

POWERSTREAM INC. AUDIT & FINANCE COMMITTEE MEETING – OCTOBER 19,2011**APPROVAL OF ENGAGEMENT OF EXTERNAL CONSULTANTS FOR COLLUS RFP**

Report by the President & CEO & the EVP & Chief Financial Officer

Recommendation

The President & CEO & the EVP & Chief Financial Officer recommend that the Audit & Finance Committee endorses Management's recommendation to engage Mr. Paul Bonwick on a longer term basis and to bring this forward to the October 24th PowerStream Board meeting for their review and approval. In addition the President & CEO & the EVP & Chief Financial Officer are also advising the A&FC that it had engaged BDR & Associates to assist them with respect to the Financial Valuation for the Collus transaction and has offered to share their work & results on an open basis with all of our shareholders.

Background

PowerStream has engaged the Hon. Paul Bonwick for a period of 90 days commencing on June 1, 2011 that was subject to an extension as mutually agreed to by both parties.

At that time it was considered appropriate to begin this engagement on a trial basis to determine the value that Mr. Bonwick could bring to our M&A work, particularly with respect to Collus and other local distribution utilities in the CHEC group.

The initial compensation that Mr. Bonwick received was \$10,000.00 per month, plus applicable taxes, plus an administrative fee of \$1,000.00 per month to cover out-of-pocket expenses. Mr. Bonwick at that time had requested a success fee of 2.5% based on the "acquisition price of each local distribution utility to be received should PowerStream be successful in merging or acquiring utilities in the CHEC group, including Collus Hydro. For Collus Power this would have amount to a success fee in the order of \$500,000.

Since that time Mr. Paul Bonwick has assisted PowerStream grow it's presence and profile in the Central Ontario region and has proven to be a valuable asset in providing strategic and communication advice and in assisting us to be successful both with respect to the Collus bid and other utilities in the CHEC group.

Executive Management is now recommending that we engage Mr. Bonwick on a long-term basis, subject to a normal termination clause at a monthly retainer of \$15,000, with pre-approved monthly expense allowance of \$2500 and a success fee of \$75,000 for each additional local distribution utility merger (ie. LDC) and/or acquisition in the CHEC group after Collus with an additional bonuses of \$100,000 paid at the five LDC consolidation mark and at the 10 LDC consolidation mark.

These amounts are consistent and more in-line with the retainer and success fee arrangements that PowerStream has entered into in the past.

With respect to the Financial Valuation work that is associated with assembling our response to the Collus RFP Management has determined that the best and most cost-effective external firm that could assist us in this work is BDR & Associates of whom John A. McNeil is the primary advisor. Management has also offered to share him as a resource with our shareholders so as to minimize transaction costs associated with this RFP. His firm has worked closely with both ourselves and our shareholders on a number of projects in the past. His firm's work will be compensated on an hourly basis.

