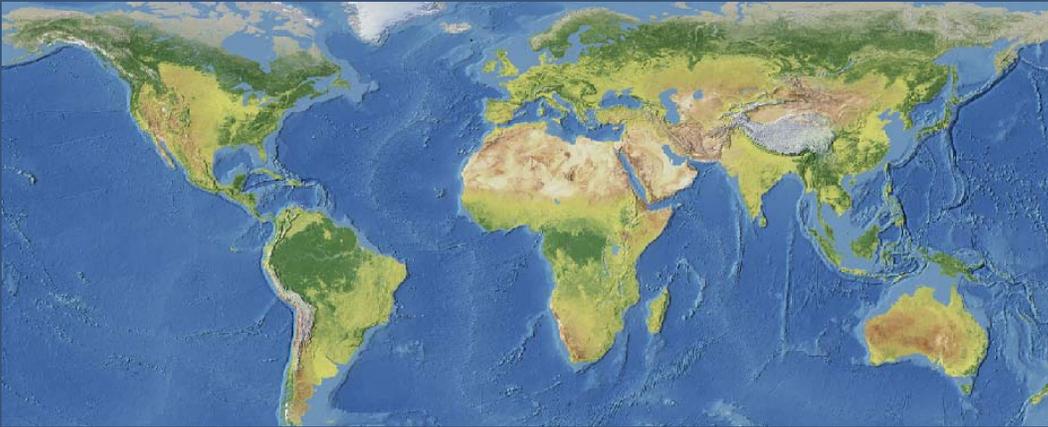




Series A Preferred Stock — \$3 million Frequently Asked Questions



Smart Sustainable Communities | The HABISYS™ Lifecycle

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1. Who and What Is Renomics?

Renomics Corporation provides advanced software solutions that plan and implement positive triple-bottom line ('people, planet and profits') solutions for facilities, infrastructure and communities ('ecosystems'.) We call it 'embedding the intelligence of sustainability™.'

The Sustainability Problem

The major question in ecosystem sustainability is “How do I make facilities or infrastructure or organizations — any ecosystem sustainable?” Until now, designing, building and operating sustainable facilities, infrastructure and communities has been challenging, if not impossible, because it requires a number of capabilities that have never existed together in one solution.

Current solutions are limited because of an inability to (i) access and analyze masses of changing, complex data, (ii) provide an interface to resolve competing stakeholder interests and (iii) manage real-time changes, such as constantly evolving operational and regulatory constraints. Thus, decisions are often made without sufficient collaboration or knowledge, resulting in under-designing with higher risk, or over-building with its higher cost.

The Renomics Solution

Renomics solves this problem with its HABISYS 3BL™ enterprise software solution. HABISYS 3BL™ performs several important tasks:

- Searches, maps and analyzes all relevant data.
- Integrates all available expertise through a collaborative process among stakeholders and experts.
- Compares prior modeling decisions with real time results to improve the accuracy of prior prediction methodologies.

HABISYS 3BL™ does all of this and delivers auditable results in usable formats that optimizes environmental, financial and social outcomes (triple bottom line or “3BL”) throughout the lifecycle of facilities and infrastructure up to and including the ecosystem.

Brief Company History

Renomics' first project in 2007 — a sustainability roadmap for Steve Cases' Kauai property — introduced Renomics to the power of using simulation software to model triple-bottom-line outcomes. A significant contract with BAE Systems in 2009 allowed Renomics to develop its “go to market strategy” which resulted in executing a license with Thetus for its advanced modeling software in 2010.

How Did We Get Here?



Renomics

Renomics Today

Renomics has a strong sales pipeline with proposals being negotiated. Its core team and IP are in place. It is seeking investment to recruit software developers, sales and production staff ("creatives") to accelerate further development and sales of its solution. Renomics has not received any external investment since its founding, having funded its operations through revenue.

2. What is Renomics Objective with this FAQ?

Renomics Corporation is seeking to raise **\$3,000,000** to fund its near-term objectives with a Series A Preferred Investment.

Current Financial Status

As of August 6, 2010, Renomics has \$236,000 in cash and \$85,000 in Accounts Receivable due before the end of August. Monthly expenses will average \$70,000 through the end of 2010.

Current Capital Structure

Investors to date	Shares Outstanding	Amount Invested
Common Stock	145,000	\$15,500
Series A		
Series B		
Series C		
Stock Options	81,922	0

Basis for the Valuation

The pre-money valuation of \$10,000,000 is supported by the following:

- **Renomics value innovation:** Based on decades of sustainability and smart grid experience, Renomics has identified and is prepared to execute on an innovative vision that adds value to customers and sales channel partners. We are in a position to create a new market and as such, the return is far greater than an equal investment that marginally improves on accepted performance characteristics (a better widget.) Benchmarks as outlined herein reveal that software companies with business intelligence (BI), GIS analytics (Intergraph) offerings and SaaS (software as a service) delivery models all receive higher valuations. The higher valuations received by Cognos, Hyperion and Business Objects in 2007 reflect the first wave of BI acquisitions. Renomics is not attempting the same offering — enterprise BI — as that would be like a general fighting the last war. Instead, we are focusing on a business proposition wherein Renomics business model evolves from SaaS to data as a service and 3BL adaptive optimization as a service — which future acquirers will recognize as the next wave of innovation.
- **Experienced management team:** The current team and supporting board of directors and advisors are experienced and capable of building a development stage start-up. The current team is mature enough to recognize what it needs to be successful — a strong software architect and additional sales personnel.
- **Sales traction and identifiable sales distribution channels:** We are in the process of negotiating several major sales proposals, all of which affirm our

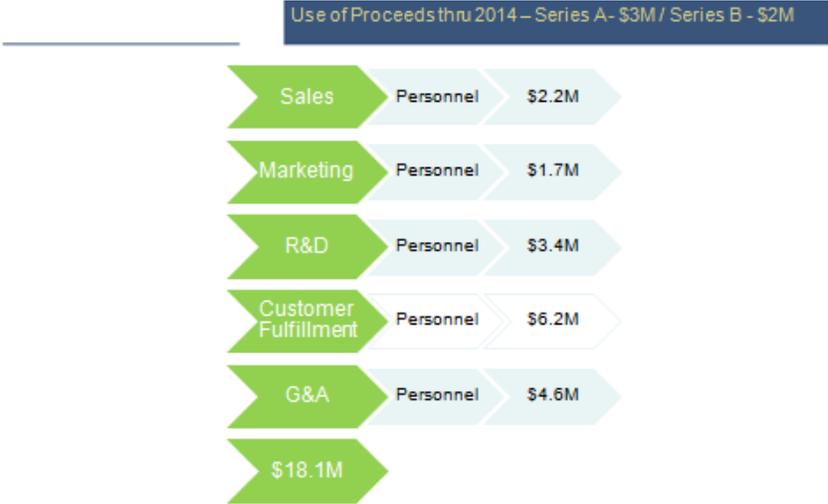
business model. Our sales pipeline, which is only three months old (in an approximately 6 to 9 month sales cycle) is producing qualified opportunities. We have identified sales channels are developing them.

- **Intellectual Property** is mature as reflected by our engineering, architecture and sustainability experience. Thetus Publisher, our core software engine, is in active use. We have developed relationships with potential licensors for additional technology and negotiations are progressing.

Valuing any investment is not just a question of the potential rewards, but also risk mitigation. The biggest risk with this investment is not the value proposition, management team or intellectual property — **it is how long will it take Renomics to gain sales traction?** We have demonstrated agility in responding to customer needs, and as such we will adapt HABISYS 3BL™ to meet customer needs within the vision of embedding the intelligence of sustainability. As answered in our 5 year Revenue ProFormas, we tested our projections by reducing them by fifty percent (50%) and still had an operating profit of approximately \$10,000,000 for 2014 (as opposed to \$30,000,000.) To date, the management team has operated very efficiently and prudently with an eye on our objectives.

Use of Funds

The chart below shows how proceeds will be used through 2014. For more details, please review Renomics Five Year Projections, which is a separate document.



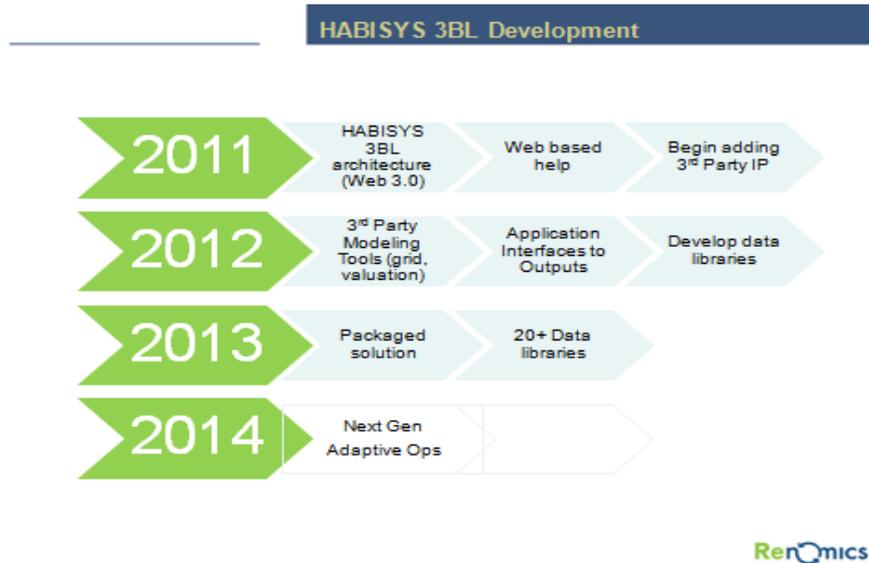
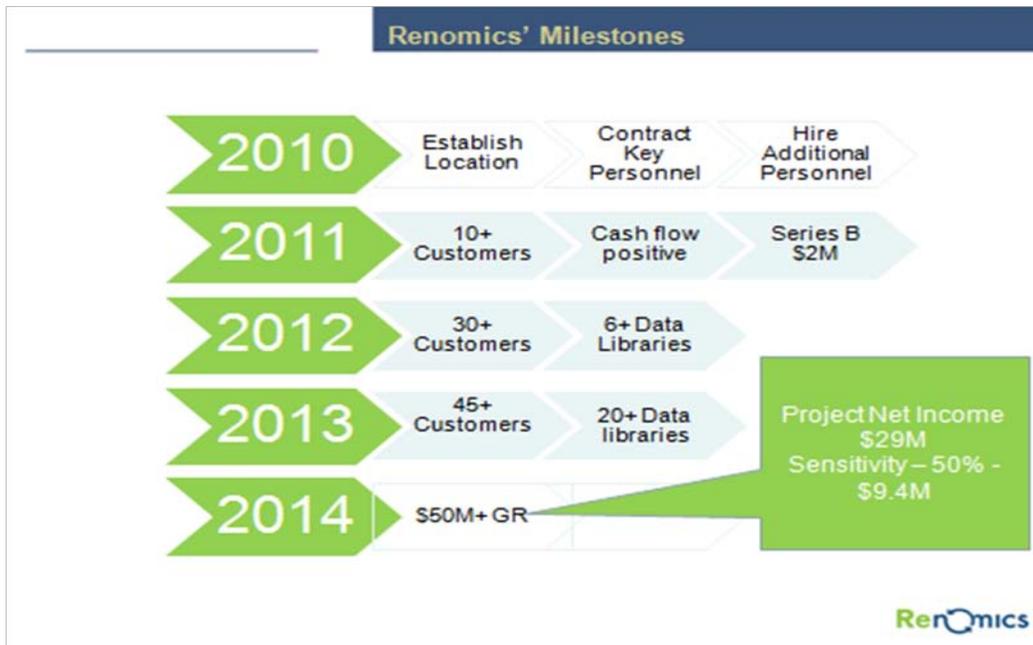
“The fight is never about grapes or lettuce. It is always about people.”

— Cesar Chavez



Critical Milestones

The charts below outline important milestones for the next five years. For specific information as to dates for hiring key personnel, please consult Renomics’ Five Year Projections.



Exit Strategy

The most likely exit strategy for Renomics would be a sale of the company.

“The fight is never about grapes or lettuce. It is always about people.”

~ Caesar Chavez

3. Who Leads Renomics?

Renomics works as a lean, project-oriented company, where the team focuses on delivering value to customers, with project team leaders and relevant experts dictating how to solve customers’ problems within the framework of Renomics’ solutions, strategy and budgets¹. Renomics’ culture is transparent, with all employees having access to salaries and budgets. All employees are important, and to become and continue as a Renomics’ team member, one must have respect for others, their time and their contributions.²

Currently, four key individuals form Renomics core management team.

Name/title	Domain Expertise	
<p>Philip Bane, President and Board Member</p>	<p>Smart Grid, Industrial Security, Business, Legal & Financial</p>	<p>Philip drives the vision, strategy and culture of the company. With relevant experience, Philip understands the necessity of leading by example and the need for agility and resourcefulness in an early stage start-up. His primary focus will be strategy, alliances, customers and community. With this, he is Renomics’ chief storyteller and keeper of the unique, positive culture that all the founders seek to foster.</p>

¹ See ‘How Pixar Fosters Creativity’ HBR SEPT 2008. See FAQ Supporting Documentation.

² This is reflected in the Company’s Employee Handbook, which stresses tolerance of others while at the same time respect for their time — minimal meetings, no electronic communications during meetings, short to-the-point emails. Accountability is handled in real time with employees expected to provide each other feedback, not waiting for periodic reviews. Employees not having the courage to provide feedback to others in a constructive, positive manner are held accountable, just as those who do not deliver on their promises. Separate attachment.

<p>John Coster, Director of Customer Engagements</p>	<p>Engineering (IT & Electrical) Data Center Infrastructure</p>	<p>John is responsible for fulfillment of all of Renomics products and services, from software development and production, to professional services. John brings over 25 years of senior leadership in technical services and corporate operations management; building and managing high-performing teams, and developing and implementing tools and systems to deliver complex operations in accordance with industry best practices. His mission is to build a team of strong, highly motivated individual contributors, leads and managers who execute rigorous processes and a common ethic of excellence, responsiveness and accountability. During these early stages, John is leveraging his data center industry credibility and contacts to feed the sales pipeline and use early adopters to influence the product features and in R1 of the data center HABISYS 3BL™.</p>
<p>Katy Hopwood, Director of Finance & Administration</p>	<p>Administration & Financial</p>	<p>Katy is responsible for the financial, human resources and administrative health of the company. As she has vast experience in the majority of the back end areas of start-up and small corporations, she ensures that the company runs smoothly, allowing the rest of the team to concentrate on prospective clients and software and project development. She is well versed in financial analysis, modeling, budgeting and taxation, legal documentation and requirements, and all aspects of human resources and company administration. Katy has worked with many first and second round companies and has helped them succeed with IPO's, mergers and acquisitions.</p>
<p>Stuart Cowan, Director of Resource Economics</p>	<p>Sustainability, Complex Systems, Ecological Design, Finance</p>	<p>Stuart is responsible for developing the intellectual property, including analytical frameworks, algorithms, models and data sets that underlie Renomics' comprehensive approach to triple-bottom-line software delivery. He will work closely with the Director of Software Development to ensure</p>

		that Renomics IP is fully embedded in the HABISYS 3BL™ product line, and fully enabled by the data digestion, modeling and ontological capabilities of the underlying Thetus Publisher engine. Drawing on 20 years of experience in the fields of sustainable design and finance, he will also support the President on Renomics' overall sustainability strategy.
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Board

Renomics Corporation also benefits from the insight and experience of a highly qualified board and expert advisors.

Name	Role	Domain Expertise
Francis Oda	Chairman	Architecture, Sustainability
Robert Fox	Founder & Board Member	Architecture, Sustainability
Paul Bierman Lytle	Founder & Board Member	Architecture, Sustainability
Gary Lee	Founder & Board Member	Civil Engineering
Erich Gunther	Founder & Board Member	Power Engineering, Smart Grid
Steve Luker	Founder & Board Member	Engineering, Smart Grid

Directors

Francis Oda, AIA, LEED AP, is a renowned expert in architecture, tourism and sustainability. He served for many years as Chairman and CEO of Group 70 International, Inc., an award-winning architecture and planning firm with projects in Hawaii and throughout the Pacific. He has written three books, authored numerous professional articles and spoken internationally on architecture and tourism. He is the recipient of national awards for his resort and community designs, including the 1992 AIA Honor Award of the City of Kapolei; the 1991 AIA Northwest & Pacific Region Award of Merit for the Manele Bay Hotel; and the 1990 Western Regional AIA Design Award for The Lodge at Koele. He chairs the design review boards of the City of Kapolei, the Kulima Resort and the Kaanapali Resort.

Robert F. Fox, AIA, cofounder & principal of Cook + Fox Architects, is a highly respected leader in the green building movement, whose work has advanced ideas of urban sustainability and design excellence. His projects have set new precedents in scale and

strategic impact, establishing him as an influential voice in the architectural profession, the business community, and in service to the public sector.

Paul Bierman-Lytle, AIA, LEED AP is an internationally recognized expert in sustainable development, with special expertise in destination resorts and mixed-use communities. Paul has served as Chief Architect and Planner on more than 150 sustainable developments spanning 29 years, including mixed-use facilities that integrate residential, hotels, convention centers, recreational facilities, retail and tourist villages, “edutainment” theme parks and state-of-the-art green custom homes.

Gary Lee has had a distinguished career marked by the successful completion of hundreds of civil and environmental engineering projects for public and private clients around the world. Gary currently serves as President and Chief Executive Officer of Renomics Alliance Partner Universal Asset Management. He has extensive experience in independent engineering reports for financing facilities and in rate studies for utilities. Gary is the originator of the Reliability Centered Maintenance approach to insurance-backed asset management.

Erich Gunther is one of America’s most prominent power engineers and one of the individuals responsible for the technical architecture for the smart grid of the future. As Chairman and CTO of Alliance Partner EnerNex Corporation, Erich advises leading organizations such as the California Energy Commission, Tennessee Valley Authority, Southern California Edison and others. He was the primary creator of the IntelliGrid Architecture, which today guides many grid modernization efforts around the world. He is the author of several pioneering power systems software programs.

Steve Luker, Ph.D., is currently President of Renomics’ partner, Balance Energy Solutions, LLC, which is a niche Engineering, Procurement and Construction Management (EPCM) company providing end-to-end solutions for renewable generation and renewable fuel source projects. Steve brings over 20 years of corporate and government experience creating highly profitable business value through project development, managing large P&L centers with complex engineering projects, creating new companies, integrating advanced technology and concepts, implementing innovative business models, and leveraging cultural diversity and successful organizational constructs. His large corporate experience includes being the Chief Technology Officer and Director of Energy Systems for Lockheed Martin Defense Systems (a \$3.5B P&L) where he created Lockheed Martin’s commercial smart grid business and developed it into a profitable energy P&L. Steve has a B.S., M.S. and Ph.D. in physical oceanography with a specialty in transport modeling and simulation.

Advisors

Christopher E. Weaver, Rear Admiral, United States Navy-retired, is an independent consultant and advisor with an extensive background in defense-base infrastructure management, strategic organizational change, environmental compliance and community outreach, and information technology streamlining. In March 2006, Chris completed a 35-year Navy career, retiring from command of U.S. Navy bases and installations worldwide.

Since retiring from active service, he has enjoyed success as a private consultant in a wide range of business areas including organizational change, the environment, defense and private industrial infrastructure development, infrastructure management, education of wounded or injured veterans and integrated coastal security systems and processes.

Jesse Berst, consultant and author, has been one of the pioneers of the transition to clean, smart energy. As the Managing Director of Global Smart Energy, he has provided strategic guidance to leading investors, companies and research facilities. Global Smart Energy is the publisher of SmartGridNews.com, the Internet's leading Web site and email publication on grid modernization. Jesse has authored numerous influential white papers, articles and opinion pieces and has keynoted dozens of energy conferences and events.

Bill Browning, founder of Terrapin Bright Green, is one of the green building and real estate industry's foremost thinkers and strategists, and an advocate for sustainable design solutions at all levels of business, government and civil society. His expertise has been sought out by organizations as diverse as Fortune 500 companies, leading universities, nonprofit organizations, the U.S. military and foreign governments

Chris Garvin, Principal, Terrapin, is a licensed architect, serves as a project lead for many of Terrapin's consulting engagements. He serves on the Board of Directors for the U.S. Green Building Council — New York Chapter and on the Advisory Board for Mayor Michael Bloomberg's Office of Long-Term Planning and Sustainability.

Joel Serface, Energy Industry Advisor / Serface Ventures, is one of the early Cleantech voices, investors, community builders and policy supporters. Over the past 11 years, Joel has created or funded more than 20 Cleantech companies, nonprofits and policy organizations. Most recently, Joel served as the first Entrepreneur in Residence at the National Renewable Energy Laboratory with venture capital firm Kleiner Perkins Caufield & Byers. Joel previously headed renewable energy efforts at the Austin Clean Energy Incubator, Eastman Ventures and Sierra Ventures. Joel serves on the boards of the Clean Economy Network, the CleanTX Foundation and the Colorado Cleantech Industry Association. Joel received his B.S. in Chemical and Environmental Engineering from The University of Texas at Austin and M.B.A. from the MIT Sloan School of Management where he was the recipient of the first Patrick McGovern Award for Entrepreneurial Leadership for starting the first MIT Venture Capital Conference.

David Whitlock, CEO, Leigh Stowell & Co., acquired Leigh, Stowell in 2002 after opening Goldman Sach's Seattle Office. Leigh, Stowell focuses on research-based tools and consulting for efficient use of local media. David is founding partner of Connecticut-based investment / merchant banking firm CRP as well as founding Chairman of the Board of NEWCourse.org, which focuses on helping global development organizations to involve and empower women early in the developmental process to increase the success and sustainability rate of their endeavors. He has a B.S. from the United States Naval Academy and an M.B.A. from Harvard Business School.

Future Role of Management, Board Members and Advisors

Renomics' Board of Directors, Advisors and Management team have all contributed to Renomics' development to date. Given that each Director, Advisor and member of the Management team has either stock or options, all will continue to contribute. At the same time, Renomics plans to reduce the size of the Board upon receipt of an investment to a more manageable five (5) board members, including Series A representatives. Those Directors that leave the board will become Advisors and continue to receive options. In many situations, both Directors and Advisors will provide subject matter expertise on HABISYS 3BL™ engagements, providing for a fee, the experience and knowledge that becomes Renomics' knowledge layer on top of the Thetus software engine.

Finding the Best Partners

Renomics perspective is that partnership is not a mechanical, legalistic recourse, but instead based on good faith and mutual respect. We seek to work with individuals and companies who share our vision of giving ecosystems a voice by embedding the intelligence of sustainability' and who are transparent in their dealings with us. Partnerships are for the long term and will go through cycles with more and less value, but the relationships are still strongly supported. Renomics has collaborated since its inception. It has strong relationships with the following companies:

Cook+ Fox Architects

Cook + Fox Architects is devoted to creating environmentally responsible, high-performance buildings. Cook + Fox designed the Bank of America building in midtown Manhattan that will be the world's first high-rise to reach for the coveted LEED Platinum certification. Cook + Fox's office is also the only office in New York to have achieved LEED Platinum certification. The firm's founders have received numerous prizes, honors and lifetime achievement awards. Its project list includes:

- Government Center Garage, Boston, MA, United States
- Historic Front Building, Manhattan, NY, United States
- Jazan Economic City, Saudi Arabia
- Bank of America Tower at 1 Bryant Park, Platinum LEED, New York, NY, United States

EnerNex Corporation

EnerNex is a world leader in the planning and implementation of the next-generation smart grid. Its team of power engineers has led the research and development of numerous fundamental technologies that have since been adopted as worldwide standards. It has created smart grid roadmaps for many leading utilities and led both demonstration and deployment projects. EnerNex was recently selected by the U.S. National Institute of Standards and Technology (NIST) to manage and sustain the hundreds of standards required to build an interoperable smart grid. In that role, EnerNex will be responsible for centralizing, sustaining and propagating these vital national standards.

Group 70 International

Established in 1971, Group 70 International, Inc. is an award-winning firm of architects, planners, interior designers and asset managers. Staffed with cultural specialists and a team of LEED-accredited professionals, Group 70 offers expertise in sustainable and culturally appropriate developments. Its mission is to foresee a sustainable future now: to conceive, conduct, complete and continue best-in-class projects that demonstrate leadership in global sustainability.

Global Smart Energy

Smart energy is the use of computers, electronics and advanced materials to revolutionize electric power and revolutionize transportation. Smart energy, already a \$40 billion industry, is growing dramatically as the world shifts to cleaner, more efficient ways to make electricity and transport people.

Terrapin Bright Green LLC

Terrapin Bright Green is a consulting and strategic planning group that helps clients think differently about environmental strategy, policy and related opportunities. Its unique process gives clients access to years of experience, imaginative collaboration, insightful leadership, and groundbreaking creativity. Terrapin's principals are highly respected leaders in the green building movement, whose work have advanced ideas of urban sustainability and design excellence.

Thetus Corporation

Thetus Corporation empowers data-rich enterprises across a broad range of markets including energy, law enforcement, defense and intelligence, and environmental services to better utilize the knowledge that drives decisions. It provides semantic knowledge modeling and discovery solutions for extracting and managing information to support complex analysis and highly informed decision-making. These solutions create insight into the unique socio-cultural terrain that influences perceptions, decisions and behavior. In September 2005, Thetus technology was identified for its potential benefits to the intelligence community, and we established a strategic investment agreement with In-Q-Tel, an Intelligence Community investment firm.

Universal Asset Management

Universal Asset Management (UAM) is an environmental and civil engineering firm that specializes in the planning, design, deployment, operation and maintenance of state-of-the-art community infrastructure. In addition to its design and consulting services, UAM provides a unique method for controlling costs associated with maintaining infrastructure. Its comprehensive Asset Protection Program (APP®) begins with a structured preventive maintenance program, which is coupled with guarantees in the form of insurance. APP increases the reliability of equipment, automates the repair/tracking system and integrates bill paying while stabilizing or even reducing maintenance costs.

BAE Systems

BAE Systems is the premier global defense, security and aerospace company, delivering a full range of products and services for air, land and naval forces. The company's 106,000 employees serve customers in more than 100 countries and "home markets" in the United States, United Kingdom, Australia, Saudi Arabia, South Africa and Sweden. BAE Systems' 2008 sales exceeded \$34.4 billion.

There is still a four-year term on Renomics' teaming agreement with BAE Systems. BAE Systems has withdrawn from the commercial and government energy market and is negotiating with Renomics to license some of its decision support software for inclusion in HABISYS 3BL™. Renomics predicts some form of license with a mutually agreed termination of the existing teaming agreement.

“We shape our buildings and afterwards our buildings shape us.”

*~Winston Churchill
(May 10, 1941)*

4. What Makes this Opportunity Unique?

Renomics is an early player in a major new market, one that is being formed by the intersection of several massive trends:

- **Infrastructure supercycle** — a huge jump for money spent on power, water and other critical infrastructure and facilities
- **A shift to sustainable development** — a worldwide move to adopt “green” practices for design, construction and operation
- **A shift to the semantic Web** — Web 3.0 or the unambiguous packaging of data identifiers

Coming Infrastructure Supercycle

After 30 years of relative neglect, the world is moving toward a massive renewal of its water, power and transportation services. The U.S. Gross Domestic Product is roughly \$10 trillion per year. With that in mind, consider these recent estimates of the pending infrastructure opportunity:

- Merrill Lynch projects that infrastructure spending could easily exceed **\$2 trillion over the next three years in emerging markets alone**. The firm cites urbanization pressures and the pressing need to reduce bottlenecks.
- The Organization of Economic Cooperation and Development (OECD) estimates the world will need to spend more than **\$36 trillion over the next 20 years** to upgrade infrastructure.
- A 2008 report from consulting firm Booz Allen Hamilton pegged the worldwide cost of modernizing urban water, transportation and electricity systems at **\$41 trillion over the next 25 years**.

Population growth and urbanization make infrastructure upgrades unavoidable. World population is projected to increase by 50% to nine billion by midcentury, largely in the developing world. Those emerging economies are dramatically increasing energy and water consumption as they modernize, exacerbating the stress on existing infrastructures.

The Shift to Sustainable Development

In 1987, the U.N. World Commission on Environment and Development defined sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” Sustainable economics begin with the premise that all organizations should manage to a triple bottom line. In addition to financial profitability, they must seek environmental and “social profitability.” This philosophy is often referred to as “profit, planet, people” or “economics, environment, equity.”

The triple bottom line is the foundation of Renomics' own operations and of its recommendations to clients. Renomics shows them how to develop their properties and ecosystems to achieve environmental and social sustainability, while maintaining or even improving their financial profitability.

In the 20 years since the U.N. report, sustainability has become more than a slogan. It has sparked a massive shift in how the world invests its money and develops its infrastructure. Businesses of all sizes increasingly perceive sustainable practices as a strategic and marketing advantage. As a result, the green building market will grow from \$12 billion in 2008 to an astonishing \$60 billion just two years later in 2010, according to McGraw-Hill Construction, the sector's leading publisher of statistics and projections.

Shift to the Semantic Web (Web 3.0)

Most readers are familiar with the current shift from Web 1.0 to Web 2.0. Web 3.0 or the Semantic Web means the "unambiguous packaging of data identifiers." It means that we look for the packaging of data to determine whether we access its content. Packaging or labeling is agreed and defined. In his book *Pull*, David Siegel, states that three rules will govern data:

- Each piece of information goes into a container with a unique name.
- Each piece of information has a single authoritative source with no copies.
- The source of the information dictates the terms of distribution.

Notice he does not say that the information is true or accurate. Hence the known problems with the accuracy of Wikipedia information (which the developers state is corrected by the users themselves). ***In fact, it is a combination of user correction and the need for verifiable accurate data that will create the second-generation Renomics opportunity.***

The Resulting Opportunity for Renomics

The first two trends documented above create a dilemma for customers and an opportunity for Renomics. The world's developers, landowners and governments face a quandary. They *must* upgrade their infrastructures and critical facilities. Due to growth and deferred maintenance, they can no longer wait. At the same time, they *must* do it sustainably — something that has been elusive and expensive. The third trend — the Semantic Web — is what provides us, along with our sustainability and smart grid expertise, with the tools to overcome current options, which are incomplete or flawed as discussed in Section 6 - 'What is Renomics' Solution?'

“Man’s mind stretched to a new idea never goes back to its original dimensions.”
 ~Oliver Wendell Holmes

5. What Market Does Renomics Serve?

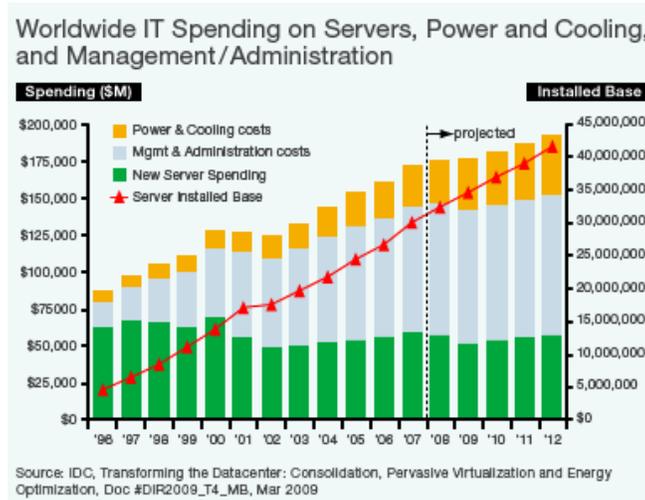
Although Renomics solves the greater sustainability questions arising from all buildings, infrastructure and ecosystems, we will initially focus on the specific problem that our enterprise software product, HABISYS 3BL™, solves for data centers. We provide a brief overview of other available markets at the end of this section, such as the Smart Grid.

First Market: Data Center Infrastructure

Turner Investment Partners predict that S&P 500 companies alone will spend \$200B on data center expansion in the next two years. Pike Research recently reported that “the greening of data centers will ramp up over the next five years, with companies increasing their investment from \$7.5 billion last year to \$41.4 billion by 2015.”³

In the U.S, there are over 9,500 commercial data centers staffed by more than 30 employees, with each spending in excess of \$6M on IT services per year.⁴ The U.S. Government has over 1,000 data centers as of 2010. The U.S. government has ordered a consolidation of all its data centers by 2011.

Data centers typically account for 25 per cent of total corporate IT budgets when the costs of facilities, storage devices, servers and staffing are included. That share will only increase as the number of servers grows and the price of electricity continues its climb faster than revenues and other IT costs. The cost of running these facilities is rising by as much as 20 per cent a year, far outpacing overall IT spending, which is increasing at a rate of 6 per cent.⁵



³ Green Data Centers - Power and Cooling Infrastructure, IT Equipment, Monitoring and Management: Business Drivers, Market Analysis and Forecasts. See <http://www.pikeresearch.com/research/green-data-centers>.

⁴ Applied Computer Research - "Defining the Data Center Market and Data Center Market Size" 2010

⁵ <http://www.computerweekly.com/Articles/2008/12/05/233748/how-to-cut-data-centre-carbon-emissions.htm>

Data Center Infrastructure Situation

For the first time, the energy to power a server over its lifetime will cost more than the server⁶. The Uptime Institute reports data center energy use doubled between 2000 and 2006 and predicts it will double again by 2012.⁷ Gartner reports the primary concern for data center owners is power, cooling and space. According to McKinsey, annual growth in electricity usage by U.S. data centers is equal to ten new power plants every two years. Without a curb in demand, carbon emissions from data centers will quadruple by 2020. Based on these trends and a doubling of U.S. government data centers in the past 7 years, the U.S. government has ordered a consolidation of all its data centers by 2011.

As related in a current Gartner report: “DCIM: Going Beyond IT”:

“Data center infrastructure management tools will soon provide IT managers with energy and performance management capabilities never before seen. These tools will reduce operating costs, improve IT efficiency and enable sophisticated infrastructure analytics, extending the life of data centers by years.”

Gartner predicts DCIM (data center infrastructure management) tools and processes will become mainstream growing from 1% penetration (in 2010) to 60% in 2014. Gartner also predicts that the future of DCIM:

“The long-term benefit of DCIM will be the advent of intelligent capacity planning (ICP). With performance and consumption data captured it will become possible for a deeper level of business intelligence to be applied to IT itself. If a device’s performance characteristics (e.g., performance, consumption and BTU impact) are known, it will become possible to perform **predictive analysis** of future changes to the environment. If a new application is nearing its production launch, ICP will show whether the space and power are available to support its components (e.g., servers, storage and networks), as well as predict accurately **the potential impact of this new application on the entire infrastructure — essentially providing cascade impact analysis before the installation is executed**. This functionality will become a key component of IT organizations’ capabilities, if the optimal capacity, energy efficiency and computing potential of a data center are to be achieved.”

HABISYS 3BL™ is designed to provide this new application — the impact of decisions before they are made.

Smart Grid

Today the electric power industry faces significant challenges. The need to reduce greenhouse gas emissions and for greater energy security challenge the pillars that made U.S.

⁶ <http://www.energyandcapital.com/articles/data-center-power-consumption/1021>

⁷ Emerson Network Power, “Four Trends Driving the Future of Data Center Infrastructure,” <http://www.informationweek.com/whitepaper/Hardware/Data-Centers/the-four-trends-driving-the-future-of-data-center-wp1259104160234;jsessionid=CXCTCBHP4R20XQE1GHRSKH4ATMY32JVN>

electrification the preeminent engineering achievement of the twentieth century (as determined by the National Academy of Sciences in 2003.)

The U.S electric industry needs to move from a business model that relied on a large centralized supply of electricity dependent upon increased consumption and regulated investor returns and usage rates - to - decentralized, low-carbon generation, less consumption and less regulation - all requiring more investment. As Peter Fox-Penner pointed out recently: "Every change must be weighed against its impact on many different industry segments, each with different ownership, goals, strengths and constraints."⁸ There is no single solution that 'weighs all the impacts' with all current alternatives siloed, many proprietary and certainly none offering a life-cycle approach.

Renomics can fill this void with HABISYS 3BL™, its enterprise software solution, which allows regulators and utilities to analyze competing requirements to optimize for financial, environmental and social outcomes. HABISYS 3BL Smart Grid applications will be developed upon Renomics' extensive Smart Grid experience and previous transmission and distribution modeling experience⁹.

As related in the previous section, just as HABISYS 3BL can provide 'cascade impact analysis before a new technology is implemented' for data centers,' it will provide utilities with inexpensive, less risky alternatives for analyzing new Smart Grid technologies thus leading to less costly and swifter implementation.

Since HABISYS 3BL is completely auditable, it can also provide utilities, regulators and consumer advocates with a quicker, cheaper and more reliable method (other than adversarial hearings) to optimize outcomes for all stakeholders. HABISYS 3BL could have prevented the smart meter disaster at PG&E and the cost over-runs that occurred at the Boulder Smart Grid City project.

Once Renomics gains traction in the data center industry or secures an early enough investment, it will turn its attention to U.S. utilities and the Smart Grid industry. Of course, utilities have data centers and Renomics has talked to several utility prospects about their IT infrastructure problems.

Renomics' made a strategic decision to focus development of its first application for data centers instead of the Smart Grid because we are keenly aware of the longer (between 18-24 month) sales cycle with utilities. We have equal expertise in each sector and see equal opportunity in both, but the U.S. electricity industry is extremely slow moving in adopting new technology and business models and start-ups have not had much success in the Smart Grid market without large channel partners.

⁸ 'Smart Power. Climate Change, the Smart Grid, and the Future of Electric Utilities' Peter Fox-Penner. Island Press (2010), pg 19.

⁹ As presently provided by EnerNex to numerous Smart Grid customers.

"The great thing about this world is not so much where we stand as in what direction we are moving."

~ Oliver Wendell Holmes

6. What Is Renomics' Solution?

Renomics' HABISYS 3BL™ software addresses the flaws and inadequacies of current approaches.

Current Solutions Inadequate

Current solutions are limited because of an inability to (i) access and analyze masses of changing, complex data, (ii) provide an interface to resolve competing stakeholder interests and (iii) manage real-time changes, such as constantly evolving operational and regulatory constraints. Thus, decisions are often made without sufficient collaboration or knowledge, resulting in under-designing with higher risk, or over-building with its higher cost.

These problems are not unique to data centers. Until now, designing, building and operating sustainable buildings, infrastructure and ecosystems has been challenging, if not impossible, because it requires a number of capabilities rarely found together:

- Profound understanding of sustainability principles
- Deep expertise regarding infrastructure components such as power, transportation, water and waste
- Deep expertise regarding the requirements for critical facilities such as data centers, hospitals, military bases or laboratories
- The ability to unify this expertise so the result is greater than the sum of the parts
- The ability to assess complex, changing data
- The ability to offer collaboration between competing stakeholder requirements
- The ability to optimize between financial, social and environmental outcomes
- The ability to continue doing all of this throughout the design-build-operate lifecycle

Sustainability Dilemma



Renomics

Current options are incomplete, flawed and/or expensive:

- Incomplete in that stakeholders need to engage multiple specialists to secure expertise, but unless similarly expert, it is almost impossible for the stakeholder to integrate all their findings. Also incomplete in that it is rare that all stakeholders collaborate.
- Flawed in that there is no mechanism to analyze masses of conflicting data, nor to continue integration and data analysis through the complete lifecycle nor to incorporate prior findings in comparison to real time results.
- Expensive because when stakeholders do retain experts, the engagements are limited in time and scope and usually costly. The record for these engagements is often lengthy, hard to understand and difficult to execute. The next time a similar problem arises, stakeholders need to re-engage the expert to update the report, thus accruing more expense.

HABISYS 3BL™ Features

Renomics fills this void with HABISYS 3BL™ enterprise software solution HABISYS 3BL™ embraces several distinctive characteristics:

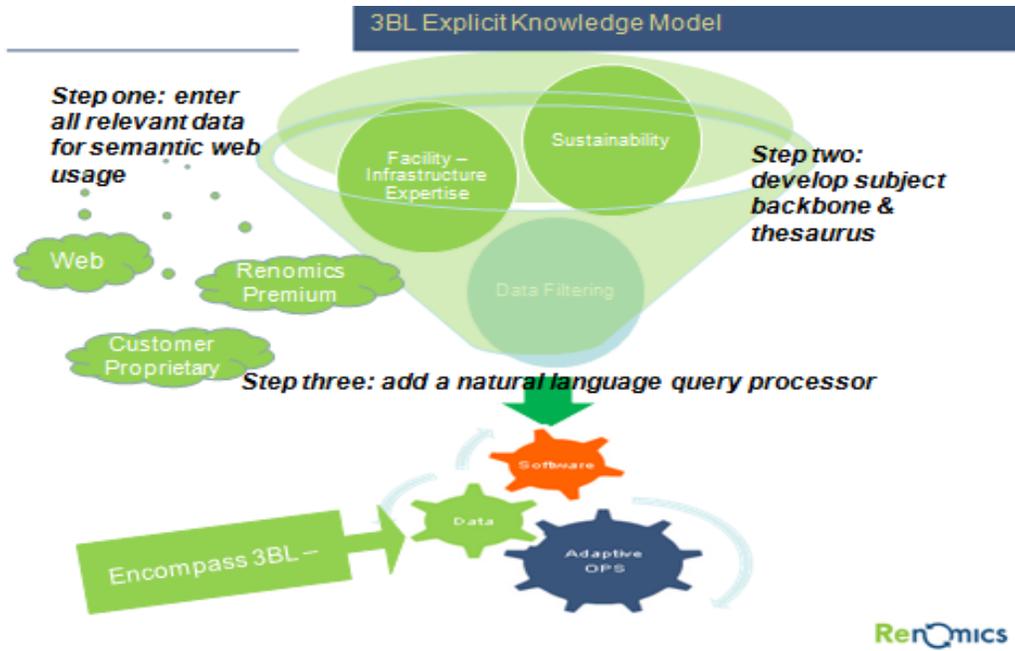
- Multiple user-driven perspectives with compelling browser-based interfaces in multiple graphic formats, including geospatial
- Real-time accesses and analysis of all data accessible by networks (data agnostic — including structured, unstructured, relational, temporal, and geospatial)
- Writing to all industry protocols and publishes to easily understood tables, graphs or dashboards. Outputs also port to financial, risk and CAD software
- Providing transparent and auditable data sourcing and analysis
- Cloud-based service

HABISYS 3BL™ is based on Renomics' proprietary HABISYS™ Lifecycle Framework and next-generation predictive modeling powered by Thetus Publisher.

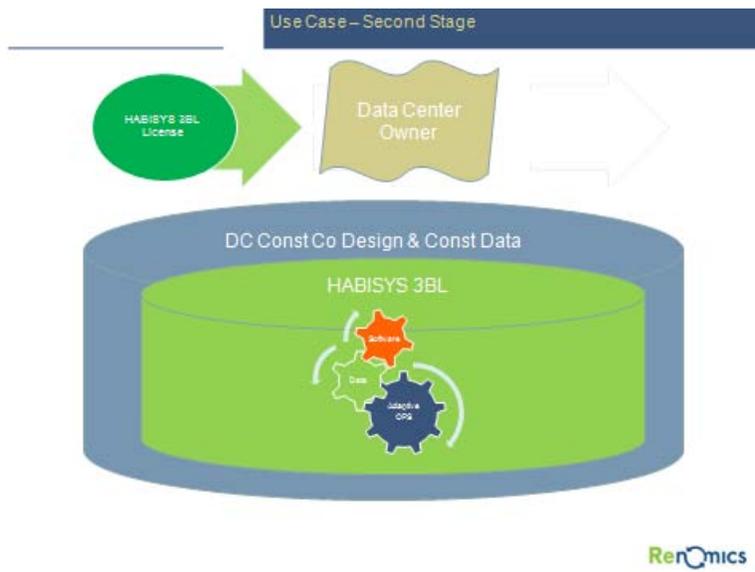
Understanding How HABISYS 3BL™ Works

A walkthrough of the HABISYS 3BL™ solution for data centers will clarify how the service works:

- **First Step:** Renomics develops a triple-bottom-line optimization framework based on ontological modeling — essentially a “3BL Explicit Knowledge Model.” This means that Renomics takes all available triple-bottom-line and data center expertise and develops data-centric rules for optimizing economic, social and environmental outcomes for data center operations.

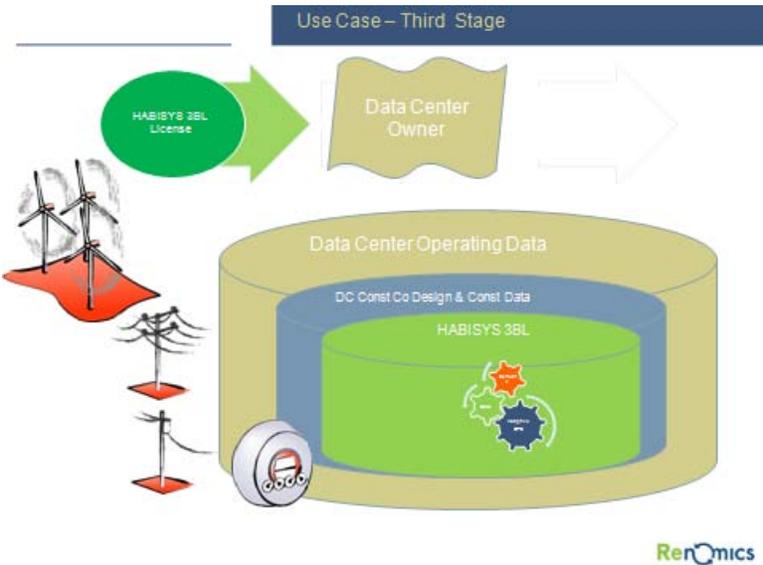


- Second Step:** Renomics licenses HABISYS 3BL to a Data Center Construction Company, which designs and builds a data center adding its unique worldview (and its best practices) in addition to Renomics worldview. Renomics has provided the Data Center Construction Company with 3BL Explicit Knowledge Model and a tool (HABISYS 3BL™) that allows it to add its unique and possibly competitive worldview. (It's secret sauce, so to speak.)

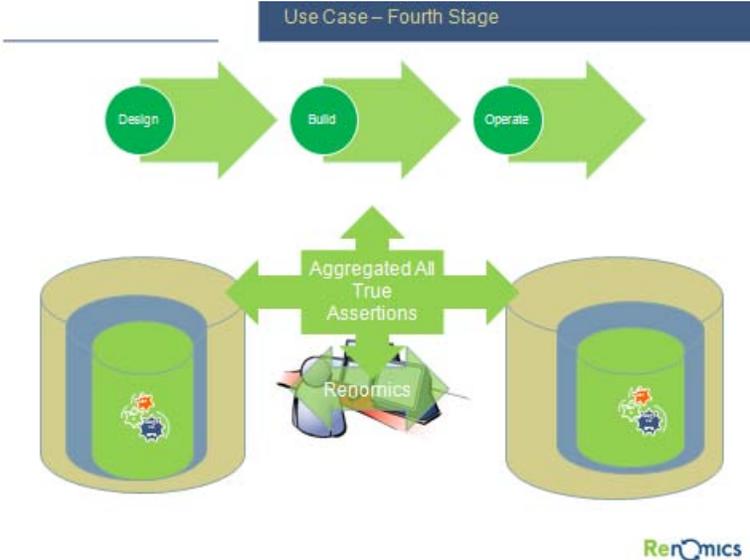


- Third step:** The Data Center Construction Company delivers a commissioned data center to the Data Center Operator. Embedded in the data center is both Renomics and the Data Center Construction Company's 3BL Explicit Knowledge

Model and a tool (HABISYS 3BL™) to collect operating data and to continue improving the triple-bottom-line optimization of data center operations with subscriptions to third-party best practices and continuing updates (adaptive 3BL optimization).

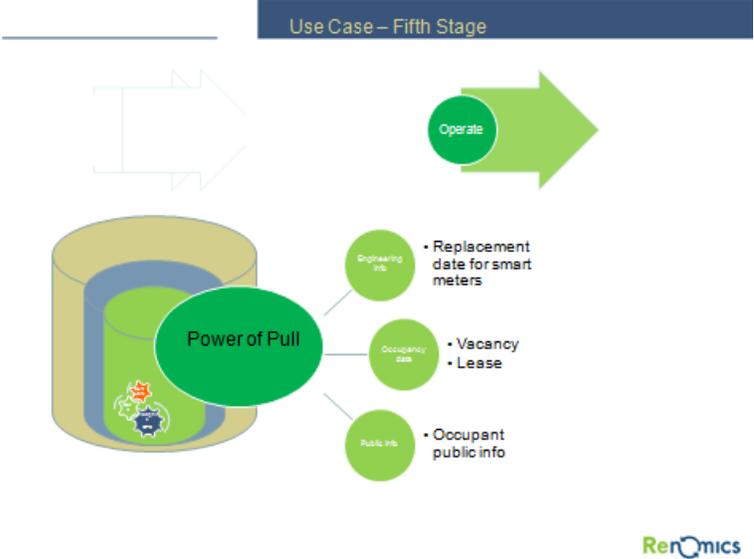


- Fourth Step:** To the extent the Data Center Operator chooses, it can access data from Renomics network of HABISYS 3BL™ embedded data centers to improve its adaptive 3BL optimization. Should the Data Center Construction Company agree and seek to make its data center data available (either as part of its commissioned building deliverable or for a separate subscription), it could do so, using HABISYS 3BL™ network as its conduit to deliver the triple-bottom-line optimization data.



- Fifth step:** In actual operations, HABISYS 3BL™ provides the data center with Semantic Web connectivity and pulls (i) continuing best practices and

(ii) metering bids to the building owner within a reasonable time of its need to replace its meters. It also informs possible data center collocation tenants with data automatically every time there is a vacancy.



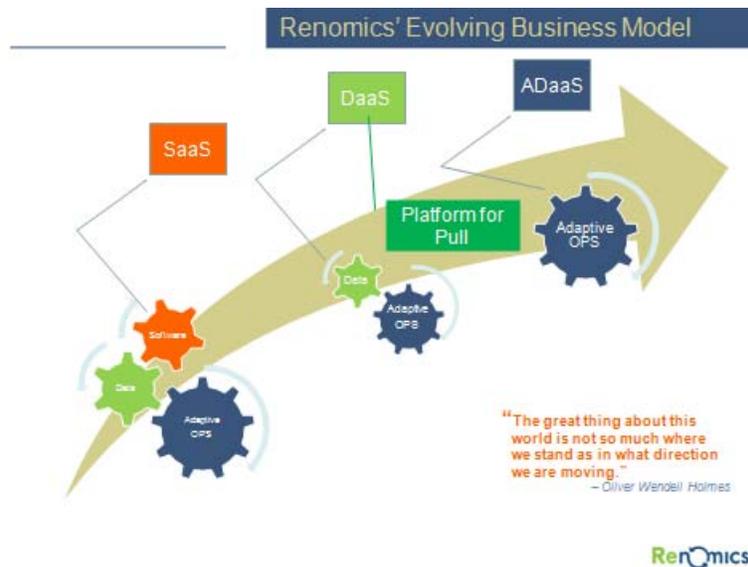
This solution allows stakeholders to analyze masses of conflicting and changing data and collaborate within the context of their competing interests and operational and regulatory constraints - at the design phase and throughout the build-operate lifecycle. The cost for Renomics' enterprise software solution is reasonable within the context of the design cycle and is further lessened when amortized through the remaining lifecycle of the asset.

"One cannot alter a condition with the same mind-set that created it in the first place"

~ Albert Einstein

7. What Is Renomics' Business Model?

Renomics sustainable competitive advantage includes being the first systematic solution for modeling triple-bottom-line results. Further, it is the integration of ontological modeling with triple-bottom-line expertise and proprietary data, all of which will improve with each engagement (because of its reflexive learning capabilities) that make HABISYS 3BL™ almost impossible to replicate. The following chart explains how Renomics' business competitiveness and sustainable advantage continues over a substantial period:



- **Software as a Service:** Renomics starts by offering HABISYS 3BL™ as “software as a service” licensed on an annual basis.
- **Data as a Service:** As the Semantic Web grows and planning software becomes ubiquitous and open source, Renomics will provide aggregation, authentication and audit of data. The ability to serve up reliable, actionable data to users (see www.thepowerofpull.com) for making engineering, financial and insurance decisions will provide the value, not the software that packages the data. (For those of you who understand ontological programming, software as a concept is an anomaly.)
- **Adaptation as a Service:** The aggregation of Web-based data will become commonplace, with real-time catalogs of data served up as needed. For example, your building has in its data locker information indicating that its air-cooling / heating / filtration system needs to be replaced in 20 years. When that day arrives, you will find at your building’s “data locker” door bids from companies to replace the system, along with other associated data about the capabilities of each system and bidder as provided by third parties. Your building data locker pulled all this information from the Web simply because it had a “replace by” data on the system in its data locker. As such scenarios become common, it will be aggregation of data from similar buildings with similar characteristics in similar locations that will become important for purposes of your future planning — not

just all the data from all sources. Filtration will still be needed, and Renomics will be paid for aggregating and filtering data. (The history of data always indicates oversupply, confusion, lack of relevance and a place for those that can provide relevant, actionable data in a manageable fashion.)

A defensible IP

All of Renomics' direct IP is protected by trade or service marks, copyright and trade secrets. Thetus provide its core ontological modeling engine under license. Renomics believes that its IP is imminently defensible, but not because of legalistic protection, but because of its ability to exploit its vision.

A seminal article by Sidney G. Winter entitled "Appropriating the Gains from Innovation"¹⁰ highlights the overemphasis on intellectual property protection over exploitation, when it is the latter that delivers value to the holders of the intellectual property. It points out that the most recent systematic evidence on this point comes from a 1994 survey of R&D managers by Carnegie Mellon. The study came to three conclusions:

- Patents are overrated when it comes to commercial exploitation because too often competitors "invent around" the patent and those holding the patent are overly complacent.
- Too much time is spent protecting the intellectual property as opposed to exploiting it.
- The most important criteria for financial success is control of complementary assets and lead-time.

Quoting Howard Schultz, the CEO of Starbucks: "The best ideas are those that create a new mind-set or sense a need before others do, and it takes an astute investor to recognize an idea not only is ahead of its time but also has long term prospects."

Complementary Assets

Controlling complementary assets helps capture gains from vision and innovation. Complementary assets include:

- **Access to distribution**, such as Renomics' web of strong relationships in the construction and data center industries
- **Service capability** as based on Renomics' experienced management team and strong partners
- **Customer relationships**, again as based on Renomics strong relationships in the construction and data center industries
- **Supplier relationships**, again as based on Renomics' strong partners
- **Complementary products or solutions**, which will be based upon negotiating strong interfaces to CAD-CAM and BI software solutions, along with selling into the construction channel to architects, engineers, developers and IT providers

¹⁰ Published in *Wharton on Managing Emerging Technologies* (2000). See FAQ Supporting Documentation

Lead Time

In fact, it is these complementary relationships, along with the fact that ontological modeling and the Semantic Web are difficult to implement, along with its expertise in sustainability, facilities and infrastructure that will provide Renomics will the necessary lead-time — which was rated at the most effective appropriability mechanism for product innovation. In fact, the article states that “the length of lead-time is determined by the good luck, flexibility and skills of the leader [herein Renomics] as well as the bad luck, inertia and incompetence of others.”¹¹

- As related in the brief history of Renomics, we have been extremely agile in indentifying wherein lies the best opportunity to exploit the intersection of the infrastructure supercycle, the need for sustainable development and the advent of Web 3.0 / the Semantic Web.
- Further Renomics has identified the performance attributes (collaboration, data aggregation, dynamic forecasting, adaptive 3BL optimization, lifecycle value) that differentiate itself to its customer base. These performance attributes are based on our understanding of what it takes to make ecosystems sustainable, which is based upon decades of actual experience delivering sustainable projects.
- Finally, Renomics has detailed herein how it will stay ahead of the competition, even after it has achieved a lead based on its HABISYS 3BL™ SaaS business model.

Our experience in the construction and sustainability industries make us fully aware of the inertia present in existing solutions based upon siloed approaches offering only pin-point solutions.

Adaptive 3BL Optimization as Copyright

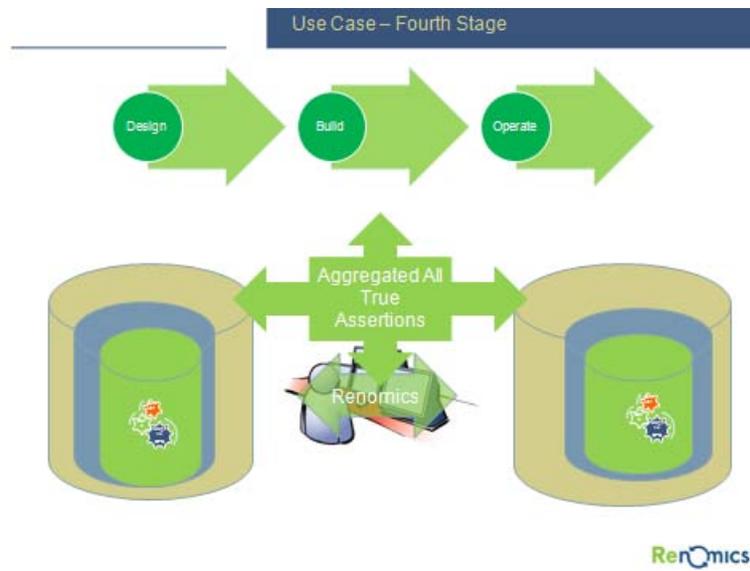
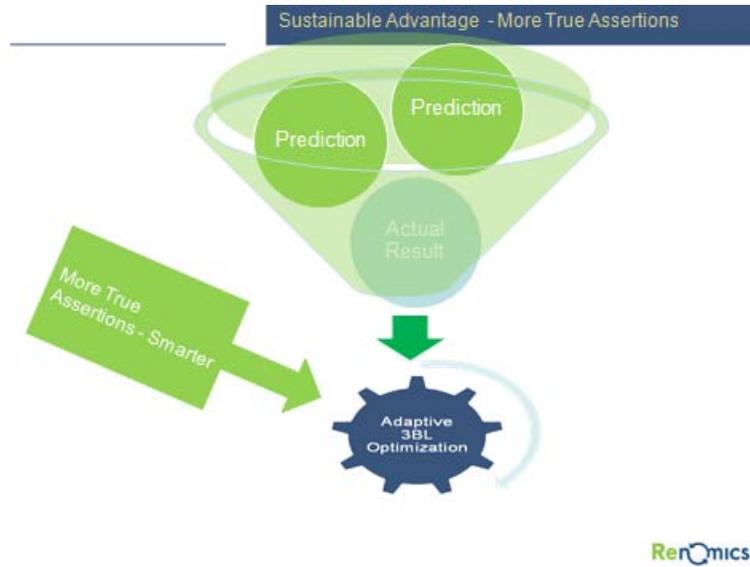
Renomics has identified “adaptive 3BL optimization,” the ability of the ecosystem to reflexively improve planning based upon comparing predictions to actual results as one of its performance attributes. This is a key deliverable from using ontological modeling (Semantic Web) to deliver its solutions. This ability to reflexively improve is not evident in competitors offering DCI, CAD-CAM and BI software. Further, it takes time and the comparison of predictions with results. It cannot be grafted into a software product without a license, as the reflexive improvement capability will be owned by each customer as copyrightable data.¹²

So not only does the capability to reflexively learn improve over time based on the number of instances wherein predictions are compared to actual results, it also improves if it is aggregated with other reflexive data (which is statistically better the greater the number of instances, which only happens when as many instances as possible are aggregated). Part of Renomics’ value add will be offering to HABISYS 3BL™ licensees access to aggregated adaptive 3BL optimization data from other parties in consideration

¹¹ Ibid. page 257.

¹² Renomics will need to consider in its user licenses prohibitions from licensees ‘selling’ their reflexive data to third parties other than Renomics.

of each licensee offering up its adaptive 3BL optimization data. ***This accumulation of adaptive 3BL optimization data becomes a growing asset that is not replicable by competitors entering the market later.***



HABISYS 3BL Pricing Model

The following graphic outlines the model for HABISYS 3BL™ pricing.

Encompass 3BL – Pricing – July, 2010

Deliverables

- Software
- Base Support and maintenance
- Base Help
- Base data services
- 90 days Hosting (through customization service period)

Features

- Integrates dynamic modeling of goals and priorities, locations and a multitude of systems
- Provides a triple bottom line view of full value/cost of different combinations of option
- Simulates use of renewable energy or microgrid configurations
- Projects application deployment impacts on all systems

Tier 1 License: up to 50 users

First year license:	\$275,000
Each subsequent year license:	\$150,000
Customization (per customer specs):	approx. \$250,000
Premium Support (annual):	\$25,000
Premium Data Subscriptions:	Priced on usage

Tier 2 License: up to 500 users.

First year license:	\$1,200,000
Each subsequent year license:	\$500,000
Customization (per customer specs):	approx. \$450,000
Premium Support (annual):	\$150,000
Premium Data Subscriptions:	Priced on usage



These components (data center infrastructure) are part of an ecosystem, and any change to one component can have detrimental or unintended impacts on other components.

~ Gartner 'DCIM: Going

8. Who Are Renomics' Customers and What Do They Value?

Renomics' ideal customer tends to be an entity with a lean hierarchy with executives closer to tactical decision making. These prospects tend to respond better to a solution that is holistic with lifecycle emphasis. These will be the earlier adopters with the earliest adopters being those organizations that have either a strong tactical management team, visionary leadership or a strong sustainability ethic.

Because of this experience, Renomics does the following:

- Focuses its marketing and sales on executive-level decision making as opposed to line-management.
- Pinpoints its collateral on unique decision points (location of a data center of instance) focusing on high-cost, high-risk decision point wherein senior executives are more likely to be involved. Generally, this tends to be a capital expenditure as opposed to an operating expense.

Corresponding, a lot of education is required for deeply hierarchical entities, wherein managers focus on finite tasks and have limited budgets and time. These managers tend to lack the motivation or vision to consider holistic, lifecycle solutions and we would consider these types of prospects as later adopters.

Qualities Customers Value

The product or service attributes valued by customers varies with individual industries.

Construction Industry: Architects, engineers, planners and other specialists provide services. In this industry, four attributes are key:

- **Reputation:** Your reputation for providing high-quality services at a reasonable price will matter.
- **Expertise:** It is the nature of this industry that those that are offering services are retained because of the quality of their expertise in that service.
- **Performance:** The ability to perform in a timely, cost effective manner is required when delivering services.
- **Price:** While not the most important criteria, price is an important consideration.

As architects, Renomics' founders such as Bob Fox, Paul Bierman Lytle and Francis Oda are retained because of their reputation and expertise, which of course is based on their past performance. Erich Gunther and Gary Lee as engineers have had extensive success because of their ability to satisfy these criteria.

Sustainability Industry: Criteria herein are similar to the extent that what is offered is a service. Bill Browning and Stuart Cowan because of their tremendous reputation in being sustainability experts have had great success.

Software, CAD/CAM, Business Intelligence: Criteria herein extend to performance and price. Software of this category tends to be expensive and given the extensive competition, performance is key. Price is an easy-to-understand attribute, but given that software pricing tends to be in the high five to six figures, performance becomes key. Performance though depends upon the outcomes sought by the customer.

Renomics' Strategy

In developing its HABISYS 3BL™ solution, Renomics is taking a strategic approach known as “Blue Ocean.”

HABISYS 3BL™ as Blue Ocean

Blue Ocean Strategy is a business strategy book first published in 2005 and written by W. Chan Kim and Renée Mauborgne of The Blue Ocean Strategy Institute at INSEAD, one of the top European business schools.¹³ The book illustrates the high growth and profits an organization can generate by creating new demand in an uncontested market space, or a “Blue Ocean,” than by competing head-to-head with other suppliers for known customers in an existing industry. Based on 15 years of research, the authors used 150 successful strategic moves spanning 120 years of business history and across 30 industries to bring the Blue Ocean Strategy theory to life

The metaphor of red and blue oceans describes the market universe.

- **Red Oceans** are all the industries in existence today—the known market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of product or service demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities or niche, and cutthroat competition turns the ocean bloody. Hence, the term “red oceans.”
- **Blue Oceans**, in contrast, denote all the industries not in existence today — the unknown market space, untainted by competition. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set. Blue ocean is an analogy to describe the wider, deeper potential of market space that is not yet explored.

The cornerstone of Blue Ocean Strategy is *Value Innovation*. A blue ocean is created when a company achieves value innovation that creates value simultaneously for both the buyer and the company. The innovation (in product, service, or delivery) must raise

¹³ <http://www.blueoceanstrategy.com/>

and create value for the market, while simultaneously reducing or eliminating features or services that are less valued by the current or future market.

Traditional competition-based (red ocean) strategies while necessary, are not sufficient to sustain high performance. Companies need to go beyond competing. To seize new profit and growth opportunities they also need to create blue oceans.

Competition-based strategies assume that an industry's structural conditions are given and that firms are forced to compete within them, an assumption based on what academics call the structuralist view, or environmental determinism. To sustain themselves in the marketplace, practitioners of red ocean strategy focus on building advantages over the competition, usually by assessing what competitors do and striving to do it better. Here, grabbing a bigger share of the market is seen as a zero-sum game in which one company's gain is achieved at another company's loss. Hence, competition, the supply side of the equation, becomes the defining variable of strategy. Here, cost and value are seen as trade-offs, and a firm chooses a distinctive cost or differentiation position. Because the total profit level of the industry is also determined exogenously by structural factors, firms principally seek to capture and redistribute wealth instead of creating wealth. They focus on dividing up the red ocean, where growth is increasingly limited.

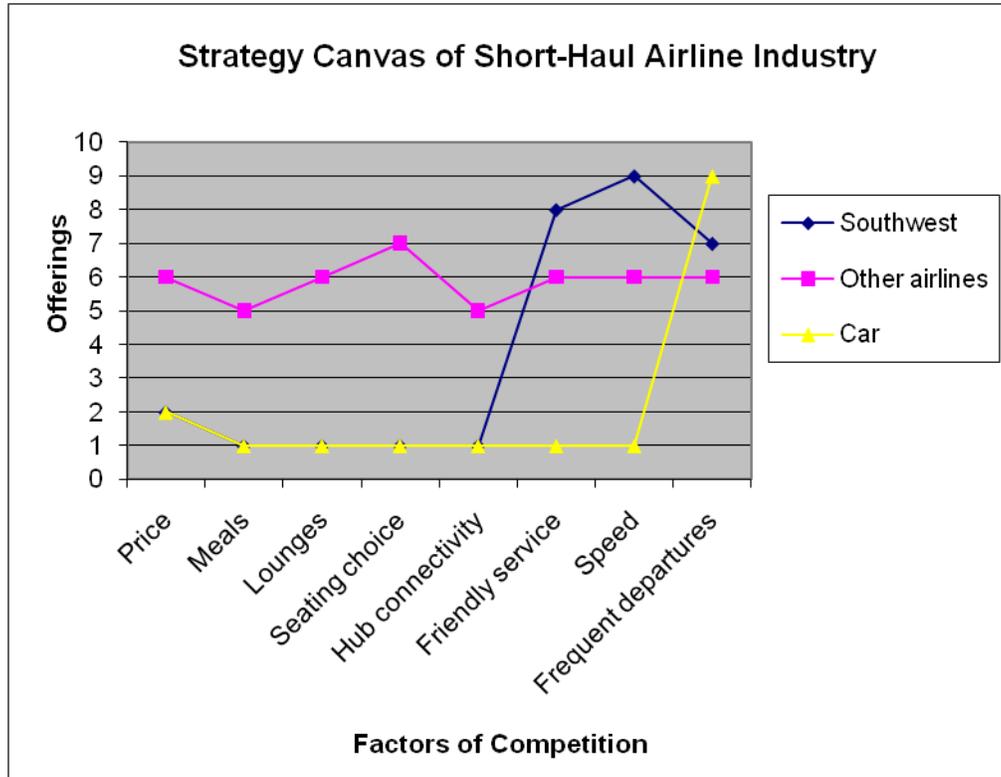
Blue Ocean strategy, on the other hand, is based on the view that market boundaries and industry structure are not given and can be reconstructed by the actions and beliefs of industry players. Renomics takes the position that we should not let existing market structures limit our thinking. With the intersection of the infrastructure supercycle, sustainable development and semantic Web, the extra demand is out there, largely untapped. The crux of our problem is how to create it. This, in turn, requires a shift of attention from supply to demand, from a focus on competing to one of *value innovation* — that is, the creation of innovative value to unlock new demand. ***Renomics' value innovation occurs with solving the sustainability dilemma — the lack of collaboration, expertise, data aggregation, dynamic forecasting and adaptive 3BL optimization over the lifecycle of an ecosystem.***

Renomics changes the value–cost trade-off by providing new performance criteria (collaboration, data aggregation, dynamic forecasting, adaptive 3BL optimization and lifecycle value.) With these new performance criteria, the rules of the game are changed, and the old game becomes irrelevant. By expanding the demand side of the economy, new wealth is created with the possibilities of new partnerships. Therefore, instead of playing a zero-sum game, we play a new game and offer competitors such as those offering professional services, CAD-CAM software or business intelligence software the opportunity to participate in this new market with high payoff possibilities.

Strategy Canvas

An important tool when devising your Blue Ocean strategy is to devise a strategy canvas. The strategy canvas depicts the new performance criteria you plan to provide. An example of a strategy canvas is the one the authors depict representative of Southwest Airlines strategy. Reviewing this strategy canvas, you can see what other airlines

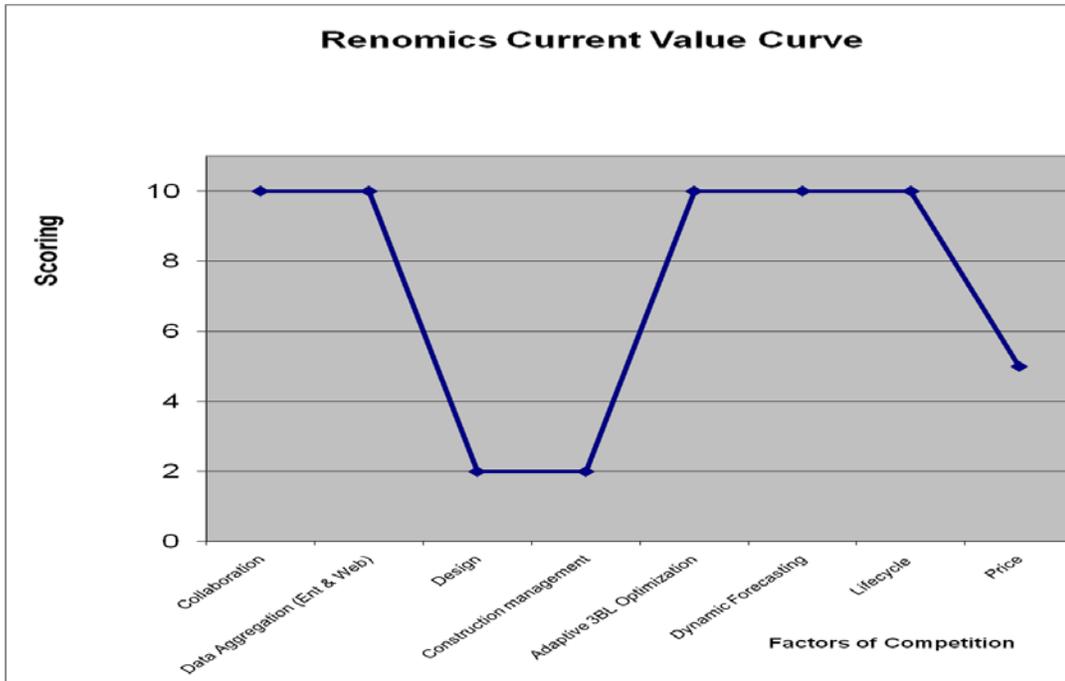
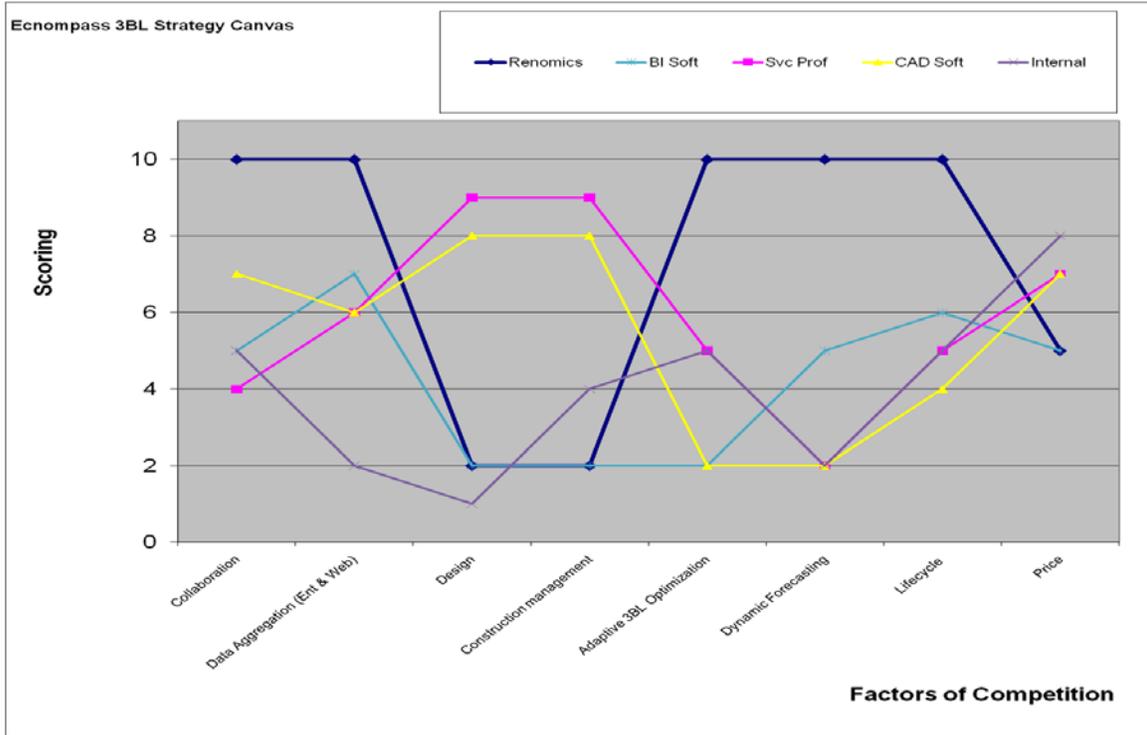
competed on (price, lounges, meals, hub connectivity) while Southwest decided that its competition was the train and the car. Therefore, it needed frequent departures, a friendlier experience than driving alone in a car and equal or less time than a train or car trip.



As noted earlier, Renomics has taken a Blue Ocean approach. There are many, diverse competitors offering services to the stakeholders for critical facilities and critical infrastructure. They compete on price, performance, reputation and expertise. Stakeholders for these ecosystems (critical facilities and infrastructure) are constantly changing, with different investors, owners, users and service providers for each phase of the design-build-operate lifecycle. There is no consistent voice that represents the best interests of the ecosystem. From the viewpoint of sustainability, it is indeed tragic — no one preserves and protects an ecosystem for its own sake. Yet, there is no doubt that all of us have an interest in preserving these ecosystems. We all see such a small part and have such little influence that it is difficult if not impossible to make a difference. Agreeing that price and performance are important, Renomics defines *performance* as the following attributes:

- Collaboration
- Data aggregation
- Dynamic forecasting
- Adaptive 3BL optimization
- Lifecycle value

These are values that other competitors do not address. Since Renomics can provide this value, the key is to educate prospects that this value matters to them.



“Declarative systems (‘ontologies’) are like a glass box – knowledge is visible, auditable, capable of change, decomposition, analysis. Today’s procedural systems are like a black box, not learning from experience.”

~ Mills Davis Dir Project 10x

9. Who are Renomics’ Competitors?

Competition exists largely as specialty firms that offer specific software solutions for architecture, engineering and construction. There are close to a thousand specialized software solutions. The software solutions are typically comprised of isolated components, such as design, build, asset management, industry specific such as plant, utilities or marine, energy and water assessment tools, or green building certifications, or performance diagnostic software. Because of their stove-piped approach, none venture into an offering a competitive solution.

This does not mean they will not label their solutions as “holistic” or integrate offerings once they understand and agree with Renomics’ strategy.

Further and possibly key — none appear to focus on using the Semantic Web, wherein data is aggregated and served up in real time as needed with the data being the modeling parameter as opposed to specialized algorithms. This is probably the biggest impediment for competitors who may attempt to catch up with Renomics. They can change their marketing, but the underlying IT architecture that provides (i) collaboration, (ii) lifecycle value and (iii) adaptive 3BL optimization takes time, effort and aggregation of ecosystem data over time.

The following table summarizes some of the firms that could someday expand into the 3BL planning software industry, which Renomics is creating.

Renomics’ Product in Relation to Competitors

<p><i>High Performance</i> — defined as holistic, integrated solution with collaboration, data aggregation, 3BL optimization, dynamic forecasting and lifecycle value.</p>		<p>HABISYS 3BL™</p>
<p><i>Low Performance</i> — defined as pinpoint, siloed solutions</p>	<p>CAD-CAM software solutions offered by AutoDesk, Bentley Systems, etc...</p>	<p>Discrete expert service solutions Business intelligence software solutions offered by IBM, Oracle and SAP, etc...</p>
<p>Low Cost (<\$100,000)</p>		<p>High Cost (>\$100,000)</p>

Potential Renomics' Competitors — High End Software

Company	Sector / Revenues	Comment
Specific Solutions for Architects, Engineers and Construction		
AutoDesk	CAD-CAM Software / \$1.84B	Comment: Public; leader in the CAD-CAM field. Renomics has begun discussions with AutoDesk about interfacing to AutoDesk software.
Bentley Systems	CAD-CAM Software & Services / \$500M	Comment: Private — has the potential to be a formidable competitor because of its extensive market share. Generally, Bentley's software products are siloed and it does not appear to offer a comprehensive, lifecycle solution — save for its Lifecycle Server solution, which we continue to review (see http://www.bentley.com/en-US/Products/ProjectWise+Lifecycle+Server/). It lacks a TBL focus, built-in TBL domain knowledge, semantic modeling capabilities, semantic search, and other differentiators of HABISYS 3BL™. Not a competitor to HABISYS 3BL™, but a good touch point as a different software “engine” for digesting and integrating data.
Intergraph	CAD - GIS Software / \$770M	Comment: Private; has gone through significant transformations, shedding hardware products and now focusing exclusively on GIS. On July 07, 2010, Intergraph announced that it will be acquired by Hexagon AB for an enterprise value of \$2.125 billion — a TTM Multiplier of approximately 2.75.
Aveva	CAD-CAM Software / \$250M	Comment: Public — focused on plant and marine applications.
Nemetschek AG	CAD-CAM, Bldg Mgmt Software / \$214M	Comment: Public. Ten different brands with many siloed solutions. European focus.
Broad based enterprise and business intelligence solutions		
IBM	Computer software, systems and hardware. IT services / \$104B	Comment: Public. Of particular interest is the Cognos division of IBM. Cognos acquired in 2007 provides business intelligence. As with most BI providers, Cognos focuses on enterprise data as manipulated by predictive algorithms as compared to ontological modeling based on semantic Web concepts.
Oracle	Computer software, databases // \$24B	Comment: Public. Of particular interest is the Hyperion solution line of Oracle. Hyperion acquired in 2007 provides financial reporting software. Hyperion focused on financial reporting, planning and modeling.

Company	Sector / Revenues	Comment
SAP AG	Computer software / \$13.65B	Comment: Public. Of particular interest as is the Business Objects solution line of SAP. Business Objects acquired in 2007 has a broad range of business intelligence software solutions.
SAS Institute, Inc.	BI & CRM Software / \$2.31B	Comment: Private, specialized usage. Only company with a specific sustainability offering — though a review of the demo shows a similarly comprehensive “performance” attributes as HABISYS 3BL™ — http://www.sas.com/solutions/sustainability/green-it.html

Data Center Infrastructure Software Solutions

Company	Product Name	Sector / Revenues	Comment
Align Communications	Asset Point	Data Center Management Software & Services / \$19.9M	Comment: Private; provides broad range of IT management solutions, including data center.
APC (by Schneider Electronics)	InfraStruXure	Electronic Equipment & Peripherals / \$3.5 billion (Schneider Electric Critical Power and Cooling Business Unit)	Comment: Broad set of data center planning and management tools, “on demand” (Web-based) delivery model
Aperture (Emerson-Liebert)	Vista 600	Data Center Management Software \$24.8B (Emerson)	Comment: Private. Focus is on data center market, but Vista tool limited to operations management part of the global Emerson group
Avocent (Emerson-Liebert)	DSView 3	Data Center Management and Solutions \$24.8B (Emerson) Avocent revenues were approx. \$400M before Emerson acquisition in 2009	Comment: Private. Emerson is focused on Data Center solutions. DSView 3 is a robust software solution incorporating data center planning, operations and power management.

Company	Product Name	Sector / Revenues	Comment
HP	Operations Manager	Hardware, Software & Services / Est. \$24.1 million annual software net revenue (FY09)	Comment: Public. Globally recognized brand for data center hardware and solutions
IBM (with Tivoli)	Maximo	Hardware OEM, IT services & solutions Tivoli revenues \$7.7B (2008)	Comment: Public. Globally recognized hardware and IT solutions brand; however Maximo product is a more limited data center "asset management" solution
Modius	Modius	Data Center Management Solutions / \$610,000 revenues (estimated)	Comment: Private. Focus is on data center market, robust set of solutions for planning, management, power management. Start-up (estimated 7 employees).
nLyte (formerly GDCM)	nLyte Software	Data Center Management \$10 million	Comment: Private; focused on data center market. Received \$8m funding infusion in Feb.
OSIsoft	PI System	Software / \$26.1 million	http://www.osisoft.com/software-support/software_and_support.aspx
Rackwise	Data Center Manager	Software / \$1-2.5 million (estimated / unconfirmed)	http://www.rackwise.com/index.php/rackwise-philosophy
Raritan	dc Track	Computer & communications equipment, services and software / \$50-100M (estimated)	http://www.raritan.com/products/infrastructure-management/dctrack/

Company	Product Name	Sector / Revenues	Comment
Sentilla	Sentilla Energy Manager	Energy management software and services solutions / \$1 billion (estimated)	http://www.sentilla.com/
ServerTech	Sentry Power Manager	Data Center Equipment & Software / \$15.9M (estimated)	http://www.servertech.com/products/sentry-power-manager/
Synapsense	Synapsense	Green IT & Data Center Management, Instrumentation and Software / Revenues unavailable	http://www.synapsense.com/go/index.cfm/data-center-solution/
Viridity	Viridity	Software / Revenue unavailable, estimated 6 employees	http://www.viridity.com/products/

“Leadership is the capacity to translate vision into reality.”

~ Warren Bennis

10. How Successful can Renomics Become?

Renomics’ five-year financial projections are shown in the table below. These projections may change as the immediate sales pipeline matures and Renomics secures more feedback about its pricing. A full MS Excel document with current projections is available for review.

In ‘000	Current Year	Year 2	Year 3	Year 4	Year 5
Gross Revenue	1,536	11,332	30,823	52,519	74,436
CGS	594	5,830	12,977	20,388	27,255
Net Revenue	942	5,502	17,845	32,130	47,181
Operating Expenses	965	4,878	8,586	11,121	12,972
Operating Profit	60	390	6,125	13,908	23,947
Cash	3,371*	2,931**	8,591	21,544	44,958
Headcount	8	42	51	56	56

*Includes Series A Investment

**Includes Series B Investment of \$2 million

Benchmarks

Comparable companies can be used as benchmarks for the liquidity event that demonstrates their multiple of return or internal rate of return (IRR) on their investment in Renomics at this funding round.

Business Intelligence and SaaS as indicators of higher TTM Multiples

The best benchmarks for Renomics would be 2007 acquisitions of Business Objects by SAP, Cognos by IBM or Hyperion by Oracle. All were business intelligence companies that were bought at significant multiples of earnings. Available as a separate document is a report from Software Equity Group LLC (SEG), a leading software M&A advisory firm (<http://www.softwareequity.com/index.aspx>) that discusses in detail these acquisitions, along with all other software M&A activity for the same period.

SEG considers financial performance, software category, software delivery model, equity status (private vs. public) and size as key indicators of sales price. Generally, regardless of financial performance, public companies, business intelligence software companies and companies that offer SaaS (software as a service) have received higher valuations.

SEG reports that the median multiple for private software companies in the first quarter of 2010 was 2.7 trailing 12-month gross revenue. The multiple for public companies was 1.3. SEG notes that usually public companies secure higher TTM multiples in comparison to private companies. The 2010 TTM multiplier for business intelligence software companies was 2.4. In comparison, the 2008 multiplier for business intelligence software companies was 4.5 for Cognos (IBM) and 4.2 for Business Objects (SAP). On a TTM basis for the period from the second quarter, 2009 to the first quarter 2010, there were 51 SaaS M&A transactions with six transactions providing enough data to calculate a median TTM multiple of 3.0, which is still higher than the median for all public and private software M&A in the first quarter of 2010.

Purchase of Intergraph by Hexagon AB

On July 07, 2010, Intergraph announced that it would be acquired by Hexagon AB for an enterprise value of \$2.125 billion — a TTM Multiplier of approximately 2.75. Although Hexagon AB is focused on construction and manufacturing, its products are primarily hardware, so its purchase of Intergraph is an indication that it considers software solutions as key for future success.

Palantir's recent Series D Valuation

A recent benchmark on valuation would be the Series D round of financing by Palantir, which raised \$90M on a \$735M valuation (see [techcrunch.com/2010/06/25/palantir-the-next-billion-dollar-company-raises-90-million.](http://techcrunch.com/2010/06/25/palantir-the-next-billion-dollar-company-raises-90-million/)) Palantir is a data-processing and analysis business intelligence software product using a single model (ontology) approach. Based on discussions with current Palantir customers, we conclude its software has limitations on the amount of data it can process. The orientation is toward straight data analysis as opposed to predictive modeling, let alone 3BL predictive modeling.

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."

~ Charles Darwin

11. What is Renomics' Operating Plan?

For Renomics to license HABISYS 3BL™ at a sufficient rate to justify its own efforts and those of its investors, it must close qualified prospects — and then make them HABISSY 3BL advocates. This requires a measurable process with accountability throughout the marketing – sales – fulfillment process.

Marketing & Sales Strategy

Renomics finds itself in an opportunity-rich environment. For one thing, it will be highly visible in an emerging market that is growing explosively. For another, the company was founded by sustainability and smart grid pioneers, along with data center experts who have decades of experience, international reputations and deep relationships with likely clients.

Even so, it will be important for Renomics to correctly position and price its offerings, to communicate effectively their value, and to attract showcase clients during its launch phase. Still, Renomics must educate prospects as to the value of the performance criteria HABISYS 3BL™ offers (collaboration, data aggregation, dynamic forecasting, adaptive 3BL optimization, lifecycle value).



Relationship Sales

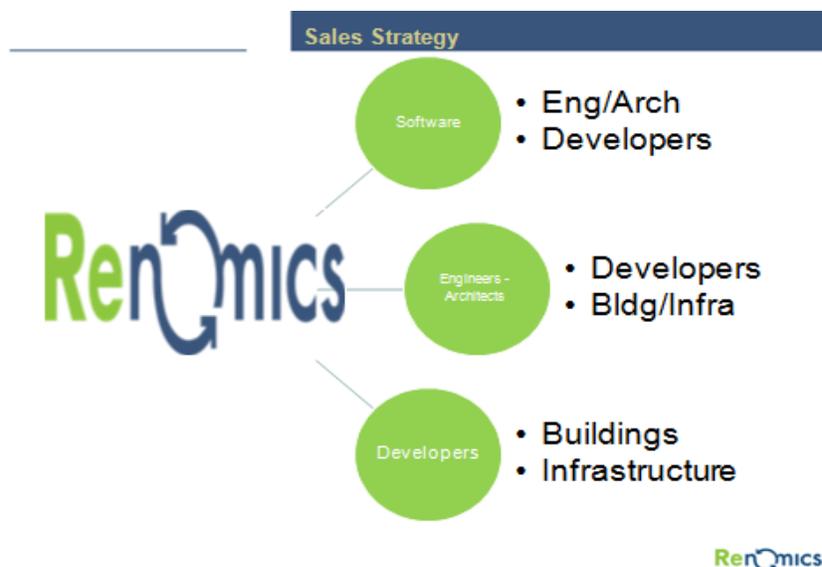
A review of our sales pipeline shows that the majority of our current leads result from Renomics' itself or its current partners (such as Thetus). One of Renomics' current

advantages, as opposed to an average start-up, is its legacy of rich relationships in the construction and data center industries.¹⁴ Relationship sales will constitute the core of Renomics' sales pipeline for the next six to nine months. It will be through relationship sales that Renomics will develop its first case studies and referenceable clients from which a digital marketing campaign can be developed.

Distribution Channels

The chart below depicts our sales strategy using partners — it is a three pronged approach, incorporating third party software into our offering, educating architects, engineers and developers and inducing them to use HABISYS 3BL™ — all with a goal of having HABISYS 3BL™ embedded in commissioned facilities and infrastructure.

Based on current sales experience, large specialty construction or engineering companies appear to be our best first channel of distribution.



Digital Marketing

Renomics' team has unique skills in understanding how to digitally market its offerings. Philip Bane has worked in the digital advertising and marketing realm for over a decade, and with such advisors as Jesse Berst, Renomics is well positioned to take advantage of all available digital marketing tools.¹⁵

- **New Web Site:** By the end of March 2011 Renomics will publish a new Web site, possibly www.HABISYS3BL.com, which will use Web 2.0 media tools such as

¹⁴ John Coster's relationships in the data center industry and our overall team's connections to the construction and IT industries are strong.

¹⁵ Bane was COO of IZ a digital advertising company (co-owned with Berst) and both continue as owners of SmartGridNews.com, the number site about the Smart Grid.

blogs and wikis, along with traditional marketing collateral such as case studies and white papers. The new Web site may even be a Web 3.0 compliant if tools are available.

- **Events and Publications:** The standing of Renomics' founders already leads to many over-the- transom requests for interviews and speeches, but Renomics will not leave its visibility marketing to chance. It will actively target key groups and events. In addition, it will publish several backgrounders and position papers to further cement its reputation as a leader in this emerging sector. The table below lists just a few of the events and publications where Renomics expects to gain keynotes, talks, editorials, articles and other visibility opportunities.

Events & Publications

Representative Events		Representative Publications	
Organization	Event	Publisher	Publication(s) / Site(s)
U.S. Green Building Council	Greenbuild International Conference and Expo	BuildingGreen, LLC	BuildingGreen.com Environmental Building News GreenSpec Directory
Urban Land Institute	Annual Meeting and Urban Land Expo	McGraw-Hill	<i>GreenSource</i> , The Magazine of Sustainable Design
Nat. Association of Home Builders	National Green Building Conference	Green Media Group	Environmental Design + Construction Sustainable Home Sustainable Facility
Energy & Environmental Building Association	Excellence in Building Conference & Expo	Sustainable Buildings Industry Council	Whole Building Design Guide (WBDG.org)
World Economic Forum	Global Energy Basel	Newzeye Ltd	Sustainable Building Newsletter
Turret Group	World Future Energy, Abu Dhabi	Global Smart Energy	SmartGridNews.com
EcoBuild America, LLC	EcoBuild Japan	Data Center Dynamics	www.datacenterdynamics.com
Data Center Dynamics	Multiple World-Wide Events	www.uptimeinstitute.org	
Green Grid	www.thegreengrid.org		

Applied Solutions	http://www.appliedsolutionscoalition.org/		
Gartner	http://www.gartner.com/it/page.jsp?id=1244913		
AFCOM	www.datacenterworld.com		

Sales Process

Many start-ups do not give the sales process the professionalism they give to their engineering processes. They also often do not staff adequately. In building our sales projections, Renomics worked from the ground up, estimating that a trained sales person should be able to close a data center prospect for a Tier 1 license every other month after the first four (4) months. As of January 2014, Renomics will have a senior sales director, a sales logistics manager and eight (8) full time sales people. Using a refined version of the sales process related herein, the sales team will be process leads from our Digital Marketing campaigns and will provide all the resources needed. Another advantage of a sales force is that it provides an opportunity to secure real-time feedback from customers. Sales people want to be successful and as such, become advocates for customers. This is a good thing.

Renomics has a disciplined marketing and sales process. Attached in the FAQ Supporting Documentation are two important documents. The first is the sales process itself (MS Word), indicating each step of the sales process. This template is reinforced by Renomics extensive use of Salesforce.com wherein all sales data is kept and reviewed every day. The second document is the Sales Filter (MS Excel) wherein each prospect is evaluated against agreed criteria and scored. The score allows the Renomics management team to prioritize its efforts between sales prospects. Pages from a representative scoring for Sabey Construction, one of our likely first customers, follows:

Renomics Pursuit Filter	
Project Overview	
Name of Project	Sabey
Project Location	US
Description of Overall Project (e.g. location analysis)	Develop Encompass 3BL for portfolio DBO and sales
Acres	
Size of Data Center, s.f.	
Client Name	Sabey
Client Point of Contact	Chris Trapp
Scope of Services Offered (e.g. Tier 1 license, service bureau)	Tier 1 and customization
Revenue Projection for First 12 Months of Project (\$)	200,000
Probability of Achieving 12 Month Revenue Projection (%)	90%
Initial Project Concept Activity (month/year)	29-Aug
Proposal Due Date (month/year)	August, 2010
Project Start Date (month/year)	Sept, 2010
Project Referred By (Internal, Thetus, EnerNex, etc.)	Internal
Renomics/Alliance Account Manager	Jcoster
Current Status of Project	Proposal
Most Recent Update of Project Overview (day/month/year)	8/14/2010

Renomics Pursuit Filter		
Stage 1 Pursuit - Data Centers		
	Highest Possible Score	219
Key Question	Answer	Score
#1 Question: What type of solution and how open is the client to our solution?	Lifecycle	27
#2 Question: when will customer make decision	Within six (6) months	12
#3 Question: Are we talking directly to the decision maker?	Yes	9
#4 Question: Is this a channel or direct license?	Channel Licensee - Hi	18
#5 Question: Is this Opportunity US or International?	United States	9
#6 Question: Customer Procurement Method	Direct Sale	18
#7 Question: What is the near-term (12 mths) cash forecast for this Opportunity?	\$ 200,000	3
#8 Question: What is the probability of this 12 month revenue Forecast?	90%	27
#9 Question: What is the long-term (lifecycle) revenue forecast for this Opportunity?	\$ 531,217	3
#10 Question: What is the cost to secure this Opportunity?	Low	18
#11 Question: Is this Opportunity a good fit with personnel and other resource availability?	Can be Accommodated	12
#12 Question: Is the solution for this Opportunity Replicable?	Yes	9
Total Stage 1 Pursuit Score		165
Portfolio Analysis		
Short-Term Potential		
Revenue Projection for Year 1 (License Income + Customization + Premium Support + Data + Consulting)	\$	200,000
Revenue Projection for Year 2 (License Income + Customization + Premium Support + Data + Consulting)	\$	100,000
Revenue Projection for Year 3 (License Income + Customization + Premium Support + Data + Consulting)	\$	100,001
Revenue Projection for Year 4 (License Income + Customization + Premium Support + Data + Consulting)	\$	100,002
Revenue Projection for Year 5 (License Income + Customization + Premium Support + Data + Consulting)	\$	100,003
Revenue Projection for Year 6 (License Income + Customization + Premium Support + Data + Consulting)	\$	-
Revenue Projection for Year 7 (License Income + Customization + Premium Support + Data + Consulting)	\$	-
Revenue Projection for Year 8 (License Income + Customization + Premium Support + Data + Consulting)	\$	-
Revenue Projection for Year 9 (License Income + Customization + Premium Support + Data + Consulting)	\$	-
Revenue Projection for Year 10 (License Income + Customization + Premium Support + Data + Consulting)	\$	-
Revenue Projection for Project Using Discount Rate on Assumptions Page	\$	531,217
Probability of Achieving Renomics Return over Life of Project (%)		75%
Revenue Projection Normalized by Probability	\$	398,413

Fulfillment - Keeping the Promise

Attached in the FAQ Supporting Documentation is the article about Pixar's process for producing films.¹⁶ Key teachings from the article and other principles are expressed in the following sections:

- Principals for Engagement
- Process
- Using Semantic Web to Document and Develop Process

1. Principles for Engagement

- **Empower your creatives.** Give your creative people control over every stage of idea development.
 - **Application:** At Renomics, everyone save the Leadership Team (see organization chart) are in the "mixing bowl" from which Team Leaders draw teams from the Proposal stage through the Commissioning stage. These Teams comprise multiple skills — knowledge workers (those who understand the aggregation of knowledge to develop a worldview), domain experts (architects, engineers, linguists, etc.), programmers (HABISYS 3BL programmers) and others who originate, refine and then

¹⁶ See 'How Pixar Fosters Creativity' HBR SEPT 2008. See FAQ Supporting Documentation.

develop great 3BL Worldviews for our customers. Advisors will be included both to counsel and provide insights based on their skills and experience.

- **The Leadership Team's Job:** Find people who'll work effectively together. Ensure healthy social dynamics in the team. Help the team solve problems.
 - **Team Leaders:** These will be the most highly compensated people. They may not be the most creative or domain experts. Our goal will be to use people's skills and not penalize them for having weaknesses (except the most glaring weakness — not being able to work with a team).
- **Create a peer culture.** Encourage people throughout Renomics to help each other produce their best work.
 - **Application:** At Renomics, daily interaction and review of results is encouraged so that the Team takes ownership of the process and deliverables. Team members are also tasked with giving swift, honest feedback. Mistakes are tolerated to encourage risk-taking and Teams are evaluated as a Team. Do they deliver on time, within budget and exceed a customer's expectations? A process will be developed where should a person not be selected for a Team within a period of time, their future with Renomics is reviewed by the Leadership Team.
 - **Free up communication.** The most efficient way to resolve the numerous problems that arise in any complex project is to trust people to address difficulties directly, without having to get permission. So give everyone the freedom to communicate with anyone.
 - **Application:** At Renomics, anyone can approach anyone else to solve problems without having to go through "proper" channels. Team Leaders understand they don't always have to be the first to know about something going on in their realm, and that it's okay to walk into a meeting and be surprised. There are no closed meetings.
 - **Craft a learning environment.** Reinforce the mind-set that you're all learning—and it's fun to learn together.
 - **Application:** At Renomics, funds are set aside for training. Quarterly seminars are conducted where Projects ('customer engagements) are reviewed and lessons learned jointly explored. At these same Quarterly seminars, Advisors are invited to participate, share their insights and help plot the strategic future of Renomics. Every Team is required to conduct and document a post-mortem.
2. **Process.** Renomics has documented an extensive process for developing Customer Deliverables.
 3. **Using Semantic Web Tools to Document and Develop Process.** These tools are used both to document and develop the process itself and to document and develop the customers' deliverables.

“There are two ways of being creative. One can sing and dance. Or one can create an environment in which singers and dancers flourish.”

~ Warren Bennis

12. Renomics Organizational Chart

