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INVESTECO NEWSLETTER

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Industry News

1. Industry moving forward with Carbon Capture and Storage technology

A number of developments worldwide are leading to speculation that Carbon Capture and Storage (CCS) technology may be getting closer to prime time. This would be good news for the climate, as CCS is one of the only ways of really dealing with carbon emissions from some of the world's most CO2 intensive industries, such as coal and the Canadian oil sands projects. CCS technology separates carbon dioxide from other gasses and sequesters it underground so that the CO2 does not enter the atmosphere and contribute to climate change. And the potential for CCS technology is staggering. It is estimated that worldwide storage capacity is likely more than 2 trillion tons, and potentially significantly greater. To put that in perspective, worldwide emissions from all human causes in 2004 was 27 billion tons.

CCS is not a new technology. In fact carbon capture has been used by the Alberta oil industry for years, as a means of increasing pressure in depleted oil fields in order to increase output. But wide-scale implementation of CCS technology has been held back by the technical challenges of keeping the carbon underground, and by the cost of implementing it on a wide scale. But both of these impediments are lessening, and serious plans are afoot worldwide to implement CCS technology. Already, Norway's state owned oil company, Statoil, has been injecting the carbon from its North Sea gas rig 1000 meters beneath the sea, encouraged by hefty European carbon taxes. To date all indications are that the sequestered CO2 from that project is staying underground.

Above: Statoil's Sleipner gas rig. Statoil's North Sea gas plant sequesters a million metric tons of CO2 annually.

And Canadian companies are beginning to look seriously at the technology. SaskPower is considering a $2 billion “clean coal” power plant that would be the first plant in North America to fully utilize CCS technology. As well, 14 Canadian energy companies have come together to propose a CO_2 network that could transport 20 million tones of CO_2 1000 kilometers by pipeline from Fort McMurry back to Southern Alberta where it could be injected back into the ground. In addition to potentially enormous environmental benefits, these projects could lead to significant economic development and significant potential for technology exports from countries that have successfully developed the technology to countries like China that are heavily reliant on carbon-intensive energy such as coal power.

2. Are rising interest rates driving consolidation in the Wind Industry?

A raft of consolidation in the Canadian wind power industry may be driven in part by increasing borrowing costs. Ventus Energy Inc., which recently announced that it will be acquired by European corporate giant Suez SA for $124 million, is only the latest example of a small Canadian wind player selling out to a larger concern; Gale Force Energy Ltd., Vector Wind Energy Inc. and GW Power Inc. are among the other independent wind companies that have gone this way in the last year.

Because the market price for green power is often set through long term government contracts, changes to input costs, including higher financing charges, can dramatically alter the financial performance of these investments. This is especially true in the wind power business, where typically 75 percent of a project’s financing comes from borrowing. It is possible that technological advances and lower land lease prices etc. could offset higher borrowing costs, but adjustments take time. In the meantime, larger balance sheets are helpful in lowering the costs of borrowing and increasing profitability, especially during a time of rising interest rates.

Although Ventus was successful at raising equity and debt financing to develop its initial 29 MW of wind projects, its goal of increasing production to 1000 MW by 2009 in a time of potential rate increases may have driven it towards a sale to Suez to secure access to cheaper capital.

Any further breakdown of the bond markets could pose additional challenges for growth in the wind industry. In addition to higher interest rates, corporate spreads are widening, and the subprime debacle isn’t going away. If these trends continue it is going to be more challenging to finance capital expenditures in general, including wind development. We strongly believe that over the long term demand for green energy sources will overcome these obstacles and allow the industry to continue to grow at its historically high rate. But in the short term investors in the wind energy space should keep an eye on borrowing costs as they could impact on how this market develops.

3. Solar thermal companies to benefit from new Ontario initiatives

In a week of sweeping announcements in June, the Ontario Liberal government outlined a series of initiatives to help tackle climate change and reduce energy use in the province. The government is targeting a six percent reduction in greenhouse gas emissions from 1990 levels by 2014, a 15 percent reduction by 2020, and an 80 percent reduction by 2050. The announcement included a $17.5 billion investment into public transit, a $220 million loan program to help municipalities reduce greenhouse gas emissions, and a $650 million investment into the "Next Generation Jobs Fund". Of particular interest was a $150 million energy initiative that will provide homeowners with up to $5,000 in subsidies for energy efficient products. One of the key features of this program will be specific incentives for solar thermal technology, including a $500 grant for residential buyers of solar thermal hot water heaters (to add to the $500 already offered by the federal government), a 25 percent rebate for commercial solar thermal applications (again complementing a similar 25 percent offered at the federal level), and a PST rebate on solar thermal technology purchases. The effect of this will be to make solar thermal hot water heating—already one of the most cost-effective forms of renewable energy—even more affordable for many Canadian homes and businesses. The average hot water heating unit, which has an installed cost in the range of $6,000 (before government rebates), can provide up to 50 percent of the hot water demands of the average Canadian family.

EnerWorks panels installed at a solar communinty in Okotoks, Alberta, the largest installation of solar thermal technology in Canada

Investeco is an investor in EnerWorks Inc., the manufacturer of the only CSA certified solar hot water system in Canada, which was created using proprietary technology developed at the Queen's University Solar Calorimetry Lab. In June, EnerWorks announced that their systems are available for sale and installation through 66 Home Depot stores in Toronto, Calgary, Edmonton and Vancouver through Home Depot's "Eco Options" program. For more information on EnerWorks, see the company's website at www.enerworks.com.

4. First annual Green Living Show a success

Over 20,000 people attended the first annual Green Living Show, which launched at the Direct Energy Centre, Exhibition Place in April of 2007. The event was attended by high-profile speakers including Al Gore, David Suzuki and Daryl Hannah; as well, acclaimed activists and writers such as Robert F. Kennedy Jr. and George Mombiot were able to attend virtually via a new technology called LongPen. The show, which took up 160,000 square feet of exhibition space and

Al Gore presenting at the first annual Green Living Show

had 265 companies exhibiting, was able to attract 67,951,030 media impressions, including front page news in many leading newspapers.

The Green Living Show was produced by Green Living Enterprises, which also publishes Green Living Magazine. Investeco was pleased to be involved in the first year's event, and we look forward to participating in the coming years as well. Organizers expect next year's event to be roughly double the size of this year's show as a result of a surge of interest in environmental issues, and in information on environmental companies.

Investeco News

5. Investeco set to launch new Global Environmental Sectors Fund

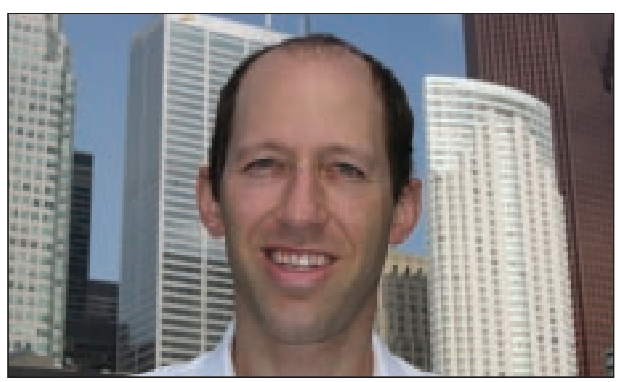
This fall Investeco will launch the new Investeco Global Environmental Sectors Fund. The Fund will invest in public companies around the world and will employ the same sector focus and fundamental value investment strategy as our private equity Limited Partnerships.

This new Fund offers accredited individual and institutional investors a way to participate in the growth of companies that offer environmentally superior products and services. It also offers diversification away from industries that are exposed to increasing production costs and environmental regulation. In short, we believe the Fund can improve investment returns and decrease risk for most investment portfolios.

The Fund is being established as a trust and will be sold by offering memorandum. As well, the Fund will be fully liquid and RSP eligible. Please contact us at 416-304-1750 for more details or email info@investeco.com for a copy of our offering memorandum.

6. New portfolio manager joins Investeco

Greg Payne joined Investeco in February and is a significant addition to the team. Greg is a CFA charterholder with an educational background in economics and statistics. He has five years experience in the investment management industry, most recently with KBSH Capital Management, a Toronto-based manager of institutional funds. He also has a broad range of experience in investment writing, academia, government, and business consulting. Prior to joining Investeco, Greg was consulting to the government of Ontario and working on a PhD in Health Care Economics at the University of Toronto. Greg will be the lead manager of the new Global Environmental Sectors Fund.



Greg Payne, CFA joins the Investeco team

7. Biorem appoints new CEO and order backlog grows to over $10 million

Biorem has announced the appointment of Mr. Peter Bruijns to the position of President and CEO. Mr. Bruijns is a Professional Engineer with a MBA from the Ivey School of Business, and joins Biorem from his post as President of the Stiller Centre for Technology Commercialization in London, Ontario, where he assisted numerous biotechnology startups in their development and helped the centre earn a prestigious national reputation. Mr. Bruijns succeeds Mr. Brian Herner who led Biorem through its early development years. Biorem is a world leading supplier of biofilters to municipal and industrial air pollution markets.

As well, Biorem recently announced the receipt of $1.3 million in new orders, including a significant order from water services leader Veolia Water North America for $700,000. This order comes on the heals of other substantial orders this year, including a $1,600,000 order from Honouliuli, Hawaii. Biorem's order backlog, which sat at $7,500,000 at the end of 2006, stood at over $10 million at the end of May.

Investeco holds a $1 million equity investment in Biorem.

8. Planet Organic Health Corp. closes its acquisition of Mrs. Green's Natural Market Inc.

Planet Organic Health Corp. (TSX-V: POH) recently announced the closing of its acquisition of Mrs. Green's Natural Market Inc., one of the leading US natural and organic food retailers with 11 stores located in the New York/Connecticut area. This acquisition represents Planet Organic's largest to date as well as its first major move into the US market. Already a leader in the natural and organic products industry in Canada with eight natural food supermarkets operating under the Planet Organic Market banner, as well as 50 natural health outlets under the Sangster's Health Centre banner and seven more under the Healthy's brand, this acquisition marks a new era for Planet Organic, providing the company with an excellent foundation from which to continue its strategic plans for North American expansion.

According to the terms of the purchase agreement, Planet Organic acquired 100% of the common shares of Mrs. Green's for approximately US$33.7 million including liabilities. Based on Mrs. Green's audited financial statements for the year ended December 31, 2006, the acquisition will add about $38 million in revenue, $4 million in EBITDA and $6M in total assets to Planet Organic's books, approximately doubling the size of the company.

9. Jamie Cooney announced as new CEO at Rowe Farm Meats

Rowe Farms is pleased to announce that it has hired one of the country's most respected natural food retailers as its CEO. Jamie Cooney brings 14 years of experience working for Loblaw Companies and was instrumental in the exponential growth in its Natural Foods business between 2001 and 2007. Jamie is a leader in Canada's organic and natural food industry and has tremendous insights into this evolving consumer segment. Jamie also brings a wealth of experience in the retail sector which will be a major focus for Rowe Farms going forward.

Jamie will become a shareholder of Rowe Farms and will lead the company's growth plans including spearheading an ambitious retail strategy for natural meat in Ontario.

Since 1972, Rowe Farms has been a leader in providing meat products raised without the use of antibiotics, growth promoting hormones, or animal based feeds. The company has grown to become a major supplier of antibiotic free chicken, pork, beef, lamb, turkey and eggs sourced from local Ontario farms.

Rowe Farms' products are available at Whole Foods, Organic Garage, Fortinos and leading natural food stores in Ontario. In addition, Rowe Farms sells its product through a growing number of wholly-owned natural meat stores.

Jamie Cooney touring one of Rowe's natural farms

Investeco has been a majority shareholder in Rowe Farms since June of 2006.

10. Schneider Power moves forward on a $25 million equity financing with Scotiabank

Independent wind power producer Schneider Power Inc. has engaged Scotia Capital to complete a $25 million equity financing. The investment will allow the company to continue to develop its portfolio of wind power sites, including a build-out of its Providence Bay project on Manitoulin Island. Two turbines were installed at Providence Bay in late 2006. They have been generating power since March under a power purchase agreement with Bullfrog Power. A further five turbines are expected to be built on this site and sold into the Ontario grid under the "Standard Offer Program" being offered to Ontario wind power developers by the provincial government. In addition, the company has three promising sites that may be able to sell into this program, including a site at Innisfill, Ontario, off the Highway 400. The company is also planning to bid into requests for proposals issued in Nova Scotia and Manitoba, where the company has other promising wind power sites under development.

Investeco was an early investor in Schneider Power Inc., and holds convertible debentures and options to buy equity in the company.

For more info on Investeco or our funds, please email us at info@investeco.com

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