

May 16, 2008

CONFIDENTIAL

Mr. William F. Roberts  
General Manager  
Marshalls Energy Company, Inc.  
P.O. Box 1439  
Majuro, Marshall Islands 96960

Dear Mr. Roberts:

In planning and performing our audit of the financial statements of Marshalls Energy Company, Inc. (MEC) for the year ended September 30, 2007, on which we have issued our report dated May 16, 2008, we developed the following recommendations concerning certain matters related to MEC's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Cash Receipts

During fiscal year 2007, cash receipts and collections from the following location and dates covered were not received and recorded by MEC:

Wotje solar operations – June 2007 through September 2007  
Namdrik solar operations – January 2007 through September 2007

Estimated total collections from the above-mentioned is not considered material. However, we recommend that management establish policies and procedures to ensure that collections from outer islands are fully accounted for.

(2) Electric Receivables

MEC deducts \$700 every quarter from a lease payment to a customer (account number #003998) and applies the amount deducted against the receivable from the customer. However, a written agreement between MEC and customer regarding the arrangement has not been formalized. We recommend that management establish a formal agreement.

(3) Electricity Receivables – Review of Suspect Report

As a control measure to ensure that meter readings are input correctly, the billing system generates a suspect transaction report. This report highlights all transactions with a variance of 2% or more over the prior month. However, we did not observe any evidence of review of these reports. We recommend that management implement policies and procedures to document reviews of the suspect report to ensure that meter readings are input accurately.

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(4) Other Receivable

As of February 22, 2008, a customer has not been billed for sales transactions that occurred during September 2007. Management should establish adequate policies and procedures to ensure that all sales transactions are billed to customers, timely.

(5) Other Receivables

Reconciliation of subsidiary and general ledger balances is not performed on a regular basis. As a result, several adjustments were required at year end to correct receivable customer balances. Management should ensure that accounts receivable subsidiary and general ledger balances are reconciled on a regular basis. We also recommend a thorough review of detail balances, including credit balances, to ensure their validity.

(6) Inventory

Spare parts received during August and September were not included in count sheets and were not counted. We recommend that management establish procedures to ensure that all inventory on-hand is counted and that usability of materials and supplies is assessed.

(7) Fixed Asset Disposal

Currently, MEC has no policies and procedures governing the disposal of fixed assets. During fiscal year 2007, total fixed assets amounting to \$247,963 were disposed of. The approving officer for the disposal was also the same person who initiated the disposals. We recommend that management establish policies and procedures to set parameters of approval and steps involved in processing fixed asset disposals.

(8) Depreciation Rates

MEC is required to apply RUS approved depreciation rates on all fixed assets. The list of approved depreciation rates could not be located. We recommend that this list be located and copies provided to relevant accounting staff who are responsible for recording and depreciating fixed assets. This matter was discussed in our previous letters to management for the audit of financial statements in fiscal years 2003 through 2006.

(9) Fuel and Gas Sales

Sales to customers should be based on approved and published prices. A price given to customers other than the published rates should be approved by appropriate management personnel. Management approval of prices for the following sales was not adequately documented:

Bunker Receipt/Document #		
26913	26147	26739
26961	27020	26758
26841	27012	26766
27094	26903	26701
27196	26753	26729
27028	26151	26827
CR#1/03	26999	27045
26767	26740	26769

We recommend that management establish policies and procedures to ensure adequate documentation of overrides of list prices.

(10) Insurance

The franchise agreement with RepMar governing solar and other renewable alternative energy systems effective April 15, 2003, requires that MEC maintain general comprehensive liability insurance covering the grantor (RepMar) and MEC, and their respective employees against liability claims for bodily injuries, death and property damages occasioned by franchise activities. The franchise covers the entire Republic of the Marshall Islands. The renewed insurance policy covers only MEC and its employees for incidents occurring within the Company's compound in Delap Village and Rong Rong Village in Majuro, Jebwor, Namdrik, Jaluit and Wotje Atolls. We recommend that management comply with the franchise requirements. This matter was discussed in our previous letters to management for the audit of financial statements in fiscal year 2005 through 2006.

(11) Fixed Assets

During fiscal year 2007, MEC conducted a physical count of its vehicles. However, physical counts of all other fixed assets have not been performed.

We recommend that policies and procedures be established to ensure controls over the safeguarding of the organization's fixed assets are effective. Management should ensure that fixed assets are counted on a periodic basis and are reconciled to the fixed asset register.

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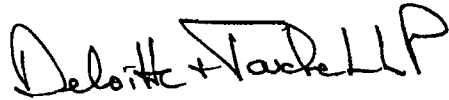
This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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We would like to thank the accounting staff and management for their assistance during the course of our audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.