

Pam Hogg

From: Ed Houghton <ehoughton@collus.com>
Sent: Tuesday, March 22, 2016 3:52 PM
To: J. Mark Rodger
Cc: David McFadden; Sandra Cooper; John Worts; Pam Hogg; Cindy Shuttleworth; Larry Irwin
Subject: Collus March 8, 2016 Answers
Attachments: staff report re collus.eml; FW Draft Valuation Report and Options Analysis.eml; Analysis of Collus Power Offers.pdf; Collingwood_May24th.pdf; RE Staff report on CUS transaction.eml; Memo Re CollusPowerstreat0001.pdf; Clarification and Confirmation Meeting March 18 2016.pdf; May 30 Council Agenda & Minutes.pdf; RE Staff report on CUS transaction.eml; Debunking the Collus Myths.doc; Staff report on CUS transaction.eml; FW Staff Report.eml

Good Afternoon Mark:

Once again I want to thank you for giving us the time to appropriately answer the questions that you have given to us. As I am sure you can appreciate, this began more than 5 years ago and I needed to reacquaint myself with all of the files to ensure that our answers are accurate.

I have enclosed a single page whereby 7 of the 9 previous Council members are confirming that they were fully advised and apprised of the transaction and were completely satisfied with the process and the communications that took place. Along with this sheet one Council member also wanted to provided his own memo stating such. (Clarification and Confirmation Meeting March 18, 2016) (Memo Re CollusPowerStreat0001)

We have also enclosed a comprehensive review of the process that was compiled without our knowledge by Mr. Ian Chadwick. Ian was also a member of the former Council and by trade he is a writer and investigative journalist. He currently contracts himself to organizations such as the OMWA compiling news articles etc. (Debunking the Collus Myths)

Finally I have enclosed the email trail from the former CAO Ms. Kim Wingrove where she had drafted her Staff Report on the transaction and was requesting the Clerk Sara Almas, the Mayor and myself to make any changes. This has been a significant issue with the Town where they felt that I had drafted the report. You can see clearly that Ms. Wingrove did and Sara and I made minor changes. The last email is from Sara to her staff with the final Staff Report.

Mark we have included these pieces of information to provide evidence that we had a robust process that was communicated well to our Council and the public. It is extremely important to our Board, to PowerStream and to our staff that your report is accurate and fair and for that I wish to also thank you. As previously mentioned we would still respectfully request a meeting and review the revised report prior to it being presented to Council.

Regards.....Ed

From: Rodger, J.Mark [<mailto:MRodger@blg.com>]
Sent: March 9, 2016 11:16 AM
To: Ed Houghton
Cc: John Worts ([REDACTED]); Pam Hogg; McFadden, David (David.McFadden@gowlingwlg.com); Cindy Shuttleworth; Larry Irwin
Subject: Collus March 8, 2016 Answers

Ed, I am back in the office today and just had a quick read through of the answers you sent me yesterday afternoon. Thank you for this.

I have a few follow up questions based on what you sent me yesterday.

The reference to "tabs" relates to the binder of materials you sent me on February 23.

An email response to these questions is fine with any attachments as necessary.

Collus Response to Question 2: Follow-Up Questions

1. You indicated that KPMG provided Collus with information that netted certain deductions, closing adjustments etc. from the Hydro One proposal. KPMG must have done this for every offer Collus received.

Can you please send me the KPMG analysis since from the information I have it is not possible to make an "apples to apples" comparison of the proposals received which includes the proposed adjustments. I want to ensure I understand this clearly because there still appears to be a material difference in the purchase price offered from Hydro One v. all the other proponents.

Section C16 of the materials previously supplied has the complete KPMG analysis that Mr. John Rockx presented to Council. However I spoke to KPMG and they provided the attached comparison as you requested. (Analysis of Collus Power Offers) You will note that they also provide their opinion on the Enterprise Value as a multiple of rate base.

Collus Response to Question 3: Follow-up Question

1. Can you please show me where I find a reference in the material to Hydro One getting a score of 30 out of 30 for its financial offer. See for example the Collus slide deck dated Dec. 5, 2011 at tab 19. On page 14 of this deck it shows Hydro One as being first in terms of total cash consideration offered but then at the bottom of this table it shows Hydro One had a score of "0 out of 45".

This slide was explained fully to Council but I can see where there is confusion. As you know there were nine persons on the Strategic Partnership Task Team. Therefore there were nine persons reviewing the non-financial portions of the proposals. There were five sections in the non-financial portion. (9 times 5 = 45) At the bottom of the slide it shows how many times the nine reviewers rated the particular proposal first. For example, 33 times the nine reviewers rated PowerStream with a first in the non-financial portion. Hydro One did not receive any first place ratings in the non-financial portions thus they received 0 out of 45.

Hydro One got full marks for the financial consideration but did not win the bid based on the approved evaluation criteria. You can also see that the cash consideration evaluations that KPMG did on the Town's behalf are at the bottom of page 15.

Collus Response to Question 4: Follow-up Questions

1. At tab C1 you provided me with the council *minutes* that authorized council to move in camera on June 27, 2011.

What is missing is the *actual council direction* you referenced in your note to investigate the Strategic Partnership option. Can you please send me this council direction?

You can appreciate that we have no control over the creation of or the keeping of minutes or resolutions at Council. That is obviously a Town function. In fact, if we were not following direction one would presume that those minutes would have been taken as well. We followed Council's direction to the tee or they would have not voted unanimously in favour of the transaction nor would they have allowed us to continue to RFP and to ultimate sale of the shares. This is also evidenced by the page noted above whereby the previous Council have declared that we communicated fully the details of the process and the transaction. (Clarification and Confirmation Meeting March 18, 2016) (Memo Re CollusPowerStreat0001)

2. Further you indicate that Council only decided to investigate the Strategic Partnership option **AFTER** Council had reviewed the options as presented by KPMG. However the KPMG slide deck you provided me with at tab A is dated **July 11, 2011** or **after the June 27, 2011 meeting**. I note that the options presented to Council in that July 11 KPMG report were limited to the status quo and sale (partial or full sale). The strategic partnership option is not mentioned at all in this July KPMG slide deck.

So there is a disconnect here.

The Collus slide deck presented at the June 27, 2011 Council meeting already had clearly landed on the Strategic Partnership option as the only choice to be pursued – see page 24 of this slide deck: “It would be the intention to identify and investigate potential parties interested in the opportunities surrounding the strategic partnership option.....”.

If there is a KPMG options report or slide deck that was presented to Council **that predates the June 27, 2011 Council meeting** I have not seen it and please provide it to me. If the July 2011 KPMG deck is all there is, then there is a timing problem here – the decision to investigate the Strategic Partnership option on June 27, 2011 was decided **BEFORE** Council was presented with other options. So this needs to be clarified.

I also note that near the end of the slide deck to council at tab 23, you provided a time line of “key events”. This time line shows the first key event, dated June 27, 2011 as “Met with Council and received approval to investigate Strategic Partnership”. Nowhere on this key event summary does it identify an earlier council meeting with KPMG at which time Council reviewed the options? It is hard to imagine that any initial options meeting between Council and KPMG would have been missed in this summary of key events.

Let me fully explain with the appropriate evidence.

- Collus Power contracted with KPMG on March 11, 2011 to do amongst other things prepare an analysis of the sale value of Collus and prepare a summary of the advantages and disadvantages of various ownership options.
- KPMG completed their Calculation of Value for Collus Power on May 20th and their Review of Options document on May 24, 2011. (see Collingwood May24th.pdf)
- On May 30, 2011, Chair Dean Muncaster, CFO Tim Fryer and myself presented our 2011 Business Plan to Council. It should be known that this past Friday we met with 7 of the 9 previous Council members (of which 3 are part of the current Council including the Mayor) and we were reminded that at that presentation we were questioned about LDC consolidation. (Clarification and Confirmation Meeting March 18, 2016) We briefly explained what we were doing with KPMG and the various options which included Status Quo, full sale, merger or partial sale. We were advised that Council was not interested in a full sale and would not entertain an option of full sale. We took this as direction from Council. The May 30, 2011 Minutes of Council meeting state that; “Ed Houghton, President & CEO, Dean Muncaster, Chair and Tim Fryer, Chief Financial Officer provided a detailed

overview of the 2011 Collus Business Plan and addressed questions from Council.” (May 30 Council Agenda & Minutes)

- On June 11, 2011 Collus Power held a Special Board Meeting to discuss in-camera the contents of the presentation to Council on June 27. At that meeting Mayor Cooper reiterated that Council was not interested in a full sale because they see value in Collus and still wish to have some local control and local ownership. The Collus Power Board was comprised of Chair Dean Muncaster, David McFadden and Mayor Cooper. As members of the Board of Collus Power they had the responsibility to review various options and to make recommendations to Council and in the best interest of Council and the ratepayers of Collingwood. There was also a Special Board Meeting of Collingwood Utility Services held on June 17, 2011. At that meeting the Board Members present were, Chair Dean Muncaster, Joan Pajunen, Councillor Mike Edwards and Doug Garbutt. The Board went in-camera for the single item to discuss the June 27, 2011 presentation to Council.
 - On June 27, 2011, we presented a “Confidential Review of Options” to Council. All options were still on the table as this slide deck virtually mirrors the Slide Deck prepared by KPMG dated May 24, 2011. In the slide deck it reviews all options including Status Quo, full sale, partial and then a strategic partnership option. These were fully discussed in great detail with Council. As you can see, each option has an evaluation of the option as well as the advantages and disadvantages. The strategic option appeared at this time to be something palatable to Council however we had not investigated to see if in fact there would be any interest in this option. This is the reason that the “next steps” part of the presentation noted (Step 1) that it would be the intent to investigate potential parties interested in the opportunities surrounding the strategic partnership option. Step 2 noted that (Possible Step) to prepare an Expression of Interest. Step 3 was to prepare a Strategic Partnership Task Team. This clearly indicates that a Strategic Partnership option was very much an idea and not “cast in stone”. At this time, Council had ample opportunity to say that this option was not something they wished to consider but this was not the case.
 - On July 11, 2011, KPMG sent to us a “revised” slide deck noting a slight error in their wording about the transfer tax (page 4, 2nd paragraph). In the July 11, 2011 slide deck it states; “In 2009, however, the provincial government introduced a permanent holiday from this Transfer Tax for sales on municipally-owned LDCs to other entities.....” The previous deck stated; “From time to time, the provincial government has introduced time-limited exemptions (or holidays) from this tax....”. This change was requested by an email from former CFL Tim Fryer as evidenced by the attached email from Jonathon Erling of KPMG (Draft Valuation Report & Options Analysis). This revision and the sending of the revised document has created this confusion.
3. In your note you state that “on Sept. 29, 2011 members of the Task Team met with Council and provided an update on the outcome of the interviews as well as the basis for the RFP which included up to 50% sale of the shares of Collus Power”.

However in your materials you sent me (at tab 8) you only reference a meeting on Sept. 29 with **Collus Staff** to provide a confidential update – **not with Town Council**. So please send me the materials Collus provided to Council when you meet with Council on the September 29, 2011 date you cite.

I assume this September 29, 2011 meeting with Council was in camera, so there must be minutes of the Council meeting showing that Council agreed to move in camera (like the minutes you provided me as reference in point 1 above).

This was my error because I was off-site working off my blackberry, the date should have been October 3, 2011 as referenced in C9.

Collus Response to Question 8: Follow-up Questions

1. For the Retiring allowance cost incurred of \$87,000, which employee(s) received this payment?

Was the retiring allowance payment a condition of the sale to PowerStream? I was under the impression that all Collus employees maintained their jobs as a result of the partial sale to PowerStream so this is the first time reference has been made to retiring allowances being paid in connection with the PowerStream transaction.

This was a senior manager in the finance department that made a personal choice to request the Board to provide him with a retirement package.

Collus Response to Additional Questions:

7. In light of the proposed new shared services agreement between the Town and PowerStream for the provision of water services, please describe how Solutions intends to reduce its costs so that the LDC will not be burdened with higher costs given that the Town is taking back some of the services which were formally performed by Solutions.

As a result of the loss in revenue from Water Services, Collus PowerStream has engaged Protiviti to perform an operational efficiency review. Protiviti's approach and key tasks for this engagement are the following:

- Review existing data elements including organization structure and financial information
- Conduct interviews with key staff and process owners
- Synthesize information from the data and interviews into a report that identifies potential opportunities and provides high level estimate of cost/benefit of each
- Conduct working session with key senior management personnel to review findings

8. Please describe why the Town of Collingwood, as shareholder, benefits from keeping Solutions as a separate company given that it will now only provide services to the LDC? Has the CollusPowerStream board or management considered the impact of merging Solutions with the LDC so that all LDC costs are held within the regulated distribution company? If not, explain why.

For some time, even prior to the share sale, Staff have discussed the possibility of eliminating Solutions. We have been provided advice that it was better to keep Solutions in tact than to eliminate and then to recreate in the future if needed. Having said that there is staff time needed to keep separate books for Solutions and it costs us to continue to audit solutions. However to eliminate Solutions there are additional costs as well. For example if we roll the Solutions staff into the LDC the WSIB costs increase over \$10,000 (the WSIB rate for Power is 1.18 and for solutions is 0.36). However the Board has decided to seek legal and financial advice to determine the appropriate direction.

Ed, David, one other point I forget to include in my questions yesterday. Can you please send the complete Council Resolution dated July 8, 2011 (you send me an excerpt only at Tab 2). Thanks. Mark

What is provided in Tab 2 is the full resolution from Collus Power Board and not a resolution of Council.

Many thanks, Mark



J. Mark Rodger*
Incorporated Partner
Co-Chair, Energy Markets Group
T 416.367.6190 | F 416.361.7088 | mrodger@blg.com
Scotia Plaza, 40 King St W, Toronto, ON, Canada M5H 3Y4

Borden Ladner Gervais LLP | It begins with service
Calgary | Montréal | Ottawa | Toronto | Vancouver
blg.com

- **Mark Rodger Professional Corporation**



Please consider the environment before printing this email.

This message is intended only for the named recipients. This message may contain information that is privileged, confidential or exempt from disclosure under applicable law. Any dissemination or copying of this message by anyone other than a named recipient is strictly prohibited. If you are not a named recipient or an employee or agent responsible for delivering this message to a named recipient, please notify us immediately, and permanently destroy this message and any copies you may have. Warning: Email may not be secure unless properly encrypted.

Pam Hogg

From: Kim Wingrove <IMCEAEX-_O=TOC_OU=EXCHANGE+20ADMINISTRATIVE+20GROUP+20+28FYDIBOHF23SPDLT+29_CN=RECIPIENTS_CN=KWINGROVE@collus.com>
Sent: Thursday, January 19, 2012 9:57 PM
To: Ed Houghton; Sara Almas; Sandra Cooper
Subject: Staff report on CUS transaction
Attachments: collus sale SR.doc

I would appreciate your review of the attached. I have highlighted a few places that I felt were either sensitive or required a by-law number. Please pay special attention to these. I have tried to strike a balance between providing sufficient detail to support the recommendation with drowning everyone in detail. Your comments would be most welcome.

Thanks


Kim

- ←
- Info
- New
- Open
- Save
- Save As
- Save as Adobe PDF
- Print
- Share
- Export
- Close
- Account
- Options
- Feedback


Info

Staff_Report_CAO-2012-01Collus


E-mail attachment: C:\Users\phogg\AppData\Local\Microsoft\Windows\NetCache\Content.Outlook\PCNCHUWR\Staff_Report_CAO-2012-01Collus.docx

 **Save As**


Read-Only Document
This document has been opened in read-only mode. Changes cannot be made to the original document. To save changes, create a new copy of the document.

 **Convert**

Compatibility Mode
Some new features are disabled to prevent problems when working with previous versions of Office. Converting this file will enable these features, but may result in layout changes.

 **Protect Document**

Control what types of changes people can make to this document.

 **Check for Issues**

Inspect Document
Before publishing this file, be aware that it contains:

- Revisions
- Document properties, author's name and related dates
- Headers and footers
- Characters formatted as hidden text
- Content that cannot be checked for accessibility issues because of the current file type

 **Manage Document**

There are no unsaved changes

Properties

Size	95.9KB
Pages	5
Words	1574
Total Editing Time	12 Minutes
Title	Add a title
Tags	Add a tag
Comments	Add comments
Template	Normal.dotm
Status	Add text
Categories	Add a category
Subject	Specify the subject
Hyperlink Base	Add text
Company	Collingwood

Related Dates

Last Modified	1/20/2012 7:21 AM
Created	1/20/2012 7:00 AM
Last Printed	Today, 9:27 AM

Related People

Manager	Specify the manager
Author	JP Jennifer Pearson
	Add an author
Last Modified By	KW Kim Wingrove

[Show Fewer Properties](#)

Pam Hogg

From: Sara Almas <salmas@collingwood.ca>
Sent: Thursday, January 19, 2012 11:22 PM
To: Kim Wingrove; Ed Houghton; Sandra Cooper
Subject: RE: Staff report on CUS transaction
Attachments: collus_sale_SR[1].doc

My suggested changes

You have been involved in the process so I understand if some of the changes may not be appropriate.

S

From: Kim Wingrove
Sent: January 19, 2012 9:56 PM
To: Ed Houghton; Sara Almas; Sandra Cooper
Subject: Staff report on CUS transaction

I would appreciate your review of the attached. I have highlighted a few places that I felt were either sensitive or required a by-law number. Please pay special attention to these. I have tried to strike a balance between providing sufficient detail to support the recommendation with drowning everyone in detail. Your comments would be most welcome.

Thanks

Kim

Pam Hogg

From: Kim Wingrove <IMCEAEX-_O=TOC_OU=EXCHANGE+20ADMINISTRATIVE+20GROUP+20+28FYDIBOHF23SPDLT+29_CN=RECIPIENTS_CN=KWINGROVE@collus.com>
Sent: Friday, January 20, 2012 6:58 AM
To: Sara Almas; Ed Houghton
Subject: RE: Staff report on CUS transaction
Attachments: collus_sale_SR[1][1].doc

Good morning. Sara, I accepted your changes and corrected a couple of other things I found. Ed, once you have reviewed I think this is good to go.

Kim

Pam Hogg

From: Kim Wingrove <IMCEAEX-_O=TOC_OU=EXCHANGE+20ADMINISTRATIVE+20GROUP+20+28FYDIBOHF23SPDLT+29_CN=RECIPIENTS_CN=KWINGROVE@collus.com>
Sent: Friday, January 20, 2012 7:23 AM
To: Ed Houghton; Sara Almas
Subject: staff report re collus
Attachments: Staff_Report_CAO-2012-01Collus.docx

I accepted the edits, made collus all caps in a couple of spots, removed the highlight. I think you can review this version Ed.

Pam Hogg

From: Sara Almas <salmas@collingwood.ca>
Sent: Friday, January 20, 2012 9:52 AM
To: Megan Schollenberger
Cc: Kim Wingrove; Ed Houghton
Subject: FW: Staff Report
Attachments: Staff_Report_CAO-2012-01Collus v2.docx

Here is the final CAO2012-01 Staff Report ... I will forward the appendix separately.

Please ensure that all changes are accepted, and the document is in its final form. When you are done can you please pdf the entire report and forward to our attention for final review.

Thanks,

Sara

Sara J. Almas, CMMII Clerk
 Corporation of the Town of Collingwood
 97 Hurontario Street, PO Box 157
 Collingwood, ON L9Y 3Z5

Phone: 705-445-1030 ext. 3225

Fax: 705-445-2448

Email: salmas@collingwood.ca



Please consider the environment before printing this e-mail.

This transmission may contain information that is subject to or exempt from disclosure pursuant to the *Municipal Freedom of Information and Protection of Privacy Act* and other applicable law. The information contained in and/or attached to this transmission is intended solely for the intended recipient. If you are not the intended recipient, you are hereby notified that any disclosure, photocopying, distribution or dissemination of the contents, in whole or in part, is unauthorized and prohibited. If you have received this transmission in error, please notify the sender immediately and destroy all copies.



From: Ed Houghton
Sent: Friday, January 20, 2012 7:34 AM
To: Kim Wingrove
Cc: Sara Almas
Subject: Staff Report

Kim:

Just a couple other minor changes. Please note that I have stated "unanimous" support for the resolution from the Collus Board. The vote will be taking place today at 8:00 and I will let you know immediately if this is not the case.

Ed

Mr. Ed Houghton, President & CEO

Collingwood Utility Services Corp.

P.O. Box 189, 43 Stewart Road

Collingwood , ON

L9Y 3Z5

Phone: 705-445-1800, 2222

Fax: 705-445-2549

Email: ehoughton@collus.com

Important Notice: This message is intended only for the use of the person to whom it is addressed, and may contain information which is privileged and confidential. If you are not the intended recipient, you are hereby notified that distribution or copying this message is strictly prohibited. If you received this in error, please notify the sender and delete the original message and attachments.



STAFF REPORT

REPORT #:	CAO 2012-001
DATE:	January 23, 2012
SUBMITTED TO:	Department Heads
SUBMITTED BY:	Kimberly Wingrove, CAO
SUBJECT:	COLLUS PowerStream Strategic Partnership

1. RECOMMENDATION:

THAT Council receive Staff Report CA02012-01 titled COLLUS PowerStream Strategic Partnership, and enact By-law 2012-011 to execute the agreements with respect to the sale of 50% of the shares of the Collingwood Utility Services Corp to PowerStream Inc. Town and related matters.

2. SUMMARY AND BACKGROUND:

Council is being asked to approve the sale of 50% of the shares of Collingwood Utility Services Corp. to PowerStream Inc. Currently, the Town of Collingwood is the sole shareholder of Collingwood Utility Services Corporation. Collingwood Utility Services Corp. serves 15,000 business and residential customers in Collingwood, Creemore, Thornbury and Stayner.

PowerStream is the second largest municipally-owned electricity distribution company in Ontario, delivering power to more than 335,000 customers. Powerstream serves the communities of Alliston, Aurora, Barrie, Beeton, Bradford West Gwillimbury, Markham, Penetanguishene, Richmond Hill, Thornton, Tottenham and Vaughan. The company is jointly owned by the municipalities of Barrie, Markham and Vaughan.

During the last term of council, a review of operations was initiated as part of COLLUS' ongoing approach to ensure that our Municipality is receiving the most value for its dollar with a focus on fiscal responsibility and the reduction of debt. Immediately following the 2010 municipal election, Council challenged us all to begin looking for new opportunities and attempt to do more with less. The COLLUS board then engaged KPMG to look at the corporation's value, to provide the board with a review of what is happening in the electricity distribution industry, to provide insight to what might happen in the future and to provide various strategic ownership options.

After examining several options, a strategic partnership option was chosen for several reasons:

- **Reduced Risk.** The Town will reduce/mitigate itself from the risks of being in the electricity distribution business specifically in the area commodity risk.
- **Retains an Income Stream.** The Town will continue to earn a future dividend stream based on equity ownership in the new partner's Local Distribution Company (LDC).
- **Operating Synergies with the Shareholder.** The Town retains the ability to obtain operating cost synergies through the integration of support functions with the water utility and IT.
- **Control.** The Town retains joint-control of the utility and its decisions with respect to levels of customer service, promotion of economic development, rates, subject to OEB oversight.
- **Provides Additional Funding to Town:** The funds that are received as a result of this partnership transaction will allow the Municipality to reduce debt or to be available for valued community projects.
- **Policy Challenges.** This option does address the expected push for additional consolidation of LDCs in the province.
- **Future Opportunities.**

The share purchase agreement and shareholders agreement address the requirements of the strategic partner relationship including:

- An investment of up to 50% in Collingwood Utility Services Corp. shares
- Provision of strategic and specialized resources to Collingwood Utility Services through Service Agreements
- Support in growing the Collingwood Utility Services business, both organically and through acquisition
- Continued and enhanced support for the interests of the communities we serve and our employees
- Continued and substantial presence in the communities we serve
- Continued focus on maintaining and enhancing the competitive distribution rate and cost structure of Collingwood Utility Services Corp.

This request does not include any of the activities associated with the water operations.

Collingwood Public Utilities Services will continue these operations “as is”.

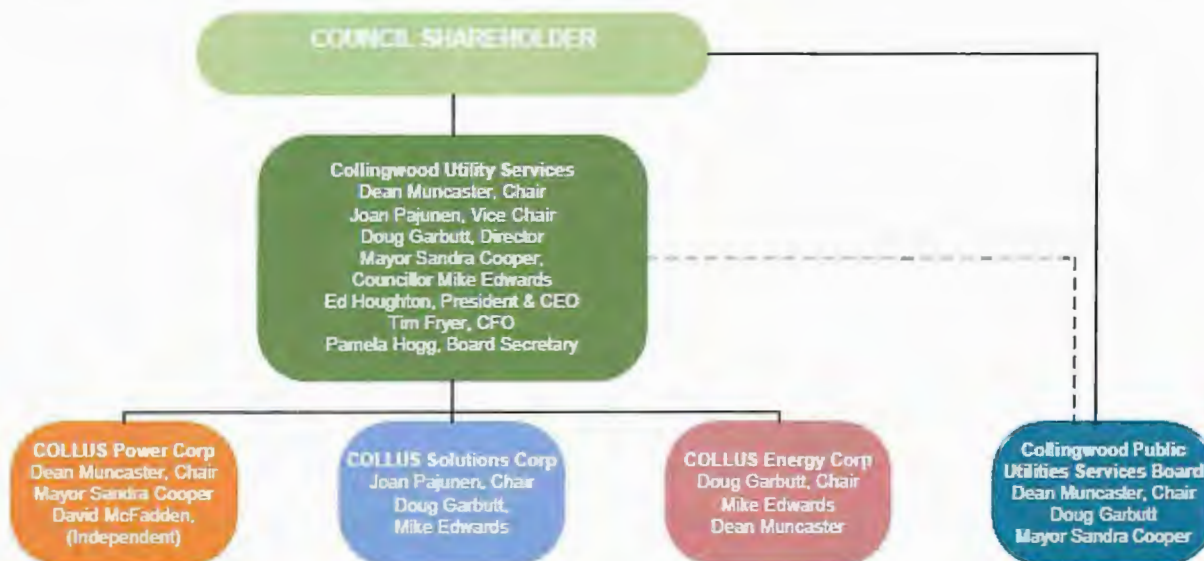
Further to the resolution passed by the Board of Collingwood Utility Services Corp. (see attached), the Town, as the sole shareholder of Collingwood Utility Services Corp., is being asked to approve a transaction wherein the Town will sell 50% of its shares in the issued capital of Collingwood Utility Services Corp. to PowerStream Inc., pursuant to a share purchase agreement and enter into an agreement respecting the governance, shareholdings and related matters of and regarding Collingwood Utility Services Corp. (the “Unanimous Shareholders Agreement”), each of the draft Share Purchase Agreement and the Unanimous Shareholder Agreement having been provided to Council and approved by Collingwood Utility Services Corp.;

With Council approval, the Town and Collingwood Utility Services will enter into the Share Purchase Agreement with PowerStream, to approve the Transaction contemplated thereby, and following the fulfillment of and completion of certain conditions precedent set out therein, sell the Shares and enter into the Unanimous Shareholders Agreement.

The resolution directs the Mayor of the Town of Collingwood and the Clerk to execute the Share Purchase Agreement and the Unanimous Shareholders Agreement, with such changes as they may consider reasonable, and to execute all documentation necessary to effect the sale of the Shares to PowerStream, the Transaction and By-law 2012-011, including without limitation approve financing, authorize and file articles of amendment, amend bylaws, amend and enter into service agreements between the Town and Collingwood Utility Services or its Subsidiaries, authorize dividends to be declared and paid by Collingwood Utility Services and the Subsidiaries and authorize repayment of debt under the outstanding promissory note issued to the Town by COLLUS.

3. DISCUSSION:

As noted above, Collingwood Utility Services is wholly owned by the Town; each of COLLUS Power Corp. ("COLLUS"), COLLUS Energy Corp. ("Energy") and COLLUS Solutions Corp. ("Solutions") is a wholly owned subsidiary of Collingwood Utility Services (collectively, COLLUS, Energy and Solutions are referred to as the "Subsidiaries");



As a regulated utility, COLLUS Power is subject to oversight by the Ontario Energy Board (OEB). Thus, decisions on rates and services quality for any owner are constrained by OEB rules in place

Upon review of the strategic ownership options prepared by KPMG, Town Council gave direction to COLLUS to further investigate the Strategic Partnership option through the creation of a Strategic Partnership Task Team (August 2011) and to issue a Request for Proposal (RFP) (issued October 4, 2011) to prospective partners. Upon review and rating of the various proposals submitted according to the RFP, COLLUS made a recommendation (December 5, 2011) to Town Council that COLLUS be directed by the Town to complete negotiations with PowerStream Inc. ("PowerStream"). KPMG LLP and legal representatives from Aird and Berlis were engaged throughout the negotiation process. It was determined that the transaction would be most beneficial to the Town if the Town was to sell a 50% interest in Collingwood Utility Services Corp.. As such, the Share Purchase Agreement and the Unanimous Shareholder's Agreement reflect this structure.

The Share Purchase agreement details the financial considerations being provided to the Town by PowerStream Inc. It includes amongst other items, a dispute resolution mechanism should there be any disagreement on the final financial figures. It also contains the representations and warranties made by the Town regarding corporate power and authority and appropriate by-laws to enter into the transaction. It outlines the service agreements with the Town and details the employee groups and any contractual agreements in place respecting them. There are a number of conditions to closing including sign off by third party and regulatory agencies such as the Ontario Energy Board and Infrastructure Ontario. There is a drop dead date of December 31, 2012 for the completion of these conditions.

The Unanimous Shareholders agreement is entered into by PowerStream and the Town of Collingwood upon execution of the Share Purchase agreement. It requires a new strategic plan be created within 6 months that will be updated every 3 years. The Shareholders Agreement also outlines board composition (equal representation, co-chairs for the first 2 years, 3 year director terms), conditions requiring shareholder approval, development of a business plan and the dividend policy. Collingwood Utility Services Corp. has the first right of refusal on mutually acceptable participation in any future mergers or acquisitions undertaken by both PowerStream and COLLUS.

4. EFFECT ON TOWN FINANCES:

Under the terms of the Share Purchase Agreement, the Town of Collingwood will receive cash and other considerations valued at approximately \$15M. Under the Ontario Electricity Act., the Town would pay a Transfer Tax equal to 33%, less Payments in-lieu of Taxes (PILS) of the proceeds if it sells its ownership interest in COLLUS to another entity. At present, the Provincial government has introduced an exemption (or "holiday") from transfer tax for sales of municipally-owned utilities to entities owned by municipalities or by the province.

A commitment has been made to hold a public meeting to determine where the proceeds of the sale would be directed.

5. DISPOSITION:

If approved, By-law 2012-011 shall come into full force and effect upon the Mayor and the Clerk being authorized, for and on behalf of the Town, to execute the Share Purchase Agreement and the Unanimous Shareholders Agreement, with such changes as they may consider reasonable, and to execute all documentation necessary to effect the sale of the Shares to PowerStream, the Transaction and this By-law, including without limitation approved financing, authorize and file articles of amendment, amend bylaws, amend and enter into service agreements between the Town and Collingwood Utility Services Corp. or its Subsidiaries, authorize dividends to be declared and paid by Collingwood Utility Services and the Subsidiaries and authorize repayment of debt under the outstanding promissory note issued to the Town by COLLUS.

The Collingwood Utility Services Board and the Town of Collingwood will proceed with the fulfillment of the conditions of the Share Purchase Agreement.

6. APPENDICES:

- Resolution of Board, Collingwood Utility Services Corp., January 20, 2012

SIGNATURE

Kimberly Wingrove
CAO
Town of Collingwood

