

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	No unassumed liabilities (confirmed)	No unassumed liabilities (confirmed)	No unassumed liabilities (confirm)	No unassumed liabilities (confirm)
Net Share Purchase Price	\$9.488 million for shares	\$6.2 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 Dividend reduced by \$900K (\$450k each) to equalize \$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	\$15.545 million in cash (\$13.6 million + \$3.2 million + \$1.71 million less \$1.412 million reg liabilities less \$1.1 million rate base shortfall less \$450K lower dividend)	\$13.410 million in cash (\$7.3 million + \$5.5 million + \$1.71 million less \$1.10 million closing working capital adjustment)	\$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)	\$2,851,500.00	\$2,851,500.00	\$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

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
Reduction to new financing
Note payable to Town of Collingwood
Long-term debt - Ontario Infrastructure

Shareholder's Equity \$

Town's net investment

Strictly Private and
Confidential

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	-

Shares (50%)
Less: Regulatory liabilities = \$0
Less: Estimated shortfall from \$17.9 m rate base
Less: Unassumed liabilities

Post-closing dividend
Reduction to post-closing dividend
Note payable
Cash proceeds
Remaining shares (50%)

Total proceeds

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

Schedule 1

Hydro One 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	
	8,100	7,200	
	(900)	-	
	(1,710)	-	
-	-	2,700	
-	5,490	18,585	
-	(5,500)	5,703	
Debt	9,900	63.4%	
Equity	5,703	36.6%	
	15,603	100.0%	
	NBV	Paid to Town	
	-	13,600	
		(1,412)	
		(1,100)	
	-	-	
	5,602	11,088	
	3,200	3,200	
	(450)	(450)	
	1,710	1,710	
	10,062	15,548	
	2,852	4,277 (*)	
	12,913	19,825	

Could assume same debt level as PowerStream (900K)

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	

PowerStream 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
-	-	-	7,200	7,200
1,710	-	-	(1,710)	-
2,700	-	-	-	2,700
13,095	-	-	5,490	18,585
11,203	-	-	(5,500)	5,703
1,710	-	-	-	1,710
12,913	-	-	-	12,913
	Debt		9,900	63.4%
	Equity		5,703	36.6%
			15,603	100.0%
			NBV	Paid to Town
Shares (50%)				7,300
Less: Closing NWC adjustment				(1,100)
Less: Unassumed liabilities				-
			2,852	6,200
Pre-closing dividend			5,500	5,500
Note payable			1,710	1,710
Cash proceeds			10,062	13,410
Remaining shares (50%)			2,852	4,277 (*)
Total proceeds			12,913	17,687

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

Schedule 2

Premium
to NBV

3,349

4,774

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
		12,764
		277
		278
		<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
		308
		1,412
		-
		1,710
		<u>2,900</u>
		14,145
		\$ <u>10,782</u>
Town's net investment		

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					
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).

Schedule 3

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		

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

17,046

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).

Schedule 4

KPMG	14.1	16.3	15.2
Debt	1.71	1.71	1.71
	15.81	18.01	16.91

	Cash	Shares	Total
Hydro One	15,548	4,277	19,825
PowerStream	13,410	4,277	17,687
Horizon	11,210	5,402	16,612
Veridian	10,210	5,402	15,612