorney's fees and costs for the defense of such suit or action.

ARTICLE XIII
DISPUTE RESOLUTION

13.1 The Parties hereby delegate to their respective Principal Contacts all responsibility and authority with regard to disputes and the settlement of disputes between the Parties under this Agreement (including disputes regarding the monitoring, certification and Apportionment of Offsets, or the Apportionment of Offsets proceeds or costs).

13.2 Except as otherwise provided in this Agreement, the Parties hereby agree that, in the event of any claim, counterclaim, dispute or other matter in question between any two or more

Parties arising out of, or relating to, this Agreement or a breach of this Agreement, the Parties shall first seek to resolve the matter in question through informal discussions.

13.3 In the event any matter in question cannot be resolved between any two or more Parties informally within thirty (30) days of the raising of such matter by one Party to another, the Parties agree that such matter shall be negotiated between the parties in dispute through mediation in accordance with Mediation Rules ("Mediation Rules") of the American Arbitration Association's Commercial Arbitration and Mediation Center for the Americas ("CAMCA"); *provided that,* notwithstanding any provision in the Mediation Rules to the contrary, any list of persons prepared by the administrator of the Mediation Rules for consideration in the mediator selection process shall include any persons proposed by any Party. The language to be used in all mediation proceedings under this Agreement shall be English unless Parties agree otherwise. The cost of the mediator shall be shared equally by the Parties to the mediation, but each Party shall bear its own costs, including but not limited to, it own attorney fees, internal costs and travel expenses. The Parties' costs shall not be paid for from Project Funds.

13.4 In the event any matter in question cannot be resolved between any two or more Parties through mediation and such mediation is terminated as provided in the Mediation Rules, the Parties in dispute agree that such matter shall be settled between the Parties by binding arbitration administered by the American Arbitration Association under its International Arbitration Rules. The determination of such arbitration shall be binding on all Parties to such dispute and enforceable according to its terms within all relevant jurisdictions. The cost of administering the arbitration that is imposed by the Arbitration Rules shall be shared equally by the Parties to the arbitration, but each Party shall bear its own costs, including but not limited to, its own attorneys' fees, internal costs and travel expenses. The Parties' costs shall not be paid for from Project Funds.

13.5 The Parties agree that except as expressly provided to the contrary in this Agreement, this Article XIII sets forth the exclusive procedures the Parties shall follow regarding any dispute in connection with this Agreement, and except as expressly provided to the contrary in this Agreement, no party shall file or otherwise assert any claim in any court in connection with any dispute under this Agreement.

ARTICLE XIV
LIMITATIONS ON LIABILITY AND FORCE MAJEURE

14.1 Limitations on Liability.

14.1.1 Liability for Matters Not Within the Scope of Responsibility. Nothing in this Agreement is intended to impose liability on the Parties for matters not expressly within the scope of their responsibilities under this Agreement.

14.1.2 Responsibility for Acts, Omissions or Malfeasance. Each Party shall be solely responsible for the acts, omissions or malfeasance of such Party and its employees, representatives, invitees, or agents, and no Party shall be liable for the acts, omissions, or malfeasance of any other Party or its employees, representatives, invitees, or agents.

14.1.3 Liability for Non-Agents on Project Site. In no event shall any Party be made liable by virtue of this Agreement for any loss sustained by any person that is not such Party's employee, representative, invitee, or agent while on the Project Site, unless such loss results from the omissions or malfeasance of that Party or its employees, representatives, invitees, or agents.

14.2 Force Majeure.

14.2.1 *"Force Majeure,"* for purposes of this Agreement, means any event, including acts of God, arising from causes beyond the control of a Party or of any person engaged, employed by or associated with a Party, such as a Party's contractors and subcontractors, that delays the timely performance of any material obligation under this Agreement notwithstanding that Party's use of best efforts to avoid the delay. The requirement that the Party exercise "best efforts to avoid the delay" includes using best efforts to anticipate any potential *force majeure* event (a) as it is occurring, and (b) following the *force majeure* event, such that the delay and the adverse effects of the delay are minimized to the greatest extent practicable.

14.2.2 Pursuant to Subsection 6.1.3, if any event occurs or has occurred that may delay the performance by a Party of any material obligation under this Agreement, whether or not caused by a *force majeure* event, that Party shall notify the other Parties orally as soon as possible and in writing within five (5) Business Days of when the Party knows that the event might cause or contribute to a delay or non-performance of such obligation. Each Party shall exercise best efforts to avoid or minimize any delay and any adverse effects of a delay. Failure to comply with the above requirements shall preclude such Party from asserting any claim of *force majeure*.

14.2.3 If all the other Parties agree unanimously that the delay or anticipated delay by one Party is attributed to a *force majeure* event, the time for performance of the mutual obligations of the Parties under this Agreement that are directly affected by the *force majeure* event shall be extended by agreement of the Parties. In any proceeding, to qualify for a *force majeure* defense, the Party claiming *force majeure* shall have the burden of demonstrating by a preponderance of the evidence that the delay or anticipated delay has been, or will be, caused by a *force majeure* event, that the duration of the delay was or will be warranted under the circumstances, that the delaying Party did exercise or is exercising due diligence by using its best efforts to avoid and mitigate the effects of the delay, and that the delaying Party complied with the notification requirements of Subsection 6.1.3.

14.2.4 Should the delaying Party carry the burden set forth in Subsection 14.2.3, the delay at issue shall be deemed not to be a violation of the affected obligation or a default of this Agreement and the time for performance of the mutual obligations of the Parties under this Agreement shall be extended to reflect the period of *force majeure*.

14.3 Indemnification.

14.3.1 Notwithstanding any provision of this Agreement or any other Project Document to the contrary, SPVS shall release, defend and indemnify TEXACO and the CONSERVANCY and their officers, directors, shareholders, employees, affiliates, successors and assigns from and against any claim, suit, liability, or proceeding (and any costs, expenses, fines or penalties

associated with the foregoing) of any kind or nature whatsoever that is asserted or brought by any Person and that arises from or in connection with SPVS' acts or omissions in connection with the Project or the Project Documents.

14.3.2 Notwithstanding any provision of this Agreement or any other Project Document to the contrary, the CONSERVANCY shall release, defend and indemnify TEXACO and SPVS and their officers, directors, shareholders, employees, affiliates, successors and assigns from and against any claim, suit, liability, or proceeding (and any costs, expenses, fines or penalties associated with the foregoing) of any kind or nature whatsoever that is asserted or brought by any Person and that arises from or in connection with the CONSERVANCY's acts or omissions in connection with the Project or the Project Documents.

14.3.3 Notwithstanding any provision of this Agreement or any other Project Document to the contrary, TEXACO shall release, defend and indemnify the CONSERVANCY and SPVS and their officers, directors, shareholders, employees, affiliates, successors and assigns from and against any claim, suit, liability, or proceeding (and any costs, expenses, fines or penalties associated with the foregoing) of any kind or nature whatsoever that is asserted or brought by any Person and that arises from or in connection with the TEXACO's acts or omissions in connection with the Project or the Project Documents.

ARTICLE XV
MISCELLANEOUS

15.1 Incorporation by Reference. The Attachments hereto are incorporated herein by reference at the places mentioned as if their terms were set forth fully herein. In the event of any conflict between any Attachment and any other provision of this Agreement, such other provision shall control.

15.2 Applicable law. Except where specifically stipulated to the contrary, the Agreement shall be governed in all respects by the Laws of the State of New York applicable to contracts made and performed therein, without regard to the principles of conflict laws.

15.3 Amendments, Construction and Termination. The provisions of this Agreement may be waived, modified, supplemented, amended, canceled, renewed, extended or terminated to the extent consistent with the requirements of Law only be a written instrument signed by all the Parties.

15.3.1 References. Reference to, and the definition of, any Project Document (including this Agreement) shall be deemed a reference to such document as it may hereafter be amended or modified from time-to-time in writing by the Parties.

15.3.2 Revisions Due to Changes of Law.

(a) It is the intent of the Parties that the rights, authorities, duties, responsibilities and obligations of the Parties provided for in this Agreement and in any other Project Document shall be consistent and implemented in conformance with applicable legal requirements. If any provision of this Agreement or other Project Document is found to be

illegal, invalid, or unenforceable, the remaining provisions shall remain fully enforceable and unimpaired.

(b) For purposes of this Subsection a "Change in the Law" shall mean any change in the text, or interpretation by a governmental authority with jurisdiction, of a legal requirement of the United States or Brazil, that materially affects this Agreement or other Project Document.

(c) The Parties agree to renegotiate in good faith any revisions to this Agreement necessitated by any Change in the Law, and to limit the scope of such renegotiation to provisions materially affected by such Change in the Law.

15.4 Descriptive Headings. Title and headings used in this Agreement are for reference purposes only and shall not in any way affect or limit the meaning or construction of any provision of this Agreement.

15.5 Complete Agreement. This Agreement, including all Attachments hereto, embodies the entire and complete understanding and agreement between the Parties, and supersedes all prior negotiations, understandings and agreements between them, whether written or oral, with respect to the subject matter hereof. The rights, duties, responsibilities and obligations of any Party hereto with regard to any future Project Document shall be set forth in those other Project Documents; *provided that*, in the event of any conflict between the terms of this Agreement and any such other Project Document, the terms of this Agreement shall control.

15.6 Form of the Agreement. The Parties specifically declare that it is neither their intent nor purpose by entering into this Agreement to create, and this Agreement shall not be construed to have created, a partnership, joint venture or other business arrangement, nor is it a principal purpose of the Parties to enter into a commercial undertaking. No party shall (a) refer to or treat the Project or the arrangements arising under this Agreement as a partnership in connection with the filing or making or any form or return or (b) take any other action inconsistent with such intention.

15.7 Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the Parties and to their respective successors in interest and assigns, including any successor in interest or assign to any Registration Interest granted to the Parties under this Agreement.

15.8 Counterparts. This Agreement may be executed in multiple counterparts each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

15.9 No Third Party Beneficiaries. There are no third party beneficiaries of this Agreement.

15.10 No Waivers. The failure of any Party to seek redress for violations of, or to insist upon the strict performance of, any covenant, agreement, provision or condition of this Agreement shall not constitute a waiver thereof and such Party shall have all remedies provided in this Agreement and under applicable Law with respect to any subsequent act which originally would have constituted a violation, breach or default of or under this Agreement.

15.11 Insurance or Guarantees. TEXACO, in its sole discretion, may decide at any time to obtain insurance or guarantees with respect to Offsets, regardless of whether they are certified. The CONSERVANCY and SPVS will cooperate with TEXACO to provide TEXACO with the assistance it requests in order to assemble information to obtain such insurance or guarantees, including, but not limited to, providing assistance in connection with relevant Certifying Entities or Mechanisms.

15.12 Survival. All of the covenants, agreements, representations and warranties, and indemnities made by each Party contained in this Agreement and its Attachments shall survive the execution of this Agreement.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date and year first above written.

UNDERSTOOD AND AGREED TO:

SOCIEDADE DE PESQUISA E VIDA SELVAGEM

SIG: _____
BY: Clovis Ricardo Schrappe Borges
TITLE: Executive Director
DATE: 12/6/2000

_____
WITNESS

_____
WITNESS

TEXACO INC.

SIG: _____
BY: Elliott P. Laws
TITLE: President Safety, Health & Environment
DATE: 12-12-00

_____
WITNESS

_____
WITNESS

THE NATURE CONSERVANCY

SIG: _____
BY: Michael Coda
TITLE: Director, Climate Change Program
DATE: 12-1-2000

_____
WITNESS

_____
WITNESS

ATTACHMENTS

ATTACHMENT 1

AUTHORITIES OF THE SIGNATORIES (Including Certificates of Good Standing)

ATTACHMENT 2

DESCRIPTION OF PROJECT FINANCING, OVERALL PRELIMINARY PROJECT BUDGET AND 40 YEAR PROJECTED CASH FLOW

ATTACHMENT 3

PROJECT PLAN [RESERVED]

ATTACHMENT 4

NAMES AND ADDRESSES OF PRINCIPAL CONTACTS

ATTACHMENT 5

FORM OF DONATION AGREEMENT

ATTACHMENT 6

FORM OF DEPOSIT CONTRACT

ATTACHMENT 7

MEMORANDUM OF AGREEMENT [RESERVED]

ATTACHMENT 8

PROJECT PROPOSAL

TABLE OF CONTENTS

	PAGE
AGREEMENT FOR THE TEXACO ANTONINA PILOT REFORESTATION PROJECT	1
RECITALS	1
ARTICLE I DEFINITIONS	2
ARTICLE II OBJECTIVE	6
ARTICLE III TERM	6
ARTICLE IV PROJECT GOVERNANCE	6
ARTICLE V ROLES OF THE PARTIES	9
ARTICLE VI COVENANTS	12
ARTICLE VII PROJECT FINANCE	15
ARTICLE X RELATIONS WITH GOVERNMENT ENTITIES	23
ARTICLE XI REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS	23
ARTICLE XII EVENTS OF DEFAULT	26
ARTICLE XIII DISPUTE RESOLUTION	30
ARTICLE XIV LIMITATIONS ON LIABILITY AND FORCE MAJEURE	31
ARTICLE XV MISCELLANEOUS	33
THE NATURE CONSERVANCY	35
ATTACHMENTS	36
TABLE OF CONTENTS	37

AGREEMENT FOR

THE BAYOU PIERRE FLOODPLAIN CLIMATE ACTION PROJECT

BETWEEN

POWERTREE CARBON COMPANY, LLC

AND

THE NATURE CONSERVANCY

Article 1
Introduction

In consideration of the terms in this agreement and noted attachments (hereinafter the "Agreement"), PowerTree Carbon Company, LLC, hereinafter known as "PowerTree", contracts with The Nature Conservancy, hereinafter known as "Conservancy" (hereinafter, collectively, the "Parties"), to fund The Bayou Pierre Floodplain Climate Action Project, hereinafter the "Project", and that such Project aims to generate greenhouse gas emission reductions and associated benefits for the use of PowerTree and its member companies. As used in this Agreement, "Emission Reduction" shall mean one ton of carbon-equivalent Greenhouse Gas emissions demonstrated to be mitigated, reduced, avoided, sequestered or fixed in any calendar year and any associated credits, rights, authorizations, permits, or other benefits, including but not limited to any rights with respect to any database maintained pursuant to section 1605(b) of the Energy Policy Act of 1992 (Pub. L. No.102-486) or any successor statute.

Notwithstanding anything in this Agreement to the contrary, Conservancy makes no representations, warranties or guarantees regarding the amount, quality or quantity of Emission Reductions produced, demonstrated or certified under the Project and makes no representations, warranties or guarantees of any kind whatsoever regarding the climate change or greenhouse gas mitigation effects that are anticipated to be generated as a result of this Agreement. Conservancy further makes no representations, warranties or guarantees that the Project or any action taken under this Agreement shall cause the creation of any offset, benefit or credit that will be recognized by any governmental authority.

Article 2
Project Description

2.1 Project Scope

Conservancy agrees that the Project scope is as described in Attachment B, Bayou Pierre Floodplain Climate Action Project proposal to PowerTree Carbon Company, LLC, the key details being:

2.1.1 Conservancy has identified a tract of land consisting of 580 acres, more or less, located in the Bayou Pierre Floodplain area, which Conservancy can purchase from the current owner (referred to as the Barlow-Steel tract or the "Property"). The Project scope will include all that portion of the Property that is suitable for reforestation, or approximately 500 acres of marginal cropland. PowerTree and the Conservancy intends either that the Property will eventually be transferred to the Louisiana Department of Wildlife and Fisheries (LDWF) to be incorporated into the Bayou Pierre Wildlife Management Area or that it be transferred to a mutually acceptable alternative entity. The Project and each Parties' obligations under this Agreement are expressly subject to and conditioned upon Conservancy's successful acquisition of the Property. In the event Conservancy does not acquire the Property, this Agreement shall terminate and the parties hereto shall have no further rights or obligations to the other. The entire 500 acres will be planted in the first planting season following the Conservancy's acquisition of the Property with bottomland hardwood seedlings under the direction of Environmental Synergy Inc. ("ESI"), or such other contractor as PowerTree may contract with under separate agreement and at PowerTree's expense.

2.1.2 In exchange for the rights to plant approximately 500 acres of the Property and retain exclusive ownership of Emission Reductions resulting therefrom, PowerTree agrees to: 1) make payments to Conservancy to be used toward the purchase price of the Property (currently estimated to be $800.00 per acre), said payment not to exceed $320,000.00; 2) make additional payments to Conservancy to reimburse any closing costs, survey and appraisal fees and interest carrying charges on the un-reimbursed principal incurred by Conservancy for the years 2004 thru 2006 (up to $84,520.00); and 3) make payment to Conservancy an additional $20,000.00 representing a management fee which Conservancy will in turn transfer to: (1) LDWF for operation and maintenance of the Property once Conservancy has transferred the Property to the LDWF for inclusion in the Bayou Pierre Wildlife Management Area or (2) a mutually acceptable alternative entity

2.1.3 PowerTree will contract for planting on approximately 500 acres in the first planting season following the Conservancy's acquisition of the Property . Conservancy will allow PowerTree's contractor access to the Property for planting and may, at its discretion, require PowerTree's contractor to execute a Surface Use Agreement, License, or similar agreement as Conservancy deems necessary prior to any access and use of the Property by PowerTree's contractor.

2.1.4 Conservancy will verify that PowerTree's contractor has planted the trees according to ESI standards.

2.1.5 If the Conservancy (or PowerTree on the Conservancy's behalf) collects damages for damage to the Project pursuant to paragraph 14 of the Oil, Gas and Mineral Lease in favor of Clark Energy Company, dated July 24, 2002 ("Mineral Lease"), then the Conservancy shall promptly remit such damages to PowerTree. If the Conservancy does not pursue or collect such damages, the Conservancy agrees that PowerTree may pursue or collect such damages under the Mineral Lease on behalf of the Conservancy.

2.1.6 Conservancy shall, at a time mutually agreed by Conservancy and PowerTree but prior to the end of this Agreement transfer the Property to the LDWF for inclusion in the Bayou Pierre Wildlife Management Area or to a mutually acceptable alternative entity, subject to the following deed restrictions, which restrictions shall be reasonably acceptable to PowerTree: (1) a restriction recognizing that PowerTree holds right to any and all Emission Reductions resulting from tree-planting activities on the Property; (2) a restriction recognizing PowerTree's rights to damages as set forth in 2.1.5 above; (3) such other restrictions as reasonably requested by PowerTree to protect the planted seedlings and the purpose of this Agreement; and (4) an obligation in the transferee to execute any additional documents reasonably requested by PowerTree to effect the purposes of this Project, providing the costs of executing such additional documents are reasonable.

2.1.7 Conservancy shall execute any additional documents reasonably requested by PowerTree to effect the purposes of this Agreement, providing the costs of executing such additional documents are reasonable.

2.1.8 The parties intend this Agreement to represent a non-real estate contract between PowerTree and Conservancy, granting certain contractual rights to PowerTree as described in paragraphs 2.1.2, 2.1.3, 2.1.5, 2.1.6, and 2.1.7 above. Nothing herein shall be construed to grant a real property interest to PowerTree in any real property acquired by Conservancy for purposes of this Project. The parties further agree that Emission Reductions do not constitute a "real property interest" at the time of the execution of this Agreement.

2.1.8 PowerTree acknowledges and agrees that its right to plant trees on the Property is subject to all existing easements, rights-of-way, leases and other encumbrances affecting the Property, including the Mineral Lease. Upon request, Conservancy will provide PowerTree a copy of any title commitment obtained by Conservancy in connection with the purchase of the Property.

2.2 Reports

The Conservancy shall submit, with each payment request below, brief status reports regarding progress, relative to Conservancy's obligations and activities as stated above. Said reports will be kept confidential by PowerTree to the extent permitted by law for a period of three years.

Article 3
Period of Contract

The duration of this Agreement shall be over the period from _____, 2004 through September 15, 2006.

Article 4
Agreement Amount and Payment

The Parties agree that the total payment by PowerTree to Conservancy will be $424,520.00 and does not include any additional costs incurred by PowerTree to purchase the hardwood seedlings or hire the contractor to plant the seedlings (PowerTree's payment to Conservancy together with PowerTree's additional costs represent total Project cost). Payments will be made by PowerTree to Conservancy as follows:

4.1 The first payment will be $54,520.00 and will be paid within 15 days signing the Agreement, to be applied to closing costs and staff costs on fee title acquisition, interest, and principal.

4.2 $95,000.00 on or before September 15, 2005, to be applied to interest payments on the land purchase principal and payment of the principal.

4.3 $255,000.00 on or before September 15, 2006, to be applied to interest payments on the land purchase principal and payment of the balance of the principal (subject to Final Acceptance by PowerTree).

4.4 $20,000.00 on or before December 15, 2006, to be transferred as a management fee to LDWF or to another mutually acceptable entity to which the Property is transferred pursuant to section 2.1.7 of this Agreement.

Payments will be made by PowerTree within 30 days of receipt of a payment request from Conservancy together with the status report referenced in Section 2.2 above. Payment requests shall include Conservancy's contact name and address to receive payment.

Article 5
Additional Provisions

The following Attachments are incorporated into this Agreement by reference in

their entirety:

Attachment A – General Terms and Conditions to Agreement
Attachment B – Bayou Pierre Floodplain Climate Action Project Proposal
Attachment C – Property Description (to be inserted once Property is under contract for acquisition by Conservancy)
Attachment D – Insurance Requirements

Article 6
Notices

All notices or other communications between the Parties hereto shall be in English and shall be directed to the following officials:

Conservancy's Representative:

Keith Ouchley, State Director
The Nature Conservancy – Louisiana Chapter
201 St. Charles Street
Baton Rouge, Louisiana 22203

With copy to:

The Nature Conservancy
Attn: Legal Department
P.O. Box 1440
San Antonio, Texas 78295

PowerTree's Representative:

Gary Kaster, President
PowerTree Carbon Company, LLC
59 West Main Street
McConnelsville, Ohio 43756

By signing this Agreement, the Parties represent that they have the authority and capacity to bind their respective entity to this Agreement.

PowerTree Carbon Company, LLC	The Nature Conservancy
Gary Kaster	Keith Ouchley
[Representative's Name]	**[Representative's Name]**
4-19-04	4-19-04
Date	Date

ATTACHMENT A
GENERAL TERMS AND CONDITIONS
TO AGREEMENT

ARTICLE 1
Definitions

1.1. "Agreement" shall, unless the precise context means otherwise, include all written Attachments, and other written exhibits, schedules, modifications and amendments to this Agreement.

1.2. "PowerTree" shall mean PowerTree Carbon Company, LLC or any of its authorized officers, directors, managers, agents or contractors.

1.3. "PowerTree Document" shall mean any description, narrative, drawing, design, specification, blueprint, diagram, illustration or other depiction furnished by PowerTree.

1.4. "Date of Execution" shall be the last date on which either Party has signed this Agreement.

1.5. "Final Acceptance" shall mean the acceptance and/or approval of the Project by PowerTree, provided that it meets the requirements of this Agreement, and all other contractual requirements have been successfully completed. The term "Finally Accepted" shall have a correlative meaning.

1.6. "Force Majeure" shall include but not be limited to acts of God, fires, floods, storms, droughts, strikes, labor disputes, riots, insurrections, acts of war (whether declared or otherwise), acts or omissions of governmental, regulatory, or judicial bodies, or any other causes beyond the reasonable control of and without the fault or negligence of the Party claiming Force Majeure.

1.7. "Greenhouse Gas" shall mean any gas defined by the Intergovernmental Panel on Climate Change to have a global warming potential and for which the Project will provide a quantifiable benefit, primarily including carbon dioxide, methane and nitrous oxide.

1.8. "Parties" shall mean PowerTree and Conservancy; "Party" shall mean PowerTree or Conservancy.

1.9. "Performance Test" shall mean any test or inspection for purposes of making a determination of the extent to which Conservancy's services meet the standards, criteria or measurements set forth in this Agreement, whether or not related to Final Acceptance.

1.10. "Restricted Information" means any non-public information regarding a Party that is identified as confidential or restricted when provided by such Party, or its agent, employee or representative, to any other Party or to an agent, representative or employee of such other Party. "Restricted Information" does not include any verified greenhouse

gas monitoring data or other information relating to the production, certification, apportionment or registration of offsets under the Department of Energy's Section 1605(b) registration program, the Laws of the United States, or to comply with an order of a Federal, State, or local court or governmental agency.

1.11. "Project" shall mean the services described in the Agreement and further specified in Attachment B, "Bayou Pierre Floodplain Climate Action Project Proposal."

1.12. "Site" shall mean the location at which any of the project deliverables are to be performed or provided.

1.13. "Notice" shall mean a communication from one Party to another which relates to this Agreement or a provision of this Agreement, or any other communication which a Party deems material to this Agreement or its performance.

1.14. "Emission Reduction" shall mean one ton of carbon-equivalent Greenhouse Gas emissions demonstrated to be mitigated, reduced, avoided, sequestered or fixed in any calendar year and any associated credits, rights, authorizations, permits, or other benefits, including but not limited to any rights with respect to any database maintained pursuant to section 1605(b) of the Energy Policy Act of 1992 (Pub. L. No.102-486) or any successor statute.

ARTICLE 2
Representations and Statements Made In Response To Request For Proposals

2.1. Conservancy acknowledges that PowerTree is entering into this Agreement in reliance upon representations made in the project proposal, Attachment B attached and submitted by Conservancy to representatives of PowerTree Carbon Company, LLC, dated January 5, 2004 . However, PowerTree acknowledges and agrees that any figures and/or data included in said project proposal regarding expected carbon sequestration, carbon dioxide offsets, emission reductions or carbon credits resulting from the Project, are intended as estimates only and that Conservancy makes no warranties or guarantees as to the amount of Emission Reductions, if any, that will result from the Project.

ARTICLE 3
Compensation And Security

3.1. PowerTree agrees to compensate Conservancy for its services as outlined by Articles 2 and 4 of the Agreement Document. All compensation due Conservancy shall be payable in U. S. dollars. In the event that Conservancy is in default of any obligation under this Agreement, PowerTree's payment obligation shall be suspended until the default is cured or removed.

3.2 In the event that PowerTree is in default of any obligation under this Agreement, Conservancy's obligations shall be suspended until the default is cured or removed. In the event PowerTree's default is not cured or removed, Conservancy may pursue any remedies available at law or in equity to enforce the terms of the Agreement.

ARTICLE 4
Rights In Emission Reductions

4.1. Any Emission Reductions that directly or indirectly result from the Project, and are paid for by PowerTree, are the sole property of PowerTree, and Conservancy shall have no rights whatsoever with respect to such Emission Reductions.

4.2. Conservancy shall provide all reasonable cooperation to PowerTree to enable PowerTree to achieve the maximum benefit attainable as a result of the Emission Reductions resulting from the Project. PowerTree shall provide reasonable compensation to Conservancy if PowerTree requests services that are beyond the scope of this Agreement.

4.3. Conservancy represents and warrants to PowerTree that, to the best of Conservancy's knowledge, it has done nothing to cloud, encumber or impair title to Emission Reductions resulting from the Project, nor done anything to contrary to PowerTree's intention to claim such rights.

ARTICLE 5
Conservancy Responsibilities

In its performance of this Agreement, Conservancy agrees:

5.1. To provide information on reasonable request of Conservancy about the Project.

5.2. To refrain, so long as this Agreement continues in effect, from engaging in any activity with respect to the Property, which impedes performance of the Project and generation of Emissions Reductions under this Agreement.

ARTICLE 6
Laws, Regulations and Permits

Conservancy shall comply with all federal, state and local laws, rules or regulations applicable to the Project. PowerTree shall in no event be liable for any costs, fines,

penalties, awards, damages or other liabilities associated with any violations of laws, rules or regulations by Conservancy or Conservancy's subcontractors or agents.

ARTICLE 7
Insurance

Conservancy shall, at all times during which this Agreement is in effect, procure and continue in full force and effect the policies of insurance specified in Attachment D. Any insurance specified in Attachment D shall be primary and in addition to, and not in lieu of, any policy or policies of insurance maintained by PowerTree. Conservancy shall provide a certificate of insurance for each policy required by this Agreement within thirty (30) days of the effective date of such policy. Notwithstanding the above, Conservancy's obligation to procure and continue in force property insurance on any real property acquired by Conservancy in connection with the Project shall terminate if and when Conservancy transfers title to such real property to the Louisiana Department of Wildlife and Fisheries or any other individual or entity as allowed under the Agreement.

ARTICLE 8
Trademarks

Conservancy agrees that "PowerTree," or the PowerTree logo, trademarks or service marks or trade names are the property of PowerTree. Conservancy agrees to use the trademarks or service marks or trade names of PowerTree only in the manner directed by PowerTree, and in no other manner. PowerTree agrees that "The Nature Conservancy" or The Nature Conservancy logo, trademarks or service marks or trade names are the property of The Nature Conservancy. PowerTree agrees to use the trademarks or service marks or trade names of The Nature Conservancy only in the manner directed by The Nature Conservancy, and in no other manner. Use of The Nature Conservancy's name, logo, trademarks or service marks is subject to The Nature Conservancy's internal policies and procedures and subject to all internal approval requirements.

ARTICLE 9
Public Communications

Conservancy and PowerTree shall not issue any written press statement to any public media concerning the relationships created by this Agreement, or concerning any activities that have occurred or are occurring pursuant to this Agreement, without first discussing the content of the proposed statement with the other Party and obtaining the other Party's consent to a final version of the statement.

ARTICLE 10
Site And Environmental Responsibilities

10.1. If the performance of the Project, or any portion thereof, is suspended, Conservancy shall take such reasonable steps as may be necessary or advisable to protect the Project that are in conformance with this Agreement and completed by the Conservancy as part of the Project. Any obligation of Conservancy to protect the real property acquired in connection with this Project shall only apply as long as Conservancy owns such real property and shall terminate upon Conservancy's transfer of title to the real property.

10.2. Conservancy shall immediately notify PowerTree, in sufficient detail to enable PowerTree to determine the significance and implications of such notice, if:

(a) Conservancy is served with any notice of violation of environmental laws relating to, or that may affect, any aspect of the Project;

(b) proceedings are commenced against Conservancy which could lead to revocation or suspension of any environmental registration, permit, license, or approval relating to the performance of any aspect of the Project;

(c) Conservancy receives notice of any environmental liability, including any administrative or judicial action, whether by any governmental body or any other third party, commenced against Conservancy relating to, or that may affect, any aspect of the Project;

(d) Conservancy becomes aware that any activity or condition, or its equipment or facilities relating to the Project, do not comply, or have the potential of creating an unsafe condition or a non-compliance, with environmental laws.

10.3 The Parties recognize that certain portions of the Project shall be performed by PowerTree's contractor (ESI or such other contractor as PowerTree selects) pursuant to a separate agreement between PowerTree and its contractor, and that Conservancy has no control or responsibility for the work performed by PowerTree's contractor other than as specifically stated in the Agreement and Attachments. Nothing in this Agreement shall be construed to require Conservancy to assume any liability for or to correct any work performed by PowerTree's contractor.

ARTICLE 11
Records

Conservancy shall keep accurate and complete records and books of account showing all charges, disbursements or expenses made or incurred by it in performing the Project and

shall preserve such records and books of account for three (3) years after Final Acceptance or termination of the Agreement, or longer if required by law.

ARTICLE 12
Safety

Conservancy is responsible for the safety of its personal property, and its employees or agents. Conservancy shall take all necessary or advisable precautions for the safety of its employees or agents and personal property at, on, or near any site, which relates to the Project. Conservancy shall comply with all safety standards established and promulgated under the Federal Occupational Safety and Health Act that apply to Conservancy and shall comply with all additional applicable regulations of Federal, state, county, municipal and other regulatory bodies which may have jurisdiction over the Project involved.

ARTICLE 13
Indemnification

13.1. Conservancy shall promptly notify PowerTree of any claim by any third party that may result in any liability hereunder to PowerTree. Conservancy assumes the risk of, and shall at all times defend, indemnify, protect, and save harmless PowerTree and its officers, directors, employees, representatives, associates, agents, successors, and assigns against any personal injury or property damage sustained or alleged to have been sustained in connection with or arising out of or resulting from the Project, if such personal injury or property damage liability was caused or alleged to have been caused, directly or indirectly, in whole or in part, by the fault, negligence, failure to comply with law, rule, regulation, or order, by Conservancy, any of its agents, subcontractors/assignees, and anyone directly or indirectly employed by any of them in conjunction with the Project. Notwithstanding the immediately preceding sentence, PowerTree shall be entitled at its own expense to conduct the defense of any third party claim with counsel of its own choosing.

13.2. PowerTree shall promptly notify Conservancy of any claim by any third party that may result in any liability hereunder to PowerTree. PowerTree assumes the risk of, and shall at all times defend, indemnify, protect, and save harmless Conservancy and its officers, directors, employees, representatives, associates, agents, successors, and assigns against any personal injury or property damage sustained or alleged to have been sustained in connection with or arising out of or resulting from the Project, if such personal injury or property damage liability was caused or alleged to have been caused, directly or indirectly, in whole or in part, by the fault, negligence, failure to comply with law, rule, regulation, or order, by PowerTree, any of its agents, subcontractors/assignees, and anyone directly or indirectly employed by any of them in conjunction with the Project. Notwithstanding the immediately preceding sentence, Conservancy shall be entitled at its

own expense to conduct the defense of any third party claim with counsel of its own choosing.

ARTICLE 14
Quality Control; Prior Approval of Materials; Inspections And Safety Precautions

14.1. Conservancy shall, within the scope of its authority and consistent with the terms of this Agreement, permit PowerTree or its authorized representatives to inspect at PowerTree's expense, during normal business hours and without disrupting normal business activities, any Site on which the Project is being performed, for a period of time so long as Conservancy remains responsible for any portion of the Project under this Agreement. If in the sole judgment of PowerTree, the Project or any activities of Conservancy:

(a) do not substantially comply, or create a risk of lack of substantial compliance, with the provisions of this Agreement; or

(b) create or are likely to create a risk that PowerTree may be liable for a claim based on negligence, breach of contract, failure to comply with or meet regulatory requirements or other contractual, tort or other legal or equitable theory; then

PowerTree shall promptly notify Conservancy in writing and shall identify all objections. Conservancy shall respond within twenty (20) days, or within any lesser period of time specified by PowerTree in the event of an emergency, and shall specify the steps it shall take to cure PowerTree's objections. The Parties shall attempt to mediate any dispute with respect to PowerTree's objections or steps to be taken to cure such objections. In the event that the Parties cannot reach agreement on PowerTree's objections or the steps to be taken to cure PowerTree's objections, the Parties may proceed to dispute resolution as set forth in Article 19 of this Agreement.

14.2 Notwithstanding any other provision of this Agreement, if at any time in its sole judgment, PowerTree reasonably believes that the Project or any activities of Conservancy;

(a) create or are likely to create a risk of imminent personal injury or material property damage; or

(b) create or are likely to create a substantial risk that PowerTree may be liable for a material amount of damages or a claim based on negligence, breach of contract, failure to comply with or meet regulatory requirements or other contractual, tort or other legal or equitable theory, then

PowerTree may, in addition to any other rights it may have under this Agreement or otherwise, take any and all such steps to protect itself against such risks, including notification of the owner, operator, contractor or agent for such facility, notification of

government authorities or such other steps as permitted by law. In the event that it exercises any of its rights under this paragraph, PowerTree shall have no liability to Conservancy for any claim based in whole or in part on PowerTree's exercise of its rights.

14.3 Nothing in this Article 14 shall be construed to hold Conservancy liable or responsible for the work of PowerTree's contractor unless it is otherwise expressly stated in the Agreement or Attachments. Conservancy shall not be required to cure any objections of PowerTree that are attributable to the work to be performed by PowerTree's contractor.

ARTICLE 15
Warranties And Limitations on Warranties

15.1. Conservancy shall perform its obligations as stated in the Agreement with the highest degree of skill and care that is required by customarily accepted good and sound professional practices and procedures, to ensure that they are correct and appropriate for the purpose intended.

15.2. Conservancy hereby additionally agrees to perform its obligations in connection with the Project according to the standards set forth in Attachment B, BAYOU PIERRE FLOODPLAIN ACTION PROJECT.

15.3 Conservancy shall indemnify and hold harmless PowerTree from all claims arising from or in connection with any intentional or grossly negligent acts, misrepresentations or breach of this Agreement by Conservancy, its employees, agents and contractors.

15.4. PowerTree's remedies specified in this Article are in addition to and not in lieu of any other remedies available to PowerTree.

15.5 Conservancy makes no representations, warranties or guarantees regarding the amount, quality or quantity of Emission Reductions produced, demonstrated or certified under the Project and makes no representations, warranties or guarantees of any kind whatsoever regarding the climate change or greenhouse gas mitigation effects that are anticipated to be generated as a result of this Agreement. Conservancy further makes no representations, warranties or guarantees that the Project or any action taken under this Agreement shall cause the creation of any offset, benefit or credit that will be recognized by any governmental authority.

ARTICLE 16
Limitations on Liability

In no event shall either Party be liable to the other for special or consequential damages, including but not limited to lost commissions, lost profits, loss of goodwill, loss of reputation, impairment of other goods, work stoppage or breach of other contract.

ARTICLE 17
Final Acceptance

Conservancy shall notify PowerTree when, in its opinion, the Project is complete. PowerTree shall inspect the Project and notify Conservancy in writing either: (a) that the Project is satisfactory and is acceptable to PowerTree, or (b) that all or parts of the Project do not conform to the Agreement. Conservancy shall correct such non-conforming parts of the Project to suit PowerTree's schedule, at Conservancy's expense, provided the non-conforming parts of the Project can be attributed to Conservancy's obligations and responsibilities under the Agreement and not to work for which PowerTree's contractor is responsible. Final Acceptance and final payment by PowerTree shall not waive any rights and remedies, which PowerTree has, or release Conservancy from any duties and obligations set forth in the Agreement.

ARTICLE 18
Termination

18.1. Either Party may terminate this Agreement immediately upon written notice to the other Party if either Party fails to cure a breach or default of any of its obligations under this Agreement within thirty (30) days of the delivery of written notice of breach or default. Failure of either Party to deliver such notice shall not constitute any waiver of breach or default or otherwise affect either Party's rights at law or equity to terminate this Agreement.

18.2. Either Party may, at its sole option, unilaterally terminate this Agreement upon

(a) either Party's cessation of business, election to dissolve, dissolution, insolvency, failure in business, commission of an act of bankruptcy, general assignment for the benefit or creditors, or filing of any petition in bankruptcy or for relief under the provisions of the bankruptcy laws; or

(b) if either Party materially fails to perform or complete the Project or any part of the Project in accordance with the schedule and other provisions of the Agreement, subject to the notice and opportunity to cure provisions in Paragraph 18.1 above.

18.3. In the event of termination of this Agreement, and at the end of the term of this Agreement, Conservancy shall;

(a) provide to PowerTree copies of any documents or other materials specifically relating to the Project and requested by PowerTree;

(b) comply with all reasonable requests of PowerTree relating to the winding up of matters between the Parties.

18.4 In the event of termination by PowerTree for any reason other than Conservancy's breach or default, Conservancy shall be entitled to payment of all sums due under this Agreement but unpaid as of the date of termination provided that Conservancy has satisfied its obligations under the Agreement.

18.5. The expiration or termination of this Agreement shall be without prejudice to any other rights or claims of either Party against the other, or any other remedy available to it, and such expiration or termination shall not relieve either Party of any of its obligations to the other Party existing at the time of expiration or termination or terminate those obligations of either Party which, by their nature, survive the expiration or termination of this Agreement.

18.6 This Agreement may be modified or amended upon mutual agreement of the Parties, provided that such modification or amendment is in writing and signed by both Parties.

ARTICLE 19
Dispute Resolution

Any dispute, controversy or claim arising out of or relating to the subject matter of this Agreement, or any breach thereof, including, without limitation, any claim that all or any part of this Agreement is invalid, illegal or otherwise avoidable or void, and including any dispute regarding the arbitrability of any dispute, shall be submitted to binding arbitration in accordance with the Rules of the American Arbitration Association. The arbitration shall be conducted in a location mutually agreed upon by the parties, and in the English language. Each Party shall bear its own expenses and costs of arbitration. Judgment upon the award may be entered in any court of competent jurisdiction. Any Party seeking to enforce or collect an award shall be entitled to payment by the Party against whom such enforcement is sought all expenses, including reasonable attorneys' fees and court costs incurred in seeking to enforce or collect the arbitration award.]

ARTICLE 20
No Agency Relationship Created; Taxes

20.1. Conservancy shall not be deemed to be an agent, employee, representative or servant of PowerTree, and any representation or implication to the contrary shall be void and grounds for termination. The relationship of PowerTree and Conservancy shall be that of "customer" and "independent contractor." PowerTree shall not be deemed an agent, employee, representative or servant of Conservancy and any representation to the contrary shall be void and grounds for termination.

20.2. Each Party shall be responsible for payment of any taxes of any kind assessed against it by any authority by reason of the operation of this Agreement. No deduction for taxes shall be made from any payment due from one Party to another under this Agreement except as required by law.

ARTICLE 21
Miscellaneous

21.1. There are no other agreements or understandings, either oral or in writing, pertaining to the subject matter of this Agreement. This Agreement supersedes all previous agreements between the Parties relating to the subject matters of this Agreement.

21.2. This Agreement shall be governed by the substantive law of the State of Louisiana notwithstanding any conflict of law rules of the State of Louisiana which might dictate the application of the law of another state.

21.3. No waiver by either Party of any breach or series of breaches or defaults in performance by the other Party and no failure, refusal or neglect of either Party to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of the other Party's obligations under this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach or default of either Party, or a waiver by either Party of its right at any time thereafter to require exact and strict compliance with the provisions of this Agreement.

21.4. The covenants contained in this Agreement which, by their terms, require performance by the Parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

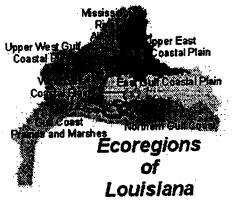
21.5. In the event that any provision of this Agreement is declared by a court of competent jurisdiction to be void or unenforceable, the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect.

21.6. This Agreement shall be binding upon and inure to the benefit of the successors, and assigns of the Parties and their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on assignment in this Agreement.

21.7. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

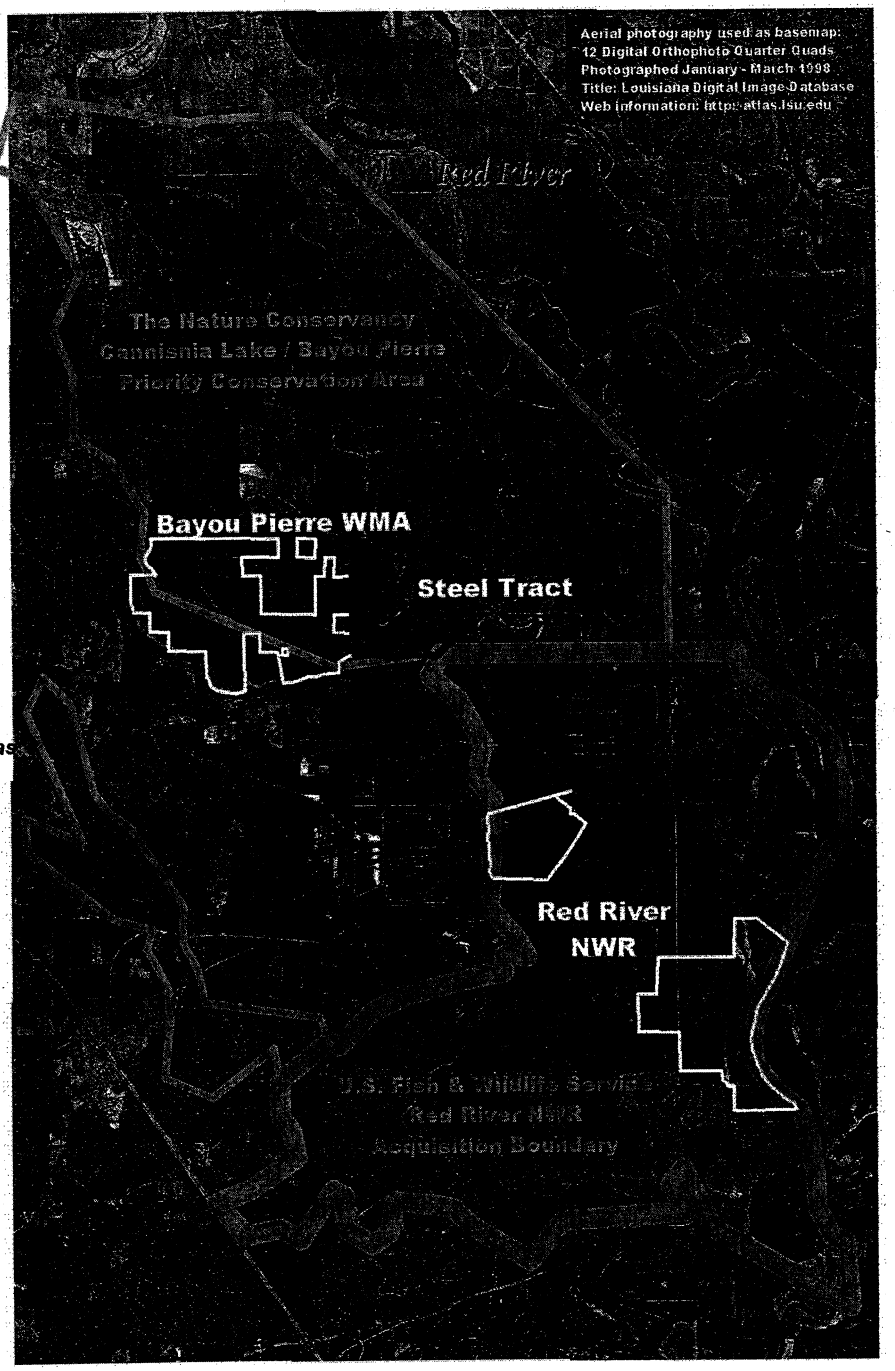
ATTACHMENT B
PROJECT PROPOSAL

Bayou Pierre Floodplain Climate Action Project



Ecoregions of Louisiana

Priority Conservation Areas of Louisiana for TNC



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Pr

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prepared by The Nature Conservancy

April 1, 2004

Bayou Pierre Floodplain Climate Action Project

Summary

The Nature Conservancy (TNC) proposes to partner with PowerTree Carbon Company, LLC (PowerTree) in the reforestation of approximately 500 acres of marginal agricultural land (see cover page), in the Red River Valley of Louisiana. The tract which has been cleared since the early 1980s, falls within TNC's Bayou Pierre Floodplain priority conservation area. The Bayou Pierre Floodplain was identified as a priority conservation area through TNC's science-based planning process, Conservation by Design.

PowerTree will make payments to TNC to be used to reimburse all or part of TNC's costs to acquire a suitable tract of marginal agricultural land consisting of approximately 500 acres that can be used to fulfill the purpose of the Project. Approximately five hundred acres will be reforested with native tree species to create suitable habitat for increasing biodiversity. Long-term protection will be achieved by TNC initially holding title to the land purchased with the PowerTree funding and later transferring the restored acreage to the Louisiana Department of Wildlife and Fisheries (LDWF) to be incorporated into the Bayou Pierre Wildlife Management Area. It is expected that approximately 61,000 short tons of carbon (225,000 short tons of CO_2) will be sequestered over the 100-year lifetime of this project on the approximately 500 reforested acres. In exchange for the funding provided, PowerTree will have sole ownership of all carbon sequestered as a result of this effort. The project offers cost-effective carbon dioxide offsets while also addressing important conservation priorities.

Table 1. Overview of the Bayou Pierre Floodplain Bottomland Hardwood Restoration

Tract involved (see cover page)	
Project acreage	500 acres
Lifetime of project	100 years
Expected sequestration per acre (short tons over project lifetime)	
CO_2	450
Carbon	122
Expected project sequestration (short tons over project lifetime)	
CO_2	225,000
Carbon	61,000

Partners: PowerTree, The Nature Conservancy, Environmental Synergy Inc, Winrock International Institute for Agricultural Development

Project Activities

Project implementation involves acquiring approximately 500 acres of agricultural land and planting trees on 500 acres, and monitoring the carbon sequestered over time. A description of these activities follows.

Acquisition. TNC expects it will be able to negotiate acquisition of a suitable tract by the end of 2004. Acquisition activities involve the reimbursement of:

- Tract purchase price paid by TNC,
- Tract closing costs paid by TNC,
- Interest and other holding costs incurred by TNC,
- TNC staff time spent on the project.

- Planting. Environmental Synergy Inc. (ESI), an independent contractor, will carry out initial site analysis, provide tree planting and GPS/GIS services, undertake survivability checking and respond to issues of survival shortfall. The bottomland hardwood species to be planted include nuttall oak, water oak, willow oak, green ash, hackberry, sweet pecan, cypress, persimmon, sweetgum and honey locust. Planting density will be 302 trees per acre on a 12-foot by 12-foot spacing. Site prep, if needed, will be done by ESI.

- Monitoring. The project will rely on ESI's monitoring protocol, developed jointly with Winrock International. The monitoring activities will consist of three components: base-year analysis to determine soil carbon stocks and establish permanent monitoring plots, tree survival analysis, and monitoring of soil and tree biomass carbon. This project will be monitored as part of a larger population of other similar reforestation projects in the same region and the same stratum thus allowing ESI to achieve greater accuracy levels at lower cost. This "monitoring umbrella" will include a planting establishment report, a survival evaluation at the third growing season, and biomass measurement and carbon quantification in the 5th and 10th growing season. The benefit for each client is that, although the size of its project may be small, the monitoring results are derived not only from the sample plots installed on the project site, but from the sample plots on all lands that are under reforestation by ESI in this area and stratum. This umbrella monitoring system yields considerable synergy, reduced sampling error, and thus potentially a greater amount of carbon credits that can be claimed in the future.

PowerTree will contract directly with ESI for the planting and monitoring for the project.

Carbon Sequestration Estimate

The first carbon sequestration projects involving bottomland hardwood restoration in the region were started in 1996. Given that these projects contain very young trees, it is not possible to measure the carbon sequestered in mature bottomland hardwood stands that were established and managed as carbon sequestration projects.

To provide an estimate of the carbon sequestration potential of the subject tract, we have looked at a variety of sources, including:

- measurements of mature (80-100 years old) bottomland hardwood forest in St. Francis National Forest (Powell, 2002)
- region-wide forest inventory data (Birdsey, 1996)
- estimates of growth rates of bottomland species based on site indices adjusted for abandoned soybean field conditions (Amacher, et al, 1997)
- and estimates provided in a Louisiana Tech University study (Newbold, 1999)

Table 2. Estimates of carbon sequestration in 70-year old bottomland hardwood forest[1]

Source	Area	Short tons of carbon/acre	Short tons of CO_2/acre

[1] The estimates include carbon stored in trees (including roots), understory vegetation, leaf litter and debris, and soils.

Powell, 2002	St. Francis National Forest	88	322
Birdsey, 1996	South Central States	103	377
Amacher et al, 1997[2]	Lower Mississippi Delta	106	388
Newbold, 1999	-	162	593

Table 2 provides a range of carbon sequestration estimates. We have chosen to use the Birdsey (1996) estimate as a guide to calculate the carbon sequestration potential of the subject tract because it has been peer reviewed and published and is a regional average drawing from a large amount of inventory data on biologically diverse bottomland forests[3]. It is also similar to the estimate provided by Powell (2002) that we understand was developed using credible empirical inventory techniques. Using the Birdsey data, the estimated carbon sequestration in 100-year old bottomland hardwood forest is 429 short tons of CO_2/acre. PowerTree Carbon Company, LLC uses 450 short tons of CO_2/acre to compare projects. We have used the PowerTree estimate in this proposal for purposes of comparison (the PowerTree estimate is only 5% higher than the estimate from the Birdsey data). Actual carbon sequestered over the lifetime of the project will be determined through ongoing monitoring work.

Project Costs

The estimated cost of the project includes those costs associated with acquisition, planting, and monitoring (see table 3). The project cost is based on acquisition by TNC of a tract of land at $800.00 per acre. PowerTree's expected contribution will be based on the average purchase price on 400 acres and reforestation costs on 500 acres.

Table 3. Costs for project

Activity	Cost	Details
Land purchase	$320,000[4]	• the purchase price of 400 acres (@ $800/acre)
Costs to TNC	$84,520	• appraisal and survey • closing costs • staff time • interest carrying costs
Planting and Monitoring	$125,000[5]	• planting on 500 acres • monitoring through 10th growing season
Management	$20,000	• establishment of land management fund for LDWF ($50/acre)
Total Cost	$549,520[6]	

[2] This estimate derived from Amacher's linear product growth model by using the conversion factor provided in Birdsey, 1996.
[3] Inventory data is from the USFS Forest Inventory and Analysis (FIA).
[4] The appraised value of the tract is $800/acre.
[5] PowerTree will make this payment directly to Environmental Synergy, Inc.
[6] Any portion of total acquisition cost for the entire tract not reimbursed by PowerTree funding will be covered by TNC.

Key Analytical Issues

Additionality – The business-as-usual, or baseline scenario for this project is that the land will remain as degraded agricultural land and pasture. The monitoring program includes base year analysis of the soils. Carbon measurements from the project will be reduced by the amount measured in the baseline analysis.

Leakage – We do not anticipate significant leakage from the project because the agricultural production on the properties currently is minimal and demand can be met by existing farms.

Permanence – Because the land will be held for conservation purposes by the LDWF, TNC is confident that project can meet any permanence criteria established by a government agency in the future. For purposes of analysis, we have used a project lifetime of 100 years for our estimate of the carbon benefit, and assume the stock change method of accounting.

Project Expansion Potential

Within a year, TNC could expand the project in this area to include another 1,500 acres, bringing the total to over 2,000 acres. In addition, TNC could add a further 2,500 acres a year beyond the initial year.

Conservation Significance

Historically, the Red River Valley was an almost continuous expanse of forested wetlands from the confluence of the Red and Mississippi Rivers north to the Arkansas-Louisiana state line. Conversion to agriculture has reduced the forest to isolated fragments and many wildlife species requiring large, contiguous forests – the Florida panther, the red wolf, the Louisiana black bear, and many bird species – have declined or disappeared.

Water quality has declined as a result of excessive sediments and nutrients entering the waterways. Land practices and waterway channelization have threatened many fish and mussel species. These effects can be seen as far downstream as the Gulf of Mexico where a huge zone of oxygen-depleted water, the Dead Zone, has developed and aquatic species populations have plummeted.

The Red River Valley represents a historic migration corridor for migratory birds funneling out of North America to the Gulf Coast and beyond to as far as Tierra del Fuego in South America. Reforesting areas in the Red River Valley will provide habitat for wildlife species requiring large, contiguous forests such as the red wolf, the Louisiana black bear, and many bird species.

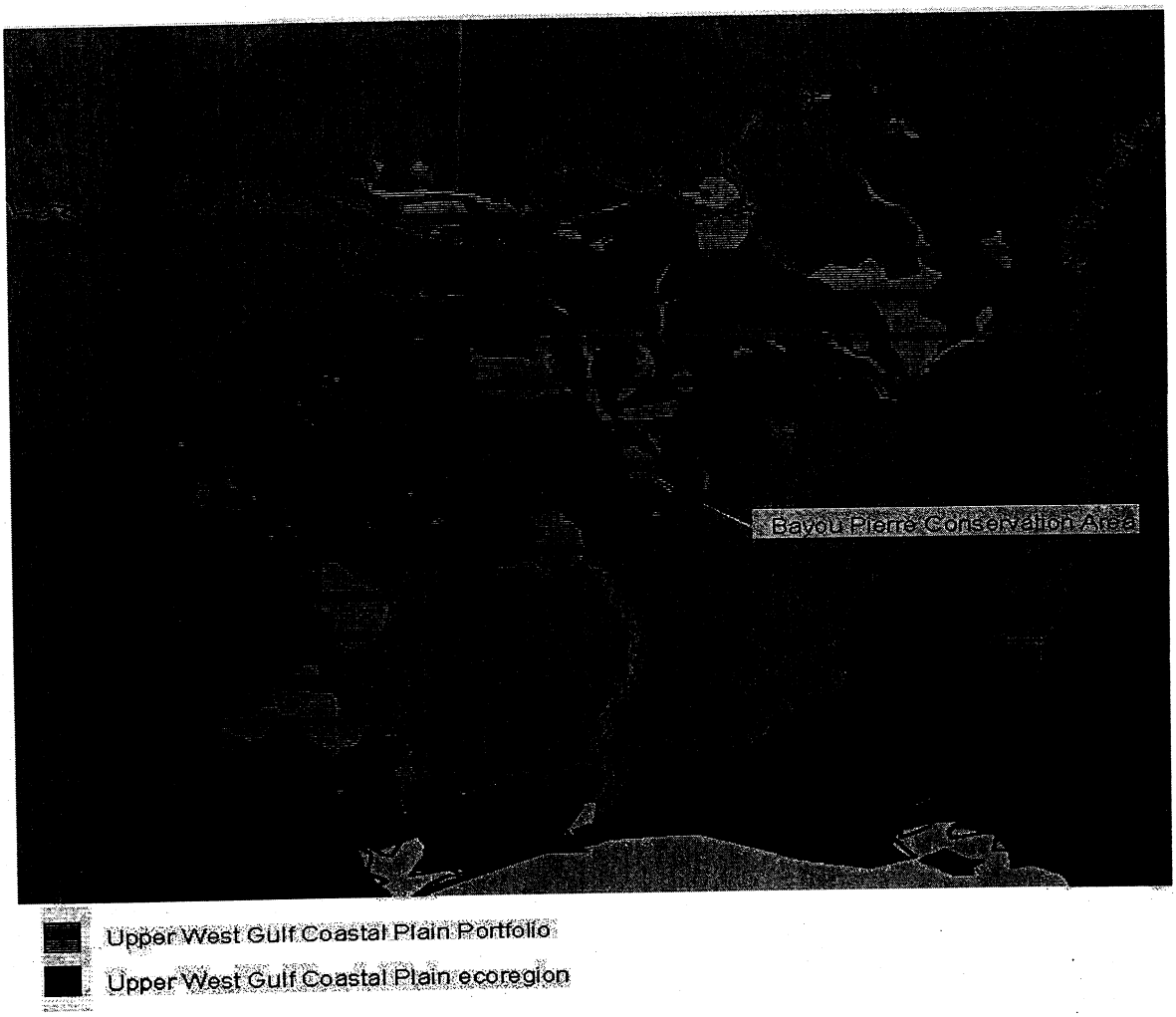
Through a multi-state ecoregional planning effort for the Upper West Gulf Coastal Plain, TNC has identified the Bayou Pierre Floodplain as a priority conservation area (see enclosed publication titled *Conservation By Design* to learn more about TNC's planning process and conservation approach). The ecoregional planning process found several of TNC's conservation targets (species and plant communities of concern) located in the project area or immediate vicinity (see table 4). Reforestation of the tract will positively impact these conservation targets through habitat restoration and water quality improvement.

Table 4. Upper West Gulf Coastal Plain conservation targets present in Bayou Pierre Floodplain priority conservation area or immediate vicinity

Common name
BIRD-VOICED TREEFROG
SHOVELNOSE STURGEON
BLUE SUCKER
PADDLEFISH
ALLIGATOR GAR
RED RIVER SHINER
BLACKNOSE SHINER
TAILLIGHT SHINER
SILVERBAND SHINER
SPECKLED CHUB
WESTERN STARHEAD TOMPMINNOW
PINK MUCKET
ALLIGATOR SNAPPING TURTLE
SOUTHEASTERN COASTAL PLAIN BACKSWAMP/SLOUGH FLOOD PLAIN FORESTS
SOUTHEASTERN COASTAL PLAIN BOTTOMLAND HARDWOOD FORESTS
SOUTHEASTERN COASTAL PLAIN RIVERFRONT AND LEVEE BOTTOMLAND FORESTS

Within the 48,100-acre Bayou Pierre Floodplain priority conservation area 37,500 acres are in agricultural production or abandoned fields and 10,600 acres remain forested. It is the goal of TNC to create a 20,000 acre forested block in the Bayou Pierre Floodplain priority conservation area by restoring key tracts and building on existing forest. This effort will restore critical habitat for migratory birds, the Louisiana black bear, and other terrestrial species as well as areas along stream corridors that are important for maintaining water quality for aquatic organisms. The tract fall within the boundaries of the Bayou Pierre Floodplain priority conservation area (see cover page). A map of the Upper West Gulf Coastal Plain portfolio of priority conservation areas, indicating the Bayou Pierre Floodplain priority conservation area has also been provided (see Figure 1).

Figure 1. Location of the Bayou Pierre Floodplain priority conservation area within TNC's Upper West Gulf Coastal Plain portfolio



References

Amacher, Gregory, Jay Sullivan, Leonard Shabman, Laura Zepp. *Restoration of the Lower Mississippi Delta Bottomland Hardwood Forest: Economic and Policy Considerations*, Research Bulletin 185, Virginia Water Resources Research Center, Virginia Tech, November 1997.

Birdsey, Richard A. Appendix 2: Regional Estimates of Timber Volume and Forest Carbon for Fully Stocked Timberland, Average Management After Final Clearcut Harvest, in *Forests and Global Change, Volume 2: Forest Management Opportunities for Mitigating Carbon Emissions*, American Forests:Washington, DC 1996, p.257.

Newbold, Ray. Above ground cubic foot volume of stem wood per acre by year converted to total tons of CO_2 per acre per year, Louisiana Tech University, School of Forestry, fax dated October 21, 1999.

Powell, Mark. Winrock International, Presentation at Carbon Sequestration and Forest Wetland Restoration in the Lower Mississippi Valley meeting, Vicksburg, Mississippi, February 13, 2002.

ATTACHMENT C
SCOPE OF WORK AND DELIVERABLES

DATES OF SIGNIFICANT MILESTONES AND BUDGETARY COST

DATE	AMOUNT	ACTIVITY
No later than 15 days after executing the Agreement.	$ 54,520	Closing costs and staff costs on fee title acquisition, interest, and principal.

DATE	AMOUNT	ACTIVITY
On or before September 15, 2005	$95,000	Interest payment on land purchase principal, and payment on principal.

DATE	AMOUNT	ACTIVITY
On or before September 15, 2006	$255,000	Interest payment on land purchase principal, and payment on principal.

DATE	AMOUNT	ACTIVITY
On or before December 15, 2006	$ 20,000	Management fee for LDWF.
PROJECT TOTAL	**$424,520**	

ATTACHMENT D
INSURANCE REQUIREMENTS

No insurance requirements were necessary for this agreement. Thus attachment D is blank.

MRO LEGAL DEPT.
JAN 20 1999
RECEIVED

REFORESTATION AND BIODIVERSITY PROJECTS AGREEMENT BETWEEN THE NATURE CONSERVANCY AND CINERGY SERVICES

This Reforestation And Biodiversity Projects Agreement ("Agreement") made and entered as of the date appearing below by and between Cinergy Services, Inc., a corporation organized and existing under the laws of the State of Delaware with a place of business in Cincinnati, Ohio, on behalf of its affiliated utility operating companies ("Cinergy"), and The Nature Conservancy, Inc., a non-profit corporation organized and existing under the laws of the District of Columbia with its principal place of business at 4245 North Fairfax Dr., Suite 100, Arlington, VA 22203, ("the Conservancy"), collectively referred to as the "Parties".

WHEREAS, the Parties are mutually interested in restoring and protecting biologically significant ecosystems and critical habitats in Ohio and Indiana for the purpose of preserving and protecting biodiversity, and to reduce, offset or sequester significant amounts of atmospheric carbon dioxide.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained within this Agreement, the Parties agree as follows:

Projects: Under this Agreement, the Conservancy and Cinergy Services agree to cooperate in various reforestation and biodiversity projects. In locating projects to be funded under this Agreement, the Conservancy agrees to seek out, in cooperation with Cinergy, and implement critical habitat or restoration projects within Ohio and Indiana watersheds, preferring those projects located within or nearest to Cinergy company service territories that maximize cost-effectiveness of carbon sequestration while

advancing protection of biodiversity. In all cases, restoration projects in which Cinergy funding under this agreement is used shall first occur on property that is owned in fee simple or which is under permanent easement by Cinergy or its utility operating or land holding companies, a State; U.S. Government; the Conservancy; or a not-for-profit environmental/conservation organization and managed for biodiversity and/or wildlife habitat. In addition, reforestation projects shall occur on property where Cinergy, or its contractors or agents, have guaranteed access to such properties for the purpose of monitoring and verifying carbon dioxide reductions, offsets or sequestered for a period of fifty (50) years. The Conservancy, shall be responsible for the selection of project sites. However, the Conservancy will consult with Cinergy in selecting project sites. Finally, if necessary, the Conservancy may use up to ten percent ($50,000) of Cinergy funds to purchase conservation easements in the name of the Conservancy or such other organizations as deemed appropriate by the Conservancy and Cinergy on privately owned lands where restoration is a high biodiversity conservation priority.

The Conservancy agrees to reforest 925 acres over the term of this Agreement. Cinergy funding will be used by the Conservancy to accomplish this reforestation, and for related administrative, acquisition, and annual reporting costs (for the reports specified in the "Reporting" section of this Agreement), ("Administrative Costs"), provided that annual Administrative Costs shall be limited as described below under "Project Funding."

The Conservancy may explore the cost effectiveness and carbon reduction, offset and sequestration capabilities of establishing a native tree/seed nursery to support this

Agreement. If cost effective, and Cinergy believes it may be able to claim the carbon dioxide emissions reduced, offset or sequestered by the nursery project, the Parties may mutually agree to redirect some of the funds to the native tree nursery project.

Additionally, the Conservancy may explore the cost effectiveness and carbon reduction, offset and sequestration capabilities of warm season prairie grass ecosystem restoration. If cost effective and Cinergy believes it may be able to claim the carbon dioxide emission reduced, offset or sequestered by the prairie ecosystem restoration, the Parties may mutually agree to redirect some of the funds to the prairie ecosystem restoration.

Project Funding: Cinergy agrees to provide $500,000 to the Conservancy, in five (5) annual Installments of $100,000. The Conservancy will split each annual Installment approximately equally to fund projects in Ohio and Indiana. The Conservancy agrees to minimize Administrative Costs for the projects to maximize substantive reforestation, biodiversity, and other objectives of this Agreement. However, in no case shall Administrative Costs exceed $30,000 annually, or thirty percent (30%) of the annual Cinergy fund allocation.

The initial Installment shall be provided to the Conservancy on the effective date of this Agreement, and each installment thereafter shall be provided to the Conservancy on the anniversary of the effective date of this Agreement. Except as discussed elsewhere in this agreement, the Conservancy agrees to use project funding provided by Cinergy solely for reforestation, acquisition, administration, annual reporting, planting and maintenance costs. Moreover, the Conservancy agrees that the total cost of

reforestations, acquisitions, planting and maintenance costs, under this Agreement will not exceed an average of $375 per acre unless agreed to and approved by Cinergy. The Conservancy also agrees that it will use its best efforts to work with Cinergy, and to coordinate with other potential project sponsors to obtain additional funding for reforestation to increase the number of acres reforested with Cinergy funds. Cinergy and the Conservancy agree to work cooperatively to analyze reforestation methodologies in order to maximize the cost effectiveness of achieving conservation and carbon sequestration goals.

Term: The effective date shall be the date upon which this agreement has been executed by both of the parties. The term of this Agreement shall be five (5) years from the effective date of this Agreement. However, the Parties agree to review the success of the program annually, and, at the end of the third year, to determine whether to continue reforestation or redirect efforts to forest management, forest preservation or a combination thereof. Under no circumstances will the Conservancy be required to absorb costs related to the carbon offsets after the initial five-year period without compensation from Cinergy. The parties may mutually agree to extend the term of this Agreement by attaching an addendum signed by the parties, and containing any additional and modified provisions to the Agreement prior to the conclusion of the initial term of this Agreement. In addition, Cinergy will back any claim of carbon offsets by a monitoring and verification program of approximately 40-50 yrs.

Cinergy or its contractors or agents shall have the right to access project sites for the purposes of monitoring and verifying carbon dioxide reductions, offsets or

sequestered for a period of fifty (50) years. Cinergy shall be solely responsible for any costs associated with this monitoring and verifying.

Carbon Credits: Registration Interest in and ownership of all net atmospheric carbon dioxide sequestered, offset or reduced as a result of each and every project resulting from this Agreement, shall be owned and held in perpetuity by, and be the sole property of Cinergy to do with as Cinergy, in its sole discretion, determines. For the purposes of this Agreement, Registration Interests means the right accorded to Cinergy under any other terms of this Agreement, and Section 1605(b) of the United States' Energy Policy Act of 1992, and other similar agreements, programs, laws, regulations, and systems as may presently exist, or hereafter be established under the laws of the United States to be apportioned, claim, formally register or otherwise obtain environmental credit for all Registration Interest in net carbon dioxide sequestered, offset or reduced under this Agreement.

Should Cinergy default on any of its payment obligations under this Agreement, after being provided notice of and a reasonable time to cure the default, its Registration Interest and ownership shall be limited to all present and future carbon dioxide emissions reduced, offset or sequestered resulting from reforestation accomplished with Cinergy funds provided under this Agreement. Should the Conservancy default on its obligation to undertake projects on 925 acres in Ohio and Indiana, the Conservancy shall return any unspent and/or unapproved funds (when considering the cost per project acre) to Cinergy. Calculating, monitoring and verifying the amount of carbon sequestered as a result of any and all projects under this Agreement shall be the responsibility of Cinergy and be

performed by Cinergy or its contractor or agent. Cinergy has contracted with Trexler & Associates to design the Monitoring and Verification Protocol (M/V Protocol) in a way that will maximize the possibility of Cinergy receiving credit for the carbon dioxide emissions reduced, offset or sequestered under this Agreement.

However, the Conservancy shall advise, review, and provide written approval for the method(s) used and calculations performed. To that end, the Conservancy agrees to assist in the collection of necessary baseline data, cooperate in the development of carbon measurement protocols/methodologies, formally document these activities, and concur in the calculated results. Every attempt will be made to make monitoring and verification protocols available for review and discussion by March 31st, 1999. The Conservancy also agrees to provide reasonable assistance to Cinergy in obtaining the carbon credits through actions, including, but not limited to, providing an accounting of the annual number of acres reforested, the species of trees/seeds planted, and the number and location of trees/seeds per acre planted, certification that the trees/seeds have been planted, certification that the trees/seeds planted are in addition to what would have been planted without Cinergy funding, and a reasonable opportunity for Cinergy, its contractors or agents, or representatives of the U.S. Government or its agents to inspect the trees and their condition.

Public Relations: The Conservancy agrees to use reasonable efforts to generate public, visible, and valuable use of the Cinergy name as a result of this Agreement which shall include, but not be limited to: (1) active promotion of projects under this Agreement to Conservancy membership through Conservancy meetings, State and National Conservancy publications, notices, etc.; (2) showcasing projects under the Agreement

through Cinergy sponsorship of the 1999 Conservancy annual meeting in Cincinnati; (3) pursue opportunities to publish articles in news media pertaining to the projects under this Agreement whenever possible; (4) recognizing Cinergy's contributions to projects at dedication ceremonies, on signs, in news releases, video productions, submitted newspaper articles, interviews, seminars, field trips, etc.; and (5) working directly with Cinergy and/or its contractors on all of the above as well as additional public relations efforts. All public recognition materials generated by either Party, including news releases, articles, video productions, promotional items, etc. shall be reviewed and approved by both Parties prior to release. No Party to this agreement shall use the name, logo, any trademark or any service mark of the other Party for any commercial purpose including, but not limited to, the following: paid advertising, promotions, or direct mail.

Reporting: the Conservancy agrees to submit an annual report to Cinergy, due on March 1 of each year addressing the activities of the prior calendar year, or partial calendar year as will be the case in year 1 and year 5. Each report shall be submitted in draft form to Cinergy by February 1 for review and comment by Cinergy. At a minimum, the annual report shall address the following: (1) reforestation methodology; (2) number of acres reforested ; (3) the unit cost per acre reforested; (4) source of trees and/or seeds; (5) species of trees/seeds purchased and planted; (6) location of reforestation projects including a map; (7) applicable program and level of permanent protection afforded the land on which the trees are located, including but not limited to property ownership, property manager, address, agency, program; (8) management objective for each project; and (9) a detailed documentation of use of Cinergy funds, and Cinergy leveraged funds

resulting from Cinergy contributions. Each report shall be verified by the Conservancy project manager as true, accurate, correct, and reliable for use in accounting for the amount of carbon sequestered by the projects.

Limitation of Liability: Each Party shall indemnify and hold harmless the other party from any losses, claims, damages, (including without limitation, special, incidental, indirect, or consequential damages), liabilities, judgments, settlements, costs and expenses, (including reasonable attorney fees) (collectively "Damages") arising out of or resulting from the negligent acts or omissions of the Party or its agents or employees, whether arising out of contract, tort, or otherwise.

Neither Party represents, warrants, or guarantees to the other Party, its successor, or assign that any mechanism for achieving national obligations that may be created by any government or under the United Nations Framework Convention on Climate Change (FCCC) or related documents will be adopted, established or authorized by the Parties to the FCCC; or that this Project will be accepted under whatever mechanism is adopted or authorized by the Parties to the FCCC or any other mechanism in such a manner that it will create greenhouse gas credits or offsets. In addition, no Party assumes financial responsibility or liability for the failure of such mechanism to be adopted, established or authorized by the Parties to the FCCC or any other mechanism; that this Project will be accepted under whatever mechanism is adopted, accepted, or authorized; or for the level of value placed on any greenhouse gas credits or offsets generated under this Agreement. However, if a mechanism is adopted during the Term of this Agreement, and any

extension thereof, the parties agree to use their best efforts to adapt the activities undertaken, and to be undertaken, under this Agreement to conform to that mechanism.

It is mutually understood and agreed by the Parties that, notwithstanding any good faith estimates of the net greenhouse gas benefit of the Project, they make no representations, warranties or guarantees as to the amount, quality, or quantity of any credits or offsets that may be produced, demonstrated or certified under the Project.

No Party shall be liable for any losses or delays caused by Acts of God or nature beyond the control of the Party.

State Law: This Agreement shall be governed by the laws of the State of Ohio regardless of choice of law principles of Ohio or any other state.

Notice. Notice required by this Agreement shall be deemed to have been provided if provided to:

Cinergy: Timothy A. Hayes
Sr. Environmental Scientist
Cinergy Corp.
1000 E. Main Street
Plainfield, IN 46168
(317) 838-1725

The Conservancy: SCOTT DAVIS
TNC
6375 RIVERSIDE DR.
SUITE 50
DUBLIN, OH 43017

or such other individuals as the Parties may specify to each other in writing.

Successors and Assigns. This Agreement is not assignable without the prior written approval of both Parties, which consent shall not be unreasonably withheld. This

ent by: NATURE CONSERVANCY 6147172777; 11/30/00 14:39; #262; Page 2/2

Agreement shall be binding upon, and inure to, the successors and assigns of Cinergy and the Conservancy.

Entire Agreement. This writing shall constitute the entire agreement between the Parties, and no oral agreement(s) shall vary the terms of this Agreement. Any amendments hereto shall be in writing and signed by both Parties.

IN WITNESS HEREOF, the parties hereto execute this Agreement on the day and year first written below.

WITNESS:

Patricia K. Bischoff

Printed: PATRICIA K. BISCHOFF

Title: Exec. Adm. Asst.

Date: 1-5-99

CINERGY SERVICES, INC.

By W F Tyndall

Printed: WILLIAM F. TYNDALL

Title: VICE PRESIDENT, ENV. SERVICES

Date: 1-5-99

WITNESS:

Scott Davis

Printed: SCOTT DAVIS

Title: Associate Director

Date: 12/21/98

The Nature Conservancy, INC.

By David H. Weekes

Printed: DAVID H. WEEKES

Title: V.P. Midwest Division

Date: 12/21/98

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