

Comparison of Proposals - Financial Considerations

Further clarification required

Key areas of difference / significance

Business Issue	Hydro One	Powerstream	Horizon Utilities	Veridian
Binding / Non-binding	Non-binding	Non-binding	Non-binding	Non-binding
Exclusivity	Yes		90 day offer, extendible	
Shares	Up to 50% of the common shares of Collus Power; would consider lower share % with price adjustment	50% of shares of Collus Power	50% of shares of Collus Power (would also be interested in acquiring a share interest in Collus Solutions and possibly Collus Utility Services)	50% of shares of Collus Power
Share Purchase Price	\$13.6 million for a 50% share interest	\$7.3 million for a 50% share interest	\$6.5 million to \$8.5 million Assume \$7.5 million for analysis	\$6.5 million for a 50% share interest (\$250K holdback)
Unassumed Liabilities	\$4.112 million of unassumed liabilities	\$1.412 million of unassumed liabilities	No unassumed liabilities (confirm)	No unassumed liabilities (confirm)
Net Share Purchase Price	\$9.488 million for shares	\$5.888 million for shares	\$7.5 million for shares	\$6.5 million for shares
Recapitalization	Recapitalization to 60% / 40% debt to equity Borrow \$8.1 million of new debt \$3.2 million dividend to Town \$3.2 million dividend to Hydro One \$1.71 million to repay shareholder loan	Recapitalization to 60% / 40% debt to equity Borrow \$7.2 million of new debt \$5.5 million pre-closing dividend to Town \$0 million dividend to Powerstream \$1.71 million to repay shareholder loan	Recapitalization to 60% / 40% debt to equity Assumed \$5.7 million of new debt \$2.0 million dividend to Town \$2.0 million dividend to Horizon Utilities \$1.71 million to repay shareholder loan	Recapitalization to 60% / 40% debt to equity Borrow \$5.7 million of new debt \$2.0 million dividend to Town \$2.0 million dividend to Veridian \$1.71 million to repay shareholder loan
Existing Shareholder Loan	\$1.71 million payout	\$1.71 million payout, option of the Town	\$1.71 million payout	\$1.71 million payout
Total cash consideration to the Town of Collingwood	\$14.398 million in cash (\$13.6 million + \$3.2 million + \$1.71 million less \$4.112 million of unassumed liabilities)	\$13.098 million in cash (\$7.3 million + \$5.5 million + \$1.71 million less \$1.412 million of unassumed liabilities)	\$11.21 million in cash (\$7.5 million + \$2.0 million + \$1.71 million less \$0 million of unassumed liabilities) High end of range adds up to \$1.0 million	\$10.21 million in cash (\$6.5 million + \$2.0 million + \$1.71 million less \$0 million of unassumed liabilities)
NBV of 50% share interest (Higher is better, less debt)	\$4,457,500.00 Extra value of \$900K to \$1.35 million (1.5X) due to lower leverage)	\$3,557,500.00	\$3,601,500.00	\$3,601,500.00
Closing Date	Upon OEB approval	Upon OEB approval MADD application required	Upon OEB approval MADD application required	Proposed closing date of April 2, 2012 Subject to OEB approval and MADD
Future Dividend Policy	Pay dividends in profitable years Board of Directors to make decision based on cash needs etc.	Dividend policy to be determined based on policies of other LDCs Expect to pay dividends in 2013 forward Expect to pay out 50% of future net income, subject to sufficient net working capital, capex needs etc. Estimate of \$400K to \$500 (100% basis) of dividends paid in 2013	Adopt Horizon dividend policy Dividends up to 60% of annual net income Board of Director decision based on financial prudence	Dividend policy similar to that of Veridian Board approval of dividends based on various factors and ability to pay a dividend Need to create a Return on Equity Policy to optimize shareholder returns
Governance	Board of Directors comprised of 20% Collingwood 20% Hydro One 60% Independents	Board of Directors comprised of 50% Collingwood 50% Powerstream Majority are independents Two co-chairs	Board of Directors comprised of 50% Collingwood 50% Powerstream Majority are independents 4 or 6 directors	Board of directors comprised of 2 members appointed by each of the Town and Veridian These directors would be independent
Transfer Tax	Intention is for no transfer tax to be triggered on the transaction			Intention is for no transfer tax to be triggered on the transaction

Employee Issues		Presumably no change to Collus employees Collus Solutions employees ???	Presumably no change to Collus employees Collus Solutions employees ???	Presumably no change to Collus employees Acquire Collus Solutions employees	Presumably no change to Collus employees Collus Solutions employees ???
Base Offer		Assumes \$17.9 million rate base	Work to closing December 31, 2011		Closing NBV not less than Dec 31, 2010 NBV
Closing Adjustments		Some closing adjustments TBD	balance sheet		
Legal conditions precedent					
	IFRS compliance	With no major change in FS			
	Due diligence		Satisfactory due diligence	Satisfactory due diligence/ mgmt discussions	Satisfactory due diligence
	Shareholder Agreement	Required - to be negotiated	Required - to be negotiated	Required - to be negotiated	Required - to be negotiated
	Share Purchase Agreement	Required - to be negotiated	Required - to be negotiated	Required - to be negotiated	Required - to be negotiated
	Reps and warranties	Customary items	Customary items		
	Outstanding litigation	No outstanding litigation			
	Approvals	Town approval, Hydro One Board	Town approval, Powerstream Board	Town approval, Horizon Board	Town approval, Veridian Board
	Mearie claims	Not assuming pre-closing claims			
	Normal operations	No material change in business			No material change in business
Financial conditions precedent					
	Regulatory liabilities	Nominal net regulatory liabilities			
	Rate base requirement	\$17.9 million minimum at Closing			
	Working capital	Silent	Have deemed working capital ratio at closing	Appropriate level of WC / cash at closing	
	Pension / OPEB liabilities				
	Assets	Unencumbered at Closing			
	Mearie obligations	No Mearie obligations			
	Water liabilities	Not accepted			
Future rates of Collus		Keep rates as low as possible No harmonization of rates/separate company 2013 rate filing at maximum allowable return on equity	Keep rates as low as possible No harmonization of rates as Collus will be a separate company	Keep rates as low as possible Seek increased investment value for shareholders Horizon has low OMA costs per customer; However, no rate harmonization of rates as Collus will be a separate company	Keep rates as low as possible Need to create a Return on Equity Policy to optimize shareholder returns No harmonization of rates/separate company
Participation in future growth		Assist in organic growth of Collus Silent on approach to participating in future LDC acquisitions	Assist in organic growth of Collus Silent on approach to participating in future LDC acquisitions	Silent	Silent
Exit strategy		Right of first refusal to Hydro One	Liquidity rights to be negotiated and included in Shareholders Agreement Right of first refusal to both Parties Shot-gun clause begins two years after closing Town of Collingwood will have right to put shares to Powerstream at FMV calculated on same basis as initial transaction	Right of first refusal to both Parties Other liquidity clauses to be negotiated	Liquidity rights to be negotiated and included in Shareholders Agreement Right of first refusal to both Parties Also include a shot-gun provision and a piggy-back provision
Shared services / relationships		To be determined	To be determined Service Level Agreement to be negotiated	To be determined Need to consider management services to Water / Wastewater utility if acquire Collus Solutions; disentangle from water	To be determined
Collus Solutions		Can be included if appropriate		Ideally include Collus Solutions in the transaction with merger after closing	
Transaction Costs		Each party pays own			
Other matters					
Community Support		Yes - various financial support 20 jobs transferred to Collingwood	Town of Collingwood Community Fund - \$25,000		

Questions

\$2.7 million debt is outstanding
Rate base of \$17.9 million
Confirm \$13.6 million
Closing date adjustments
Regulatory liabilities
Excluded liabilities
Exempt from transfer taxes

Excluded liabilities
OPEB liability
Assume regulatory liability + nil
Determine deemed NWC at closing

Clarify excluded liabilities
Clarify debt recapitalization
Range of values
Collus Solutions in or out

YTD FS
Year end balance sheet
Projected BS position - Dec 31, 2011
Rate base

Need some lines in the sand for price adjustments
NWC levels - changing
Regulatory liability positions
Rate base issues
IFRS matters

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Collus Power Corp.
Proforma Balance Sheet as at December 31, 2011
Non-IFRS Basis
(\$ 000's)

		Net Book Value as at 31-Dec 2010 <u>(Actual)</u>
ASSETS		
Current Assets		
	Cash	\$ 2,923
	Other current assets	<u>8,528</u>
		11,451
	Property, plant and equipment	12,764
	Goodwill	277
	Intangible - software	278
	Future taxes recoverable	<u>157</u>
		<u>24,927</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
	Accounts payable and accruals	7,384
	Customer deposits, current	431
	Income taxes payable	<u>-</u>
		7,815
	Employee future benefit costs	308
	Long-term net regulatory liabilities	1,412
	New financing	-
	Note payable to Town of Collingwood	1,710
	Long-term debt - Ontario Infrastructure	<u>2,900</u>
		14,145
	Shareholder's Equity	<u>\$ 10,782</u>
	Town's net investment	

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Hydro One Proformas

Net Book Value as at 31-Dec 2011 (Projected)	FMV Increase (Decrease)	Unassumed Liabilities	Recapitalization	Revised Balance Sheet	
2,550	-	-	(10)	2,540	
8,029	-	-	-	8,029	
10,579	-	-	(10)	10,569	
13,007	-	-	-	13,007	
277	-	-	-	277	
278	-	-	-	278	
157	-	-	-	157	
24,298	-	-	(10)	24,288	
6,634	-	-	-	6,634	
331	-	-	-	331	
-	-	-	-	-	
6,965	-	-	-	6,965	17,046
308	-	-	-	308	
1,412	-	(1,412)	-	-	
-	-	-	8,100	8,100	
1,710	-	-	(1,710)	-	
2,700	-	(2,700)	-	-	
13,095	-	(4,112)	6,390	15,373	
11,203	-	4,112	(6,400)	8,915	
1,710	-	-	-	-	
12,913	-	-	-	-	
		Debt	8,100	47.6%	
		Equity	8,915	52.4%	
			17,015	100.0%	
			NBV	Paid to Town	
Shares (50%)			-	13,600	
Less: Unassumed liabilities			(4,112)	(4,112)	
			7,658	9,488	
Post-closing dividend			3,200	3,200	
Note payable			1,710	1,710	
Cash proceeds			8,456	14,398	
Remaining shares (50%)			4,458	6,686 (*)	
Total proceeds			12,913	21,084	

(*) Assumes FMV equals (closing NBV x 1.50 x 50% interest).

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Schedule 1

Could assume same debt level as PowerStream (900K)

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Collus Power Corp.
Proforma Balance Sheet as at December 31, 2011
Non-IFRS Basis
(\$ 000's)

ASSETS

Current Assets

Cash
Other current assets

Property, plant and equipment
Goodwill
Intangible - software
Future taxes recoverable

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities

Accounts payable and accruals
Customer deposits, current
Income taxes payable

Employee future benefit costs
Long-term net regulatory liabilities
New financing
Note payable to Town of Collingwood
Long-term debt - Ontario Infrastructure

Shareholder's Equity

Town's net investment

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	Net Book Value as at 31-Dec 2010 (Actual)	Net Book Value as at 31-Dec 2011 (Projected)	FMV Increase (Decrease)
\$	2,923		2,550
	8,528		8,029
	11,451		10,579
	12,764		13,007
	277		277
	278		278
	157		157
	24,927		24,298
	7,384		6,634
	431		331
	-		-
	7,815		6,965
	308		308
	1,412		1,412
	-		-
	1,710		1,710
	2,900		2,700
	14,145		13,095
\$	10,782		11,203
			1,710
			12,913

Adjust to deemed working capital level at closing

Shares (50%)
Less: Unassumed liabilities

Pre-closing dividend
Note payable
Cash proceeds
Remaining shares (50%)

Total proceeds

(*) Assumes FMV equals (closing NBV x 1.50 x 50% interest).

Schedule 2

PowerStream Proformas

Unassumed Liabilities	Recapitalization	Revised Balance Sheet	
-	(10)	2,540	
	-	8,029	
-	(10)	10,569	
	-	13,007	
	-	277	
	-	278	
	-	157	
-	(10)	24,288	
	-	6,634	
	-	331	
	-	-	
-	-	6,965	17,046
	-	308	
(1,412)	-	-	
	7,200	7,200	
	(1,710)	-	
-	-	2,700	
(1,412)	5,490	17,173	
1,412	(5,500)	7,115	

Debt	9,900	58.2%
Equity	7,115	41.8%
	17,015	100.0%

NBV	Paid to Town	Premium to NBV
	7,300	
(1,412)	(1,412)	
3,558	5,888	
5,500	5,500	
1,710	1,710	
9,356	13,098	3,743
3,558	5,336 (*)	
12,913	18,434	5,521

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Collus Power Corp.
Proforma Balance Sheet as at December 31, 2011
Non-IFRS Basis
(\$ 000's)

		Net Book Value as at 31-Dec 2010 <u>(Actual)</u>
ASSETS		
Current Assets		
	Cash	\$ 2,923
	Other current assets	<u>8,528</u>
		11,451
	Property, plant and equipment	12,764
	Goodwill	277
	Intangible - software	278
	Future taxes recoverable	<u>157</u>
		<u>24,927</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
	Accounts payable and accruals	7,384
	Customer deposits, current	431
	Income taxes payable	<u>-</u>
		7,815
	Employee future benefit costs	308
	Long-term net regulatory liabilities	1,412
	New financing	-
	Note payable to Town of Collingwood	1,710
	Long-term debt - Ontario Infrastructure	<u>2,900</u>
		14,145
	Shareholder's Equity	<u>\$ 10,782</u>
	Town's net investment	

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Horizon Proformas

Net Book Value as at 31-Dec 2011 (Projected)	FMV Increase (Decrease)	Unassumed Liabilities	Recapitalization	Revised Balance Sheet	
2,550	-	-	(10)	2,540	
8,029	-	-	-	8,029	
10,579	-	-	(10)	10,569	
13,007	-	-	-	13,007	
277	-	-	-	277	
278	-	-	-	278	
157	-	-	-	157	
24,298	-	-	(10)	24,288	
6,634	-	-	-	6,634	
331	-	-	-	331	
-	-	-	-	-	
6,965	-	-	-	6,965	17,046
308	-	-	-	308	
1,412	-	-	-	1,412	
-	-	-	5,700	5,700	
1,710	-	-	(1,710)	-	
2,700	-	-	-	2,700	
13,095	-	-	3,990	17,085	
11,203	-	-	(4,000)	7,203	
1,710	-	-	-	1,710	
12,913	-	-	-	12,913	
		Debt	8,400	53.8%	
		Equity	7,203	46.2%	
			15,603	100.0%	
			NBV	Paid to Town	
Shares (50%)			-	7,500	(Range)
Less: Unassumed liabilities			-	-	
			5,602	7,500	
Post-closing dividend			2,000	2,000	(Assumed)
Note payable			1,710	1,710	
Cash proceeds			9,312	11,210	
Remaining shares (50%)			3,602	5,402	(*)
Total proceeds			12,913	16,612	

(*) Assumes FMV equals (closing NBV x 1.50 x 50% interest).

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Schedule 3

Strictly Private and Confidential

Collus Power Corp.
Proforma Balance Sheet as at December 31, 2011
Non-IFRS Basis
(\$ 000's)

		Net Book Value as at 31-Dec 2010 <u>(Actual)</u>
ASSETS		
Current Assets		
	Cash	\$ 2,923
	Other current assets	<u>8,528</u>
		11,451
	Property, plant and equipment	12,764
	Goodwill	277
	Intangible - software	278
	Future taxes recoverable	<u>157</u>
		<u>24,927</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
	Accounts payable and accruals	7,384
	Customer deposits, current	431
	Income taxes payable	<u>-</u>
		7,815
	Employee future benefit costs	308
	Long-term net regulatory liabilities	1,412
	New financing	-
	Note payable to Town of Collingwood	1,710
	Long-term debt - Ontario Infrastructure	<u>2,900</u>
		14,145
	Shareholder's Equity	<u>\$ 10,782</u>
	Town's net investment	

Strictly Private and Confidential

Veridian Proformas

Net Book Value as at 31-Dec 2011 (Projected)	FMV Increase (Decrease)	Unassumed Liabilities	Recapitalization	Revised Balance Sheet
2,550	-	-	(10)	2,540
8,029	-	-	-	8,029
10,579	-	-	(10)	10,569
13,007	-	-	-	13,007
277	-	-	-	277
278	-	-	-	278
157	-	-	-	157
24,298	-	-	(10)	24,288
6,634	-	-	-	6,634
331	-	-	-	331
-	-	-	-	-
6,965	-	-	-	6,965
308	-	-	-	308
1,412	-	-	-	1,412
-	-	-	5,700	5,700
1,710	-	-	(1,710)	-
2,700	-	-	-	2,700
13,095	-	-	3,990	17,085
11,203	-	-	(4,000)	7,203
1,710	-	-	-	1,710
12,913	-	-	-	12,913
		Debt	8,400	53.8%
		Equity	7,203	46.2%
			15,603	100.0%
			NBV	Paid to Town
Shares (50%)			-	6,500
Less: Unassumed liabilities			-	-
			5,602	6,500
Post-closing dividend			2,000	2,000
Note payable			1,710	1,710
Cash proceeds			9,312	10,210
Remaining shares (50%)			3,602	5,402 (*)
Total proceeds			12,913	15,612

(*) Assumes FMV equals (closing NBV x 1.50 x 50% interest).

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Schedule 4

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KPMG	14.1	16.3	15.2
Debt	1.71	1.71	1.71
	15.81	18.01	16.91

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	Cash	Shares	Total
Hydro One	14,398	6,686	21,084
PowerStream	13,098	5,336	18,434
Horizon	11,210	5,402	16,612
Veridian	10,210	5,402	15,612