

Message

From: Rockx, John [jrockx@kpmg.ca]
Sent: 11/25/2011 4:27:54 PM
To: Ed Houghton [ehoughton@collus.com]
CC: Herhalt, John M [jherhalt@kpmg.ca]
Subject: Preliminary Analysis of Offers

<<Summary of Offersv1.xlsx>>

Ed:

Here is the preliminary analysis / matrix of the financial component of the Proposals for a 50% share interest in Collus. The first worksheet prints out on a 11 x 17 page layout. Please review and provide your comments.

A few matters of note:

1. All the offers are non-binding.
2. The areas highlighted in green represent the main areas of differentiation between the proposals.
3. The areas highlighted in yellow require a follow-up discussion / clarification with the prospective purchasers.
4. Fundamentally, Hydro One's offer appears to be the highest. In addition to a higher cash component, the FMV of the Town's remaining 50% share interest is also higher under Hydro One's offer as Hydro One appears to inject the lowest level of new indebtedness into Collus Power. I can assume a higher level of indebtedness and equalize the recapitalized balance sheet – this would result in additional dividends to the Town and Hydro One.

The other worksheets show some detail of the financial calculations against a projected balance sheet position of Collus Power as at December 31, 2011. These are supportive in nature.

I am prepared to ask a few additional questions of the prospective purchasers. Key issues are what long-term liabilities are assumed to be excluded from Collus's closing balance sheet in conjunction with the share offers (i.e. Infrastructure Ontario debt, post retirement liability, net regulatory liability) as well as a clarification of closing date financial metrics /hurdles (normal working capital requirements/ rate base levels etc).

I am available for a phone call once you have reviewed the details. [REDACTED]

Over the weekend – use my cell phone at [REDACTED]

Best Regards,

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