

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
TerraPass Inc.
San Francisco, California

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management, solely to assist the Board of Directors and management in evaluating TerraPass Inc.'s (the "Company") compliance with its Annual Verification Process Audit for Carbon Offsets for the 18-month period ended June 30, 2010. Management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board of Directors and management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.



The purpose of the performed procedures was to verify that sufficient, qualified carbon offsets were acquired and retired to cover all sales quantities for the period January 1, 2009 through June 30, 2010. We performed the following procedures, detailed in Appendix A, which applied to the Company during the reporting period of January 1, 2009 through June 30, 2010.

The results and conclusions reached based on the procedures performed, herein, are predicated on the basis that we have received complete and accurate data on which these procedures are performed.

Verification of Carbon Offset Supply

- We determined that the Company's retirements of carbon offsets equals or exceeds sales.
- We determined that offsets were created and retired under the standards and registries of the Climate Action Reserve ("CAR"), or the Voluntary Carbon Standard ("VCS"), with the exception of approximately 11,142 metric tons that were previously created and retired under the Chicago Climate Exchange ("CCX") to satisfy specific customer requests.
- We determined that the Company did not double-count any CCX offsets, CAR offsets, or VCS offsets.
- We determined that the Company retired an appropriate amount of CAR and VCS offsets (in addition to the CCX offsets that had previously been retired and carried forward from 2008).

Verification of Carbon Offset Sales

- We determined that the Company's carbon offset sales listing appeared to be complete.
- We traced and compared a statistical sample of the sales to billing amount, billing date, and carbon offset.

No exceptions were noted during the performance of the agreed-upon procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.



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Appendix A
Agreed Upon Procedures Performed
For the Reporting Period of January 1, 2009 through June 30, 2010

Supply Side Activity

General Procedures

We obtained the “Supply Schedule” from the Company listing the Climate Action Reserve (“CAR”), Voluntary Carbon Standard (“VCS”), and the Chicago Climate Exchange (“CCX”) certified supply and performed the following:

- Recalculated the supply schedule and noted the supply for the period 1/1/09 – 6/30/10 was greater than the sales for the period 1/1/09 – 6/30/10
- Traced the purchased supply to CAR or VCS registry to determine the vintage year was 2008 - 2010.
- Viewed the registry of CAR and VCS which denoted the supply was retired
- Obtained and reviewed the carbon offset inventory supply roll-forward schedule
- Agreed the carried over supply of CCX offsets from 2008 to the 2008 inventory supply roll-forward schedule

Specific Procedures

For 100% of the suppliers listed on the “Supply Schedule,” we performed the following:

- Agreed the facility name to the CAR or VCS registry, listing the year of generation, and the year of emission reduction
- Agreed to the project certification by CAR or VCS
- Agreed quantity of CAR or VCS offsets purchased to CAR or VCS registry, respectively
- Traced supply purchases unique ID number to CAR or VCS registry

Sales Side Activity

General Procedures

We obtained the “Sales by Product Type” schedules provided by the Company and performed the following:

- Compared the current year listing of product types to the prior year listing of product types to determine that the “Sales by Product Type” schedules appeared to have all product types listed
- Agreed the total offset sales to the Company’s internal offset sales listing
- Noted that the sales transaction dates of the offset sales on the “Sales by Product Type” schedules occurred during the period 1/1/09 – 6/30/10 by viewing the sales transaction dates
- Agreed total sales revenue per “Sales by Product Type” to the Company’s period end internal financial statements
- Reconciled retirements per CCX, CAR or VCS registry accounts to sales schedules, as applicable

Specific Procedures

We selected a sample from the “Sales by Product Type” schedules prepared and provided by the Company by using a 90% confidence, a tolerable deviation of 10%, and an expected deviation rate of less than 3%. For the samples selected, we performed the following:

- Agreed the billing amount, billing date, and offset to the billing records
- Agreed that the customer sales from each source matched the sales by ton
- Viewed all Excel sales data files provided; viewed for date sequence, gaps in transaction number sequencing, and inquired as to any exceptions

We did not address the following:

- Adequacy of TerraPass CO2 inventory methodologies, including the methodology used to calculate CO2 footprint
- Adequacy of CAR and VCS methodologies to derive CO2 content of CAR and VCS purchases
- Adequacy of methodology to determine methane CO2 equivalency, and if not measured directly, methodology used to derive quantity of methane
- Adequacy of the CCX offset supply which was carried forward from 2008 because the same specific procedures listed above were applied as part of the 2008 AUP engagement.

Conclusion:

Based on our performance of the above procedures, we noted no exceptions.