

December 20, 2007

Mr. Tom Arnold  
CEO  
TerraPass Inc.  
568 Howard St., 5th Floor  
San Francisco, CA 94105

Dear Mr. Arnold:

The Center for Resource Solutions (CRS) is submitting this letter and accompanying report to document the verification of TerraPass Inc.'s sales of carbon offsets for the calendar year 2006. The contract between TerraPass and CRS specified that CRS was to verify the supply and sales of TerraPass's carbon offsets by designing a verification process; specifying verification reporting requirements and worksheets; reviewing the submitted verification documentation; and reviewing TerraPass's internal documents, including documentation of customer sales and Renewable Energy Certificate (REC) and carbon offset purchases. The purpose of the verification was to ensure that TerraPass delivered what its customers were promised. Specifically, the verification procedures described in the contract included examination and testing of the following:

- The type and quantity of carbon offsets purchased
- The type and quantity of carbon offsets sales and/or retirements
- That purchase and retirement of sufficient volumes of carbon offsets was sufficient to meet sales
- That offsets were sourced from either Green-e certified RECs or Chicago Climate Exchange (CCX) carbon offsets
- That TerraPass did not double-count any Green-e Certified RECs or CCX offsets

In order to initiate the verification process CRS sent to you the following documents:

- 1) *Verification Instructions 2006*, which contained instructions on how to complete the worksheets and attestations that you provide CRS
- 2) *TerraPass Attestation 2006*
- 3) Microsoft Excel documents containing the worksheets needed for the 2006 verification

Upon receiving the completed worksheets and the required documentation, CRS performed a site visit to TerraPass's offices in order to examine internal documents to substantiate sales of their products and to review documentation of offset purchases and retirements.



Using these documents, CRS was able to confirm that TerraPass's sales of carbon offsets in calendar years 2006 were met with the required supply from the sources promised to its customers.

The following items were verified by CRS.

- The sources, dates, and number of RECs used in Terrapass's products
- That the carbon offset value of RECs was accurately calculated based on EPA eGRID data
- The sources, dates, and amount of CCX offsets used in Terrapass's products
- The total supply and retirements
- The sales by product type (TerraPass and commercial sales)
- The number of transactions
- That total supply met or exceeded total sales
- That all of the supply was sourced from either Green-e certified RECs or CCX carbon offsets

CRS' verification procedures did not address:

- Adequacy of Terrapass's carbon inventory methodologies, including the methodology used to calculate the carbon footprint of motor vehicles, air travel, home electricity use, etc.
- Adequacy of CCX methodologies to derive carbon content of CCX purchases
- Adequacy of methodology to determine methane carbon equivalency, and if not measured directly, methodology used to derive quantity of methane

Attached to this letter are a more detailed report of the tests performed and a record of the results. If you or your colleagues have any questions about the attached or any other part of the verification process, please feel free to call me at 415-561-2100.

Sincerely,



Jennifer Martin  
Center for Resource Solutions



## APPENDIX A: SPECIFIC PROCEDURES PERFORMED BY THE CENTER FOR RESOURCE SOLUTIONS

We have performed the procedures enumerated below, which were agreed to by TerraPass and the Center for Resource Solutions. The procedures have been performed for the year ending December 31, 2006.

### Our procedures and findings are as follows:

We verified the mathematical accuracy of the worksheets submitted for 2006.

We verified that the type of offsets procured was in agreement with the contract for this audit signed between TerraPass and CRS, namely Green-e certified RECs and Chicago Climate Exchange (CCX) carbon offsets.

We compared and verified the information in the worksheets with the information on the attached attestations and CCX reports, including:

- The source and location of the greenhouse gas (GHG) reductions
- The date of project activity
- The total volume of CO<sub>2</sub>-equivalent tons
- The methodology used to calculate the carbon reduction from RECs

We selected a sample of individual customer sales, using a confidence level of 90%, a tolerable deviation of 10% and an expected deviation rate equal to or less than 3%. Separate samples were done for each source: TerraPass website sales, Expedia sales, Ford sales, and Corporate sales. The following tests were performed for each sample:

- For each sample selected we compared the TerraPass purchased with the billing records and total CO<sub>2</sub> offset
- For each transaction we compared the transaction date with the billing date

We verified that their customer sales from each source matched the sales by ton and product type reported in the worksheets. We verified the mathematical accuracy of Terrapass's total product mix.

In sum, CRS verified Terrapass's total sales were 94,430 CO<sub>2</sub>-e tons in 2006 and that these sales were supplied with one-third Green-e certified RECs and two-thirds CCX carbon offsets.

The CRS' verification procedures did not address:

- Adequacy of Terrapass's carbon inventory methodologies, including the methodology used to calculate the carbon footprint of motor vehicles, air travel, home electricity use, etc.
- Adequacy of CCX methodologies to derive carbon content of CCX purchases
- Adequacy of methodology to determine methane carbon equivalency, and if not measured directly, methodology used to derive quantity of methane

We noted no exceptions to the procedures performed.

