

Message

From: McFadden, David [David.McFadden@gowlings.com]
Sent: 8/28/2011 4:54:46 PM
To: Ed Houghton [ehoughton@collus.com]; Dean Muncaster [jdmuncaster@rogers.com]; Sandra Cooper [scooper@collingwood.ca]; Rick Lloyd [rlloyd@collingwood.ca]; Kim Wingrove [kwingrove@collingwood.ca]
CC: Pam Hogg [phogg@collus.com]
Subject: Re: Agenda - Monday, August 29, 2011

Ed:

Unfortunately, I have to fly to Ottawa unexpectedly tomorrow morning and will not be able to attend our meeting in the morning. However, I have just met with Dean and gave him my comments.

Nevertheless, I wanted to give my comments on several matters to you and the team directly.

It is critical that the Town as shareholder states its objectives at the outset to avoid later conflicts or misunderstandings. Monetizing an asset and securing the best possible price could be one key objective. Having Collingwood at the centre of an eventual regional LDC could be another. Securing another shareholder to finance energy innovation in Collingwood or to strengthen our financial or regulatory capabilities could be another. Identifying the key objectives will be helpful to any bidders and will be vital to our evaluation process.

As important as it is for us to have a vision as to where we want to see the company go with a new investor, we need to have a clear understanding of each bidder's vision in making their investment in Collus Power to ensure our vision and theirs are in synch and can work together. If they aren't, we shouldn't do a deal even if the upfront money is better since this will only lead to potentially serious problems and disputes later.

We need to clear as to what is available to prospective bidders. It is my understanding that we are prepared to accept bids for up to 50% of the shares of Collus Power but not 51% or more. This would have a significant impact on price as well as control. In addition, we need to decide whether the bidders are acquiring the shares of Collingwood in Collus Power or acquiring shares from the company's treasury. In the former case, the town will receive the money on closing while in the latter case the money would go into the company for its use and future investments.

We will need to have an understanding of the governance structure and approach. The composition of the Board of Directors will be critical to this. Normally, the makeup of the Board follows the shareholdings. If for example Collingwood and the investor each hold 50%, then we would expect that the Board membership would be evenly split. A key question to consider in that instance is how could a deadlock be broken. While formal votes at board meetings are not common, it could happen if there is a dispute. As well, consideration needs to be given to who might serve as Chair. If there is no consensus about who the chair should be, the decision could be to rotate the chair among the directors so that the nominees of the shareholders hold the chair for a length of time that reflects the shareholdings. This is not considered a particularly good governance model but it would reflect the reality of the corporate structure. Ultimately, the goal is to have a workable and efficient Board which will protect the interests of stakeholders and add real value to the management and direction of the company.

One critical organizational matter to consider is the due diligence requirements for bidders. While regulatory and corporate filings give a lot of key information, they do not provide sufficient detail for an informed purchaser of the type we are contemplating. We will have to establish either a physical or electronic data room for bidders to use. Based on my experience in a number of transactions of this type involving LDCs, the due diligence requirements are very detailed and go to everything from condition assessments of assets to personnel capabilities. The data room should be populated by the time the RFP is sent out.

I agree with the suggestion of having KPMG develop the RFP. While it will cost some money, it will be very valuable to have their help with this given their experience in this sector. They can be helpful in getting our process launched

professionally and appropriately. I have worked with KPMG on many occasions and can attest to their capabilities.

Those are some of my thoughts. I look forward to working with the team on this very important project for our company and the Town.

David.

From: Ed Houghton [mailto:ehoughton@collus.com]

Sent: Friday, August 26, 2011 03:30 PM

To: Dean Muncaster <jdmuncaster@rogers.com>; Sandra Cooper <scooper@collingwood.ca>; McFadden, David; Rick Lloyd <rllloyd@collingwood.ca>; Kim Wingrove <kwingrove@collingwood.ca>

Cc: Pam Hogg <phogg@collus.com>; Ed Houghton <ehoughton@collus.com>

Subject: Agenda - Monday, August 29, 2011

Ladies & Gentlemen:

Please find attached the proposed agenda for Monday's meeting and the notes from our Strategic Partnership Team Meeting of August 3rd.

We will see you at 11:00 sharp for our meeting.

Thanks you and have a great week-end.

Ed

Mr. Ed Houghton, President & CEO

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