

Message

From: John Glicksman [/O=POWERSTREAM/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=JOHN.GLICKSMAN]
Sent: 11/28/2011 11:32:38 AM
To: Rockx, John [jrockx@kpmg.ca]
CC: Brian Bentz [/O=POWERSTREAM/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=Bentzb]; Glicksman, John
BCC: [REDACTED]; Paul Bonwick [paulbonwick@compenso.ca]; Dennis Nolan [/O=POWERSTREAM/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=Dennis.nolan]; Mark Henderson [/O=POWERSTREAM/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=Mark.henderson]; 'daniel.miller@powerstream.ca' [daniel.miller@powerstream.ca]; John A. McNeil JD, MBA [jmcneil@bdrenergy.com]
Subject: Confidential: re: Collus Power- Potential Further Clarification
Attachments: Special Recapitalization Dividend Methodology.doc

John,

Further to our brief discussion this morning, I spoke to Brian Bentz, our President & CEO, after our call and he asked that I re-emphasize the following to you. When we put our bid together we considered building in half of the recapitalization dividend into the price for the equity under the assumption that the utility would move to its deemed capital structure after the transaction took place, and that a recapitalization dividend would be paid out post closing to both shareholders on a 50-50 basis. This would have resulted in: an initial payment to the Town of Collingwood of 10.05 \$M (7.3 \$M + 3.75 \$M) with a recapitalization dividend after the transaction (eg. post closing) of 2.75 M\$ to each shareholder. We thought it was more transparent to instead make an offer of a cash payment for the equity of 7.3M\$ and a pre-closing recapitalization dividend of approximately 5.5 M\$ facilitated by PowerStream.

In both cases the Town of Collingwood receives a total cash amount of 12.8 M\$ (assuming they do not want their note of 1.7 M\$ redeemed).

I hope this provided further clarity on our conversation. Thanks again for taking the time to meet by phone today.
 John Glicksman

John Glicksman, B. SC. , MBA
 EVP & Chief Financial Officer
 PowerStream Inc.
 161 Cityview Blvd.
 Vaughan, Ontario
 L4H 0A9

Direct: 905 532 4604
 [REDACTED]

www.powerstream.ca

-----Original Message-----

From: John Glicksman
Sent: Monday, November 28, 2011 9:52 AM
To: Rockx, John
Cc: Brian Bentz; John Glicksman
Subject: Confidential re: Collus Power

John,

Further to our conversation attached is the note explaining our pro-forma calculations for 2011. Also further to our conversation below are our calculations, as discussed with you on the phone, on a basis consistent with the attached, based on 2010 audited financial statements.

2010 Avg net fixed assets: (12,763,581+11,924,205)/2=12,343,894

- . 2010 working capital allocation, based on COP plus 15% of OM&A= 4,538,122
- . Rate base is there 16,882,016
- . Deemed debt is 10,129,210
- . Actual debt is 4,610,170
- . Shortfall in working capital = 1,101,420

. Amount of debt to move to 60% of rate base = 5,519,040

. Net cash amount to Collus of \$4,417,620 based on 2010 numbers

As you can see from the attached our estimates for 2011 are that there can be additional debt taken out of at least \$5,968,479 offset by a short in working capital of \$693,659 for a net amount of \$5,274,891

Thanks again for your e-mail yesterday and please feel free to give me a call if you have any further questions regarding this. Have a good day,
John Glicksman

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EVP & Chief Financial Officer
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-----Original Message-----

From: Rockx, John [mailto:jrockx@kpmg.ca]
Sent: Sunday, November 27, 2011 6:22 PM
To: John Glicksman
Subject: RE: Collus Power

John: I will call you then

-----Original Message-----

From: John Glicksman [mailto:john.glicksman@powerstream.ca]
Sent: Sunday, November 27, 2011 6:15 PM
To: Rockx, John
Cc: Ed Houghton; Brian Bentz; John Glicksman
Subject: Re: Collus Power

John
9:30 am is fine with me. Pls call me in my office ay [REDACTED]. I look forward to connecting with you in the morning, John

Sent from my iPad

On 2011-11-27, at 5:33 PM, "Rockx, John" <jrockx@kpmg.ca> wrote:

> Does 9:30 am Monday morning (tomorrow) work?

>

> -----Original Message-----

> From: John Glicksman [mailto:john.glicksman@powerstream.ca]
> Sent: Sunday, November 27, 2011 5:26 PM
> To: Rockx, John
> Cc: Ed Houghton; Brian Bentz; John Glicksman
> Subject: RE: Collus Power

>

> John,
> Thanks for your email with your clarifying questions. Gien that it would

> be useful to clarify our
> offer can I suggest that we set up a call, at your convenience, to
> review your questions and we can also walk you through our
> recapitalization calculations at that time too. Pls call me at [REDACTED]
> [REDACTED] to set up a time.

Thanks

> for your cooperation,
> John Glicksman

>

> -----Original Message-----

> From: Rockx, John [mailto:jrockx@kpmg.ca]
> Sent: Sun 11/27/2011 4:42 PM
> To: John Glicksman
> Cc: Ed Houghton
> Subject: RE: Collus Power

>
> John:
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>
>
> KPMG has been asked by Collus Power to seek clarification of a few
> items
> in respect of Powerstream's financial offer for a 50% share interest
> in
> Collus Power.
>
>
>
> Here are the issues requiring clarification:
>
>
>
> 1. Powerstream has offered \$7.3 million for a 50% share / equity
> interest in Collus Power. Can you confirm that this share offer
> anticipates the inclusion of all long-term liabilities (i.e. employee
> future benefits, the long-term net regulatory liability, Town note
> payable and Ontario Infrastructure debt) without any adjustment?
>
> 2. Powerstream has also indicated that the Closing Date
> financial
> statements of Collus Power will need to meet the OEB's deemed level of
> net working capital calculated as at December 31, 2011. Can you
> clarify
> or roughly quantify what this deemed net working capital balance will
> approximate?
>
>
>
> We have attached a copy of the December 31, 2010 audited financial
> statements of Collus Power to assist in your response.
>
>
> We look forward to your response on these matters.
>
> Best Regards,
>
> John Rockx, CA, CBV
> KPMG Transaction Advisory Services
> 21 King Street West, Suite 510
> Hamilton, Ontario L8P 4W7
> Tel: 905-523-2247
> Fax: 905-523-2200
> Email: jrockx@kpmg.ca
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