

Message

From: Rockx, John [jrockx@kpmg.ca]
Sent: 11/28/2011 10:10:27 AM
To: Ed Houghton [ehoughton@collus.com]
CC: Herhalt, John M [jherhalt@kpmg.ca]
Subject: FW: Confidential re: Collus Power

I had a brief discussion with John Glicksman this morning. I need to validate the details, but he essentially said that Powerstream's offer would assume all existing long-term liabilities on the balance sheet of Collus (i.e. including the net regulatory liability position) without any change in the share offer price. He also indicated that the net working capital calculation at December 31, 2010 resulted in an approximate \$1.1 million shortfall (i.e. a price reduction to Powerstream's benefit) but that the projected 2011 and 2012 pre-closing earnings/cash flows of Collus could reduce this gap considerably. Collus will need to project a balance sheet to quantify the extent to which this working capital gap will be reduced. The net regulatory liability position could also impact on the closing date working capital position of Collus through (a) repayments made on the net liability since December 31, 2010 and (b) the classification of a portion of the long-term liability as a short term liability. A bit more work is required here.

I will be in Collingwood by 1 PM. Is the meeting at the offices of Collus Power?

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

From: John Glicksman [mailto:john.glicksman@powerstream.ca]
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

John Glicksman, B. SC. , MBA
 EVP & Chief Financial Officer
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www.powerstream.ca

-----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.

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>

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> Here are the issues requiring clarification:

and any attachments from your system. Thank you.

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