



# Management Presentation

*Presented by David Ogden, President & CEO*

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TSX-V- SUS

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# Management Presentation



- Mission
- Year in review
- Industry overview, trends and the opportunity
- Greening:
- Overview/Utility Cost Post Greening/Value Creation/Utility Costs April 2010-March 2011
- Energy Star rating after Greening
- Strategy moving forward

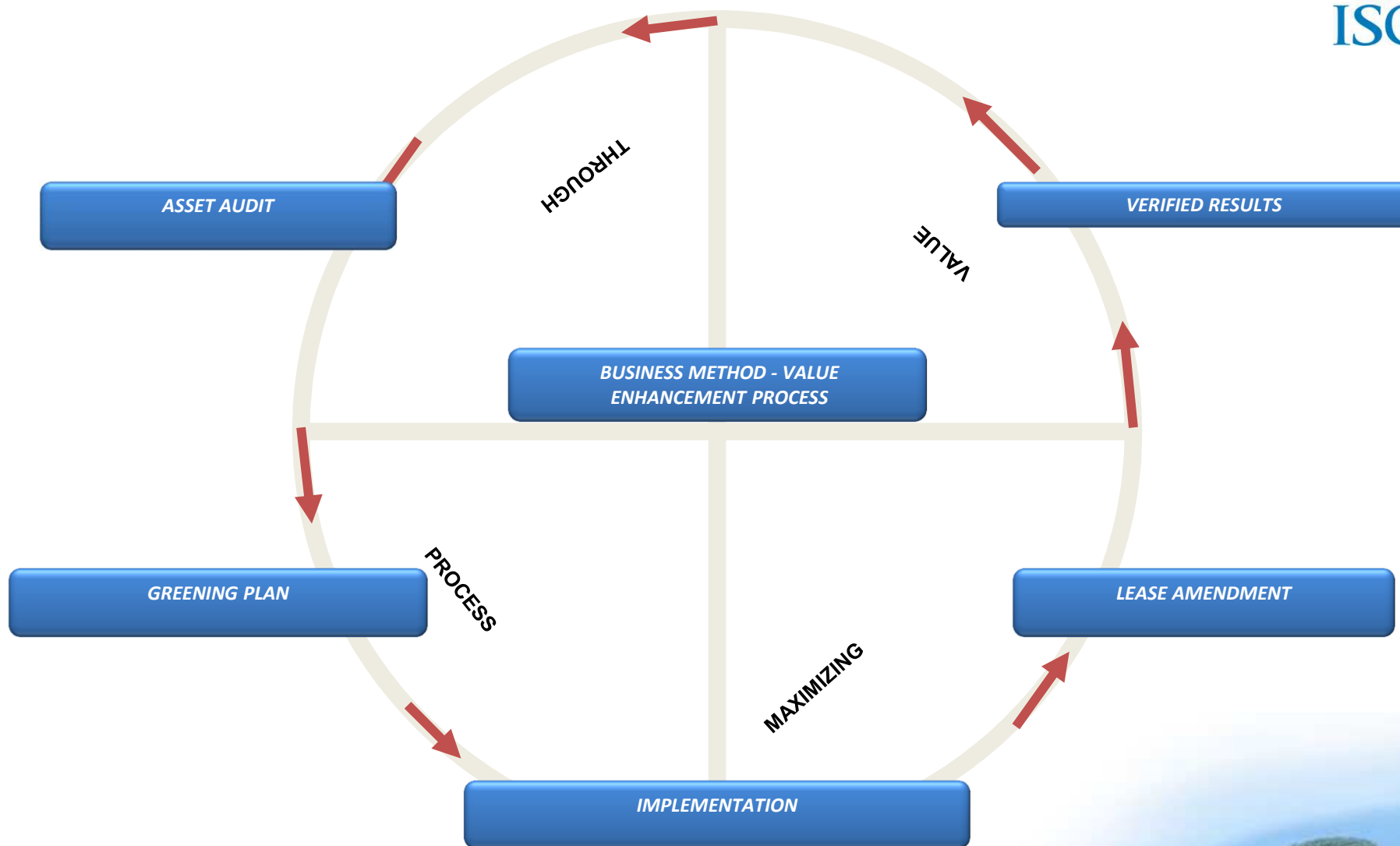


# Mission



- ISG Capital strives to reduce the environmental impact of our commercial buildings while exceeding the financial expectations of all our stakeholders – landlords, tenants and shareholders
- By discovering new ways of operating buildings we are dramatically changing the traditional landlord/tenant experience





# Year in Review



- Firm Capital makes strategic investment in ISG in May of 2011. They have an established real estate platform and manage a publically traded mortgage investment company.
- Exceeded our performance goals with our initial property. Now have an evidence-based investment model which can now be implemented across a portfolio of income producing properties
- proprietary greening methodology has resulted in a 22% internal rate of return since inception assuming a sale in May of 2011 at Altus appraised value
- The ISG greening methodology enhanced the IRR from 16% to 22%, a 37.5% increase from where it would have been without the greening
- ISG purchased the prototype property in February of 2009 for \$9,908,500 and the Corporation received an appraisal update letter confirming a valuation of \$11,000,000 as at April 15, 2011.



# Year in Review



- A year over year report produced by Abraxas Energy Consulting (“Abraxas”) ending in February 2011 confirmed that utility costs had moved from the initial baseline of \$0.83 p.s.f. to \$0.41 p.s.f.
- The Energy Star rating of the building was updated from 72 at acquisition to 90 recognizing the significant impact of the ISG improvements
- Savings were realized by installing (i) a computerized system with proprietary software to accurately control HVAC equipment and heat-flow and (ii) state of the art lighting throughout the building
- Capital cost was \$158,983 (\$0.79 p.s.f.), which was reduced to a net cost of \$83,759 (\$0.42 p.s.f.) after subsidies
- Retrofits resulted in savings of approximately \$80,609 from the original baseline, reflecting a simple payback of just over one year.



# Industry Overview and Trends



- Canada's building stock is energy inefficient
- Public investment platform targeting the acquisition and green transformation of existing buildings is a compelling investment opportunity
- Energy performance labeling is coming
- Building utility data is powerful and profitable
- Companies are changing the way they procure buildings
- Tenants and capital are flowing to sustainable real estate
- Energy Star ratings for buildings enhance marketability and long-term asset value
- Capital is flowing to income producing public vehicles





# Opportunity for ISG

## Conventional Approach:

- Incentive “paralysis”
  - Landlords will not invest in Green initiatives since utility costs are paid by tenants
  - Tenants are reluctant to make capital investments in leased facilities

## ISG Approach:

- Landlord and tenant share in energy savings
  - Lower operating cost for tenant and higher net rent for landlords
  - Reduced risk on future cash flows
- Lease restructuring to recover investment and maximize return
- Gross rental advantage over competitive properties resulting from lower operating costs

Net Rent	↑
Operating Costs	↓
Tenant Renewal Probability	↑
Cost of Debt	↓
Rental Growth	↑
Disposition Capitalization Rate	↓
Vacancy Allowance	↓
Internal Rate of Return	↑



# Greening Overview



- Proven initiatives – significantly increase energy efficiency while cutting utility costs by 30-50%;
  - Heating automation systems;
  - Lighting retrofits
- Resulting reduction in operating costs = catalyst for accretive lease restructuring
  - Increase net rent
  - Extend term
  - Differentiates properties
- Paybacks on retrofits of 3 years or less (before subsidies)
- Growing tenant demand for high performance buildings
  - Better tenant retention



# Actual Performance of Prototype Against Historic



Actual Electricity \$ for Hercules Tire Area													
Date	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Year Ending 03/31/09	\$ 6,081	\$ 5,568	\$ 5,487	\$ 5,424	\$ 5,428	\$ 5,656	\$ 6,151	\$ 6,845	\$ 7,048	\$ 7,007	\$ 6,510	\$ 5,626	\$ 72,830
Year Ending 03/31/10	\$ 5,567	\$ 5,927	\$ 5,655	\$ 5,949	\$ 2,571	\$ 5,243	\$ 6,956	\$ 6,413	\$ 7,586	\$ 7,394	\$ 7,602	\$ 6,238	\$ 73,102
Year Ending 03/31/11	\$ 5,130	\$ 3,817	\$ 3,139	\$ 3,869	\$ 2,809	\$ 2,583	\$ 3,081	\$ 4,226	\$ 4,809	\$ 4,626	\$ 4,775	\$ 4,679	\$ 47,544

Actual Natural Gas \$ for Hercules Tire Area													
Date	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Year Ending 03/31/09	\$ 6,126	\$ 1,354	\$ 259	\$ 73	\$ 73	\$ 103	\$ 3,080	\$ 11,036	\$ 19,371	\$ 20,615	\$ 16,745	\$ 13,547	\$ 92,380
Year Ending 03/31/10	\$ 5,817	\$ 1,386	\$ 268	\$ 77	\$ 74	\$ 688	\$ 2,075	\$ 4,668	\$ 7,169	\$ 9,440	\$ 7,459	\$ 1,880	\$ 41,001
Year Ending 03/31/11	\$ 1,519	\$ 834	\$ 57	\$ 78	\$ 88	\$ 103	\$ 726	\$ 3,500	\$ 7,199	\$ 8,740	\$ 8,377	\$ 7,172	\$ 38,393

Actual Electricity kWh for Hercules Tire Area													
Date	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Year Ending 03/31/09	70,063	64,584	55,581	53,782	55,785	60,849	71,541	75,379	77,096	78,357	74,129	73,437	810,583
Year Ending 03/31/10	64,670	67,165	65,996	65,039	27,444	57,607	65,142	68,762	71,502	74,545	75,535	72,517	775,924
Year Ending 03/31/11	44,939	34,368	31,632	30,321	28,963	28,082	29,929	36,442	44,774	45,800	40,008	41,733	436,991

Actual Natural Gas M3 for Hercules Tire Area													
Date	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Year Ending 03/31/09	17,881	3,513	521	-	-	61	6,582	24,074	43,733	48,987	40,746	34,312	220,410
Year Ending 03/31/10	16,501	4,246	641	15	-	2,964	9,892	23,417	36,141	47,220	36,990	8,481	186,508
Year Ending 03/31/11	6,557	3,101	-	-	-	114	2,587	13,856	29,182	35,888	34,451	29,061	154,797



# Evidenced Based Investment Model



## Prototype IRR of 22%

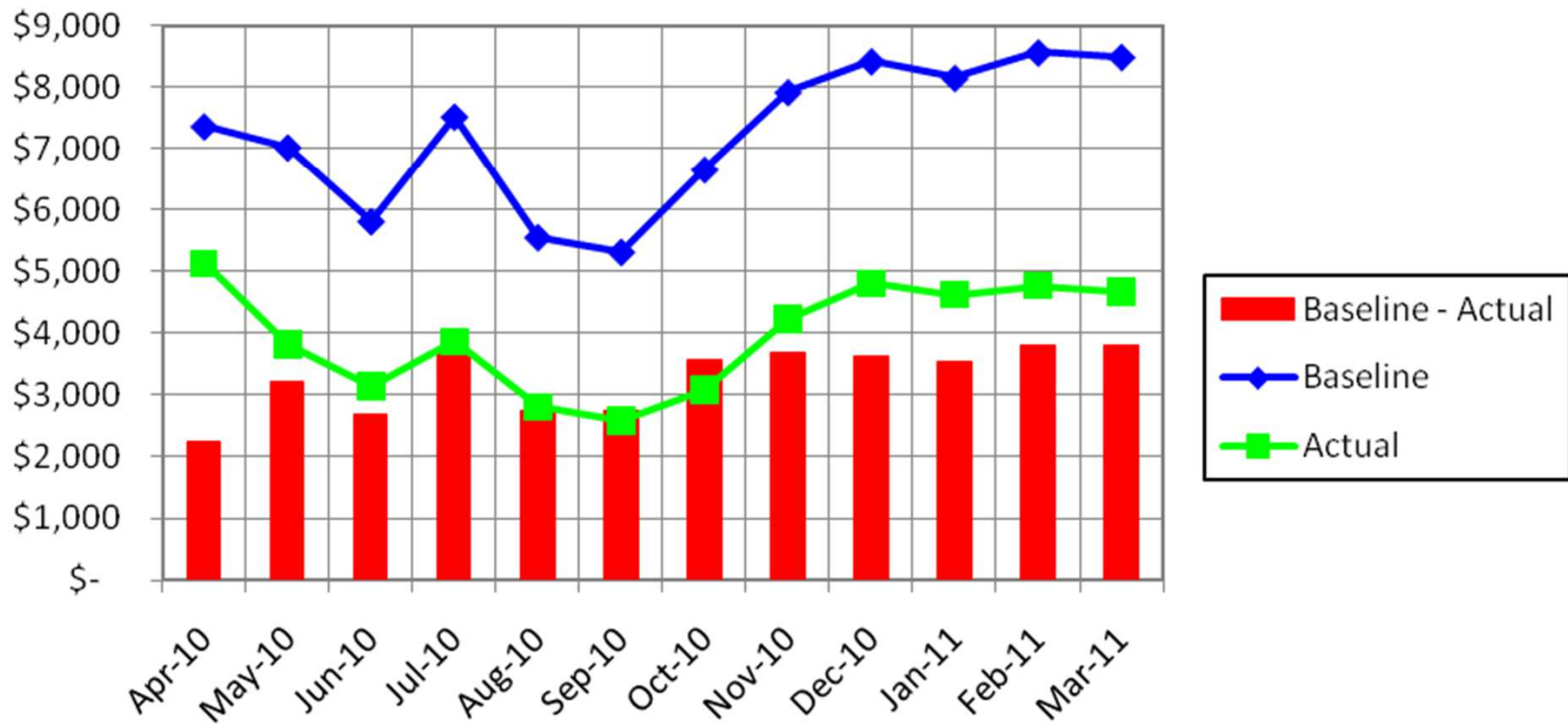
IRR with Shares Issued		
For the		
Analysis	Year	Annual
Period	Ending	Cash Flow
Property Purchase (minus mortgage)		-\$2,863,500
4 Mos	May-2009	\$43,112
Year 2	May-2010	778,905
Year 3	May-2011	693,524
Property Resale		4,215,537
IRR		22%
Debt Balance May 2011		\$6,784,463



# Actual Results April 2010 to March 2011



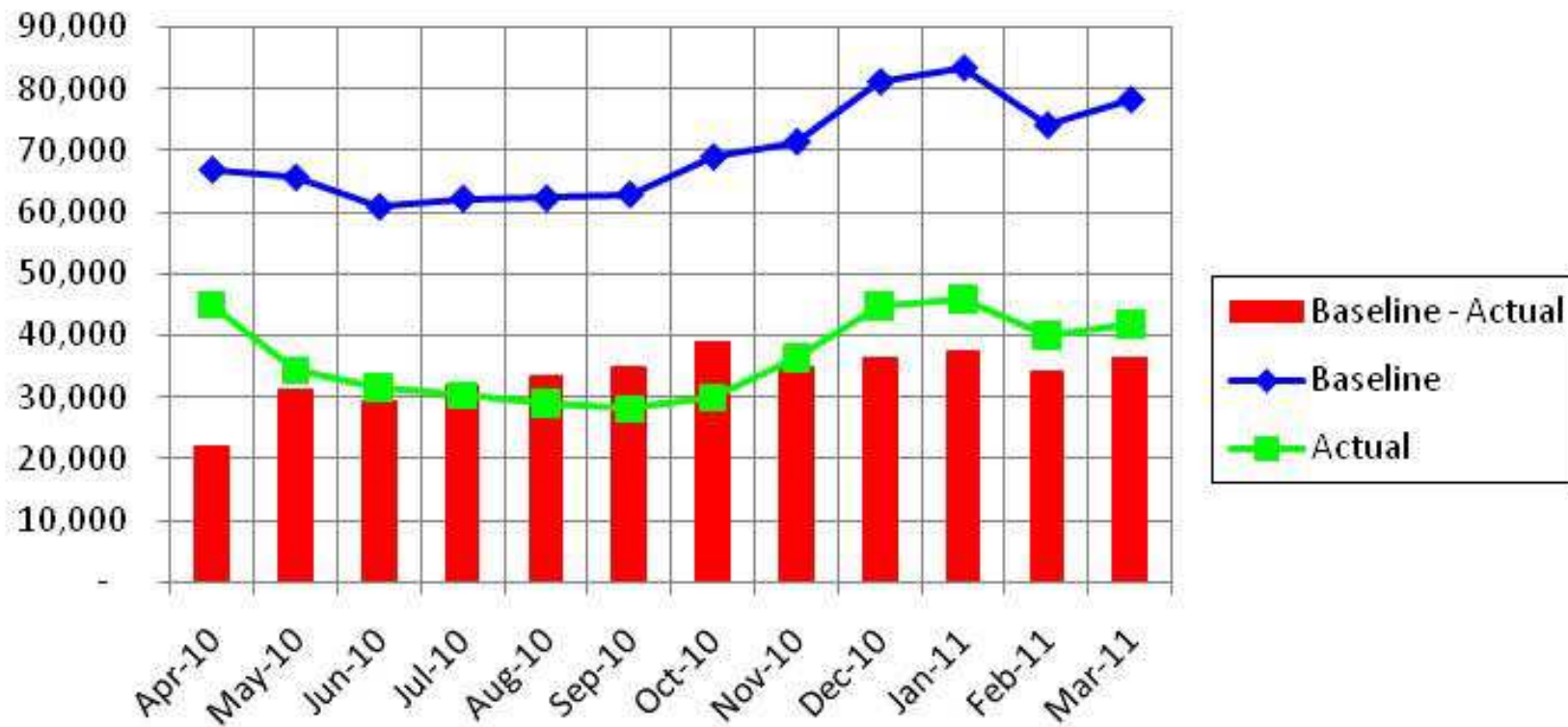
## Electricity \$



# Actual Results April 2010 to March 2011



## Electricity kWh



# Actual Results April 2010 to March 2011



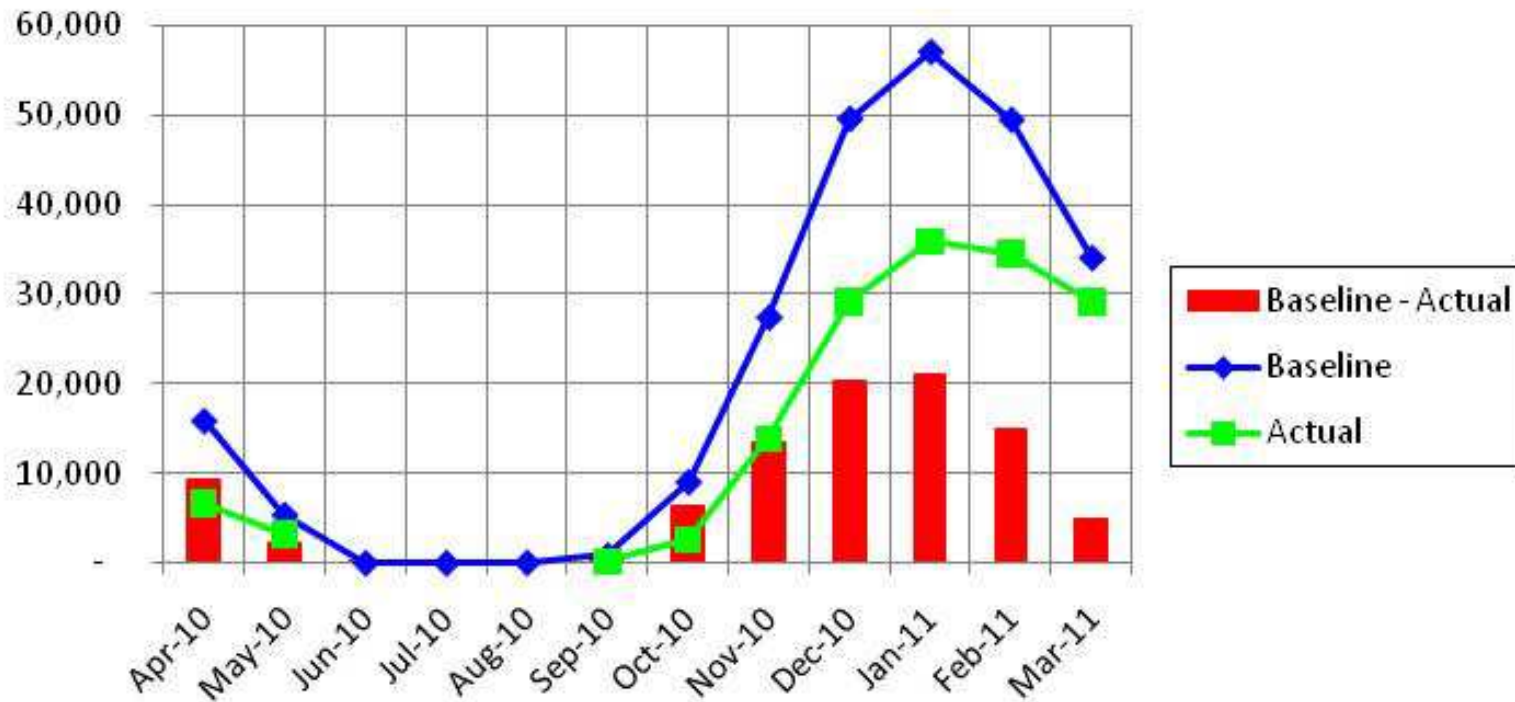
## Natural Gas \$



# Actual Results April 2010 to March 2011



## Natural Gas M3



# Building Labeling “Energy Star Rating”



Energy Usage	
Total Site Energy Use (kBtu)	10,821,389
Total Weather Normalized Source Energy Use (kBtu)	18,124,638
Average Weather Normalized Source Energy Intensity (kBtu/Sq. Ft.)	90.3
Average Site Energy Intensity (kBtu/Sq. Ft.)	53.9
Total Site Electric Use (kWh)	829,575
Total Site Natural Gas Use (Therms)	79,909
Average Actual Annual Source Energy Intensity (kBtu/Sq. Ft.)	88.8
<b>Energy Star Rating pre-retrofits</b>	<b>73*</b>
<b>Energy Star Rating post-retrofits</b>	<b>90</b>

\* Minimum score of 75 required for Energy Star Status



# Strategy Moving Forward



- Secure an operating partner by the end of the first quarter 2012
- Pursue a Transformational Transaction with our operating partner and discuss the merits of a conversion to a Real Estate Investment Trust once the transaction is secured
- Enhance AFFO on our portfolio of real estate by implementing our greening process where accretive

Note: ISG retained third party consultants as follows:

- The Altus Group to update the value of the prototype property in April of 2011
- Colliers Valuation & Advisory Services to confirm the IRR with and without the greening assuming a sale in May of 2011
- Abraxas Software to provide monthly reporting and normalize the savings achieved after implementation of the greening initiatives



