

**A Strategic Partnership between
Collingwood Utility Services and
PowerStream Inc.**

**Proposed Transaction:
Purchase of 50% of Collingwood Utility Services
Inc. shares by PowerStream Inc.**

Town of Collingwood Council
by: Ron Clark

Date: January 16, 2012

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AIRD & BERLIS LLP
Barristers and Solicitors

Overview

- I. Why sale of the shares of Collingwood Utility Services Inc. ("CUS") and not Collus Power Inc. ("Collus") directly?
- II. Transaction Structure and Major Agreements
 - a) Share Purchase Agreement
 - b) Shareholders' Agreement
- III. Outstanding Issues
- IV. Questions?

I. Why sale of shares of CUS rather than COLLUS directly?

NOTE: Original Request for Proposals (“RFP”) from Collus Power Inc. (“Collus”) contemplated purchase of shares of Collus from CUS

KPMG LLP review determined transaction was more beneficial from a tax perspective when Vendor was Town and target was CUS, rather than Collus

Implications:

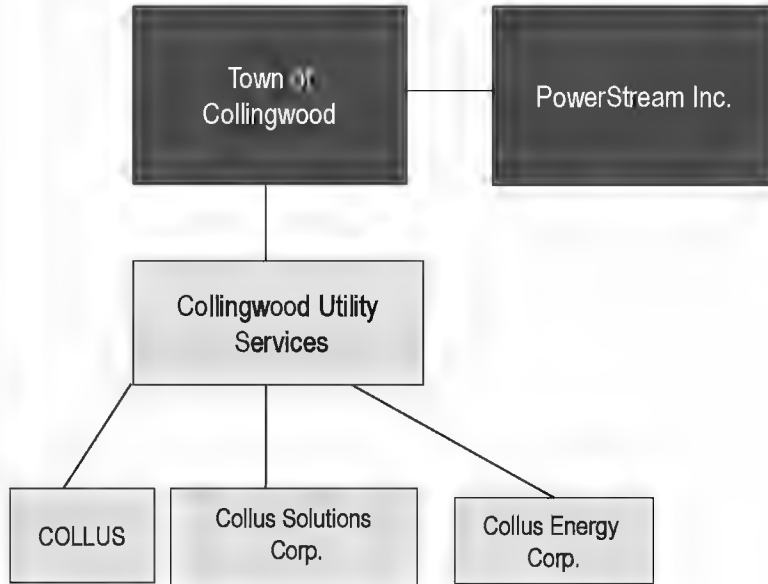
- a) Collus Energy Corp. (“Energy”) and Collus Solutions Corp. (“Solutions”) are also part of the transaction
- b) Pre-closing adjustments to Energy, Solutions and Collus
- c) More due diligence
- d) Avoid capital gains tax on the transaction (estimated at \$350,000)

II. Transaction Structure

Major Agreements:

- (a) Share Purchase Agreement
- (b) Shareholders' Agreement

Share Purchase Agreement ("SPA")



Share Purchase Agreement ("SPA")

1. Timing:
 - a) Pre-Execution and Due Diligence
 - b) Execution of Agreements
 - c) Interim Period – fulfillment of conditions
 - d) Closing Target Date - April 2012 following:
 - i. financial arrangements
 - ii. Infrastructure Ontario consent
 - iii. Amendment to Service Agreements
 - iv. OEB filing
 - v. Interim 2011 Financial Statements
2. Consideration (see Article 2 of SPA):
 - a) PowerStream pays \$8M for 50% of shares of CUS
 - b) \$5.2M – Estimated dividend arising from debt injection by PowerStream (or Third Party) through Collus and up to Town

SPA (Cont'd)

- i. based on draft Working Capital numbers
 - ii. adjusted post-closing
 - iii. Holdback Amount of \$1M
- c) \$1.7M – Repayment of Promissory Note to Town
- d) Dispute resolution mechanism for disagreements on calculation of final numbers
- 3. Reps and Warranties (see Section 5.1(a) and (b))
 - a) Basic reps of Town with respect to the Town
(corporate power and authority, enforceability, no bankruptcy, no violation of by-laws and contracts by entering into transaction)
 - b) More extensive reps by Town and CUS re CUS and Subsidiaries (ie. Collus, Energy, Solutions)
(Issued capital, ownership of shares, no third party rights to purchase shares, no violations of by-laws and contracts by entering into the transaction, compliance with laws, real property and leased property, intellectual property, environmental, insurance, employees and plans, litigation, taxes, service agreements with Town)

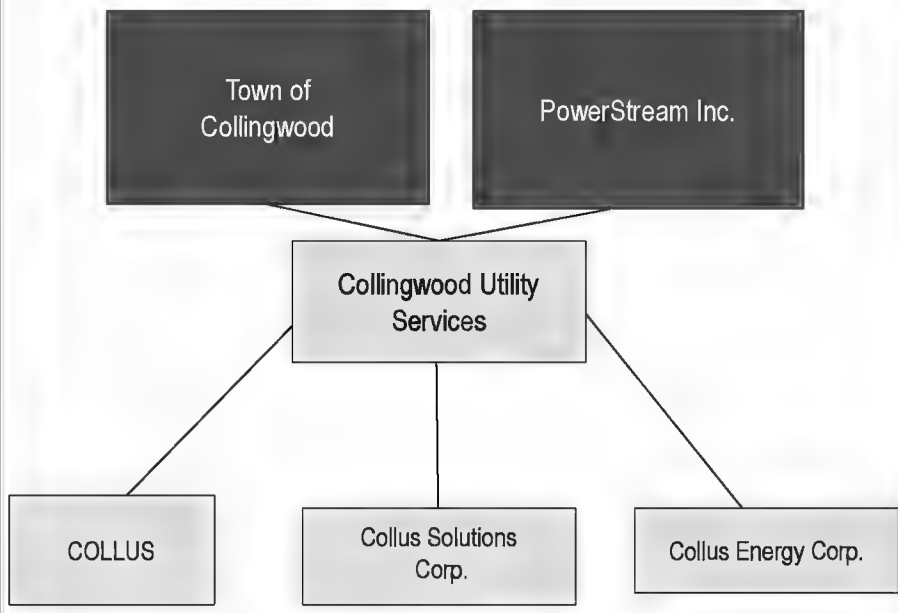
SPA (Cont'd)

- c) Some exceptions in schedules
 - d) Basic reps by PowerStream (Section 5.3)
(corporate power, authority, enforceability, authorization, no bankruptcy, absence of conflict)
4. Conditions to Closing (Article 4)
- a) OEB filing
 - b) Service Agreements with Town and Subsidiaries
 - c) Bring-down of reps and warranties
 - d) Updating schedules to SPA
 - e) Infrastructure Ontario and any other Third Party Consents (if any)
 - f) Legal Opinions
 - g) Drop dead date - December 31, 2012
 - h) Financing
5. Covenants during interim period – operate in the ordinary course (ie. CUS and Subsidiaries) (Article 6)

SPA (Cont'd)

6. Indemnification provisions (Article 7) - Caps and Floors
 - a) Floor - Parties can only bring a claim once Indemnifiable Losses reach \$100K
 - b) Cap – maximum amount to be indemnified is amount equal to Purchase Price (\$8M)

Shareholders' Agreement



Shareholders' Agreement

1. Entered into on Closing and governing relationship between Town and PowerStream with respect to Collus
2. Guiding Principles (Section 2.1):
 - a) enhance Shareholder investor value
 - b) generate cost savings through economies of scale
 - c) treat all employees in fair and equitable manner
 - d) seek to grow business organically and through acquisition or merger
 - e) continued and substantial presence in community
 - f) be integral participant in local communities in which they operate
 - g) maintain service reliability levels
 - h) continued high level of safety
 - i) maintain and sustain infrastructure through adequate levels of investment consistent with good utility practice
 - j) customer service levels maintained or improved(see full list)
3. Strategic Plan – updated within 6 months of agreement and every 3 years (Section 2.2)

Shareholders' Agreement

4. Board (Article 4) –
 - a) equal representation by both shareholders – 6 total, 3 nominations by each Shareholder
 - b) Chair – first 2 years after agreement – two co-Chairs, 1 representing each Shareholder, then alternating chairs/vice-chairs from each Shareholder
 - c) Board director terms – 3 years
 - d) Quorum – majority of directors, provided there is a representative from each of the Shareholders
5. Shareholder Approval (Section 5) (ie. both Shareholders) required for the following:

major changes to business, mergers, new classes of shares, disposition of assets of business outside of the ordinary course, enter into business ventures outside of ordinary course or that would change tax status of corporation and subsidiaries, borrowing of funds outside of ordinary course, issuance of additional shares, changes to Dividend Policy, winding up or dissolution, amend or repeal bylaws, changing or removing restrictions on business, expenditures exceeding \$500K, etc.

Shareholders' Agreement (Cont'd)

6. Business Plan (Section 5.4)
 - a) within 90 days of agreement Shareholders to work in best good faith efforts to develop and approve business plan
 - b) each year thereafter, new Business Plan developed and approved by the Board, provided to Shareholders for informational purposes

7. Dividend Policy (Section 5.4 and Schedule B)
 - a) each year, usually minimum of 50% of annual net income as dividends for CUS, COLLUS , Energy and Solutions after considering factors listed (cash position, working capital requirements for current year, net capital expenditures required for current year)

8. Right of First Refusal for CUS re: PowerSteam M&A Transactions

Shareholders' Agreement (Cont'd)

9. Restrictions on Share Transfers (Article 7 and Article 8)
 - a) Standstill Period – no share transfers for 30 months from date of agreement without prior written consent (Section 6.1)
 - b) Right of First Refusal re third party offers to purchase shares (Article 8)
 - c) Shareholder Withdrawal from Corporation at Fair Market Value (Article 9)
 - d) Shotgun - Buy/Sell Notice (Article 10)

III. Outstanding Issues

1. Holding Company between Town and CUS?
2. Source of financing of \$5.2M and \$1.7M
3. Service Agreements with Town and Subsidiaries – approval or amendment
4. Calculation of Recapitalization Dividend methodology

Summary and Timeline

Early February	Interim Period (February 2012 to end of April 2012)			
Execution of Share Purchase Agreement	OEB notification	Arrangement of Financing for transaction	Review/Amend Service Agreements	Infrastructure Ontario consent, Others?

[Business to be carried on in the ordinary course]

Immediately prior to Closing	April 2012 (projected)	On Closing	Post-Closing (60 days)
Recapitalization Dividend and Repayment of Promissory Note to Town of Collingwood	Closing of Transaction	Execution of Shareholders' Agreement	Adjustment of Recapitalization Dividend amount based on 2011 Financial Statements

IV. Questions?

THANK YOU