

SPARA CAPITAL PARTNERS INC.

Bay Street Experience, Main Street Approach

BEHIND THE TOMBSTONE

TRANSACTION OVERVIEW • JULY 2013

The Acquisition of:



Peninsula Video and Sound Inc.

An Ontario-based asset locates inspection, repairs and maintenance, and installations business.

By a wholly-owned subsidiary of:



Oakville Hydro Corporation

An energy services company.

Transaction Originated, Structured and Negotiated by:



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We fight for entrepreneurs.

BACKGROUND:

For more than 30 years, Peninsula Video and Sound Inc. (“PVS”) has been a Provincial leader in asset mapping and marking (“locates”), inspection, repairs and maintenance, and installations services. Based in the Niagara Region, PVS has a strong reputation for providing safe, reliable and damage-free work delivered on-time. Built by its Founder and President, Rich Dekker, PVS has long-standing and prominent customer relationships in the municipal, utility, commercial, telecommunications and residential markets.

On the surface, PVS seemed to make a strong acquisition candidate for Oakville Hydro Corporation (“OHC”) and the management team at OHC (“Management”) engaged Spara to

execute the mandate. Management was eager to expand and grow their energy services business along side El-Con Construction (“El-Con”), a utility asset services business serving the Halton Region. But Management knew that approaching a direct competitor in a small tight-knit industry would require a professionally-managed and delicate process to explore and ultimately end in a successful acquisition.

“PVS seemed to us an attractive acquisition, both for strategic and defensive reasons.” said Rob Lister, CEO at Oakville Hydro Corporation. “We had been shaping our energy services growth and saw an opportunity in the Provincial consolidation of strong, performing businesses in the asset mapping and marking sector.”

“But the infrastructure services market is a hot one these days so we also saw

the danger of a potentially well-capitalized competitor gaining market entry via a solid player like PVS and that was daunting. We needed to explore the acquisition of PVS.” he continued.

Acting as exclusive M&A advisor on behalf of the owner of the energy services company, Spara Capital worked with OHC to determine the most appropriate outreach strategy and the requisite information to properly understand and value the business. Spara also spent time understanding OHC’s strategic needs and wants as well as their internal processes and culture.

SPARA’S APPROACH:

Spara provided its advisory services, following the mantra to ‘Coach, Challenge, Collaborate and Close.’



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Rob Lister | CEO at Oakville Hydro Corporation

COACHING

“OHC knew the stakes were high and they needed a quick and quiet process not a ‘bidding war’ or high-profile auction.’ said Jason Sparaga, President of Spara Capital Partners. “We coached Management on creating a deal environment that, from the start, was mindful of the divergent cultures of an entrepreneurial-led target and municipally-owned acquirer. PVS and their advisors responded favourably and a tone and tempo ensued that built fruitful discussions and a successful Transaction.” he continued.

Spara approached PVS management on a no-name basis and worked to understand two-key elements (a) Rich Dekker’s vision for the business going forward and the timeframe and conditions under which he might consider selling PVS and (b) the culture and values of the organization from the top down.

“Everyone thinks valuation is where you begin discussions in approaching a target.” said Eric Waxman, Managing Director at Spara Capital. “But in fact for most successful entrepreneurs price is only one part of the equation.”

“The acquirer’s plans for the Company and staff, post-transaction are also critically important to Company founders. In the case of PVS, that’s where a number of our early discussions were focused.” said Waxman.

As long-time rivals in a fiercely-competitive industry, Spara knew that El-Con (along with OHC) and PVS had their share of bumps and scrapes, that if not managed properly, could open old wounds and erode communication and trust.

“In PVS, OHC was buying reputation and industry leadership.” said Waxman. “Obviously a critical piece to driving this forward was working to ensure that both organizations’ cultures could be aligned and harmonized. So early discussions on this topic were constructive and allowed both parties to move past legacy issues and focus on what a future could look like through a Transaction.” he added.

In exchanging due diligence information, steps were taken to protect sensitive information (such as customer lists and employee names) until certain predetermined hurdles were achieved.

Not only did Spara’s process move the Transaction forward quickly, but it made sure that neither party were in possession of more information than necessary if a Transaction weren’t completed.

“Entrepreneurs often fail to realize that large acquirers generally prefer not to be in possession



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Eric Waxman | Managing Director at Spara Capital

of sensitive confidential information any more than Entrepreneurs want to share it. Disclosed information often exposes the bigger company to liability and has the potential to restrict them moving forward, particularly if a deal falls apart.” said Waxman. “We were all aligned in this deal that both sides had an interest in keeping sensitive information out of the process until absolutely necessary.” he added

And when having established constructive early dialogue and practicing ‘tiered’ disclosure of the sensitive information was delayed, Spara quickly directed negotiation at the most contentious items.

“The key to building trust in these situations is to deal with the tough points up front. You want to deal with the hardest items right out of the gate.” said Waxman. “If you can’t agree on transaction structure or valuation, you need to learn that early to avoid wasting time and resources.”

CHALLENGING

Working with OHC, Spara led the Transaction spearheading planning and management of business due diligence; coordination of legal and accounting professionals on both sides of the Transaction; helping to structure post-acquisition integration planning; and was closely involved in managing documentation through to Closing.

“From the onset of these negotiations we challenged our client to be extremely transparent and to address any potential misconceptions head on.” said Waxman. “You need to be completely forthright with your client and deal with elephants in the room, whether real or imagined and that is not always easy.”

“OHC is an extremely progressive organization. But, as an energy services company in a highly-regulated sector, there is a view of quasi-government corporations as being slow-moving, highly-bureaucratic and subject to intense oversight. It is important to put it all on the table with clients leading into a Transaction.” Waxman continued.

Spara encouraged Management to be sensitive to potential misconceptions and offer a significant level of contact/communication with both PVS and its own internal stakeholders. Through the Transaction, Management had regular discussions to keep PVS apprised of Oakville’s internal approval process and kept its own stakeholders informed on the state of negotiations.

Spara Capital worked with OHC to develop, analyze and manage strategic and operational information to support the business case for the acquisition of PVS for presentation to stakeholders. These were supplemented with informal briefings and updates on negotiations on an on-going basis so key points could be discussed and debated while negotiations were still active.

COLLABORATING & CLOSING

Through constructive negotiations on both the part of OHC and PVS and with their respective advisors; PVS was acquired by OHC on reasonable terms through an efficient and exclusive process.

“Spara Capital used a professional and collaborative approach in managing this Transaction,” said Scott Mudie, Vice President of OHC. “Both PVS and OHC were appreciative of Spara’s work to keep focus on the issues and ultimately enable a smooth Close.” he added.



Spara Capital was instrumental in establishing an aggressive tempo and a fair and pragmatic process that gave our team great confidence that this deal was going to close. Spara’s experience in the infrastructure services business, their strong process and tenacity played a big part all throughout this Transaction”

Rich Dekker | Founder of PVS

Spara’s efforts were recognized by both the Buyer and Seller as being a major force in the speed and efficiency with which the Transaction was completed; approximately four months from initial contact to Closing.

“Spara Capital was instrumental in establishing an aggressive tempo and a fair and pragmatic process that gave our team great confidence that this deal was going to close.” said Rich Dekker, Founder of PVS. “Spara’s experience in the infrastructure services business, their strong process and tenacity played a big part throughout this Transaction.” he added.

The Transaction closed in June 2013 and PVS is in the process of fully-integrating into Oakville Hydro Corporation Family of Companies. The Company is interested in pursuing other acquisitions which it hopes to close in the not too distant future.

ABOUT OAKVILLE HYDRO CORPORATION:

Oakville Hydro Corporation, through its subsidiary Oakville Hydro Electricity Distribution Inc. has been providing electricity distribution and asset management for the residents of Oakville for over 105 years.

Through its pacesetting brands, Golden Horseshoe Metering Systems, El-Con Construction, PVS Contractors and Sandpiper Energy Solutions, subsidiaries of OHC Energy Services Inc., Oakville Hydro provides customers across southern Ontario with suite metering and meter sealing services, underground utility construction and locating services as well as rental water heater, geo-exchange systems and HVAC solutions. Sandpiper Generation is also an active investor in green renewable electricity generation. **visit www.oakvillehydro.com.**

ABOUT SPARA CAPITAL PARTNERS INC.:

Spara Capital is a boutique M&A advisory and merchant banking firm that provides strategic, transactional, and financial advisory services to shareholders and managers of private and small-cap public companies with revenues or valuations typically in the range of \$10 to \$100 million. For more information visit **www.sparacapital.com**.