

Agent: _____

Contract Number _____

APPLICATION FOR PARTICIPATION IN A RANGELAND SOIL CARBON POOL and SALES CONTRACT for EXCHANGE SOIL OFFSETS (XSOs)

Seller and Eligible Years: _____ (“Seller”) hereby applies for participation in a soil carbon pool managed by **Mickelson & Company** (“MickCo”), which intends to register Exchange Soil Offsets (“XSOs” or “carbon credits”) with the Chicago Climate Exchange (“CCX”) for the years 2008, 2009 and 2010 on property that Seller owns or operates and controls. Seller understands 2011 and 2012 XSOs will be governed by this agreement and are anticipated to be sold but are subject to current CCX rules being extended to cover these years. In the event CCX rules are not extended and no viable alternative market exists, Seller may elect to opt out of the remaining years (2011 and 2012) of the contract.

Enrolled Land Exchange Soil Offsets (“XSOs) Issuance Rate: Exchange Soil Offsets, or XSOs, are metric tons of sequestered carbon (“carbon credits”) that accrue per acre for land that is enrolled in a soil carbon pool pursuant to an aggregation and sales contract (this Agreement). XSOs accrue at an issuance rate per acre which varies based upon the geographical location of the enrolled acre (“Land Resource Region”) and the eligible rangeland practice.

Enrolled Rangeland Acres & Commitment Period: Seller hereby agrees that _____ acres shall participate in a rangeland management program as defined by the rules of CCX. Seller further agrees that they will abide by the rules of CCX as they pertain to XSOs and to the conditions for Pool participation as set forth in this agreement. Seller warrants that the XSO’s covered by this agreement shall participate in a rangeland management program for a minimum of five (5) years during the period through December 31, 2012. In the event that the practices fail to meet these requirements, all XSOs from such acreage shall be null and void and any XSO’s sold must be replaced plus potentially interest and penalties as provided in this agreement.

Sale Proceeds, Expenses and Compliance Reserve Bank: Seller shall receive all proceeds resulting from the transfer of the XSO’s (as determined through the Chicago Climate Exchange or other method of transfer) less a ten percent (10%) service fee to MickCo for its aggregation services, registration and trading expenses and verification costs. Costs associated with all such expenses shall be deducted from pool proceeds prior to payment calculations. In addition, twenty percent of the XSO’s will be held in reserve until December 31, 2012 to ensure verification of the carbon pool with the eligible rangeland practices in accordance with CCX rules.

Sale: MickCo agrees to buy and Seller agrees to sell at MickCo’s place of business (101 N. Main Avenue, Suite 217, Sioux Falls, SD 57104) the rights to aggregate and trade XSO’s (and/or other carbon sequestration credit or greenhouse gas mitigation designations) on the enrolled acres governed by this agreement (free from liens and encumbrances) for the years 2008 through 2012 (and including earlier years if eligible).

Other Provisions: The timing and the other terms of the transfer of XSO’s will be at the sole discretion of MickCo, provided all transfers shall occur no later than June 30, 2013. It is intended that payments received for the sale of XSO’s shall occur no less frequently than annually. Purchaser agrees not to enter into any other agreements to sell XSO’s, other designations of carbon sequestration credits or other designations of greenhouse gas mitigation rights to the extent they are associated with enrolled acres covered by this agreement. **MickCo and CCX do not warrant the price or the marketability of the XSOs.**

Seller

Mickelson & Company

Date: _____

Date: _____

Seller First and Last Name	City, State, Zip	
Business Name (if applicable)	Home phone/Cell Phone/Fax	Email
Address	<input type="checkbox"/> Deposit Slip <input type="checkbox"/> Follow up	

ADDITIONAL TERMS AND CONDITIONS

CCX Offset Project Terms and Conditions: By registering a project with Chicago Climate Exchange (CCX), each project owner agrees to and acknowledges the following Terms and Conditions in relation to the project and the Exchange Offsets issued by CCX:

1. The enrolled project meets all applicable eligibility rules of the Chicago Climate Exchange.
2. CCX will issue to the CCX Registry account of the aggregator, Mickelson & Company ("MickCo"), a quantity of Exchange Offsets that conforms to the applicable CCX Rules. Project owners will be notified of acceptance/rejection of their XSOs into the CCX Registry account by MickCo at or before the time of the first payment due the Seller hereunder.
3. Each sale of Exchange Offsets executed through the Chicago Climate Exchange shall represent a complete transfer of all legal rights associated with the mitigation of greenhouse gases that relate to the quantity and time periods associated with the Exchange Offsets that are established through fulfillment of the Terms of this contract.
4. The project owner and MickCo may sell or retain the Exchange Offsets earned under the provisions of this agreement.
5. The project owner shall retain full legal ownership of all greenhouse gas mitigation rights that may accrue: (a) on lands or via activities not included in the CCX-registered project; (b) in excess of the quantity of Exchange Offsets issued by CCX to CCX-registered projects; (c) before or after the years 2007 through 2012 for the CCX-registered project.
6. Neither CCX nor MickCo make any warranty as to the marketability or market value of CCX Exchange Offsets.
7. Each project owner, and, when applicable, its aggregator, is required to periodically submit a signed project report that confirms conformance with the terms herein. Representatives of CCX may conduct on-site inspection of registered projects and related documents. Each project owner agrees to provide access in such cases in a prompt and cooperative manner. All CCX offset projects and project reports and verification reports are subject to inspection and audit by the provider of regulatory services designated by CCX and by other independent experts as may be engaged by CCX.
8. CCX may request additional information and/or access to registered projects for the purpose of advancing understanding of greenhouse gas mitigation projects. Project owners may decline such access without penalty. In no cases shall research findings cause a reduction in the quantity of Exchange Offsets to be issued to a registered project.
9. Failure to conform to the provisions established herein may result in termination of enrollment in CCX and prohibition from all further participation in CCX.

CCX Eligibility Requirements: Projects that are represented in CCX by an Aggregator are referred to as "pooled projects." The "pool" refers to the multiple projects represented by the Aggregator. Each aggregator is assigned a CCX Registry account which will hold all Offsets issued to projects it represents. Aggregators shall also be Authorized Traders in the CCX Trading Platform for such offsets. Aggregators shall be responsible for receiving from individual projects the CCX-required project reports, and for submitting to CCX summary reports of projects they represent.

Verifier: Is a technically expert entity that is approved by CCX to conduct verification of CCX Exchange Offset projects.

Offset Issuance: CCX-eligible greenhouse gas mitigation projects can be recorded in the CCX Registry and will be issued Exchange Offsets on the basis of mitigation tonnage realized during the years through 2012. All Offset project mitigation effectiveness will be quantified on the basis of metric tons of CO₂ equivalence. Each Exchange Offset will represent one hundred metric tons of carbon dioxide (CO₂) and will be identified by annual vintage.

Vintage: The vintage of an instrument is defined as the first year the designated instrument may be used for compliance with the CCX emission reduction schedule, or, as applicable, purchase reduction schedule.

Trading Authority: MickCo shall have sole authority to access the CCX Trading Platform and Registry account(s) holding the Offsets issued to projects it represents and to execute sales on the CCX electronic trading platform on behalf of project owners and distribute sales proceeds to project owners in accordance with the terms stated in this contract.

Eligible projects and XSO issuance rates: Project involving specified Agricultural soil carbon sequestration activities in designated states, counties and parishes in the U.S. shall be eligible to earn XSOs. Eligible Projects include: (1) Non-degraded rangeland managed to improve carbon sequestration through grazing practices; (2) Restored, previously degraded rangeland as a result of changes in management practices undertaken on or after January 1, 1999. Exchange Soil Offsets will be earned at a specified rate of metric tons CO₂ per acre per year in eligible geographic areas. Verification shall be conducted in accordance with provisions contained in Chapter 10 of the CCX Rulebook. Chapter 10 provides the protocol and standards for rangeland sequestration Exchange Soil Offsets. The rangeland improvement project commitment must be maintained throughout the term of this contract on the acres specified upon project registration.

Eligible Project Areas: Eligible geographic areas are defined according to USDA Land Resource Region (LRR). Rangeland projects are also bounded by average annual precipitation levels for the specific region. Rangeland projects must take place in areas where long-term annual average precipitation is not less than 14” or more than 40”.

Requirements and overall approach of carbon sequestration: Certain rangelands managed to enhance carbon storage in the soil are eligible for inclusion providing the following qualifications are met:

- (1) The project takes place on rangeland, which is defined by NRCS as: “Land on which the historic plant community is principally native grasses, grass-like plants, forbs or shrubs suitable for grazing and browsing. In most cases, range supports native vegetation that is extensively managed through the control of livestock rather than by agronomy practices, such as fertilization, mowing, or irrigation. Rangeland also includes areas that have been seeded to introduced species (e.g., clover or crested wheatgrass) but are managed with the same methods as native range.”
- (2) The project is in a geographic area for which data on soil sequestration rates for rangeland are available to CCX. Figure 9.5A maps these areas; and
- (3) Project involves rangeland that includes BOTH of the following:
 - a. Light or Moderate Stocking rates; and
 - b. Sustainable Livestock Distribution;

The Natural Resources Conservation Service (NRCS) Field Office Technical Guides publish guidelines for managing the controlled harvest of vegetation with grazing animals. Stocking rates and livestock distribution criteria are defined according to County and State in the NRCS “Prescribed Grazing Specification” code. Rangeland that can be classified as degraded prior to inception of the project may be eligible for different crediting rates.

Definition of Degraded Rangeland: For CCX purposes, rangeland will be classified as degraded if it meets the definitions as set forth in the Natural Resources Conservation Service National Handbook of Conservation Practices. Degraded rangeland indicators specific to soil carbon storage are listed in Figure 9.5B and include: (a) Soil surface loss or degradation and (b) Heavy Stocking rates (exceeding carrying capacity of project land).

Protocol for Recording Rangeland Management Practices: The preceding data may be supported/documented via the following methods (to be confirmed via site visit by CCX approved verifier): (a) Photographs of project site (e.g. aerial, remote sensing); (b) Ranch records of stock rates and grazing rotation patterns; (c) Records from agricultural extension agents or other agencies performing a monitoring function.

Noncompliance: Noncompliance with the Terms and Conditions contained in this CCX Exchange Soil Offsets Contract of a noncompliant project shall return a quantity of CCX Exchange Offsets that is equal to the total quantity of XSOs that are found to be noncompliant or present payment in an amount equal to the cost of acquiring such replacement offsets or allowances plus applicable exchange and services fees associated with offset replacement plus any costs necessary to enforce this provision, including reasonable attorneys fees. The owner of the noncompliant project may be prohibited from further participation in CCX.

Falsification of Certification Report: A project owner who knowingly files a false certification report (with either knowledge of a disallowed practice or with knowledge of incorrect acres) shall be subject to (1) replacement of any nullified XSOs (2) loss of any claim to credits held by the reserve pool; and (3) shall also pay to the aggregator, a penalty in an amount up to twenty percent (20%) of the value of all offsets or allowances covered under this Agreement, as well as interest accruing on said amounts from the date of noncompliance, as well as all costs incurred by the aggregator in enforcing this provision, inclusive of reasonable attorney fees.

CCX Non-registration: In the event the CCX ceases to accept XSOs for the registration in any given year during the term of this Agreement, both Seller and MickCo shall be relieved of any duties or obligations as provided under this Agreement, as it relates to XSOs for the year which is not able to be registered and all years remaining under the terms of this Agreement, unless MickCo is otherwise able to place the XSO’s or their approximate carbon equivalent within 180 days of written notification by CCX to MickCo of the inability to register the XSOs.

Crediting Rates: Eligible rangeland project crediting rates are based on appropriate below-ground carbon sequestration rates according to Land Resource Region, as well as status of the land (degraded or non-degraded), as well as the status of the land (degraded or non-degraded) prior to inception of project. Rates are as follows (in metric tons CO₂/acre/year for South Dakota Counties).

Region F			Region G		
Improved Management: .12 per acre			Improved Management: .27 per acre		
Previously Degraded: .24 per acre			Previously Degraded: .40 per acre		
Aurora	Davison	McPherson	Bennett	Harding	Mellette
Beadle	Douglas	Perkins	Butte	Jackson	Pennington
Brown	Edmunds	Potter	Custer	Jones	Shannon
Brule	Faulk	Sanborn	Dewey	Lawrence	Stanley
Buffalo	Hand	Spink	Fall River	Lyman	Todd
Campbell	Hughes	Sully	Gregory	Mead	Tripp
Charles Mix	Hyde	Walworth	Haakon		
Corson	Jerauld	Ziebach			

List of NRCS indicators degraded rangeland related to below-ground carbon storage. The following are indicators of degraded rangeland according to the NRCS published technical reference guide “Interpreting Indicators of Rangeland Health (2005). Project must fall under the designation “Extreme” or “Moderate to Extreme” for indicators 1 and 2, and “Slight to Moderate, Moderate, Moderate to Extreme or Extreme to qualify as degraded”.

1. Bare Ground: Degree of departure from ecological site description and/or ecological reference area(s)

Extreme

Much higher than expected for the site. Bare areas are large and generally connected.

Moderate to Extreme

Moderate to much higher than expected for the site. Minimal difference in soil organic matter content and structure and subsurface layers.

2. Soil Surface Loss or Degradation: Degree of departure from ecological site description and/or ecological reference area(s)

Extreme

Soil surface horizon absent. Soil structure near surface is similar to, or more degraded, than that in subsurface horizons. No distinguishable difference in subsurface organic matter content.

Moderate to Extreme

Soil loss or degradation severe throughout site. Minimal difference in soil organic matter content and structure and subsurface layers.

3. Annual Production: Degree of Departure from ecological site description and/or ecological reference area(s)

Extreme

Less than 20% of potential production for the site, based on recent weather

Moderate to Extreme

20%-40% of potential production for the site, based on recent weather.

Moderate

40%-60% of potential production for the site, based on recent weather

Slight to Moderate

60%-80% of potential production for the site, based on recent weather.

Seller Business (Ranch) Name		Seller Contact First Name, Last Name		Worksheet No.	
Property Information					
State	County	Survey Reference			
Township Name	Township No.	Range No.	Section No.		
Legal description (included)		Latitude	Longitude		
Status of property prior to contract <input type="checkbox"/> Non-degraded <input type="checkbox"/> Degraded	IF DEGRADED, CHECK BOXES Bare Land <input type="checkbox"/> Extreme or <input type="checkbox"/> Moderate to Extreme Soil Surface Loss <input type="checkbox"/> Extreme or <input type="checkbox"/> Moderate to Extreme Annual Production <input type="checkbox"/> Extreme <input type="checkbox"/> Moderate to Extreme <input type="checkbox"/> Moderate <input type="checkbox"/> Slight to Moderate			Contact information Mickelson & Company 101 N. Main Avenue, Suite 217 Sioux Falls, SD 57105 Ph: 605-977-4873 Fax: 605-335-4982 email@mickco.com www.mickco.com	
Plan Adoption Date	Describe Change in Livestock Distribution and Rotations				
Calculate your estimated total carbon credits					
(Land Resource Region _____) Carbon Credit Issuance Rate _____ times Enrolled Acres _____ equals _____ carbon credits					
Described landlord relationships, if applicable					
Documentation Checklist					
<input type="checkbox"/> Maps of property documenting acres (required) <input type="checkbox"/> Photos of property (optional) <input type="checkbox"/> Evidence of degradation status (if applicable) <input type="checkbox"/> Evidence of stocking rates (required) <input type="checkbox"/> Records of pasture rotation (required) <input type="checkbox"/> Narrative (required) <input type="checkbox"/> Rangeland Management Plan (must commit to adopt and must conform to NRCS standards) <ul style="list-style-type: none"> <input type="checkbox"/> Project Narrative <input type="checkbox"/> Utilization <input type="checkbox"/> Season of Use <input type="checkbox"/> Plant Productivity, also <ul style="list-style-type: none"> <input type="checkbox"/> Avg. Grass Height <input type="checkbox"/> Dominant Species <input type="checkbox"/> Invasive Species <input type="checkbox"/> Precipitation <input type="checkbox"/> Drought Mitigation 			If Rancher is claiming carbon credits for prior years (eligible back to 2003), then <input type="checkbox"/> Must have Rangeland Management Plan <input type="checkbox"/> Must have evidence of stocking rates for each year <input type="checkbox"/> Must have records of livestock rotations Acres eligible for carbon credits: 2003: _____ 2004: _____ 2005: _____ 2006: _____ 2007: _____ 2008: _____ Proposed Stocking Rate Lowest Production Pastures _____ AUM Highest Production Pastures _____ AUM Average Stocking Rate _____ AUM		

Land-Owner Consent Form (if applicable)

Use this form if enrolled acres are not controlled for the term of the Commitment Period by the Seller.

_____ (“Land-Owner”) consents to _____ (“Operator”) enrolling land operated by Operator and owned by Land-Owner in a soil carbon sequestration carbon pool. Land-Owner has reviewed the Eligible Soil Conservation Practices with Operator and agrees to following such practices during the enrollment Commitment Period (2008 through 2012).

Land-Owner

Land-Owner First and Last Name	
Business Name (if applicable)	
Address, City, State, Zip	
Home phone/Cell Phone/Fax	Email