



Fairness Opinion

Proposed Merger of Veridian Corporation and Whitby Hydro Energy Corporation

Original Report Date:	November 10, 2017
Amended Report Date:	March 29, 2018



PRIVATE AND CONFIDENTIAL

The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering
55 Taunton Road East,
Ajax, Ontario
L1T 3V3

And to:

The Corporation of the Town of Whitby
c/o Municipal Council
100 Taunton Road East
Whitby, Ontario
L1N 5R8

March 29, 2018

To The Corporation of the Town of Ajax (“Ajax”), The Corporation of the City of Belleville (“Belleville”), The Corporation of the Municipality of Clarington (“Clarington”), The Corporation of the City of Pickering (“Pickering”) and The Corporation of the Town of Whitby (“Whitby”), collectively referred to as “the Municipalities” and/or the “Shareholders”:

FAIRNESS OPINION

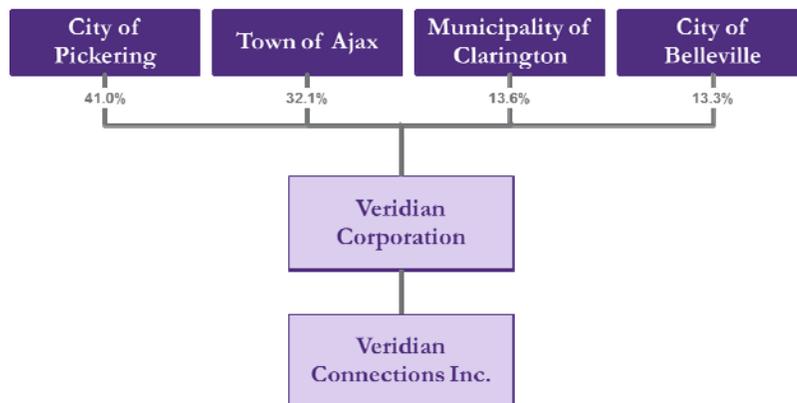
- 1 Grant Thornton LLP (“GT”, “we”, “us”, or “our”) understands that the Municipalities wish to amalgamate Veridian Corporation (“Veridian Holdco”) and Whitby Hydro Energy Corporation (“Whitby Holdco”) into a New Energy Services Company (“NewCo”). Veridian Holdco and Whitby Holdco are both municipally-controlled OBCA corporations whose subsidiaries provide electricity distribution and other non-regulated services as permitted by the Affiliate Relationships Code (the “Transaction” or the “Offer”). As part of the Transaction, the subsidiaries of Veridian Holdco and Whitby Holdco that hold electricity distribution licenses from the Ontario Energy Board (the “OEB”), Veridian Connections Inc. (subsidiary of Veridian Holdco, “Veridian LDC”) and Whitby Hydro Electric Corporation (subsidiary of Whitby Holdco, “Whitby LDC”) (collectively, the “LDCs”), will be amalgamated to form a single OEB-licensed electricity distributor.
- 2 Upon completion of the Transaction, each of the Municipalities will receive such shares in the capital of NewCo, which will equate to ownership percentages of approximately: 32.00% for Whitby, 27.88% for Pickering, 21.83% for Ajax, 9.25% for Clarington and 9.04% for Belleville.
- 3 The ownership percentages are based on the fair market value of Veridian Holdco and Whitby Holdco, including their respective subsidiaries, set out in the Valuation Reports. The Valuation Reports are defined as the Deloitte LLP prepared Comprehensive level valuation report setting out the fair market value of Veridian Holdco and the Henley

International Inc. prepared Comprehensive level valuation report setting out the fair market value of Whitby Holdco, as at December 31, 2016.

- 4 The ownership percentages were then also used, along with the Independent Assessment of Projected Synergies report, dated August 28, 2017 and prepared by Navigant Consulting Inc., each companies' financial statements and each management teams 17 year forecasts, to develop a merger model ("Merger Financial Model").
- 5 The Shareholders have retained GT to provide a fairness opinion report (the "Fairness Opinion") setting out our opinion as to whether the Offer is fair, from a financial point of view, to each of the Shareholders.
- 6 GT prepared a final fairness opinion report on November 10, 2017 concluding the Offer was fair, from a financial point of view, to each of the Shareholders. This letter was amended to reflect a change in the forecasted dividend policy, negotiated between the respective management teams and Shareholders.

Veridian LDC

- 7 Veridian LDC is a holding company with the following corporate structure:

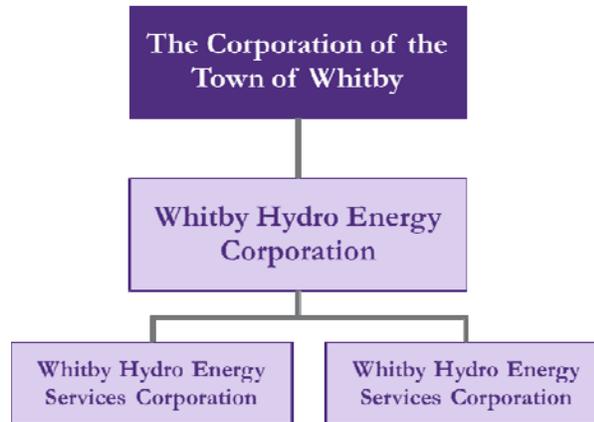


- 8 Veridian LDC is a licensed electricity distributor, whose history dates back to 1922 with the formation of Uxbridge Hydro. Over the next 80 years, many of the local distribution companies east and north of Toronto, along Lake Ontario were either acquired or merged together; including the Hydro Electric Power Commission of Belleville, Port Hope Hydro, Ajax Hydro, Brock Hydro and Pickering Hydro, Clarington Hydro, Scugog Hydro and Gravenhurst Hydro.
- 9 Veridian LDC was officially formed in 1999 with the amalgamation of Ajax, Clarington and Pickering, and in 2001 with the amalgamation of Belleville, under the Hydro-Electric Power Commission of Ontario.
- 10 Within this geographic region, Veridian LDC serves approximately 120,000 customers in throughout the Cities of Pickering and Belleville, the Towns of Ajax, Port Hope and

Gravenhurst, and the communities of Uxbridge, Bowmanville, Newcastle, Orono, Port Perry, Beaverton, Sunderland and Cannington.

Whitby Holdco

11 Whitby Holdco is a holding company with the following corporate structure:



- 12 Whitby LDC is a licensed electricity distributor, formed in 1910.
- 13 Whitby LDC has served the residents of the Town of Whitby, Brooklin and Ashburn communities, since its inception. The Town of Whitby is located along Lake Ontario.
- 14 Whitby Hydro Energy Services corporation, was formed in 2000 as a non-regulated affiliate that provides energy management and engineering services, to its customers.
- 15 Whitby LDC serves approximately 43,000 customers throughout the town of Whitby.

Engagement of Grant Thornton LLP

16 The fee to be received in relation to GT's preparation of the Fairness Opinion is based on the professional time required for GT to render the Fairness Opinion. GT's compensation for rendering the Fairness Opinion is not contingent on the result of, or on any action or event resulting from the use of, the Fairness Opinion. The effective date of our Fairness Opinion was November 10, 2017 and the effective date of our amended Fairness Opinion is March 29, 2018 (the "Report Date").

Credentials of Grant Thornton LLP

17 Grant Thornton LLP ("GT") is the Canadian member firm of Grant Thornton International Ltd ("GTIL"), one of the world's leading organizations of independent audit, tax, and advisory firms.

18 In Canada, we serve a broad range of clients, including privately-held and publicly-listed companies, financial institutions, governmental agencies, and civic and religious



organizations. Our core industry focuses include energy; financial services; manufacturing and distribution; construction, real estate and hospitality; mining; professional services; and charity and not-for-profit.

- 19 Locally, GT is also a leading financial advisor to local distribution companies and related businesses in Ontario.
- 20 Internationally, we are a firm with revenues of US\$4.2 billion, employ in excess of 35,000 people, have over 2,800 partners, which are spread out over approximately 500 offices.
- 21 The valuation practitioners involved in providing the Fairness Opinion are professionally trained, and hold Chartered Professional Accountant and Chartered Business Valuator designations.

Independence of Grant Thornton LLP

- 22 This report was prepared in conformity with the Practice Standards of the Canadian Institute of Chartered Business Valuators (“CICBV”), and in doing so the authors have acted independently and objectively.
- 23 GT has completed an internal search of its records and determined that we are independent of Veridian Holdco and Whitby Holdco. GT has informed the Shareholders that based on a conflict search, GT is not aware of any actual or perceived conflicts that could affect our ability to act impartially.
- 24 Our search concluded that, except for as noted herein, neither GT, nor any of our affiliates, is an insider, associate, or affiliate of Veridian Holdco, Whitby Holdco, or any of their respective subsidiaries, or affiliates.
- 25 There are no understandings, agreements or commitments between GT, Veridian Holdco and Whitby Holdco or any of their respective associates, subsidiaries, or affiliates with respect to any future business dealings.

Scope of Review

- 26 The Scope of Review describes the extent of and the process of collecting, confirming and reporting data. In connection with rendering our Fairness Opinion, we have reviewed and relied upon, or carried out, among other things, those items listed in Appendix A. We were provided full access to records and personnel, with no restrictions to information requested.

Assumptions and Limitations

- 27 In arriving at our Fairness Opinion, we have relied upon the following statements:
 - a The financial statements referred to under “Scope of Review” are complete in all material respects. The financial statements contain all, and reflect only those, revenues,

- expenses, assets and liabilities of Veridian Holdco, Whitby Holdco, and the relevant operating subsidiaries;
- b The Merger Financial Model referred to under “Scope of Review” is complete in all material respects. The Merger Financial Model includes all relevant entities, including all assets and liabilities;
 - c The Valuation Reports referred to under “Scope of Review” are complete in all material respects, as at the Valuation Date and include all relevant entities, including all assets and liabilities;
 - d The Independent Assessment of Synergies Report referred to under “Scope of Review” is complete and provides a reasonable and achievable estimate of the synergies NewCo could attain over the first ten years of the combined entity;
 - e GT has relied upon the completeness, accuracy and fair presentation of all the financial and other factual information, data, advice, opinions or representations obtained from public sources, Deloitte LLP’s Comprehensive Valuation Report for Veridian Holdco, Henley International Inc.’s Comprehensive Valuation Report for Whitby Holdco, Navigant International Inc.’s Independent Assessment of Projected Synergies Report and management of Veridian Holdco and Whitby Holdco (collectively, “Management”). Our conclusions are conditional upon the completeness, accuracy and fair presentation of such information. Subject to the exercise of professional judgment, GT has not attempted to verify independently the accuracy, completeness or fair presentation of the information obtained. The Fairness Opinion is conditional upon such completeness and accuracy; and
 - f At the date of this report, there were no contingent or unrecorded liabilities, environmental liabilities, litigation pending or threatened, other than in the ordinary course of business, disclosed by Veridian Holdco or Whitby Holdco, or contained in the public record.
- 28 We have made assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of GT and any party involved in the Transaction. We have rendered our Fairness Opinion on the basis of prevailing market and industry conditions and expectations, and on the condition that prospects, financial and otherwise, have been represented to GT in discussions with Management and their representatives and factored into information and analysis provided.
- 29 The preparation of a fairness opinion is a complex process and our opinion was arrived at giving consideration to our analyses viewed as a whole and is not susceptible to partial analysis.
- 30 We understand that our opinion will form a portion of the basis for each Shareholders’ vote in favour of, or against, the Transaction. We have consented to our Fairness Opinion

being referred to and included in Council presentations to be sent to the Council members. We also understand that the board of directors of Veridian Holdco and Whitby Holdco will be relying upon our Fairness Opinion to form a portion of the basis for their recommendation to the Shareholder's regarding the Transaction. We have consented to our Fairness Opinion being referred to and included in a board package to be sent to the Board members. Our report has been prepared to provide an opinion as to whether the Offer is fair, from a financial point of view, to the Shareholders. Our report is to be used in contemplation of this stated purpose only, and may not be used or relied upon by any other person, or for any other purpose without our prior written consent. The Fairness Opinion is not intended for general circulation or publication. We do not assume any responsibility or liability for losses occasioned by Veridian Holdco (including its subsidiaries), Whitby Holdco (including its subsidiaries), the Board, the Shareholders, or any other parties as a result of the circulation, reproduction, or use of our report, or its contents, in a manner contrary to the provisions of this paragraph.

- 31 The Fairness Opinion does not constitute a recommendation as to how any Council member, Shareholder representative or any Board member should vote or act on any matter relating to the Transaction. It is not to be interpreted as a recommendation to accept or reject the Offer nor does it provide assurance that the best possible price was obtained.
- 32 No opinion, advice or interpretation is intended in matters that require legal or other appropriate professional advice, and we have not provided such advice to the Shareholder or to the Board.
- 33 It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.
- 34 GT disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which would have been known or expected to be known as at the date of the Fairness Opinion, but which may come to our attention after the Report Date. We reserve the right (but will be under no obligation) to review our Fairness Opinion and, if we consider it necessary, to revise, modify, or withdraw our conclusion in light of any information existing at our Report Date that becomes subsequently known to us, or if we learn that any information we relied upon in preparing our conclusions was inaccurate, incomplete or misleading in any material respect.

Methodology Applied and Factors Considered in Performing our Fairness Analysis

- 35 The assessment of the fairness of the Transaction, from a financial point of view, must be determined in the context of the Transaction. Briefly described, in considering the fairness of the Transaction, from a financial point of view to the Shareholders, we have considered a number of matters including, but not limited to, the following:



- 36 Deloitte LLP prepared a Comprehensive level valuation report for Veridian Holdco while Henley International Inc., prepared a Comprehensive level valuation report for Whitby Holdco, as at December 31, 2016. Each valuation report included both the LDCs, as well as the respective affiliate businesses included as part of the Transaction. We reviewed both Valuation Reports and considered the conclusions reached in both to be reasonable. We would note that the determination of the fair market value of the equity for both Veridian Holdco and Whitby Holdco were determined based in a merger context and shall mean fair market value without consideration of merger synergies.
- 37 Reviewed, analyzed, and recalculated the respective ownership percentages attributable to the Shareholders of Veridian Holdco and Whitby Holdco in relation to the post-merger entity based on the valuation conclusions in each of the Valuation Reports;
- 38 Researched the industries in which Veridian Holdco and Whitby Holdco do business and assessed the impact of economic trends and outlook on the performance of Veridian Holdco, Whitby Holdco, and the relevant operating subsidiaries;
- 39 Reviewed valuation metrics of publicly traded comparable companies;
- 40 Reviewed the Independent Assessment of Projected Synergies Report, dated August 28, 2017 and prepared by Navigant Consulting Inc.;
- 41 Reviewed valuation metrics implied in transactions involving companies we deemed to be reasonably comparable to Veridian Holdco, Whitby Holdco and their operating subsidiaries; and
- 42 Considered our experience in valuing businesses similar to Veridian Holdco and Whitby Holdco;
- 43 Reviewed and analyzed the proposed draft Amended and Restated Shareholders Agreement to be dated as of the Transaction closing date and the proposed draft Merger Agreement dated March 27, 2018, collectively referred to as the “Agreements”); and
- 44 Prepared the Merger Financial Model, that incorporates certain financial information from the following sources: (1) the Valuation Reports; (2) the most recent audited statements of both Veridian Holdco and Whitby Holdco; (3) the Independent Assessment of Projected Synergies Report; and (4) the management prepared pro forma statements (including Income Statement, Balance Sheets, Cashflow statements, capital expenditure budgets, rate forecasts, etc).



Conclusion

45 Based upon and subject to the foregoing, we are of the opinion that, as at the date hereof, the Merger Agreement is fair, from a financial point of view, to the Shareholders.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Troy MacDonald".

Troy MacDonald, CPA, CA, CBV
Partner, Transactions



Appendix A – Scope of Review

- a Project Taunton Merger Financial Model, dated January 12, 2018.
- b Seventeen year forecasts prepared by both Veridian Holdco management and Whitby Holdco management.
- c Draft Shareholders' Agreement to be dated as of the Transaction closing date.
- d Draft Merger Agreement dated March 29, 2018.
- e Externally prepared annual financial statements of Veridian Holdco, Whitby Holdco, and their respective subsidiaries.
- f Veridian Holdco Comprehensive Valuation Report, as at December 31, 2016, dated November 10, 2017, prepared by Deloitte LLP.
- g Whitby Holdco Comprehensive Valuation Report, as at December 31, 2016, dated November 10, 2017, prepared by Henley International Inc.
- h Independent Assessment of Projected Synergies Report, dated August 28, 2017 and prepared by Navigant Consulting Inc.
- i General research pertaining to the economy, industry, and companies. This research included a number of Capital IQ searches, as well as a review of industry reports related to electricity distribution in Canada.
- j Discussions with Management of both the Veridian Holdco and Whitby Holdco.
- k We discussed with Management the past and future operations of the LDCs and other subsidiaries, pricing, cost, and the state of each entity's respective industry. In keeping with our terms of reference, we completed limited review, analysis and corroboration of this information provided by Management.
- l Various contracts relating to the operations of Veridian Holdco and Whitby Holdco (including subsidiaries).