

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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July 31, 2006

President  
Shandong Minhe Animal Husbandry Co., Ltd.  
Address No.2-3, Penglai City, Shandong Province, P.R.China

Mr./Ms. XXX

**Letter of Intent: Potential Purchase of Emission Reductions  
Shandong Minhe Animal Husbandry Co., Ltd. Biogas Power Generation Project**

This letter ("**Letter of Intent**") confirms the principal terms of understanding about the interest of the International Bank for Reconstruction and Development ("**IBRD**") acting as the trustee of the Prototype Carbon Fund, the Community Development Carbon Fund, the IBRD-Netherlands Clean Development Facility the Italian Carbon Fund, the Danish Carbon Fund, and the Spanish Carbon Fund (collectively referred to as the "**Carbon Funds**", and the IBRD in its capacity as trustee, the "**Trustee**") in the possible purchase of the rights, title, interest and other benefits associated with certified emission reductions ("**CERs**"). resulting from the Shandong Minhe Poultry Farming Co. Poultry Waste Biogas project (the "**Project**") described in your recently submitted Project Idea Note ("**PIN**").

The IBRD and Shandong Minhe Animal Husbandry Co., Ltd. ("**Project Entity**") agree that this Letter of Intent shall create a legally binding agreement between the IBRD and the Project Entity.

**1. Title and Authorization**

The Trustee has entered into this Letter of Intent in reliance upon the representation from the Project Entity that the Project Entity has the power and legal capacity to sign this Letter of Intent and to negotiate and execute an Emission Reduction Purchase Agreement ("**ERPA**"), and has absolute title to the Emission Reductions generated by the Project, free of all third party interests.

**2. The Transaction and Purchase**

The Project Entity intends to sell and the Trustee intends to purchase, on behalf of the participants in one of the Carbon Funds, the first five hundred thousand CERs from the Project, measured in tons of carbon dioxide equivalent, free of all third party interests, (the "**Contract CERs**") from the Project, at a price to be agreed but no less than provided that:

- (i) The Project conforms to the World Bank environmental and social safeguards;
- (ii) The Project baseline, monitoring plan, project design document, validation and "due diligence" are completed to the satisfaction of the Trustee;



- (iii) All necessary approvals, including any necessary approvals by the Trustee's management and the participants of one or more of the Carbon Funds are obtained; and
- (iv) An ERPA is executed between the Trustee and the Project Entity, subject to IBRD's "General Conditions" applicable to such agreements.

### 3. Costs

3.1 Where the Trustee and the Project Entity execute an ERPA, the Trustee shall deduct from the payments due to the Project Entity under the ERPA:

- (i) All documented project preparation costs ("**Project Preparation Costs**") up to a maximum amount of 1 ( ). These Project Preparation Costs include, but are not limited to, the costs incurred in relation to the preparation and review of the Carbon Finance Document ("**CFD**"), initial Project assessment including due diligence costs, preparation of the project design document and the validation process, and costs related to the negotiation and completion of the ERPA; and
- (ii) Actual recurring costs ("**Kyoto Protocol and Other Costs**") at a maximum of ( ) over any 3 (three) consecutive year period. The Kyoto Protocol and Other Costs will include, but are not limited to, initial and periodic verification, certification, preparation and submission of verification reports and project supervision costs.

3.2 The Project Entity shall bear any share of proceeds or any other deductions levied by the executive board of the Clean Development Mechanism or the UNFCCC in relation to the delivery of Contract CERs or Option CERs to or to the order of the Trustee on the basis of the Project activity, and any registration fee.

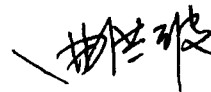
3.3 If the Trustee terminates negotiations on the ERPA during the Exclusivity Period, then the Trustee shall be responsible for all Project Preparation Costs incurred by the Trustee.

3.4 If the Project Entity terminates negotiation on the ERPA during the Exclusivity Period for reasons within its control, then the Project Entity will reimburse the Trustee's Project Preparation Costs, upon presentation by the Trustee of documentation evidencing the expenses for which payment is required.

### 4. Exclusivity Period

4.1 The Project Entity and Trustee agree that for a period of eighteen (18) months from the date of this Letter of Intent ("**Exclusivity Period**") they will use all reasonable endeavors to negotiate and execute an ERPA in good faith.

4.2 During the Exclusivity Period, other than with the Trustee, the Project Entity will not



- (i) Start any discussions or negotiations regarding the dealing in or sale of any CERs or any emission reductions ("ERs") generated or to be generated by the Project with any person;
- (ii) Progress further any discussions or negotiations regarding the dealing in or sale of the ERs or CERs generated or to be generated by the Project with any person that may have already started and are still continuing at the date of this Letter of Intent; or
- (iii) Enter into an agreement with any other person regarding the dealing in or sale of the ERs or CERs generated or to be generated by the Project as a result of any such discussions or negotiations;

without the prior written consent of the Trustee.

**5. Provision of Information**

To enable the Trustee to evaluate and consider the Project and to negotiate the ERPA the Project Entity shall agree to provide all reasonable and relevant information and assistance required by the Trustee, its staff and its consultants.

**6. Confidentiality**

All information disclosed by the Parties under this Letter of Intent, all subsequent commercial negotiations and any agreement entered into between the Parties, other than the contents of the CFD, the Project Appraisal Document and the ERPA which can be disclosed to the participants of a given Carbon Fund, shall be kept confidential and not disclosed unless the disclosing entity has been given prior written consent to that disclosure or the information is required to be disclosed:

- (i) Pursuant to the IBRD disclosure policy;
- (ii) By any requirements of the United Nations Framework Convention on Climate Change and its Kyoto Protocol for validation, registration, host country approval or otherwise; or
- (iii) Under any applicable law.

**7. Termination**

Except as to the Parties may otherwise agree, this Letter of Intent and the understandings it provides will terminate:

- (i) Upon execution of an ERPA between the Project Entity and the Trustee;
- (ii) If an ERPA is not executed prior to the end of the Exclusivity Period, upon reimbursement of Project Preparation Costs in accordance with Section 3 noted above.



8. **Disputes**

This agreement will be governed and construed in accordance with English law. Any dispute between the Parties arising out of or relating to this Letter of Intent shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules.

9. **Survival of Provisions**

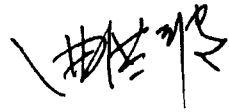
The confidentiality of information (Section 6) shall survive the expiry of this Letter of Intent.

10. **Assignment**

Both Parties acknowledge that IBRD may agree to act as Trustee for other funds with the main objective of purchasing ERs for the purpose of Art. 6 or 12 of the Kyoto Protocol. The IBRD may assign its rights under this Letter of Intent to IBRD acting as Trustee of such other fund(s).

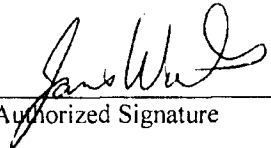
11. **Immunities**

Nothing in this Letter of Intent shall be considered to be a waiver of any privileges and immunities of the IBRD or the Trustee.

A handwritten signature or set of initials in black ink, located at the bottom right of the page. It appears to be a stylized signature, possibly reading 'HSE' followed by a flourish.

IN WITNESS WHEREOF, the Parties hereto have caused this Letter of Intent to be duly executed and agree that it shall be binding and of legal effect from the date of this letter.

**On behalf of the International Bank for Reconstruction and Development, in its capacity as trustee of the Carbon Funds:**

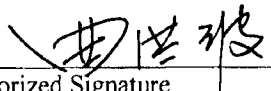
  
Authorized Signature

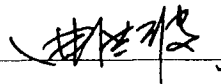
Name: James Warren Evans

Title: Director, Environment Department

Date: 6 Dec 2006

**On behalf of the Project Entity:**

  
Authorized Signature

Name: 

Title: Vice General Manger

Company: Shandong Minhe Animal Husbandry Co.,Ltd.

Date: October 17, 2006