

**REGIONAL GREENHOUSE
GAS INITIATIVE, INC.**

**Financial Statements
for the Period from
July 12, 2007
(Date of Incorporation)
to
December 31, 2007**

**CONDON
O'MEARA
MCGINTY &
DONNELLY LLP**

Certified Public Accountants

One Battery Park Plaza
New York, NY 10004-1405
Tel: (212) 661 - 7777
Fax: (212) 661 - 4010

Independent Auditors' Report

To the Board of Directors of the
Regional Greenhouse Gas Initiative, Inc.

We have audited the accompanying statement of financial position of the Regional Greenhouse Gas Initiative, Inc. ("RGGI") as of December 31, 2007 and the related statement of activities and cash flows for the period from July 12, 2007 (date of incorporation) to December 31, 2007. These financial statements are the responsibility of RGGI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Greenhouse Gas Initiative, Inc. at December 31, 2007 and the results of its activities and cash flows for the period from July 12, 2007 (date of incorporation) to December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

November 17, 2008

REGIONAL GREENHOUSE GAS INITIATIVE, INC.

**Statement of Financial Position
December 31, 2007**

Assets

Cash	\$ 257,940
Prepaid expense	<u>26,794</u>
Total assets	<u>\$ 284,734</u>

Liabilities and Net Assets

Grant advance	\$ 284,734
Unrestricted net assets	<u>-</u>
Total liabilities and net assets	<u>\$ 284,734</u>

See notes to financial statements.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.

**Statement of Activities
For the Period from July 12, 2007
(Date of Incorporation)
to December 31, 2007**

Revenue

New York State Energy Research and Development Authority	\$ 15,266
New York Department of Environmental Conservation	<u>11,789</u>
Total revenue	<u>27,055</u>

Expenses

Management and general	
Professional fees	25,206
Filing and banking fees	<u>1,849</u>
Total expenses	<u>27,055</u>

Increase in unrestricted net assets -

Unrestricted net assets, beginning of period -

Unrestricted net assets, end of period \$ -

REGIONAL GREENHOUSE GAS INITIATIVE, INC.**Statement of Cash Flows
For the Period from July 12, 2007
(Date of Incorporation)
to December 31, 2007**

Cash flows from operating activities	
Increase in unrestricted net assets	\$ -
Adjustment to reconcile increase in unrestricted net assets to net cash provided by operating activities	
(Increase) in prepaid expense	(26,794)
Increase in grant advance	<u>284,734</u>
Net cash provided by operating activities	257,940
Cash, beginning of period	<u>-</u>
Cash, end of period	<u>\$ 257,940</u>

See notes to financial statements.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.**Notes to Financial Statements****December 31, 2007****Note 1 – Nature of organization**

Regional Greenhouse Gas Initiative, Inc. (“RGGI”) is a non-stock, non-profit organization incorporated on July 12, 2007 in the State of Delaware. RGGI was established as a result of a Memorandum of Understanding originally dated December 20, 2005 and thereafter amended (the “MOU”) entered into by a number of U.S. states. The current signatories to the MOU are Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, Vermont, Maryland, Massachusetts and Rhode Island (the “Signatory States”).

The exclusive purposes for which RGGI is formed are to provide technical and scientific advisory services to the Signatory States in the development and implementation of a multi-state cap and trade, greenhouse gas control program, known as the Regional Greenhouse Gas Initiative, to reduce air pollutants that contribute to climate change, and to perform any other charitable or scientific function related to the reduction of greenhouse gas emissions or the increase in carbon sequestration on behalf of the Signatory States.

RGGI activities in performing these purposes may include, but are not limited to, the following:

(a) acting on behalf of one or more of the Signatory States to develop, implement and maintain a system to receive and store reported emissions data from sources subject to RGGI and to track allowances for RGGI; and (b) acting on behalf of one or more of the Signatory States to develop, implement, maintain a platform to provide for the auctioning of allowances by one or more states participating in RGGI; and (c) providing technical support to the Signatory States for the development of proposed changes to the RGGI program, including but not limited to the development of additional offsets standards for the program; and (d) conducting market monitoring related to the trading of emission allowances; and (e) providing technical assistance to the Signatory States in reviewing and assessing applications for Greenhouse Gas Emissions offsets projects.

RGGI has no regulatory or enforcement authority with respect to the Greenhouse Gas control programs, as such authority is reserved to each Signatory State for the implementation of its rules and regulations.

Note 2 – Summary of significant accounting policies**Basis of presentation**

The financial statements of RGGI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The following comprise the significant accounting policies of RGGI.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.
Notes to Financial Statements (continued)
December 31, 2007

Note 2 – Summary of significant accounting policies (continued)

Net assets

Under accounting principles generally accepted in the United States of America, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets consist of amounts that can be spent at the discretion of the Board of Directors. Temporarily restricted net assets consist of contributions that are restricted by the donor for a specific purpose or relate to future periods. Permanently restricted net assets consist of contributions that are restricted by the donor in perpetuity. RGGI did not receive any temporarily or permanently restricted contributions during 2007.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Concentration of credit risk

RGGI's financial instruments that are potentially exposed to concentrations of credit risk consist of cash. RGGI places its cash with what it believes to be a quality financial institution. At times during the period, RGGI's cash balance exceeded the FDIC insurance limit. As of December 31, 2007, RGGI has not experienced any losses in its account. RGGI believes no significant concentration of credit risk exists with respect to its cash.

RGGI's grant revenue was received from a single state for the period.

Note 3 – Funding

RGGI is to be funded by the 10 Signatory States' proportionate shares of the cost of the annual budget as approved by RGGI's Board of Directors.

During December 2007, RGGI signed a grant agreement with the New York State Energy Research and Development Authority ("NYSERDA") to fund all of the start-up costs for RGGI, Inc. up to \$3,000,000 over the first 18 months in consideration for RGGI placing its corporate headquarters in the New York State. In connection with this agreement, NYSERDA gave RGGI a \$300,000 advance to begin paying its start-up expenses. Under the funding agreement, start-up costs include all staff and operating costs incurred in the 18-months from November 1, 2007 to April 30, 2009.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.
Notes to Financial Statements (continued)
December 31, 2007

Note 3 – Funding (continued)

The New York State Department of Environmental Conservation paid \$11,759 in initial incorporation expenses on behalf of RGGI.

Subsequent to year-end, RGGI signed cooperative agreements with 8 of the 10 signatory states to set to a funding formula based on RGGI's 2008 annual budget.

Note 4 – Tax status

RGGI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"). RGGI has been determined by the Internal Revenue Service to be a publicly supported organization as described in Section 509(a)1 of the IRC and not as a private foundation. Donors are eligible to receive the maximum charitable tax deduction available for public charities under the IRC.