

Message

From: Dave Clark [/O=VERIDIAN CORPORATION/OU=DOMAIN001/CN=RECIPIENTS/CN=DCLARK]
Sent: 2/1/2012 4:27:45 PM
To: George Armstrong [garmstrong@veridian.on.ca]; Michael Angemeer [mangemeer@veridian.on.ca]; Mark Turney [mturney@veridian.on.ca]
Subject: RE: Collus

From the other standpoint, one can view this as municipalities making back room deals with one favoured LDC (Barrie and now Collingwood). If we hit them where it hurts, then perhaps the next municipality will be a little more careful in running a fair process. If we have a case (see what a lawyer says), then we'd start off by seeking far more than just our costs. Ask for lost future profits, say \$5 million as a starter.

Something we should probably investigate for the report to the Board on this. If the lawyer doesn't think we have a case, then let it slide.

Dave

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

From: George Armstrong
Sent: February-01-12 4:20 PM
To: Dave Clark; Michael Angemeer; Mark Turney
Subject: RE: Collus

The downside to that would be that our reputation may be tarnished and we may be excluded from some future opportunities. What were our total costs, about \$50k? I think it might be best to eat it.

George

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

From: Dave Clark
Sent: February-01-12 4:17 PM
To: George Armstrong; Michael Angemeer; Mark Turney
Subject: RE: Collus

Probably. I think it's still unfair to establish a rule that you're disqualified if you present other alternatives, then proceed to negotiate other alternatives with one bidder.

We might wish to discuss with a litigation lawyer to see if we might have grounds for recouping some or all of our proposal preparation costs.

Dave

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

From: George Armstrong
Sent: February-01-12 4:14 PM
To: Dave Clark; Michael Angemeer; Mark Turney
Subject: RE: Collus

I'm wondering if PowerStream submitted a compliant offer and was selected as the front-runner, and then the transaction morphed during the negotiations phase?

George

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

From: Dave Clark
Sent: February-01-12 4:12 PM
To: George Armstrong; Michael Angemeer; Mark Turney
Subject: RE: Collus

Interesting.

Somewhere along the way, Collingwood seems to have lost their rigidity on the form of proposals that they would consider. Remember that the response we got from them was that if we submitted something that wasn't within the scope of their RFP, then we would be rejected and disqualified.

Dave

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

From: George Armstrong
 Sent: February-01-12 3:53 PM
 To: Dave Clark; Michael Angemeer; Mark Turney
 Subject: RE: Collus

Following are the minutes from a recent CLD regulatory meeting.. the PowerStream report included an expectation that they will be filing a MAAD application....

PowerStream: final argument to be filed for IRM, including LRAM; preparing January 1, 2013 COS application; about 50% done; Collingwood to sell half of Collus Power to PowerStream; Collus would have to do the MAAD application;

PowerStream's regulatory staff is under the impression that they are to prepare a MAAD application.

Attached is the staff recommendation delivered to Collingwood Council (I extracted this from the Council agenda material). A few interesting extracts..

- There are a number of conditions to closing including sign off by third party and regulatory agencies such as the Ontario Energy Board and Infrastructure Ontario. There is a drop dead date of December 31, 2012 for the completion of these conditions.

- The Unanimous Shareholders agreement is entered into by PowerStream and the Town of Collingwood upon execution of the Share Purchase agreement. It requires a new strategic plan be created within 6 months that will be updated every 3 years. The Shareholders Agreement also outlines board composition (equal representation, co-chairs for the first 2 years, 3 year director terms), conditions requiring shareholder approval, development of a business plan and the dividend policy. Collingwood Utility Services Corp. has the first right of refusal on mutually acceptable participation in any future mergers or acquisitions undertaken by both PowerStream and COLLUS.

George

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

From: Dave Clark
 Sent: February-01-12 3:13 PM
 To: Michael Angemeer; Mark Turney
 Cc: George Armstrong
 Subject: RE: Collus

Michael,

If the only information we have on the deal is the news release, then it won't be possible to calculate the premium on Powerstream's offer until we know more details of the agreement. I don't know how much of the \$14-\$15 million deal pertains to purchase of the shares and how much is from recapitalizing the business.

There's a twist on this that I didn't notice the first time I read the news release.

Our offer matched what was contained within the Collingwood RFP - a purchase of 50% of the shares of COLLUS Power.

Powerstream did not purchase shares of COLLUS Power. They purchased 50% of the parent company, Collingwood Utility Services Corp. Collingwood Utility Services Corp owns COLLUS Power, COLLUS Solutions Corp and Collus Energy Corp.

One might argue that the deal doesn't match the RFP. "Proposals which fail to conform to the scope and requirements as set out in section 3 of this request for proposal will be disqualified and rejected". Did Collingwood significantly change the essence of the transaction by changing to sell 50% of Collingwood Utility Services Corp, not 50% of COLLUS Power?

At any rate, I think it will be very difficult for us to find out what the details of the agreement are now. I don't think they'll be required to file a MAAD application to the Ontario Energy Board as there has been no change in ownership of the shares of COLLUS Power.

Dave

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

From: Michael Angemeer

Sent: February-01-12 2:15 PM
To: Dave Clark; Mark Turney
Subject: Fw: Collus

Also compare against premiums of past purchases.

Cheers

Michael

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

From: Michael Angemeer
Sent: Wednesday, February 01, 2012 01:59 PM
To: Dave Clark; Mark Turney
Subject: Collus

Can you make a quick table that shows the premiums on both offers.

Also a brief list of other significant factors:

E.g. \$250,000 donation to the Simcoe Hospital Cancer Centre.

Can we get something high level by the end of this week please.

Cheers

Michael