



Financing GeoExchange HVAC Installations in Condominiums

November 18, 2008

STRAIGHT
TALK



Agenda

Tuesday November 18, 2008

Financing GeoExchange HVAC Installations in Condominiums

1. Who is Maxium?
2. The Developers' Dilemma
3. Financing GeoExchange as a Solution
4. Why a Loan Makes Sense
5. Condos - Creatures of Statutes
6. Loan Structure
7. Summary and Questions



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Who is Maxium?

- Private Canadian company formed in 1993
- Providing loans to condominium corporations since 2000
- Transaction sizes \$300,000 to \$3,000,000
- New originations in 2008 ~\$240 million
- Provide structured term financing up to ten year terms
- Focused on strategic vertical markets including condo, commercial office, golf & private healthcare
- Condo loan focus in Ontario, BC, Alberta & Nova Scotia



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The Developers' Dilemma

There are compelling reasons to build condos well in excess of building code standards for energy efficiency:

1. Energy efficient buildings are cheaper to heat
2. Energy efficient buildings are more comfortable to live in
3. Energy efficient buildings are trendy!
4. Higher quality buildings have better long-term capital gain potential.

Yet...

Developers' objective is to make a profit. Condo buyers are price sensitive, and may not be willing to pay extra for features they can't see.



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Financing GeoExchange as a Solution

In addition to proceeds from unit sales, developer may receive the amount of a loan entered by the condo corporation

The condo corporation makes loan payments over a period of time in consideration for having a geo-exchange system and benefits



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Why a Loan Makes Sense

- Structured to pay difference between conventional and energy-efficient GeoExchange HVAC system, often combined with other energy efficient measures
- Cost of energy saved can offset loan payments to be made by unit owners
- Once loan is retired, energy savings directly reduce utility costs



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Why a Loan Makes Sense

Sample Condo

Operating cost profile

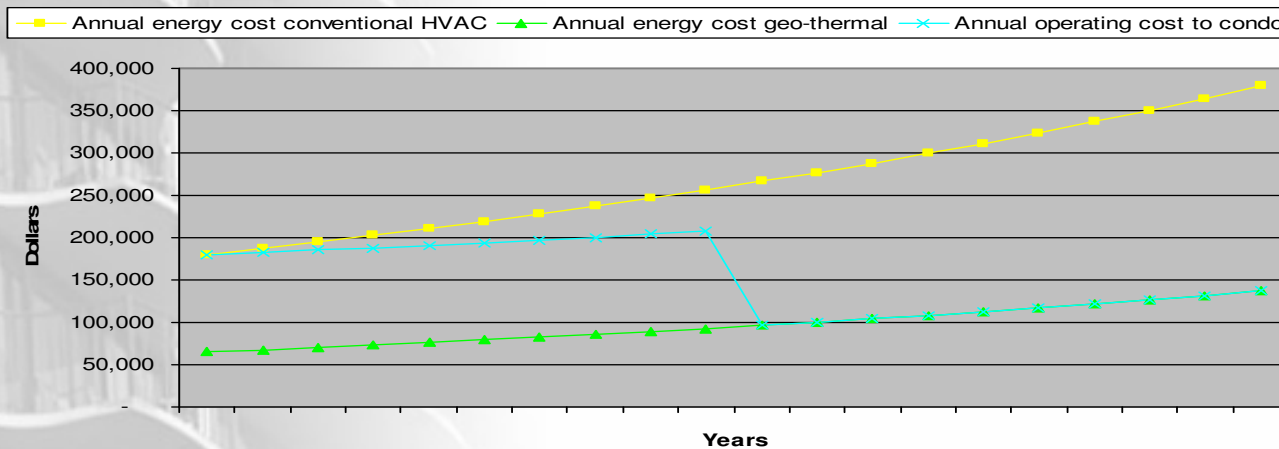
Assumptions:

Annual energy cost conventional HVAC - \$180K + 4% p.a

Annual energy cost GeoExchange HVAC, etc. - \$65K + 4% p.a

Annual debt service \$773,000 amortized over ten year term

Samyde Condo Operating Cost Profile



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Condos - Creatures of Statutes

- Condo corporations are legal entities whose common elements are owned proportionately by unit owners
- Condos are typically not able to provide collateral security to lenders
- In Canada, condos are subject to provincial condo laws
- Most provincial condo laws provide good security to lenders provided they are structured accordingly



Loan Structure

1. Fixed rate term loan with amortization eight to ten years
2. Disclosure to include description of measures and the loan; debt service included in first year budget
3. Loan agreement entered by condo corporation after its creation but before control passed to unit purchasers



Loan Structure (continued)

4. Loan security based on condo corporation's right to assess unit owners for common expenses
5. Fractured ownership of condo corporation can provide comfort to lenders
6. Must consider that owner-controlled condo boards can cancel service contracts in certain circumstances



Summary:

- 1) Often, there is strong economic argument and consumer demand for GeoExchange system and loan
- 2) Disclosure is a key to success
- 3) Statutory nature of loan security means:
 - a) the loan structure must be specific to the requirement, and
 - b) the timing of events must be carefully orchestrated

Questions?

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