

Innisfil Hydro Distribution Systems Limited

EB-2014-0086

Undertaking Responses

KT1.1 – KT1.3

November 3, 2014

Responses to Undertakings:

Innisfil Hydro Distribution Systems Limited (“IHDSL”) filed an application with the Ontario Energy Board (the “Board”) on August 13, 2014 under Section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15. (Schedule B) (the “Act”), seeking approval for changes to rates that IHDSL charges for electricity distribution, to be effective January 1, 2015 (Board Docket Number EB-2014-0086) (the “Application”).

The Board issued Procedural Order #2 on October 9, 2014 in which the Board made provision for a Technical Conference followed by a Settlement Conference to be undertaken on October 23, 2014.

This document provides the responses to undertakings resulting from the Technical Conference.

Undertaking No. KT1.1

Ref. Page 8 – To explain the \$650k number.

IHDSL Response:

The undertaking was in reference to the land swap for the Old Town Hall property, and was the cost of the land \$650k or \$663K. IHDSL can confirm that the cost of the land was \$650,000. With legal fees and land transfer tax the total price was \$650,000 plus \$13,216.13 for a total of \$663,216.13. IHDSL can also confirm that the \$13,216.13 is contained in the “demolition costs” of \$187,000.

Evidence: OEB Staff IR – 5a), and 6, Energy Probe – 6a),b),c),d),and e), VECC – 2h) and j)

Undertaking No. KT1.2

Ref. Page 17 – To provide the comparison of the lease versus own option, from the point of view of cost to the ratepayers.

IHDSL Response:

IHDSL has provided a copy of the Market Rent Study for the property at 2147 Innisfil Beach Rd, as requested, in Appendix A.

Undertaking No. KT1.3

Ref. Page 20 – To confirm the numbers provided by Mr. Rubenstein in relation to the table provided in IRR response to SEC-IR 8e).

IHDSL Response:

IHDSL provided a table in response to SEC-IR 8e), which provided statistics at Year 10 and Year 20. The numbers provided by Mr. Rubenstein were to confirm Year 1 move in numbers for the Administrative portion of the building. The following table (blue highlight) confirms the numbers for IHDSL at Year 1 and with the update to two decimals match the numbers provided by Mr. Rubenstein.

Industry Comparators for new Builds

	Waterloo North Admin & Operations Year 1	Enersource Admin Year 1	PowerStream Admin Year 1	Innisfil Hydro - Admin Compare Year 1
Year	2010	2012		2014
Capital Cost	26.5	20	27.7	\$ 7,241,924.00
Square Footage	104,000	79,000	92,000	22,853
Head Office Employees (proj)	117	150	270	41
Gross square feet per employee	889	527	341	557.39
Capital cost per employee	\$226,496	\$133,333	\$102,593	\$176,632.29
Capital cost/gross square feet	\$255	\$253	\$301	\$316.89

Appendix A – 2147 Market Rent Study

***MARKET RENT STUDY
2147 Innisfil Beach Road
Town of Innisfil
Former Town Hall***

PREPARED FOR

**INNISFIL HYDRO
2073 Commerce Park Drive
Innisfil, ON L9S 4A2**

BY

**ANDREW, THOMPSON AND ASSOCIATES LTD.
642 WELHAM ROAD, SUITE 103
P.O. BOX 189
BARRIE, ONTARIO
L4M 4T2**

ANDREW, THOMPSON AND ASSOCIATES LTD.
REAL ESTATE APPRAISERS AND CONSULTANTS

GORDON ANDREW, AACI, P. App. - Retired
 L. STEVE THOMPSON, BA, AACI, P. App
 MICHAEL P. SEGUIN, BA, AACI, P. App
 DOUG LOFTUS, CRA
 steve@andrew-thompson.on.ca

642 Welham Road, Suite 103
 P.O. Box 189
 Barrie, ON L4M 4T2
PHONE 705-721-1596
FAX 705-721-5183

November 3, 2008

Innisfil Hydro
 2073 Commerce Park Drive
 Innisfil, ON L9S 4A2

Attention: Mr. George Shaparew, President

Re: Market Rental Analysis - 2147 Innisfil Beach Road, Town of Innisfil

Dear Mr. Shaparew:

At your request, we have completed this Market Rent Study to determine the appropriate market rental rate as of October 21, 2008 for the existing space at 2147 Innisfil Beach Road presently owned by the Town of Innisfil.

The study entailed an analysis of lease transactions and active listings of office space similar to the existing space.

Based on the investigations carried out and taking into consideration the attributes of the existing accommodations mentioned above, it is our opinion that the net market rent and the appropriate renewal rent for the subject accommodations is as follows:

<i>Undivided Space</i>		
	5 Year	10 Year
Entire Building "as is"	\$0.36 to \$1.36 per sq.ft. say \$1.00 per sq.ft.	\$2.58 to \$3.58 per sq.ft. say \$3.00 per sq.ft.
Entire Building "as if renovated"	\$6 to \$7 per sq.ft. say \$6.50 per sq.ft.	\$5.40 to \$6.30 per sq.ft. say \$6.00 per sq.ft.
* 0.25 per sq.ft. annual escalation rates are estimated in each instance		
<i>Divided Space</i>		
"as if renovated"	\$9.00 per sq.ft.	\$8.10 per sq.ft.

This report is provided as a Market Rent Study in a consulting report format and is consistent with the Terms of Reference. It is important to note that this report is prepared in accordance with the Canadian Uniform Standards of Professional Appraisal Practice (C-USPAP) adopted by the Appraisal Institute of Canada. All comments, opinions and conclusions are discussed and elaborated within the body of this report to the extent felt necessary to support the final net rental rate. Your attention is also drawn to the Statement of Contingent and Limiting Conditions and any Extraordinary Assumptions or Limiting Conditions, which form an integral part of this report.

This Market Rent Study includes a brief description of both the existing property and comparable properties investigated, the relevant information, data relied on, our final analyses of the data and our final conclusions.

Respectfully Submitted,

ANDREW THOMPSON AND ASSOCIATES LTD.

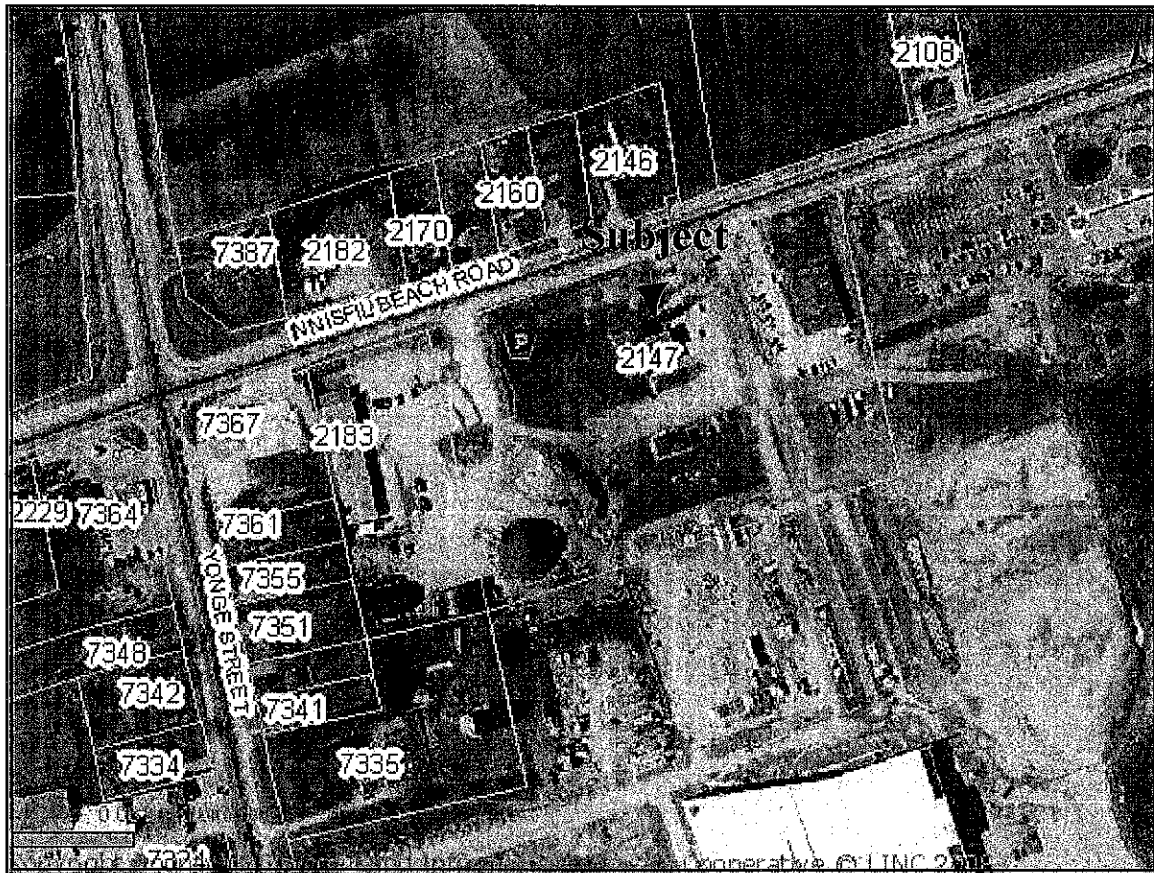
L. Steve Thompson BA, AACI P. App.

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LOCATION MAP



EXECUTIVE SUMMARY

Client	Innisfil Hydro
Intended Users	Innisfil Hydro
Purpose	To estimate the appropriate current market rent for the existing space as one unit, divided and "as is" versus "renovated"
Location	2147 Innisfil Beach Road, Innisfil (Close to S/E corner of Yonge Street and Innisfil Beach Road)
Current Owner	Corporation of the Town of Innisfil
Type of Building	Two storey single tenant institutional building formerly the Town Hall
Effective Date	October 21, 2008
Existing Type of Space	Centre hall entry to 3 pods of open office and some divided offices and one large open area formerly the council chambers. Total gross floor area of about 11,170 sq.ft.
Existing Lease Terms	n/a
Terms of the Lease	We are requested to consider a 5 and 10 year term for the lease

BASIS OF THE REPORT

- This report is intended for use only by Innisfil Hydro.
- The purpose and function of this market rent analysis is to estimate the appropriate market rent, on a net basis, for a 5 and 10 year term new lease
- Use of this report by others is not intended by the appraiser, and any liability in this respect is strictly denied.
- We received our instructions to proceed from Mr. George Shaparew of Innisfil Hydro.

TERMS OF REFERENCE

The following describes the provided or agreed to Terms of Reference for this assignment.

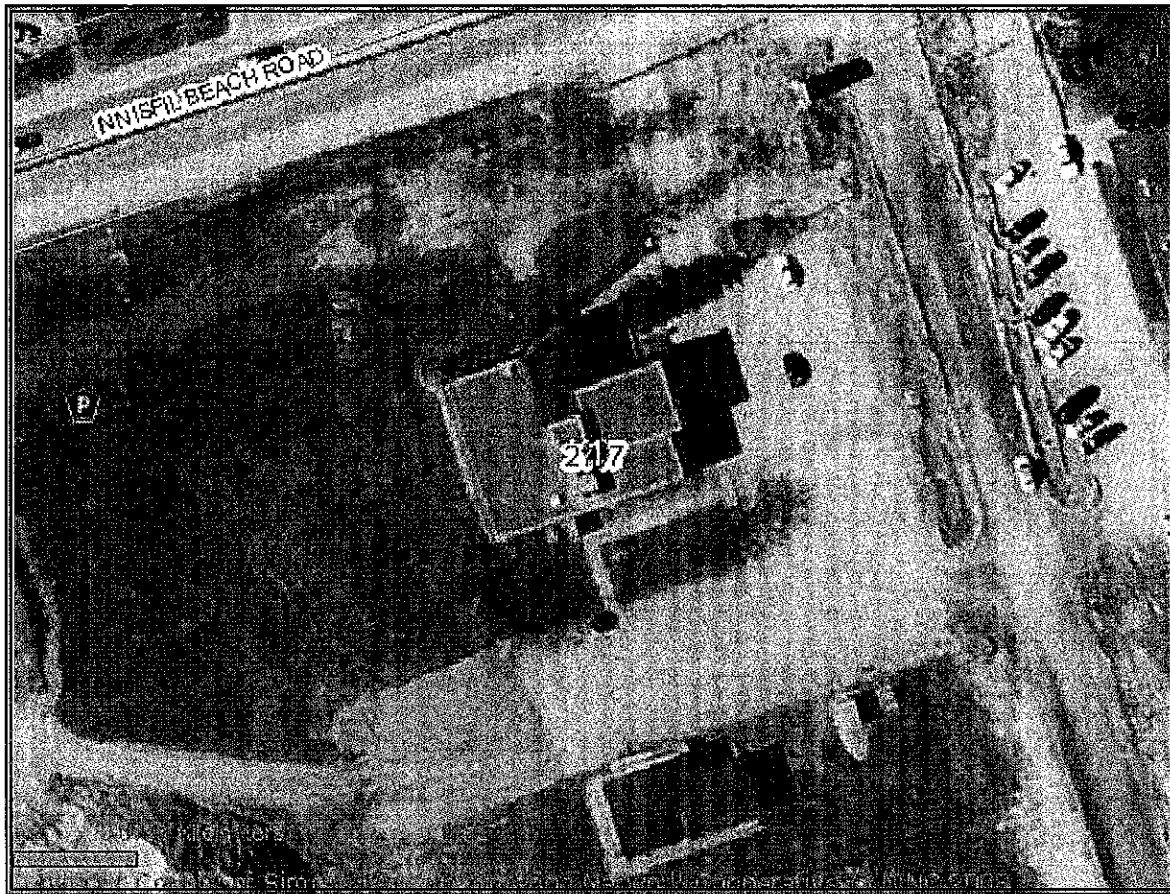
- To estimate the current market rent to aid in negotiating a new lease with a 5 and 10 year term.

SCOPE OF WORK UNDERTAKEN

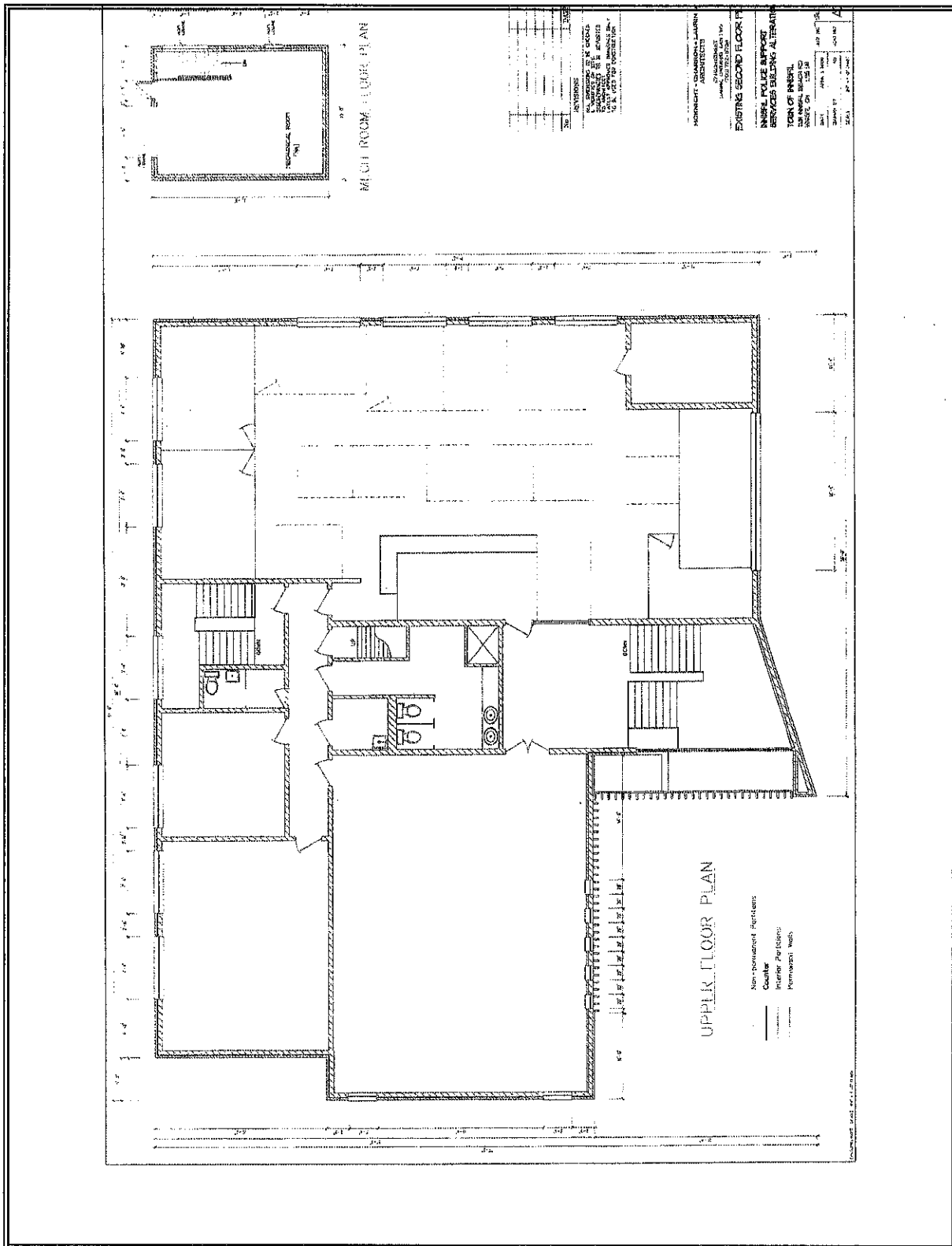
The following identifies the scope of our investigations:

- **Inspection:** This analysis included a brief exterior and interior inspection of the identified existing space on September 26, 2008. We were accompanied by Mr. Shaparew on the date of inspection.
- **Data Research:** Sources of market evidence included reference to the Barrie & District Real Estate Board active, expired and sold listings and contact with a number of real estate agents active in the commercial retail and office markets in Innisfil. We also conducted a thorough research of our internal records for similar space.
- **Third Party Information:** The analysis set out in this report relied upon written and/or verbal information obtained from a variety of sources considered reliable.
- Properties identified in this report were viewed from street level only and no internal inspection was conducted, unless otherwise stated.
- The research methods applied in this report arise from those determined to best address the specific type of property addressed in this analysis.
- We did not complete technical investigations such as detailed inspections or engineering review of the structure, roof or mechanical systems within various buildings identified; nor did we conduct any environmental reviews, site or building surveys of any buildings identified.

AERIAL VIEW OF THE SUBJECT BUILDING AND SITE



[illegible]

SUBJECT FLOOR PLANS - UPPER FLOOR PLAN

GENERAL DESCRIPTION OF THE NEIGHBOURHOOD

The subject property is located just east of Yonge Street a major north-south arterial road and fronting Innisfil Beach Road the major artery to Alcona Beach in a node of settlement known as Barclay. Recently full municipal services have been extended to the subject site to facilitate the construction of the new Municipal Multi Use facility. Nearby is the operations centre for public works, the new Town offices, the Innisfil Police services and a new multi use recreational facility.

This is essentially an institutional campus located in the middle of the municipality.

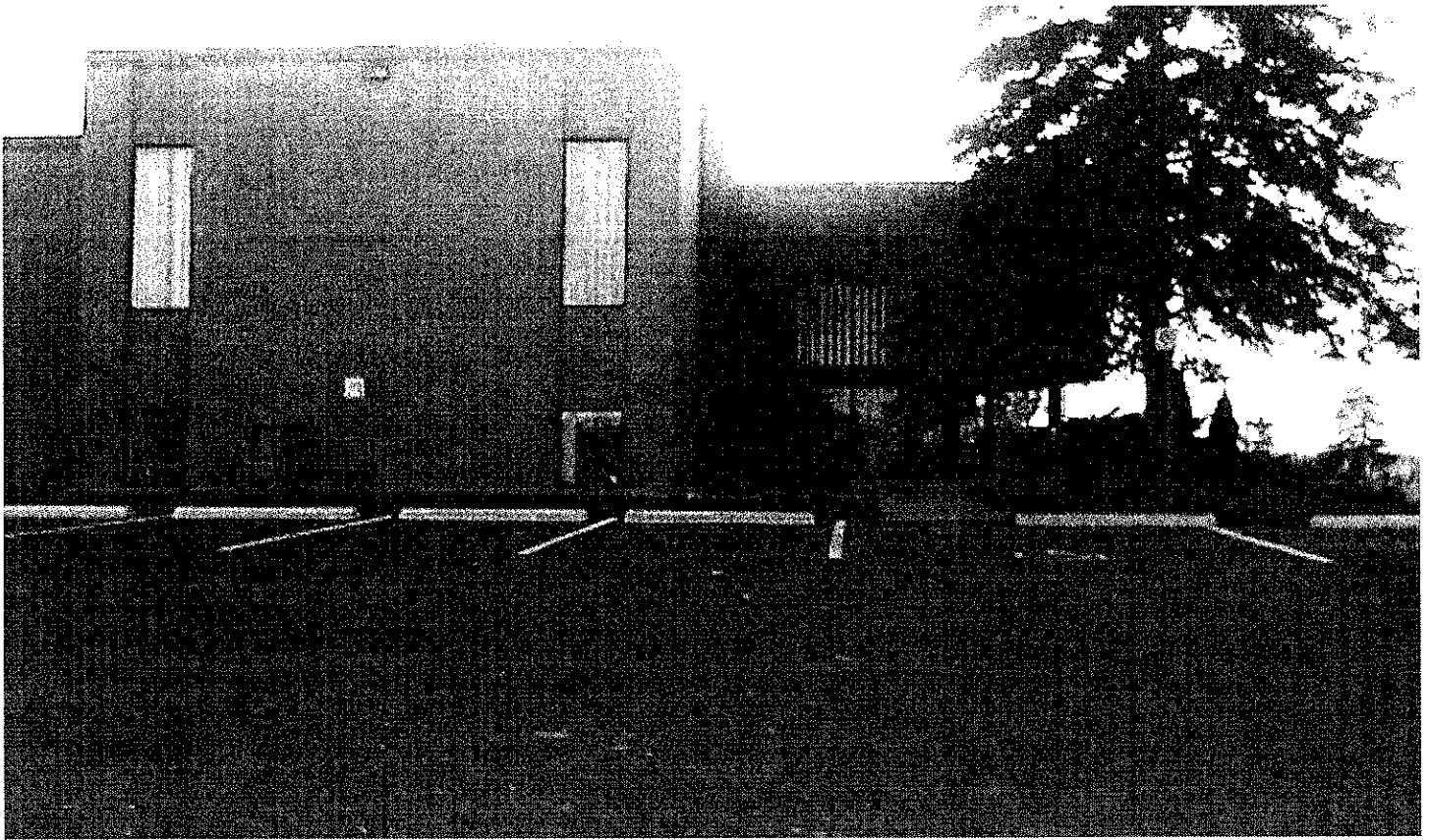
From a private sector perspective this location is remote to Barrie, Stroud and the expanding areas of Innisfil. It has been our experience that when available, rurally located office space is taken up at a very slow rate. Good quality office space offered in Stroud has experienced higher than average vacancy over time. Office space in nearby Alcona would more often be located in a converted residence or together with retail.

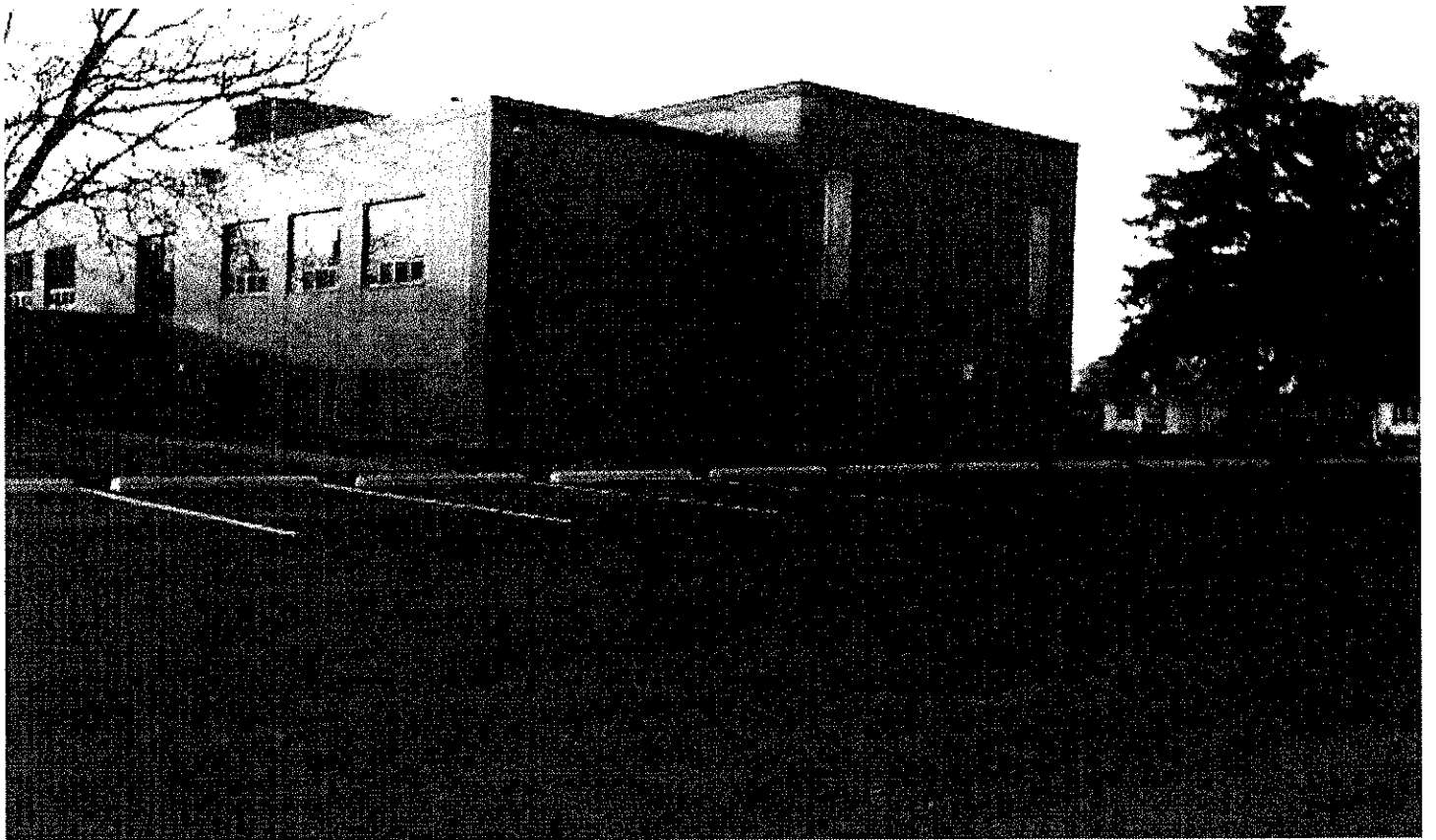
We are of the opinion that there is no retail interest in the subject location. There may be some limited interest for modestly priced office space from the private sector in this location.

There are some rural churches located in the general area and the subject would suit conversion to such a use. It is difficult to determine if such demand may exist.

The readers of this report are well versed in the community details and we have retained the community profile in our files.

SUBJECT PHOTOS





BUILDING DESCRIPTION

The subject is a two storey facility containing approximately 11,170 sq.ft. (5,585 sq.ft. on the lower level and 5,585 sq.ft. on the upper level). There are two staircases, washrooms, hallways and a foyer through the center of the building which occupy about 2,310 sq.ft. in total.

The construction of the building is concrete block with brick veneer and windows are thermo pane. The elevated floor is concrete on a metal pan. This was design built as a public building and is very good structurally however the HVAC, plumbing fixtures and decor are in need of substantial upgrading.

The building was designed for a single user and all HVAC and utilities are centrally metered and operated.

The main areas are described as follows:

Upper - West (2,900 sq.ft. +/-)

This is the former administration area and it includes dated and worn flooring (carpet and linoleum), acoustic tile ceilings and fluorescent lighting fixtures. There is a walk-in vault, a partitioned office at the front and two partitioned offices at the rear. The reception counter remains in place but is dated in design and functionality. This space offers windows around most of the space and when renovated has the highest potential within the building.

Upper - East (1,630 sq.ft. +/-)

This is the former council chambers. The high ceilings and layout is attractive however the raised floor is unlikely suited to professional office. This area is too large for a boardroom but would suit a training facility, day care facility or place of worship etc.. A larger executive office and boardroom are located to the south of the large area. There are two washrooms located in this level, each which is very dated.

Lower - West (2,800 sq.ft. +/-)

This area has linoleum floors and some partitioned offices. The acoustic ceiling tiles, wall and floor finish are in poor condition and this space is not likely leaseable in its present condition without renovation. This area also offers good natural daylight from the west wall.

Lower - East (1,630 sq.ft. +/-)

This space is generally open with a few partitioned walls placed after the ceiling tile. The condition of this area, which includes some of the service rooms, is generally poor. Natural day light in this area is generally poor.

SITE DESCRIPTION

This site forms part of a larger property. The parking lot associated with the building and surrounding grounds are adequate to support the building. The associated land area to compliment the lease is assumed to include this parking area.

SITE IMPROVEMENTS

There are paved customer parking spaces provided in the east and south yard and a concrete walkway runs along the south, east, and north to the front entrance.

There is a breakwall at the rear entrance which is in poor condition and needs to be replaced or removed. Some concrete repair to sidewalks etc. is required.

BUILDING OPERATING EXPENSES

We have reviewed the provided operating statements for the subject building and we have reconciled the annual operating expenses as follows to determine the expected operating costs to a tenant considering a net lease on the premises. These costs assume the same HVAC system that is presently in place would remain.

Property Taxes	\$2.50 x 11,170	\$27,925
HVAC		\$ 3,531
Hydro		\$24,023
Gas		\$ 6,676
Snow Removal		\$ 3,990
Grounds Keeping		\$ 2,500
Insurance		<u>\$ 5,000</u>
Single Tenant Total		\$73,645/11,170 sq.ft. = \$6.60/sq.ft.
Common Area Cleaning		\$ 2,000
Management		<u>\$ 2,000</u>
Multi Tenant Total		\$77,645/8,860 sq.ft. = \$8.79/sq.ft.

ZONING/OFFICIAL PLAN

The subject property is currently zoned Institutional and is designated Agricultural in the prevailing Official Plan.

MARKET RENT ANALYSIS

- ***Scope of Review***

We have reviewed the offered and listed space in the local community as well as conducting a review of similar sized office space in the City of Barrie for a point of reference.

- ***Approach to Value***

We are of the opinion the best approach upon which market rent can be estimated is the ***Direct Comparison Approach***. This is the method which compares the subject to sales and listings of similar properties. The comparable space observed which were recently leased or offered for the lease are adjusted for size, quality, location, etc. to produce an indication of value of the subject's potential.

- ***Finishing and Inducements***

Newly offered space would not typically include interior finishing which is most often completed by the tenant. In some cases this work is completed by the landlord and these tenant improvements are then included in the net rent.

Although the improvements to any space may have been completed by the tenant, at the time they are offered in the open market the rate that would be achieved for the improved space reflects the landlords opportunity.

It is rare that a tenant could be found to take space "as is" without some requirement for modification. These anticipated modifications are typically reflected in the offered rate by the prospective tenant.

In an effort to attract a tenant sometimes a rent free period or finishing is provided. It is necessary to adjust for this kind of inducement when considering the base market rent for any space.

DIRECT COMPARISON APPROACH

The following rental spaces found outside of the subject area are considered to provide the best indicators of market potential for the subject space.

TABLE 1
SUMMARY OF CLASS "B" OFFICE SPACE

#	LOCATION BARRIE	TYPE OF BUILDING	BLDG. AREA (SF)	VACANCY (SF)	NET RENT PSF	ESTIMATED TENANT CAM \$ PSF	COMMENTS
Urban References							
1	85 Bayfield St.	Class B 5 Sty. Office	30,055	0	\$10.50	\$9.19 (inc. heat, hydro)	Incl. parking
2	136 Bayfield St.	Class B 4 Sty. Office	60,000	21,600	\$8.00	\$10.00 (inc. heat, hydro)	Incl. parking
3	12 Fairview Rd.	Class B 2 Sty. Office	14,227	0	\$12.00	\$8.50 (inc. heat, hydro)	Incl. parking
4	165 Ferris Lane	Class B 1 Sty. Office	24,687	0	\$13.00	\$9.00 (inc. heat, hydro)	Incl. parking
5	11 Ferris Lane	Class B 3 Sty. Office	13,924	1,538	\$12.00	\$10.00 (inc. heat, hydro)	Incl. parking
6	85 Ferris Lane	Class B 3 Sty. Medical/Office	25,225	0	\$12.00	\$10.85 (inc. heat, hydro)	Incl. parking
7	49 High St.	Class B Retail/Office	34,586	0	\$9.50	\$7.50 (incl. heat, hydro)	Limited parking
8	34 Simcoe St.	Class B 3 Sty. Govn't Office	33,500	0	\$10.00	\$8.00 (inc. heat, hydro)	Incl. parking
9	61 Wellington St. W.	Class B 4 Sty. Office Bldg.	33,000	0	\$8.00	\$5.25 (inc. heat, hydro)	Limited parking
10	121 Wellington St. W.	Class B Medical	35,000	5,295	\$10-\$12.50	\$11.65 (inc. heat, hydro)	Incl. parking

Comments:

The general trading range for fit up office space in the general area (Barrie) is \$8 to \$13 per sq.ft. with a tendency towards \$12/sq.ft. for multi tenant space.

Freestanding office buildings for single tenants rarely lease but when offered generally approach the upper limit of the range.

Rural References

#	LOCATION	TYPE OF BUILDING	SQ.FT.	VACANCY	NET RENT PSF	COMMENTS
11	560 Anne Street, Springwater	1 Storey	2,100	0	\$15.50 / sq.ft. gross	Located at Springwater Airport on the main floor - good quality building in average condition with good natural lighting
12	1000 Innisfil Beach Road, Innisfil	2 Storey	3,500	0	\$9.50 / sq.ft. net	Former residence converted to multi tenant office.
13	2399 Ninth Line, Innisfil	1 Storey	6,000	0	\$5.60 /sq.ft. Net	Two unit service office unit in the industrial park with modest finishing
14	24 Yonge Street, Springwater	1 Storey	6,000	2,000	\$12.00/ sq.ft. Net - Asking	Recently renovated building containing office and restaurant with adequate parking in the core are of Elmvalle.
15	8056 Yonge Street, Stroud	1 Storey Plaza	20,000 +	6,308	\$6.50 /sq.ft.	Nearby large tenant area unleased in a neighbourhood shopping centre.

Comments:

The nearby large space in the Stroud Plaza illustrates the weak local market for larger spaces. Reference #11 reflects good direct comparison and applying expenses of \$5.50/sq.ft. suggests \$10 per sq.ft. net. This would seem to support the recent leasing for office space in Alcona.

RECONCILIATION OF MARKET RENT - As if Renovated

We have reached the following conclusions:

- The estimated operating cost of \$6.60 per sq.ft. for a single tenant and \$8.79/sq.ft. are at the ceiling rate for MIT charges and are likely a result of the dated HVAC system and higher costs to maintain the large yard and parking lot. Higher expenses limit the amount of total rent that can be achieved in any given location. Total gross rents appear to best be bracketed in the range of \$15 to \$16/sq.ft. for the subject property.
- There are few reliable market references to draw from for large office space in a rural location such as the subject. The market evidence points to a range of \$9.00/sq.ft. for finished space on a net basis or about \$15.50/sq.ft. on a gross basis for smaller office areas of 1,000 to 2,500 sq.ft..
- We expect large finished space ie. over 5,000 sq.ft. would have a discount applied of at least \$1.00 per sq.ft. to \$1.50 per sq.ft. in an urban location and likely twice as high in the subject rural location or \$2.00 to \$3.00 per sq.ft.. The subject space if renovated therefore is estimated to have the following potential:

5 year Rate

Divided Space - 1,620 to 2,800 sq.ft.	\$9 /sq.ft.
Undivided Space - 11,170 sq.ft.	\$6 to \$7 /sq.ft.

10 Year Rate

There is no evidence in support of 10 year office lease rates available to the appraiser and we recommend the same rate should apply less 10% as this is an advantage to the owner of the facility.

Divided Space - 1,620 to 2,800 sq.ft.	\$8.10 /sq.ft.
Undivided Space - 11,170 sq.ft.	\$5.40 to \$6.30 /sq.ft.

- Escalation rates of short term leases (3 years or less) are uncommon. Escalation rates for 5 year terms plus are common and likely increment once significantly or marginally in each year of the term. Escalation rates are typically in the \$0.25 per sq.ft. increments as a base and can be higher based on the improvements amortized etc.

RECONCILIATION OF MARKET RENT - As Is

The subject space requires substantial renovation. We have estimated the cost of renovations to bring the facility to a rentable standard:

To gut and remove material	\$ 11,000
To paint, replace flooring and demising walls in the office areas	\$132,900
To replace 4 washrooms	\$ 80,000
To refinish common areas	\$ 46,200
To repair brick and concrete	\$ 10,000
To replace light fixtures and electrical work	<u>\$ 35,000</u>
Total	\$315,100

Rate to Recover Per Sq.ft. \$315,000/years/area =

	Single Tenant	Multi Tenant
5 Year Lease	\$5.64 psf	\$7.13 psf
10 Year Lease	\$2.82 psf	\$3.55 psf

- Based on our finished conclusions of:

5 year Rate

Divided Space - 1,620 to 2,800 sq.ft.	\$9 /sq.ft.
Undivided Space - 11,170 sq.ft.	\$6 to \$7 /sq.ft.

10 Year Rate

Divided Space - 1,620 to 2,800 sq.ft.	\$8.10 /sq.ft.
Undivided Space - 11,170 sq.ft.	\$5.40 to \$6.30 /sq.ft.

We conclude that the "as is" rate for the subject space should be:

	Undivided	Divided
5 Year Lease	\$0.36 to \$1.36 psf	\$1.87 psf
10 Year Lease	\$2.58 to \$3.48 psf	\$4.55 psf

FINAL CONCLUSION

- We expect that market demand for the subject building offered as one unit to be very low and in the present economic climate it may be unrentable to a single tenant from the private sector.
- The building is in poor condition and although structurally fit, the cost of the renovations required will detract the number of potential tenants willing to undertake the renovation. It is most likely that the market will demand the space to be offered in a renovated condition.
- The estimates provided for an "as is" lease are lower than any noted leases in the open market place. This client may be one of few market participants willing to consider taking the space in such a condition and for this reason we have provided the calculations.
- It may be that actual contractors estimates for the work to renovate may vary from the appraisers estimates and those estimates should be deemed most reliable with regard to the cost to renovate.
- There are likely some tenant prospects for the divided space but the impact is a loss of rental area to the owner of about 2,310 sq.ft.
- The cost to complete the renovation is estimated as \$315,100.

Conclusions

Undivided Space		
	5 Year	10 Year
Entire Building "as is"	\$0.36 to \$1.36 per sq.ft. say \$1.00 per sq.ft.	\$2.58 to \$3.58 per sq.ft. say \$3.00 per sq.ft.
Entire Building "as if renovated"	\$6 to \$7 per sq.ft. say \$6.50 per sq.ft.	\$5.40 to \$6.30 per sq.ft. say \$6.00 per sq.ft.
* 0.25 per sq.ft. annual escalation rates are estimated in each instance		
Divided Space		
"as if renovated"	\$9.00 per sq.ft.	\$8.10 per sq.ft.

SUMMARY OF QUALIFICATIONS

L. STEVE THOMPSON BA, AACI, P.APP.

Mr. Thompson studied economics at the University of Western Ontario entering directly into the appraisal field. Twenty years of appraisal experience in the Barrie area has been primarily in ICI valuations. Computer software and real estate library development have been Mr. Thompson's secondary focuses. Consulting and appraisal services for a variety of institutional and corporate users has provided the opportunity to complete valuations for most types of non residential uses. Valuation for development properties, asset sales and adverse litigation matters have lead to experience at the Ontario Municipal Board and recognition with reputable lenders and corporate clients.

WORK HISTORY

1994- Partner - Andrew, Thompson and Associates Ltd.
1986-94 Indicom Appraisal Associates - Barrie

QUALIFICATIONS

AACI (Accredited Appraiser Canadian Institute)

This designates a fully accredited membership in the Institute and indicates a high level of competence in a wide range of real estate appraisal.

BA Bachelor of Arts - Economics (University of Western Ontario)

CERTIFICATES AND COURSES

Ontario Home Warranty Building Inspection Course, Part 9 - 1992
Reserve Fund Studies - REIC
Completion of the Eco Gift Seminar - 2006

ACHIEVEMENTS

Director, Appraisal Institute of Canada, Ontario Association, 1997-2000
President, Rotary Club of Barrie Kempenfelt, 2003
Chairman, Strategic Planning, Ontario Association-AIC, 1999
Chairman, Professional Development, Ontario Association-AIC, 1997-2000
Vice Chairman, Governmental Affairs, Greater Barrie Chamber Commerce, 1997
Chairman, Lakeshore Task Force, Greater Barrie Chamber of Commerce, 1996
President - Thompson Realty Aurora Limited
Developer - Residential subdivision - Albert Heights - Hillsdale, ON

CONTINGENT AND LIMITING CONDITIONS

1. This market survey and rental analysis report has been prepared at the request of Innisfil Hydro for the purpose of advising the current market rent for existing rental space located at 2147 Innisfil Beach Road, Innisfil. It is not reasonable for any other person than a representative of Innisfil Hydro to rely upon this report without first obtaining written authorization from Innisfil Hydro and this analyst. This report has been prepared on the assumptions that no other person will rely on it for any other purpose and all liability to all such persons is denied.

2. This report has been prepared at the request of Robert Shaparew, President of Innisfil Hydro for the exclusive (and confidential) use of Innisfil Hydro for the specific purpose and function as stated herein. All copyright is reserved to Innisfil Hydro and the author. Possession of this report, or a copy thereof, does not carry with it the right to reproduction or publication in any manner, in whole or in part, nor may it be disclosed, quoted from or referred to in any manner, in whole or in part, without prior written consent and approval of Innisfil Hydro and the author as to the purpose, form and content of any such disclosure, quotation or reference. Without limiting the generality of the foregoing, neither all nor any part of the contents of this report shall be disseminated or otherwise conveyed to the public in any manner whatsoever or through any media whatsoever or disclosed, quoted from or referred to in any report, financial statement, prospectus, or offering memorandum of the client, or in any documents filed with any governmental agency without the prior written consent and approval of the author as to the purpose, form and content of such dissemination, disclosure, quotation or reference.

3. The rental rates contained in this report are founded upon examination and analysis described in our scope and was gathered and obtained from numerous sources. Certain information has been accepted at face value; especially if there was no reason to doubt its accuracy. Other empirical data required interpretive analysis pursuant to the objective of this appraisal. Certain inquiries were outside the scope of this mandate. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the following assumptions and limiting conditions.

- The rental rates have been estimated on the basis that title to the subject existing location and other comparable locations are good and marketable.

- The author of this market analysis cannot accept responsibility for legal matters, questions of survey, opinions of title, hidden or unapparent conditions of the property, soil or sub-soil conditions, engineering or other technical matters which might render these properties more or less rentable than as stated herein. If it came to our attention as the result of our investigation and analysis, that certain problems may exist, a cautionary note has been entered in the body of this report.

- The plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the rental properties.

- The rental estimates are based on economic conditions and outlook current at the time of the analysis.

- The market rental rates have been estimated on the basis that all comparables comply in all material respects with any restrictive covenants affecting their sites and the improvements has been built and are occupied and being operated, in all material respect, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto.

- The comparables have been examined on the basis that there are no actions, suits, proceedings or investigations pending or threatened against the real estate or affecting the titular owners of the properties, at law or in equity or before or by any federal, provincial or municipal department, commission, board, bureau, agency or instrumentality which may adversely influence the value of the real estate herein reviewed.

- The date and statistical information contained herein were gathered from reliable sources and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.

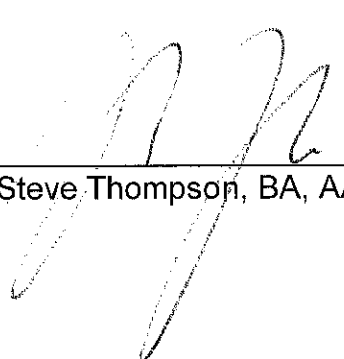
- Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a co-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership.
- This report is only valid if it bears the original signature(s) of the author(s).
- The market rental rates expressed herein are in Canadian dollars.

CERTIFICATE OF THE ANALYST

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analysis, opinions and conclusions.
- I have no present or prospective interest in any of the properties described herein, and I have no personal interest or bias with respect to the parties involved in these properties.
- Our compensation is not contingent upon the reporting of a predetermined rental rate or direction in rental rate that favours the cause of the client or comparable property owners, the attainment of a stipulated result, or the occurrence of a subsequent event.
- No important facts or observations have been withheld or overlooked which might affect this market analysis.
- I have the knowledge and experience to complete the assignment competently.
- No one provided significant professional assistance to the person(s) signing this report.
- Our analysis indicates that the appropriate market net rent for 2147 Innisfil Beach Road, Innisfil as of October 21, 2008 is as follows:

<i>Undivided Space</i>		
	5 Year	10 Year
Entire Building "as is"	\$0.36 to \$1.36 per sq.ft. say \$1.00 per sq.ft.	\$2.58 to \$3.58 per sq.ft. say \$3.00 per sq.ft.
Entire Building "as if renovated"	\$6 to \$7 per sq.ft. say \$6.50 per sq.ft.	\$5.40 to \$6.30 per sq.ft. say \$6.00 per sq.ft.
* 0.25 per sq.ft. annual escalation rates are estimated in each instance		
<i>Divided Space</i>		
"as if renovated"	\$9.00 per sq.ft.	\$8.10 per sq.ft.



L. Steve Thompson, BA, AACI, P.App