

March 2011

Dear Stakeholder:

DMI Companies: Corporate Sustainability

The past two years have clearly been the most challenging economic environment in our company's history. Commercial construction, our cornerstone market was devastated by a lack of demand, and where there was demand, a lack of credit. In addition, we experienced rollercoaster pricing.

During 2010, we expanded our corporate sustainability efforts to include three areas: the sustainability of our products, our operations, and our lives. We hope this new structure and approach will make it easier for our stakeholders to understand how DMI Companies approaches sustainability.

The board of directors, management and our strategic planning group met throughout the period to develop this new framework for success. The results were dramatic. We adopted DMI2015, which is our "roadmap for the future" integrating our sustainable agenda into our core business strategy. Enhancing our vision, overarching strategic objectives and corporate initiatives, we increased the focused on sustainability. Working together, we are making clear progress toward a sustainable future at DMI Companies.

- Improved Vision – ***Become the preferred manufacturer and supplier of innovative, sustainable products and services to the building industry***
- Sustainable Strategic Objective – ***Operate DMI Companies in a manner that protects and promotes the health and well-being of the environment***
- Sustainable Initiatives to Change our Way of Life – ***We look to improve the environment by creating a strategic framework for sustainability***

Much of the previous two years have been focused on financial sustainability. The economic environment required a dramatic shift to focus on our core business strengths thus ensuring a long-term corporate viability. Our balance sheet was strengthened and financial liquidity was improved dramatically. Even with a major focus on financial stability, we never wavered from our commitments to social and environmental excellence.

At DMI, we continue to challenge ourselves with aggressive targets, higher expectations, and a broader mindset about incremental improvement among our company and its employees.

I am very proud of what we have accomplished during this challenging time.

Some areas where we made demonstrable progress include the following (reference appendix for details):

- Energy Savings
- Water Savings
- Material and Waste Savings
- Stakeholder Engagement
- New Products and Services
- Launching our Sustainability Website (www.ductmate.com/sustainability)
- Ethics

We intend to focus additional resources in 2011 as follows:

- Product life cycle analysis
- Sustainable metrics dashboard
- LEED certification of DMI Headquarters
- Solar energy production at DMI Headquarters
- Energy monitoring devices proudly displayed at DMI Headquarters
- GreenSeam System solutions for the residential marketplace

During these tough economic times, we committed ourselves to integrating sustainability as a core value for DMI; protecting the health and well-being of our employees and our communities; conducting business with the highest code of ethics; preserving the environment and our natural resources.

It is in this spirit that DMI recently became a signatory to the Energy Star Partnership and pledged our commitment to measure energy performance, continue to improve our Energy Management Plan, support the Energy Star Challenge, be an advocate of energy efficiency to the staff & the community, and to continue to report on our progress to the stakeholders.

I see an amazing future for DMI. I am confident we are training the next generation of professionals to be more sustainable. Our company will continue to be an energy efficiency leader in the market with energy saving products, energy efficient facilities, and energy savings employees. In summary, we will be a proud corporate partner to the community and the environment.

If you have any questions or comments about this subject or any other topic, please feel free to correspond with me at ryeager@dmicompanies.com.

Ray

APPENDIX

DMI COMPANIES SUSTAINABILITY IN OPERATIONS:

Energy

- Performed an ASHRAE Level I Energy Audit on Corporate Offices, to analyze current energy consumption and find energy saving opportunities in the building.
- Implemented temperature set back programs to allow the set temperature of the building to drift down during the winter months and up in the summer months during unoccupied hours.
- Wherever possible, incandescent light bulbs were converted to compact fluorescent bulbs, cutting the energy used by these fixtures by more than half.
- Fluorescent T12 lighting was converted to fluorescent T8 and T5 lighting, where lights need to be left on overnight, cutting energy consumption significantly.
- Installed occupancy sensors on the lighting systems in all private offices, bathrooms, training rooms, basement hallways, and the kitchen area, reducing energy waste.
- Attention paid to the use of overhead lighting to reduce energy usage by shutting off lights when rooms are vacant or when enough natural daylight is available.
- Encourage the use of task lighting to reduce the use of overhead lighting, eliminating lighting used to illuminate unused space and saving energy.
- Encourage occupants to shut off desk power strips to eliminate standby power, “phantom loads,” losses.
- Setting computers to “sleep” modes cutting energy use by more than a factor of ten.
- Encourage employees to keep extra clothing at their desks to adjust for temperature/comfort level. This prevents employees from constantly adjusting the thermostat, which causes the HVAC system to run less efficiently.
- Overnight machine shut-downs in an attempt to reduce energy waste
- Utilizing conference calls and go to meeting software to save time and energy

Water

- Installed efficient toilets, reducing water consumption
- Installed aerators in all faucets, reducing water consumption
- Only running the office dishwashers when full. This setting uses the least amount of energy and water per dish.

Material & Waste

- Implemented in-office recycling program including recycle bins on every floor
- Performed a waste stream audit on the office waste to quantify how much material was being thrown out and how much was being recycled.
- Have begun to search for and purchase recycled/recyclable materials whenever possible in our efforts to contribute as small a carbon-footprint as possible
- Decreased overall material consumption (i.e. lean, “green” office initiatives, etc.)
- Minimized paper usage (digital vs. hard-copy formats, double-sided printing, paper recycling [i.e. print on other side of 1-sided print-out or use other side as note-page])
- Encourage employees to use reusable containers, silverware, and beverage containers. The kitchen areas are stocked with full sets of dishes available for employee use.

Other

- Currently pursuing LEED EB Operation & Maintenance Certification for the DMI Companies Charleroi Headquarters

DMI COMPANIES SUSTAINABILITY IN OUR DAILY LIFE:

Engaging Occupants

- Have created a ***Sustainability Program*** which educates and rewards employees on how to be sustainable both in the office and at home.
- Have taken a direct focus toward “green” & sustainability efforts from all levels, including executive, operations, R & D, maintenance, purchasing, etc.
- Have implemented various “lean” initiatives, including the development of a Lean Department, the incorporation of lean/6sigma at all levels, & the addition of “Lean Times” section in the monthly in-house Ductmate Newsletter
- Installed a tire-pressure reader & inflate station at manufacturing facility, enabling employees to minimize gasoline consumption

DMI COMPANIES SUSTAINABILITY IN PRODUCTS AND SERVICES:

Ductmate 35®

1977-1978

In 1978, Peter Arnoldt founded Ductmate Industries, Inc. with the creation of the Ductmate ‘35’ Rectangular Duct Connection System at his first facility in West Mifflin, PA, located outside of Pittsburgh. This innovative product became not only the company moniker but also represented the company’s cornerstone business of creating high-quality HVAC accessories. Arnoldt’s entrepreneurial

spirit allowed him to spend much of his time in the field where he quickly realized there were opportunities to further expand Ductmate Industries beyond the sole manufacture of connectors.

- Marked a huge improvement on the way that duct was connected & sealed
- When installed properly, the Ductmate '35' flange will reduce leakage to less than 1% at the transverse duct connection of rectangular ductwork
- The initial introduction of Ductmate '35' included a patented manufacturing method which directly injected a low VOC mastic into the pocket of the flange system
- Ductmate connector gives a nearly airtight cross connection without the use of slip joints, eliminating the need to seal the duct & thus eliminating the use of solvent based sealants on rectangular transverse connections
- This new manufacturing method also eliminated the human factor of properly applying duct sealant in the field
- Later innovations involving the Ductmate '35' connection system included Ductmate's patented down set corner design & patented boltless corners, further improving the consistency & sealing properties of the system
- Ductmate's simplified assembly process improved consistency & reduced labor costs, decreasing assembly & installation labor

Sandwich Access Doors®

1987

Working with a European company, Ductmate introduced a line of low leakage access doors into the United States market in 1987. These new doors were promoted through Ductmate's vast network of commercial HVAC distributors under the Ductmate registered Sandwich trademark.

- Specifically designed for easy installation regardless of the requirements of the application, these easy to install, leak-proof doors eliminated the need to patch and seal duct openings
- The Sandwich door's patented design eliminated leakage, which was commonly associated with framed access doors
- The Sandwich doors are made of multiple layers of materials; including steel, insulation, and glass - depending on the application
- Ductmate doors have a high degree of versatility
- Ductmate doors provide an air tight seal & reduce friction
- In 1997, Ductmate expanded on this initial offering with its own line of patented Circular Sandwich access doors, providing an easily operable duct access door that may be insulated if the duct is insulated, thus reducing energy loss
- Designed with the duct cleaning industry needs in mind, Ductmate's circular access door promoted improved indoor air quality through a design which allowed for enhanced access for duct cleaning

Spiralmate®

1988

In 1988, Mr. Peter Arnoldt again added to Ductmate's arsenal of products, developing Spiralmate, Ductmate's flange connection system for round ductwork. This innovative product expanded on Ductmate's original '35' design, with the mastic being injected into the pocket of the flange, which had a unique triangular shape to assure proper compression of the gasket material.

- When installed properly, the Spiralmate flange will reduce leakage to less than 1% at the transverse duct connection of round ductwork
- The initial introduction of Spiralmate included a patented manufacturing method which directly injected a low VOC mastic into the pocket of the flange system
- Spiralmate connector gives a nearly airtight cross connection without the use of slip joints, eliminating the need to seal the duct & thus eliminating the use of solvent based sealants on the transverse connections of round ductwork
- This new manufacturing method also eliminated the human factor of properly applying duct sealant in the field
- Ductmate's simplified assembly process improved consistency & reduced labor costs, decreasing assembly & installation labor

NADCA Membership

1991

Recognizing the importance of indoor air quality to the inhabitants of the buildings for which our products handle the air-flow, Ductmate joined the National Air Duct Cleaners Association (NADCA), the leading organization in the Air Duct Cleaning industry, in 1991.

- Ductmate became a member of the NADCA in 1991
- NADCA is the prevailing authority in the Air Duct Cleaning industry

Ovalmate®

1992

Patented in 1992 by inventor/company founder Peter Arnoldt, Ovalmate incorporated many of the same innovative traits as Ductmate's Spiralmate connection. Ovalmate's unique design once again incorporated a low VOC mastic into the pocket of the Ovalmate connection during the manufacturing process.

- When installed properly, the Ovalmate flange will reduce leakage to less than 1% at the transverse duct connections of oval ductwork
- The initial introduction of Ovalmate included a patented manufacturing method which directly injected a low VOC mastic into the pocket of the flange system
- The Ovalmate connector gives a nearly airtight cross connection without the use of slip joints, eliminating the need to seal the duct & thus eliminating the use of solvent based sealants on the transverse connections of oval ductwork
- This new manufacturing method also eliminated the human factor of properly applying duct sealant in the field

- Ovalmate's simplified assembly process improved consistency & reduced labor costs, decreasing assembly & installation labor

Sealants

1994

In 1994, Ductmate worked diligently to develop and introduce a water-based duct sealant which would perform as well as the solvent based sealants traditionally utilized in the industry. Thus was the creation of PROseal® and Fiberseal®, two water-based, high performance sealants which were introduced into the market through Ductmate's extensive distribution network.

- Ductmate Proseal and Fiberseal had significantly better flexibility, adhesion, water resistance and UV resistance than the market was accustomed to in a water-based sealant at that point in time
- The widespread availability of a high performance, water-based product at a reasonable price helped influence the market towards low-voc sealants, thus changing consumers' perceptions of water-based, versus solvent based, sealants

Low Leakage Damper Hardware

1999

In 1999 Ductmate patented a control damper hardware assembly which was specifically engineered by Ductmate to reduce the amount of leakage through penetrations made by damper hardware. The development of Ductmate's Low Leakage Hardware was in response to an ASHRAE study which identified significant leakage occurring at these duct penetrations.

- Ductmate's low leakage damper hardware reduced leakage by between 155% - 238% over traditional hardware assemblies
- This calculates out to an energy savings of anywhere between \$48.84 per damper per year and \$121.42 per damper per year (calculation was done at 2" W.G. comparing Ductmate's Low Leakage hardware to Duro Dyne's Rapit models RS256 and RS356)

GreenSeam™

2006

Ductmate Industries was built on products that reduce leakage and improve energy efficiency. And, in conjunction with rising energy prices, the importance of building sustainable and energy efficient systems has been brought to the forefront of the attention of the HVAC industry, among others. The recent focus on green building and sustainability has allowed Ductmate to not only build on its existing product lines but also introduce new products, such as GreenSeam which will further reduce leakage within HVAC systems.

- GreenSeam is a product developed to target the increasingly stringent sealing requirements in commercial and residential HVAC applications
- GreenSeam was designed for highly efficient systems that are often found in buildings designed to conform with the Leadership in Energy and

Environmental Design rating system (LEED) as well as the Green Building Initiatives

- GreenSeam's patent pending design eliminates 96% of the leakage along the longitudinal seam at 2" WG
- GreenSeam incorporates a 0-VOC gasket into the longitudinal seam during the manufacturing process
- By incorporating the gasket during the manufacturing process, Ductmate has eliminated the time and material needed to seal this seam after installation
- By installing the gasket during the manufacturing process, GreenSeam has also eliminated the inconsistencies of sealant application from job to job or piece to piece
- With increased fuel cost, GreenSeam pipe reduces leakage, which provides higher efficiencies, leading to lower energy costs
- The installation of GreenSeam is identical to conventional snap lock pipe, but does not require sealants and tapes

CL Ward Introduces DuctGuard

2007

CL Ward Introduced its DuctGuard adhesive duct covers in response to the advent of LEED for commercial buildings and its requirements under Credit EQ 3.1 for buildings to have a Construction IAQ management Plan. LEED recommends buildings develop an Indoor Air Quality Management Plan for buildings under construction. This plan should follow the guidelines set forth by SMACNA's IAQ Guidelines for Occupied Buildings under Construction, 1995 Chapter 3. CL Ward's DuctGuard product allowed sheet metal contractors to quickly cover the ends of ductwork protecting the ductwork from the collection of dirt and debris.

Ductmate Receives Historical Landmark Status

2007

After moving its corporate offices from the manufacturing plant in Monongahela to 210 5th St. in Charleroi, PA in May of 2002, Ductmate restored the then vacant building that was erected in 1889 & had served as a hotel as well as a bank and now housed the company's corporate headquarters. The renovation & restoration have created a unique workspace for Ductmate employees. Close attention was paid to the unique details of the building's rich history. As a result of extensive renovations and a detailed restoration, Ductmate was awarded National Historic Landmark status in 2007.

- Ductmate used many recycled materials in the renovation & restoration process, breathing new life into the vacant space
- Many of the original doors, artwork and details remain
- Ductmate is now a focal point of the downtown corridor, contributing to the revitalization of the downtown area
- The local economy has been given a much needed boost

- 50+ employees provide a significant addition to the Charleroi business community, impacting the commerce of the downtown area

GBA Product Innovation Grant received for GreenSeam II **2007**

The Green Building Alliance granted Ductmate Industries Inc, of Charleroi, PA a Product Innovation Grant for \$100,000. The grant was awarded through a competitive selection process. The grant has been used for the development of GreenSeam II. The Green Building Alliance continues to be a guiding principal of Ductmate Industries, Inc.

- GreenSeam II will provide developers with the ability to significantly reduce duct leakage within low pressure ductwork
- GreenSeam II will increase the overall energy efficiency of commercial & residential buildings
- There will be a reduction of materials used in the installation process
- The project has the potential to reduce duct leakage from transverse connections of snap-lock pipe and fittings by as much as 95% without the use of traditional sealants

Ductmate Fills Secretary Seat of ASHRAE Technical Committee 5.2 **2008**

ASHRAE is the prevailing authority in the HVAC industry. Ductmate Industries is, & always has been, an active ASHRAE member. Ductmate has been a member of ASHRAE and the Duct Design Technical Committee (Committee 5.2) for over 20 years. In 2008 Ductmate graciously accepted an appointed seat on the committee.

- ASHRAE Technical Committee 5.2 reviews proposals for product reviews
- The committee executes extensive testing of products and adheres to strict guidelines in regards to quality, efficiency and application
- It also sets the standard for design throughout the industry
- Ductmate's Senior Sales Engineer was appointed as Secretary of the committee on Duct Design for the year 2008

RCx Building Diagnostics opens its doors for business **12/2008**

The RCx Building Diagnostics subsidiary, leverages DMI's expansive knowledge and engineering services to assist building owners improve the efficiency of their buildings. In a response to escalating energy costs and government incentives to reduce energy consumption in the country's building stock, RCx begins offering energy audit and retro-commissioning services to the Western Pennsylvania and Southern Florida markets in December 2008. RCx helps tackle the problems faced by building owners through offering services ranging from ASHRAE Level 1 Energy Audits to complex retro-commissioning, sustainability analysis and certification assistance.

Ongoing Commitment to Sustainability

2009

In their continued concern & commitment to sustainability & Green Building, Ductmate sits on multiple committees within the Green Building Alliance (GBA) and is a member of the Heating, Air-conditioning & Refrigeration Distributors International (HARDI) Sustainable Building Committee.

- Member of HARDI's Sustainable Building Committee
- Member of GBA's Networking Committee
- Member of GBA's DASH (Database for Analyzing Sustainable & High-Performance Buildings) Marketing & Outreach Committee
- Member of GBA's Sustainable Manufacturing Committee

DMI Helps Mold the Future of Sustainability in the Region

2010

DMI's management continues to expand their work with local and state government to push sustainability initiatives.

- DMI CEO, Raymond Yeager was appointed to the Pennsylvania Leadership Council for Green Careers while also serving on the Sustainable Initiative Committee of Allegheny County.
- RCx Energy Engineer, Katie Flynn was appointed to the LEED-Existing Buildings Operations & Maintenance Advisory Task Force for Allegheny County
- DMI Business Development Manager, Mark Smith was appointed to the Green Building Alliance Policy Committee

DMI Targets LEED Certification for its Corporate Headquarters

2010

DMI Companies enters into an agreement with RCx Building Diagnostics to pursue LEED Silver Certification for the corporate headquarters in Charleroi, Pennsylvania.

DMI Receives Stimulus Funding for Green Product Manufacturing

2010

DMI Companies has been awarded tax credits up to nearly \$275,000 from the U.S. stimulus package to further its manufacturing of sustainable product for the HVAC industry. The organization will use these funds to develop a manufacturing line for its revolutionary GreenSeam+ product in Tulsa, Oklahoma and further expands its GreenSeam+ System manufacturing line in Monongahela, Pennsylvania.

Ductmate Introduces the GreenSeam+ System

2010

Ductmate launched the GreenSeam+ System of sealed pipe and fittings at the 2011 AHR Expo in Las Vegas. The response from both engineers and contractors was overwhelming. The GreenSeam+ system dramatically reduces duct leakage and improves the overall ventilation system performance.