

Message

From: Stern, Shawn [/O=KPMG/OU=CA/CN=RECIPIENTS/CN=CA13593]
Sent: 11/23/2011 4:42:34 PM
To: Tim Fryer [tfryer@collus.com]; Herhalt, John M [/O=KPMG/OU=CA/CN=RECIPIENTS/CN=CA17803]; Erling, Jonathan M [/O=KPMG/OU=CA/CN=RECIPIENTS/CN=CA13722]
CC: Ed Houghton [ehoughton@collus.com]; Cindy Shuttleworth [cshuttleworth@collus.com]; Dean Muncaster [redacted]; Pam Hogg [phogg@collus.com]
Subject: RE: Collus Power

Great Tim

Let me know if the auditor has any additional comments and please forward the transfer by-laws and ACB calculation when they become available.

Regards,

Shawn

Shawn Stern

Partner, Tax

KPMG LLP

Bay Adelaide Centre
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T 416 777 8831

[redacted]
sstern@kpmg.ca

From: Tim Fryer [mailto:tfryer@collus.com]
Sent: Wednesday, November 23, 2011 4:19 PM
To: Stern, Shawn; Herhalt, John M; Erling, Jonathan M
Cc: Ed Houghton; Cindy Shuttleworth; Dean Muncaster; Pam Hogg
Subject: RE: Collus Power

Hi Shawn:

Sorry I was a little quick with the sent button and didn't get anything into that last one.

Anyway I really think the work you have put down is exactly what we need to have on hand for when we are considering the matter.

I can't meet with the auditor until tomorrow now and will be reviewing it with him then. As I said though we have what we need for now.

Ed or Dean will let us know if that is any different and in the meantime I will be getting the transfer by-law together. We also believe there is sufficient safe income room to carry out any of the possible dividending that we would want to do to reduce the eventual tax. if there was any tax at all because it looks like we would be willing to do this as a Holding Company action and not COLLUS Power.

I will get back to you with more information as soon as I have met with Gavillers.

Thanks

Tim

From: Tim Fryer [mailto:tfryer@collus.com]
Sent: Wednesday, November 23, 2011 06:33 AM
To: Stern, Shawn; Herhalt, John M; Erling, Jonathan M
Cc: Ed Houghton <ehoughton@collus.com>; Cindy Shuttleworth <cshuttleworth@collus.com>; Dean Muncaster <[REDACTED]>; Pam Hogg <phogg@collus.com>
Subject: RE: Collus Power

Hi Shawn: I just wanted to touch base regarding my e-mail below as I don't believe there has been any response.

Please indicate either way if I have provided enough detail for you. I am meeting with my auditor today to review our record books and establish the right information to send off to you.

Thanks

Tim

From: Tim Fryer
Sent: Monday, November 21, 2011 11:47 AM
To: Stern, Shawn
Cc: Ed Houghton; Cindy Shuttleworth; Dean Muncaster; Pam Hogg
Subject: RE: Collus Power

Hello Shawn: We can certainly get the data you have listed that you need to you as soon as possible.

For now, since our auditor Ralph Neate is on course today and tomorrow and I know I will have to get the copy of the working papers he has to get everything to you, I am going to give you the following:

1. This is a copy of the last message I had from him regarding the ACB. This will for now substantiate to the "bump up" amount I provided to you earlier, that the ACB is just over the \$10.6M mark.

Accounting wise the stated value of the shares was dictated by OEB accounting rules which resulted in the transfer being at historic cost and the prior contributed capital being disclosed separately in the equity section.

In reality all the contributed capital had been converted into fixed assets prior to Oct 2001 and what Collus Power received on a fair market value transfer was fixed assets and goodwill worth \$12,324,634 in return it issued debt of \$1,710,170 and shares worth \$10,615,464 which is the shares ACB despite the stated value of \$5,101,340 for accounting purposes.

I know that you would like to see the working papers on this and I will get them from Ralph as soon as I can but this figure should be okay to work with for now. Shouldn't it?

2. Attached is the 2001 T2 for COLLUS Power and Audited Statements.
3. Regarding the 2001 COLLUS Utility Services Corp these are attached as well.
4. I am hoping the information will cover most of what you need right now. Once we have Ralph's working papers we can see what other documentation you need to have?
5. Of note in the body of Ralph's e-mail the debt of \$1,710,170 was in the form of a Promissory Note from the Town of Cwood.

Let me know if this is sufficient for now and I will let Ralph know in advance of his return to the office on Wednesday that we need to get these things.

Thank you.

Tim Fryer

Mr. T. E. Fryer CMA
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Please consider the environment before printing this email

From: Ed Houghton
Sent: Monday, November 21, 2011 10:35 AM
To: Tim Fryer; Cindy Shuttleworth
Cc: Dean Muncaster; Pam Hogg
Subject: FW: Collus Power

Tim & Cindy:

As we discussed on Thursday, I would contact John Herhalt and ask why Shawn had not gotten back to you Tim on your email. It appears that Shawn was anticipating further information which he is clarifying below. Please take a look at it and see if we can provide the information as soon as possible.

Thanks.....Ed

Mr. Ed Houghton, President & CEO

Collingwood Utility Services Corp.
 P.O. Box 189, 43 Stewart Road
 Collingwood , ON
 L9Y 3Z5
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From: Stern, Shawn [<mailto:shawnstern@kpmg.ca>]
Sent: November-21-11 10:18 AM
To: Ed Houghton
Cc: Herhalt, John M
Subject: RE: Collus Power

Hi Ed

I apologize for the delay. From Tim's last email I was under the assumption that he would be forwarding me the working papers from your auditors and a summary report supporting the FMV bump.

In order for us to calculate/review the ACB of the shares of Collus Power to Collingwood Utility Services we will require the following information:

1. The order and timing of when the assets moved from the town to the corporations. In addition, we should also see the related transfer by-laws for the respective transfers (as there is a nuance of when items are transferred that may impact the ACBs).
2. FMV of the assets being transferred, including debts, to get to the FMV of the equity of the shares of Collus Power.
3. A copy of the 2001 tax return and FS for Collingwood Utility Services and Collus Power (including any elections) filed with the Ministry of Finance.

Additional information may be required once we review the above information.

Please call me to discuss when you have a chance.

Regards,

Shawn

Shawn Stern

Partner, Tax

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sstern@kpmg.ca

From: Herhalt, John M

Sent: Monday, November 21, 2011 7:56 AM

To: Stern, Shawn

Cc: Ed Houghton

Subject: Collus Power

Hi Shawn

I was on the phone with Ed Houghton this morning and he indicated to me that after Tim Fryer sent you some of the requested data they hadn't heard back from you.

Could you summarize your thoughts for Ed, Dean and Tim and send it to Ed by email today. I have copied Ed on this email.

As well, Ed is tied up for part of the day so he asked me to provide him with your phone number so he could call you directly when he comes free. Ed – Shawn's phone number is [REDACTED]

Regards and thanks in advance

John

P.S. Shawn – Collus wants to understand their way forward from a tax perspective since they have received the proponent proposals and they will conclude on their evaluation on the desired strategic partner this week. As a result, they need to be clear about the go forward tax approach as they go forward to negotiate with the desired proponent.

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