The South Dakota Ag Wetland Exchange program is seeking to identify willing landowners with potential wetland bank sites in areas of the state that have a high demand for mitigation credits. Following the identification of potentially suitable sites, Wenck and SDFB will communicate with landowners to determine if their sites are appropriate for bank development and determine an estimate of credit yield from the property as well as approximate establishment costs. In exchange for allowing the development of a wetland bank on their property and signing a real estate protection instrument, the landowner will receive revenue from the sale of the credits.

INTRODUCTION

The South Dakota Farm Bureau (SDFB) is the Sponsor of the South Dakota Ag Wetland Exchange, which was established through the use of a Natural Resources Conservation Service (NRCS) grant. The goal of the program is to work with landowners to establish wetland banks on their properties by restoring, enhancing, or creating wetland functions and values. The created banks will provide wetland bank credits to be used as compensation by agricultural producers who propose to impact wetlands by converting them to agricultural uses.

Wenck is an environmental consulting and engineering firm providing technical assistance for the project. Wenck has experienced wetland scientists, soil classifiers, engineers, and surveyors on staff that will facilitate the development and establishment of bank sites and work with landowners through every step of the process.

The South Dakota Farm Bureau

SOUTH DAKOTA AG WETLAND EXCHANGE

WENCK
PROJECT RESPONSIBILITIES

Responsibilities of the Sponsor (SDFB) and Landowner Hosts for the wetland banking process are outlined below:

SPONSOR (SDFB) RESPONSIBILITIES

- Investigation of potential bank site and estimate of credit yield
- Preparation of Bank Site Plans
- Facilitation of NRCS approval of Bank Site Plans
- Oversight of implementation of Bank Site Plans (restoration construction vegetation establishment)
- Credit marketing, sales, and credit ledger tracking
- Long-term management of mitigation bank
- Posting and maintaining operational life and long-term financial assurances
- Establishing and holding the real estate protection instrument (Warranty Easement Deed)

LANDOWNER HOST RESPONSIBILITIES

- Allows Sponsor and Consultant to access site to conduct investigations to prepare Bank Site Plan
- Signs Warranty Easement Deed and comply with list of restricted uses identified in document (cropping, unauthorized mowing/grazing, modification of structures, etc.
- Complete the restoration work according to Bank Site Plan approved by NRCS (under Wenck oversight)
- Agrees to complete the establishment within an agreed-upon timeline (6-9 months)
- Pays the costs associated with restoration construction and vegetation establishment (estimated costs provided upon plan approval)
- Funding of monitoring of bank site and maintenance work during the establishment period (likely 3-4 years)

PROPOSED CREDIT REVENUE ALLOCATION

<table>
<thead>
<tr>
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<th>SDFB</th>
<th>Landowner Host</th>
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<tbody>
<tr>
<td>Long-Term Management Fund</td>
<td>25%*</td>
<td>75%**</td>
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<tr>
<td>Financial Assurance for Operational Life Fund</td>
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*Reduced to 20% if landowner provides financial assurance
**Increased to 80% if landowner provides financial assurance

CREDIT REVENUE

The SDFB will collect the proposed 25% credit revenue to cover the required financial assurance during the operational life of the project (from establishment of site to selling of all credits), long-term management and maintenance of the site, and management of the funds and credit sales.

In exchange for meeting the responsibilities described above, the landowner host will receive 75% of revenue from credit sales. If the landowner provides financial assurance for the Operational Life of the project in the form of an irrevocable letter of credit (approximately $50,000 for most projects), they would receive an additional 5% (80% total) of the credit sale revenue.

CREDIT SALES PROCESS

SDFB will maintain the credit ledger and coordinate the crediting and debiting of credit sales. Credit sales will be conducted in cooperation between the Sponsor (SDFB) and landowner host. The cooperative credit sale process will include setting a minimum price for the credits and accepting the proposed bid prices for the sale of credits.

CONTACT

WES BOLL
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